# HIGHER ASPIRATIONS, BROADER HORIZONS 2015

HIGHER ASPIRATIONS, **BROADER HORIZONS**

TEE Land Limited Annual Report 2015

TEE LAND

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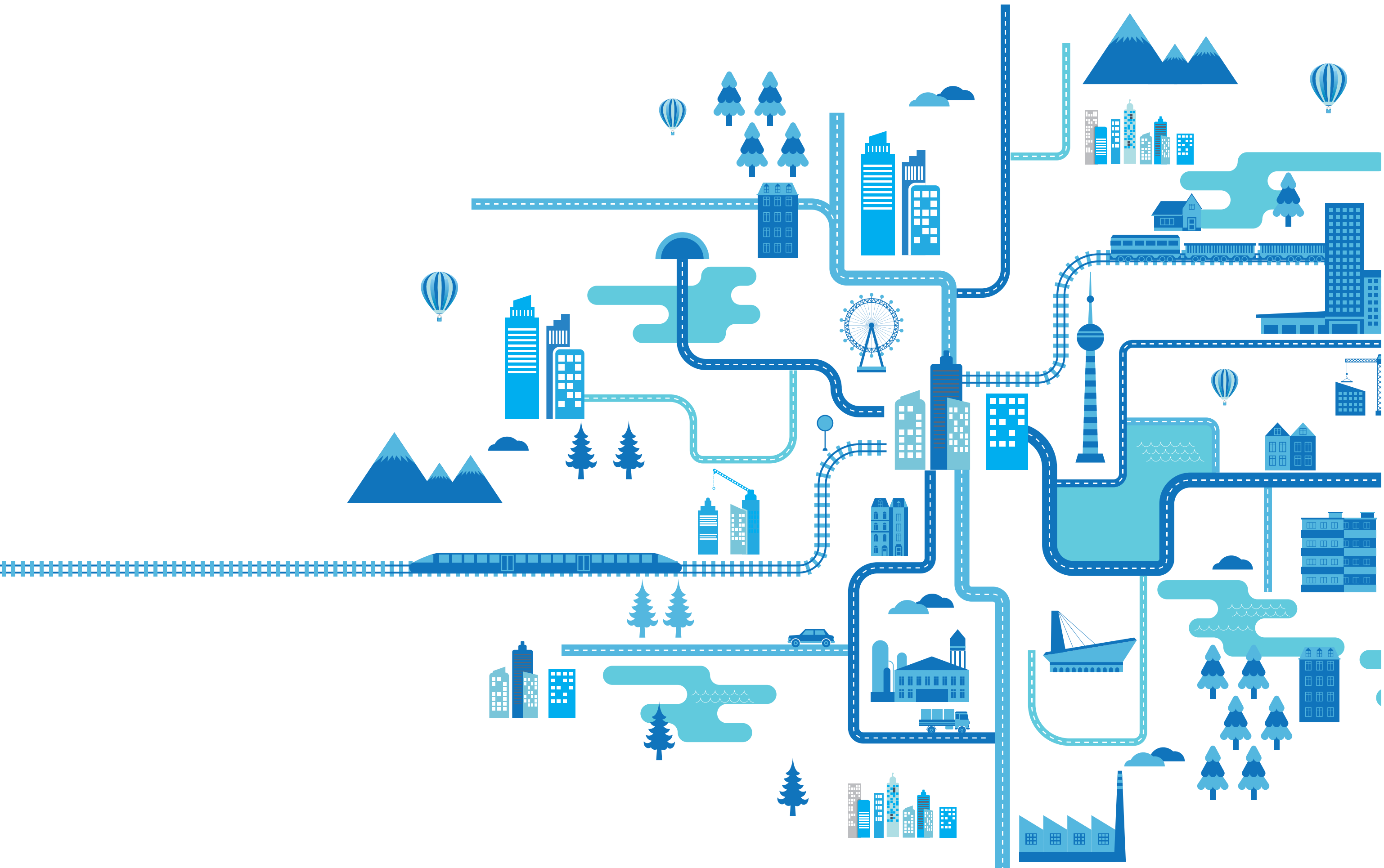
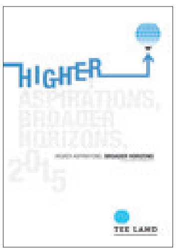





### ABOUT THE 2015 ANNUAL REPORT

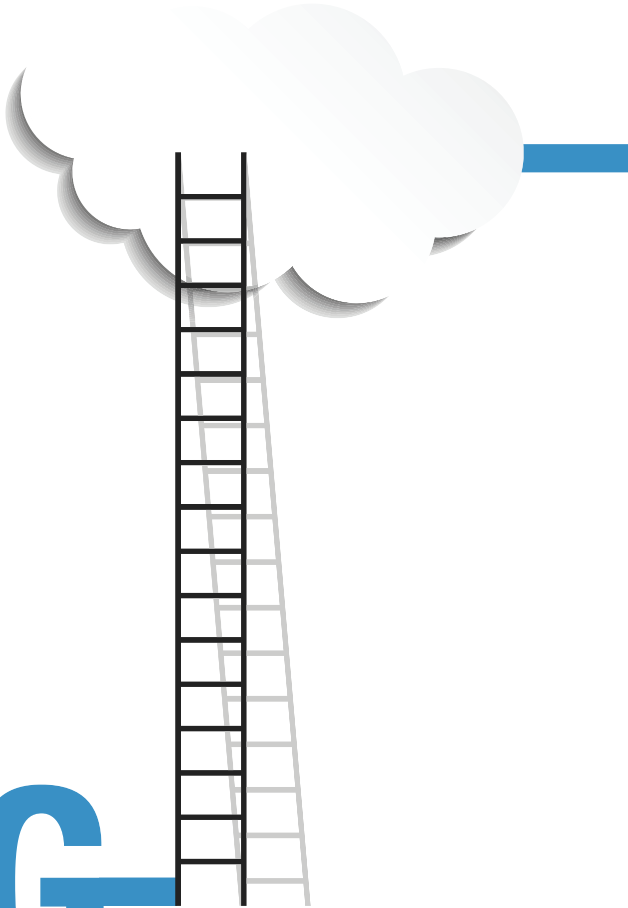
The theme conveys TEE Land's aspirations to achieve higher growth by venturing beyond Singapore and to other markets where we see manifold growth potential and development opportunities. Through its regionalisation strategy, TEE Land aspires to create a balanced portfolio, strengthen partnerships and drive sustainable growth.

# HIGHER ASPIRATIONS, BROADER HORIZONS

Ever committed to driving growth, TEE Land aims to reach further and expand its horizons.

**AUSTRALIA • MALAYSIA • NEW ZEALAND • SINGAPORE • THAILAND**

Integral to our growth strategy is seeking investment opportunities and extending our presence in the region. As we continue our regionalisation journey, we are determined to push all boundaries – to always surpass the level of excellence we uphold wherever we go.



# RAISING OUR BENCHMARKS

Through our integrated operations, proven expertise and strong capabilities, we wish to further elevate our operational and quality standards and be able to execute our development projects swiftly.

# CORPORATE PROFILE

TEE Land Limited ("TEE Land" or "the Group") is a regional real estate developer and investor, with a growing presence in Singapore, Malaysia, Thailand, Australia and New Zealand. The Group undertakes residential, commercial and industrial property development projects, as well as, invests in income-generating properties such as hotels in Australia and short-term accommodation in New Zealand.

TEE Land is an established property developer with a strong track record of delivering quality and well-designed living and working spaces that harmonise societies, businesses and people. Our property development projects are pre-dominantly freehold in tenure and are targeted at middle-to-high income consumers who value exclusivity in good locations.

TEE Land was incorporated in 2012 and listed on the main board of the Singapore Exchange in 2013. The company is a subsidiary of SGX Mainboard listed TEE International Limited.

## OUR VISION

Our vision is to create living and working spaces that harmonise societies, businesses and people. We aspire to develop homes which resonate with consummate lifestyle choices, as well as industrial, commercial and hospitality properties which reflect the needs of the local community.

# AMPLIFYING OUR DRIVE

What keeps us going at TEE Land is our never-ending pursuit of excellence. Through good times and bad, we have proven that, with our collective talents and dedication, we can transcend our limits and achieve more.


**TEE Building**
*Artist Impression*

**Rezi 3Two**
*Artist Impression*

# Elevating Quality Standards in Our **Singapore Projects**


**Aura 83**

# EXTENDING OUR FOOTHOLD

Recognising the manifold development and investment prospects beyond Singapore, we continue to reach out to other territories in the region to diversify our growth channels and open new doors of opportunity.

**Chewathai Interchange, Thailand**
*Artist Impression*

**Third Avenue, Malaysia**
*Artist Impression*

# Making Our Mark Of Excellence in Our **Overseas Projects**

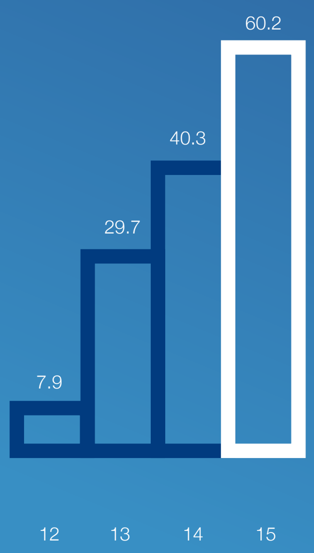
**Hallmark Ngamwongwan, Thailand**

**Hallmark Chaengwattana, Thailand**
*Artist Impression*

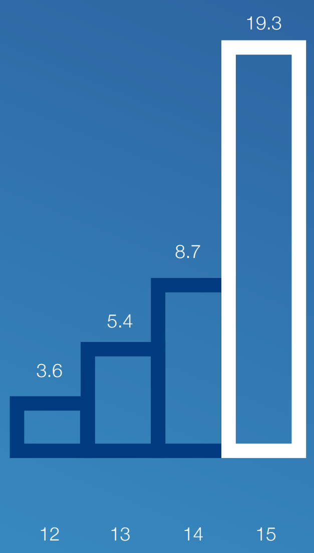
# FINANCIAL HIGHLIGHTS

## THE YEAR'S KEY FIGURES

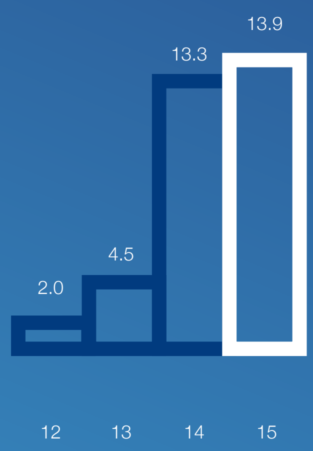
### 2015: THE PERFORMANCE INDICATORS



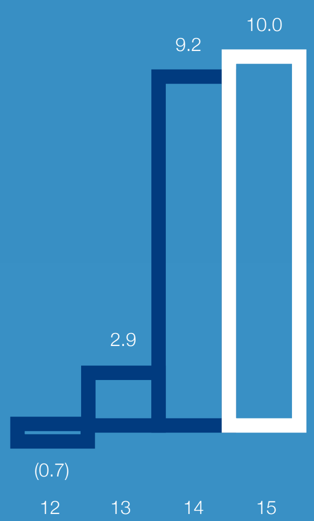

Revenue
(S$'m)



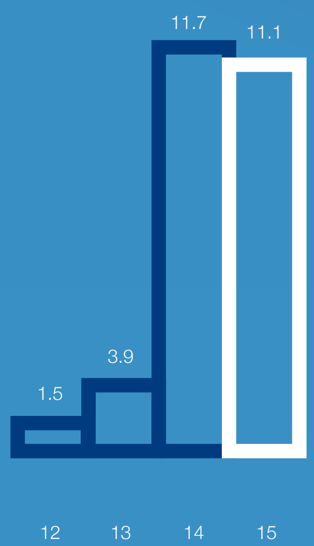

Gross Profit
(S$'m)




EBIT
(S$'m)



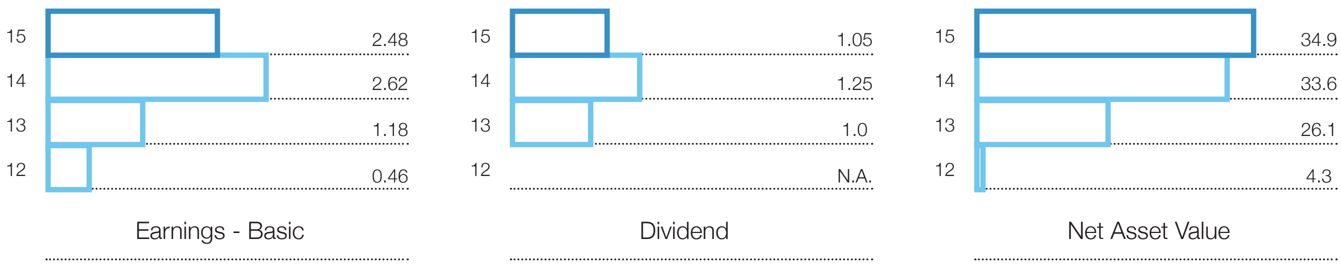

Share of Associates
(S$'m)



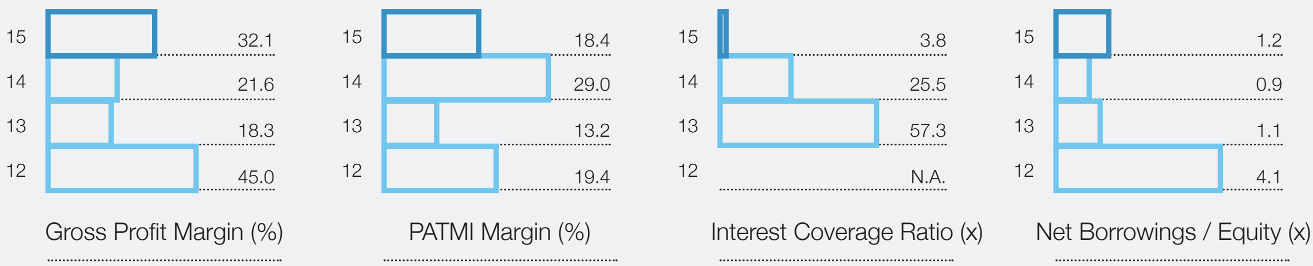

PATMI
(S$'m)

# FINANCIAL HIGHLIGHTS

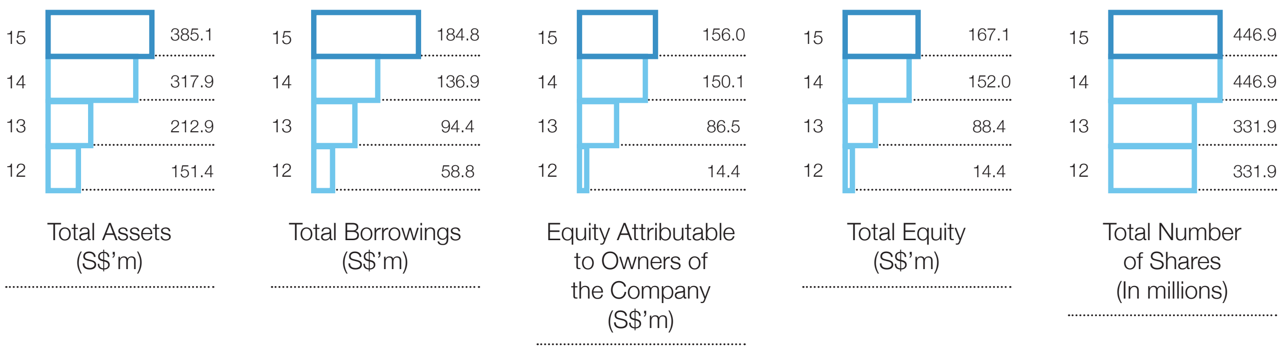
## PER SHARE (CENTS)




## FINANCIAL RATIOS




## AT YEAR-END



# MESSAGE TO SHAREHOLDERS

## AIMING HIGHER, GROWING STRONGER

**PHUA CHER CHEW**
Executive Director and CEO

**ER. DR. LEE BEE WAH**
Non-Executive Chairman

The real estate market, as a whole, faces various challenges. It is imperative for us to stay nimble and adapt our business model accordingly, so as to forge a sustainable business for the long term. It is our mission to grow our revenue and margins, therefore we make investments necessary for future growth. The foundation of a viable revenue model comprises growth from real estate development and recurrent revenue from property investment. Today, TEE Land is not only a regional real estate developer. We are also an investor of regional income-generating assets.

### EXTENDING OUR HORIZONS

Our emphasis for growth has been in the area of regional expansion. Having embarked on a regionalisation strategy in 2008, we have significantly deepened our presence in the overseas markets where we are confident of the long term growth prospects. These markets include Malaysia, Thailand, Australia and New Zealand.

We have over the years, established ourselves as a developer who builds quality homes that are well-located, be it in Singapore or in the overseas markets. Such developments have garnered sustained support from local home buyers who are not speculative in nature. In FY2015, sales launches in Malaysia and Singapore have progressed well as we observed a good take up of the residential units at Third Avenue in Cyberjaya, Malaysia and Hilbre28 in Singapore.

We have increased our land bank and commenced development of residential and industrial projects in Thailand. To date, we have completed five projects, with four ongoing projects in the pipeline. The outlook of Thailand's property sector remains positive as our primary focus is on developing property projects that cater to local buyers. TEE Land continues to take a long term view on the Thai market.

We have launched two residential projects in Bangkok recently, namely, Chewathai Interchange and Chewathai Residence Bang Pho. Chewathai Residence Bang Pho is a luxury development located in northern Bangkok, and a short distance to the Chao Phraya River. This freehold condominium is located just 80 metres from the soon-to-be-completed Bang Pho MRT station. It is also just one station

# MESSAGE TO SHAREHOLDERS

away from Tao Poon MRT Interchange, where Chewathai Interchange is located. Sales of Chewathai Interchange has been strong, with approximately 90% of the project sold till date.

## DRIVING GROWTH AND SUSTAINABILITY

In terms of building our property investment portfolio, we have acquired a second hotel, now rebranded as, the Larmont Hotel in Sydney, Australia. This is in addition to the Thistle Guest House, which we had also acquired in New Zealand in FY2015. We continue to find avenues of growth in developed markets like Australia and New Zealand, where we are able to acquire assets with redevelopment potential at a reasonable value.

Like a diamond in the rough, we carried out remodelling works for our first hotel, now rebranded as, Quality Hotel CKS Sydney Airport, to upgrade its guest rooms and common areas. Following the completion of the remodelling works, we expect to adjust its room rates upwards, thereby, enhancing its returns. We will also be refreshing the guest rooms at the Larmont Hotel in the coming months. Going forward, we will replicate this model of acquiring mid-tier boutique hotels, refurbishing it, and improving the yield of returns.

Presently, our diversified portfolio of assets across the region has helped the Group to mitigate against a downturn in any one market. We remain focused on identifying good quality assets to acquire and invest in, while at the same time, exercising prudence in new acquisitions.

## ACHIEVING HIGHER ASPIRATIONS

TEE Land is committed to upholding good corporate governance. In FY2015, TEE Land was awarded Runner Up of the 15th SIAS Investors' Choice Awards "Most Transparent Company Award 2014", New Issues Category. We will remain steadfast in maintaining good transparency practices to ensure timely and adequate disclosures. Furthermore, we have pledged our support towards board diversity as a key attribute of a well-functioning and effective Board.

In Malaysia, we are pleased that our flagship project Third Avenue had won the "Most Iconic Mixed Development in Cyberjaya" at the Malaysian Reserve Property Press Awards 2014. This is an endorsement of our commitment towards creating living and working spaces with complete lifestyle choices. Third Avenue marks TEE Land's first foray into Malaysia and we will create an architectural landmark designed for lifestyle living within the heart of Cyberjaya.

During the year, the Group has also made progress in preparations for the listing of Chewathai, which had filed its listing application to be listed on the Market for Alternative Investment in May 2015. This corporate development is a strategic move for TEE Land, as our business in Thailand had gained traction and it is now ready to scale up for the next level of growth.

## EMBRACING THE FUTURE

The global economic and business environment is changing rapidly. At TEE Land, we understand the business culture in the markets we operate in, and we are collaborating with strong local partners in each market. TEE Land's development projects are thoughtfully designed to suit the needs of our buyers, and our attention to details is what makes us different.

Moving ahead, we will be preparing to launch new development projects in Singapore and Thailand. Formerly known as the "Longhouse", this historic food centre will be developed into an iconic residential and commercial mixed development based in an attractive locale. The launch of this project is expected to take place in FY2016. In Thailand, we will progressively launch new projects over the year.

## CONTINUING COMMITMENT TO OUR STAKEHOLDERS

The Board of Directors have recommended a final dividend of 0.61 Singapore cents per share, subject to shareholders' approval. This, coupled with the interim dividend of 0.44 Singapore cents per share would lift our total dividends for the year to 1.05 Singapore cents per share.

This year, our parent company, TEE International Limited had completed the dividend in specie of TEE Land's shares to their shareholders. Upon the completion of this exercise, TEE Land has now an enlarged shareholder base. We would like to take this opportunity to welcome our new shareholders.

On behalf of the Board, we would like to thank all stakeholders for their continued support for the Group – shareholders, customers, business partners, management team and employees. With continued support from our stakeholders and a strong management team in place, we are on a relentless pursuit to achieving higher aspirations and expanding broader horizons for the future.

Er. Dr. Lee Bee Wah
Non-Executive Chairman

Phua Cher Chew
Executive Director and Chief Executive Officer

# OPERATING AND FINANCIAL REVIEW

## Competitive Strengths

## HARNESSING STRONG FUNDAMENTALS

### 1 EXPERIENCED DEVELOPER IN SINGAPORE

Singapore continues to be the foundation of the Group's business. To date in Singapore, the Group has completed 10 projects. The Group has another 18 projects currently being launched and/or under construction, including joint venture projects in Singapore and the region.

The Group has demonstrated a good track record in securing well located land at reasonable prices via various channels. We will stay disciplined and focused on our core strategy and thorough in our evaluation of new business opportunities.

A LOOK AT OUR NUMBERS REGIONALLY

**18** PROJECTS

CURRENT

**18** PROJECTS

COMPLETED

### 2 GROWING BEYOND SINGAPORE

TEE Land is a regional developer and investor with a growing presence in Malaysia, Thailand, Australia and New Zealand. TEE Land develops property for residential, commercial and industrial use, as well as, invests in hotels in Australia and short-term accommodation in New Zealand, which contribute recurring income streams.

As a growth oriented company, TEE Land is constantly on the lookout for investment opportunities both locally and regionally, while seeking to establish a balanced portfolio of projects across both geographical regions and asset types to mitigate market risks.

# OPERATING AND FINANCIAL REVIEW

## 3 DELIVER QUALITY DEVELOPMENTS

The Group is recognised for providing quality homes that delight buyers. We have a proven track record of creating living and working spaces that harmonise societies, businesses and people. The Group endeavours to deliver quality, reliability and value to home buyers, as well as provide integrated business solutions for enterprises in industrial and commercial development.

Most importantly, the Group firmly believes in developing products to serve the local community, be it in Singapore, Thailand or Malaysia. The Group adopts a different product and pricing strategy for different markets in response to the local demand and affordability. Where possible, the Group seeks to replicate and adapt similar products or concepts that have been successful in Singapore to overseas projects.

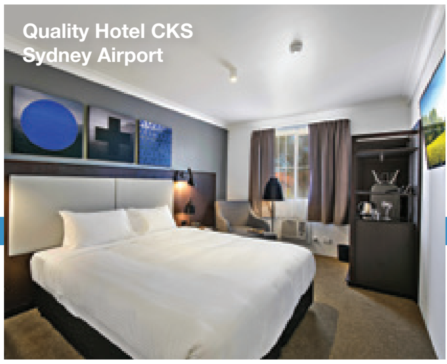
## 4 LEVERAGE ON TEE GROUP NETWORK

As part of the TEE Group, TEE Land is underpinned by a shared heritage of success. This performance-based culture is supported by a forward-looking management and a diverse talent workforce, which are focused on enhancing shareholder value.

Leveraging on the TEE Group network with its experience and engineering expertise, TEE Land is able to provide an integrated service from land acquisition, design and construction to suit end users' needs. With an established network comprising of professionals and consultants, the Group is able to deliver quality and innovative developments.


We have a proven track record of creating living and working spaces that harmonise societies, businesses and people.

# OPERATING AND FINANCIAL REVIEW






## Completed Projects

| DEVELOPMENT | DESCRIPTION | TOP/COMPLETION DATE |
|---|---|---|
| **SINGAPORE** | | |
| **TEE Building** | TEE Building is a redevelopment of the 6-storey industry building at 25 Bukit Batok Street 22. | May 2015 |
| **Aura 83** | Aura 83 comprises 2 blocks of 5-storey residential development of 51 units with communal facilities situated at 83 Duku Road. | May 2015 |
| **The Boutiq** | The Boutiq is a 10-storey residential development comprising 130 units with communal facilities situated at 145 Killiney Road. (Joint Venture) | October 2014 |
| **The Peak @ Cairnhill I** | The Peak @ Cairnhill I is a 15-storey residential development comprising 52 units with communal facilities situated at 51 Cairnhill Circle. (Joint Venture) | September 2014 |
| **THAILAND** | | |
| **Hallmark Ngamwongwan** | Hallmark Ngamwongwan comprises 4 blocks of 8-storey condominium of 792 units with communal facilities situated at Soi Duangmanee, Ngamwongwan Road, Bangken, Nonthaburi, Thailand. (Joint Venture) | March 2015 |
| **NEW ZEALAND** | | |
| **Thistle Guest House** | Thistle Guest House provides quality home-style accommodation to travelers on a budget. It comprises 10 private rooms with a mix of single, double, twin and triple room types and is situated at 21 Main North Road, Christchurch, New Zealand. Nearby amenities include banks, supermarkets and restaurants. (Joint Venture) | March 2015 |
| **AUSTRALIA** | | |
| **Quality Hotel CKS Sydney Airport** | Quality Hotel CKS Sydney Airport has been upgraded to a 4-star hotel comprising 121 rooms with facilities including meeting rooms, a restaurant and a bar. It is located at 33 Levey Street, Wolli Creek, New South Wales. (Joint Venture) | April 2015 |

# OPERATING AND FINANCIAL REVIEW

## Current (Ongoing projects)

| DEVELOPMENT | DESCRIPTION |
|---|---|
| **SINGAPORE** | |
| **RESIDENTIAL** | |
| **Hilbre28** | Hilbre28 is a 5-storey residential development comprising 28 units with communal facilities situated at 68 Hillside Drive. |
| **Sky Green** | Sky Green comprises 2 blocks of 16-storey residential development of 176 units with communal facilities situated at 568 Macpherson Road.<br>(Joint Venture) |
| **Palacio** | Palacio is a luxury 3-storey cluster terrace house development with a private pool and a cozy attic comprising 21 units situated at Lorong M Telok Kurau in District 15.<br>(Joint Venture) |
| **The Peak @ Cairnhill II** | The Peak @ Cairnhill II is an 18-storey residential development comprising 60 units with communal facilities situated at 61 Cairnhill Circle.<br>(Joint Venture) |
| **Rezi 26** | Rezi 26 comprises 2 blocks of 7 and 8-storey residential development of 106 units with communal facilities situated at Geylang, Lorong 26.<br>(Joint Venture) |
| **Rezi 3Two** | Rezi 3Two is an 8-storey residential development comprising 65 units with communal facilities situated at Geylang, Lorong 32.<br>(Joint Venture) |
| **COMMERCIAL** | |
| **Trio** | Trio is a 4-storey commercial development comprising 43 units with 2-storey basement carparks situated at 11 Sam Leong Road.<br>(Joint Venture) |
| **MIXED DEVELOPMENT** | |
| **Hexacube** | Hexacube is a redevelopment of a 5-storey office building with retail units and 2-storey basement carparks situated at 160 Changi Road.<br>(Joint Venture) |
| **NeWest** | NeWest is a 12-storey mixed development comprising of 59 apartments, 71 triplex and 141 shops with communal facilities situated at 1 & 3 West Coast Drive.<br>(Joint Venture ) |
| **Floraville, Flora Vista, Floraview** | Floraville is a 4-storey residential development comprising 50 units with communal facilities situated at 2 Cactus Road. Flora Vista and Floraview consist of 3 blocks of 4-storey mixed development comprising 90 residential and 28 commercial units with communal facilities situated at Cactus Road.<br>(Joint Venture) |


Hilbre28
*Artist Impression*


Hilbre28
*Artist Impression*

# OPERATING AND FINANCIAL REVIEW

**Chewathai Residence Bang Pho**
*Artist Impression*

**Chewathai Residence Bang Pho**
*Artist Impression*

**Chewathai Residence Bang Pho**
*Artist Impression*

## Current (Ongoing projects)

| DEVELOPMENT | DESCRIPTION |
|---|---|
| **THAILAND** | |
| **Chewathai RBF 2** | Chewathai RBF 2 comprises 4 ready-built factories for lease situated at Amata City Industrial Estate with land area of approximately 21,792 sqm. (Joint Venture) |
| **Chewathai Residence Bang Pho** | Chewathai Residence Bang Pho is a 24-storey condominium comprising 172 units with communal facilities situated at Pracharat Sai 2 Road, Bangsua, Bangkok, Thailand. (Joint Venture) |
| **Chewathai Interchange** | Chewathai Interchange is a 26-storey condominium comprising 279 units with communal facilities situated at Pracharat Sai 2 Road, Bangsua, Bangkok, Thailand. (Joint Venture) |
| **Hallmark Chaengwattana** | Hallmark Chaengwattana comprises 2 blocks of 8-storey condominium of 427 units with communal facilities situated at Chaengwattana Road, Park Kred District, Nonthaburi, Thailand. (Joint Venture) |

# OPERATING AND FINANCIAL REVIEW

## Current (Ongoing projects)

| DEVELOPMENT | DESCRIPTION |
|---|---|
| **MALAYSIA** | |
| Third Avenue | Third Avenue comprises 2 SOHO towers (701 units), 31 units of retail shops and 1 corporate office tower with Skybridge and Sky Concourse nestled in the Multimedia Super Corridor (MSC) in Cyberjaya, Malaysia. |
| **VIETNAM** | |
| Peach Garden | Vacant plot of commercial land situated at Phu Huu Ward, District 9, Ho Chi Minh City. 50 Years Leasehold. |
| **AUSTRALIA** | |
| Larmont Hotel | Larmont Hotel is a 4-star boutique hotel comprising 76 rooms with facilities including meeting rooms, restaurant and bar, situated at 2-14 Kings Road, Potts Point 2011, Sydney, Australia.<br>(Joint Venture) |


**Trio**
*Artist Impression*

**Rezi 3Two**
*Artist Impression*

## Upcoming Project

| DEVELOPMENT | DESCRIPTION |
|---|---|
| **SINGAPORE** | |
| Upper Thomson Road | Proposed mixed development (residential, retail and F&B) with a 2-storey basement carpark situated at Upper Thomson Road. |

# OPERATING AND FINANCIAL REVIEW

## INCOME STATEMENT

### REVENUE

Revenue for the financial year ended 31 May 2015 ("FY2015") increased by S$19.9 million (49.3%) from S$40.3 million in FY2014 to S$60.2 million in FY2015. This was due mainly to revenue recognised for Aura 83, which was fully sold, as the project was completed in May 2015. Revenue was recognised progressively for our development project in Malaysia, and revenue was also generated from our two newly acquired hotels in Australia in the fourth quarter ("Q4") (March 2015 to May 2015). This was in comparison to revenue recognised progressively for three development projects in FY2014.

### COST OF SALES

Cost of sales for FY2015 increased by S$9.3 million (29.4%) from S$31.6 million in FY2014 to S$40.9 million in FY2015 in line with the increase in revenue. Gross margin improved from 21.6% in FY2014 to 32.1% in FY2015. This was due mainly to better margins from ongoing development projects in FY2015 compared to FY2014, cost savings from completed development projects in FY2015 and better margins from the contribution for the two hotels in Australia.

### OTHER OPERATING INCOME

Other operating income for FY2015 decreased by S$1.1 million (28.5%) from S$3.8 million in FY2014 to S$2.7 million in FY2015 due mainly to lower fair value gain on investment property recognised in FY2015.

### SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for FY2015 increased by S$1.1 million (85.0%) from S$1.2 million in FY2014 to S$2.3 million in FY2015 due mainly to higher revenue recognised progressively for development projects in FY2015.

### ADMINISTRATIVE EXPENSES

Administrative expenses for FY2015 increased by S$4.1 million (74.2%) from S$5.5 million in FY2014 to S$9.6 million in FY2015, due mainly to administrative expenses, including depreciation for our two hotels in Australia, depreciation expense (mainly for our Malaysian property development project), staff costs and professional fees in FY2015.

### OTHER OPERATING EXPENSES

Other operating expenses for FY2015 increased by S$4.6 million (288.9%), from S$1.6 million in FY2014 to S$6.2 million in FY2015 due mainly to full allowance being made for a deposit for purchase of land in Malaysia, where the vendor failed to meet certain conditions precedent and our Malaysian subsidiary terminated the purchase contract and took legal action to recover the deposit paid in FY2015. The unrealised foreign exchange loss arising from the depreciation of the Australian Dollar and Malaysian Ringgit against the Singapore Dollar added to the increase in other operating expenses in FY2015.

### SHARE OF RESULTS OF ASSOCIATED COMPANIES

Share of results of associated companies for FY2015 increased by 9.2%, from S$9.2 million in FY2014 to S$10.0 million in FY2015 due mainly to positive contribution from our associated companies as construction of development projects progressed in FY2015.

### FINANCE COSTS

Finance costs for FY2015 increased by S$3.1 million, from S$0.5 million in FY2014 to S$3.6 million in FY2015 due mainly to loans for the acquisition of our hotels in Australia and the Medium Term Notes ("MTN") of S$30.0 million raised in October 2014.

### PROFIT BEFORE TAX

Profit before tax for FY2015 decreased by S$2.6 million (20.0%), from S$12.8 million in FY2014 to S$10.2 million in FY2015.

### TAX EXPENSES

Tax expenses for FY2015 were higher compared to FY2014 due mainly to non-allowable expenses including in particular the full allowance for impairment on the deposit for purchase of land in Malaysia as described aforementioned.

### PROFIT AFTER TAX

Overall, profit after tax for FY2015 decreased by 23.5%, from S$11.7 million in FY2014 to S$9.0 million in FY2015.

## BALANCE SHEET

### CASH AND BANK BALANCES

Cash and bank balances decreased from S$25.9 million as at 31 May 2014 to S$18.6 million as at 31 May 2015. This was due largely to funds from net proceeds received from the issuance of the Medium Term Notes, net drawdown of bank loans and net repayment of loans by associated companies. The funds were mainly used for acquisition of the two hotels in Australia and three apartments in Bangkok and payment of construction cost for our corporate building.

### TRADE RECEIVABLES

Trade receivables increased from S$16.7 million as at 31 May 2014 to S$37.8 million as at 31 May 2015 due mainly to receivables from Aura 83 as the project was completed in May 2015.

### OTHER RECEIVABLES

Other receivables (current and non-current) increased from S$22.3 million as at 31 May 2014 to S$27.4 million as at 31 May 2015 due mainly to deferred direct selling expenses for our Malaysian development project, increase in loan interest receivable from associated companies and receivables from joint venture partners, offset by the full allowance for impairment on the deposit for the purchase of land in Malaysia.

# OPERATING AND FINANCIAL REVIEW

### LOANS RECEIVABLE FROM ASSOCIATED COMPANIES

Loans receivable from associated companies (current and non-current) decreased from S$48.0 million as at 31 May 2014 to S$35.0 million as at 31 May 2015. This was due mainly to repayment of loans by associated companies.

### DEVELOPMENT PROPERTIES

Development properties decreased from S$157.9 million as at 31 May 2014 to S$122.7 million as at 31 May 2015, due mainly to full recognition of development property cost for Aura 83 as the project was completed in May 2015, and transfer of development property cost to completed property held for sale for Peak I @ Cairnhill, as the project was completed in FY2015. This also resulted in completed properties held for sale increasing from S$1.2 million as at 31 May 2014 to S$15.0 million as at 31 May 2015.

### INVESTMENT IN ASSOCIATED COMPANIES

Investment in associated companies increased from S$23.6 million as at 31 May 2014 to S$36.1 million as at 31 May 2015 due mainly to share of profits from associated companies and increase in equity in our Thai associated company.

### PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment increased from S$12.1 million as at 31 May 2014 to S$79.2 million as at 31 May 2015 due mainly to the two newly acquired hotels in Australia and progress payments of construction cost for the corporate building at 25 Bukit Batok Street 22.

### INVESTMENT PROPERTIES

Investment properties increased from S$10.1 million as at 31 May 2014 to S$12.0 million as at 31 May 2015. This was due mainly to the acquisition of the guest house in New Zealand and three condominium units in Bangkok. The investment properties were revalued at fair value based on independent professional valuation at financial year-end in accordance with the Group's accounting policy.

### BANK LOANS

Bank loans decreased from S$13.4 million as at 31 May 2014 to S$11.5 million as at 31 May 2015 due mainly to the repayment of a New Zealand loan, which was re-financed as a long-term loan (S$5.9 million), offset by an increase in new borrowing of S$4.0 million.

### TRADE PAYABLES

Trade payables increased from S$5.4 million as at 31 May 2014 to S$8.6 million as at 31 May 2015 due mainly to construction costs for the corporate building and ongoing development projects.

### LONG-TERM BANK LOANS

Long-term bank loans (current and non-current) increased from S$119.4 million as at 31 May 2014 to S$139.6 million as at 31 May 2015, due mainly to loans borrowed for the acquisition of the two Australian hotels, offset by repayment of loans for development projects completed.

### FINANCIAL GUARANTEE LIABILITIES

Financial guarantee liabilities (current and non-current) of S$0.8 million as at 31 May 2015 relate to corporate guarantees given for joint venture development projects.

### TERM NOTES

The term notes of S$29.6 million as at 31 May 2015 was for Tranche 1 (S$30 million) of the MTN Programme raised in October 2014, offset by the issuance cost.

## STATEMENT OF CASH FLOWS

### OPERATING ACTIVITIES

For FY2015, a net cash of S$1.8 million was used in operating activities. This was due mainly to increase in receivables, and completed property and land held for sale, offset to some extent by decrease in development properties and increase in trade payables.

### INVESTING ACTIVITIES

Net cash used in investing activities for FY2015 was S$60.1 million, mainly due to purchase of property, plant and equipment, which included our two hotels in Australia, purchase of investment properties and additional investment in our Thai associated company. This was offset to some extent by the net repayment of loans receivable from associated companies.

### FINANCING ACTIVITIES

For FY2015, net cash of S$53.8 million was generated from financing activities. This was due mainly to the net proceeds received from the issuance of term notes, net drawdown of bank loans and long-term bank loans, and deemed capital injection by non-controlling interests, offset to some extent by the payment of dividends.

### CASH AND CASH EQUIVALENTS

As a result of the above cash flow activities, there was a net decrease in cash and cash equivalents of S$8.2 million for FY2015, thereby bringing the total cash and cash equivalents amount, excluding fixed deposit pledged, to S$18.0 million as at 31 May 2015. Including fixed deposit pledged, the total cash and cash equivalents as at 31 May 2015 amounted to S$18.6 million.

# BOARD OF DIRECTORS


**1. Er. Dr. Lee Bee Wah**
Non-Executive Chairman and Independent Director

Er. Dr. Lee is a Licensed Professional Engineer who made history at the Institution of Engineers Singapore (IES) by becoming its first woman Vice-President in 2000. Later she assumed the presidency and was IES first woman President in 2008. She is also the first Singaporean to be awarded Honorary Fellow of the Institution of Structural Engineers ("IStructE") in the United Kingdom.

She is a Fellow Member of the Institution of Engineers Singapore and a Board Member of the Professional Engineers Board, Singapore. She holds a Master of Science (Engineering) from the University of Liverpool, UK and a Bachelor of Civil Engineering from Nanyang Technological University. She was conferred Honorary Doctorate by The University of Liverpool in July 2011.

Er. Dr. Lee is currently the Group Director of Meinhardt (Singapore) Pte. Ltd., a leading global engineering, planning and management consultancy firm headquartered in Singapore. Prior to this, she was the Principal Partner of LBW Consultants LLP, before the acquisition by Meinhardt Group.

She was appointed as Independent Director with the Koh Brothers Group Limited on 1 July 2015.

Er. Dr. Lee is an elected Member of Parliament (MP) since 2006 and is currently an MP for Nee Soon GRC. As an MP, she has brought up many issues in Parliament to improve the standing of the engineering profession in Singapore. These ranged from the salaries of engineers to the implementation of green engineering in building structures.

Er. Dr. Lee was President of the Singapore Table Tennis Association (STTA) from 2008 to 2014. During her tenure, STTA has put Singapore on the global sporting map, winning regional and international awards, including medals in the 2008 Beijing Summer Olympics and in the 2012 London Olympics. She is currently Adviser to the Singapore Table Tennis Association (STTA) and Singapore Swimming Association (SSA) since 2014.

**2. Mr. Phua Cher Chew**
Executive Director and CEO

Mr. Phua Cher Chew is our Executive Director and CEO. He joined TEE International's real estate division in July 2007 and has held the positions of general manager, executive director and managing director for real estate. Throughout his tenure, he has been instrumental in our Group's rapid growth, leading to the expansion of our business and operations.

# BOARD OF DIRECTORS

Prior to his appointment in TEE International, he worked in Trans Equatorial Engineering Pte. Ltd. (a wholly-owned subsidiary of TEE International) holding the positions of general manager of business development and business development manager.

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

At the grassroots level, Mr. Phua has been involved actively, participating in the coordination of activities and serving as Chairman and assistant secretary of Nee Soon Central Zone 4 Resident's Committee from April 2003 to 2007. Since July 2011, he has been a member of Nee Soon Central Citizen's Consultative Committee.

### 3. Mr. Boon Choon Kiat
Non-Executive Director

Mr. Boon Choon Kiat is currently the Managing Director of Chewathai PLC, which is an Associated Company. He is also authorised director in the following associated companies: Chewathai Interchange Ltd, Chewathai Hup Soon Ltd, Trans Equatorial Indochina Co., Ltd., Oscar Estate Management Co., Ltd., Oscar Design & Decoration Co., Ltd., Global Environmental Technology Co., Ltd., and Viet - Tee Co., Ltd.

Mr Boon oversaw the finance function of the Group between May 2012 and June 2015. During the same period, he also managed the Group's businesses in the Indochina region.

Upon joining TEE International in 2000, he has been responsible for our Group's expansion and operations in the Indochina region. He has served as Managing Director in various subsidiaries and associated companies of TEE International.

Before joining TEE International in 2000, Mr. Boon worked as an export manager for Union Sang Thong Parts Co. Ltd, a Thailand manufacturer of auto parts, from June 1998 to April 2000.

Mr. Boon holds a Bachelors of Accountancy (Honors) degree from the Nanyang Technological University and is currently a Chartered Financial Analyst Charter holder and a Chartered Accountant (CA) of Singapore. He is also a member of the Thailand Institute of Directors.

### 4. Ms. Saw Chin Choo
Non-Executive Director

Ms. Saw Chin Choo has over 30 years of engineering projects experience, and has worked as an executive director on the board of TEE International since September 2004. Currently, she is the managing director (Engineering – Malaysia and Brunei) of TEE International and is responsible for their engineering business.

She is also a non-executive director on the boards of six of our Subsidiaries and Associated Companies, and serves on the boards of PBT Engineering Sdn Bhd (Brunei), PBT Engineering Pte. Ltd. and Oscar Design & Decoration Co Ltd, which are subsidiaries or associated companies of TEE International.

Prior to her current position in TEE International, she worked in PBT Engineering Pte. Ltd. (a wholly-owned subsidiary of TEE International) and held the positions of senior project director, project director and project manager during her tenure. Between 1982 and 2000, she has worked as a quantity surveyor and project coordinator at Vantage Construction Pte. Ltd., a project executive at Specon Builders Pte. Ltd. and a quantity surveyor with Neo Corporation Pte. Ltd.

Ms. Saw holds an Advanced Diploma in Building Surveying and Inspection from Ngee Ann Polytechnic in August 1989 and a Technician Diploma in Building from Singapore Polytechnic in April 1982.

### 5. Dato Paduka Timothy Ong Teck Mong
Non-Executive Director

Dato Timothy Ong is Chairman of Asia Inc Forum, a regional platform for policy and business dialogue.

He sits on a number of Brunei and regional boards including Baiduri Bank Group, Hotel Associates Sdn Bhd, National Insurance Bhd and the Asian Advisory Board of Prudential Financial. He is a Governor of the Asian Institute of Management and a Trustee of the Ramon Magsaysay Awards foundation.

Dato Ong has been active in public affairs in Brunei and abroad. He chaired the Brunei Economic Development Board (BEDB) from June 2003 to November 2010 and the APEC Business Advisory Council (ABAC) in 2000. He was chairman of the 23rd ASEAN-Japan Business Meeting and represented Brunei in the APEC Eminent Persons Group (EPG) from 1993 to 1995. He was advisor to the APEC CEO Summit in 2009, 2011 and 2013.

Dato Ong is the recipient of various state honours, including the Most Honorable Order of Seri Paduka Mahkota Brunei (Second Class) (DPMB) by His Majesty, the Sultan of Brunei, which confers the title 'Dato Paduka' and the Grand Cross of the Order of Bernardo O'Higgins (highest civilian award) by the President of Chile for his contribution to regional economic cooperation.

# BOARD OF DIRECTORS

Dato Ong holds a Bachelor of Arts (Honours) degree in Economics and Political Science from the Australian National University and a Master of Science (with Distinction) degree in International Relations from the London School of Economics.

### 6. Dr. Tan Khee Giap
Independent Director

Dr. Tan Khee Giap is an Associate Professor and Co-Director of the Asia Competitiveness Institute, Lee Kuan Yew School of Public Policy, National University of Singapore. Currently, he is also serving on the board of several listed companies and has been the chairman of Singapore National Committee for Pacific Economic Cooperation since 2008. He has also served as a consultant to international agencies and multi-national corporations.

Dr. Tan started his career in the banking sector as a treasury manager and served as secretary to the Assets and Liabilities Committee of Overseas Chinese Banking Corporation for three years. He then moved on to teaching at the Department of Economics and Statistics, National University of Singapore before joining Nanyang Technological University in 1993, where he was Associate Dean of Graduate Studies Office from January 2007 to October 2009.

Dr. Tan holds a PhD in Economics from the University of East Anglia, United Kingdom.

### 7. Mr. Chin Sek Peng
Independent Director

Mr. Chin Sek Peng has over 30 years of audit, accounting and advisory experience and is currently the Deputy Managing Partner and Head of Audit and Assurance Division of PKF-CAP LLP, a firm of Chartered Accountants in Singapore. He is also the co-founding director of PKF-CAP Advisory Partners Pte. Ltd. and PKF-CAP Risk Consulting Pte. Ltd. He also serves as Independent Director to several listed public companies mainly in the capacity as Audit Committee Chairman.

Mr. Chin worked in Price Waterhouse in UK, Europe and Singapore from 1983 to 1994 before joining the Institute of Singapore Chartered Accountants ("ISCA") as the first Practice Review Director in April 1994. In 1999, he joined Arthur Andersen as a partner in its Assurance and Business Advisory division before setting up his own audit and consultancy practices with another partner in 2002.

Mr. Chin holds a Bachelor of Arts (Honours) degree in Accounting and Finance from Lancaster University, UK and is a Fellow (practising) Chartered Accountant of Singapore and a Fellow Member of the Institute of Chartered Accountants in England and Wales. He is also a member of the Institute of Internal Auditors, Singapore and a Council member of ISCA as well as the Deputy Chairman of its Public Accounting Practice Committee.

### 8. Mr. Lim Teck Chai, Danny
Independent Director

Mr. Lim Teck Chai, Danny is currently an equity partner in Rajah & Tann Singapore LLP.

Mr. Lim joined Rajah & Tann Singapore LLP upon graduation in May 1998 and has since been practicing and advising on all aspects of corporate legal advisory and transactional work, both locally and regionally. He has experience in acquisitions, investments, takeovers, initial public offerings and restructurings, and his clients include multinational corporations, small medium enterprises, private equity and institutional investors, Singapore and foreign listed companies, financial institutions and others.

Mr. Lim holds a Bachelor of Law (Honors) degree from the National University of Singapore and a Master of Science (Applied Finance) degree from the Nanyang Technological University.

# KEY EXECUTIVES

**Mr. Yap Shih Chia**
Chief Operating Officer

Mr. Yap Shih Chia is our Chief Operating Officer and is responsible for overseeing matters relating to corporate finance, administrative, human relations and investor relations, as well as supervising areas pertaining to compliance and corporate governance of our Group. In addition, he is assisting the CEO to chart the forays of the Group into new markets and products.

Prior to joining our Group, he was director, corporate finance and strategy of TEE International from August 2012 to 15 May 2013. He worked as director of international partnerships with the Singapore Cooperation Enterprise from August 2011 to August 2012. From September 2007 to June 2011, he worked as assistant vice president of marketing and business development, listings, at Singapore Exchange Limited (SGX-ST) where he was the country manager for India and Vietnam. He served at International Enterprise Singapore as centre director (Mumbai) and vice consul (Commercial) from July 2004 to August 2007.

Mr. Yap graduated with a Bachelor of Communications (2nd Upper Honours) degree, with a specialisation in Public Relations and Advertising, from Nanyang Technological University and obtained a Masters in Business Administration, with a specialisation in Strategy and Organisation, from the School of Business, National University of Singapore.

**Mr. David Ng Tah Wee**
Financial Controller and Company Secretary

Mr. Ng Tah Wee, David is our Financial Controller and is responsible for our Company's statutory financial accounts, consolidation and financial reporting to the SGX-ST, overall financial and accounting management, and the corporate secretarial function of the Group.

Prior to joining our Group, he was the financial controller of China Bearing Ltd from November 2009 to March 2013. From April 2004 to October 2009, he was the chief financial officer of China Auto Electronics Group Ltd. Both China Bearing Ltd and China Auto Electronics Group Ltd are listed on SGX-ST Main Board. He was with Ho Bee Group for the period December 1993 to March 2004, serving in one of its subsidiaries, HBM Print Ltd, as finance and administrative manager from December 1993 to March 1997 and financial controller from April 1997 to March 2000. He served in another of Ho Bee Group's subsidiaries, Ho Bee Print Pte. Ltd., as financial controller from April 2000 to June 2001 and general manager (operations) from July 2001 to March 2004. He has over 30 years of experience in audit and accounting work.

Mr. Ng graduated with a Bachelor of Accountancy degree from the National University of Singapore. He is a Fellow Chartered Accountant with the Institute of Singapore Chartered Accountants.

# KEY EXECUTIVES

**Mr. Muhammad Haifan Bin Usalli**
General Manager (Projects)

Mr. Muhammad Haifan Bin Usalli is our General Manager (Projects) and is responsible for overseeing the property development and management matters of our Group.

Prior to joining our Group, he was the general manager (real estate) of TEE International from August 2012 to 15 May 2013. He was the general manager of Warees Investments Pte. Ltd. from June 2003 to July 2012. During his tenure, Mr. Usalli spearheaded the implementation of ISO 9001 for the project management and facilities management business units.

From April 2002 to March 2003, he worked as a senior quantity surveyor at Davis Langdon & Seah Singapore Pte. Ltd. Prior to that, he worked as a partner for Yuan & Dean Quantity Surveying Services from July 2000 to April 2002. He worked as a contract engineer at Sembcorp Construction Pte. Ltd. from January 1995 to July 2000, as an assistant quantity surveyor at Davis Langdon & Seah Pte. Ltd. from January 1991 to February 1993 and a marketing executive at Gunac Enterprises Pte. Ltd. from January 1990 to January 1991.

Mr. Usalli graduated with a Bachelor of Building (Quantity Surveying, First Class Honours) degree from the University of South Australia and obtained a Diploma in Building Services (Engineering) from Ngee Ann Polytechnic. He has also been a member of the Singapore Institute of Surveyors and Valuers since 2002.

**Ms. Fanny Cheng Hui Fen**
Assistant General Manager (Property Development)

Ms. Fanny Cheng is our Assistant General Manager (Property Development) and is responsible for overseeing matters relating to property development, sales and marketing operations of our Group.

She joined the Group since 2004 and has held various appointments in the Group mainly in business development. Ms. Cheng spearheaded the business development in land acquisition, residential and commercial project marketing and project launches of development for sale in Singapore. She also performs strategic product improvement to new development to enhance its project attributes and values.

Ms. Cheng holds a Bachelor of Science (2nd Upper Honours) Degree with a specialisation in Management from Manchester Business School, University of Manchester, a Graduate Certificate in Real Estate Finance from National University of Singapore and a Civil and Structure Engineering Diploma from Singapore Polytechnic.

# INVESTOR RELATIONS

TEE Land is guided by a set of principles that defines Investor Relations ("IR") as a strategic management responsibility that integrates finance, communication, marketing and securities law compliance. This is to enable the most effective two-way communication between the Group and its Stakeholders, which comprise staff and management, financial community, media and the public, which will ultimately contribute to achieving a fair valuation of TEE Land.

TEE Land is committed to deliver timely, transparent, and consistent disclosures to its shareholders, the financial community and the public. The IR function falls under the office of the Chief Operating Officer, and is assisted by the Manager of IR and Communications of our parent company, TEE International Limited.

Our IR policy ensures fair and open communications with all our stakeholders. We ensure relevant and material information are disclosed in a clear, concise and consistent manner, in accordance with the rules of the Singapore Exchange, and the Securities and Futures Act. We also proactively engage the investing community to promote greater understanding of the developments at TEE Land. In FY2015, TEE Land was awarded Runner Up of the 15th SIAS Investors' Choice Awards – Most Transparent Company Award (MTCA) 2014, New Issues Category.

TEE Land's disclosures are made public through SGX-ST's SGXNet broadcast network ("SGXNet") and on TEE Land's corporate website at http://www.teeland.com.sg when deemed material.

## ENGAGING STAKEHOLDERS

TEE Land regularly engages financial analysts, existing and potential investors, shareholders and the media through multiple channels, including one-to-one meetings, conference calls, group briefings and investor roadshows. Key Executives are present at such engagements to present TEE Land's financial performance and to discuss its strategies and outlook.

In January 2015, TEE Land hosted a group of analysts to a site visit in Bangkok. During the visit, analysts visited four condominium projects by our Thailand associated company, Chewathai Limited.

The Annual General Meeting ("AGM") is another way for us to reach out to our shareholders. It is the main platform for the Board of Directors and Key Executives to answer shareholders' questions about the Group. Our Board of Directors, Key Executives and the external auditors are present at the AGM to address any shareholders' concerns with regard to the Group's performance for the year and also to keep them informed about recent developments and projects.

## DIVIDEND POLICY

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

## INVESTORS, SHAREHOLDERS AND MEDIA CONTACT

**Mr. Yap Shih Chia**
Chief Operating Officer, TEE Land Limited
Tel: (65) 6899 1428
Email: ir@teeland.com.sg

**Ms. Celine Ooi**
Manager, Group Investor Relations and Communications, TEE International Limited
Tel: (65) 6697 6589
Email: ir@teeintl.com

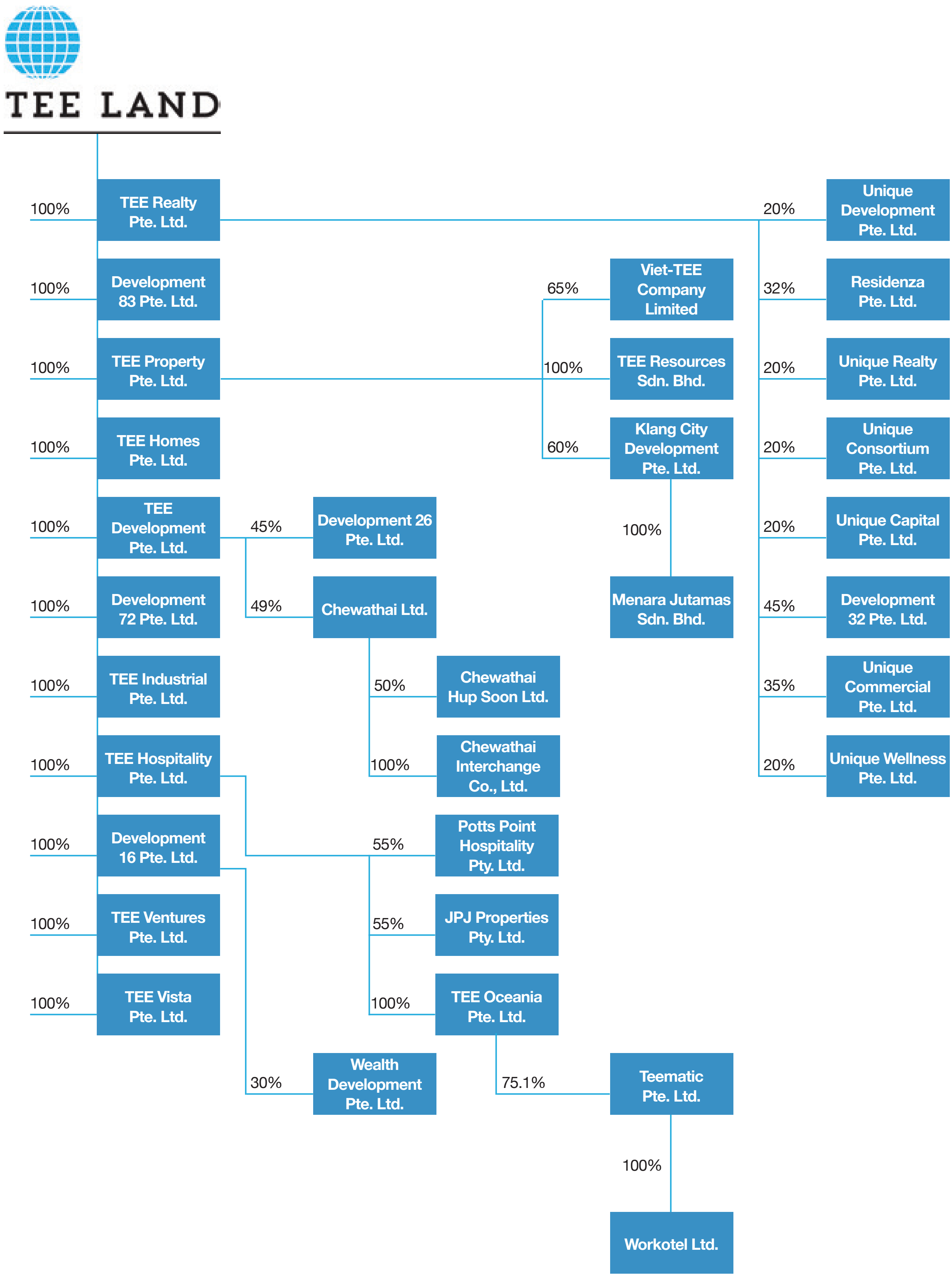
**TEE Land Stock Information**

| Stock Code | |
|---|---|
| SGX | S9B |
| Bloomberg | TEEL.SP |
| Reuters | TEEL.SI |
| **ISNI Code** | |
| SG2F77993036 | |
| **Share Statistics** | |
| Issued and Paid-Up Shares | 446,876,000 |
| Market Capitalisation (S$) | 96.1 million |

| Investor Relations and Financial Calendar 2015 | |
|---|---|
| January 2015 | Announcement of FY2015 Half Year Results |
| | Analyst Visit to Bangkok |
| | RHB Corporate Day, Singapore |
| April 2015 | Announcement of FY2015 Third Quarter Results |
| May 2015 | Financial Year End |
| July 2015 | Announcement of FY2015 Full Year Results |
| September 2015 | 3rd Annual General Meeting |
| October 2015 | Announcement of FY2016 First Quarter Results |

| Investor Relations and Financial Calendar 2016 | |
|---|---|
| January 2016 | Announcement of FY2016 Half-Year Results |
| April 2016 | Announcement of FY2016 Third Quarter Results |
| May 2016 | Financial Year End |
| July 2016 | Announcement of FY2016 Full Year Results |
| September 2016 | 4th Annual General Meeting |
| October 2016 | Announcement of FY2017 First Quarter Results |

# CORPORATE STRUCTURE




Our corporate structure as at 15 August 2015 does not include companies which we have less than 20% shareholding.

# SUSTAINABILITY REPORT HIGHLIGHTS

**Sustainability is integral to TEE Land's corporate philosophy. We place great importance on sustainability by adopting best practices where possible throughout the organisation. Whether it is in strategic planning, project management, financial management or human resource management, TEE Land is committed to integrating sustainability throughout the Group.**

## COMMITTED TO SUSTAINABILITY

### 1 SUSTAINABLE BUSINESS GROWTH

TEE Land is committed to sustainable business growth via good corporate governance and risk management practices. Apart from compliance with the statutory rules and regulations, TEE Land seeks to adopt best practices across the organisation in the spirit of good corporate governance. We strive to have a well-balanced board and have pledged our support towards board diversity as a key attribute of a well-functioning and effective Board.

### 2 HUMAN CAPITAL

At TEE Land, we value people. We remain steadfast in our commitment to attract, retain and develop our people by fostering a cohesive and performance-driven work environment. We also recognise that leadership renewal and succession planning are key components of human resource management to lay the foundation for long-term growth.

### 3 OCCUPATIONAL SAFETY AND HEALTH

The safety and health of our employees, customers and contractors are important to the long-term growth of our business operations. TEE Land upholds high standards of safety and health awareness, implementing and reviewing workplace safety practices and health programmes to inculcate a sense of responsibility and mindset on a safe workplace and healthy lifestyle.

### 4 CORPORATE SOCIAL RESPONSIBILITY

Our core values drive our commitment to give back to communities and make a difference to people's lives. We encourage and support employee volunteerism, and foster and cultivate a spirit of caring for the society. TEE Land has adopted Villa Francis Home for the Aged for our volunteering programmes, which include spending time with the residents and organising regular activities for them.

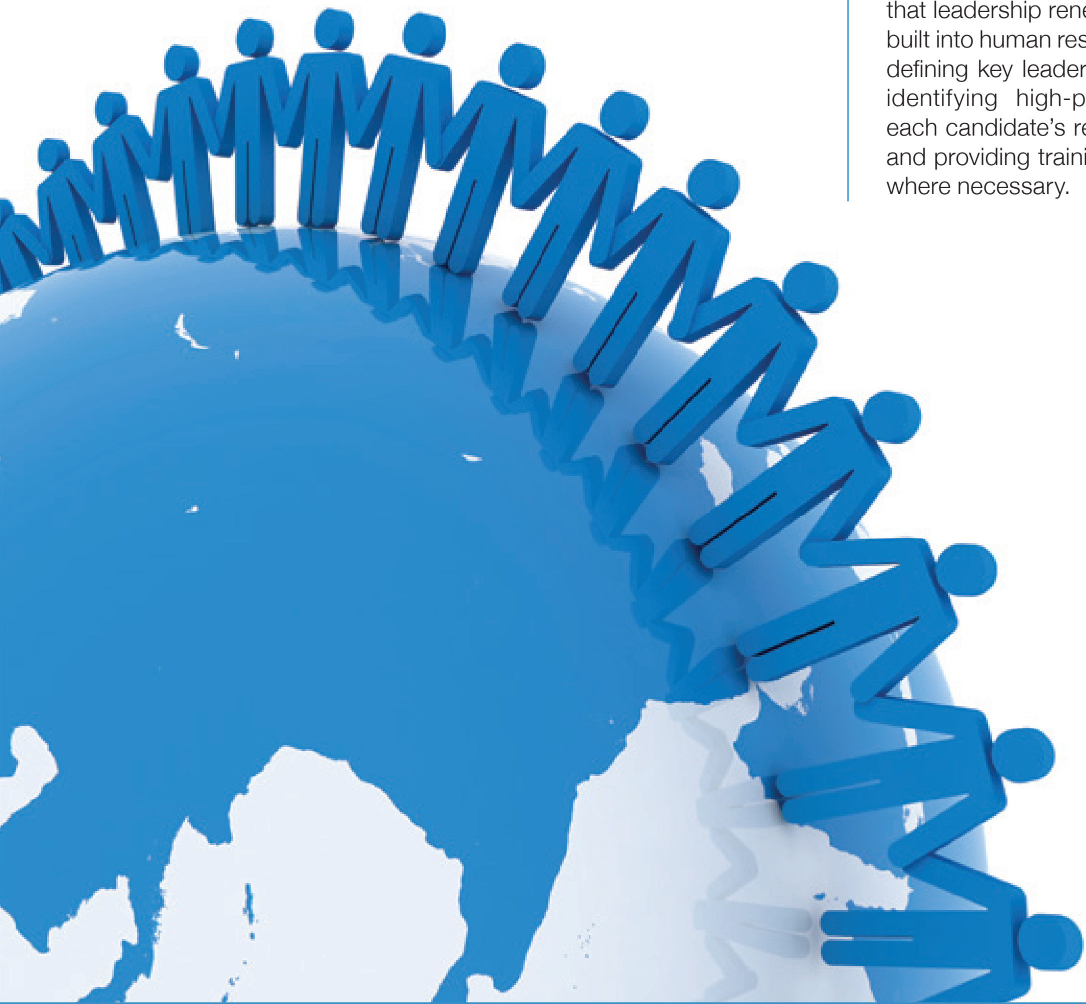
# HUMAN CAPITAL

## EMPOWERED, ENERGISED AND ENTHUSIASTIC

At TEE Land, we believe people are our most important and valuable resource. Our priority is to attract, retain and develop our people by fostering a cohesive and performance-driven work environment. We have, at TEE Land, inculcated amongst our senior and executive management teams a hands-on approach to lead and build a unified culture, and to continually identify new talents to develop.

TEE Land has in place programmes for developing and engaging promising employees. We strive to help our people achieve their full potential by providing them with equal opportunities to be considered for training and development based on their strengths and needs.

To lay the foundation for long-term growth, it is critical that leadership renewal and succession planning are built into human resource management. This involves defining key leadership positions and requirements, identifying high-potential candidates, assessing each candidate's readiness for new leadership roles and providing training & development to fill the gaps where necessary.



# HUMAN CAPITAL

We care about the well-being of our employees. Apart from encouraging a healthy mind and body, we also organise activities to show our appreciation to our staff and hold staff bonding activities to strengthen ties among colleagues. In FY2015, we introduced a few initiatives such as the "Share a Meal" programme, where TEE Group subsidises a buffet lunch catered and served at the office on Mondays to Wednesdays, as well as organising Family days during public holidays so that staff can bond with each other and their families over fun-filled activities. This year, our team of runners have also successfully completed our target of 15,000 km over two years and 8 months.

TEE Land strives to create a fair and inclusive environment across the organisation, which embraces diversity in relation to age, religion, ethnicity and cultural background. In this regard, TEE Group holds celebratory activities relating to the different religions. Employees are also given extra time off on top of the statutory holidays to spend time with their families during the traditional festive season.

# CORPORATE SOCIAL RESPONSIBILITY

## GROWING RESPONSIBLY


**Our commitment to Corporate Social Responsibility ("CSR") is embedded in our core values and philosophy, where we strive to be part of a positive change. TEE Land cares deeply about serving and giving back to the community. We encourage the spirit of volunteerism and hold regular community service activities. The main charity body TEE Group has undertaken to care for is Villa Francis Home for the Aged ("VF"), where regular events are planned for the residents at VF.**

**In FY2015, our activities included organising a birthday celebration for residents born in the month of July, Chinese New Year celebration, Christmas celebration and participating in a mini carnival. We also partnered Cerebral Palsy Alliance Singapore to organise an outing for students to the Singapore Flyer.**

**JUL**
2015

### BIRTHDAY CELEBRATION

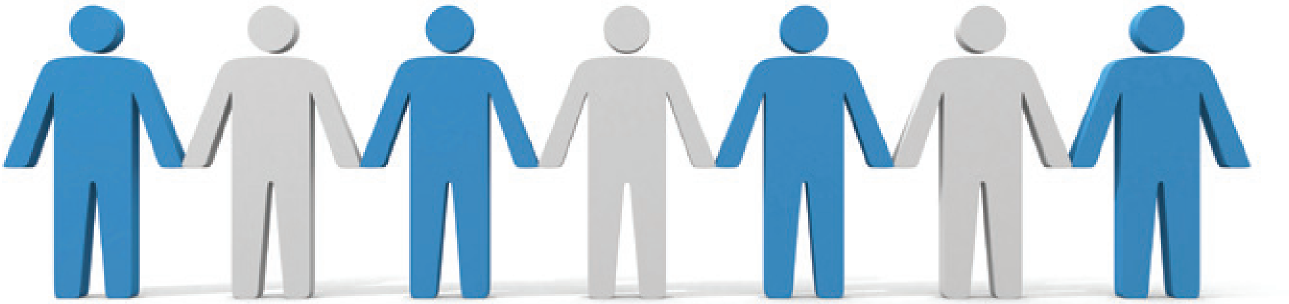
We organised a birthday party for residents of VF who were born in July. This included a song and dance session with the residents.

**FEB**
2015

### CHINESE NEW YEAR CELEBRATION

We organised a Chinese New Year Celebration for residents and caregivers at VF. We distributed "Hong Bao", a traditional gift, to convey our best wishes for residents and spent some time with them during our visit.

# CORPORATE SOCIAL RESPONSIBILITY



DEC
2014

## CHRISTMAS CELEBRATION

Christmas is a time of sharing. We spread our joy with residents of VF with a Christmas Celebration on Christmas Eve, where we distributed gifts and sang Christmas carols.

SEP
2014

## MINI CARNIVAL

VF held a Mini Carnival, where staff organised fun activities including games for residents to play along. We mingled with residents and shared much fun and laughter.

JUL
2014

## OUTING TO SINGAPORE FLYER

We organised an outing to Singapore Flyer for students from Cerebral Palsy Alliance Singapore. We took a ride on the Singapore Flyer and enjoyed a fun-filled day with students. We also brought the students to a fastfood restaurant for a meal. The students had a fun day and each brought home goodie bags as our gift to them.

# RISK MANAGEMENT

Risk management is an important part of TEE Land's business activities and decision-making processes. The Board recognises that in today's complex business environment, the effective management of risk is central to achieving sustained profitable growth. All decision-making within the organisation involves the explicit consideration of risks and the application of risk management.

TEE Land has adopted the Enterprise Risk Management (ERM) Framework, which is in line with the International Organisation for Standardisation (ISO) standard 31000. The framework allows the company to manage identified risks in a systematic and structured manner, which will help the Group to create opportunities as well as anticipate and minimise risks. The ERM Framework is an extension of the Group's internal control processes, providing a robust structure.

TEE Land's policy and approach to risk management is documented in the ERM Policy Manual, which has been endorsed by the Board of Directors.

The ERM framework comprises five inter-related components: (i) Risk Strategy and Policy, (ii) Risk Management Process, (iii) Organisation Structure, (iv) Culture and People, and (v) Technology and Tools. Recognising that risk management is a continuous improvement exercise, the ERM framework is reviewed regularly, taking into account changes in the business and operating environments as well as evolving corporate governance requirements. There is also continual engagement with internal and external stakeholders of risk management performance.

The risk management process comprises five activities: (i) Determine Context, (ii) Risk Assessment, (iii) Risk Treatment, (iv) Risk Monitoring and (v) Risk Reporting.

Risk assessment involves risk identification, analysis and evaluation. The broad categories of risks we have identified include (i) Business And Strategic Risk, (ii) Operational Risk, (iii) Financial Risk, (iv) Health & Safety Risk, (v) Compliance and Legal Risk and (vi) Reputational Risk.

Risk analysis involves consideration of: (i) the causes and sources of risk, (ii) their potential positive and negative impact or consequence, and (iii) the likelihood that those consequences can occur.

In practice at TEE Land, qualitative analysis will typically be used first to identify the major risks and to obtain a general indication of the level of risk. When appropriate, more specific and quantitative analysis of the risks could be undertaken as a following step to address the risks.

Identified risks that affect the achievement of the business objectives and financial performance of TEE Land over the short to medium term are defined and summarised in the TEE Land Risks Register. The risks are then ranked according to their likelihood and consequential impact to TEE Land as a group and managed and mitigated by the counter measures.

The Board is committed to establishing and maintaining a robust and practical risk management framework.

# CORPORATE GOVERNANCE REPORT

**Corporate Governance Practices**

TEE Land is committed to high standards of corporate governance, business integrity and professionalism in all its business operations. The Company's directors and management firmly believe that a genuine commitment to high standards of corporate governance is essential to ensure the sustainability of the Company's businesses and performance as well as to safeguard shareholders' interests and maximise long-term shareholder value. TEE Land has adopted a set of internal guidelines on corporate governance based on the Code of Corporate Governance 2012 ("2012 Code"). The Company is in compliance with most of the principles and guidelines recommended in the 2012 Code unless otherwise specified, and will continue to further review its corporate governance practices to be in line with the recommendations under 2012 Code where appropriate.

## BOARD MATTERS

**Principle 1**

**The Board's Conduct of Affairs**

The Board oversees the effectiveness of management as well as the corporate governance of the Company with the objective of maximising long-term shareholder value and protecting the Company's assets. Each individual director is obligated to act in good faith and exercise independent judgement as fiduciaries in the best interests of shareholders at all times.

**Board Function**

The Company is led by a Board comprising 50% of independent non-executive directors. Each director brings to the Board skills, experience, insights and sound judgment, which together with strategic networking relationships; serve to further the interests of the Group. At all times, the directors are collectively and individually obliged to act honestly and with diligence, and consider the best interests of the Company.

The key roles of the Board and matters which require Board's approval include the review, deliberation and approval of the Group's corporate strategies and directions, annual budgets, major investments, divestments and funding proposals, and the review of the Group's financial performance, risk management and internal control processes and systems, human resource requirements and corporate governance practices. The Board is also responsible for setting the Company's core values and ethical standards. Management on the other hand, is responsible for the day-to-day operation and administration of the Company in accordance with the policies and strategy set by the Board.

**Board Committees**

To assist the Board in the discharge of its oversight function, various board committees, namely the Audit, Nominating, Remuneration, and Executive ("EXCO") Committees, been constituted with clear written terms of reference. All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group. The Company has in place financial authority and approval guidelines for investments, divestments, loans and other capital investments.

The EXCO comprises five members, namely Mr. Phua Chian Kin (Chairman), Mr. Lim Teck Chai, Danny, Mr. Phua Cher Chew, Mr. Boon Choon Kiat and Mr. Yap Shih Chia. Within the limits of authority delegated by the Board, the EXCO reviews and approves feasibility studies for real estate acquisitions, strategic investments and divestments, as well as, award of contracts and procurement of services related to real estate developments, capital and operating expenditures.

**Director Orientation & Training**

A formal letter of appointment is provided to every new director. New directors are given appropriate orientation and briefings by the management on the business activities of the Group, its strategic directions, and the Company's corporate governance policies and practices. All directors will be updated regularly on accounting and regulatory changes, and will also be given further appropriate training from time to time. Such update and training included attendance by some directors at Singapore Institute of Directors ("SID") Listed Company Director ("LCD") and Effective Board Leadership ("EBL") modules.

In the past year, besides attending courses at SID, the directors also attended various in-house workshops on topics ranging from ERM, the financial reporting surveillance programme administered by the Accounting and Corporate Regulatory Authority of Singapore, introduction and overview of Financial Reporting Standard 115 and update on changes to the Companies Act. The directors have also conducted a site visit to Bangkok in order to better understand the Group's operations in Thailand.

# CORPORATE GOVERNANCE REPORT

All Board and Board Committee meetings and the Annual General Meeting ("AGM") are scheduled in consultation with the Board. The Board meets at least four times a year at regular intervals. Besides the scheduled meetings, ad-hoc meetings are convened as and when warranted by matters requiring the Board's attention. The Company's articles of association provide for meetings to be held via tele-conference, video conference, audio or other similar communications equipment.

**Board Meetings**

A total of four Board meetings were held in FY2015. A table showing the attendance record of directors at Board and Board Committee meetings during FY2015 is set out as follows.

**Attendance Record of Meetings of The Board and Board Committees in FY2015**

| | Board | Audit Committee | Executive Committee | Nominating Committee | Remuneration Committee |
|---|---|---|---|---|---|
| **No. of Meetings Held** | 4 | 4 | 4 | 1 | 1 |
| **Members** | | | | | |
| Er. Dr. Lee Bee Wah | 4/4 | 4/4 | - | 1/1 | - |
| Mr. Chin Sek Peng | 4/4 | 4/4 | - | 1/1 | 1/1 |
| Dr. Tan Khee Giap | 3/4 | 4/4 | - | - | 1/1 |
| Mr. Lim Teck Chai, Danny | 4/4 | 4/4 | 4/4 | - | - |
| Dato Paduka Timothy Ong Teck Mong | 2/4 | - | - | - | - |
| Ms. Saw Chin Choo | 4/4 | - | - | - | 1/1 |
| Mr. Phua Cher Chew | 4/4 | - | 4/4 | 1/1 | - |
| Mr. Boon Choon Kiat [1] | 4/4 | - | 3/4 | - | - |
| Mr. Phua Chian Kin [2] | - | - | 4/4 | - | - |
| Mr. Yap Shih Chia [3] | - | - | 4/4 | - | - |

1. *Mr. Boon Choon Kiat was redesignated as Non-Executive and Non-Independent Director of the Company with effect from 30 June 2015.*
2. *Mr. Phua Chian Kin is not a director of the company. He was appointed as Chairman of Executive Committee in place of Ms. Saw Chin Choo with effect from 3 June 2014.*
3. *Mr. Yap Shih Chia is not a director of TEE Land Limited and he was appointed as a member of the EXCO only.*

**Principle 2**

**<u>Board Composition and Guidance</u>**

**Board Composition**

To discharge its oversight responsibilities, the Board must be an effective board which can lead and control the business of the Group. The directors believe that, in view of the wide ranging geographical locations that the Company is operating in, the Board should comprise executive directors, who have intimate knowledge of the business, and independent directors, who can take a broader view of the Group's activities and bring independent judgement to bear on issues for the Board's consideration.

**Board Size**

The Board currently comprises eight directors, of whom four are independent directors, three are non-executive directors and one is executive director. Collectively, the Board has professional expertise in engineering, finance, accounting, economics, legal and real estate development. In addition, female directors make up 25% of the Board. As such, the Board is able to collectively exercise objective judgement on corporate affairs through robust and balanced deliberations. Non-executive directors also participate actively in constructive discussions with the management to develop proposals on strategy and review the performance of the management.

# CORPORATE GOVERNANCE REPORT

**Board Competency**

The Nominating Committee ("NC") will review the composition and size of the Board, each Board Committee and the skills and core competencies of its members to ensure an appropriate balance and diversity of skills and experience. Core competencies include banking, finance, accounting, business acumen, management experience, real estate related industry knowledge, familiarity with regulatory and compliance requirements and knowledge of risk management.

**Board Independence**

The NC determines on an annual basis whether or not a director is independent in accordance with the 2012 Code's definition of independence. In this connection, the NC takes into account, among other things, whether a director has business relationships with the Company or any of its related companies, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent judgement with a view to the best interests of the Company.

The NC noted that LBW Consultants LLP is one of the consultancy firms providing civil and structural engineering consultant services to TEE Land group of companies and our joint ventures. Er. Dr. Lee Bee Wah is the Group Director of Meinhardt (Singapore) Pte. Ltd., which is the parent of LBW Consultants LLP. As the tenders/quotations were called/obtained for the provision of civil and structural engineering consultancy services for our property development projects, the consultancy fees charged were on an arm's length basis. In addition, the aggregate sum of estimated payments to be made to LBW Consultants LLP, based on the relevant shareholding proportion held by the Company in the respective Subsidiaries and Associated Companies, would amount to less than S$100,000 for each financial year. Save for the provision of civil and structural engineering consultant services to the Group, Er. Dr. Lee Bee Wah has no other business relationship with the Group.

In view of the above, the NC is of the firm view that Er. Dr. Lee Bee Wah is deemed independent. Er. Dr. Lee has undertaken to abstain from attending meetings relating to, and voting on any board resolutions that relate to the selection and/or engagement of civil and/or structural engineering consultants by the Group where Meinhardt (Singapore) Pte. Ltd. and/or LBW Consultants LLP has submitted a tender/quotation for the relevant property development projects.

**Principle 3**

**<u>Chairman and Chief Executive Officer</u>**

Er. Dr. Lee Bee Wah is the Non-Executive Chairman and Mr. Phua Cher Chew is the Executive Director and CEO of TEE Land. The roles of Chairman and CEO are separate to ensure a clear division of responsibilities, increased accountability and greater capacity of the Board for independent decision-making. The Chairman is not related to the CEO. The division of responsibilities and functions between the two has been demarcated with the concurrence of the Board.

The Chairman leads the Board and monitors the translation of the Board's decisions and strategic directions into executive action. She approves the agendas for the Board meetings and ensures sufficient allocation of time for thorough discussion of each agenda item. She promotes an open environment for debate and ensures that non–executive directors are able to speak freely and contribute effectively. She exercises control over the quality and quantity of the information as well as the timeliness of the flow of information between the Board and management. In addition, she provides close oversight, guidance, advice and leadership to the CEO and management.

At AGMs and other shareholders' meetings, the Chairman ensures constructive dialogue between shareholders, the Board and management.

The CEO, assisted by the management team, makes strategic proposals to the Board and after robust and constructive Board discussion, executes the agreed strategy. He manages and develops the Group's businesses and implements the Board's decisions.

# CORPORATE GOVERNANCE REPORT

**Principle 4**

**Board Membership**

**Nominating Committee**

The main roles of the NC are to make recommendations to the Board on all Board appointments to ensure a formal and transparent process, and to assess the effectiveness of the Board as a whole as well as to affirm annually the independence of directors. Board composition is also evaluated to ensure diversity of skills and experience is maintained within the Board and Board Committees.

Currently, the NC is made up of two independent directors ("IDs"), namely Er. Dr. Lee Bee Wah (Chairman) and Mr. Chin Sek Peng, and the Executive Director and CEO, Mr. Phua Cher Chew.

The NC is guided by the following terms of reference:

(1) Recommend appointment and re-appointment of directors;

(2) Regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;

(3) Perform annual review of independence of each director, and to ensure that the Board comprises at least one-third IDs. In this connection, the NC would conduct particularly rigorous review of the independence of any director who has served on the Board beyond nine years from the date of his/her first appointment;

(4) Decide, when a director has other listed company board representations and/or principal commitments, whether or not the director is able to and has been adequately carrying out his or her duties as director of the Company. Guidelines will be adopted to address the competing time commitments that are faced when Directors serve on multiple boards;

(5) Recommend to the Board the process for the evaluation of the performance of the Board, the Board Committees and individual directors, and propose objective performance criteria to assess the effectiveness of the Board as a whole;

(6) Perform annual assessment of the effectiveness of the Board as a whole;

(7) Review the succession plans for the Board (in particular, the Chairman and CEO);

(8) Review the training and professional development programmes for Board members;

(9) Review and approve any employment of persons related to directors and substantial shareholders and the proposed terms of their employment; and

(10) Perform such other functions as the Board may determine.

# CORPORATE GOVERNANCE REPORT

As at 31 May 2015, the composition of the Board is as follows:

| Name of Director | Appointment | Date of Initial Appointment | Date of Last Re-Appointment | Past & Present Directorships in the Last Three (3) Years in Other Listed Companies |
|---|---|---|---|---|
| Er. Dr. Lee Bee Wah | Non-Executive Chairman and Independent Director | 15 May 2013 | 26 September 2013 | - TEE International Limited<br>- Koh Brothers Group Limited |
| Mr. Phua Cher Chew | Chief Executive Officer and Executive Director | 18 December 2012 | 25 September 2014 | NIL |
| Mr. Boon Choon Kiat | Non-Executive Director | 15 May 2013 | 25 September 2014 | NIL |
| Ms. Saw Chin Choo | Non-Executive Director | 18 December 2012 | 25 September 2014 | TEE International Limited |
| Dato Paduka Timothy Ong Teck Mong | Non-Executive Director | 15 May 2013 | 26 September 2013 | NIL |
| Dr. Tan Khee Giap | Independent Director | 15 May 2013 | 26 September 2013 | - Artvision Technologies Limited<br>- Breadtalk Group Limited<br>- Forterra Real Estate Pte. Ltd. (Trustee-Manager for Forterra Trust)<br>- Boustead Projects Limited |
| Mr. Chin Sek Peng | Independent Director | 15 May 2013 | 26 September 2013 | - Sunpower Group Ltd<br>- Cortina Holdings Limited<br>- Sitra Holdings (International) Limited |
| Mr. Lim Teck Chai, Danny | Independent Director | 15 May 2013 | 26 September 2013 | - UG Healthcare Corporation Limited |

The number of Board representations for each director has been fixed at six (6). Any additional appointment beyond the number of "6", the NC would review and determine if that particular director is able to and has been adequately carrying out his duties as a director of the Company. Based on the reviews by the NC, the Board is of the view that the Board and its Board Committees operate effectively and that each Director is contributing to the overall effectiveness of the Board,

Upon review on the declarations by the four IDs, the NC is of the opinion that all four IDs are considered independent in accordance with the 2012 Code's definition of independence.

All directors, including the Chairman of the Board and CEO, submit themselves for re-election at regular intervals of at least once every three years. Pursuant to Article 89 of the Company's articles of association, one-third of the directors shall retire from office by rotation at each AGM. In addition, a newly appointed director is also required to submit himself or herself for re-election at the AGM following his or her appointment. The NC has recommended the re-appointment of Er. Dr. Lee Bee Wah, Mr. Chin Sek Peng and Mr. Lim Teck Chai, Danny who will be retiring by rotation at the forthcoming AGM, following a review of their performance and contributions. The Board has accepted the NC's recommendation and accordingly, the above-named directors will be offering themselves for re-election.

In accordance with Guideline 4.5 of the 2012 Code, no alternate directors were appointed. In addition, no IDs have served on the Board beyond nine (9) years from the date of his first appointment.

As TEE Land was only listed on SGX-ST in June 2013, the NC is of the opinion that there is no immediate need to have a succession plan, in particular, for the Board Chairman and CEO, at this point. As a young listed company, it is important to have leadership continuity and stability at the Board level for the initial years.

Nonetheless, the Board recognises that proper succession planning plays an important role in ensuring continuous and effective stewardship of the Company. As such, the NC has been tasked to review the Company's succession plans in the coming year to ensure the progressive renewal of the Board, including the Chairman and the CEO. The CEO has also been tasked to identify and groom suitable candidates for CEO and senior management as part of the Company's succession planning at the management level.

# CORPORATE GOVERNANCE REPORT

**Principle 5**

**Board Performance**

The Board has agreed on the formal processes for assessing the effectiveness of the Board as a whole and the contribution of each respective Board Committees namely, Audit Committee, NC and Remuneration Committee. The members of Board and Board Committees are assessed collectively on an annual basis. Performance evaluation for the Board, as well as the respective Board Committees (namely Audit Committee, NC and Remuneration Committee), were carried out in FY2015.

No external facilitator had been appointed by the Board for this purpose. The findings and observations of the questionnaires were deliberated by the NC and also shared with the Board.

**Principle 6**

**Access To Information**

Management recognises that the flow of complete, adequate and timely information on an on-going basis to the Board is essential to the Board's effective and efficient discharge of its duties. To allow directors sufficient time to prepare for the meetings, all scheduled Board and Board Committee papers are distributed not less than three (3) working days in advance of the meeting to directors. This enables the discussion during the meeting to focus on questions that directors may have. Any additional material or information requested by the directors is promptly furnished.

Management's proposals to the Board for approval provide background and explanatory information such as facts, resources needed, risk analysis and mitigation strategies, financial impact, expected outcomes, conclusions and recommendations. Employees, who can provide additional insight into matters to be discussed, will be present at the relevant time during the Board and Board Committees meetings.

The directors are provided with the names of the Company's senior management and the Company Secretaries to facilitate direct access to senior management and the Company Secretaries.

The Company Secretaries administer, attend and prepare minutes of Board proceedings. They assist the Chairman to ensure that Board procedures (including but not limited to assisting the Chairman to ensure timely and good information flow to the Board and Board Committees, and between senior management and the non–executive directors) are followed and regularly reviewed to ensure effective functioning of the Board, and that the Company's memorandum and articles of association and relevant rules and regulations, including requirements of the Companies Act and Listing Manual of the SGX-ST, are complied with. The Company Secretaries also advise the Board on corporate governance best practices as well. The Board is involved in the appointment and removal of the Company Secretary.

Subject to the approval of the Chairman, the directors, whether as a group or individually, may seek and obtain independent professional advice to assist them in their duties, at the expense of the Company.

## REMUNERATION MATTERS

**Principle 7**

**Procedures for Developing Remuneration Policies**

The Remuneration Committee ("RC") comprises entirely of non-executive directors, two out of three of whom (including the Chairman) are independent, namely Dr. Tan Khee Giap (Chairman) and Mr. Chin Sek Peng, and Ms. Saw Chin Choo who is the Non-Executive Non-Independent Director.

The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration and for determining the remuneration packages of individual directors and key management personnel. The RC assists the Board to ensure that remuneration policies and practices are sound so as to be able to attract, retain and motivate without being excessive, and thereby maximise shareholder value. The RC recommends to the Board for endorsement a framework of remuneration and terms of employment (which covers all aspects of remuneration including directors' fees, salaries, allowances, bonuses, grant of shares and share options, and benefits in kind) and the specific remuneration packages for each director, the key management personnel and employees related to directors or, substantial shareholders of the Group (if any). In addition, every member of the RC will abstain from voting on any resolution in respect to his/her remuneration package.

In addition, the RC reviews the Company's obligations arising in the event of termination of the executive directors' and key management personnel's contract of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

# CORPORATE GOVERNANCE REPORT

**Principle 8**

**Level and Mix of Remuneration**

The Company advocates a performance-based remuneration system that is highly flexible and responsive to the market, Company's, business unit's and individual employee's performance. In designing the compensation structure, the RC will seek to ensure that the level and mix of remuneration is competitive, relevant and appropriate in finding a balance between current versus long term compensation and between cash versus equity incentive compensation. The total remuneration mix available comprises three key components; that is, annual fixed cash, annual performance-related variable component, and the TEE Land Employee Share Option Scheme ("TEE Land ESOS") and the TEE Land Performance Share Plan ("TEE Land PSP") plans.

The RC also administers the TEE Land ESOS and the TEE Land PSP. The performance-related elements of remuneration are designed to align interests of executive directors and staff with those of shareholders and link rewards to corporate and individual performance.

The Board also recommends a fixed fee for the effort, time spent and responsibilities for each of the independent and non-executive directors. The Chairman of the Board and the various Committees are remunerated with higher directors' fees as the level of responsibility is higher. Executive directors and the Nominee Director from TEE International (the Parent) will receive directors' fees as well, but at a relatively lower rate compared to the independent and non-executive directors.

TEE Land will be seeking shareholders' approval to pay the directors' fees on a current year basis, at the AGM. Hence, TEE Land will pay all the directors on a six (6) monthly basis in arrears. Overseas directors are reimbursed for out-of-pocket travelling and accommodation expenses in Singapore.

**Principle 9**

**Disclosure of Remuneration**

The RC will exercise broad discretion and independent judgement in ensuring that the amount and mix of compensation is aligned with the interests of shareholders and promote the long-term success of the Company. The RC will also ensure that the overall level of remuneration is not considered to be at a level which is likely to promote behaviours contrary to the Group's risk profile. Taking note of the competitive pressures in the labour market, the Board has, on review, decided not to fully disclose the remuneration of the Company's directors. The total directors' fees for FY2015 which was approved in the AGM in September 2014 amounted to S$296,400.

**Directors' Remuneration**

| Remuneration Bands & Name of Director of the Company | Directors' Fees[1] % | Attendance Fees % | Salaries[2] % | Bonuses[2] % |
|---|---|---|---|---|
| **Above S$500,000 to below S$750,000** | | | | |
| Mr. Phua Cher Chew | 2.5 | 2.3 | 49.5 | 45.7 |
| **S$250,000 to below S$500,000** | | | | |
| Mr. Boon Choon Kiat | 2.4 | 1.4 | 44.9 | 51.3 |
| **Below S$100,000** | | | | |
| Er. Dr. Lee Bee Wah | 89.4 | 10.6 | - | - |
| Ms. Saw Chin Choo | 55.6 | 44.4 | - | - |
| Dato Paduka Timothy Ong Teck Mong | 90.9 | 9.1 | - | - |
| Dr. Tan Khee Giap | 86.4 | 13.6 | - | - |
| Mr. Chin Sek Peng | 87.9 | 12.1 | - | - |
| Mr. Lim Teck Chai, Danny | 83.2 | 16.8 | - | - |

**Notes:**

1) *The Directors' fees for FY2015.*

2) *The salaries and bonuses shown are inclusive of Singapore Central Provident Fund contributions & transport.*

# CORPORATE GOVERNANCE REPORT

The level and mix of the key management personnel (who are not directors or the CEO) are set out in the Table below.

| Remuneration Bands | FY2015 |
|---|---|
| S$250,000 to below S$500,000 | 1 |
| S$100,000 to below S$250,000 | 3 |

The remuneration of each key management personnel is not disclosed as the Company believes that the disclosure may be prejudicial to its business interests given that it is operating in highly competitive business environments. Besides the two executive directors, the Company only has four (4) other key management personnel. They are Mr. Yap Shih Chia, Mr. David Ng Tah Wee, Mr. Muhammad Haifan Bin Usalli and Ms. Fanny Cheng Hui Fen. Hence, the Company is only disclosing the remuneration of these four (4) key management personnel in bands stated in the table above.

For FY2015, the aggregate total remuneration paid to the key management personnel, excluding the two executive directors, is S$787,196.58.

No employee of the Company and its subsidiaries was an immediate family member of a director or the CEO and whose remuneration exceeded S$50,000 during the financial year ended 31 May 2015. “Immediate family member” means the spouse, child, adopted child, step-child, brother, sister and parent.

Our Company recognises that the contributions and continued dedication of our employees and non-executive directors are critical to the future growth and development of our Group. The TEE Land PSP is a share-based incentive plan that will complement the TEE Land ESOS and form an integral part of our incentive compensation program. The rationale for having the TEE Land PSP in addition to the TEE Land ESOS is to give us greater flexibility in structuring market competitive compensation packages of eligible participants and to provide an additional tool to motivate and retain staff members.

Unlike the options that could be granted under the TEE Land ESOS, the TEE Land PSP is designed to reward the participants with the award comprising fully-paid shares, or the equivalent in cash or a combination of both, at the sole discretion of the Company. Awards granted under the TEE Land PSP will vest only upon the fulfilment of the prescribed service conditions as may be decided by the Company at the relevant point in time and/or according to the extent to which participants achieve their performance targets over set performance periods, as determined by the RC administering the TEE Land PSP. The performance targets set are based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. The TEE Land PSP is currently primarily targeted at executives in key positions who are able to drive our growth through innovation, creativity and superior performance.

In the PSP awards selection process, the RC administering the TEE Land PSP will also consider the compensation and/or benefits to be given to the participant under any concurrent share scheme implemented by the Company. The number of new shares to be issued under the TEE Land PSP and the TEE Land ESOS will be subject to the existing maximum limit of 15% of our Company’s total issued share capital (excluding treasury shares).

The TEE Land ESOS, if awarded, will provide eligible participants with an opportunity to participate in the equity of our Company and will motivate better staff performance through increased dedication and loyalty.

As of 31 May 2015, no option has been granted under the TEE Land ESOS and no shares have been awarded under the TEE Land PSP.

## ACCOUNTABILITY AND AUDIT

**Principle 10**

**Accountability**

The Board provides shareholders with the Company’s quarterly financial results and annual financial reports. Results for the first three quarters are released to shareholders no later than 45 days from the end of the quarter. Annual results are released within 60 days from the financial year-end. In presenting the annual and quarterly financial information to shareholders, the Board aims to provide shareholders with a balanced and clear assessment of TEE Land’s position and prospects.

For the financial year under review, the CEO and the Financial Controller (“FC”) have provided assurance to the Board on the integrity of the financial statements for TEE Land and its subsidiaries. For interim financial statements, the Board provides a negative assurance confirmation to shareholders, in line with the Listing Rules.

# CORPORATE GOVERNANCE REPORT

The Board has embraced openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. Financial reports and other price sensitive information are disseminated to shareholders through announcements via the SGXNet, press releases, the Company's website, media and analyst briefings.

**Principle 11**

**Risk Management and Internal Controls**

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

The Board has received assurance from the CEO and FC on the effectiveness of TEE Land's risk management and internal control systems. The Board also received a separate assurance from the CEO and FC that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and regarding the effectiveness of the Company's risk management and internal control systems.

Additionally, the Audit Committee also met with the internal auditors and external auditors in the absence of the management team and is satisfied with the feedback provided by both auditors on the controls and processes of TEE Land.

The Company also has in place an Enterprise Risk Management ("ERM") Framework which was established since FY2014, to facilitate the Board's assessment on the adequacy and effectiveness of the Group's risk management system. The framework lays out the governing policies, processes and systems pertaining to each of the key risk areas of the Group and assessments are made on the adequacy and effectiveness of the Group's risk management system in managing each of these key risk areas. The framework is reviewed regularly taking into the account changes in the business and operating environments as well as evolving corporate governance requirements. Identified risks that affect the achievement of the business objectives and financial performance of the Group over a short to medium term are summarised in the Group Risks Register and ranked according to their likelihood and consequential impact to the Group as a whole. The identified risks are then being managed and mitigated by the counter measures.

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

The ERM system is an essential part of the Company's business planning and monitoring process. On an annual basis, management will report to the Board on the Group's risk profile, evaluates results and counters measures to mitigate or transfer identified potential risks so as to assure that the process is operating effectively as planned. In addition, having considered the Company's business operation as well as its existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being. Instead, the oversight of risk management framework and policies is incorporated into the functions of the Audit Committee.

Based on the ERM Framework and the internal controls established and maintained by TEE Land, work performed by the internal and external auditors, and reviews performed by the management, various Board Committees and the Board, the AC and the Board are of the opinion that TEE Land's internal controls are adequate to address the key financial, operational and compliance risks as at 31 May 2015.

**Principle 12**

**Audit Committee**

The Audit Committee ("AC") comprises entirely independent directors, namely Mr. Chin Sek Peng (Chairman), Er. Dr. Lee Bee Wah, Dr. Tan Khee Giap and Mr. Lim Teck Chai, Danny.

The Board considers that Mr. Chin Sek Peng, who has extensive and practical financial management and accounting knowledge and experience, is well qualified to chair the AC. Both Er. Dr. Lee Bee Wah and Dr. Tan Khee Giap have practical experience and knowledge of the issues and considerations affecting the Committee from serving on the audit committee of other listed companies on SGX. Mr. Lim Teck Chai, Danny is also well versed in the compliance requirements of SGX and MAS stemming from his current role as Partner in Rajah & Tann Singapore LLP with experience in practising and advising on all aspects of corporate legal advisory and transactional work, both locally and regionally.

# CORPORATE GOVERNANCE REPORT

The AC's primary role is to investigate any matter within its Terms of Reference ("TOR"). It has full access to, and the co-operation of, management and full discretion to invite any director or officer to attend its meetings. The AC has adequate resources, including access to external consultants and auditor, to enable it to discharge its responsibilities properly. In particular, the AC seeks advice from the external auditor when the external auditor attends the quarterly AC meetings, to keep abreast of changes in accounting standards and issues which have a direct impact on financial statements. The AC reviews the scope and results of audit work, the cost effectiveness of the audit, and the independence and objectivity of the external auditor. The AC also undertakes review of the nature, extent and costs of non-audit services provided by the external auditor, seeking to balance the maintenance of objectivity of the external auditor.

The AC meets on a quarterly basis to review the integrity of the financial information including the relevance and consistency of the accounting principles adopted. The AC reviews and recommends the financial results and corresponding SGXNet announcements to the Board for approval. The AC reviews and assesses the adequacy and effectiveness of TEE Land's system of internal controls and regulatory compliance through discussions with management and the auditors.

The AC also reviews the internal auditor's and external auditor's scope of work to ensure that they are sufficient to address the key risks of the Group. All audit findings and recommendations put up by both the internal and external auditors are provided to the AC for discussion at the AC meetings.

On a quarterly basis, management will report to the AC the interested person transactions ("IPTs") in accordance with the Company's review guidelines on IPT. All findings are reported during AC meetings.

The AC recommends to the Board the appointment, re-appointment and removal of the external auditor, the remuneration and terms of engagement of the external auditor. The re-appointment of the external auditor is always subject to shareholders' approval at the Company's AGM.

The AC reviewed the independence and objectivity of the external auditor through discussions with them as well as a review of the volume and nature of non-audit services provided by the external auditor during the financial year under review, and was satisfied that the independence of the external auditor was not compromised by the provision of such non-audit services. The AC also considered the adequacy of the resources and experience of the external auditor and the audit engagement partner assigned to the audit, the external auditor's other audit engagements, the size and complexity of the Group being audited, and the number and experience of supervisory and professional staff assigned to the particular audit. Based on these considerations, the AC is of the opinion that a suitable auditing firm has been appointed to meet the Group's auditing obligation. Deloitte & Touche LLP has also confirmed that it is registered with the Accounting and Corporate Regulatory Authority.

The Company engages different audit firms for its foreign incorporated subsidiaries, and associated companies. The Board and AC have reviewed the appointment of these audit firms and are of the opinion that the appointments of these other audit firms do not compromise the standard and effectiveness of the audit of the Company.

The Company is thus in compliance with Rule 712, 715 and 716 of the Listing Manual. Accordingly, the AC has recommended the re-appointment of Deloitte & Touche LLP as the Company's external auditor at the forthcoming AGM.

In the review of the financial statements for the financial year ended 31 May 2015, the AC discussed with management and the external auditor the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. Following the review and discussions, the AC recommended to the Board the release of the full-year financial statements.

The details of the fees of the auditors of the Company during FY2015 are set out as follows:

| **Fees on audit services to independent auditor:** | **S$'000** |
|---|---|
| - Company's independent auditor | 175 |
| - Other independent auditor | 24 |
| **Total** | **199** |
| | |
| **Fees on non-audit services to independent auditor:** | |
| - Company's independent auditor | 33 |
| **Total** | **33** |

# CORPORATE GOVERNANCE REPORT

TEE Land has a whistleblowing policy in place which encourages employees and vendors to report malpractices and misconduct in the workplace. TEE Land will protect employees who have acted in good faith, from victimisation and harassment by their colleagues. TEE Land will treat all information received confidentially and protect the identity and the interest of all whistle-blowers. Anonymous disclosures will be accepted and anonymity honoured.

The policy allows a single, confidential line to report concerns about possible improprieties to the AC Chairman in good faith and in confidence. The policy defines the processes clearly to ensure independent investigation of such matters and appropriate follow-up action, and provides assurance that staff will be protected from reprisals. The whistle-blowing policy has been made available at TEE Land's website at www.teeland.com.sg.

There have been no established incidents pertaining to whistle-blowing for FY2015.

**Principle 13**

**<u>Internal Audit</u>**

TEE Land currently outsources the internal audit function. On an annual basis, the internal auditor prepares and executes a risk-based audit plan to review the adequacy and effectiveness of the system of internal controls of TEE Land. These include operational, financial, information technology and compliance controls.

In addition, the external auditor will highlight any material internal control weaknesses which come to its attention in the course of the statutory audit. All audit findings and recommendations made by the internal and external auditors are reported to the AC. Significant issues, if any, are discussed at AC meetings. Internal and external auditors follow up on their findings and recommendations in subsequent visits to ensure management has implemented them in a timely and appropriate fashion, and report the results to the AC accordingly.

## SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

**Principle 14**

**<u>Shareholder Rights</u>**

TEE Land Group's corporate governance practices promote the fair and equitable treatment of all shareholders. To facilitate shareholders' ownership rights, TEE Land ensures that all material information are disclosed on a comprehensive, accurate and timely basis via the SGXNet. TEE Land recognises that the release of timely and relevant information is central to good corporate governance and enables shareholders to make informed decisions pertaining to their investments in TEE Land. All shareholders are entitled to attend the AGM and are provided the opportunity to participate effectively and vote at the AGM.

The Company's articles of association allow a shareholder to appoint up to two proxies to attend and vote on behalf of the shareholder at the AGM.

**Principle 15**

**<u>Communication with Shareholders</u>**

TEE Land is committed to disclosing to its shareholders as much relevant information as is possible, in a timely, fair and transparent manner. In addition to comprehensive, accurate and timely disclosure of material information on the SGXNet, TEE Land adopts the practice of regularly communicating major developments in its businesses and operations through the appropriate channel. Such channels include news releases, annual reports, shareholder circulars, shareholders' meetings, direct announcements and via TEE Land's corporate website at www.teeland.com.sg. Briefings to present quarterly and full-year results are also held for the media and analysts.

The Group has an investor relations team ("IR") who manages communications with all stakeholders and to attend to or ensure their queries and concerns are promptly addressed by the relevant management personnel. For details on the Group's IR activities, please refer to the "Investor Relations" section of this report.

To encourage greater shareholder participation at AGMs or other general meetings, the Company holds its AGM and other general meetings at centrally located venues that are easily accessible via public transport.

TEE Land currently does not have a fixed policy on the payment of dividends to shareholders. As a young and fast growing company, TEE Land prefers to retain the flexibility on deploying profits for growth while striking a balance in rewarding our shareholders.

# CORPORATE GOVERNANCE REPORT

**Principle 16**

**Conduct of Shareholder Meetings**

Shareholders will be informed of shareholders' meetings through published notices and reports or circulars sent to all shareholders. The AGM procedures will provide shareholders the opportunity to ask questions relating to each resolution tabled for approval. Opportunities will be given to shareholders to participate, engage, and openly communicate their views on matters relating to TEE Land to the directors.

The Board Chairman presides over the AGM and is accompanied by fellow Board members, the Chairman of the AC, NC, RC, and EXCO respectively, as well as the management and joint company secretaries. The Company's external auditors, Messrs Deloitte & Touche LLP, are also present to address any relevant queries from the shareholders.

The minutes of the AGM are prepared by the joint company secretaries, which include substantial comments or queries from shareholders and responses from the Board members and the Management. These minutes are available to shareholders upon their written request.

Pursuant to the Company's Articles of Association, a poll may be demanded by the Chairman of the general meeting or by at least two members or any member(s) representing not less than one-tenth of the total voting rights of all members having the rights to vote at the meeting. The Company will be conducting poll voting for all the resolutions proposed at the forthcoming AGM for greater transparency in the voting process in accordance with the Listing Manual of SGX-ST.

**Dealings in Securities**

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

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

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

In addition, besides the Directors and CEO who are required to notify their dealings of the Company's securities, the following officers are also required to notify the Company of their dealings within two business days. They are:

- Chief Operating Officer
- Company Secretary
- Chief Financial Officer/Financial Controller

# CORPORATE GOVERNANCE REPORT

**Use of IPO Proceeds**

The company has completed the IPO invitation and started trading on 6 June 2013. 115,000,000 invitation shares were issued at S$0.54 per share. The net proceeds of approximately S$57.8 million (after deducting shares issue expenses in relation to the Invitation of approximately S$4.3 million) are as follow:

| Use of proceeds | Amount allocated as disclosed in Prospectus (S$ million) | Total amount utilised as at 30 June 2014 (S$ million) | Balance Amount (S$ million) |
|---|---|---|---|
| Fund expansion by way of new property, development projects, joint ventures, acquisitions, investments and others | 26.0 | (26.0) | - |
| Repayment of loans and advances to TEE International Limited, our controlling shareholders | 15.0 | (15.0) | - |
| Repayment of bank loans | 6.0 | (6.0) | - |
| Working capital purposes# | 10.8 | (10.8) | - |
| **Total** | **57.8** | **(57.8)** | **-** |

**Notes:**
1. Start-up expenses for our operations in New Zealand (S$0.5 million)
2. Expenses incurred for our development projects in Singapore (S$0.9 million)
3. Expenses incurred for our development project in Malaysia (S$1.3 million)
4. Expenses incurred for our joint development at The Peak @ Cairnhill I and The Peak @ Cairnhill II (S$0.5 million)
5. Loans for our Thailand development projects (S$3.6 million)
6. Loans to our associates for our joint venture development projects (S$0.8 million)
7. Partial deposit and expenses incurred for the acquisition of the hotel in Sydney (S$0.6 million)
8. Administrative expenses incurred in respect of our operations in Singapore (S$2.6 million)

## INTERESTED PERSON TRANSACTIONS ("IPT")

The Company has adopted an internal policy in respect to any transactions with interested persons and has set out procedures for review and approval of the Company's IPT. All IPT are recorded in an IPT Register and subject to quarterly review by the Audit Committee.

Details of IPT for the year ended 31 May 2015 are as follow:

| Name of Interested Person | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) |
|---|---|---|
| TEE International Limited | S$113,000 | - |
| PBT Engineering Pte Ltd (a wholly-owned subsidiary of TEE International Limited) | S$12,700,000 | - |

# CORPORATE GOVERNANCE REPORT

## MATERIAL CONTRACTS

The material contract entered into by the Company involving the interests of the Company's controlling shareholder for FY2015 is as follows:

(a) Awarded RM266.75 million contract for the execution and completion of building works including electricity works, sanitary and cold water distribution system, air conditioning and mechanical ventilation system, fire protection system and associated external works for TEE Resources' development project, Third Avenue, in Cyberjaya, Malaysia, to PBT Engineering Sdn Bhd, an indirect wholly-owned subsidiary of TEE International Limited. Shareholders' approval has been sought at the Extraordinary General Meeting held on 25 September 2014.

Other than disclosed above, there was no other material contracts entered into by the Company or any of its subsidiary companies involving the interests of the CEO, any Director and/or controlling shareholder.

# FINANCIAL STATEMENTS

## CONTENTS

# REPORT OF THE DIRECTORS

The directors present their report together with the audited consolidated financial statements of the Group for the financial year ended May 31, 2015 and statement of financial position and statement of changes in equity of the Company for the financial year ended May 31, 2015.

## 1 DIRECTORS

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

Er. Dr. Lee Bee Wah
Mr. Phua Cher Chew
Mr. Boon Choon Kiat
Ms. Saw Chin Choo
Dato Paduka Timothy Ong Teck Mong
Dr. Tan Khee Giap
Mr. Chin Sek Peng
Mr. Lim Teck Chai, Danny

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

Neither at the end of the financial year nor at any time during the financial 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.

# REPORT OF THE DIRECTORS

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

| Names of directors and companies in which interests are held | Shareholdings registered in the names of directors | | | Shareholdings in which directors are deemed to have an interest | | |
|---|---|---|---|---|---|---|
| | At beginning of financial year | At end of financial year | At June 21, 2015 | At beginning of financial year | At end of financial year | At June 21, 2015 |
| **Holding company** | | | | | | |
| TEE International Limited | | | | | | |
| Ordinary shares | | | | | | |
| Er. Dr. Lee Bee Wah | 764,000 | 764,000 | 764,000 | - | - | - |
| Mr. Phua Cher Chew | 666,556 | 666,556 | 666,556 | - | - | - |
| Dato Paduka Timothy Ong Teck Mong | 3,673,279 | 2,623,279 | 2,623,279 | - | - | - |
| Ms. Saw Chin Choo | 1,229,547 | 1,350,000 | 1,350,000 | 3,312 | 3,312 | 3,312 |
| Warrants to subscribe for ordinary shares at the exercise price of $0.25 each | | | | | | |
| Er. Dr. Lee Bee Wah | - | 305,600 | 305,600 | - | - | - |
| Mr. Phua Cher Chew | - | 266,622 | 266,622 | - | - | - |
| Dato Paduka Timothy Ong Teck Mong | - | 1,469,311 | 1,469,311 | - | - | - |
| Ms. Saw Chin Choo | - | 451,365 | 451,365 | - | 1,324 | 1,324 |
| **The Company** | | | | | | |
| TEE Land Limited | | | | | | |
| Ordinary shares | | | | | | |
| Er. Dr. Lee Bee Wah | 310,000 | 607,933 | 607,933 | - | - | - |
| Mr. Phua Cher Chew | 150,000 | 194,437 | 194,437 | - | - | - |
| Dato Paduka Timothy Ong Teck Mong | 490,000 | 664,855 | 664,855 | - | - | - |
| Ms. Saw Chin Choo | 133,000 | 223,000 | 223,000 | - | 220 | 220 |
| Mr. Chin Sek Peng | 260,000 | 260,000 | 260,000 | 100,000 | 100,000 | 100,000 |
| Multi-currency medium term notes | | | | | | |
| Mr. Lim Teck Chai, Danny | - | - | - | - | 250,000 | 250,000 |

# REPORT OF THE DIRECTORS

## 4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors also received remuneration from related corporations in their capacities as directors and/or executives of those related corporations.

## 5 SHARE OPTIONS

(a) *Option to take up unissued shares*

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

(b) *Option exercised*

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

(c) *Unissued shares under option*

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

## 6 AUDIT COMMITTEE

The Audit Committee comprises four members as at the end of the reporting period. The members of the committee at the date of this report are:

| | |
|---|---|
| Mr. Chin Sek Peng | (Chairman and independent non-executive director) |
| Er. Dr. Lee Bee Wah | (Independent non-executive director) |
| Dr. Tan Khee Giap | (Independent non-executive director) |
| Mr. Lim Teck Chai, Danny | (Independent non-executive director) |

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

The Audit Committee has met four times since the last Annual General Meeting ("AGM") and performs 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 and statement of changes in equity 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;

(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.

# REPORT OF THE DIRECTORS

## 6 AUDIT COMMITTEE (CONT'D)

The Audit Committee has full access to and 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.

The Audit Committee has recommended to the Board of Directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting of the Company.

## 7 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Mr. Phua Cher Chew

Ms. Saw Chin Choo

Singapore
September 7, 2015

# STATEMENT OF DIRECTORS

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 54 to 125 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at May 31, 2015, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

Mr. Phua Cher Chew

Ms. Saw Chin Choo

Singapore
September 7, 2015

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF TEE LAND LIMITED

**Report on the Financial Statements**

We have audited the accompanying financial statements of TEE Land Limited (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at May 31, 2015, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 54 to 125.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at May 31, 2015 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

September 7, 2015

# STATEMENTS OF FINANCIAL POSITION

MAY 31, 2015

| | Note | Group May 31, 2015 $'000 | Group May 31, 2014 $'000 (restated) | Group June 1, 2013 $'000 (restated) | Company May 31, 2015 $'000 | Company May 31, 2014 $'000 |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| **Current assets** | | | | | | |
| Cash and bank balances | 7 | 18,618 | 25,884 | 29,057 | 4,564 | 562 |
| Trade receivables | 8 | 37,824 | 16,685 | 10,261 | - | - |
| Other receivables | 9 | 16,963 | 11,151 | 5,683 | 164,300 | 124,524 |
| Inventories | 10 | 18 | - | - | - | - |
| Current portion of loans receivable from associates | 11 | 15,759 | 19,361 | 7,394 | 4,462 | 10,326 |
| Development properties | 12 | 122,658 | 157,938 | 112,843 | - | - |
| Completed property and land held for sale | 13 | 14,973 | 1,216 | - | - | - |
| Total current assets | | 226,813 | 232,235 | 165,238 | 173,326 | 135,412 |
| **Non-current assets** | | | | | | |
| Available-for-sale investment | 14 | * | * | - | - | - |
| Investment in associates | 15 | 36,066 | 23,592 | 13,542 | - | - |
| Investment in subsidiaries | 16 | - | - | - | 18,799 | 18,478 |
| Property, plant and equipment | 17 | 79,152 | 12,087 | 119 | - | - |
| Investment properties | 18 | 12,036 | 10,120 | - | - | - |
| Deferred tax assets | 19 | 1,332 | 96 | 400 | - | - |
| Other receivables | 9 | 10,475 | 11,111 | 8,028 | - | - |
| Loans receivable from associates | 11 | 19,216 | 28,652 | 25,554 | - | - |
| Total non-current assets | | 158,277 | 85,658 | 47,643 | 18,799 | 18,478 |
| **Total assets** | | 385,090 | 317,893 | 212,881 | 192,125 | 153,890 |
| **LIABILITIES AND EQUITY** | | | | | | |
| **Current liabilities** | | | | | | |
| Bank loans | 20 | 11,499 | 13,358 | 7,500 | - | - |
| Trade payables | 21 | 8,600 | 5,369 | 4,472 | - | - |
| Other payables | 22 | 20,493 | 22,375 | 24,629 | 14,086 | 6,949 |
| Current portion of finance lease | 23 | 12 | 12 | - | - | - |
| Current portion of long-term borrowings | 24 | 45,254 | 21,307 | 10,162 | - | - |
| Current portion of financial guarantee liabilities | 25 | 280 | - | 145 | 1,235 | 743 |
| Income tax payable | | 1,289 | 240 | 618 | - | - |
| Total current liabilities | | 87,427 | 62,661 | 47,526 | 15,321 | 7,692 |

* Denotes amount less than $1,000

See accompanying notes to financial statements.

# STATEMENTS OF FINANCIAL POSITION

MAY 31, 2015

| | | Group | | | Company | |
|---|---|---|---|---|---|---|
| | Note | May 31, 2015 $'000 | May 31, 2014 $'000 | June 1, 2013 $'000 | May 31, 2015 $'000 | May 31, 2014 $'000 |
| | | | (restated) | (restated) | | |
| **Non-current liabilities** | | | | | | |
| Deferred tax liabilities | 19 | 2,012 | 1,043 | 244 | - | - |
| Finance lease | 23 | 69 | 86 | - | - | - |
| Long-term borrowings | 24 | 94,305 | 98,056 | 72,668 | - | - |
| Financial guarantee liabilities | 25 | 568 | - | - | 2,335 | 1,662 |
| Term notes | 26 | 29,577 | - | - | 29,577 | - |
| Long-term loan | 27 | 4,050 | 4,050 | 4,050 | - | - |
| Total non-current liabilities | | 130,581 | 103,235 | 76,962 | 31,912 | 1,662 |
| **Capital, reserves and non-controlling interests** | | | | | | |
| Share capital | 28 | 142,238 | 142,238 | 82,969 | 142,238 | 142,238 |
| Currency translation reserve | 29 | (733) | (854) | (165) | - | - |
| Merger reserve | 30 | (5,969) | (5,969) | (5,969) | - | - |
| Capital reserve | 31 | (6) | (6) | (6) | - | - |
| Accumulated profits | | 20,429 | 14,661 | 9,659 | 2,654 | 2,298 |
| Equity attributable to owners of the Company | | 155,959 | 150,070 | 86,488 | 144,892 | 144,536 |
| Non-controlling interests | 32 | 11,123 | 1,927 | 1,905 | - | - |
| Net equity | | 167,082 | 151,997 | 88,393 | 144,892 | 144,536 |
| **Total liabilities and equity** | | 385,090 | 317,893 | 212,881 | 192,125 | 153,890 |

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED MAY 31, 2015

| | Note | Group May 31, 2015 $'000 | Group May 31, 2014 $'000 (restated) (reclassified) |
|---|---|---|---|
| **Revenue** | 33 | 60,157 | 40,301 |
| **Cost of sales** | | (40,855) | (31,576) |
| **Gross profit** | | 19,302 | 8,725 |
| Other operating income | 34 | 2,695 | 3,769 |
| Selling and distribution costs | | (2,264) | (1,224) |
| Administrative expenses | 35 | (9,647) | (5,539) |
| Other operating expenses | 36 | (6,223) | (1,600) |
| Finance costs | 37 | (3,639) | (520) |
| Share of results of associates | 15 | 9,992 | 9,154 |
| **Profit before tax** | | 10,216 | 12,765 |
| Income tax expense | 38 | (1,240) | (1,035) |
| **Profit for the year** | 39 | 8,976 | 11,730 |
| **Other comprehensive income** | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Currency translation differences, representing other comprehensive income for the year, net of tax | | 127 | (692) |
| **Total comprehensive income for the year** | | 9,103 | 11,038 |
| **Profit attributable to:** | | | |
| Owners of the Company | | 11,086 | 11,705 |
| Non-controlling interests | | (2,110) | 25 |
| | | 8,976 | 11,730 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | 11,207 | 11,016 |
| Non-controlling interests | | (2,104) | 22 |
| | | 9,103 | 11,038 |
| **Earnings per share** | | | |
| Basic (cents) | 40 | 2.48 | 2.62 |
| Diluted (cents) | 40 | 2.48 | 2.62 |

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED MAY 31, 2015

| | Note | Share capital $'000 | Currency translation reserve $'000 | Merger reserve $'000 | Capital reserve $'000 | Accumulated profits $'000 | Equity attributable to owners of the Company $'000 | Non-controlling interests $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|
| Group | | | | | | | | | |
| Balance at June 1, 2013 (as previously reported) | | 82,969 | (165) | (5,969) | (6) | 7,764 | 84,593 | 1,905 | 86,498 |
| Adjustments | 48 | - | - | - | - | 1,895 | 1,895 | - | 1,895 |
| Balance as at June 1, 2013 (restated) | | 82,969 | (165) | (5,969) | (6) | 9,659 | 86,488 | 1,905 | 88,393 |
| Total comprehensive income for the year | | | | | | | | | |
| Profit for the year | | - | - | - | - | 11,705 | 11,705 | 25 | 11,730 |
| Other comprehensive income for the year | | - | (689) | - | - | - | (689) | (3) | (692) |
| Total | | - | (689) | - | - | 11,705 | 11,016 | 22 | 11,038 |
| Transaction with owners, recognised directly in equity | | | | | | | | | |
| Issue of shares | 28 | 62,100 | - | - | - | - | 62,100 | - | 62,100 |
| Share issue expenses | 28 | (2,831) | - | - | - | - | (2,831) | - | (2,831) |
| Dividends | 41 | - | - | - | - | (6,703) | (6,703) | - | (6,703) |
| Total | | 59,269 | - | - | - | (6,703) | 52,566 | - | 52,566 |
| Balance at May 31, 2014 (as restated) | | 142,238 | (854) | (5,969) | (6) | 14,661 | 150,070 | 1,927 | 151,997 |
| Total comprehensive income for the year | | | | | | | | | |
| Profit for the year | | - | - | - | - | 11,086 | 11,086 | (2,110) | 8,976 |
| Other comprehensive income for the year | | - | 121 | - | - | - | 121 | 6 | 127 |
| Total | | - | 121 | - | - | 11,086 | 11,207 | (2,104) | 9,103 |
| Transaction with owners, recognised directly in equity | | | | | | | | | |
| Deemed equity injection by non-controlling interests | | - | - | - | - | - | - | 11,300 | 11,300 |
| Dividends, representing total transaction with owners, recognised directly in equity | 41 | - | - | - | - | (5,318) | (5,318) | - | (5,318) |
| Total | | - | - | - | - | (5,318) | (5,318) | 11,300 | 5,982 |
| Balance at May 31, 2015 | | 142,238 | (733) | (5,969) | (6) | 20,429 | 155,959 | 11,123 | 167,082 |

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY
YEAR ENDED MAY 31, 2015

| | Note | Share capital $'000 | Accumulated profits $'000 | Total $'000 |
|---|---|---|---|---|
| Company | | | | |
| Balance at June 1, 2013 | | 82,969 | 4,557 | 87,526 |
| Profit for the year, representing total comprehensive income for the year | | - | 4,444 | 4,444 |
| Transaction with owners, recognised directly in equity | | | | |
| Issue of shares | 28 | 62,100 | - | 62,100 |
| Share issue expenses | 28 | (2,831) | - | (2,831) |
| Dividends | 41 | - | (6,703) | (6,703) |
| Balance at May 31, 2014 | | 142,238 | 2,298 | 144,536 |
| Profit for the year, representing total comprehensive income for the year | | - | 5,674 | 5,674 |
| Dividends, representing transaction with owners, recognised directly in equity | 41 | - | (5,318) | (5,318) |
| Balance at May 31, 2015 | | 142,238 | 2,654 | 144,892 |

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MAY 31, 2015

| | Group | |
|---|---|---|
| | May 31, 2015 $'000 | May 31, 2014 $'000 (restated) |
| **Operating activities** | | |
| Profit before tax | 10,216 | 12,765 |
| Adjustments for: | | |
| Share of results of associates | (9,992) | (9,154) |
| Fair value gain in investment properties | (223) | (1,205) |
| Depreciation of property, plant and equipment | 1,732 | 191 |
| Property, plant and equipment written off | 53 | 2 |
| Allowance for diminution in value of completed land held for sale | 518 | 733 |
| Impairment loss on property, plant and equipment | 168 | - |
| Allowance for doubtful other receivable | 3,374 | - |
| Amortisation of deferred sales commission expense | 1,053 | 682 |
| Amortisation of show flat expenses | 315 | 157 |
| Amortisation of financial guarantee liabilities | (137) | (145) |
| Amortisation of term notes | 121 | - |
| Interest income | (2,053) | (1,951) |
| Interest expenses | 3,078 | 520 |
| Operating cash flows before movements in working capital | 8,223 | 2,595 |
| Trade receivables | (21,139) | (6,424) |
| Other receivables | (8,276) | (7,632) |
| Inventories | (18) | - |
| Development properties | 37,326 | (43,825) |
| Completed property and land held for sale | (13,420) | (1,025) |
| Trade payables | 3,231 | 897 |
| Other payables (Note A) | (1,572) | (3,240) |
| Cash generated from (used in) operations | 4,355 | (58,654) |
| Interest paid | (5,674) | (2,636) |
| Income tax paid | (506) | (311) |
| Net cash used in operating activities | (1,825) | (61,601) |
| **Investing activities** | | |
| Purchase of property, plant and equipment (Note B) | (68,847) | (11,949) |
| Purchase of investment properties | (2,715) | (8,915) |
| Investment in associates | (2,178) | (781) |
| Disposal of associate | 182 | - |
| Repayment of loans receivable from associates | 23,077 | 6,167 |
| Loans receivable from associates | (10,039) | (21,232) |
| Interest received | 409 | 194 |
| Net cash used in investing activities | (60,111) | (36,516) |

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MAY 31, 2015

| | Group | |
|---|---|---|
| | May 31, 2015 $'000 | May 31, 2014 $'000 (restated) |
| **Financing activities** | | |
| Drawdown of bank loans | 7,000 | 8,858 |
| Repayment of bank loans | (8,859) | (3,000) |
| Drawdown of long-term bank loans | 57,716 | 47,542 |
| Repayment of long-term bank loans | (37,520) | (11,009) |
| Repayment of finance lease payables | (17) | - |
| Proceeds from issuance of term notes | 29,456 | - |
| Proceeds on issue of shares | - | 62,100 |
| Payment of share issue expense | - | (2,831) |
| Deemed capital injection by non-controlling interests | 11,300 | - |
| Dividends paid | (5,318) | (6,703) |
| Net cash from financing activities | 53,758 | 94,957 |
| Net decrease in cash and cash equivalents | (8,178) | (3,160) |
| Cash and cash equivalents at beginning of the year | 25,884 | 29,057 |
| Effect of foreign exchange rate changes | 297 | (13) |
| **Cash and cash equivalents at end of the year (Note 7)** | 18,003 | 25,884 |

Significant non-cash transactions:

Note A

Included in other payables is an amount of $200,000 (2014: $794,000), payable to holding company, which is the effect of fair value of financial guarantees on initial recognition provided on behalf by the holding company to the associates to obtain bank facilities.

Note B

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $69,017,000 (2014: $12,161,000) of which $Nil (2014: $98,000) was acquired under a finance lease arrangement. Finance costs capitalised as cost of property, plant and equipment during the financial year amounted to $170,000 (2014: $114,000) at interest rates ranging from 1.94% to 2.57% (2014: 1.92% to 1.95%) per annum. Cash payment of $68,847,000 (2014: $11,949,000) was made to purchase property, plant and equipment.

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 1 GENERAL

The Company (Registration No. 201230851R) was incorporated in Singapore with its principal place of business and registered office at 25 Bukit Batok Street 22, Singapore 659591. The Company was admitted to the Mainboard of Singapore Exchange Securities Trading Limited ("SGX-ST") on June 6, 2013. The financial statements are expressed in Singapore dollars.

The principal activities of the Company are investment holding.

The principal activities of its associates and subsidiaries are disclosed in Notes 15 and 16 respectively.

The consolidated financial statements of the Group for the financial year ended May 31, 2015 and statement of financial position and statement of changes in equity of the Company for the financial year ended May 31, 2015 were authorised for issue by the Board of Directors on September 7, 2015.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 FRS 102 *Share-based Payments*, leasing transaction that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 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 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.

ADOPTION OF NEW AND REVISED STANDARDS - On June 1, 2014, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below:

***Impact of the application of FRS 112 Disclosure of Interests in Other Entities***

FRS 112 is a new disclosure standard and requires an entity to provide more extensive disclosures regarding the nature of and risks associated with its interest in subsidiaries and associates.

Other than the additional disclosures, the application of FRS 112 has not had any material impact on the amounts recognised in the consolidated financial statements (please see Notes 15 and 16 for details).

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

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

At the date of authorisation of these financial statements, the following new/revised FRSs and amendments to FRSs that are relevant to the Group and the Company were issued but not effective:

- FRS 109 *Financial Instruments* (1)
- FRS 115 *Revenue from Contracts with Customers* (4)
- Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative* (2)
- Amendments to FRS 19 (2011) *Employee Benefits: Defined Benefit Plans: Employee Contributions* (3)
- Amendments to FRS 110 *Consolidated Financial Statements*, FRS 112 *Disclosure of Interests in Other Entities*, FRS 28 *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception* (2)
- Amendments to FRS 111 *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations* (2)
- Improvements to Financial Reporting Standards (January 2014) (3)
- Improvements to Financial Reporting Standards (February 2014) (3)
- Improvements to Financial Reporting Standards (November 2014) (2)

(1) Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

(2) Applies to annual periods beginning on or after January 1, 2016, with early application permitted.

(3) Applies to annual periods beginning on or after July 1, 2014, with early application permitted.

(4) Applies to annual periods beginning on or after January 1, 2017, with early application permitted and extension of application date of January 1, 2018 being considered in line with International Accounting Standards/ International Financial Reporting Standards.

Consequential amendments were also made to various standards as a result of these new/revised standards.

Management anticipates that the adoption of the above FRSs, amendments and improvements to FRSs in future periods will not have material impact on the financial statements of the Group and the Company in the period of their initial adoption except for the following:

**FRS 109 *Financial Instruments***

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) derecognition and (iii) impairment requirements for financial assets. The key requirements of FRS 109 are summarised below:

All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as FVTPL, FRS 109 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented 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 to profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under FRS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

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

In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Group does not expect the application of FRS 109 to have a material impact on the financial statements of the Group and the Company in the period of its initial adoption.

**FRS 115 *Revenue from Contracts with Customers***

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contracts with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under FRS 115, an entity recognises revenue when a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. In addition, extensive disclosures are required by FRS 115.

The Group is currently assessing the effects of FRS 115 in the period of initial adoption.

**Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative***

The amendments have been made to the following:

- Materiality and aggregation - An entity shall not obscure useful information by aggregating or disaggregating information and materiality considerations apply to the primary statements, notes and any specific disclosure requirements in FRSs.

- Statements of financial position and statement of profit or loss and other comprehensive income - The list of line items to be presented in these statements can be aggregated or disaggregated as relevant. Guidance on subtotals in these statements has also been included.

- Presentation of items of other comprehensive income ("OCI") arising from equity-accounted investments - An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single items based on whether or not it will be subsequently be reclassified to profit or loss.

- Notes - Entities have flexibility when designing the structure of the notes and guidance is introduced on how to determine a systematic order of the notes. In addition, unhelpful guidance and examples with regard to the identification of significant accounting policies are removed.

The Group does not expect the application of Amendments to FRS 1 to have a material impact on the financial statements of the Group and the Company in the period of its initial adoption.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

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

**Amendments to FRS 110 *Consolidated Financial Statements*, FRS 112 *Disclosure of Interests in Other Entities*, FRS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.***

The amendments address the requirements in dealing with the sale or contribution of assets between an investor and its associate or joint venture. In a transaction involving an associate or a joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

When an entity sells or contributes assets that constitute a business to a joint venture or associate, or loses control of a subsidiary that contains a business but it retains joint control or significant influence, the gain or loss resulting from that transaction is recognised in full.

When an entity sells or contributes assets that do not constitute a business to a joint venture or associate, or loses control of a subsidiary that does not contain a business but it retains joint control or significant influence, the gain or loss resulting from that transaction is recognised only to the extent of the unrelated investors' interests in the joint venture or associate, i.e. the entity's share of the gain or loss is eliminated.

The amendments clarify that:

- the exemption from preparing consolidated financial statements is available to a parent entity that is subsidiary of an investment entity, even though the investment entity measures its subsidiaries at fair value in accordance with FRS 110;
- the requirement for an investment entity to consolidate a subsidiary applies only to a subsidiary that is not itself an investment entity and whose main purpose and activities are to provide services related to the investment entity parent's investment activities;
- in applying the equity method to an associate (or joint venture) that is an investment entity, a non-investment entity investor should retain the fair value measurements that the associate (or joint venture) used for its subsidiaries; and
- an investment entity that prepares financial statements in which all of its subsidiaries are measured at fair value through profit or loss shall present the disclosures relating to investment entities required by this FRS 112.

The Group is currently assessing the effects of Amendments to FRS 110, FRS 112 and FRS 28 in the period of initial adoption.

**Amendments to FRS 111 *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations***

The amendments to FRS 111 provide guidance on how to account for the acquisition of both the initial and additional interests in a joint operation that constitutes a business as defined in FRS 103 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations, in FRS 103 and other Standards should be applied, to the extent that they do not conflict with the requirements of FRS 111. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is required to disclose the relevant information required by FRS 103 and other standards for business combination.

The Group does not expect the application of FRS 111 to have a material impact on the financial statements of the Group and the Company in the period of its initial adoption.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

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

**Improvements to Financial Reporting Standards (January and February 2014)**

The following amendments apply for annual periods beginning on or after July 1, 2014.

| Standard | Topic | Key amendment |
|---|---|---|
| FRS 108 *Operating Segments* | Aggregation of Operating Segments | Amendments require an entity to disclose the judgement made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'. |
| | Reconciliation of the total of the reportable segments' assets to the entity's assets | Clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker. |
| FRS 24 *Related Party Disclosures* | Key Management Personnel | Clarifies that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity must disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However disclosure of the components for such compensation is not required. |
| FRS 113 *Fair Value Measurement* | Scope of portfolio exception | The scope of the portfolio exception for measuring the fair value of a Group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with FRS 39, even if those contracts do not meet the definitions of financial assets or financial liabilities within FRS 32.<br><br>The amendment must be applied prospectively from the beginning of the annual period in which FRS 113 was initially applied. |
| FRS 40 *Investment Property* | Interrelationship between FRS 103 and FRS 40 | Amended to clarify that FRS 40 and FRS 103 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring an investment property must determine whether (a) the property meets the definition of investment property in FRS 40 and (b) the transaction meets the definition of a business combination under FRS 103.<br><br>The amendment applies prospectively for acquisitions of investment property in periods commencing on or after July 1, 2014. An entity is only permitted to adopt the amendments early and/or restate prior periods if the information to do so is available. |

The Group does not expect the application of Improvements to Financial Reporting Standards (January and February 2014) to have a material impact on the financial statements of the Group and Company in the period of their initial adoption.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose 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.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

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

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.

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 decisions 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 subsidiaries 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 to 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 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 the 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 FRSs). 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 FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate.

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

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

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

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

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in fair value of the contingent consideration that do not qualify as measurement period adjustments depend 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 in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being 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 FRS are recognised at 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 FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with the 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 FRS.

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 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.

The policy described above is applied to all business combinations that take place on or after January 1, 2010.

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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on 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 instrument, or where appropriate, a shorter period. Income and expense are recognised on an effective interest basis for debt instruments.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

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

**Financial assets**

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

Financial assets are classified into the following specified categories: "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Available-for-sale investment

Certain shares held by the Group are classified as being available for sale and are stated at cost less accumulated impairment losses. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

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

Derecognition of financial assets

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

**Financial liabilities and equity instruments**

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into 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 are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at fair value through profit or loss ("FVTPL"), subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

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

The Group as lessor

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

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

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

The Group as lessee

Assets held under finance lease 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.

DEVELOPMENT PROPERTIES - Development properties are stated at cost plus attributable profits less progress billings if their revenue is recognised based on percentage of completion. Progress billings not yet paid by customers are included within "trade receivables".

Cost of property comprise specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding a development property are also capitalised, on a specific identification basis, as part of the cost of the development property until the completion of development.

Completed property and land for sale but remained unsold at year end are stated at lower of cost and net realisable value. Cost is determined by apportionment of the total land cost, development costs and borrowing costs capitalised attributable to unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less costs to be incurred in marketing and selling, and the anticipated costs to completion, where appropriate.

Development properties are classified as current when they are expected to be realised in, or are intended for sale in, the Group's normal operating cycle.

Show flats 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, cost incurred are deferred and recognised as other receivables in the statements of financial position until the show flats are ready for use and are amortised over the marketing period.

Deferred sales 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 deferred commission expense in the statements of financial position. Such assets are expensed as and when the related revenue is recognised.

In the prior period, sales commission payable to estate agents were previously expensed off. In the current year, sales commission payable to estate agents are capitalised and amortised based on percentage of completion method. The impact of change in accounting policy is disclosed in Note 48.

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

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

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

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

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

| | | |
|---|---|---|
| Buildings on freehold lands | - | 25 to 40 years |
| Computers | - | 3 years |
| Renovation | - | 5 years |
| Motor vehicles | - | 3 to 5 years |
| Machinery and tools | - | 3 to 5 years |
| Office equipment | - | 2 to 6 years |

Freehold lands are not depreciated.

Depreciation is not provided on leasehold building under construction as the asset is not available for use.

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

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

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

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

INVESTMENT PROPERTIES - Investment properties, which are property held to earn rentals and/or for capital appreciation, are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property 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 EXCLUDING GOODWILL - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets excluding goodwill 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.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 (or 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 (or 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

ASSOCIATES - Associates are those entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating decisions of the investee but is not control or joint control over those policies.

The results of and assets and liabilities of associates 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 FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*.

Under the equity method, an investment in an associate 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 associates. When the Group's share of losses of an associate exceeds the Group's interests in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), 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 associates.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of acquisition 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 investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 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 FRS 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 when the investment is classified as held for sale. When the Group retains an interest in the former associate 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 FRS 39. The difference between the carrying amount of the associate 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 is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate 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.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

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

When the Group reduces its ownership interest in an associate 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 the group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

INTEREST IN JOINT OPERATIONS - A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the 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.

When a Group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the FRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a Group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

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.

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.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

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

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Development properties

Revenue from sales of development properties is recognised when risks and rewards of ownership of the real estate is transferred to the buyer, which may be:

(a) on a continuous transfer basis; or

(b) at a single point of time (e.g. at completion, upon or after delivery).

Under (a), revenue is recognised based on the percentage of completion method when the transfer of significant risks and rewards of ownership occurs as construction progresses. Under the percentage of completion method, revenue and costs are recognised by reference to the stage of completion of the development activity at the end of the reporting period based on survey of work completed at the end of each reporting period performed by independent qualified surveyors. Where there is no certification of value is available, the stage of completion is based on the respective costs incurred to date as compared to the total budgeted costs of the development. Profits are recognised only in respect of properties with finalised sales agreements. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Under (b), where transfer of significant risks and rewards of ownership coincides with the time when the property is completed or when the development units are delivered to the purchasers, revenue is recognised upon completion of construction, and when legal title passes to the buyer or when equitable interest in the property rests with the buyer upon release of the handover notice to the buyer, whichever is earlier. Payments received from buyers prior to this stage are recorded as advances from customers from sale of properties and are classified as current liabilities.

Rendering of services

Service revenue, as represented by the contract value of the services to be rendered, is recognised upon the completion of the services rendered.

Income from providing financial guarantee is recognised in profit or loss over the guarantee period on a straight line basis.

Revenue from hotel operations

Revenue is recognised when goods and services have been provided to the customer and the costs in relation to the goods and services can be reliably measured.

Interest income

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

Rental income

The Group's policy for recognition of revenue from operating leases is described above.

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

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

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

# NOTES TO FINANCIAL STATEMENTS
MAY 31, 2015

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

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

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of 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 subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on 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 associates, 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 differences 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 relevant 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 property that is measured using the fair value model the carrying among of such property is presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The Group has not rebutted the presumption that the carrying amount of the investment property will be recovered entirely through sale.

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

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly to equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively).

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 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.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

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

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 in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

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, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

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

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

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 and project accounts 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 Chief Executive Officer ("CEO"), who is the Group's chief operating decision maker. All operating segments' operating results are reviewed regularly by the Group's CEO to make decision about resources to be allocated to the segments and assess its performance, and for which discrete financial information is available.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 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*

Management is of the opinion that there are no instances of application of judgements which are expected to have a significant effect on the amounts recognised in the financial statements other than the investigation by the Commercial Affairs Department as set out in Note 46 to the financial statements and those involving estimates as discussed below.

### *(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 financial year, are discussed below:

(i) Percentage of completion for revenue recognition

As described in Note 2, the Group uses the stage of completion method to account for its contract revenue and contract costs arising from the sale of development properties when the transfer of significant risks and rewards of ownership occurs as construction progresses.

The stage of completion is measured based on survey of work completed at the end of each reporting period performed by independent qualified surveyors. Where there is no certification of value is available, the stage of completion is based on the respective costs incurred to date as compared to the total budgeted costs of the development.

Significant judgements are required to estimate the total development contract costs which include estimation for variation works and any other claims from contractors. In making the judgements, the Group relies on past experience and the work specialists. The valuation of development properties and allowance for diminution in value, if any, are therefore subject to uncertainty in respect of variation works and estimation of future costs.

(ii) Allowances for doubtful trade and other receivables

The Group makes allowances for bad and doubtful debts based on on-going evaluation of collectability and aging analysis of individual receivables by reference to their past default experience. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed.

In 2015, the Group made full allowance for a deposit amounting to $3,374,000 (2014: $Nil) to acquire 26 plots of freehold land located in Mukim Klang, Daerah Klang, Negeri Selangor, Malaysia from a third party (the "Seller"). The Group has terminated the acquisition as a result of non-compliance of conditions precedent by the Seller and assessed and determined the balance may not be collectible.

Included in other receivables due from related parties is an amount of $3,750,000 (2014: $3,750,000) due from a company in which the Group has a 10% equity interest (Note 14). The Group has assessed and determined that there is no event or change in circumstances which indicate the balance is not collectible.

The carrying amounts of the Group's and the Company's trade and other receivables are disclosed in Notes 8 and 9 respectively.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

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

(iii) Loans receivable from associates

The Group makes allowances for bad and doubtful debts based on assessment of the recoverability of loans receivable from associates. Allowances are applied to loans receivable when events or changes in circumstances indicate that the balance may not be collectible. The identification of bad and doubtful debt requires the use of judgement and estimates. Where the expectation is different from the original estimates, such difference will impact the carrying value of receivables and doubtful debts expenses in the period in which such estimates has been changed.

The carrying amount of the Group's and the Company's loans receivable from associates is disclosed in Note 11.

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

Development properties, completed property and land held for sale are stated at lower of cost and estimated net realisable value, assessed on an individual property basis. When it is probable that the total development costs will exceed the total projected revenue, the amount in excess of net realisable value is recognised as an expense immediately.

The process of evaluating the net realisable value of each property is subject to management judgement and the effect of assumptions in respect of development plans, timing of sale and the prevailing market conditions. Management performs cost studies for each property, taking into account the costs incurred to date, the development status and costs to complete each development property. Any future variation in plans, assumptions and estimates can potentially impact the carrying amounts of the respective properties.

The carrying amount of the Group's development properties and completed property and land held for sale are disclosed in Notes 12 and 13 respectively.

(v) Impairment of investment in associates and subsidiaries

Management exercises their judgement in estimating recoverable amounts of its investment in associates of the Group and subsidiaries of the Company.

The recoverable amounts of the investments are reviewed at the end of each reporting period to determine whether there is any indication that those investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, management needs to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows.

The carrying amounts of the Group's investment in associates and the Company's investment in subsidiaries are disclosed in Notes 15 and 16 respectively.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

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

(vi) Valuation of investment properties

Investment properties are stated at fair value based on an independent professional valuation. In determining the fair value, the valuer has used valuation techniques which involve certain estimates and significant unobservable inputs which are disclosed in Note 18. The key assumptions used to determine the fair value include market-corroborated capitalisation yield, terminal yield and discount rate.

The valuer has 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 the valuation reports, management has exercised its judgement and is satisfied that the independent valuer has appropriate recognised professional qualifications and their estimates are reflective of current market conditions at the end of the reporting period. The carrying amount of investment properties are disclosed in Note 18.

(vii) Deferral of show flats costs

Show flats 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, cost 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.

Management reviews the marketing period considering current market demand for property market and response from marketing activities of these development properties.

The carrying amount of deferred show flats costs is disclosed in Note 9.

(viii) Deferral of sales commission expenses

Sales 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 deferred commission expense in the statements of financial position. Such assets are expensed when the related revenue is recognised.

In the prior period, sales commission payable to estate agents were previously expensed off. In the current year, sales commission payable to estate agents are capitalised and amortised based on percentage of completion method. Retrospective restatement has been made to the prior period due to change in accounting policy mentioned above. The retrospective restatement is disclosed in Note 48.

The carrying amount of deferred commission expense is disclosed in Note 9.

(ix) Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 2 to 40 years. Changes in the expected level of usage and technological development could impact the economic useful life and the residual value of these assets, therefore future depreciation charges could be revised.

The carrying amount of property, plant and equipment is disclosed in Note 17.

# NOTES TO FINANCIAL STATEMENTS
MAY 31, 2015

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

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

(x) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever there is any indication that the assets are impaired. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the impairment loss.

The carrying amount of property, plant and equipment is disclosed in Note 17.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

### *(a) Categories of financial instruments*

The following table sets out the financial instruments as at the end of the reporting period:

| | Group | | Company | |
|---|---|---|---|---|
| | **May 31, 2015 $'000** | **May 31, 2014 $'000** | **May 31, 2015 $'000** | **May 31, 2014 $'000** |
| Financial assets | | | | |
| Loans and receivables (including cash and bank balances) | 115,509 | 106,613 | 173,302 | 135,349 |
| Financial liabilities | | | | |
| Amortised cost | 212,388 | 163,271 | 43,663 | 6,949 |
| Financial guarantee liabilities | 848 | - | 3,570 | 2,405 |

Financial assets consist of cash and bank balances, trade receivables, other receivables and loans receivable from associates excluding prepayments, show flat costs, deferred sales commission expense and deposits for option to purchase properties.

Financial liabilities consist of bank loans, trade payables, other payables, finance lease, long-term bank loans, term notes, financial guarantee liabilities, loan from non-controlling interests and long-term loans.

### *(b) 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.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### (b) *Financial risk management policies and objectives (cont'd)*

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:

(i) Foreign exchange risk management

The Group transacts business in various foreign currencies, including United States Dollar ("USD"), Thai Baht ("THB"), New Zealand Dollar ("NZD") and Australia Dollar ("AUD") 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** | |
|---|---|---|---|---|
| | **May 31, 2015 $'000** | **May 31, 2014 $'000** | **May 31, 2015 $'000** | **May 31, 2014 $'000** |
| Group | | | | |
| USD | 80 | - | - | 14 |
| THB | 104 | - | 1,379 | 1,274 |
| NZD | - | 4,900 | 7 | 12 |
| AUD | - | 18 | 47 | 1,104 |

The Company is not exposed to any significant foreign currency risk as the Company's transactions are mainly denominated in Singapore dollars.

The Group has a number of investments in foreign subsidiaries and associates, whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

*Foreign currency sensitivity*

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 10% is the sensitivity rate used when relevant 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.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### *(b) Financial risk management policies and objectives (cont'd)*

(i) Foreign exchange risk management (cont'd)

*Foreign currency sensitivity (cont'd)*

If the relevant foreign currency weakens by 10% against the functional currency of each Group entity, profit or loss will decrease (increase) by:

| | USD impact | | THB impact | | NZD impact | | AUD impact | |
|---|---|---|---|---|---|---|---|---|
| | May 31, 2015 $'000 | May 31, 2014 $'000 | May 31, 2015 $'000 | May 31, 2014 $'000 | May 31, 2015 $'000 | May 31, 2014 $'000 | May 31, 2015 $'000 | May 31, 2014 $'000 |
| Group | | | | | | | | |
| Profit or loss | (8) | 1 | 128 | 127 | 1 | (489) | 5 | 109 |

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.

(ii) Interest rate risk management

The Group has exposure to interest rate risk through the impact of floating interest rate on borrowings. The Group obtained financing through bank loans and the details of the Group's interest rate exposure are disclosed in Notes 20 and 24.

*Interest rate sensitivity*

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting year and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting year 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 reasonably possible change in interest rates.

If interest rate had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended May 31, 2015 would decrease/increase by $670,000 (2014: $627,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

The Company's profit or loss was not affected by changes in interest rates as the Company did not have any borrowings or intercompany loans that are at variable rates.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### *(b) Financial risk management policies and objectives (cont'd)*

(iii) Credit risk management

The Group's principal financial assets are cash and bank balances, trade and other receivables and loans receivable from associates.

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a mean of mitigating the risk of financial loss from such defaults.

The credit risk on cash and bank balances is limited as these balances are placed with or transacted with financial institutions which are creditworthy.

The Group's credit risk is primarily attributable to its trade, other and loans receivable from associates. The Group manages these risks by monitoring credit worthiness and limiting the aggregate use to any individual counterparty. The Group does not expect to incur material credit losses on its financial instruments. The amounts presented in the statements of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The maximum amount that the Group and the Company could be forced to settle under the financial guarantee contract in Note 25, if the full guaranteed amount is claimed by the counterparty to the guarantee are $70,723,000 and $184,039,000 (2014: $9,916,000 and $161,814,000) respectively. Based on the expectations at the end of the reporting period, the Group and Company consider that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffered credit losses.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, and the exposure to defaults from financial guarantees above, represents the Group's maximum exposure to credit risk without taking into account of the value of any collateral obtained.

(iv) Liquidity risk management

The Group and the Company 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. Undrawn facilities are disclosed in Note 20.

***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 table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statements of financial position.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### (b) *Financial risk management policies and objectives (cont'd)*

(iv) Liquidity risk management (cont'd)

Non-derivative financial liabilities (cont'd)

The earliest period that the guarantee could be called is within 1 year (2014: 1 year) from the end of the reporting period. As mentioned in Note 4(b)(iii), the Group considers that it is more likely than not that no amount will be payable under the arrangement.

| | 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 |
|---|---|---|---|---|---|---|
| Group | | | | | | |
| **2015** | | | | | | |
| Non-interest bearing | - | 27,621 | 4,050 | - | - | 31,671 |
| Finance lease (fixed rate) | 2.32 | 15 | 62 | 15 | (11) | 81 |
| Fixed interest rate instruments | 5.17 | 3,922 | 47,138 | - | (4,508) | 46,552 |
| Variable interest rate instruments | 3.45 | 59,210 | 76,425 | 7,722 | (9,274) | 134,083 |
| Financial guarantee liabilities | - | 70,155 | 568 | - | (69,875) | 848 |
| | | 160,923 | 128,243 | 7,737 | (83,668) | 213,235 |
| **2014** | | | | | | |
| Non-interest bearing | - | 26,402 | 4,050 | - | - | 30,452 |
| Finance lease (fixed rate) | 2.32 | 16 | 65 | 33 | (16) | 98 |
| Fixed interest rate instruments | 6.14 | 7,471 | - | - | (113) | 7,358 |
| Variable interest rate instruments | 2.63 | 30,290 | 98,828 | 4,425 | (8,180) | 125,363 |
| Financial guarantee liabilities | - | 9,916 | - | - | (9,916) | - |
| | | 74,095 | 102,943 | 4,458 | (18,225) | 163,271 |

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### (b) *Financial risk management policies and objectives (cont'd)*

(iv) Liquidity risk management (cont'd)

Non-derivative financial liabilities (cont'd)

The earliest period that the guarantee could be called is within 1 year (2014: 1 year) from the end of the reporting period. As mentioned in Note 4(b)(iii), the Company considers that it is more likely than not that no amount will be payable under the arrangement.

| | 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 |
|---|---|---|---|---|---|---|
| Company | | | | | | |
| **2015** | | | | | | |
| Non-interest bearing | - | 14,086 | - | - | - | 14,086 |
| Fixed interest rate instrument | 6.50 | - | 34,212 | - | (4,635) | 29,577 |
| Financial guarantee liabilities | - | 181,704 | 2,335 | - | (180,469) | 3,570 |
| | | 195,790 | 36,547 | - | (185,104) | 47,233 |
| **2014** | | | | | | |
| Non-interest bearing | - | 6,949 | - | - | - | 6,949 |
| Financial guarantee liabilities | - | 160,152 | 1,662 | - | (159,409) | 2,405 |
| | | 167,101 | 1,662 | - | (159,409) | 9,354 |

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### *(b) Financial risk management policies and objectives (cont'd)*

(iv) Liquidity risk management (cont'd)

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 anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statements of financial position.

| | 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 |
|---|---|---|---|---|---|---|
| Group | | | | | | |
| **2015** | | | | | | |
| Non-interest bearing | - | 72,401 | 13,542 | - | - | 85,943 |
| Fixed interest rate instruments | 5.17 | 18,501 | 12,571 | - | (1,506) | 29,566 |
| | | 90,902 | 26,113 | - | (1,506) | 115,509 |
| **2014** | | | | | | |
| Non-interest bearing | - | 44,276 | 13,587 | - | - | 57,863 |
| Fixed interest rate instruments | 4.68 | 29,087 | 22,830 | - | (3,167) | 48,750 |
| | | 73,363 | 36,417 | - | (3,167) | 106,613 |
| Company | | | | | | |
| **2015** | | | | | | |
| Non-interest bearing | - | 172,048 | - | - | - | 172,048 |
| Fixed interest rate instruments | 0.69 | 1,255 | - | - | (1) | 1,254 |
| | | 173,303 | - | - | (1) | 173,302 |
| **2014** | | | | | | |
| Non-interest bearing | - | 135,347 | - | - | - | 135,347 |
| Fixed interest rate instruments | 0.50 | 2 | - | - | * | 2 |
| | | 135,349 | - | - | * | 135,349 |

* Denotes amount less than $1,000

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### *(b) Financial risk management policies and objectives (cont'd)*

Fair value of financial assets and financial liabilities

The carrying amounts of cash and bank balances, trade, other and loan receivables, trade and other payables 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.

### *(c) Capital risk 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 balances, and to ensure that all externally imposed capital requirements are compiled with.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Notes 20, 24, 26 and 27 and equity attributable to owners of the Company, comprising of share capital, reserves and accumulated profits. The Group is required to maintain the required gearing in order to comply with covenants in loan agreements with banks and financial institutions.

Management also ensures that the Group maintains certain security ratios of outstanding term loans over the value of the properties in order to comply with the loan covenants imposed by banks and financial institutions.

The Group monitors capital using debt ratio as follows:

| | **Group** | |
|---|---|---|
| | **May 31, 2015 $'000** | **May 31, 2014 $'000 (restated)** |
| Total assets | 385,090 | 317,893 |
| Total debt | 184,685 | 136,771 |
| Total equity | 167,082 | 151,997 |
| Total debt-to-total assets ratio (times) | 0.48 | 0.43 |
| Total debt-to-total equity ratio (times) | 1.11 | 0.90 |

The Group's overall strategy with regards to capital risk management remains unchanged from 2014.

At the end of the reporting period, two financial covenants relating to secured borrowings amounting to $16,951,000 of a subsidiary were not met. Subsequent to the end of the reporting period, the Group obtained a waiver of the breach of the loan covenants from the relevant lender which is after the date on which the loan covenants were tested. Consequently, the secured borrowings of $16,951,000 was reclassified from non-current liabilities to current liabilities.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 5 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

The Company is a subsidiary of TEE International Limited, incorporated in Singapore, which is also the Company's holding company. Related companies in these financial statements refer to members of the holding company's group of companies (the "Group").

Some of the Company's transactions and arrangements are between members of the Group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

(a) Significant intercompany transactions are as follows:

| | May 31, 2015 $'000 | May 31, 2014 $'000 |
|---|---|---|
| Management fees paid to holding company | 113 | 135 |
| Management fees paid to related company | 28 | - |
| Rental expenses paid to related company | 27 | 27 |
| Construction cost for property, plant and equipment charged by a subsidiary of the holding company | 12,700 | - |
| Conversion and fit-out works charged by related company | - | 1,500 |

(b) The holding company has granted corporate guarantees amounting to $60,166,000 (2014: $60,166,000) to financial institutions for securing banking facilities of subsidiaries of the Group.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the period for bad or doubtful debts in respect of the amount owed by related companies.

## 6 OTHER 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 is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Significant related party transactions are as follows:

| | May 31, 2015 $'000 | May 31, 2014 $'000 |
|---|---|---|
| (a) Associates | | |
| Interest income | (2,002) | (1,912) |
| Financial guarantee income | (137) | (145) |
| Purchase of investment properties | 1,963 | - |

Guarantees given

No guarantees have been given except for the financial guarantee liabilities (Note 25) pertaining to the effects of fair value of corporate guarantee on initial recognition provided by the Group on behalf of certain associates to obtain banking facilities.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 6 OTHER RELATED PARTY TRANSACTIONS (cont'd)

(b) Non-controlling interests

| | May 31, 2015 $'000 | May 31, 2014 $'000 |
|---|---|---|
| Management fees paid | 344 | 114 |

(c) Provision of civil and structural engineering consultancy services

An independent non-executive director of the Company is a director of an entity that controls a firm which provided civil and structural engineering consultancy services amounting to $34,000 (2014 : $40,000) to the Group.

(d) Purchase of Multi-currency Medium Term Note issued by the Company by the spouse of an independent non-executive director

In 2015, the spouse of an independent non-executive director of the Company purchased $250,000 of Multi-currency Medium Term Note ("MTN") issued by the Company under the MTN Programme.

(e) Compensation of directors and key management personnel

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

| | May 31, 2015 $'000 | May 31, 2014 $'000 |
|---|---|---|
| Short-term benefits | 2,254 | 2,063 |
| Post-employment benefits | 80 | 78 |
| | 2,334 | 2,141 |

The remuneration of directors and other members of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received except the financial guarantees liabilities (Note 25).

No expense has been recognised in the period for bad or doubtful debts in respect of the amount owed by related parties.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 7 CASH AND BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | **May 31, 2015 $'000** | **May 31, 2014 $'000** | **May 31, 2015 $'000** | **May 31, 2014 $'000** |
| Cash at banks | 8,556 | 4,551 | 3,310 | 560 |
| Cash on hand | 4 | 1 | - | - |
| Fixed deposits | 1,869 | 2 | 1,254 | 2 |
| Project accounts: | | | | |
| Cash at banks | 8,189 | 13,317 | - | - |
| Fixed deposits | - | 8,013 | - | - |
| | 18,618 | 25,884 | 4,564 | 562 |

Fixed deposits bear interest ranging from 0.50% to 3.50% (2014: 0.23% to 0.50%) per annum and for a tenure from 92 days to 720 days (2014: 92 days to 184 days). Fixed deposits are readily convertible to a known amount of cash and are subjected to an insignificant risk of changes in value.

Project accounts are subject to restrictions under the Housing Developers (Project Account) Rules (1997 Ed). Withdrawals from these project accounts are restricted to payments for project expenditure incurred until the completion of the project.

*Cash and cash equivalents*

For the purpose of the consolidated statement of cash flows, the consolidated cash and cash equivalents comprise the following:

| | Group | |
|---|---|---|
| | **May 31, 2015 $'000** | **May 31, 2014 $'000** |
| **Cash and cash equivalents per consolidated statement of cash flows** | | |
| Cash and bank balances (as per statements of financial position) | 18,618 | 25,884 |
| Less: Encumbered bank deposit | (615) | - |
| | 18,003 | 25,884 |

As at May 31, 2015, the Group has cash and cash equivalents of $615,000 (2014: $Nil) placed with a bank in Vietnam as security for banking facilities.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 8 TRADE RECEIVABLES

| | Group | |
|---|---|---|
| | May 31, 2015 $'000 | May 31, 2014 $'000 |
| Trade receivables | 37,824 | 16,685 |

The average credit period given to customers is 14 - 30 days (2014: 14 days). No interest is charged on the outstanding trade receivables.

The Group closely monitors the credit quality of its trade receivables and considers trade receivables that are neither past due nor impaired to be of a good credit quality. The Group does not hold any collateral over these balances.

In determining the recoverability of a trade receivable, the Group considers 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.

## 9 OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | May 31, 2015 $'000 | May 31, 2014 $'000 | May 31, 2015 $'000 | May 31, 2014 $'000 |
| | | (restated) | | |
| Associates (Note 6) | 89 | 13 | - | - |
| Bank interest receivable | 8 | - | - | - |
| Deferred sales commission expense | 733 | 871 | - | - |
| Deposits | 242 | 251 | - | - |
| Holding company (Note 5) | 833 | - | 43 | - |
| Interest receivable from associates (Notes 6 and 15) | 6,444 | 4,808 | 712 | 407 |
| Joint developer | 10,971 | 6,309 | - | - |
| Non-controlling interests (Note 5) | 419 | - | - | - |
| Option for purchase of properties | 3,622 | 4,643 | - | - |
| Prepayments | 1,465 | 137 | 24 | 63 |
| Related party (Note 14) | 3,750 | 3,750 | - | - |
| Show flats costs | 900 | 580 | - | - |
| Subsidiaries (Notes 5 and 16) | - | - | 163,520 | 124,054 |
| Third parties | 1,336 | 900 | 1 | - |
| | 30,812 | 22,262 | 164,300 | 124,524 |
| Less: Allowance for doubtful receivable | (3,374) | - | - | - |
| | 27,438 | 22,262 | 164,300 | 124,524 |
| Less: Amounts receivable within 12 months (shown under current assets) | (16,963) | (11,151) | (164,300) | (124,524) |
| Amounts receivable after 12 months | 10,475 | 11,111 | - | - |

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 9 OTHER RECEIVABLES (cont'd)

In determining the recoverability of other receivables, the Group and the Company consider any change in the credit quality of the other receivables from the date credit was initially granted up to the end of the reporting period.

Management has assessed the credit worthiness of the other receivables. Other receivables are not past due nor impaired.

Deferred commission expense is recognised as and when revenue is recognised.

The Group entered into a joint development with a joint developer to develop 47, 49, 51, 55, 57, 59 and 61 Cairnhill Circle, Singapore. The Group recognised the related assets, liabilities, income and expenses arising from the joint operation in accordance with the accounting policy as described in Note 2.

An amount of $6,309,000 (2014: $6,309,000) due from joint developer is unsecured, interest-free and repayable upon settlement of the final account. The settlement of the final account is expected to be after 12 months from the reporting date. The remaining amount of $4,662,000 (2014: $Nil) due from joint developer is unsecured, interest-free and repayable within 12 months from the reporting date. The carrying amount due from joint developer approximates its fair value.

An amount of $416,000 (2014: $Nil) due from non-controlling interests is unsecured, interest-free and repayable after 12 months from reporting date.

In 2015, included in the options for purchase of properties are amounts of $248,000 and $3,374,000 for an option to acquire the 11th floor and the penthouse of a 4-star hotel in Sydney and a deposit to acquire 26 plots of freehold land (the "Land") located in Mukim Klang, Daerah Klang, Negeri Selangor, Malaysia respectively. At the end of the reporting period, the Group terminated the acquisition of the Land as a result of non-compliance of conditions precedent by the seller and assessed the balance of $3,374,000 may not be collectible and hence provided as doubtful receivable.

In 2014, included in the option for purchase of properties are amounts of $1,051,000 and $3,592,000 for an option to purchase a 3-star hotel in Sydney, Australia and a deposit to acquire 26 plots of freehold land located in Mukim Klang, Daerah Klang, Negeri Selangor, Malaysia respectively.

Included in related party is an amount of $3,750,000 (2014: $3,750,000) due from a company in which the Group has a 10% equity interest (Note 14). The amount of $3,750,000 is unsecured, interest free and repayable after 12 months from the reporting date. The carrying amount approximates the fair value at the end of the reporting period.

Show flat costs are capitalised and amortised over marketing period.

The amounts due from third parties are unsecured, interest-free and repayable on demand.

Movement in the allowance for doubtful receivable:

| | Group | |
|---|---|---|
| | **May 31, 2015 $'000** | **May 31, 2014 $'000** |
| Balances at beginning of the year | - | - |
| Increase in allowance recognised in profit or loss (Note 36) | 3,374 | - |
| Balance at end of the year | 3,374 | - |

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 10 INVENTORIES

| | Group | |
|---|---|---|
| | May 31, 2015 $'000 | May 31, 2014 $'000 |
| Consumables, at cost | 18 | - |

## 11 LOANS RECEIVABLE FROM ASSOCIATES

| | Group | | Company | |
|---|---|---|---|---|
| | May 31, 2015 $'000 | May 31, 2014 $'000 | May 31, 2015 $'000 | May 31, 2014 $'000 |
| Loans receivable from associates | 34,975 | 48,013 | 4,462 | 10,326 |
| Less: Amounts receivable within 12 months (shown under current assets) | (15,759) | (19,361) | (4,462) | (10,326) |
| Amounts receivable after 12 months | 19,216 | 28,652 | - | - |

Included in the loans receivable from associates is an amount of $7,278,000 (2014: $7,278,000) which is unsecured, interest-free and expected to be repaid upon completion of the development project held by an associate. The remaining amounts of $27,697,000 (2014: $40,735,000) are unsecured, bear fixed interest rates ranging from 5.00% to 7.00% (2014: 5.00% to 7.00%) per annum and are expected to be repaid upon the completion of the development projects held by the respective associates. Management has assessed the credit worthiness of the associates and believes that no allowance is required for the loans receivable from associates.

The fair value of the Group and the Company's loans receivable from associates approximate their carrying amounts as their interest rates approximate current market interest rates on or near the end of the reporting period.

The Group executed two deeds of subordination (the "Deeds") to secure all liabilities and indebtedness of two (2014: two) of its associates. As a result of the Deeds, the loans receivable from associates amounting to $4,666,000 (2014: $5,356,000) are subordinated in rank to the credit facilities granted by the banks to the associates.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 12 DEVELOPMENT PROPERTIES

| | Group | |
|---|---|---|
| | **May 31, 2015 $'000** | **May 31, 2014 $'000** |
| Properties in the course of development | 122,658 | 157,938 |

Cost of development properties comprise specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding development properties are also capitalised, on a specific identification basis, as part of the cost of the development properties until the completion of development. These projects have operating cycles longer than one year. Development properties are classified as current assets as they are intended for sale in the Group's normal operating cycle.

| | Group | |
|---|---|---|
| | **May 31, 2015 $'000** | **May 31, 2014 $'000** |
| Cost incurred plus attributable profit | 151,216 | 162,651 |
| Less: | | |
| Progress billings | (12,334) | (2,764) |
| Allowance for diminution in value | - | (733) |
| Transferred to completed property and land held for sale (Note 13) | (16,224) | (1,216) |
| | 122,658 | 157,938 |

<u>Allowance for diminution in value</u>

| | **Group $'000** |
|---|---|
| Balance as at June 1, 2013 | - |
| Charge to profit or loss (Note 36) | 733 |
| Balance as at May 31, 2014 | 733 |
| Transfer to land held for sale (Note 13) | (733) |
| Balance as at May 31, 2015 | - |

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 in value was made on a property due to the weakening market conditions and the slow take up rate of the property.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 12 DEVELOPMENT PROPERTIES (cont'd)

Details of the Group's development properties as at May 31, 2015 are as follows:

| Name of Property/location | Description | Tenure | Estimated percentage of completion | Year to be completed/ Expected completion | Land area (sq m) | Gross floor area (sq m) | Group's interest in property |
|---|---|---|---|---|---|---|---|
| The Peak @ Cairnhill II, 55, 57, 59 and 61 Cairnhill Circle, Singapore [1] | 60 units of residential apartment | Freehold | 74% | October 2015 | 1,509 | 4,642 | 27% |
| Hilbre 28 64, 66, 68, 70, 72 74, 76, 78 and 80 Hillside Drive, Hillside Gardens, Singapore | 28 units of residential apartment | 999 years leasehold from September 1, 1876 | * | May 2017 | 2,026 | 2,837 | 100% |
| 183 Upper Thomson Road, Singapore | 43 residential units and 16 commercial units | Freehold | * | December 2019 | 1,576 | 4,728 | 100% |
| Third Avenue, PT 12059 Mukim of Dengkil, District of Sepang Selangor Darul Ehsan, Malaysia | 701 residential units and 31 commercial units | Freehold | 6% | December 2017 | 24,085 | 72,257 | 100% |

(1) These properties in the course of development are joint developments (Note 9).

* No revenue has been recognised in respect of these development properties.

Certain development properties of $122,658,000 (2014: $153,055,000) were pledged to banks to secure the bank loans and long-term bank loans granted to the Group as disclosed in Notes 20 and 24 respectively.

Finance costs capitalised as cost of development properties during the financial year amounted to $2,564,000 (2014: $2,003,000) at interest rates ranging from 1.41% to 7.60% (2014: 1.41% to 7.35%) per annum.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 13 COMPLETED PROPERTY AND LAND HELD FOR SALE

| | Group | |
|---|---|---|
| | May 31, 2015 $'000 | May 31, 2014 $'000 |
| Balance at beginning of the year | 1,216 | - |
| Add: Transferred from development properties (Note 12) | 16,224 | 1,216 |
| Less: Recognised as an expense in cost of sales during the year | (1,216) | - |
| Allowance for diminution in value | (1,251) | - |
| Balance at end of the year | 14,973 | 1,216 |

Allowance for diminution in value

| | Group $'000 |
|---|---|
| Balance as at June 1, 2013 and May 31, 2014 | - |
| Transferred from development properties (Note 12) | 733 |
| Charge to profit or loss (Note 36) | 518 |
| Balance as at May 31, 2015 | 1,251 |

The completed property held for sale as at May 31, 2015 is as follow:

| Name of Property/location | Description | Tenure | Land area (sq m) | Gross floor area (sq m) | Group's interest in property |
|---|---|---|---|---|---|
| The Peak @ Cairnhill I, 47, 49 and 51 Cairnhill Circle, Singapore | 20 units of residential apartments | Freehold | 978 | 3,008 | 27% |

The land held for sale as at May 31, 2015 is as follows:

| Name of Property/location | Description | Tenure | Land area (sq m) | Gross floor area (sq m) | Group's interest in property |
|---|---|---|---|---|---|
| Peach Garden, Phu Huu Residential District 9, Ho Chi Minh City, Vietnam | 37 plots of land | 50 years leasehold from October 14, 2011 | 6,029 | - | 65% |

The completed property and land held for sale of $10,608,000 (2014: $1,216,000) is pledged to bank to secure the bank loans and long-term bank loans granted to the Group as disclosed in Notes 20 and 24 respectively.

Finance costs capitalised as cost of completed property held for sale during the financial year amounted to $337,000 (2014: $191,000) with interest rates ranging from 3.80% to 4.15% (2014: 1.90% to 1.98%) per annum.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 14 AVAILABLE-FOR-SALE INVESTMENT

| | Group | | Company | |
|---|---|---|---|---|
| | May 31, 2015 $'000 | May 31, 2014 $'000 | May 31, 2015 $'000 | May 31, 2014 $'000 |
| Unquoted equity shares, at cost | * | * | - | - |

* Denotes amount less than $1,000

The available-for-sale investment represents a 10% equity interest in an entity incorporated in Singapore whose principal activity is investment holding. A director of the Company is also a director of this entity.

This investment is classified as available-for-sale investment as the Group has no control or significant influence over this investment and are carried at cost less accumulated impairment losses as its fair value could not be reliably measured.

## 15 INVESTMENT IN ASSOCIATES

| | Group | |
|---|---|---|
| | May 31, 2015 $'000 | May 31, 2014 $'000 (restated) |
| Unquoted equity shares, at cost | 9,327 | 7,331 |
| Deemed cost of investment | 5,791 | 5,591 |
| Share of post-acquisition reserves | 20,948 | 10,670 |
| | 36,066 | 23,592 |

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.

# NOTES TO FINANCIAL STATEMENTS
MAY 31, 2015

## 15 INVESTMENT IN ASSOCIATES (cont'd)

Details of the Group's associates at May 31, 2015 are as follows:

| Name of associate/ Place of incorporation and operation | Principal activity | Proportion of ownership interest and voting power held 2015 % | 2014 % |
|---|---|---|---|
| Unique Development Pte. Ltd. Singapore (3) | Development of real estate | 20 | 20 |
| Unique Realty Pte. Ltd. Singapore (3) | Development of real estate | 20 | 20 |
| Residenza Pte. Ltd. Singapore (3) | Development of real estate | 32 | 32 |
| Development 26 Pte. Ltd. Singapore (3) | Development of real estate | 45 | 45 |
| Unique Consortium Pte. Ltd. Singapore (1) | Development of real estate | 20 | 20 |
| Unique Capital Pte. Ltd. Singapore (1) | Development of real estate | 20 | 20 |
| KSH (China) Venture Pte. Ltd. Singapore (1) | Development of real estate | * | 20 |
| Chewathai Limited Thailand (2) (4) | Development of real estate | 49 | 49 |
| Development 32 Pte. Ltd. Singapore (3) | Development of real estate | 45 | 45 |
| Unique Commercial Pte. Ltd. Singapore (1) | Development of real estate | 35 | 35 |
| Wealth Development Pte. Ltd. Singapore (3) | Development of real estate | 30 | 30 |
| Unique Wellness Pte. Ltd. Singapore (5) | Dormant | 20 | 20 |

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 15 INVESTMENT IN ASSOCIATES (cont'd)

Details of the Group's associates at May 31, 2015 are as follows:

| Name of associate/ Place of incorporation and operation | Principal activity | Proportion of ownership interest and voting power held 2015 % | 2014 % |
|---|---|---|---|
| **Held by Chewathai Limited** | | | |
| Chewathai Hup Soon Limited Thailand [(2)] | Development of real estate | 24.5 | 24.5 |
| Chewathai Interchange Co., Ltd Thailand [(2)] | Development of real estate | 49.0 | 49.0 |

* Struck off on January 20, 2015.

(1) Audited by Deloitte & Touche LLP, Singapore for equity accounting purposes for group consolidation.

(2) Audited by another firm of auditors, Ernst & Young Office Limited, Thailand for equity accounting purposes for group consolidation.

(3) Audited by another firm of auditors, Ernst & Young LLP, Singapore for equity accounting purposes for group consolidation.

(4) Filed its listing application to be listed on the Market for Alternative Investment, Stock Exchange of Thailand's alternative stock market. The remaining 51% of proportion of ownership interest and voting power are equally held by Chartchewa Co., Ltd and seven individuals.

(5) These associates are exempted from audit as they are dormant and not considered material.

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 is set out below:

| | Group May 31, 2015 $'000 | May 31, 2014 $'000 (restated) |
|---|---|---|
| Total assets | 635,482 | 593,243 |
| Total liabilities | (528,819) | (526,350) |
| Net assets | 106,663 | 66,893 |
| Group's share of associates' net assets | 29,815 | 17,869 |
| Revenue | 227,452 | 236,951 |
| Profit for the financial year | 38,896 | 32,231 |
| Group's share of associates' results for the financial year | 9,992 | 9,154 |

The Group has not recognised its share of losses amounting to $311,000 (2014: $7,000) in profit or loss during the financial year. The accumulated losses not recognised at the date of reporting period were $318,000 (2014: $7,000).

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 15 INVESTMENT IN ASSOCIATES (cont'd)

The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with FRSs and includes adjustments by the Group to align accounting policy of the associates with the Group for equity accounting purposes. Summarised and reconciliation of the financial information in respect of each of the Group's material associates is set out below:

| | Unique Development Pte. Ltd. $'000 | Unique Realty Pte. Ltd. $'000 | Residenza Pte. Ltd. $'000 | Unique Consortium Pte. Ltd. $'000 | Development 26 Pte. Ltd. $'000 | Chewathai Limited and its subsidiaries $'000 | Aggregate information of associates that are not individually material $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | | |
| Summarised statement of financial position | | | | | | | | |
| Current assets | 66,802 | 96,816 | 33,160 | 2,976 | 32,925 | 111,169 | 151,651 | 495,499 |
| Non-current assets | - | - | - | 105,497 | 1 | 20,310 | 14,175 | 139,983 |
| Total assets | 66,802 | 96,816 | 33,160 | 108,473 | 32,926 | 131,479 | 165,826 | 635,482 |
| Current liabilities | (32,293) | (10,550) | (22,782) | (926) | (2,165) | (35,246) | (38,246) | (142,208) |
| Non-current liabilities | (14,463) | (74,841) | (5,151) | (83,100) | (20,708) | (70,061) | (118,287) | (386,611) |
| Total liabilities | (46,756) | (85,391) | (27,933) | (84,026) | (22,873) | (105,307) | (156,533) | (528,819) |
| Net assets (liabilities) | 20,046 | 11,425 | 5,227 | 24,447 | 10,053 | 26,172 | 9,293 | 106,663 |
| Proportion of the Group's ownership | 20% | 20% | 32% | 20% | 45% | 49% | 20% - 45% | |
| Group's share of net assets (liabilities) | 4,009 | 2,285 | 1,673 | 4,890 | 4,524 | 10,148 | 2,286 | 29,815 |
| Deemed cost of investment | 1,070 | 610 | 200 | 690 | 312 | 1,185 | 1,724 | 5,791 |
| Other adjustments | - | - | - | - | - | - | 460 | 460 |
| Carrying amount of the investment | 5,079 | 2,895 | 1,873 | 5,580 | 4,836 | 11,333 | 4,470 | 36,066 |
| Summarised statement of comprehensive income | | | | | | | | |
| Revenue | 62,108 | 92,825 | 27,763 | - | 20,803 | 20,294 | 3,659 | 227,452 |
| Profit (Loss) from continuing operations for the year | 3,397 | 7,334 | 3,228 | 20,200 | 2,918 | 1,792 | 27 | 38,896 |
| Other comprehensive income for the year | - | - | - | - | - | 268 | - | 268 |
| Total comprehensive income for the year | 3,397 | 7,334 | 3,228 | 20,200 | 2,918 | 2,060 | 27 | 39,164 |

# NOTES TO FINANCIAL STATEMENTS
MAY 31, 2015

## 15 INVESTMENT IN ASSOCIATES (cont'd)

| | Unique Development Pte. Ltd. $'000 | Unique Realty Pte. Ltd. $'000 | Residenza Pte. Ltd. $'000 | Unique Consortium Pte. Ltd. $'000 | Development 26 Pte. Ltd. $'000 | Chewathai Limited and its subsidiaries $'000 | Aggregate information of associates that are not individually material $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **2014** | | | | | | | | |
| Summarised statement of financial position | | | | | | | | |
| Current assets | 138,100 | 105,897 | 33,064 | 4,093 | 38,281 | 39,105 | 150,154 | 508,694 |
| Non-current assets | - | - | - | 52,843 | 1 | 18,850 | 12,855 | 84,549 |
| Total assets | 138,100 | 105,897 | 33,064 | 56,936 | 38,282 | 57,955 | 163,009 | 593,243 |
| Current liabilities | (82,914) | (4,805) | (1,105) | (1,126) | (5,980) | (11,916) | (26,888) | (134,734) |
| Non-current liabilities | (38,537) | (97,002) | (29,958) | (51,563) | (25,167) | (23,442) | (125,947) | (391,616) |
| Total liabilities | (121,451) | (101,807) | (31,063) | (52,689) | (31,147) | (35,358) | (152,835) | (526,350) |
| Net assets | 16,649 | 4,090 | 2,001 | 4,247 | 7,135 | 22,597 | 10,174 | 66,893 |
| Proportion of the Group's ownership | 20% | 20% | 32% | 20% | 45% | 49% | 20% - 45% | |
| Group's share of net assets/ (liabilities) | 3,329 | 818 | 640 | 849 | 3,210 | 6,833 | 2,190 | 17,869 |
| Deemed cost of investment | 995 | 610 | 205 | 550 | 312 | 1,185 | 1,734 | 5,591 |
| Other adjustments | - | - | - | - | - | - | 132 | 132 |
| Carrying amount of the investment | 4,324 | 1,428 | 845 | 1,399 | 3,522 | 8,018 | 4,056 | 23,592 |
| Summarised statement of comprehensive income | | | | | | | | |
| Revenue | 110,216 | 45,692 | 14,204 | - | 36,834 | 30,005 | - | 236,951 |
| Profit (Loss) from continuing operations for the year | 13,499 | 2,987 | 1,596 | 3,929 | 5,421 | 5,448 | (649) | 32,231 |
| Other comprehensive income for the year | - | - | - | - | - | (682) | - | (682) |
| Total comprehensive income for the year | 13,499 | 2,987 | 1,596 | 3,929 | 5,421 | 4,766 | (649) | 31,549 |

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 16 INVESTMENT IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | May 31, 2015 $'000 | May 31, 2014 $'000 |
| Unquoted equity shares, at cost | 15,969 | 15,969 |
| Deemed cost of investment | 2,830 | 2,509 |
| | 18,799 | 18,478 |

The Company provided guarantees to banks for credit facilities obtained by certain of its subsidiaries and recorded a deemed financial guarantee fee income in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*. The deemed income is amortised over the period of the financial guarantees. The unamortised financial guarantee fee of $3,570,000 (2014: $2,405,000) is disclosed in Note 25 to the financial statements. The full amount of the guarantee fee is deemed to be additional investment in subsidiaries.

Details of the Company's subsidiaries at May 31, 2015 are as follows:

| Name of associate/ Place of incorporation and operation | Principal activity | Proportion of ownership interest and voting power held 2015 % | 2014 % |
|---|---|---|---|
| TEE Realty Pte. Ltd. Singapore (1) | Development of real estate | 100 | 100 |
| Development 83 Pte. Ltd. Singapore (1) | Development of real estate | 100 | 100 |
| TEE Property Pte. Ltd. Singapore (1) | Development of real estate and investment holding | 100 | 100 |
| TEE Homes Pte. Ltd. Singapore (1) | Development of real estate | 100 | 100 |
| TEE Development Pte. Ltd. Singapore (1) | Development of real estate | 100 | 100 |
| Development 72 Pte. Ltd. Singapore (1) | Development of real estate | 100 | 100 |
| TEE Hospitality Pte. Ltd. Singapore (1) | Development of real estate and investment holding | 100 | 100 |
| TEE Industrial Pte. Ltd. Singapore (1) | Development of real estate | 100 | 100 |
| Development 16 Pte. Ltd. Singapore (1) | Development of real estate and investment holding | 100 | 100 |
| TEE Ventures Pte. Ltd. Singapore (1) | Development of real estate | 100 | 100 |
| TEE Vista Pte. Ltd. Singapore (6) | Dormant | 100 | 100 |

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 16 INVESTMENT IN SUBSIDIARIES (cont'd)

| Name of associate/ Place of incorporation and operation | Principal activity | Proportion of ownership interest and voting power held 2015 % | 2014 % |
|---|---|---|---|
| Held by TEE Property Pte. Ltd. | | | |
| Viet-TEE Co., Ltd. Vietnam [2] | Development of real estate | 65 | 65 |
| TEE Resources Sdn. Bhd. Malaysia [3] | Development of real estate | 100 | 100 |
| Klang City Development Pte. Ltd. Singapore [1] | Development of real estate and investment holding | 60 | 60 |
| Held by Klang City Development Pte. Ltd. | | | |
| Menara Jutamas Sdn. Bhd. Malaysia [6] | Development of real estate | 60 | 60 |
| Held by TEE Hospitality Pte. Ltd. | | | |
| TEE Oceania Pte Limited New Zealand [4] | Investment holding | 100 | 100 |
| JPJ Properties Pty Ltd Australia [5] | Hotel operations | 55 | 90 |
| Potts Point Hospitality Pty Ltd Australia [5] | Hotel operations | 55 | - |
| Held by TEE Oceania Pte Limited | | | |
| Teematic Private Limited New Zealand [4] | Investment holding | 75.1 | 75.1 |
| Held by Teematic Private Limited | | | |
| Workotel Limited New Zealand [4] | Rental accommodation operations | 75.1 | 75.1 |

(1) Audited by Deloitte & Touche LLP, Singapore.

(2) Audited by another firm of auditors, AAC Auditing and Accounting Company, Vietnam.

(3) Audited by a member firm of Deloitte Touche Tohmatsu, Kuala Lumpur, Malaysia.

(4) Audited by another firm of auditors, BDO, Christchurch, New Zealand.

(5) Audited by another firm of auditors, Crowe Horwath, Australia.

(6) These subsidiaries are exempted from audit as they are not considered material.

In accordance with the requirements of Rules 715 and 716 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.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 16 INVESTMENT IN SUBSIDIARIES (cont'd)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amount before intragroup eliminations.

| | Viet-TEE Co.,Ltd $'000 | Klang City Development Pte. Ltd. $'000 | Menara Jutamas Sdn. Bhd. $'000 | JPJ Properties Pty Ltd $'000 | TEE Oceania and its subsidiaries $'000 | Potts Point Hospitality Pty Ltd $'000 |
|---|---|---|---|---|---|---|
| **2015** | | | | | | |
| Current assets | 5,376 | 1 | 12 | 487 | 3,568 | 2,857 |
| Non-current assets | 416 | * | - | 28,681 | 10,291 | 25,741 |
| Current liabilities | (1,551) | (3,463) | (3,471) | (18,048) | (7,153) | (425) |
| Non-current liabilities | - | - | - | - | (5,419) | (15,396) |
| Equity attributable to owners of the Company | 2,797 | (2,077) | (2,076) | 6,128 | 929 | 7,028 |
| Non-controlling interest | 1,444 | (1,385) | (1,383) | 4,992 | 358 | 5,749 |
| Profit (Loss) attributable to owners of the Company | (370) | (2,078) | (2,075) | (600) | 224 | (131) |
| Profit (Loss) attributable to non-controlling interest | (200) | (1,385) | (1,383) | (490) | 107 | (107) |
| **2014** | | | | | | |
| Current assets | 6,179 | 3,580 | 3,592 | * | 9,107 | - |
| Non-current assets | - | * | - | - | 8,681 | - |
| Current liabilities | (1,370) | (3,579) | (3,595) | * | (18,318) | - |
| Non-current liabilities | - | - | - | - | - | - |
| Equity attributable to owners of the Company | 3,126 | 1 | (2) | * | (421) | - |
| Non-controlling interest | 1,683 | * | (1) | * | (109) | - |
| Profit (Loss) attributable to owners of the Company | (482) | 1 | (1) | - | 515 | - |
| Profit (Loss) attributable to non-controlling interest | (259) | * | (*) | - | 171 | - |

* Denotes amount less than $1,000

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 17 PROPERTY, PLANT AND EQUIPMENT

| | Freehold lands $'000 | Buildings on freehold lands $'000 | Leasehold building under construction $'000 | Computers $'000 | Renovation $'000 | Motor vehicles $'000 | Machinery and tools $'000 | Office equipment $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|
| Group | | | | | | | | | |
| Cost: | | | | | | | | | |
| At June 1, 2013 | - | - | - | 13 | 97 | - | - | 31 | 141 |
| Additions | - | - | 10,315 | 21 | 1,483 | 118 | 2 | 222 | 12,161 |
| Written-off | - | - | - | - | - | (2) | - | - | (2) |
| At May 31, 2014 | - | - | 10,315 | 34 | 1,580 | 116 | 2 | 253 | 12,300 |
| Currency differences | - | - | - | (1) | (85) | (7) | - | (20) | (113) |
| Additions | 10,816 | 36,050 | 13,553 | 86 | - | 3 | 12 | 8,497 | 69,017 |
| Written off | - | - | - | - | (97) | - | - | (16) | (113) |
| At May 31, 2015 | 10,816 | 36,050 | 23,868 | 119 | 1,398 | 112 | 14 | 8,714 | 81,091 |
| Accumulated depreciation: | | | | | | | | | |
| At June 1, 2013 | - | - | - | 3 | 15 | - | - | 4 | 22 |
| Depreciation | - | - | - | 8 | 143 | 4 | 1 | 35 | 191 |
| Written-off | - | - | - | - | - | * | - | - | - |
| At May 31, 2014 | - | - | - | 11 | 158 | 4 | 1 | 39 | 213 |
| Currency differences | - | (38) | - | (1) | (18) | (2) | - | (55) | (114) |
| Depreciation | - | 574 | - | 24 | 308 | 24 | 4 | 798 | 1,732 |
| Written-off | - | - | - | - | (52) | - | - | (8) | (60) |
| At May 31, 2015 | - | 536 | - | 34 | 396 | 26 | 5 | 774 | 1,771 |
| Impairment: | | | | | | | | | |
| Impairment loss recognised in the year ended and balance at May 31, 2015 | - | - | 168 | - | - | - | - | - | 168 |
| Carrying amount: | | | | | | | | | |
| At May 31, 2015 | 10,816 | 35,514 | 23,700 | 85 | 1,002 | 86 | 9 | 7,940 | 79,152 |
| At May 31, 2014 | - | - | 10,315 | 23 | 1,422 | 112 | 1 | 214 | 12,087 |

* Denotes amount less than $1,000

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

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

Details of the Group's properties are as follow:

| Address of properties | Tenure of properties | Term of lease | Remaining term of lease | Existing use |
|---|---|---|---|---|
| 25 Bukit Batok Street 22, Singapore 659591 | Leasehold | From May 1, 1992 to April 30, 2052 | 37 years | Office and rental |
| 2-14 Kings Cross Road, Potts Point, NSW 111, Australia | Freehold | Not applicable | Not applicable | Hotel operations |
| 33 Levey Street, Wolli Creek Sydney, NSW 2205, Australia | Freehold | Not applicable | Not applicable | Hotel operations |

During the year, the Group carried out an assessment of the recoverable amount of its leasehold building under construction, having regard to comparable sales of similar properties. The assessment led to the recognition of an impairment loss of $168,000 that has been recognised in the profit or loss (Note 36).

The carrying amount of the Group's motor vehicles includes an amount of $81,000 (2014: $98,000) which was held under finance lease (Note 23).

The Group has pledged the freehold land, buildings on freehold land and leasehold building under construction of $55,529,000 (2014: $9,200,000) to secure facilities granted to the Group (Note 24).

Finance costs capitalised as property, plant and equipment during the financial year amounted to $170,000 (2014: $114,000) of interest ranging from 1.94% to 2.57% (2014: 1.92% to 1.95%) per annum.

## 18 INVESTMENT PROPERTIES

| | Group | |
|---|---|---|
| | May 31, 2015 $'000 | May 31, 2015 $'000 |
| At fair value: | | |
| Balance at beginning of year | 10,120 | - |
| Exchange differences | (1,022) | - |
| Additions | 2,715 | 8,915 |
| Changes in fair value in profit or loss (Note 34) | 223 | 1,205 |
| Balance at end of year | 12,036 | 10,120 |

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 18 INVESTMENT PROPERTIES (cont'd)

The investment properties held by the Group as at May 31, 2015 is as follow:

| Location | Tenure | Description |
|---|---|---|
| 19 Main South Road<br>Upper Riccarton, Christchurch<br>New Zealand | Freehold | 109 cabins and 4 houses for providing rental accommodation |
| 21 Main South Road<br>Upper Riccarton, Christchurch<br>New Zealand | Freehold | 10 bedrooms with 1 ground floor apartment and an attached sleep-out for providing rental accommodation |
| Chewathai Ratchaprarop<br>Condominium, No. 11<br>Ratchaprarop Road,<br>Makkasan Sub-district,<br>Ratchathewi District,<br>Bangkok, Thailand | Freehold | 3 condominium apartment units |

Fair value measurement of the Group's investment properties

The fair value of the investment properties at May 31, 2015 has been determined based on valuations carried out by independent valuers with appropriate recognised professional qualifications and experience.

In determining the market value of the investment properties, the valuer has 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. The valuation conforms to International Valuation Standards.

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.

Details of the Group's investment properties and information about the fair value hierarchy as at May 31, 2015 and 2014 are as follows:

| | Level 1<br>$'000 | Level 2<br>$'000 | Level 3<br>$'000 | Fair value as at May 31, 2015<br>$'000 |
|---|---|---|---|---|
| Investment properties | - | - | 12,036 | 12,036 |

| | Level 1<br>$'000 | Level 2<br>$'000 | Level 3<br>$'000 | Fair value as at May 31, 2014<br>$'000 |
|---|---|---|---|---|
| Investment property | - | - | 10,120 | 10,120 |

There were no transfers between the respective levels during the year.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 18 INVESTMENT PROPERTIES (cont'd)

The following table shows the significant unobservable inputs used in the valuation model:

| Name of Property/location | Fair value $'000 | Valuation technique | Significant unobservable inputs | Range |
|---|---|---|---|---|
| **2015** | | | | |
| Workotel & Thistle Guesthouse 19, 21 Main South Road | 10,073 | Income Capitalisation method | Occupancy turnover (1) | 93% |
| | | | Turnover (1) | $32,000/week |
| | | | Operating income (1) | $20,000/week |
| | | | Net operating income margin (1) | 50% |
| | | | Capitalisation rate (2) | 10% - 11% |
| | | Discounted cash flow method | Discount rate (2) | 12.09% |
| | | | Terminal yield rate (2) | 9.90% |
| Chewathai Ratchaprarop Condominium, No. 11 Ratchaprarop Road | 1,963 | Direct comparison method | Price per square metre of gross floor area (1) | $5,000-$6,000 |
| | 12,036 | | | |
| **2014** | | | | |
| Workotel 19 Main South Road | 10,120 | Income Capitalisation method | Occupancy turnover (1) | 100% |
| | | | Turnover (1) | $33,000/week |
| | | | Net operating income margin (1) | 50% - 61% |
| | | | Capitalisation rate (2) | 11% - 12% |

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

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

The Group has pledged the investment properties of $10,073,000 (2014: $10,120,000) to a bank to secure bank loans granted to the Group (Note 20).

The property rental income from the Group's investment property amounted to $1,614,000 (2014: $1,095,000). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment property amounted to $557,000 (2014: $385,000).

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 19 DEFERRED TAX LIABILITIES (ASSETS)

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods:

| | Recognition of profits from properties under development $'000 | Tax losses $'000 | Total $'000 |
|---|---|---|---|
| Group | | | |
| At June 1, 2013 | 244 | (400) | (156) |
| Charge to profit or loss for the year (Note 38) | 799 | 304 | 1,103 |
| At May 31, 2014 | 1,043 | (96) | 947 |
| Charge (Credit) to profit or loss for the year (Note 38) | 975 | (1,290) | (315) |
| Exchange differences | (6) | 54 | 48 |
| At May 31, 2015 | 2,012 | (1,332) | 680 |

The following is the analysis of deferred tax balances for statements of financial position purposes:

| | Group | |
|---|---|---|
| | May 31, 2015 $'000 | May 31, 2014 $'000 |
| Deferred tax liabilities | 2,012 | 1,043 |
| Deferred tax assets | (1,332) | (96) |

Revenue from sale of development properties will only be taxable upon completion of the project.

Subject to the agreement by the tax authorities, the Group has unutilised tax losses of approximately $5,418,000 (2014: $565,000). Deferred tax asset of $1,332,000 (2014: $96,000) has been recognised in respect of such tax losses.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is $431,000 (2014: $273,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Temporary differences arising in connection with interests in associates is insignificant.

# NOTES TO FINANCIAL STATEMENTS
MAY 31, 2015

## 20 BANK LOANS

| | Group | | Company | |
|---|---|---|---|---|
| | May 31, 2015 $'000 | May 31, 2014 $'000 | May 31, 2015 $'000 | May 31, 2014 $'000 |
| Bank loans | 11,499 | 13,358 | - | - |

Bank loans are repayable within one year. As the amount are due for settlement within 12 months, they are shown under current liabilities.

The Group's bank loans bear interest rates ranging from 2.25% to 4.50% (2014: 2.20% to 6.56%) per annum and secured by the development properties (Note 12) and corporate guarantees by the Company (Note 25).

At May 31, 2015, the Group had available $52,388,000 (2014: $49,414,000) of undrawn borrowing facilities in respect of which all conditions precedent had been met.

## 21 TRADE PAYABLES

| | Group | |
|---|---|---|
| | May 31, 2015 $'000 | May 31, 2014 $'000 |
| Trade payables | 5,225 | 4,476 |
| Related company (Note 5) | 2,349 | - |
| Retention payables | 1,026 | 893 |
| | 8,600 | 5,369 |

The credit period granted by contractors is 30 - 60 days (2014: 30 days). No interest is charged on the outstanding balance.

Retention payables are classified as current as they are expected to be repaid within the Group's normal operating cycle.

## 22 OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | May 31, 2015 $'000 | May 31, 2014 $'000 | May 31, 2015 $'000 | May 31, 2014 $'000 |
| Holding company (Note 5) | 1,476 | 6,313 | 1,476 | 6,313 |
| Related companies (Note 5) | 47 | 85 | 11 | - |
| Subsidiaries (Notes 5 and 16) | - | - | 11,607 | - |
| Non-controlling interests (Note 6) | 2,174 | 2,297 | 69 | - |
| Associates (Note 6) | 504 | 561 | - | - |
| Accrued expenses | 2,000 | 977 | 648 | 588 |
| Accrued interest expense | 793 | 318 | 187 | - |
| Advances received from customers | 1,471 | 1,342 | - | - |
| Rental and security deposits | 124 | 124 | - | - |
| Joint developer | 10,211 | 10,078 | - | - |
| Other payables | 1,693 | 280 | 88 | 48 |
| | 20,493 | 22,375 | 14,086 | 6,949 |

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 22 OTHER PAYABLES (cont'd)

Included in the amount due to joint developer ("JD") is an agreed amount payable to the JD of $7,250,000 (2014 : $7,250,000) as the Group recognises the enhanced value that the JD brings to the joint development and of the JD's effort in facilitating the joint development. The amount due to the JD is unsecured, interest-free and expected to be repayable within the next twelve months. The remaining amount of $2,961,000 (2014 : $2,828,000) is unsecured, interest-free and repayable on demand.

The amounts payable to non-controlling interests are unsecured, interest-free and repayable on demand.

The amounts payable to associates are unsecured, interest-free and repayable on demand.

## 23 FINANCE LEASE

| | Group | | | |
|---|---|---|---|---|
| | Minimum lease payments | | Present value of minimum lease payments | |
| | May 31, 2015 $'000 | May 31, 2014 $'000 | May 31, 2015 $'000 | May 31, 2014 $'000 |
| Within one year | 15 | 16 | 12 | 12 |
| In the second to fifth years inclusive | 62 | 65 | 54 | 55 |
| After five years | 15 | 33 | 15 | 31 |
| | 92 | 114 | 81 | 98 |
| Less: Future finance charges | (11) | (16) | - | - |
| Present value of lease obligations | 81 | 98 | 81 | 98 |
| Less: Amounts due for settlement within 12 months (shown under current liabilities) | | | (12) | (12) |
| Amounts due for settlement after 12 months | | | 69 | 86 |

The lease term is 7 years. The borrowing rate is 2.32% (2014 : 2.32%) per annum. Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. The lease is on a fixed repayment basis and no arrangements have been entered into our contingent rental payments.

The fair value of the Group's lease obligations approximates their carrying amount.

The Group's obligations under finance lease are secured by the lessor' title to the leased asset (Note 17).

## 24 LONG-TERM BORROWINGS

| | Group | |
|---|---|---|
| | May 31, 2015 $'000 | May 31, 2014 $'000 |
| Bank loans | 122,608 | 119,363 |
| Borrowings | 16,951 | - |
| Less: Amounts due for settlement within 12 months | (28,303) | (21,307) |
| Long-term borrowings reclassified to current portion due to breach of loan covenants | (16,951) | - |
| Amounts due for settlement after 12 months | 94,305 | 98,056 |

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 24 LONG-TERM BORROWINGS (cont'd)

At the end of the reporting period, two financial covenants relating to secured borrowings amounting to $16,951,000 of a subsidiary were not met. Subsequent to the end of the reporting period, the Group obtained a waiver of the breach of the loan covenants from the relevant lender which is after the date on which the loan covenants were tested. Consequently, the secured bank borrowings of $16,951,000 was reclassified from non-current liabilities to current liabilities.

The fair value of the long term borrowings approximate their carrying amounts at the end of the reporting period as their interest rates approximate current market interest rates on or near the end of the reporting period.

The Group's long-term borrowings bear interest rates ranging from 1.41% to 7.60% (2014 : 1.41% to 7.35%) per annum.

The Group's long-term borrowings are secured against the development properties (Note 12), property, plant and equipment (Note 17), investment properties (Note 18) and corporate guarantees by the Company (Note 25) and the holding company.

On July 6, 2012, the Group executed a deed of subordination (the "deed") to secure all liabilities and indebtedness of one of its subsidiaries, TEE Resources Sdn Bhd. The deed is in line with the credit facilities of an aggregate principal amount of up to Malaysian Ringgit ("RM") 110,000,000 (equivalent to $40,458,000) (2014 : RM 25,500,000 (equivalent to $9,953,000)) granted to TEE Resources Sdn Bhd by Malaysia Building Society Berhad.

## 25 FINANCIAL GUARANTEE LIABILITIES

| | Group | | Company | |
|---|---|---|---|---|
| | May 31, 2015 $'000 | May 31, 2014 $'000 | May 31, 2015 $'000 | May 31, 2014 $'000 |
| Financial guarantee liability | 848 | - | 3,570 | 2,405 |
| Less: Amount shown under current liabilities | (280) | - | (1,235) | (743) |
| Amount shown under non-current liabilities | 568 | - | 2,335 | 1,662 |

Financial guarantee liability of the Group pertains to the effects of fair value of corporate guarantee amounting to $69,875,000 (2014 : $9,916,000) on initial recognition, provided by the Group on behalf of associates to obtain banking facilities (Note 24), less amortisation.

Financial guarantee liability of the Company pertains to the effects of fair value of corporate guarantee amounting to $180,469,000 (2014 : $159,409,000) on initial recognition, provided by the Company on behalf of subsidiaries to obtain banking facilities (Note 24), less amortisation.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 26 TERM NOTES

| | Group | | Company | |
|---|---|---|---|---|
| | May 31, 2015 $'000 | May 31, 2014 $'000 | May 31, 2015 $'000 | May 31, 2014 $'000 |
| Notes issued under MTN Programme, net of issuance costs | 29,577 | - | 29,577 | - |

The Company has in place a $250 million Multicurrency Medium Term Note Programme ("MTN Programme") under which it can issue notes in series or tranches and may be denominated in Singapore dollars or other currency deemed appropriate at the time.

On October 27, 2014, the Company had completed the issuance of $30 million of Senior Unsecured Fixed Rate Notes (the "Notes") with tenure of 3 years under the MTN Programme. The Notes are unsecured, bear a fixed interest rate of 6.50% per annum payable semi-annually in arrears. The Notes will mature on October 27, 2017.

As at May 31, 2015, the fair value of term notes is $24,438,000 based on a quoted bid price and is classified as Level 1 of the fair value hierarchy.

## 27 LONG-TERM LOAN

The unsecured long-term loan is repayable to a joint developer and repayable upon settlement of final account which is after twelve months from the reporting date. No interest is charged on the outstanding balance.

The carrying amount of the Group's long-term loan approximates the fair value.

## 28 SHARE CAPITAL

| | Group and Company | |
|---|---|---|
| | Number of ordinary shares | $'000 |
| Issued and paid up: | | |
| At June 1, 2013 | 331,876,000 | 82,969 |
| Issue of shares pursuant to IPO | 115,000,000 | 62,100 |
| Share issue expenses | - | (2,831) |
| At May 31, 2014 and May 31, 2015 | 446,876,000 | 142,238 |

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 29 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.

## 30 MERGER RESERVE

Merger reserve represents the difference between the amount of the share capital of the subsidiaries at the date on which they are acquired by the Company and the nominal amount of the share capital issued as consideration for the acquisition using the principles of merger accounting applicable to business combination under common control.

## 31 CAPITAL RESERVE

The capital reserve represents the effects of changes in ownership in subsidiaries when there is no change in control.

## 32 NON-CONTROLLING INTERESTS

Included in non-controlling interests is an amount of $11,300,000 (2014 : $Nil) of loan due to non-controlling interests which has been classified as equity as the loan is repayable at the discretion of the subsidiary.

## 33 REVENUE

| | Group | |
|---|---|---|
| | **May 31, 2015 $'000** | **May 31, 2014 $'000** |
| Sale of development properties – percentage of completion | 53,994 | 39,206 |
| Rental income of investment properties | 1,614 | 1,095 |
| Hotel operations | 4,549 | - |
| | 60,157 | 40,301 |

## 34 OTHER OPERATING INCOME

| | Group | |
|---|---|---|
| | **May 31, 2015 $'000** | **May 31, 2014 $'000** |
| Interest income | 2,053 | 1,951 |
| Fair value gain on investment property (Note 18) | 223 | 1,205 |
| Foreign currency exchange adjustment gain | 63 | 177 |
| Financial guarantee income (Note 6a) | 137 | 145 |
| Government grant | 19 | - |
| Others | 200 | 291 |
| | 2,695 | 3,769 |

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 35 ADMINISTRATIVE EXPENSES

| | Group | |
|---|---|---|
| | May 31, 2015 $'000 | May 31, 2014 $'000 (reclassified) |
| Employee benefit expenses (including directors' remuneration) | 3,656 | 2,879 |
| Management fee expenses (Notes 5 and 6) | 485 | 249 |
| Professional fees | 1,572 | 791 |
| Depreciation of property, plant and equipment | 1,732 | 191 |
| Audit fees | 280 | 212 |
| Amortisation of term notes | 121 | - |
| Repairs and maintenance | 238 | 95 |
| Travelling expenses | 246 | 269 |
| Office maintenance | 20 | 22 |
| Training expenses | 28 | 57 |
| Entertainment expenses | 96 | 93 |
| Donations | 75 | 86 |
| Utilities | 180 | 13 |
| Others | 918 | 582 |
| | 9,647 | 5,539 |

## 36 OTHER OPERATING EXPENSES

| | Group | |
|---|---|---|
| | May 31, 2015 $'000 | May 31, 2014 $'000 |
| Foreign currency exchange adjustment loss | 2,110 | 429 |
| Property, plant and equipment written off | 53 | 2 |
| Allowance for diminution in value on completed property and land held for sale (Note 13) | 518 | 733 |
| Impairment loss on property, plant and equipment (Note 17) | 168 | - |
| Allowance for doubtful other receivable (Note 9) | 3,374 | - |
| IPO expenses | - | 436 |
| | 6,223 | 1,600 |

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 37 FINANCE COSTS

| | Group | |
|---|---|---|
| | **May 31, 2015 $'000** | **May 31, 2014 $'000** |
| Interest on loans | 6,149 | 2,828 |
| Less: Amounts included in the cost of development properties, completed property held for sale and property, plant and equipment (Notes 12, 13 and 17) | (3,071) | (2,308) |
| | 3,078 | 520 |
| Borrowing costs | 561 | - |
| | 3,639 | 520 |

## 38 INCOME TAX EXPENSE

| | Group | |
|---|---|---|
| | **May 31, 2015 $'000** | **May 31, 2014 $'000 (restated)** |
| Current tax expense: | | |
| - On the profit for the financial year | 1,569 | 15 |
| - Overprovision in prior years | (69) | (83) |
| Deferred tax expense (Note 19): | | |
| - Charge for the financial year | (314) | 1,048 |
| - (Over) Underprovision in prior years | (1) | 55 |
| Withholding tax | 55 | - |
| | 1,240 | 1,035 |

Domestic income tax is calculated at 17% (2014 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 38 INCOME TAX EXPENSE (cont'd)

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

| | Group | |
|---|---|---|
| | May 31, 2015 $'000 | May 31, 2014 $'000 (restated) |
| Profit before tax | 10,216 | 12,765 |
| Less: Share of results of associates | (9,992) | (9,154) |
| | 224 | 3,611 |
| Tax at the domestic income tax rate of 17% (2014 : 17%) | 38 | 614 |
| Tax effect of expense that are not deductible in determining taxable profit | 1,233 | 158 |
| Deferred tax benefit not recognised | 882 | 538 |
| Exempt income | (26) | (78) |
| Withholding tax | 55 | - |
| Effect of tax losses disallowed | 377 | 27 |
| Effect of different tax rates of overseas subsidiaries operating in other jurisdictions | (1,110) | (164) |
| Effect of tax concessions | (80) | (33) |
| Over provision in prior years | (70) | (28) |
| Others | (59) | 1 |
| | 1,240 | 1,035 |

# NOTES TO FINANCIAL STATEMENTS
MAY 31, 2015

## 39 PROFIT FOR THE YEAR

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

| | Group | |
|---|---|---|
| | **May 31, 2015 $'000** | **May 31, 2014 $'000** |
| Directors' remuneration: | | |
| Directors of the Company | 1,050 | 1,083 |
| Directors of the subsidiaries | 13 | 12 |
| Employee benefits expense (including directors' remuneration) | 3,656 | 2,879 |
| Costs of defined contribution plans included in employee benefits expense | 132 | 160 |
| Cost of development properties recognised as cost of sales | 38,270 | 31,191 |
| Audit fees: | | |
| Auditors of the Company | | |
| - current | 175 | 175 |
| - overprovision in respect of prior year | (1) | (14) |
| Other auditors | | |
| - current | 24 | - |
| Non-audit fees: | | |
| Auditors of the Company | | |
| - current | 33 | 33 |
| - underprovision in respect of prior year | 5 | 5 |

## 40 EARNINGS PER SHARE

The calculation of the earnings per share attributable to the ordinary equity holders of the Group is based on the following data:

| | Group | |
|---|---|---|
| | **May 31, 2015 $'000** | **May 31, 2014 $'000** |
| | | **(restated)** |
| Profit attributable to Owners of the Company | 11,086 | 11,705 |

| | **May 31, 2015** | **May 31, 2014** |
|---|---|---|
| | **Number of shares ('000)** | |
| Number of ordinary shares for purposes of earnings per share | 446,876 | 446,876 |

There are no dilutive ordinary shares for 2015 and 2014.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 41 DIVIDENDS

| | Group and Company | |
|---|---|---|
| | May 31, 2015 $'000 | May 31, 2014 $'000 |
| Paid final tax exempt (one-tier) dividend of 0.75 cent (2014 : 1 cent) per ordinary share in respect of financial year ended May 31, 2014 | 3,352 | 4,469 |
| Paid interim tax exempt (one-tier) dividend of 0.44 cent (2014 : 0.5 cent) per ordinary share in respect of financial year ended May 31, 2015 | 1,966 | 2,234 |

## 42 OPERATING LEASE ARRANGEMENTS

The Group as lessee

| | Group | |
|---|---|---|
| | May 31, 2015 $'000 | May 31, 2014 $'000 |
| Minimum lease payments under operating leases recognised as expense in the year | 197 | 64 |

Operating lease payments represent rentals payable by the Group for its office premises.

At the end of the reporting period, the Group and the Company do not have outstanding commitments under non-cancellable operating leases.

The Group as lessor

Rental income earned during the year was $1,614,000 (2014 : $1,095,000).

## 43 BENEFIT OBLIGATIONS

Defined contribution plans

The employees of TEE Land Limited and certain of its subsidiaries are members of state-managed retirement benefit plans. The Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expenses recognised in profit or loss of $132,000 (2014 : $160,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at May 31, 2015, contributions of $24,000 (2014 : $24,000) due in respect of current financial year had not been paid over to the plans. The amount were paid subsequent to the end of the reporting period.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 44 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments – Property Development, Hotel Investment and Investment Properties. The accounting policies of these reportable segments are the same as the Group's accounting policies described in Note 2.

The property development segment involves in the development and sale of private residential properties. The hotel operations segment involves hotel operations in Sydney, Australia. The investment properties segment involves providing rental accommodation.

Segment revenue represents revenue generated from external and internal customers. Segment profit represents the profit earned by each segment after allocation of central administrative costs and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Management monitors the operating results of each of its business unit for the purpose of making decisions on resource allocation and performance assessment. Segment assets and liabilities are presented net of inter-segment balances.

Information regarding each of the Group's reportable segments is presented below.

## 44 SEGMENT INFORMATION (cont'd)

| | Corporate and others | | Property Development | | Hotel Operations | | Investment Properties | | Eliminations | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| | | | | (Restated) | | | | | | (Restated) | | (Restated) |
| **Revenue** | | | | | | | | | | | | |
| External sales | - | - | 53,994 | 39,206 | 4,549 | - | 1,614 | 1,095 | - | - | 60,157 | 40,301 |
| Intercompany sales | - | - | - | - | - | - | 836 | 513 | (836) | (513) | - | - |
| Total revenue | - | - | 53,994 | 39,206 | 4,549 | - | 2,450 | 1,608 | (836) | (513) | 60,157 | 40,301 |
| **Results** | | | | | | | | | | | | |
| Gross profit | - | - | 15,723 | 8,015 | 2,521 | - | 1,894 | 1,223 | (836) | (513) | 19,302 | 8,725 |
| Other operating income | 9,510 | 7,458 | 1,562 | 2,134 | 47 | - | 420 | 1,206 | (8,844) | (7,029) | 2,695 | 3,769 |
| Selling and distribution costs | - | | (2,224) | (1,224) | (40) | - | - | - | - | - | (2,264) | (1,224) |
| Administrative expenses | (2,622) | (2,542) | (3,800) | (2,481) | (2,666) | - | (1,409) | (1,029) | 850 | 513 | (9,647) | (5,539) |
| Other operating expenses | - | (459) | (6,223) | (1,139) | - | - | - | (2) | - | - | (6,223) | (1,600) |
| Finance costs | (1,159) | (13) | (352) | (188) | (1,758) | - | (532) | (319) | 162 | - | (3,639) | (520) |
| Share of results of Associates | - | - | 9,992 | 9,154 | - | - | - | - | - | - | 9,992 | 9,154 |
| Profit (Loss) before tax | 5,729 | 4,444 | 14,678 | 14,271 | (1,896) | - | 373 | 1,079 | (8,668) | (7,029) | 10,216 | 12,765 |
| Income tax (expense) credit | (55) | - | (1,711) | (1,079) | 568 | - | (42) | 44 | - | - | (1,240) | (1,035) |
| Profit (Loss) for the year | 5,674 | 4,444 | 12,967 | 13,192 | (1,328) | - | 331 | 1,123 | (8,668) | (7,029) | 8,976 | 11,730 |
| **Profit attributable to:** | | | | | | | | | | | | |
| Owners of the Company | 5,674 | 4,444 | 14,586 | 13,452 | (730) | - | 224 | 838 | (8,668) | (7,029) | 11,086 | 11,705 |
| Non-controlling interests | - | - | (1,619) | (260) | (598) | - | 107 | 285 | - | - | (2,110) | 25 |
| Profit (Loss) for the year | 5,674 | 4,444 | 12,967 | 13,192 | (1,328) | - | 331 | 1,123 | (8,668) | (7,029) | 8,976 | 11,730 |

# NOTES TO FINANCIAL STATEMENTS
MAY 31, 2015

## 44 SEGMENT INFORMATION (cont'd)

| | Corporate and others | | Property Development | | Hotel Operations | | Investment Properties | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| | | | | (Restated) | | | | | | (Restated) |
| **Assets** | | | | | | | | | | |
| Segment assets | 9,806 | 11,359 | 270,068 | 271,889 | 57,234 | - | 10,584 | 10,957 | 347,692 | 294,205 |
| Investment in associates | - | - | 36,066 | 23,592 | - | - | - | - | 36,066 | 23,592 |
| Deferred tax assets | - | - | 705 | 52 | 531 | - | 96 | 44 | 1,332 | 96 |
| Total assets | 9,806 | 11,359 | 306,839 | 295,533 | 57,765 | - | 10,680 | 11,001 | 385,090 | 317,893 |
| **Liabilities** | | | | | | | | | | |
| Segment liabilities | (3,329) | (6,951) | (24,243) | (19,801) | (1,441) | - | (1,009) | (1,090) | (30,022) | (27,842) |
| Loans and borrowings | (29,577) | - | (117,070) | (135,812) | (32,426) | - | (5,612) | (959) | (184,685) | (136,771) |
| Current and deferred tax liabilities | - | - | (3,206) | (1,283) | - | - | (95) | - | (3,301) | (1,283) |
| Total liabilities | (32,906) | (6,951) | (144,519) | (156,896) | (33,867) | - | (6,716) | (2,049) | (218,008) | (165,896) |
| Net (liabilities) assets | (23,100) | 4,408 | 162,320 | 138,637 | 23,898 | - | 3,964 | 8,952 | 167,082 | 151,997 |
| **Other information** | | | | | | | | | | |
| Depreciation of property, plant and equipment | - | - | 371 | 164 | 1,332 | - | 29 | 27 | 1,732 | 191 |
| Fair value gain on investment properties | - | - | - | - | - | - | (223) | (1,205) | (223) | (1,205) |
| Allowance for doubtful receivable | - | - | 3,374 | - | - | - | - | - | 3,374 | - |
| Impairment loss of property, plant and equipment | - | - | 168 | - | - | - | - | - | 168 | - |
| Allowance for diminution in value of development properties | - | - | 518 | 733 | - | - | - | - | 518 | 733 |

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 44 SEGMENT INFORMATION (cont'd)

Geographical information:

Segment revenue: Segment revenue is analysed based on the location of customers.

Segment non-current assets: Segment non-current assets (excluding deferred tax assets) are analysed based on the location of those assets.

| | Revenue | | Non-current assets | |
|---|---|---|---|---|
| | **May 31, 2015 $'000** | **May 31, 2014 $'000** | **May 31, 2015 $'000** | **May 31, 2014 $'000** |
| | | | | **(restated)** |
| Singapore | 50,804 | 39,206 | 91,248 | 73,772 |
| New Zealand | 1,614 | 1,095 | 10,196 | 10,268 |
| Australia | 4,549 | - | 53,890 | - |
| Vietnam | - | - | 416 | - |
| Malaysia | 3,190 | - | 1,195 | 1,522 |
| | 60,157 | 40,301 | 156,945 | 85,562 |

Information about major customers:

The Group does not have any single major customer that contributes 10% or more to the Group's revenues.

## 45 EVENT AFTER THE REPORTING PERIOD

(a) On June 25, 2015, the Group announced that it entered into an option to acquire the 11th floor and penthouse of a 4-star hotel in Sydney for $12,410,000 (AUD 12,000,000). The Group will fund the cost of the acquisition by internal funds and bank borrowings.

(b) Subsequent to the end of the reporting period, the directors of the Company recommended a final tax exempt dividend of 0.61 cent per ordinary share amounting to $2,726,000 for the financial year ended May 31, 2015. The dividends are not accrued as a liability for the current financial year in accordance with FRS 10 *Events after the Reporting Period*.

## 46 INVESTIGATION BY THE COMMERCIAL AFFAIRS DEPARTMENT

In April 2012, the holding company announced that it has been informed by Mr. Bertie Cheng Shao Shiong, the Independent Director and Non-Executive Chairman of the holding company, and Mr. Phua Chian Kin, the Group Chief Executive and Managing Director of the holding company that they are the subject of investigation by the Commercial Affairs Department ("CAD") on possible contravention of market rigging provisions in the Securities and Futures Act (Chapter 289). Mr. Cheng and Mr. Phua have indicated that they will cooperate fully with the CAD in its investigation, and are providing CAD with access to the relevant records for the period from July 1, 2008 to March 31, 2009.

The Board of Directors of the holding company are of the opinion that given the holding company and its subsidiaries ("TEE Group") are run by a team of capable senior and middle managers, many of whom have spent more than a decade building up TEE Group, the CAD investigation has not had any impact on TEE Group.

The Board of Directors of the Company are of the opinion that Mr. Cheng and Mr. Phua are not involved in the day to day matters of the Group. Hence, the Board of Directors of the Company confirm that in their opinion, the CAD investigation would not have any impact on the Group.

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 47 RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements.

As a result, certain line items have been amended in the consolidated statement of profit or loss and other comprehensive income and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

The items were reclassified as follows:

| | Group | |
|---|---|---|
| | **Previously reported $'000** | **After reclassified $'000** |
| Consolidated statement of profit or loss and other comprehensive income for year ended May 31, 2014 | | |
| Selling and distribution costs | - | (950) |
| Administrative expenses | (6,489) | (5,539) |

## 48 PRIOR YEAR ADJUSTMENTS

As disclosed in Note 3, sales commission payable to estate agents were previously expensed off in prior years by the Group and its associates. In current year, sales commission payable to estate agents are deferred and expensed based on percentage of completion method.

As a result, certain line items have been amended in the consolidated statement of financial position, consolidated statement of comprehensive income, statement of changes in equity and consolidated statement of cash flows and the related notes to the financial statements. Comparative figures have been adjusted to conform to current year's presentation.

The change in accounting policy on sales commission has no impact on the Company's financial statements, and therefore no restatement of the Company's financial statements is required.

The effects of the restatements on the Group's reported amounts are as follow:

| | | Group | |
|---|---|---|---|
| | **Previously reported $'000** | **Adjustments $'000** | **Restated $'000** |
| **a) Consolidated statement of financial position** | | | |
| **<u>As at June 1, 2013</u>** | | | |
| Other receivables - current | 4,539 | 1,144 | 5,683 |
| Investment in associates | 12,597 | 945 | 13,542 |
| Income tax payable | (424) | (194) | (618) |
| Accumulated profits | (7,764) | (1,895) | (9,659) |
| Equity attributable to owners of the Company | (84,593) | (1,895) | (86,488) |
| As at May 31, 2014 | | | |
| Other receivables - current | 10,280 | 871 | 11,151 |
| Investment in associates | 21,966 | 1,626 | 23,592 |
| Income tax payable | (92) | (148) | (240) |
| Accumulated profits | (12,312) | (2,349) | (14,661) |
| Equity attributable to owners of the Company | (147,721) | (2,349) | (150,070) |

# NOTES TO FINANCIAL STATEMENTS

MAY 31, 2015

## 48 PRIOR YEAR ADJUSTMENTS (CONT'D)

| | Group | | |
|---|---|---|---|
| | Previously reported $'000 | Adjustments $'000 | Restated $'000 |
| **b) Consolidated statement of profit or loss and other comprehensive income for the year ended May 31, 2014** | | | |
| Selling and distribution costs | - | (1,224)* | (1,224) |
| Share of results of associates | 8,473 | 681 | 9,154 |
| Profit before tax | 12,358 | 407 | 12,765 |
| Income tax expense | (1,082) | 47 | (1,035) |
| **c) Consolidated statement of cash flows for the year ended May 31, 2014** | | | |
| Operating activities | | | |
| Profit before tax | 12,358 | 407 | 12,765 |
| Share of results of associates | (8,473) | (681) | (9,154) |
| Amortisation of deferred sales commission expense | - | 682 | 682 |
| Amortisation of show flat expenses | - | 157 | 157 |
| Other receivables | (7,067) | (565) | (7,632) |
| **d) Earnings per share for the year ended May 31, 2014** | | | |
| Basic (cents) | 2.52 | 0.10 | 2.62 |
| Diluted (cents) | 2.52 | 0.10 | 2.62 |

* Included reclassification of $950,000 (Note 47).

# STATISTICS OF SHAREHOLDINGS

AS AT 24 AUGUST 2015

| | | |
|---|---|---|
| Issued and Fully Paid-up Capital | : | S$ 142,238,075 |
| No. of Shares Issued | : | 446,876,000 |
| Class of Shares | : | Ordinary Shares |
| Voting Rights | : | One vote per share |

## DISTRIBUTION OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 - 99 | 212 | 6.90 | 5,252 | 0.00 |
| 100 - 1,000 | 649 | 21.13 | 325,116 | 0.07 |
| 1,001 - 10,000 | 1,361 | 44.30 | 6,244,707 | 1.40 |
| 10,001 - 1,000,000 | 829 | 26.99 | 51,787,619 | 11.59 |
| 1,000,001 and above | 21 | 0.68 | 388,513,306 | 86.94 |
| Total | 3,072 | 100.00 | 446,876,000 | 100.00 |

## LIST OF TWENTY LARGEST SHAREHOLDERS AS AT 24 AUGUST 2015

| S/No. | Name of Shareholders | No. of Shares | % |
|---|---|---|---|
| 1 | TEE International Limited | 242,328,678 | 54.23 |
| 2 | Hong Leong Finance Nominees Pte Ltd | 53,415,075 | 11.95 |
| 3 | Koh Wee Meng | 17,500,000 | 3.92 |
| 4 | Tommie Goh Thiam Poh | 10,000,000 | 2.24 |
| 5 | UOB Kay Hian Pte Ltd | 8,060,769 | 1.80 |
| 6 | Maybank Nominees (S) Pte Ltd | 7,634,000 | 1.71 |
| 7 | CIMB Securities (Singapore) Pte Ltd | 7,085,954 | 1.59 |
| 8 | Citibank Nominees Singapore Pte Ltd | 6,841,126 | 1.53 |
| 9 | OCBC Securities Private Ltd | 5,147,649 | 1.15 |
| 10 | Maybank Kim Eng Securities Pte Ltd | 5,115,818 | 1.14 |
| 11 | DBS Nominees Pte Ltd | 3,730,388 | 0.83 |
| 12 | Jeremy Lee Sheng Poh | 3,100,000 | 0.69 |
| 13 | Ko Lee Meng | 3,000,000 | 0.67 |
| 14 | Raffles Nominees (Pte) Ltd | 2,964,841 | 0.66 |
| 15 | RHB Securities Singapore Pte Ltd | 2,576,707 | 0.58 |
| 16 | Tan Su Lan @ Tan Soo Lung | 2,325,014 | 0.52 |
| 17 | Phillip Securities Pte Ltd | 1,910,593 | 0.43 |
| 18 | Lincoln Capital Pte. Ltd. | 1,831,154 | 0.41 |
| 19 | Lim Chye Huat @ Bobby Lim Chye Huat | 1,530,040 | 0.34 |
| 20 | Tan Su Kiok or Sia Li Wei Jolie (She Liwei Jolie) | 1,250,000 | 0.28 |
| Total | | 387,347,806 | 86.67 |

# STATISTICS OF SHAREHOLDINGS

AS AT 24 AUGUST 2015

## SUBSTANTIAL SHAREHOLDERS

**(As recorded in the Register of Substantial Shareholders)**

| | Direct Interest | % | Deemed Interest | % |
|---|---|---|---|---|
| TEE International Limited [1] | 242,328,678 | 54.23 | 40,000,000 | 8.95 |
| Phua Chian Kin [2] | 21,103,093 | 4.72 | 283,430,428 | 63.43 |
| Hong Leong Finance Nominees Pte Ltd | 53,415,075 | 11.95 | - | - |

**Notes:**

(1) 40,000,000 shares owned by TEE International Limited are held under a nominee account with Hong Leong Finance Nominees Pte Ltd.

(2) Phua Chian Kin is deemed to have an interest in the 282,328,678 ordinary shares of the Company held by TEE International Limited by virtue of Section 4 of the Securities and Futures Act, Cap. 289. He is also deemed to have an interest in 1,101,750 ordinary shares held by his spouse, Mdm. Tay Kuek Lee, and 4 P Investments Pte. Ltd where he is a shareholder.

## PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 24 August 2015, approximately 31.36% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of TEE LAND LIMITED (the "**Company**") will be held at Carlton Hall, York Hotel Singapore, 21 Mount Elizabeth, Singapore 228516 on Tuesday, 29 September 2015 at 9.00 a.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements for the financial year ended 31 May 2015 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final tax exempt (one-tier) dividend of 0.61 Singapore cents per ordinary share for the financial year ended 31 May 2015 (2014: 0.75 Singapore cents per ordinary share). **(Resolution 2)**

3. To re-elect the following Directors retiring by rotation pursuant to Article 89 of the Company's Articles of Association:

   Er. Dr. Lee Bee Wah **(Resolution 3)**
   Mr. Chin Sek Peng **(Resolution 4)**
   Mr. Lim Teck Chai, Danny **(Resolution 5)**

4. To approve the payment of Directors' fees of up to S$342,000 for the financial year ending 31 May 2016, to be paid in arrears (FY2015: S$296,400). **(Resolution 6)**

5. To re-appoint Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

6. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

## AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. **SHARE ISSUE MANDATE**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be given to the Directors of the Company to issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise, and/or make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares at any time and upon such terms and conditions and to such persons as the Directors may, in their absolute discretion, deem fit provided that:

   (a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution does not exceed fifty percent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company ("**Shareholders**") shall not exceed twenty percent (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company;

   (b) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the total number of issued Shares (excluding treasury shares) shall be based on the total number of issued Shares (excluding treasury shares) as at the date of the passing of this Resolution, after adjusting for:

      (i) new Shares arising from the conversion or exercise of convertible securities;

      (ii) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed; and

      (iii) any subsequent bonus issue, consolidation or subdivision of Shares;

# NOTICE OF ANNUAL GENERAL MEETING

(c) and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of Shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such Shares in accordance with the terms of such convertible securities.

[See Explanatory Note (i)] **(Resolution 8)**

8. **AUTHORITY TO ALLOT AND ISSUE SHARES UNDER THE TEE LAND PERFORMANCE SHARE PLAN AND TEE LAND EMPLOYEE SHARE OPTION SCHEME**

That authority be and is hereby given to the Directors of the Company to allot and issue from time to time such number of Shares in the Company as may be required to be issued pursuant to the vesting of awards under the TEE Land Performance Share Plan (the "**Plan**") and/or the exercise of options under the TEE Land Employee Share Option Scheme (the "**Scheme**") respectively, provided that the aggregate number of Shares to be issued pursuant to the Plan and Scheme does not exceed fifteen percent (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

[See Explanatory Note (ii)] **(Resolution 9)**

9. **RENEWAL OF THE IPT GENERAL MANDATE**

That:

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual ("**Chapter 9**") of the SGX-ST, for the Company, its subsidiaries and associated companies that are considered to be "entities at risk" under Chapter 9, or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the Appendix to the Company's Annual Report dated 14 September 2015 (the "**Appendix**"), with any party who is of the class of interested persons described in the Appendix, provided that such transactions are carried out in the normal course of business, at arm's length and on commercial terms and in accordance with the guidelines and review procedures for such interested person transactions as set out in the Appendix (the "**IPT General Mandate**");

(b) the IPT General Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and

(c) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient, desirable or necessary in the interests of the Company to give effect to the IPT General Mandate.

[See Explanatory Note (iii)] **(Resolution 10)**

By Order of the Board

Ng Tah Wee
Lai Foon Kuen
Company Secretaries

Singapore, 14 September 2015

# NOTICE OF ANNUAL GENERAL MEETING

**Explanatory Notes on Resolutions to be passed:**

(i) Ordinary Resolution 8, if passed, will empower the Directors from the date of the above meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding fifty percent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty percent (20%) may be issued other than on a pro rata basis.

(ii) Ordinary Resolution 9, if passed, will empower the Directors to allot and issue shares in the Company pursuant to the vesting of awards under the Plan and/or the exercise of options under the Scheme, provided that the aggregate number of Shares to be issued pursuant to the Plan and Scheme does not exceed fifteen percent (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time. The Plan and Scheme were approved by Shareholders on 11 May 2013.

(iii) Ordinary Resolution 10, if passed, will renew the general mandate approved by Shareholders of the Company on 25 September 2014 to enable the Company, its subsidiaries and associated companies, or any of them, to enter into certain types of recurrent transactions of a revenue of trading nature or those necessary for its day-to-day operations with the specified classes of persons are considered to be interested persons for the purposes of Chapter 9, and which is proposed to be renewed in the manner and on the terms set out in the Appendix and will empower the Directors of the Company to do all acts necessary to give effect to the IPT General Mandate. This authority will, unless previously revoked or varied by the Company in at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

**Notes:**

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 25 Bukit Batok Street 22, Singapore 659591, not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

**Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

**TEE LAND LIMITED**
(Incorporated In Singapore)
(Company Registration No. 201230851R)

# PROXY FORM

*(Please see notes overleaf before completing this Form)*

**IMPORTANT:**

**CPF Investors**

1. For investors who have used their CPF monies to buy the Company's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

**Personal Data Privacy**

4. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Company's Notice of Annual General Meeting.

*I/We, ______________________________________________________________

of ______________________________________________________________

being a member/members of TEE LAND Limited (the "**Company**"), hereby appoint:

| **Name** | **NRIC/Passport No.** | **Proportion of Shareholdings** | |
|---|---|---|---|
| | | **No. of Shares** | **%** |
| **Address** | | | |

and/or (delete as appropriate)

| **Name** | **NRIC/Passport No.** | **Proportion of Shareholdings** | |
|---|---|---|---|
| | | **No. of Shares** | **%** |
| **Address** | | | |

or failing *him/her, the Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at Carlton Hall, York Hotel Singapore, 21 Mount Elizabeth, Singapore 228516 on Tuesday, 29 September 2015 at 9.00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

**(If you wish to exercise all your votes "For" or "Against", please tick [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate.)**

| **No.** | **Resolutions relating to:** | **No. of Votes For** | **No. of Votes Against** |
|---|---|---|---|
| 1 | Directors' Report and Audited Financial Statements for the financial year ended 31 May 2015 | | |
| 2 | Payment of proposed final dividend | | |
| 3 | Re-election of Er. Dr. Lee Bee Wah as a Director | | |
| 4 | Re-election of Mr. Chin Sek Peng as a Director | | |
| 5 | Re-election of Mr. Lim Teck Chai, Danny as a Director | | |
| 6 | Approval of Directors' fees of S$342,000 for the financial year ending 31 May 2016 | | |
| 7 | Re-appointment of Deloitte & Touche LLP as Auditors | | |
| 8 | Share Issue Mandate | | |
| 9 | Authority to allot and issue shares under the TEE Land Performance Share Plan and TEE Land Employee Share Option Scheme | | |
| 10 | Renewal of the IPT General Mandate | | |

* Delete where inapplicable

Dated this_______ day of ________________________ 2015.

| **Total number of Shares in:** | **No. of Shares** |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |

______________________________________________

*Signature of Shareholder(s)*
*and, Common Seal of Corporate Shareholder*

**Notes:**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints more than one proxy, the Member shall specify the proportion of his/her shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 25 Bukit Batok Street 22, Singapore 659591 not less than forty-eight (48) hours before the time appointed for the Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

# CORPORATE INFORMATION

## Board of Directors

Er. Dr. Lee Bee Wah
*Non-Executive Chairman and Independent Director*

Mr. Phua Cher Chew
*Executive Director and CEO*

Mr. Boon Choon Kiat
*Non-Executive Director*

Ms. Saw Chin Choo
*Non-Executive Director*

Dato Paduka Timothy Ong Teck Mong
*Non-Executive Director*

Dr. Tan Khee Giap
*Independent Director*

Mr. Chin Sek Peng
*Independent Director*

Mr. Lim Teck Chai, Danny
*Independent Director*

## Audit Committee

Mr. Chin Sek Peng *(Chairman)*
Er. Dr. Lee Bee Wah
Dr. Tan Khee Giap
Mr. Lim Teck Chai, Danny

## Nominating Committee

Er. Dr. Lee Bee Wah *(Chairman)*
Mr. Chin Sek Peng
Mr. Phua Cher Chew

## Remuneration Committee

Dr. Tan Khee Giap *(Chairman)*
Ms. Saw Chin Choo
Mr. Chin Sek Peng

## Executive Committee

Mr. Phua Chian Kin *(Chairman)*
Mr. Lim Teck Chai, Danny
Mr. Phua Cher Chew
Mr. Boon Choon Kiat
Mr. Yap Shih Chia

## Company Secretaries

Mr. Ng Tah Wee
Ms. Lai Foon Kuen, ACIS

## Registered Office

Co. Reg. No.: 201230851R
25 Bukit Batok Street 22
Singapore 659591
Tel: (65) 6899 1428
Fax: (65) 6897 3468
Email: enquiries@teeland.com.sg
Website: http://www.teeland.com.sg

## Share Registrar

B.A.C.S. Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544
Tel: (65) 6593 4848
Fax: (65) 6593 4847

## Independent Auditors

Deloitte & Touche LLP
6 Shenton Way
#33-00 OUE Downtown 2
Singapore 068809

*Audit Partner-in-charge:*
Mr. Loi Chee Keong
*(Appointment with effect from FY2013)*

## Investor Relations

Mr. Yap Shih Chia
*Chief Operating Officer*
TEE Land Limited
Tel: (65) 6899 1428
Email: ir@teeland.com.sg

Ms. Celine Ooi
*Manager, Group Investor Relations*
*and Communications*
TEE International Limited
Tel: (65) 6697 6589
Email: ir@teeintl.com

## Principal Bankers / Financial Institutions

Australia and New Zealand Banking Group Limited
Hong Leong Finance Limited
Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited

TEE LAND LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number 201230851R)

25 Bukit Batok Street 22
Singapore 659591