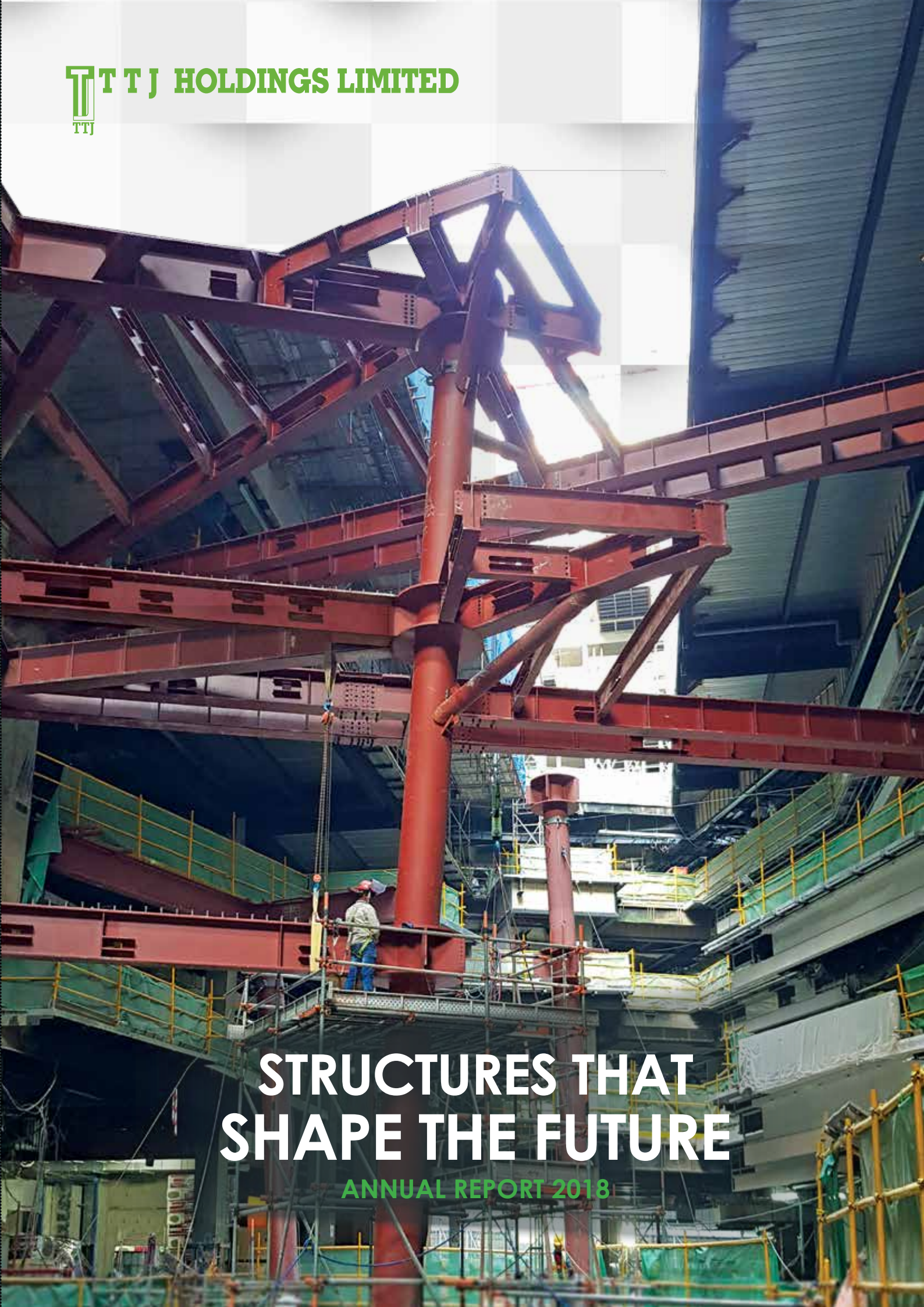
T T J HOLDINGS LIMITED



STRUCTURES THAT SHAPE THE FUTURE

ANNUAL REPORT 2018

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CORPORATE PROFILE

Established in 1981 and listed on the Mainboard of the Singapore Stock Exchange on 1 April 2010, T T J Holdings Limited ("T T J" or the "Group") is widely acknowledged as one of the largest structural steel fabricators in Singapore.

T T J is a reputed leading structural steel specialist in Singapore. Both of the Group's factories are specially designed around an in-line production concept based on Computerised Numerically Controlled ("CNC") machinery. In addition, T T J's Singapore factory in Pioneer Road has a waterfront loading area which enables the loading of heavy materials and large assemblies onto barges for transport by sea.

The Group, equipped with a S1-grading[1] by the Singapore Structural Steel Society and a Specialist Builder license for structural steelwork by the Building and Construction Authority of Singapore ("BCA"), has a combined annual production capacity of 42,000 tonnes for normal structural steel at its two fabrication facilities in Singapore and Johor, Malaysia. A testament to its strong commitment to quality, T T J is ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 certified. It has also received In-Principle Acceptance from the BCA for the supply of steel Prefabricated Prefinished Volumetric Construction ("PPVC") systems and has also obtained the Provisional Certification for PPVC Manufacturer Accreditation Scheme ("MAS").

Over the years, T T J has built up substantial experience and expertise which have equipped it to deliver highly sophisticated structural steel solutions. T T J's solutions are used in a wide array of industries ranging from commercial building construction and offshore oil and gas to industrial plants as well as in iconic landmarks such as the National Art Gallery, the Orchard Gateway bridge, the SuperTrees and OCBC Skyway at Gardens by the Bay, The Helix at Marina Bay, Pinnacle@Duxton, Henderson Waves, the Supreme Court and Changi Airport Terminals 2 and 3, amongst others.

The Group's comprehensive manufacturing capabilities include, among others, heavy lifting cranes, ship-lift platforms, structures for high rise buildings and petrochemical complexes, heavy roof trusses, civil defence shelter doors, steel moulds and launching girders for bridges and highways, pressurised vessels and tanks, vehicular aluminium parapets, expansion joints and bearings for highways and roads.

For more information, please visit www.ttj.com.sg.

[1] For works undertaken by our fully owned subsidiary T T J Design and Engineering Pte Ltd

CHAIRMAN'S MESSAGE

"I am confident that T T J's strong track records will place us in a favorable position in the market."

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present you our annual report for the 12 months ended 31 July 2018 ("FY2018").

Business Overview

The market for Singapore's construction sector has been quiet for the past few years. Encouragingly, following Singapore government's supportive measures introduced in 2017, the number of construction projects, especially in the public sector, has increased. However, the number of construction service providers increased as well, eager to take on projects. Competition over price has been stiff, and margins have been narrowed. This market condition in part explains our financial performance in FY2018, where revenue increased 12% compared to FY2017 to $93 million, while gross profit was 7% lower at $19 million.

Despite the challenging market conditions, we always remembered two principles – strengthening T T J's brand value and reputation, and maintaining a good-quality order book. Specifically, our track records in iconic projects and repeated customers has given us an edge in the biddings for new projects. We have been selective in the orders we bid for, taking into consideration the customer and project profiles. Once we take on an order, we always do our utmost to deliver the project in good quality and on time. In terms of order quality, we stayed level-headed as price competition escalated, and prioritised margin over revenue growth. This traditional, prudent approach

in conducting our business has helped us minimize counterparty risk, maintain a healthy cash flow and a strong financial position with net cash. Our net asset value per share increased from 37.56 Singapore cents as at 31 July 2017 to 39.71 Singapore cents as at 31 July 2018.

Market Outlook

In January 2018, the Building and Construction Authority ("BCA") projected that the total construction demand in 2018 would range between $26.0 billion and $31.0 billion, up from the $24.5 billion (preliminary estimate) awarded in 2017[1]. The increase would be primarily supported by public sector construction demand, which contributes to about 60% of 2018's total projected demand. On the private sector side, the original recovering sentiment in early 2018 was supposed to boost the demand for the construction sector, however, the sentiment was dampened by the new cooling measures that the government introduced in July 2018. Overall, although we still receive enquiries for a mix of public and private sector projects, the business environment remain competitive and challenging.

On an encouraging note, construction demand is expected to improve in the medium term (2019-2022) according to the BCA[1]. The growth in demand will be supported by the major infrastructure projects and land transport projects in the public sector.

The market has become increasingly fragmented with more suppliers and service providers competing with one another. In the competition, a company's track record, reputation, financial adequacy and technological advantage will be some key factors to determine its business prospects. I am confident that T T J's strong track records will place us in a favorable position in the market.

[1] The Building and Construction Authority (BCA) press release on 11 Jan 2018: Public Sector Construction Demand is Expected to Strengthen This Year

CHAIRMAN'S MESSAGE

Business Strategies

As at 26 September 2018, T T J had a project order book of $192 million. These projects are expected to be substantially completed between FY2019 and FY2021. We will continue to actively pursue good-quality projects, replenishing our order book at a healthy pace while maintaining certain requirement on the margin. Major projects we are bidding for include construction projects in the healthcare, infrastructure and technology sectors.

In order to strengthen and diversify our revenue sources, we will also build up the Prefabricated Prefinished Volumetric Construction ("PPVC") expertise and explore opportunities in the waste management and treatment business.

In November 2017, we completed the acquisition of the production facilities in Johor Bahru, Malaysia. The close proximity to Singapore and the cost advantage will help us build up the PPVC business in the long run. In July 2018, we obtained the Temporary Occupation Permit for our new office building in Singapore. The office building was contructed by T T J's steel PPVC system, showcasing our capability in design, fabrication and installation of modules with the integration of steel structures and non-PPVC items.

In October 2018, we completed the acquisition of a production facility for wood pellet manufacturing in Thailand. Considering the promising demand for wood pellet in Asia, we hope that this new business will gradually make meaningful contribution to the Group's financial performance.

Appreciation

I would like to thank our shareholders for your continued trust and support. As a token of appreciation, the Group has proposed a first and final cash dividend of 0.7 Singapore cents per share for FY2018, subject to approval by shareholders at our AGM.

I would also like to thank our management team and employees for your dedication and hard work during the year. To our customers and business partners, it has been an honour to work with you, and we look forward to extending and strengthening our business relationship. To our board of directors, we appreciate your valuable guidance to the company. We will stay resilient and pragmatic, strengthen our competitive advantages and build up our business through the business cycle.

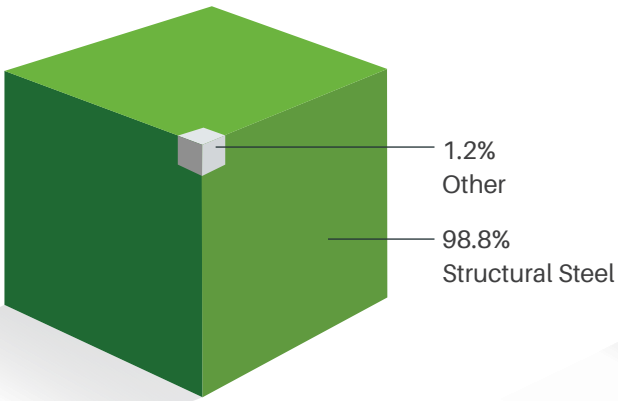
Yours sincerely

Teo Hock Chwee
Chairman and Managing Director

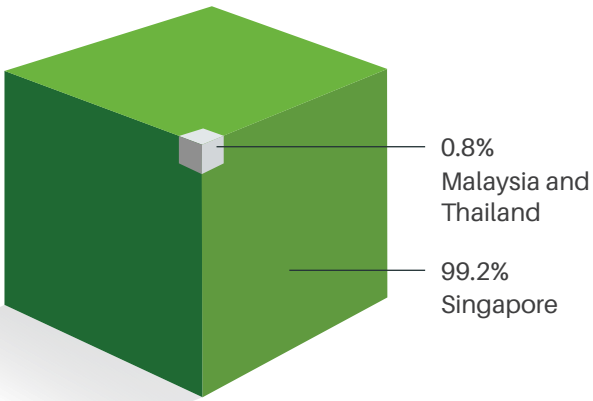
FINANCIAL HIGHLIGHTS AT A GLANCE

	FY2016	FY2017	FY2018
Revenue ($'000)	136,557	82,888	**92,541**
Gross Profit ($'000) Gross Profit Margin (%)	39,407 28.9%	20,362 24.6%	**19,000** **20.5%**
Net Profit ($'000) Net Profit Margin (%)	25,778 18.9%	10,707 12.9%	**8,327** **9.0%**

FY2018 Revenue by Business Segment (%)



FY2018 Revenue by Geographical Market (%)



OPERATING & FINANCIAL REVIEW

FY2018 IN REVIEW

Income Statement: Structural Steel Business Continues To Boost Growth

For the 12 months ended 31 July 2018 ("FY2018"), the Group reported revenue of $92.5 million, an increase of 12% as compared to $82.9 million for the 12 months ended 31 July 2017 ("FY2017"). The increase was mainly contributed by the Structural Steel business.

The Structural Steel business recorded an increase in revenue from $76.2 million in FY2017 to $91.5 million in FY2018. The 20% increase was mainly attributed to more work completed for on-going projects as compared to FY2017, and also for on-going projects, the Group executed more large-scale projects of higher contract value in FY2018 as compared to FY2017.

Gross profit saw a 7% drop from $20.4 million in FY2017 to $19.0 million in FY2018 while gross profit margin decreased from 24.6% in FY2017 to 20.5% in FY2018. The gross profit margin was higher in FY2017 due to better gross margins derived from the projects executed during the reporting period and contribution from the Group's dormitory business.

The Group's other gains increased by 14% from $1.6 million in FY2017 to $1.9 million in FY2018. The increase was mainly due to higher foreign exchange adjustments gains and scrap income recorded during the year.

The Group recorded a 11% increase in administrative expenses to $9.4 million in FY2018, as compared to $8.5 million in FY2017, mainly due to an increase in staff related cost.

The Group recorded profit before tax of $10.6 million in FY2018 as compared to $13.0 million in FY2017. The decrease was mainly due to the Group's lower gross profit margin and the increase in administrative expenses.

Financial Position and Cash Flows

The Group concluded FY2018 with a 5.4% increase in net assets to $139.0 million as at 31 July 2018 from $131.9 million as at 31 July 2017.

Total assets increased from $153.8 million as at 31 July 2017 to $166.7 million as at 31 July 2018. This was mainly due to the increase in property, plant and equipment as a result of an acquisition of a new factory in Malaysia and the construction of a new office building in Singapore; and an increase in trade and other receivables; partially offset by the decrease in cash and cash equivalents.

Total liabilities increased from $21.9 million as at 31 July 2017 to $27.6 million as at 31 July 2018. This was mainly due to the increase in trade and other payables, other financial liabilities and other non-financial liabilities.

The Group's overall cash and cash equivalents stood at $56.6 million as at 31 July 2018, as compared to the $82.2 million as at 31 July 2017, which represented a drop of $25.6 million.

Net cash flows used in operating activities amounted to $1.3 million in FY2018 as compared to net cash flow generated of $2.6 million in FY2017. Net cash flows used in investing activities amounted to $23.3 million in FY2018 as compared to $2.8 million in FY2017, and was mainly utilised for the purchase of property, plant and equipment in FY2018. Net cash flows used in financing activities amounted to $1.1 million in FY2018, compared to $7.0 million in FY2017. The higher cash flow used in financing activities in FY2017 was mainly due to the payment of dividends.

Per Share Data

The Group recorded an Earnings Per Share ("EPS") of 2.55 cents in FY2018 as compared to 3.13 cents in FY2017, based on a weighted average number of ordinary shares issue of 349,500,000 ordinary shares for both financial years. Net Asset Value per share increased to 39.71 cents as at 31 July 2018 as compared to 37.56 cents as at 31 July 2017.

The Board has recommended a first and final dividend of 0.7 Singapore cents per share for FY2018, which translates to a dividend payout per share of 27.4%.

Segment Review

Revenue by Business Segment

In FY2018, the Group's Structural Steel business accounted for 98.8% or $91.5 million of its overall revenue, while the remaining 1.2% or $1.0 million was contributed by the Group's other businesses comprising mainly its training centre in India.

Revenue by Geographical Market

In FY2018, the Group derived 99.2% or $91.8 million of its overall revenue from Singapore while Malaysia and Thailand accounted for the remaining 0.8% or $0.7 million.

BOARD OF DIRECTORS

1

2

1. Teo Hock Chwee

Chairman and Managing Director

Mr Teo, the Group's founder, has over 45 years of working experience; with almost 44 years directly spent in the structural steelworks industry. As Chairman and Managing Director of the Group, Mr Teo is responsible for its overall business strategy and the management of its dormitory business. At only 20 years of age, he formed a partnership trading under the name of Teo Contractor to do steel fabrication works and gained valuable hands-on experience. In 1981, he started T T J Design and Engineering Pte Ltd and began to engage in large-scale structural steelworks projects. Through his leadership over the last 36 years, the Group has grown into a leading steel fabricator and a Class S1 Steel Fabricator accredited by the Singapore Structural Steel Society.

2. Chiong Su Been

Executive Director and Chief Financial Officer

Ms Chiong joined the Group in 2005 bringing with her vast experience in accounting and finance. She is responsible for the full spectrum of financial and taxation functions in the Group and played an instrumental role in its initial public offering in 2010. Prior to joining the Group, she was with Barang Barang Pte Ltd as Finance Manager from 2004 to 2005. From 2000 to 2003, she was a senior accountant with Liang Huat Aluminium Limited. Ms Chiong is a Fellow Member of the Association of Chartered Certified Accountants and a Provisional Member of the Institute of Singapore Chartered Accountants.


3


4


5

3. Lim Yian Poh

Lead Independent Director

Mr Lim joined the Board in 1996 as an independent director. He has more than 20 years of experience in the banking and finance industry, having worked in major international banks including Citibank, Banque Nationale de Paris (now known as BNP Paribas) and Arab Banking Corporation, where he held regional responsibilities. He possesses a wealth of experience and an extensive network of contacts both in Singapore and the region. In 1993, he left as General Manager of Arab Banking Corporation, Singapore Branch to set up Yian Poh Associates, a financial consultancy and investment firm. Mr Lim is the Non-Executive Chairman and an Independent Director of the Board of Casa Holdings Limited. He is also an Independent Director of Zicom Group Limited, a company listed on the Australian Stock Exchange. He has been an honorary Commercial Advisor to the Administrative Committee of Jiaxing Economic Development Zone, China since 2000. He has also been appointed as a Consultant to the Suzhou Vocational University, China, from 2017 to 2022. He obtained his Bachelor of Science Degree from Nanyang University in 1969 and his Master of Science Degree from the University of Hull, England in 1972.

4. Ling Chien Yien

Independent Director

Mr Ling joined the Board in 1996 as an independent director. He has more than 25 years of mechanical engineering and project management expertise in both the public and private sectors. During his career, Mr Ling has worked for organisations that include the Public Works Department of Singapore, Guthrie Engineering (S) Pte Ltd, ACE Equipment (S) Pte Ltd and a Singapore consortium company, Mainland Investors (Singapore) Pte Ltd from 1970 to 1995. Mr Ling, who holds a Bachelor of Engineering from the University of New South Wales, has been retired since 1996.

5. Leong Yee Yew

Independent Director

Mr Leong joined the Board in 2010 as an independent director. He has more than 17 years of experience in auditing gained from PricewaterhouseCoopers, formerly known as Coopers & Lybrand, in Singapore and London; and Patrick Tay & Co. He was with Marina Centre Holdings Pte. Ltd, a subsidiary of Singapore Land Limited since 1985, and was its Company Secretary and Financial Controller until March 2005 when he reached the compulsory retirement age. Mr Leong currently sits on the Board of Zicom Group Ltd, a company listed on the Australian Stock Exchange. He is co-opted a Member of the Board of Directors of the Children's Charities Association of Singapore in 2008 and was the Honorary Treasurer from 2008 to 2011, and from 2015 to present. He holds a Master of Business Administration from the Strathclyde Business School and is a Fellow Member of The Institute of Chartered Accountants in England and Wales and the Institute of Singapore Chartered Accountants.

MANAGEMENT TEAM

1. Teo Hock Chwee

Chairman and Managing Director

2. Chiong Su Been

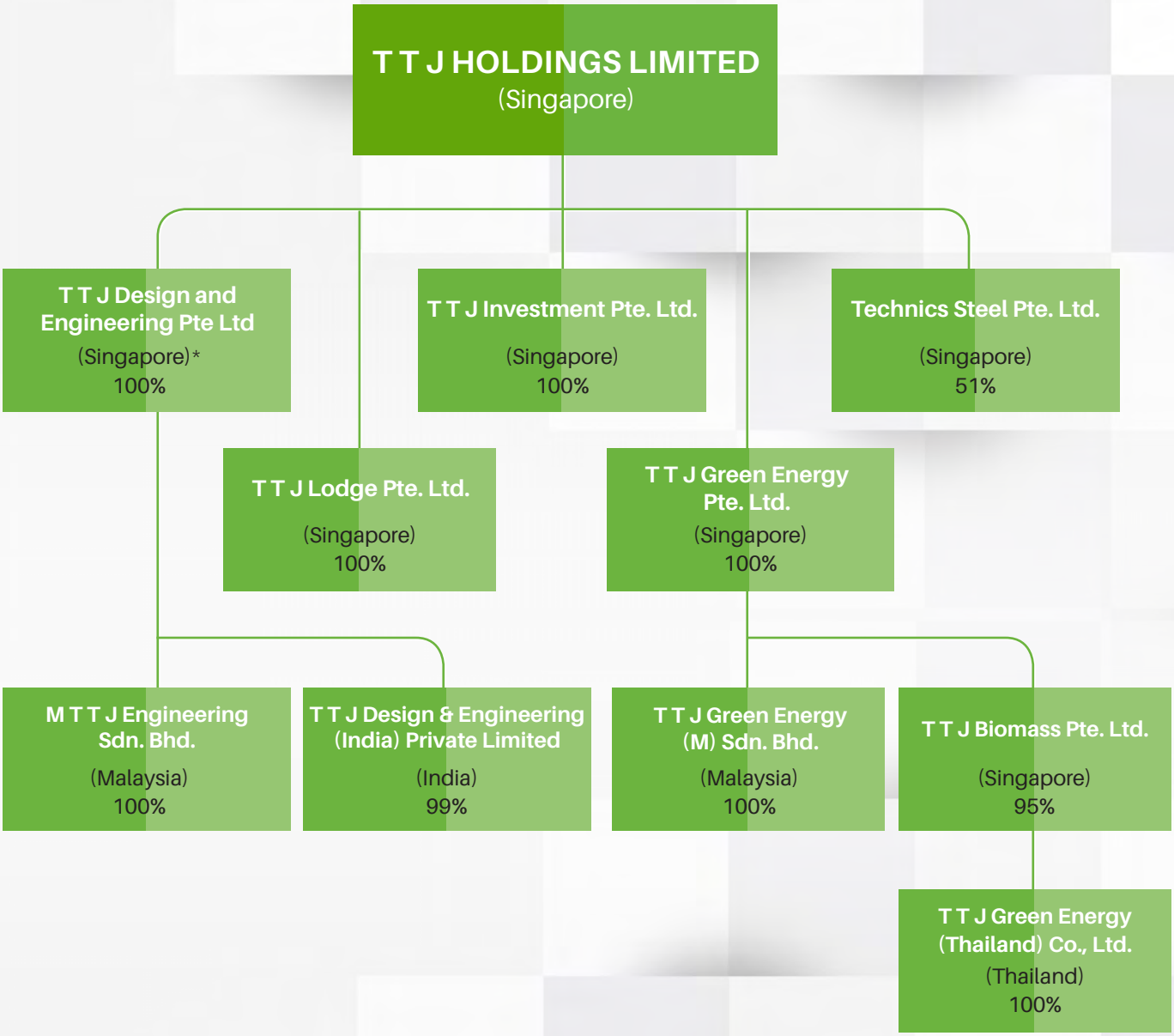
Executive Director and Chief Financial Officer

3. Elavarasu Somasundaram

Chief Operating Officer

Mr Somasundaram, who was promoted to Chief Operating Officer in January 2015, is responsible for the overall operation department, project management and the business development of the Group. He joined the Group in 1992 and has, to date, 26 years of working experience with the Group, out of which 16 years were spent in project management. Prior to joining the Group, he was with TTG Industries Ltd. in India as a Quality Control Engineer from 1990 to 1992 and was a Technical Assistant cum Lecturer with Annamalai University from 1988 to 1990. He graduated with a Bachelor Degree in Mechanical Engineering from Annamalai University, India in 1988.

CORPORATE STRUCTURE



* T T J Design and Engineering Pte Ltd has a Representative Office in Vietnam & Philipines respectively

CORPORATE INFORMATION

Board of Directors

Teo Hock Chwee
(Chairman and Managing Director)

Chiong Su Been
(Executive Director and Chief Financial Officer)

Lim Yian Poh
(Lead Independent Director)

Ling Chien Yien
(Independent Director)

Leong Yee Yew
(Independent Director)

Audit Committee

Lim Yian Poh *(Chairman)*
Ling Chien Yien
Leong Yee Yew

Remuneration Committee

Leong Yee Yew *(Chairman)*
Lim Yian Poh
Ling Chien Yien

Nominating Committee

Ling Chien Yien *(Chairman)*
Lim Yian Poh
Leong Yee Yew
Teo Hock Chwee

Company Secretaries

Tan Swee Gek, LLB (Hons)
Ong Beng Hong, LLB (Hons)

Auditors

RSM Chio Lim LLP
8 Wilkie Road, #04-08, Wilkie Edge
Singapore 228095
Partner-in-charge: Chua Ling Ling
Effective from year ended 31 July 2018

Share Registrar

B.A.C.S. Private Limited
8 Robinson Road
#03-00, ASO Building
Singapore 048544

Registered Office

57 Pioneer Road
Singapore 628508

Corporate Website

www.ttj.com.sg

Company Registration Number

199204617M

CORPORATE GOVERNANCE

The Board of Directors and the Management team are committed to maintaining a high standard of corporate governance by complying with the principles and guidelines of the revised Code of Governance 2012 (the "Code") issued by the Corporate Governance Committee.

Good corporate governance is integral to a sound corporation as it promotes corporate transparency and protects and enhances shareholders' interest. This statement outlines the main corporate governance practices and processes that were in place since the financial year beginning on 1 August 2017 and which ended on 31 July 2018 ("FY2018"), and has provided an explanation where the Company has deviated from the Code.

(A) BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: ***Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.***

In FY2018, the Board of Directors comprised two (2) Executive Directors and three (3) Independent Directors, all possessing the right core competencies and diversity of experience which enabled them to effectively contribute to the Group. In view of guidelines 2.1 and 2.2 of the Code, as the Chairman of the Board ("Chairman") is not an independent director, the Independent Directors make up at least half of the Board. As at the date of this Annual Report, the Board comprises the following members:

Mr Teo Hock Chwee (Chairman and Managing Director)
Ms Chiong Su Been (Executive Director and Chief Financial Officer)
Mr Lim Yian Poh (Lead Independent Director)
Mr Ling Chien Yien (Independent Director)
Mr Leong Yee Yew (Independent Director)

The Board is involved in the supervision of the management of the Group's operations. It reviews strategies, policies and financial performance and assesses key risks provided by Management as well as the adequacy of internal controls and risk management of the Group. Day-to-day management and implementation of business strategies are delegated to the Executive Directors. Each Director is expected during the course of carrying out his/her duties, to act in good faith and to make decisions objectively at all times, as fiduciaries in the best interest of the Company. All Directors exercise due diligence and independent judgment in dealing with the business affairs of the Group and are obliged to act in good faith and to take objective decisions in the interest of the Group.

The Board's role is to:

(a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;

(b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the company's assets;

(c) review Management's performance;

(d) identify the key stakeholder groups and recognise that their perceptions affect the Group's reputation;

CORPORATE GOVERNANCE

(e) set the Group's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and

(f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

Board Processes

To assist in the execution of its responsibilities, the Board has established a number of board committees including a Nominating Committee, a Remuneration Committee and an Audit Committee. The effectiveness of each Committee is constantly monitored. The Board has also established a framework for the management of the Group, including a system of internal controls.

The Board currently holds four (4) scheduled meetings each year. It also holds additional meetings at such other times as may be necessary to address any specific significant matters that may arise. In addition to holding meetings, important matters regarding the Group are also put to the Board for decision making by way of written resolutions. The agenda for meetings are prepared in consultation with the Group's Chairman and Managing Director ("MD"). Standing items include the Management's report, financial reports, strategic matters, governance, business risk issues and compliance. Executive Officers of the Group may, from time to time, be invited to attend Board meetings to provide updates on operational matters.

The Board conducts an annual review of its processes to ensure that it is able to carry out its functions in the most effective manner.

Board and Board Committee Meetings held in FY2018

For FY2018, the Board held seven (7) meetings and the attendance of each Director at the Board and Board Committee meetings is as follows:

Name	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Teo Hock Chwee (Chairman and Managing Director)	7	7	4[(1)]	4[(1)]	1	1	1[(1)]	1[(1)]
Chiong Su Been (Executive Director and Chief Financial Officer)	7	7	4[(1)]	4[(1)]	1[(1)]	1[(1)]	1[(1)]	1[(1)]
Lim Yian Poh (Lead Independent Director)	7	7	4	4	1	1	1	1
Ling Chien Yien (Independent Director)	7	7	4	4	1	1	1	1
Leong Yee Yew (Independent Director)	7	7	4	4	1	1	1	1

Note:

[(1)] Attendance by invitation.

CORPORATE GOVERNANCE

Matters Requiring Board Approval

The Company has prepared a document with guidelines setting forth the matters reserved for the Board's decision and clear directions to Management on matters that must be approved by the Board. The document specifies that the Board's approval is required for matters such as corporate restructuring, mergers and acquisitions, major investments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, the release of the Group's quarterly and annual results, interested person transactions of a material nature, and declaration of interim dividends and proposal of final dividends.

On 30 November 2011, the shareholders of the Company approved the Group's diversification into the business of property development, property investment and property management (the "Property Business"). Before undertaking any project as part of the Property Business, Management will prepare a proposal containing a cost-benefit analysis, credentials of the prospective joint venture partners, the proposed structure of the joint venture (including management and operational rights and obligations) and the funding needs of the project concerned before forwarding the same to the Board for review. The Board will review the proposal and, if required, seek the advice of reputable property consultants and/or other external consultants and experts. The Group will undertake the project only if it is approved by the Board. In addition, the Board, which reviews the risk exposure of the Group for all its businesses at regular intervals, will additionally review the risk exposure of the Property Business at more frequent intervals of no less than six (6) months.

In addition, on 30 November 2017, the shareholders of the Company approved the Group's diversification into the business of waste management and treatment (the "Waste Management Business"). Before embarking on any joint venture relating to the Waste Management Business, the Board will conduct the necessary risk assessment with assistance from professional parties where needed, and will also enter into feasibility studies.

All other matters are delegated to Board Committees whose actions are reported to and monitored by the Board. The Board does not abdicate its responsibility for such delegations of authority.

Training of Directors

Directors receive comprehensive and tailored induction on joining the Board including their duties as Directors and how to discharge those duties. Directors are also provided with updates on the relevant new laws, regulations and changing commercial risks in the Group's operating environment through regular presentations and meetings; and they also have the opportunity to visit the Group's operational facilities and meet with Management to gain a better understanding of business operations.

The Company does not have a formal training program for new Directors. However, to assist the Board in discharging its duties, newly appointed Directors will be briefed on the business operations and regulatory issues relating to the Group to ensure that they are familiar with the Group's business and governance practices and be provided with a formal letter setting out the Director's duties and obligations. Directors are also informed of regulatory changes affecting the Group. In addition, the Board encourages its members to participate in seminars and receive training to improve themselves in the discharge of their duties as Directors. The Company understands that some of the Independent Directors have participated in seminars and receive training to improve themselves in the discharge of their duties as Directors. The Company will also share its industry-specific knowledge with Directors as appropriate and may hire professionals to provide training for first-time Directors in areas such as accounting and legal rights and responsibilities as appropriate.

CORPORATE GOVERNANCE

Board Composition and Balance

Principle 2: ***There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.***

As at the date of this Annual Report, the Board comprises five (5) Directors of which three (3) are Independent Directors. The three (3) Independent Directors are Mr Lim Yian Poh, Mr Ling Chien Yien and Mr Leong Yee Yew. The criterion of independence is based on the definition given in the Code. The Board and the Nominating Committee (hereinafter referred to as "NC") consider a Director to be "independent" if he has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of that Director's independent business judgement with a view to the best interests of the Company. The Board and the NC are of the opinion that the Independent Directors satisfy these criteria. The NC is of the opinion that the Independent Directors are independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could appear to affect, their judgement. As at the date of this Annual Report, there are no Independent Directors of the Company who sit on the board of any of the Company's principal subsidiaries.

Mr Lim Yian Poh and Mr Ling Chien Yien have served on the Board since 1996 and their independence have been subject to particularly rigorous review. The Board notes that Mr Lim Yian Poh and Mr Ling Chien Yien should be considered independent because they have been active during Board discussions and have on many occasions voiced strong opinions which have differed from Management's view and were able to convince Management to accept their recommendation. Furthermore, Mr Lim Yian Poh and Mr Ling Chien Yien have a wealth of experience from which the Management is happy to tap on (please refer to pages 8 and 9 of this Annual Report for a more detailed write-up on the extensive experience and wealth of knowledge of Mr Lim Yian Poh and Mr Ling Chien Yien which the Group continues to leverage on). Neither they nor their immediate family members have any business relationship with any of the other directors and they do not hold any shares in the Company. As such, the Board has established that both directors remain independent in character and judgement and there were no relationships with Management or substantial shareholders or circumstances which were likely to affect, or could appear to affect, their independence. The Board is therefore satisfied with their performance and continued independence. Furthermore, the Board holds the view that continuity and stability of the Board is also important and the aforesaid Directors, through their years of involvement with the Company, have gained valuable insight and understanding of the Company and together with their diverse experience and expertise, have contributed and will continue to contribute effectively as Independent Directors by providing educated, impartial and autonomous views at all times. The Board nevertheless will on a continuing basis, review the need for progressive refreshment of its Board.

The composition of the Board is determined in accordance with the following principles:

- The Board and its Board Committees should comprise a suffcient number of Directors to fulfil their responsibilities and who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge to the Company. They also provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge (this number may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate is identified);

- The Board should comprise a majority of Non-executive Directors, with at least half of the Board made up of Independent Non-executive Directors; and

CORPORATE GOVERNANCE

- The Board should have enough Directors to serve on various committees of the Board without overburdening the Directors or making it difficult for them to fully discharge their responsibilities.

With three (3) out of five (5) Directors deemed to be independent, the Board is able to exercise independent judgement on corporate affairs and provide Management with a diverse and objective perspective on issues. Furthermore, the Board will be able to interact and work with Management through a robust exchange of ideas and views to help shape the Group's strategic direction.

The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making. When a vacancy arises under any circumstance, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the NC, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position.

Independent members of the Board exercise no management functions in the Company or any of its subsidiaries. Although all the Directors have equal responsibility for the performance of the Group, the role of the Independent Directors is particularly important in reviewing and monitoring the performance of management in meeting the Group's agreed goals and objectives and ensuring that the strategies proposed by the management are fully discussed and rigorously examined taking into account the long-term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. The Board considers its Non-executive and Independent Directors to be of sufficient calibre and number and their views to be of sufficient weight that no individual or small group can dominate the Board's decision-making processes. The Independent Directors have no financial or contractual interests in the Group other than by way of their fees as set out in the Statement by Directors.

The Non-executive Directors of the Company:

- constructively challenge and help develop proposals on strategy; and

- review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

The Non-Executive Directors meet as and when required without the presence of management.

The Board is of the view that its current composition of five (5) Directors is appropriate taking into account the scope and nature of the operations of the Company and of the Group, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees.

Other key information on the individual Directors of the Company is set out in pages 8 and 9 of this Annual Report. Their shareholdings in the Company are also disclosed in the Statement by Directors. Save for TTJ Design & Engineering (India) Private Limited and T T J Green Energy (Thailand) Co., Ltd. in which the Group Chairman and MD holds 0.74% and less than 0.01% of the Shareholding interests therein respectively, none of the Directors hold shares in the subsidiaries of the Company.

CORPORATE GOVERNANCE

Chairman and Managing Director

Principle 3: ***There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.***

Mr Teo Hock Chwee is the Chairman and MD of the Group. He plays an instrumental role in developing the business of the Group and provides the Group with strong leadership and vision.

The Chairman's role is to:

(a) lead the Board to ensure its effectiveness in all aspects of its role;

(b) set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;

(c) promote a culture of openness and debate at the Board;

(d) ensure that the Directors receive complete, adequate and timely information;

(e) ensure effective communication with shareholders;

(f) encourage constructive relations within the Board and between the Board and Management;

(g) facilitate the effective contribution of Independent and Non-executive Directors in particular; and

(h) promote high standards of corporate governance.

The responsibilities set out above provide guidance and should not be taken as a comprehensive and exclusive list of all the duties and responsibilities of a Chairman.

The Board has not appointed any Non-executive Chairman or Chief Executive Officer at this point. Notwithstanding the foregoing, the key position of a chief executive officer is played by the Group's Chairman and MD. In addition, the Board has appointed Mr Lim Yian Poh as the Lead Independent Director to ensure that a channel of communication is always available to shareholders where they have concerns and where contact through normal channels of the Group's Chairman and MD or the Chief Financial Officer ("CFO") has failed to resolve the concerns or is inappropriate. The appointment of the Lead Independent Director is in line with the Board's policy of adopting a high standard of corporate governance in accordance with the guidelines in the Code which recommends that a Lead Independent Director be appointed, inter alia, when the Chairman is part of the Management or the Chairman is not an Independent Director.

The Lead Independent Director's role includes, inter alia, leading the Independent Directors in meeting periodically without the presence of the other Executive Directors, and to provide any feedback to the Chairman after such meetings.

All major decisions like substantial acquisitions, material contracts, acquisitions of banking facilities fall under the purview of the Board. The Chairman and MD's performance and appointment to the Board will be reviewed periodically by the NC and his remuneration package will be reviewed periodically by the Remuneration Committee. As such, the Board believes that there are adequate safeguards in place against an uneven concentration of power and authority in a single individual.

The Board has no dissenting view on the Group's Chairman and MD's statement for the year under review.

CORPORATE GOVERNANCE

Board Membership

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

The NC comprises Mr Ling Chien Yien as the Chairman and Mr Lim Yian Poh, Mr Leong Yee Yew and Mr Teo Hock Chwee as members. Except for Mr Teo Hock Chwee, the Chairman and the other two (2) members of the NC are all independent. The NC considers that the appointment of Mr Teo Hock Chwee as a member is necessary in view of, inter alia, his intimate knowledge of the operations team members and business of the Group, all of which enables him to provide constructive feedback to the NC in assessing the Board's structure, size and composition. The NC is also satisfied that his membership will not compromise the independence of the NC.

The Board has approved the written terms of reference of the NC. The NC performs the following functions:

(a) To make recommendations to the Board on the appointment of new Executive and Non-executive Directors.

(b) To review each Director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, whether he/she remains independent, in the case of the Independent Directors, and the balance between Executive and Non-executive Directors appointed to the Board.

(c) To regularly review the Board structure, size and composition and make recommendations to the Board with regard to the progressive renewal of the Board and any adjustments that are deemed necessary.

(d) To determine the process for search, nomination, selection and appointment of new Board members and be responsible for assessing the requisite qualifications and fulfilment of being independent of the nominees or candidates for appointment or election to the Board.

(e) To make plans for succession, in particular for the Chairman and MD.

(f) To determine, on an annual basis, and as and when circumstances require, if a Director is independent. If the NC determines that a Director, who has one (1) or more of the relationships mentioned under the Code is in fact independent, the NC should disclose in full, the nature of the Director's relationship and provide its views to the Board for the Board's consideration. The NC may at its discretion determine a Director as non-independent even if he has no business or other relationships with the Company, its related companies or its officers and should similarly provide its views to the Board for the Board's consideration.

(g) To recommend Directors who are retiring by rotation to be put forward for re-election.

(h) To decide whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations, taking into consideration the Director's number of listed company board representations and other principal commitments.

CORPORATE GOVERNANCE

(i) To be responsible for assessing the effectiveness of the Board as a whole and the Board Committees, and for assessing the effective contribution and commitment of each individual Director to the effectiveness of the Board. The results of the performance evaluation will be reviewed by the Chairman and the assessment shall be disclosed annually.

(j) To review any training and professional development programmes for the Board.

In the event there is a need to change the structure of the Board, the chairmanship of the Company or the membership of the Board Committees, the NC will review the change to be implemented and make recommendations to the Board accordingly. For the new appointment of Directors, the NC will, in consultation with the Board, examine the strength and capabilities of the existing Board as well as the skills, knowledge and experience contributed by the existing Directors to the Group and the Board. The NC will take into account the future needs of the Group and together with the Board, it will seek candidates who are able to contribute to the Group. The NC will attempt to seek candidates widely and beyond persons directly known to the existing Directors and recommend suitable candidates to the Board and if such candidates are appointed, announcements relating to their appointment will be released via SGXNET. In the event of cessation of appointment of any Director or Executive Officer, the NC will conduct the exit interviews with such Director or Executive Officer, as the case may be, and announcements relating to such cessation will also be released via SGXNET.

The NC has in place internal guidelines to address the conflict of competing time commitments of Directors serving on multiple boards. If a Director serves on the board of other companies, the NC will consider whether he/she has been able to devote adequate time and attention to the affairs of the Group. In the event there are sufficient grounds for complaint, the Chairman of the Board will on the advice of the NC, discuss, and if necessary, advise the Director concerned of the issues and the consequences of failure to rectify the situation within the period required.

The current Board members generally do not have more than three (3) directorships in other listed companies. Accordingly, the NC is of the opinion that they have sufficient energy and time to focus on the affairs of the Group. As such, the NC has currently not set a limit on the number of directorships which a Director can hold in other listed companies. The NC will however not rule out the requirement to set limits on the Directors' directorships in other listed companies should subsequent situations warrant such action. After conducting reviews, the NC is satisfied that currently the Directors have been able to devote adequate time and attention to the affairs of the Group and that they are able to satisfy their duties as Directors to the Company.

The Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three (3) years. The Company's Constitution provides that one third of the Board or the number nearest to one third is to retire by rotation at every Annual General Meeting ("AGM"). In addition, the Company's Constitution also provides that newly-appointed Directors are required to submit themselves for re-nomination and re-election at the next AGM of the Company.

The Board does not have any alternate Directors.

CORPORATE GOVERNANCE

The dates of the appointment and last re-election of each Director as at the date of this Annual Report as well as their directorships in listed companies are set out below:

Name of Director	Date of Appointment	Date of Last Re-election	Directorship in Listed Companies	
			Present	Past Preceding 3 years
Teo Hock Chwee	28 August 1992	Not applicable[1]	T T J Holdings Limited	Nil
Chiong Su Been	7 April 2008	30 November 2017	T T J Holdings Limited	Nil
Lim Yian Poh	5 July 1996	30 November 2017	T T J Holdings Limited Zicom Group Limited CASA Holdings Limited	Nil
Ling Chien Yien[2]	5 July 1996	30 November 2016	T T J Holdings Limited	Nil
Leong Yee Yew[3]	11 January 2010	30 November 2016	T T J Holdings Limited Zicom Group Limited	Nil

Notes:

(1) In accordance with the Company's Constitution, the Group's Chairman and MD, Mr Teo Hock Chwee, is not subject to retirement by rotation while he is the MD of the Company and continues to hold that position, and he shall not be taken into account in determining the rotation of retirement of Directors.

(2) Mr Ling Chien Yien was last re-elected on 30 November 2016, therefore in accordance with the Company's Constitution, he will be subject to re-election at this forthcoming AGM.

(3) Mr Leong Yee Yew was last re-elected on 30 November 2016, therefore in accordance with the Company's Constitution, he will be subject to re-election at this forthcoming AGM.

Board Performance

Principle 5: ***There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by the directors to the effectiveness of the Board.***

The NC has established a process for assessing the effectiveness of the Board as a whole and its Board Committees and for assessing the contribution by the Chairman and each individual Director to the effectiveness of the Board. The performance criteria which have been approved by the Board for the Board evaluation includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes, and Board performance in relation to the discharge of its principal responsibilities. Such performance criteria, which are meant to enhance long-term shareholder value, would not be changed from year to year and where circumstances deem it necessary for any of the criteria to be changed, the Board would justify this decision. In its assessment, the NC takes into consideration the frequency of the Board meetings, Board independence, the rate at which issues raised are adequately dealt with, the effectiveness of the Board Committees, and reports from the various committees. Given the relatively small size of the Board, the Board and the NC are of the opinion that there is no need at present to conduct a separate formal assessment of the Board Committees other than the assessments being carried out in respect of individual Directors and the Board.

CORPORATE GOVERNANCE

The Board and the NC evaluate individual Directors on whether each Director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for Board and Committee meetings, and any other duties) and have endeavoured to ensure that Directors appointed to the Board possess the experience, knowledge and skills critical to the Group's business, so as to enable the Board to make sound and well-considered decisions. The NC also considers whether the Director has a reasonable understanding of the Company's business and the industry, the Director's working relationship with the other members of the Board, as well as feedback from other Directors.

With respect to FY2018 and after due evaluation, the NC considered the performance of each individual Director and the Board to be satisfactory. For avoidance of doubt, each member of the NC abstains from voting on any resolution in respect of the assessment of his performance or re-nomination as Director.

The Board has not engaged any external consultant to conduct an assessment of the performance of the Board and each individual Director. Where relevant and when the need arises, the NC will consider such an engagement.

Access to Information

Principle 6: ***In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.***

Directors receive a regular supply of complete, adequate information in a timely manner from Management about the Group and are entitled to request from Management and should be provided with such additional information as needed to make informed decisions so that they are equipped to play as full a part as possible in Board meetings. Detailed Board papers are prepared for each meeting of the Board. The Board papers include sufficient information from Management on financial, business and corporate issues to enable Directors to be properly briefed on issues to be considered at Board meetings. Information provided includes background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and internal financial statements, including explanations for any material variance between projections and actual results.

All Directors have unrestricted access to the Group's records and information and receive detailed financial and operational reports from senior management during the year to enable them to carry out their duties. Directors also liaise with senior management as required, and may consult with other employees and seek additional information on request.

All Directors have separate and independent access to the Company Secretary. The Company Secretary administers, attends and prepares minutes of Board meetings, assists the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effiectively, and ensures that the Company's Constitution and relevant rules and regulations, including those of the Companies Act (Cap.50) (the "Companies Act") and the Singapore Exchange Securities Trading Limited ("SGX-ST"), are complied with. The Company Secretary ensures the quality, quantity and timeliness of the flow of information within the Board and its Board Committees and between Management and Non-executive Directors, advises the Board on all corporate governance matters, facilitates orientation and assists with professional development as and when required. The appointment and the removal of the Company Secretary are subject to the Board's approval.

Should Directors, whether as a group or individually, need independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

CORPORATE GOVERNANCE

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: ***There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.***

The Remuneration Committee (hereinafter referred to as "RC") comprises Independent Directors, with Mr Leong Yee Yew as the Chairman, and Mr Lim Yian Poh and Mr Ling Chien Yien as members.

The Board has approved the written terms of reference of the RC. The RC performs the following functions:

(a) To review and recommend to the Board, a general framework of remuneration and to determine the specific remuneration packages and terms of employment for:

- each Director;
- the Chairman and MD (or executive of equivalent rank);
- senior management of the Group; and
- employees related to Directors or substantial shareholders of the Group.

(b) Meetings of the RC will be held as the RC deems appropriate. The RC should meet at least once a year and meetings should be organised so that attendance is maximised. Meetings may be called, at any other time, by the Chairman or any member of the RC. Members of the Board or Management may be invited to the meetings.

(c) The secretary of the RC shall be the Company Secretary for the time being or such other person as may be nominated by the RC.

(d) The Company Secretary shall attend all meetings and minute the proceedings thereof.

(e) Minutes of all meetings shall be confirmed by the chairman of the meeting and circulated to all members of the RC.

(f) If the Chairman of the RC so decides, the minutes shall be circulated to other members of the Board. Any Director may, provided there is no conflict of interest and with the agreement of the Chairman, obtain copies of the minutes of RC meetings.

(g) The notice of each meeting of the RC, confirming the venue, date and time and enclosing an agenda of items to be discussed, shall other than under exceptional circumstances, be forwarded to each member of the RC at least three (3) working days prior to the date of the meeting.

(h) To recommend to the Board, the T T J Employee Share Option Scheme or any other performance bonus schemes which may be set up from time to time and to do all acts necessary in connection therewith.

(i) To carry out its duties in the manner that it deems expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board of Directors from time to time.

CORPORATE GOVERNANCE

As part of its review, the RC shall ensure that:

(i) all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind should be covered;

(ii) the remuneration packages should be comparable within the industry and comparable companies and shall include a performance-related element;

(iii) the remuneration package of employees related to Directors or controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility;

(iv) existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants; and

(v) the Executive Directors' and key management personnel's contracts of service contain fair and reasonable termination clauses which are not overly generous, with an aim to be fair and avoid rewarding poor performance.

In FY2018, the RC did not seek expert advice inside and/or outside the Company on the remuneration of all Directors. No remuneration consultants were engaged by the Company during FY2018.

The members of the RC do not participate in any decision concerning their own remuneration.

Level and Mix of Remuneration

Principle 8: ***The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more for this purpose.***

A significant proportion of Executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance.

The Group's remuneration policy is to provide compensation packages appropriate to attract, retain and motivate the Directors and key personnel required to run the Group successfully.

The remuneration of the Chairman and MD, Mr Teo Hock Chwee, is based on the terms of the service agreement entered into between Mr Teo Hock Chwee and the Company on 1 May 2008 (as the same may be amended and supplemented by the supplemental letter dated 3 November 2009). The aforesaid service agreement shall continue unless otherwise terminated by either party giving not less than six (6) months' notice in writing to the other.

In determining the remuneration of the Non-executive Directors, the RC ensures that the level of remuneration is appropriate to the level of contribution, taking into account factors such as effort and time spent and responsibilities of the Non-executive Directors. The RC ensures that Non-executive Directors are not over-compensated to the extent that their independence may be compromised. The Board will, if necessary, consult experts on the remuneration of Non-executive Directors. The Board will recommend the remuneration of the Non-executive Directors for approval at the AGM.

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With regard to the remuneration of other key executives, the RC, together with Management, reviews proposals which are made by the Executive Directors. The remuneration policy for the key management executives takes into consideration the Group's performance, as well as the responsibility and performance of individual key management executives. The latter is measured by goals and objectives set for each key management executive in congruence with the Group's overall goals and objectives. In addition, the Group is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of Executive Directors' remuneration paid in prior years in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss, as they owe a fiduciary duty to the Company and the Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

The RC administers the T T J Employee Share Option Scheme. No share options were granted under the ESOS for FY2018. The T T J Employee Share Option Scheme provides eligible participants who have contributed to the success and development of the Company with an opportunity to participate and also increase the dedication and loyalty of these participants and motivate them to perform better. Further details about the T T J Employee Share Option Scheme is set out on page 38 of this annual report.

In FY2018, the Company did not use any vesting schedules.

Disclosure on Remuneration

Principle 9: ***Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.***

Details of remuneration paid to the Directors and the Group's top one (1) key executive in FY2018 are set out below:

Remuneration Band and Name	Fees	Salary	Bonus	Others	Total
Directors who are paid between S$1,000,000 to S$1,100,000					
Mr Teo Hock Chwee	–	45%	54%	1%	100%
Directors who are paid between S$300,000 to S$400,000					
Ms Chiong Su Been	–	60%	30%	10%	100%
Directors who are paid below S$100,000					
Mr Lim Yian Poh[(1)]	100%	–	–	–	100%
Mr Ling Chien Yien[(2)]	100%	–	–	–	100%
Mr Leong Yee Yew[(3)]	100%	–	–	–	100%
Key Executives who are paid between S$300,000 to S$400,000					
Mr Elavarasu Somasundaram	–	59%	29%	12%	100%

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Notes:

(1) Mr Lim Yian Poh's total remuneration for FY2018 in the form of Directors' fees amounts to S$52,500.

(2) Mr Ling Chien Yien's total remuneration for FY2018 in the form of Directors' fees amounts to S$47,250.

(3) Mr Leong Yee Yew's total remuneration for FY2018 in the form of Directors' fees amounts to S$47,250.

After reviewing the industry practice and analysing the advantages and disadvantages in relation to the disclosure of remuneration of each Director and key management personnel, the Company is of the view that such disclosure would be prejudicial to its business interest given the highly competitive environment. As such, the aggregate amounts of remuneration paid/accrued to Directors and key management personnel for the financial year ended 31 July 2018 are not disclosed in this report but are disclosed in bands of S$100,000.

The remuneration received by the Executive Directors and key management personnel takes into consideration his or her individual performance and contribution towards the overall performance of the Group in FY2018. Their remuneration is made up of fixed and variable compensations. The fixed compensation consists of an annual base salary, fixed allowance and annual wage supplement. The variable compensation is determined based on the level of achievement of corporate and individual performance objectives.

The performance criteria used to assess the remuneration of Executive Directors and key management personnel is based on the following qualitative and quantitative components comprised of:

1. Leadership
2. Teamwork
3. People development
4. Responsibilities and commitment
5. Profitability performance of the Group

The performance conditions were met in FY2018.

There are no termination or retirement benefits, as well as post-employment benefits that are granted to the Directors and key executives.

None of the employees in the Company or any of its principal subsidiaries whose remuneration exceed S$50,000 during the year is a relative of a Director or substantial shareholder of the Company or any of its principal subsidiaries.

The Company adopted the T T J Employee Share Options Scheme which will provide eligible participants with an opportunity to participate in the equity of the Company so as to motivate them, to higher standards of performance through increased dedication and loyalty, and to give recognition to those who have contributed significantly to the growth and performance of the Group. Further details of the T T J Employee Share Options Scheme are set out on page 38 of this annual report.

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(C) ACCOUNTABILITY, AUDIT AND RISK MANAGEMENT

Accountability

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

The Company announces its financial results on a quarterly basis and other information via SGXNET in accordance with the rules of the SGX-ST Listing Manual. The Company aims to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects.

Management provides all members of the Board with management accounts and such explanation and information on a quarterly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.

Risk Management and Internal Control

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board determines the Group's levels of risk tolerance and risk policies, and oversees the Management in the design, implementation and monitoring of the Group's risk management and internal control systems.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board regularly reviews the adequacy and effectiveness of the Group's risk management and internal control systems, including financial, operational, compliance and information technology controls. The Board is of the opinion that the internal controls, including financial, operational, compliance and information technology controls, and risk management systems are adequate and effective.

The Board has also received the following assurance from the Group's Chairman and MD and the CFO:

(a) 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

(b) the Group's risk management and internal controls system are effective.

The Audit Committee reviews the Group's system of internal controls, including financial, operational and compliance controls, and risk management policies and systems established by Management. This ensures that such system is sound and adequate to provide reasonable assurance of the adequacy and effectiveness of the internal controls, addressing financial, operational and compliance risks.

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Based on the internal controls established and maintained by the Group, work performed by the external auditors as well as the internal auditors, and reviews performed by Management, the Board, with the concurrence of the Audit Committee, is of the opinion that the system of internal controls, including financial, operational, compliance and information technology controls, and risk management systems put in place by Management is adequate and effective to address the financial, operational, compliance and information technology risks of the Group.

Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. Management reviews all the significant control policies and procedures and highlight all significant findings to the Directors and the Audit Committee.

Audit Committee

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

The Audit Committee ("AC") comprises Non-executive Independent Directors, Mr Lim Yian Poh as the Chairman, and Mr Ling Chien Yien and Mr Leong Yee Yew as members. Mr Lim Yian Poh has financial management experience and Mr Leong Yee Yew has recent and relevant accounting expertise and experience. Accordingly, the AC is appropriately qualified to discharge its responsibilities. The AC will assist the Board in discharging its responsibility to safeguard the assets, maintain adequate accounting records, and develop and maintain effective systems of internal control, with the overall objective of ensuring that Management creates and maintains an effective control environment in the Group. The AC will provide a channel of communication between the Board, Management and the external auditors of the Group on matters relating to audit.

The Board has approved the written terms of reference of the AC. Specifically, the AC's duties include the following:

(a) review the Group's financial and results of operations and accounting policies;

(b) review the Group's external auditors' and the internal auditors' audit plans, their scope of work and the results of the external auditors' examination and the internal auditors' evaluation of the Group's internal accounting control systems;

(c) review the Group's annual consolidated financial statements and the external auditors' report on those financial statements, and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with Singapore Financial Reporting Standards, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of Management, where necessary, before submission to the Board for approval;

(d) review the financial statements of the Company and the Group before the submission to the Board for approval and prior to the Group's announcement of the results at the end of each reporting period;

(e) review and discuss with external and internal auditors, any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position and Management's response in relation thereto;

(f) review the co-operation given by the Group's Management and officers to the external auditors;

CORPORATE GOVERNANCE

(g) undertake such other reviews and projects as may be requested by the Board, and will report to the Board its findings from time to time on matters arising and requiring the attention of the AC;

(h) review and evaluate the Group's administrative, operating and internal accounting controls and procedures;

(i) review the Group's procedures by which employees of the Group may, in confidence, report to the Chairman of the AC, possible improprieties in matters of financial reporting or other matters and ensure that there are arrangements in place for independent investigation and follow-up actions in relation thereto;

(j) review and establish procedures for receipt, retention and treatment of complaints received by the Group regarding inter alia, criminal offences involving the Group or its employees, questionable accounting, auditing, business, safety or other matters that may impact negatively on the Group;

(k) review and approve any interested person transactions falling within the scope of Chapter 9 of the Listing Manual;

(l) review any potential conflicts of interests;

(m) consider and recommend to the Board proposals to the shareholders on the appointment and re-appointment of the external auditors and matters relating to the resignation or dismissal of the external auditors and approving the remuneration and terms of engagement of the external auditors;

(n) review the appointments of and (on an annual basis) review the remuneration of persons occupying managerial positions who are related to a Director, MD or a substantial shareholder of the Company;

(o) generally undertake such other functions and duties which may be required by statute or the rules of the SGX-ST Listing Manual, and by such amendments made thereto from time to time;

(p) ensure that all internal control weaknesses are satisfactorily and properly rectified;

(q) evaluate the independence of the external auditors;

(r) review the adequacy and effectiveness of the internal audit function and ensuring that a clear reporting structure is in place between the AC and the internal auditors;

(s) review the Group's key financial risk areas; the outcome of the aforesaid reviews which shall be disclosed in the Company's annual report (or in instances where the findings are material, make appropriate disclosures via SGXNET immediately);

(t) commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's results of operations and/or financial position;

(u) commission and review the annual internal controls audit until such time the AC is satisfied that the Group's internal controls are robust and effective enough to mitigate the Group's internal control weaknesses; and

CORPORATE GOVERNANCE

(v) review and report to the Board on the Group's system of internal controls, including financial, operational and compliance controls, and risk management policies and systems established by Management. This ensures that such system is sound and adequate to provide reasonable assurance of the adequacy and effectiveness of the internal controls, addressing financial, operational and compliance risks.

The AC is authorised to conduct or authorise investigations into any matter within its terms of reference, and has full access to Management and resources which are necessary to enable it to discharge its functions properly. It also has full discretion to invite any Executive Director or Executive Officer to attend its meetings.

The AC has reviewed the Group's financial reporting function, internal controls and processes and is satisfied with the adequacy and quality of the same. The AC is satisfied with the adequacy of the Group's financial statements and financial reporting resources and the performance of the Group's finance department.

The AC has also reviewed the policy and arrangements by which the employees of the Group and any other persons may, in confidence, raise concerns about the possible improprieties in matters of financial reporting or other matters within the Group, with the objectives of ensuring that arrangements are put in place for such concerns to be raised and independently investigated and for appropriate follow-up action to be taken as and when the need arises. As at the date of this Annual Report, the Group has put in place a whistle-blowing policy for this purpose. Copies of the "Whistle Blowing" policy have been circulated to the employees and are also available at the Company's registered office.

The Group's existing auditors, RSM Chio Lim LLP, have been the external auditors of the Group since 19 August 2002 and Ms Chua Ling Ling is the current audit partner in charge effective from financial year ended 31 July 2018. During FY2018, the aggregate amount of fees paid to the external auditors was S$237,000 (exclusive of GST) with audit related work carried out by the external auditors amounting to fees of S$117,000 and non-audit related work carried out by the external auditors amounting to fees of S$120,000 (exclusive of GST). The AC is satisfied that the external auditors' independence has not been impaired.

The AC also has full access to the external auditors without the presence of Management and is authorised to have full and unrestricted access to Management and all personnel, records, operations, properties and other informational sources of the Group as required or desirable to properly discharge its responsibilities.

The AC meets with the internal auditors and external auditors separately, at least once a year, without the presence of the Management.

Having regard to the adequacy of the resources and experience of the auditing firm and the audit engagement partner assigned to the audit, the firm'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, the Board and the AC are of the opinion that a suitable auditing firm has been appointed to meet the Group's auditing obligations. The Company thereby complies with Rules 712 and 715 of the Listing Manual of the SGX-ST.

The AC recommends to the Board the nomination of RSM Chio Lim LLP for re-appointment as external auditors at the forthcoming AGM of the Company.

None of the AC members (i) is a former partner or director of the Company's existing auditing firm or auditing corporation in the previous 12 months or (ii) holds any financial interest in the auditing firm or auditing corporation.

CORPORATE GOVERNANCE

Internal Audit

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

The internal auditors' primary line of reporting is to the AC Chairman although the internal auditors would also report administratively to the MD. The AC approves the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced. The internal auditors have unfettered access to all the Group's documents, records, properties and personnel, including access to the AC.

The AC also ensures that the internal audit function is adequately resourced and has appropriate standing within the Group.

The Group's internal audit function team is staffed with persons with the relevant qualifications and experience and carries out its function according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The Company has outsourced its internal audit function to Paul Wan & Co. Paul Wan & Co. has conducted its internal audit for the Group in FY2018 and reported directly to the AC on its finding. There were no major internal control weaknesses highlighted by Paul Wan & Co. for the attention of the AC for FY2018. The AC has reviewed Paul Wan & Co.'s report on internal controls and processes and is satisfied with the adequacy of the same. The AC will annually assess and ensure the adequacy of the internal audit function.

(D) SHAREHOLDERS

Shareholder Rights

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

The Company facilitates the exercise of ownership rights by all shareholders. In particular, shareholders have the right to be sufficiently informed of changes in the Company or its business which would be likely to materially affect the price or value of the Company's shares.

The Company ensures that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. Shareholders are informed of the rules, including voting procedures that govern general meetings of shareholders.

The Constitution of the Company currently allows a shareholder of the Company to appoint up to two proxies to attend and vote in his stead at general meetings, and shareholders who are a "relevant intermediary" (as defined under section 181 of the Companies Act) may also appoint multiple proxies pursuant to the Companies Act.

CORPORATE GOVERNANCE

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

In line with continuous disclosure obligations of the Company, pursuant to the SGX-ST's Listing Rules and the Companies Act, the Board's policy is to ensure that shareholders are informed of all major developments that impact the Group. The Company has an effective investor relations policy to regularly convey pertinent information to shareholders. In disclosing information, the Company will be as descriptive, detailed and forthcoming as possible and avoid boilerplate disclosures.

Information is communicated to shareholders on a timely basis through SGXNET and other information channels, including a well-maintained and updated corporate website. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as promptly as possible. The Board has established regular dialogue with shareholders, to gather views or inputs, and address shareholders' concerns. Communication is made through:

- annual reports that are prepared and issued to all shareholders. The Board makes every effort to ensure that the annual reports include all relevant information about the Group, including future developments and other disclosures required by the Companies Act and the relevant accounting standards;
- quarterly financial statements containing a summary of the financial information and affairs of the Group for the period;
- notices of and explanatory memoranda for AGMs and extraordinary general meetings;
- press and results briefings for the Group's annual results as well as other briefings, as appropriate;
- press releases on major developments of the Group;
- disclosures to the SGX-ST; and
- the Group's website at www.ttj.com.sg at which shareholders can access information on the Group. The website provides, inter alia, information on the Group's products and the corporate profile of the Group.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate.

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of the shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Shareholders have the opportunity to participate effectively in and to vote at general meetings of shareholders to ensure a high level of accountability and to stay informed of the Group's strategy and goals. The Directors regard general meetings of the shareholders as an opportunity to communicate directly with shareholders and encourage greater shareholder participation.

CORPORATE GOVERNANCE

The Company's Constitution allows all shareholders to appoint proxies to attend general meeting and vote on their behalf. As the authentication of shareholder identity information and other related security issues still remain a concern, the Group has decided, for the time being, not to implement voting in absentia by mail, email or fax.

The notice of general meetings of shareholders is despatched to shareholders, together with explanatory notes or a circular on items of special business, at least 14 days before the meeting. The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the general meetings of shareholders. All the Directors normally attend the general meetings of shareholders. The Chairmen of the AC, RC and NC are normally available at the meeting to answer those questions relating to the work of these Committees. The Company's external auditors will also be present to assist the Directors in addressing queries by shareholders.

The Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting and responses from the Board and Management thereto. These minutes are made available to shareholders upon their request.

The Company puts all resolutions to vote by poll and makes an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages.

Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting to avoid "bundling" resolutions unless the resolutions are interdependent and linked so as to form one significant proposal.

(E) DEALING IN SECURITIES

The Company adopts the following policies in relation to dealings in its securities:

- Officers are not to deal in its securities during the period commencing two (2) weeks before the announcement of the Group's quarterly financial statements and one (1) month before the announcement of the Group's financial statements for the full year, and ending on the date of the announcement of the relevant results.

- In addition, the Company reminds its officers to observe the laws on insider trading at all times, even when dealing in its securities within the permitted trading period.

- The Company's internal compliance code requires that its officer should not deal in the Company's securities on short term considerations.

The Board confirms that the Company has complied with Rule 1207(19) of the SGX-ST Listing Rules.

(F) MATERIAL CONTRACTS

Save for the service agreement between the Group's Chairman and MD, Mr Teo Hock Chwee, and the Company, there were no other material contracts of the Company or its subsidiary involving the interest of any Director or controlling shareholders subsisting at the end of the reporting year ended 31 July 2018.

CORPORATE GOVERNANCE

(G) INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its shareholders.

The Company has not obtained any general mandate pursuant to Rule 920 of the Listing Manual. There were no interested person transactions entered into during the financial year under review (excluding transactions less than S$100,000).

STATUS UPDATE ON SUSTAINABILITY REPORTING

In respect of Sustainability Reporting, the Company is working towards finalising its inaugural report by 31 December 2018.

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STATEMENT BY DIRECTORS

The directors of the Company are pleased to present the accompanying financial statements of the Company and of the Group for the reporting year ended 31 July 2018.

1. Opinion of the directors

In the opinion of the directors,

(a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the Company and, of the financial position and performance of the Group for the reporting year covered by the financial statements or consolidated financial statements; and

(b) at the date of the statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors approved and authorised these financial statements for issue.

2. Directors

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

Teo Hock Chwee
Chiong Su Been
Lim Yian Poh
Ling Chien Yien
Leong Yee Yew

3. Directors' interests in shares and debentures

The directors of the Company holding office at the end of the reporting year were not interested in shares in or debentures of the Company or other related body corporate as recorded in the register of directors' shareholdings kept by the Company under section 164 of the Companies Act, Chapter 50 ("the Act") except as follows:

	Direct interest	
Name of directors and companies in which interests are held	At beginning of the reporting year	At end of the reporting year
The Company - T T J Holdings Limited	**Number of shares of no par value**	
Teo Hock Chwee	39,900,000	39,900,000
Chiong Su Been	1,115,000	1,115,000

	Deemed interest	
Name of directors and companies in which interests are held	At beginning of the reporting year	At end of the reporting year
The Company - T T J Holdings Limited	**Number of shares of no par value**	
Teo Hock Chwee	255,000,000	255,000,000

STATEMENT BY DIRECTORS

3. Directors' interests in shares and debentures (cont'd)

By virtue of section 7 of the Act, Mr Teo Hock Chwee with interests is deemed to have an interest in the Company and in all the related body corporate of the Company.

The directors' interests as at 21 August 2018 were the same as those at the end of the reporting year.

4. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the Company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

5. Options

During the reporting year, no option to take up unissued shares of the Company or other body corporate in the Group was granted.

The T T J Employee Share Option Scheme (the "Scheme") for selected directors and full-time employees of the Group was approved by shareholders of the Company at an Extraordinary General Meeting in January 2010.

The Scheme, which forms an integral component of its compensation plan, is designed to reward and retain eligible participants whose services are vital to its well-being and success. It provides eligible participants who have contributed to the success and development of the Company with an opportunity to participate and also increase the dedication and loyalty of these participants and motivate them to perform better.

Under the rules of the Scheme, selected directors and full-time employees of the Group are eligible to participate in the Scheme. Controlling shareholders or their associates are however not eligible to participate in the Scheme.

The Scheme is administered by the Remuneration Committee whose members are:

Leong Yee Yew (Chairman)
Lim Yian Poh
Ling Chien Yien

The number of options to be offered to a participant shall be determined at the discretion of the Remuneration Committee who shall take into account criteria such as the rank and responsibilities with the Group, performance, years of service and potential for future development of the employee, and the performance of the Group. Of the total number of shares available under the Scheme and the aggregate number of shares which may be offered to each participant, no participant shall be entitled to more than 10% of the shares available under the Scheme.

The total number of options to be granted by the Remuneration Committee in any one reporting year shall not exceed 40% of the total number of options which may be granted under the Scheme.

STATEMENT BY DIRECTORS

5. Options (cont'd)

During the reporting year, there were no shares issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares under option.

6. Independent auditor

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

7. Report of Audit Committee

The members of the Audit Committee at the date of this report are as follows:

Lim Yian Poh	(Chairman of Audit Committee)
Ling Chien Yien	(Independent director)
Leong Yee Yew	(Independent director)

The Audit Committee performs the functions specified by section 201B(5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent external auditor their audit plan.
- Reviewed with the independent external auditor their evaluation of the Company's internal accounting controls relevant to their statutory audit, and their report on the financial statements and the assistance given by management to them.
- Reviewed with the internal auditor the scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by the management to the internal auditor.
- Reviewed the financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption.
- Reviewed the interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual).

Other functions performed by the Audit Committee are described in the report on corporate governance included in the annual report of the Company. It also includes an explanation of how independent auditor objectivity and independence is safeguarded where the independent auditor provides non-audit services.

The Audit Committee has recommended to the Board of Directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as independent auditor at the next Annual General Meeting of the Company.

STATEMENT BY DIRECTORS

8. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors, and reviews performed by management, other committees of the Board and the Board, the Audit Committee and the Board are of the opinion that the Company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year 31 July 2018.

9. Subsequent developments

There are no significant developments subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 26 September 2018, which would materially affect the Group's and the Company's operating and financial performance as of the date of this report.

On behalf of the directors

Teo Hock Chwee
Director

Chiong Su Been
Director

28 September 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of T T J Holdings Limited (Registration No: 199204617M)

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of T T J Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 July 2018, 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 statement of changes in equity of the Company for the reporting year then ended, and notes to the financial statements, including accounting policies.

In our opinion, the accompanying 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 Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 July 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the reporting year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current reporting year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Construction Contracts

Please refer to Note 2A on significant accounting policies, Note 2C on critical judgements, assumptions and estimation uncertainties, and Note 5 on revenue.

Revenue recognition from construction contracts based on the percentage of completion method, is the key revenue stream of the Group. The stage of completion is determined by dividing the cumulative costs incurred as at the end of the reporting year by the sum of incurred costs and anticipated costs for completing a contract. The stage of completion is then applied to the contract value to determine the cumulative revenue earned. Significant judgements are required to estimate the total budgeted contract costs as well as variations in contract works. Any changes to the total budgeted contract costs or variations recognised will impact the amounts of revenue and profits recognised.

INDEPENDENT AUDITOR'S REPORT

To the Members of T T J Holdings Limited (Registration No: 199204617M)

Key audit matters (cont'd)

We performed audit procedures on individually significant projects, including discussions with project managers, and evaluated management's assumptions and estimates in the determination of amongst others the percentage of completion of a project, estimates of cost to complete, and estimates of variation orders that can be recognised. Where relevant, we agreed to third party contracts for work contracted or to supporting documents. We also recalculated the stage of completion based on the total costs incurred to date compared to the total budgeted costs and performed recomputation on revenue to be recognised for the year.

Other information

Management is responsible for the other information. The other information comprises the information included in the Statement by Directors and annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of the auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Members of T T J Holdings Limited (Registration No: 199204617M)

Auditor's responsibilities for the audit of the financial statements (cont'd)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

b) Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

To the Members of T T J Holdings Limited (Registration No: 199204617M)

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.

The engagement partner on the audit resulting in this independent auditor's report is Chua Ling Ling.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

28 September 2018

Engagement partner - effective from year ended 31 July 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended 31 July 2018

	Notes	Group 2018 $'000	Group 2017 $'000
Revenue	5	92,541	82,888
Cost of sales		(73,541)	(62,526)
Gross profit		19,000	20,362
Interest income	6	511	751
Other gains	7	1,870	1,639
Administrative expenses	8	(9,422)	(8,491)
Finance costs	10	(97)	(56)
Other losses	7	(1,223)	(1,164)
Profit before tax from continuing operations		10,639	13,041
Income tax expense	11	(2,312)	(2,334)
Profit from continuing operations, net of tax		8,327	10,707
Other comprehensive income (loss):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		873	(179)
Available-for-sale financial assets, net of tax	19	180	645
Other comprehensive income for the year, net of tax:		1,053	466
Total comprehensive income		9,380	11,173
Profit attributable to owners of the parent, net of tax		8,923	10,947
Loss attributable to non-controlling interests, net of tax		(596)	(240)
Profit net of tax		8,327	10,707
Total comprehensive income attributable to owners of the parent		9,979	11,413
Total comprehensive loss attributable to non-controlling interests		(599)	(240)
Total comprehensive income		9,380	11,173
Earnings per share			
Earnings per share currency unit		**Cents**	**Cents**
Basic and diluted	13	2.55	3.13

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 July 2018

	Notes	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	42,660	22,530	–	–
Investment property	15	–	–	–	–
Intangible assets	16	283	283	–	–
Investments in subsidiaries	17	–	–	6,923	6,790
Other receivables	18	–	–	7,750	375
Other financial assets	19	2,985	2,752	2,985	2,752
Other non-financial assets	20	3,921	2,191	–	–
Total non-current assets		49,849	27,756	17,658	9,917
Current assets					
Inventories	21	738	552	–	–
Trade and other receivables	22	58,935	42,652	9,950	2,776
Other non-financial assets	23	400	437	37	27
Cash and cash equivalents	24	56,754	82,383	31,587	48,266
Total current assets		116,827	126,024	41,574	51,069
Total assets		166,676	153,780	59,232	60,986
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	25	22,890	22,890	22,890	22,890
Retained earnings		116,091	109,615	34,870	36,642
Other reserves	26	(190)	(1,246)	749	569
Equity, attributable to owners of the parent		138,791	131,259	58,509	60,101
Non-controlling interests		254	626	–	–
Total equity		139,045	131,885	58,509	60,101
Non-current liabilities					
Deferred tax liabilities	11	1,462	1,159	–	–
Finance leases	27	83	115	–	–
Other financial liabilities	28	–	2,594	–	–
Total non-current liabilities		1,545	3,868	–	–
Current liabilities					
Income tax payable		1,766	1,524	40	82
Trade and other payables	29	18,961	16,173	683	803
Finance leases	27	32	32	–	–
Other financial liabilities	28	3,971	139	–	–
Other non-financial liabilities	30	1,356	159	–	–
Total current liabilities		26,086	18,027	723	885
Total liabilities		27,631	21,895	723	885
Total equity and liabilities		166,676	153,780	59,232	60,986

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year Ended 31 July 2018

Group	Total equity $'000	Attributable to parent sub-total $'000	Share capital $'000	Retained earnings $'000	Other reserves $'000	Non-controlling interests $'000
Current year:						
Opening balance at 1 August 2017	131,885	131,259	22,890	109,615	(1,246)	626
Changes in equity:						
Total comprehensive income for the year	9,380	9,979	–	8,923	1,056	(599)
Dividends paid (Note 12)	(2,447)	(2,447)	–	(2,447)	–	–
Issuance of ordinary shares to non-controlling interest in subsidiaries	227	–	–	–	–	227
Closing balance at 31 July 2018	139,045	138,791	22,890	116,091	(190)	254
Previous year:						
Opening balance at 1 August 2016	125,792	125,788	22,890	104,610	(1,712)	4
Changes in equity:						
Total comprehensive income for the year	11,173	11,413	–	10,947	466	(240)
Dividends paid (Note 12)	(5,942)	(5,942)	–	(5,942)	–	–
Acquisition of subsidiary (Note 31)	862	–	–	–	–	862
Closing balance at 31 July 2017	131,885	131,259	22,890	109,615	(1,246)	626

Company	Total equity $'000	Share capital $'000	Retained earnings $'000	Other reserves $'000
Current year:				
Opening balance at 1 August 2017	60,101	22,890	36,642	569
Changes in equity:				
Total comprehensive income for the year	855	–	675	180
Dividends paid (Note 12)	(2,447)	–	(2,447)	–
Closing balance at 31 July 2018	58,509	22,890	34,870	749
Previous year:				
Opening balance at 1 August 2016	30,606	22,890	7,792	(76)
Changes in equity:				
Total comprehensive income for the year	35,437	–	34,792	645
Dividends paid (Note 12)	(5,942)	–	(5,942)	–
Closing balance at 31 July 2017	60,101	22,890	36,642	569

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 July 2018

	Group	
	2018 $'000	2017 $'000
Cash flows from operating activities		
Profit before tax	10,639	13,041
Adjustments for:		
Interest expense	97	56
Interest income	(511)	(751)
Amortisation of lease premium	22	–
Depreciation of investment property	–	1,028
Depreciation of property, plant and equipment	2,152	1,731
Dividend income	(102)	(82)
Gain on disposal of plant and equipment	(10)	–
Negative goodwill from acquisition of subsidiary	–	(547)
Property, plant and equipment written off	367	61
Operating cash flows before changes in working capital	12,654	14,537
Trade and other receivables	(15,747)	7,602
Inventories	(188)	2,378
Trade and other payables	3,787	(15,965)
Net cash flows from operations	506	8,552
Income taxes paid	(1,794)	(6,015)
Income taxes refund	3	70
Net cash flows (used in) / from operating activities	(1,285)	2,607
Cash flows from investing activities		
Dividends received	49	47
Advance payment for purchase of property, plant and equipment	(3,000)	(1,204)
Purchase of property, plant and equipment	(20,837)	(2,728)
Proceeds from disposal of plant and equipment	17	5
Acquisition of subsidiary (net of cash acquired) (Note 31)	–	364
Interest received	511	751
Net cash flows used in investing activities	(23,260)	(2,765)
Cash flows from financing activities		
Cash restricted in use	157	(157)
Increase / (decrease) in bills payables	1,221	(240)
Interest paid	(97)	(56)
Issuance of ordinary shares to non-controlling interests in subsidiaries	227	–
Repayment of borrowings	(136)	(574)
Repayment of finance lease obligations	(32)	(20)
Dividend paid to equity owners	(2,447)	(5,942)
Net cash flows used in financing activities	(1,107)	(6,989)
Net decrease in cash and cash equivalents	(25,652)	(7,147)
Cash and cash equivalents, statement of cash flows, beginning balance	82,226	89,196
Net effect of exchange rate changes on cash and cash equivalents	27	177
Cash and cash equivalents, statement of cash flows, ending balance (Note 24A)	56,601	82,226

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

1. General

The Company is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollars and they cover the Company (referred to as "parent") and the subsidiaries.

The Board of Directors approved and authorised these financial statements for issue on the date of the Statement by Directors.

The Company is an investment holding company. It is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The principal activities of the subsidiaries are described in the Notes to the financial statements below.

The registered office is: 57 Pioneer Road, Singapore 628508. The Company is situated in Singapore.

Accounting convention

The financial statements have been prepared in accordance with the Financial Reporting Standards in Singapore ("FRSs") and the related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council and the Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where an FRSs require an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in FRSs may not be applied when the effect of applying them is not material. The disclosures required by FRSs need not be provided if the information resulting from that disclosure is not material. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss, as required or permitted by FRSs.

Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at Note 2C, where applicable.

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the Company and all of its subsidiaries. The consolidated financial statements are the financial statements of the Group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and cash flows are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee. Control exists when the Group has the power to govern the financial and operating policies so as to gain benefits from its activities.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

1. General (cont'd)

Basis of presentation (cont'd)

Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the Group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with FRS 39.

The Company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the Company's separate statement of profit or loss and other comprehensive income is not presented.

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the activities of the entity and it is shown net of any related sales taxes and rebates. Rental revenue is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the lease term. Interest income or expense is recognised using the effective interest method. Revenue from rendering of services that are not significant transactions is recognised as the services are provided or when the significant acts have been completed. Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Dividend from equity instruments is recognised as income when the entity's right to receive dividend is established. This is usually ex-dividend date for quoted shares. Revenue from construction contracts is recognised in accordance with the accounting policy on construction contracts (see below).

Construction contracts – revenues and results

When the outcome of a construction contract can be estimated reliably, the contract revenue and contract costs associated with the contract are recognised in profit or loss by reference to the stage of completion of the contract activity at the end of the reporting year using the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs method except where this would not be representative of the stage of completion. Contract costs consist of costs that relate directly to the specific contract, costs that are attributable to contract activity in general and can be allocated to the contract and such other costs as are specifically chargeable to the customer under the terms of the contract. Variations in contract work, claims and incentive payments are included to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Construction contracts – revenues and results (cont'd)

The stage of completion method relies on estimates of total expected contract revenue and costs, as well as dependable measurement of the progress made towards completing a particular contract. Recognised revenues and profits are subject to revisions during the contract in the event that the assumptions regarding the overall contract outcome are revised. The cumulative impact of a revision in estimates is recorded in the period such revisions become likely and estimable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. The work in progress contracts have operating cycles longer than one year. The management includes in current assets amounts relating to the contracts realisable over a period in excess of one year.

Government grants

A government grant is recognised at fair value when there is reasonable assurance that the conditions attaching to it will be complied with and that the grant will be received. Grants in recognition of specific expenses are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate, on a systematic basis.

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute for the Singapore employees to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). Certain subsidiaries overseas have defined contribution retirement benefit plans in which employees are entitled to join upon fulfilling certain conditions. The assets of the fund may or may not be held separately from those of the entity in an independently administered fund. The entity contributes an amount equal to a fixed percentage of the salary of each participating employee. For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds and are recognised as an expense in the period in which they are incurred. Interest expense is calculated using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Foreign currency transactions

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as for qualifying cash flow hedges. The presentation is in the functional currency.

Translation of financial statements of other entities

Each entity in the Group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency, the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

Segment reporting

The reporting entity discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Income tax (cont'd)

Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

Property, plant and equipment

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line method to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Leasehold properties and improvements	–	Over the terms of lease that are from 1.67% to 4.50%
Leasehold land	–	Over the terms of lease that is 3.33%
Plant, fixtures and equipment	–	10% to 33.3%
Construction work-in-progress	–	Not depreciated

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising from the derecognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Investment property

Investment property is property (land or a building or part of a building or both) owned or held under a finance lease to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. It includes an investment property in the course of construction. After initial recognition at cost including transaction costs, the cost model is used to measure the investment property using the treatment for property, plant and equipment, that is, at cost less any accumulated depreciation and any accumulated impairment losses. An investment property that meets the criteria to be classified as held for sale is carried at the lower of carrying amount and fair value. For disclosure purposes only, the fair values are measured periodically on a systematic basis at least once yearly by management. The annual rate of depreciation is 13% over the terms of the lease.

Leases

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Intangible assets

Identifiable intangible assets acquired as part of a business combination are initially recognised separately from goodwill if the asset's fair value can be measured reliably, irrespective of whether the asset had been recognised by the acquiree before the business combination. An intangible asset is considered identifiable only if it is separable or if it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

Business combinations

A business combinations is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange of for control of the acquiree. The acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received except for any costs to issue debt or equity securities are recognised in accordance with FRS 32 and FRS 39. As of the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at acquisition-date fair values as defined in and that meet the conditions for recognition under FRS 103. If there is gain on bargain purchase, for the gain on bargain purchase a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in profit or loss.

Non-controlling interests

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant Note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Inventories

Inventories are measured at the lower of cost (first in first out method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at about the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial assets

Initial recognition, measurement and derecognition:

A financial asset is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. When the settlement date accounting is applied, any change in the fair value of the asset to be received during the period between the trade date and the settlement date is recognised in net profit or loss for assets classified as trading. Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based on the derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Financial assets (cont'd)

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following categories under FRS 39 is as follows:

1. Financial assets at fair value through profit or loss: As at end of the reporting year date there were no financial assets classified in this category.

2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.

3. Held-to-maturity financial assets: As at end of the reporting year date there were no financial assets classified in this category.

4. Available-for-sale financial assets: These are non-derivative financial assets that are designated as available-for-sale on initial recognition or are not classified in one of the previous categories. These assets are carried at fair value. Changes in fair value of available-for-sale financial assets (other than those relating to foreign exchange translation differences on monetary investments) are recognised in other comprehensive income and accumulated in a separate component of equity under the heading available-for-sale financial assets reserve. Such reserves are reclassified to profit or loss when realised through disposal. When there is objective evidence that the asset is impaired, the cumulative loss is reclassified from equity to profit or loss as a reclassification adjustment. A significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment. If, in a subsequent period, the fair value of an equity instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss, it is reversed against available-for-sale financial assets reserve and is not subsequently reversed through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Financial assets (cont'd)

4. Available-for-sale financial assets (cont'd): However for debt instruments classified as available-for-sale impairment losses recognised in profit or loss are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss. For non-equity instruments classified as available-for-sale the reversal of impairment is recognised in profit or loss. The weighted average method is used when determining the cost basis of publicly listed equities being disposed of. Usually non-current investments in equity shares and debt securities are classified in this category but it does not include subsidiaries, joint ventures, or associates. Unquoted investments are stated at cost less allowance for impairment in value where there are no market prices, and management is unable to establish fair value by using valuation techniques except that where management can establish fair value by using valuation techniques the relevant unquoted investments are stated at fair value. For unquoted equity instruments impairment losses are not reversed.

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

Financial liabilities

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

1. Liabilities at fair value through profit or loss: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.

2. Liabilities at amortised cost: These liabilities are carried at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Fair value measurement

When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. It is a market-based measurement, not an entity-specific measurement. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

The fair value measurements categorise the inputs used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless stated otherwise in the relevant notes to the financial statements. 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. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

2B. Other explanatory information

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

2. Significant accounting policies and other explanatory information (cont'd)

2B. Other explanatory information (cont'd)

Treasury shares

Where the entity reacquires its own equity instruments as treasury shares, the consideration paid, including any directly attributable incremental cost is deducted from equity attributable to the entity's owners until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the entity's owners and no gain or loss is recognised in profit or loss.

2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Construction contracts:

On construction contracts, revenues are recorded on the stage of completion basis. The stage of completion is determined by dividing the cumulative costs incurred as at the end of reporting year by the sum of incurred costs and anticipated costs for completing a contract. The stage of completion is then applied to the contract value to determine the cumulative revenue earned. This method of revenue recognition requires management to prepare cost estimates to complete contracts in progress, and in making such estimates, judgements are required to evaluate contingencies such as potential variances in scheduling, cost of materials, labour costs and productivity, the impact of change orders or liability claims. All known or anticipated losses based on these estimates are provided for in their entirety without regard to the stage of completion. Estimated revenues on contracts include future revenues from claims when such additional revenues can be reliably established. These estimates are based on management's business practices as well as its historical experience, and management regularly reviews underlying estimates of project profitability. The related amounts are disclosed in Notes 5 and 22A.

Allowance for doubtful trade accounts:

An allowance is made for doubtful trade accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. To the extent that it is feasible impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting year, the trade receivables carrying amount approximates the fair value and the carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the Note on trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

2. Significant accounting policies and other explanatory information (cont'd)

2C. Critical judgements, assumptions and estimation uncertainties (cont'd)

Net realisable value of inventories:

A review is made on inventory for excess inventory and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. The review requires management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of the reporting year is disclosed in the Note on inventories.

Useful lives of plant and equipment:

The estimates for the useful lives and related depreciation charges for plant and equipment are based on commercial and other factors which could change significantly as a result of innovations and in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the class of assets at the end of the reporting year affected by the assumption is $6,532,000 (2017: $3,605,000).

Terms of lease of leasehold property:

The annual rate of depreciation for leasehold properties is charged over the terms of the respective leases. There are leasehold properties with (a) carrying value of $13,134,000 (2017: $5,067,000) with lease term of 30 years and with an option to renew for a further 30 years; (b) carrying value of $3,102,000 (2017: $3,617,000) with lease term of 4 years and with an option to renew for a further 18 years. The leasehold properties have been depreciated on the assumption that the Group will exercise the options to extend the leases by another 30 years and 18 years respectively.

NOTES TO THE FINANCIAL STATEMENTS

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3. Related party relationships and transactions

FRS 24 on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

The ultimate controlling party is Mr Teo Hock Chwee, a director and significant shareholder.

3A. Related party transactions

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and financial guarantees if any are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances.

3B. Key management compensation

	Group	
	2018	2017
	$'000	$'000
Salaries and other short-term employee benefits	2,187	2,105

The above amounts are included under employee benefits expense. Included in the above amounts are the following items:

	Group	
	2018	2017
	$'000	$'000
Remuneration of directors of the Company	1,375	1,443
Fees to directors of the Company	147	147

Key management personnel include the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

Further information about the remuneration of individual directors of the Company are provided in the report on corporate governance.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

3. Related party relationships and transactions (cont'd)

3C. Other receivables from related parties

The trade transactions and the related receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements in other receivables from related parties are as follows:

	Company	
	Subsidiaries	
	2018	2017
	$'000	$'000
Other receivables:		
Balance at beginning of the year	2,575	1,906
Amounts paid out and settlement of liabilities on behalf of another party	22,355	1,904
Amounts paid in and settlement of liabilities on behalf of the Company	(7,574)	(1,235)
Balance at end of the year (Notes 18 and 22)	17,356	2,575

4. Financial information by operating segments

4A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by FRS 108 Operating Segments. This disclosure standard has no impact on the reported financial performance or financial position of the reporting entity.

For management purposes the Group is organised into two primary strategic operating segments – structural steel specialists and operation of dormitory. The results of all other activities, mainly investment holding and operation of testing centre, which are not included within the two primary segments, are included in the "other" segment. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the reporting entity are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the significant accounting policies.

The management reporting system evaluates performances based on a number of factors. However the primary profitability measurement to evaluate segment's operating results is the major financial indicator: earnings from operations before depreciation and amortisation, interests and income taxes (called "Recurring EBITDA").

The following tables illustrate the information about the reportable segment profit or loss, assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

4. Financial information by operating segments (cont'd)

4B. Profit or loss from continuing operations and reconciliations

Continuing operations	Structural steel $'000	Dormitory $'000	Other $'000	Adjustments and eliminations $'000	Group $'000
2018					
Revenue by segment					
Sales to external parties	91,471	–	1,070	–	92,541
Inter-segment sales	–	–	1,702	(1,702)	–
Total revenue	91,471	–	2,772	(1,702)	92,541
Recurring EBITDA	12,008	–	369	–	12,377
Depreciation	(2,139)	–	(13)	–	(2,152)
Finance costs	(97)	–	–	–	(97)
Interest income	126	–	385	–	511
Profit before tax from continuing operations	9,898	–	741	–	10,639
Income tax expense					(2,312)
Profit from continuing operations					8,327
2017					
Revenue by segment					
Sales to external parties	76,155	6,019	714	–	82,888
Inter-segment sales	–	262	1,943	(2,205)	–
Total revenue	76,155	6,281	2,657	(2,205)	82,888
Recurring EBITDA	11,368	3,264	473	–	15,105
Depreciation	(1,682)	(1,061)	(16)	–	(2,759)
Finance costs	(56)	–	–	–	(56)
Interest income	264	31	456	–	751
Profit before tax from continuing operations	9,894	2,234	913	–	13,041
Income tax expense					(2,334)
Profit from continuing operations					10,707

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

4. Financial information by operating segments (cont'd)

4C. Assets and reconciliations

	Structural steel $'000	Dormitory $'000	Other $'000	Unallocated $'000	Group $'000
2018					
Total assets for reportable segments	125,610	–	41,066	–	166,676
Total Group assets	125,610	–	41,066	–	166,676
2017					
Total assets for reportable segments	99,806	1,724	52,250	–	153,780
Total Group assets	99,806	1,724	52,250	–	153,780
Expenditure for non-current assets:					
2018	22,041	–	–	–	22,041
2017	2,728	–	–	–	2,728

4D. Liabilities and reconciliations

	Structural steel $'000	Dormitory $'000	Other $'000	Unallocated $'000	Group $'000
2018					
Total liabilities for reportable segments	23,594	–	809	–	24,403
Unallocated:					
Income tax payable	–	–	–	1,766	1,766
Deferred tax liabilities	–	–	–	1,462	1,462
Total Group liabilities	23,594	–	809	3,228	27,631
2017					
Total liabilities for reportable segments	18,269	95	848	–	19,212
Unallocated:					
Income tax payable	–	–	–	1,524	1,524
Deferred tax liabilities	–	–	–	1,159	1,159
Total Group liabilities	18,269	95	848	2,683	21,895

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

4. Financial information by operating segments (cont'd)

4E. Geographical information

	Revenue	
	2018	2017
	$'000	$'000
Singapore	91,774	73,481
Malaysia	496	9,407
Thailand	271	–
Total continuing operations	92,541	82,888

	Non-current assets	
	2018	2017
	$'000	$'000
Singapore	23,956	14,653
Malaysia	22,501	9,924
India	124	144
Total continuing operations	46,581	24,721

Revenues are attributed to countries on the basis of the project's location, irrespective of the origin of the services. The non-current assets are analysed by the geographical area in which the assets are located. The non-current assets exclude any financial instruments and intangible assets.

4F. Information about major customers

Revenue from major customers, which are individually amounting to 10% or more of the Group's revenue, is derived from the structural steel segment.

	2018	2017
	$'000	$'000
Top 1 customer	23,684	19,655
Top 2 customers	44,247	28,879
Top 3 customers	56,257	37,547

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

5. Revenue

	Group	
	2018	2017
	$'000	$'000
Revenue from construction contracts	91,471	76,155
Rental income and service charges from investment property	–	6,019
Dividend income from quoted corporations	102	82
Other revenue	968	632
Total revenue	92,541	82,888

6. Interest income

	Group	
	2018	2017
	$'000	$'000
Interest income from financial institutions	511	746
Interest income from non-financial institutions	–	5
Total interest income	511	751

7. Other gains and (other losses)

	Group	
	2018	2017
	$'000	$'000
Allowance for impairment on trade receivables	(485)	–
Bad debts written back – trade receivables	16	10
Back charges to subcontractors	–	38
Custom import duty and goods and services tax (Note 32)	(371)	(1,103)
Foreign exchange adjustments gains	690	121
Gain on disposal of plant and equipment	10	–
Government grants	108	109
Negative goodwill from acquisition of subsidiary (Note 31)	–	547
Property, plant and equipment written off	(367)	(61)
Rental income	43	40
Scrap income	735	468
Other income	268	306
Net	647	475
Presented in profit or loss as:		
Other gains	1,870	1,639
Other losses	(1,223)	(1,164)
Net	647	475

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

8. Administrative expenses

The major components include the following:

	Group	
	2018	2017
	$'000	$'000
Employee benefits expense (Note 9)	5,767	5,217

9. Employee benefits expense

	Group	
	2018	2017
	$'000	$'000
Short term employee benefits expense	21,628	20,621
Contributions to defined contribution plans	987	1,086
Total employee benefits expense	22,615	21,707
Allocation of the employee benefits expense:		
Cost of sales	16,848	16,490
Administrative expenses	5,767	5,217
	22,615	21,707

10. Finance costs

	Group	
	2018	2017
	$'000	$'000
Interest expense	97	56

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

11. Income tax

11A. Components of tax expense recognised in profit or loss include:

	Group	
	2018	2017
	$'000	$'000
Current tax expense:		
Current tax expense	2,098	2,342
(Over) under adjustments in respect of prior periods	(64)	31
Subtotal	2,034	2,373
Deferred tax expense (income):		
Deferred tax expense (income)	281	(13)
Over adjustments in respect of prior periods	(3)	(26)
Subtotal	278	(39)
Total income tax expense	2,312	2,334

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17% (2017: 17%) to profit or loss before income tax as a result of the following differences:

	Group	
	2018	2017
	$'000	$'000
Profit before tax	10,639	13,041
Income tax expense at the above rate	1,809	2,217
Expenses not deductible for tax purposes	489	405
Enhanced tax deductions and allowances	(65)	(357)
Stepped income tax exemption and tax rebates	(72)	(117)
Effect of different tax rates in different countries	45	243
(Over) / under adjustments to tax in respect of prior periods	(67)	5
Unrecognised deferred tax assets / (reversed)	123	(18)
Other minor items	50	(44)
Total income tax expense	2,312	2,334

There are no income tax consequences of dividends to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

11. Income tax (cont'd)

11B. Deferred tax balance in the statement of financial position:

The deferred tax amounts and movements in the year are as follows:

Group	Statement of financial position		Income / (expense) recognised in profit or loss	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Deferred tax assets / (liabilities):				
Excess of book over tax depreciation on plant and equipment	(1,301)	(1,351)	27	2
Tax losses carry forward	126	–	126	–
Other timing differences	(73)	240	(308)	55
Exchange differences recognised on translating foreign operations in other comprehensive income	(26)	18	–	–
Unrecognised deferred tax assets	(140)	(18)	(123)	(18)
Arising from acquisition of subsidiary (Note 31)	(48)	(48)	–	–
Net balance	(1,462)	(1,159)	(278)	39

It is impracticable to estimate the amount expected to be settled or used within one year.

Temporary differences arising in connection with interests in subsidiaries are insignificant.

12. Dividends on equity shares

	Rate per share - cents		Group and Company	
	2018	2017	2018	2017
			$'000	$'000
Final tax exempt (one-tier) dividend paid	0.7	1.7	2,447	5,942

In respect of the current reporting year, the directors propose that a final dividend of 0.7 cents per share with a total of $2,447,000 be paid to shareholders after the Annual General Meeting to be held on 29 November 2018. There are no income tax consequences. This dividend is subject to approval by shareholders at the next Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable in respect of all ordinary shares in issue at the end of the reporting year and including any new qualifying shares issued up to the date the dividend becomes payable. There are no income tax consequences of the dividends to shareholders.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

13. Earnings per share

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings per share of no par value:

	Group	
	2018	2017
	$'000	$'000
Numerators: earnings attributable to equity:		
Profit for the year attributable to equity holders	8,923	10,947
	'000	'000
Denominators: weighted average number of equity shares		
Basic	349,500	349,500
Earnings per share - cents	2.55	3.13

The weighted average number of equity shares refers to shares in circulation during the reporting period. The basic amount per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting year. It is after the neutralisation by the treasury shares. The fully diluted earnings per ordinary share is the same as the basic earnings per ordinary share as there were no options granted or outstanding during the reporting year.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

14. Property, plant and equipment

Group	Construction work-in-progress	Leasehold properties and improvements	Leasehold land	Plant, fixtures and equipment	Total
	$'000	$'000	$'000	$'000	$'000
Cost:					
At 1 August 2016	165	13,543	4,107	19,236	37,051
Foreign exchange adjustments	–	(220)	(174)	(263)	(657)
Additions	2,347	–	–	381	2,728
Disposals	–	–	–	(845)	(845)
Arising from acquisition of subsidiary (Note 31)	272	3,700	–	426	4,398
At 31 July 2017	2,784	17,023	3,933	18,935	42,675
Foreign exchange adjustments	–	334	290	363	987
Additions	6,177	5,077	6,492	4,295	22,041
Reclassifications	(8,271)	8,271	–	–	–
Disposals	–	(400)	–	(395)	(795)
At 31 July 2018	690	30,305	10,715	23,198	64,908
Accumulated depreciation:					
At 1 August 2016	–	3,746	714	14,999	19,459
Foreign exchange adjustments	–	(28)	(32)	(206)	(266)
Depreciation for the year	–	335	80	1,316	1,731
Disposals	–	–	–	(779)	(779)
At 31 July 2017	–	4,053	762	15,330	20,145
Foreign exchange adjustments	–	41	45	286	372
Depreciation for the year	–	556	174	1,422	2,152
Disposals	–	(49)	–	(372)	(421)
At 31 July 2018	–	4,601	981	16,666	22,248
Carrying value:					
At 1 August 2016	165	9,797	3,393	4,237	17,592
At 31 July 2017	2,784	12,970	3,171	3,605	22,530
At 31 July 2018	690	25,704	9,734	6,532	42,660

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

14. Property, plant and equipment (cont'd)

Allocation of the depreciation expense:

	Group	
	2018	2017
	$'000	$'000
Cost of sales	1,560	1,273
Administrative expenses	592	458
Total	2,152	1,731

Certain items are under finance lease arrangements (see Note 27).

Certain items of property, plant and equipment at a carrying value of $3,102,000 (2017: $3,617,000) are mortgaged or pledged as security for the bank facilities (see Note 28).

The leasehold land is for the land for factories in Malaysia.

The leasehold properties as at 31 July 2018 are as follows:

	Location	Description	Approximate Land Area (sq m)/ Size	Tenure
(a)	57 Pioneer Road Singapore 628508	Office and factory	18,995.3	30 years leasehold commencing from 16 November 1994 and an option to renew for a further period of 30 years
(b)	PLO 522, Jalan Keluli 7, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor Darul Takzim, Malaysia	Office and factory	85,990.0	60 years leasehold commencing 8 October 1997
(c)	70 Loyang Way Singapore 508760	Office and factory	4,003.0	4 years leasehold commencing from 15 October 2015 and an option to renew for a further period of 18 years
(d)	PLO 50, Jalan Rumbia 4, Kawasan Perindustrian Tanjung Langsat, 81700 Pasir Gudang, Johor Darul Takzim, Malaysia	Office and factory	49,310.0	60 years leasehold commencing 24 March 2011

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

15. Investment property

	Group	
	2018	2017
	$'000	$'000
At cost:		
At beginning of the year	–	18,916
Written off	–	(18,916)
At end of the year	–	–
Accumulated depreciation:		
At beginning of the year	–	17,888
Depreciation for the year	–	1,028
Written off	–	(18,916)
At end of the year	–	–
Net book value:		
At beginning of the year	–	1,028
At end of the year	–	–
Rental and service income from investment property	–	6,019
Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period	–	2,728

The depreciation expense was charged under cost of sales.

The investment property has been written off as the lease ended during the reporting year ended 2017.

16. Intangible assets

	Group
	$'000
At cost:	
At 1 August 2016	–
Arising from acquisition of subsidiary (Note 31)	283
At 31 July 2017 and 31 July 2018	283
Accumulated amortisation:	
At 1 August 2016	–
At 31 July 2017 and 31 July 2018	–
Net book value:	
At 1 August 2016	283
At 31 July 2017 and 31 July 2018	283

The intangible asset is in relation to non-compete agreement from acquisition of a subsidiary (Note 31). No amortisation was recorded as it is immaterial.

NOTES TO THE FINANCIAL STATEMENTS

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17. Investments in subsidiaries

	Company	
	2018	2017
	$'000	$'000
Total cost comprising:		
Unquoted equity shares at cost	6,923	6,790

The listing of and information on the subsidiaries is given below:

Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditors)	Cost in books of Group		Effective percentage of equity held	
	2018	2017	2018	2017
	$'000	$'000	%	%
T T J Design and Engineering Pte Ltd [(a)] Singapore Engineering and construction contractors	5,420	5,420	100	100
FRC Civil Engineering Pte. Ltd. [(d)] Singapore Dormant	–	20	–	100
T T J Lodge Pte. Ltd. [(a)] Singapore Dormant	500	500	100	100
T T J Investment Pte. Ltd. [(a)] Singapore Dormant	–*	–*	100	100
T T J Green Energy Pte. Ltd. [(a)] Singapore Investment holding	500	500	100	100
Technics Steel Pte. Ltd. [(a)] Singapore Engineering and construction contractors	503	350	51	51
	6,923	6,790		

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

17. Investments in subsidiaries (cont'd)

Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditors)	Cost in books of Group		Effective percentage of equity held	
	2018	2017	2018	2017
	$'000	$'000	%	%
Held through T T J Design and Engineering Pte Ltd				
MTTJ Engineering Sdn. Bhd. [(b)] Malaysia Metal fabrication and general engineering (ASQ PLT Chartered Accountants, Malaysia)	11,138	8,738	100	100
TTJ Design & Engineering (India) Private Limited [(c)] India Engineering and construction contractors / Operation of testing centre (Suresh Surana & Associates Chartered Accountants)	220	220	99	99
Held through T T J Green Energy Pte. Ltd.				
T T J Green Energy (M) Sdn. Bhd. [(b)] Malaysia Dormant (ASQ PLT Chartered Accountants, Malaysia)	–*	–	100	–
T T J Biomass Pte. Ltd. [(e)] Singapore Investment holding	320	–	80	–
Held through T T J Biomass Pte. Ltd.				
T T J Green Energy (Thailand) Co., Ltd. [(c)] Malaysia Manufacture and sale of wood pellets (RSM Audit Services (Thailand) Limited, Thailand)	329	–	80	–

* amount less than $500

(a) Audited by RSM Chio Lim LLP.

(b) Other independent auditors. Audited by firms of accountants other than member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member. Their names are indicated above.

(c) Audited by member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member. Their names are indicated above.

(d) Deregistered on 4 September 2017.

(e) Newly incorporated in May 2018. First set of financial statements will be audited for the period ending 31 July 2019.

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18. Other receivables, non-current

	Company	
	2018	2017
	$'000	$'000
Loan receivable from subsidiaries (Note 3)	7,750	375
Movements during the year:		
Balance at beginning of the year	375	1,125
Addition	7,500	–
Settled	(445)	–
Restructuring of prior year's loan	440	–
Reclassified as current	(120)	(750)
Balance at end of the year	7,750	375

The loan receivables of $7,750,000 (2017: $375,000) provides that it is with fixed interest of 3.00% (2017: 2.35%) per year. Loan receivable of $7,500,000 is not expected to be settled in the foreseeable future, as the repayment is dependent on the cash flows of a subsidiary. Loan receivable of $250,000 is repayable by equal monthly instalments from January 2018.

In 2017, loan of $375,000 is repayable by equal quarterly instalments over 4 years from March 2014.

The carrying amount is a reasonable approximation of fair value.

19. Other financial assets

	Group and Company	
	2018	2017
	$'000	$'000
Investments available-for-sale at fair value through other comprehensive income:		
Quoted equity shares in corporations	2,985	2,752
Balance at end of the year	2,985	2,752
Movements during the year:		
Fair value at beginning of the year	2,752	2,072
Additions	53	35
Increase in fair value through other comprehensive income	180	645
Fair value at end of the year	2,985	2,752

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

19. Other financial assets (cont'd)

19A. Disclosures relating to investments

The below information gives a summary of the significant sector concentrations within the investment portfolio which are all included under Level 1 securities:

Group and Company	2018 $'000	2017 $'000	2018 %	2017 %
Quoted equity shares in corporations				
Financial services industry - Singapore	2,682	2,449	90	89
Property industry - Singapore	97	111	3	4
Multi industry - Singapore	206	192	7	7
Total investments	2,985	2,752	100	100

Sensitivity analysis: The effect on pre-tax profit or other comprehensive income is not significant.

20. Other non-financial assets, non-current

	Group	
	2018 $'000	2017 $'000
Advance payment for purchase of property, plant and equipment	3,000	1,204
Lease premium prepayment (Note 20A)	921	947
Club membership (Note 20B)	–	40
	3,921	2,191

NOTES TO THE FINANCIAL STATEMENTS

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20. Other non-financial assets, non-current (cont'd)

20A. Lease premium prepayment

	Group	
	2018	2017
	$'000	$'000
At cost:		
At beginning of the year	1,016	1,016
Additions	–	–
At end of the year	1,016	1,016
Accumulated amortisation:		
At beginning of the year	43	17
Amortisation for the year	26	26
At end of the year	69	43
Balance to be amortised:		
Current portion : Not later than one year (Note 23)	26	26
Non-current portion	921	947
	947	973

The lease premium prepayment is for the foreshore area at 57 Pioneer Road Singapore 628508 and amortised over the period of the lease term on the straight line method. The lease is not transferable and expires in 2054.

Allocation of the amortisation expenses:

	Group	
	2018	2017
	$'000	$'000
Capitalised in construction work-in-progress under property, plant and equipment (Note 14)	4	26
Cost of sales	22	–
Total	26	26

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

20. Other non-financial assets, non-current (cont'd)

20B. Club membership

	Group	
	2018	2017
	$'000	$'000
Club membership at cost	–	40
Movements in above cost:		
At beginning of the year	40	–
Arising from acquisition of subsidiary (Note 31)	–	40
Less: payment recovered	(17)	–
Reclassification to other receivables	(23)	–
At end of the year	–	40

The club membership was in relation to a golf club membership of a subsidiary. The operator of the club had ceased its operations during the reporting year due to compulsory acquisition of its land by the government. The balance cost of the membership was reclassified to other receivables during the year in view of it being recoverable by statutory compensations.

21. Inventories

	Group	
	2018	2017
	$'000	$'000
Raw materials	476	199
Consumables and supplies	210	157
Fabricated materials	15	196
Finished goods and goods for resale	28	–
Work in process	9	–
	738	552

Inventories are stated after allowance. Movements in allowance:

Balance at beginning of the year	–	–
Charge to profit or loss included in cost of sales	15	–
Balance at end of the year	15	–
Raw materials and consumables used	27,123	29,456

There are no inventories pledged as security for liabilities.

NOTES TO THE FINANCIAL STATEMENTS

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22. Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade receivables:				
Outside parties	14,735	6,621	–	–
Less allowance for impairment	(473)	(16)	–	–
Subsidiaries (Note 3)	–	–	339	509
Net trade receivables – subtotal	14,262	6,605	339	509
Construction contracts:				
Receivables from customers on construction contracts (Note 22A)	18,535	15,997	–	–
Retention receivables on construction contracts (Note 22A)	18,217	13,619	–	–
Accrued contract revenue (Note 22A)	6,768	4,971	–	–
Net construction contracts – subtotal	43,520	34,587	–	–
Other receivables:				
Subsidiaries (Note 3) #a	–	–	9,606	2,200
Deposits to secure services	722	797	–	–
Other receivables	497	725	5	67
Less: allowance for impairment	(66)	(62)	–	–
Net other receivables – subtotal	1,153	1,460	9,611	2,267
Total trade and other receivables	58,935	42,652	9,950	2,776

#a Includes loans of $5,217,000 (2017: $2,165,000).

Loan of $4,000,000 and $120,000 are repayable by equal monthly instalments from September 2018 and January 2018 respectively. Loan of $500,000 is repayable by November 2018 and loan of $597,000 is repayable on demand. Fixed interest at 3.00% per annum is charged on these loan amounts.

In 2017, loans of $750,000 and $1,415,000 were repayable by equal quarterly instalments and monthly instalments respectively. Fixed interest at 2.35% to 2.50% per annum was charged on these loan amounts. These amounts were not past due except for $578,000 which were overdue in 2017 and were repaid during 2018.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

22. Trade and other receivables (cont'd)

	Group	
	2018	2017
	$'000	$'000
Movements in above allowance:		
Balance at beginning of the year	78	101
Charged / (reversed) for trade receivables to profit or loss included in other losses / (gains)	469	(10)
Used / Bad debts written off	(16)	(10)
Foreign exchange adjustments	8	(3)
Balance at end of the year	539	78

22A. Contracts work-in-progress comprises:

	Group	
	2018	2017
	$'000	$'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date on uncompleted contracts	100,411	62,372
Less progress payments received and receivable to date	(83,232)	(46,534)
Net amount arising from construction contracts at end of the year	17,179	15,838
Included in the accompanying statement of financial position as follows:		
Under construction contracts (Note 22)	18,535	15,997
Under other non-financial liabilities (Note 30)	(1,356)	(159)
	17,179	15,838
Amount of contract retention receivables as an asset under construction contracts (Note 22)	18,217	13,619
Accrued contract revenue as an asset under construction contracts (Note 22)	6,768	4,971

It is impracticable to estimate the amount expected to be realised or settled over one year.

NOTES TO THE FINANCIAL STATEMENTS

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23. Other non-financial assets, current

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Advance payments	20	149	–	–
Prepayments	354	262	37	27
Lease premium prepayment (Note 20A)	26	26	–	–
	400	437	37	27

24. Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Not restricted in use	56,754	82,226	31,587	48,266
Cash pledged for bank facilities	–	157	–	–
	56,754	82,383	31,587	48,266

The rate of interest for the cash on interest earning balances ranged between 0.3% and 1.65% (2017: 0.40% and 1.80%).

24A. Cash and cash equivalents in the statement of cash flows:

	Group	
	2018	2017
	$'000	$'000
Amount as shown above	56,754	82,383
Cash pledged for bank facilities (arising from acquisition of subsidiary (Note 31))	–	(157)
Bank overdrafts (Note 28)	(153)	–
Cash and cash equivalents for statement of cash flows purposes at end of the year	56,601	82,226

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

24. Cash and cash equivalents (cont'd)

24B. Reconciliation of liabilities arising from financing activities:

	2017 $'000	Cash flows $'000	2018 $'000
Borrowings	2,733	(136)	2,597
Finance lease obligations	147	(32)	115
Bills payables	–	1,221	1,221
Cash pledged for bank facilities	(157)	157	–
Total liabilities from financing activities	2,723	1,210	3,933

25. Share capital

Group and Company	Number of shares issued '000	Share capital $'000	Treasury shares $'000	Total $'000
Ordinary shares of no par value:				
Balance at beginning of the year 1 August 2016 and end of the year 31 July 2017 and 31 July 2018	349,500	23,054	(164)	22,890

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The Company is not subject to any externally imposed capital requirements.

	Number of treasury shares		Fair value	
	2018 '000	2017 '000	2018 $'000	2017 $'000
At beginning of the year	500	500	213	178
At end of the year	500	500	155	213

Capital management:

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

25. Share capital (cont'd)

Capital management: (cont'd)

There are insignificant external borrowings. The debt-to-adjusted capital ratio does not provide a meaningful indicator of the risk from borrowings.

In order to maintain its listing on the Singapore Stock Exchange it has to have share capital with a free float of at least 10% of the shares. The Company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the share registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year.

The management does not set a target level of gearing but uses capital opportunistically to support its business and to add value for shareholders. The key discipline adopted is to widen the margin between the return on capital employed and the cost of that capital.

26. Other reserves

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Foreign currency translation reserve (Note 26A)	(939)	(1,815)	–	–
Available-for-sale financial assets reserve (Note 26B)	749	569	749	569
Total at end of the year	(190)	(1,246)	749	569

All reserves classified on the face of the statements of financial position as retained earnings represent past accumulated earnings and are distributable as cash dividends. The other reserves are not available for cash dividends unless realised.

26A. Foreign currency translation reserve

	Group	
	2018	2017
	$'000	$'000
At beginning of the year	(1,815)	(1,636)
Exchange differences on translating foreign operations	876	(179)
Balance at end of the year	(939)	(1,815)

The currency translation reserve accumulates all foreign exchange differences.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

26. Other reserves (cont'd)

26B. Available-for-sale financial assets reserve

	Group and Company	
	2018	2017
	$'000	$'000
At beginning of the year	569	(76)
Gains on remeasuring available-for-sale financial assets	180	645
Balance at end of the year	749	569

27. Finance leases

Group	Minimum payments $'000	Finance charges $'000	Present value $'000
2018			
Minimum lease payments payable:			
Due within one year	38	(6)	32
Due within 2 to 5 years	98	(15)	83
Total	136	(21)	115
Net book value of plant and equipment under finance leases			140
2017			
Minimum lease payments payable:			
Due within one year	38	(6)	32
Due within 2 to 5 years	136	(21)	115
Total	174	(27)	147
Net book value of plant and equipment under finance leases			181

There are leased assets under finance leases. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligations under finance leases are secured by the lessor's charge over the leased assets. The average lease term is 5 to 7 years (2017: 5 to 7 years).

The range of fixed rate interest rates paid are from 2.8% to 3.3% (2017: 2.8% to 3.3%) per year.

NOTES TO THE FINANCIAL STATEMENTS

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28. Other financial liabilities

	Group	
	2018	2017
	$'000	$'000
Non-current:		
Financial instruments with floating interest rates:		
Bank loan (secured)	–	2,594
Total non-current portion	–	2,594
Current:		
Financial instruments with floating interest rates:		
Bank loan (secured)	2,597	139
Bank overdraft	153	–
Financial instruments with fixed interest rates:		
Trust receipts and bills payable to bank (secured)	1,221	–
Total current portion	3,971	139
Total non-current and current	3,971	2,733
The non-current portion is repayable as follows:		
Due within 2 to 5 years	–	752
After 5 years	–	1,842
Total non-current portion	–	2,594
The range of floating rate interest rates paid were as follows:		
Bank loan (secured)	2.3% to 3.0%	2.0% to 2.3%
Bank overdraft	6.25%	–
The range of fixed rate interest rates paid were as follows:		
Trust receipts and bills payable to bank (secured)	2.9% to 3.4%	–

The bank agreement for bank loan and other credit facilities provides among other matters for the following:

1. Corporate guarantee from the Company.
2. A legal mortgage over a leasehold property (Note 14).

The bank loan is repayable by monthly instalments over 18 years from December 2015.

During the reporting year, there was a breach of financial covenant by a subsidiary in relation to the bank facility granted. The loan amount of $2,458,000 has been subsequently reclassified to "current liabilities" in accordance with the Singapore Financial Reporting Standard 1 Presentation of Financial Statements.

The lender has not made a demand for accelerated repayment.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

29. Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade payables:				
Outside parties and accrued liabilities	18,420	15,913	683	803
Other payables:				
Deposits received	45	58	–	–
Other payables	496	202	–	–
Other payables – subtotal	541	260	–	–
Total trade and other payables	18,961	16,173	683	803

30. Other non-financial liabilities

	Group	
	2018	2017
	$'000	$'000
Due to customers on construction contracts (Note 22A)	1,356	159

NOTES TO THE FINANCIAL STATEMENTS

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31. Acquisition of subsidiary

On 1 February 2017, the Group acquired 51% of the share capital of Technics Steel Pte. Ltd. (incorporated in Singapore). From that date the Group gained control of Technics Steel Pte. Ltd. and it became a subsidiary (also see Note 17 for the principal activities). The transaction was accounted for by the acquisition method of accounting.

The net assets acquired and the related fair values are as follows:

	Group	
	Acquiree's carrying amount	
2017	Before combination	At fair values
	$'000	$'000
Property, plant and equipment	4,177	4,398
Club membership	40	40
Intangible asset	–	283
Inventories	2	2
Trade and other receivables	5,483	5,483
Other non-financial assets	51	51
Cash and cash equivalents	714	714
Other financial liabilities	(5,017)	(5,017)
Deferred tax liabilities	–	(48)
Trade and other payables	(4,856)	(3,843)
Other non-financial liabilities	(304)	(304)
Net identifiable assets	290	1,759
Cash paid		(350)
Less: cash taken over #		714
Net cash inflow on acquisition		364

Included amount of $157,000 which was pledged for banking facilities (Note 24A).

Goodwill arising on acquisition:

The goodwill arising on acquisition is as follows:

Consideration transferred	350
Non-controlling interests at fair value	862
Fair value of identifiable net assets acquired	(1,759)
Gain on a bargain purchase	(547)

The excess of $547,000 of the acquirer's interest in the net fair value of the identifiable assets over the cost of the business combination has been recognised in 2017 profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

32. Contingent liabilities

The Group's subsidiary, MTTJ Engineering Sdn. Bhd. ("MTTJ") was granted the Licensed Manufacturing Warehouse status, where customs import duty exemptions are given to all raw materials and components used directly in the manufacturing process of approved finished products for export. MTTJ has also applied to the Royal Malaysian Customs Department ("the relevant authority") that these customs import duty (local sales) exemptions are extended to MTTJ's certain local projects and was informed that they were eligible to the exemptions for a local project in 2016. However in 2017, MTTJ received a letter issued by the Royal Malaysian Customs Department requesting for payment of customs import duty (local sales) and goods and services tax (GST) based on the billings issued to the customer. MTTJ has accordingly accrued for the amount of approximately RM3,419,000 (S$1,103,000) in respect of the said claim by the relevant authority despite lodging an appeal to the relevant authority. In 2018, MTTJ has further accrued approximately RM1,120,000 (included in profit or loss as other losses of S$371,000) in respect of the customs duty and GST based on the contract value agreed with the customer.

No further provision for penalty or other related costs have been made due to the uncertainty on the outcome of this matter.

33. Capital commitments

Estimated amounts committed at the end of the reporting year for future capital expenditure but not recognised in the financial statements are as follows:

	Group	
	2018	2017
	$'000	$'000
Commitments to purchase of property, plant and equipment	3,998	12,556

34. Operating lease payment commitments – as lessee

At the end of the reporting year the total of future minimum lease payment commitments under non-cancellable operating leases are as follows:

	Group	
	2018	2017
	$'000	$'000
Not later than one year	1,000	732
Later than one year and not later than five years	1,578	1,568
Later than five years	8,845	9,843
Rental expense for the year	1,380	2,629

Operating lease payments are for rentals payable by the Company's subsidiaries for certain leasehold properties, office premises, office equipment and dormitory. The lease rentals are subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage.

NOTES TO THE FINANCIAL STATEMENTS

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34. Operating lease payment commitments – as lessee (cont'd)

The rental expense is charged as follows:

	Group	
	2018	2017
	$'000	$'000
Cost of sales	882	2,259
Administrative expenses	498	370
Total	1,380	2,629

35. Operating lease income commitments – as lessor

At the end of the reporting year the total of future minimum lease receivables committed under non-cancellable operating leases are as follows:

	Group	
	2018	2017
	$'000	$'000
Not later than one year	31	29
Later than one year and not later than five years	12	–
Rental income for the year	32	6,034

Operating lease income commitments are for rentals receivable for certain office premises. The lease rental income terms were negotiated for a term of one to two years.

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36. Financial instruments: information on financial risks

36A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Financial assets:				
Cash and cash equivalents	56,754	82,383	31,587	48,266
Loans and receivables	58,935	42,652	17,700	3,151
Available-for-sale financial assets	2,985	2,752	2,985	2,752
At end of the year	118,674	127,787	52,272	54,169
Financial liabilities:				
Finance leases measured at amortised cost	115	147	–	–
Other financial liabilities measured at amortised cost	3,971	2,733	–	–
Trade and other payables measured at amortised cost	18,961	16,173	683	803
At end of the year	23,047	19,053	683	803

Further quantitative disclosures are included throughout these financial statements.

36B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks. However, these are not formally documented in written form. The guidelines include the following:

1. Minimise interest rate, currency, credit and market risks for all kinds of transactions.

2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance (if necessary). The same strategy is pursued with regard to interest rate risk.

3. All financial risk management activities are carried out and monitored by senior staff.

4. All financial risk management activities are carried out following acceptable market practices.

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

36. Financial instruments: information on financial risks (cont'd)

36C. Fair values of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

36D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents, receivables and certain other financial assets. The maximum exposure to credit risk is: the total of the fair value of the financial assets; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any payable commitments at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. Credit risk on other financial assets is limited because the other parties are entities with acceptable credit ratings. For credit risk on receivables an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk with customers is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management. There is no significant concentration of credit risk on receivables, as the exposure is spread over a large number of counter-parties and debtors unless otherwise disclosed in the notes to the financial statements below.

Note 24 discloses the maturity of the cash and cash equivalents balances.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 30 to 60 days (2017: 30 to 60 days). But some customers take a longer period to settle the amounts.

(a) Ageing analysis of the age of trade receivable amounts that are past due as at the end of reporting year but not impaired:

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade receivables:				
31 to 60 days	3,979	1,181	37	2
61 to 90 days	–	100	40	3
Over 90 days	877	1,261	–	–
Total	4,856	2,542	77	5

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

36. Financial instruments: information on financial risks (cont'd)

36D. Credit risk on financial assets (cont'd)

(b) Ageing analysis as at the end of reporting year of trade receivable amounts that are impaired:

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade receivables:				
Over 180 days	473	16	–	–
Total	473	16	–	–

The allowance which is disclosed in the note on trade receivables is based on individual accounts totalling $473,000 (2017: $16,000) that are determined to be impaired at the end of the reporting year. These are not secured.

Other receivables are normally with no fixed terms and therefore there is no maturity unless otherwise disclosed in the notes to the financial statements.

Concentration of trade receivable customers as at the end of the reporting year:

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Top 1 customer	3,979	3,044	192	410
Top 2 customers	7,203	3,597	338	509
Top 3 customers	10,101	4,063	339	509

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31 July 2018

36. Financial instruments: information on financial risks (cont'd)

36E. Liquidity risk – financial liabilities maturity analysis

The following table analyses the non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

Group	Less than 1 year $'000	2 - 5 years $'000	Over 5 years $'000	Total $'000
2018				
Gross borrowings commitments	5,037	–	–	5,037
Gross finance lease obligations	38	98	–	136
Trade and other payables	18,961	–	–	18,961
	24,036	98	–	24,134
2017				
Gross borrowings commitments	141	817	2,291	3,249
Gross finance lease obligations	38	136	–	174
Trade and other payables	16,173	–	–	16,173
	16,352	953	2,291	19,596

The Company's financial liabilities which consist of trade and other payables with the undiscounted cash flows amounted to $683,000 (2017: $803,000) have a contractual maturity within one year.

The undiscounted amounts on the borrowings with fixed and floating interest rates are determined by reference to the conditions existing at the reporting date.

Financial guarantee contracts – For issued financial guarantee contracts the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. At the end of the reporting year no claims on the financial guarantees are expected to be payable. The following table shows the maturity analysis of the contingent liabilities from financial guarantees:

Company	Less than 1 year $'000	2 - 5 years $'000	Over 5 years $'000	Total $'000
2018				
Corporate guarantees in favour of financial institutions for facilities extended to subsidiaries	10,250	7,022	3,740	21,012
2017				
Corporate guarantees in favour of financial institutions for facilities extended to subsidiaries	7,945	7,157	2,291	17,393

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

36. Financial instruments: information on financial risks (cont'd)

36E. Liquidity risk – financial liabilities maturity analysis (cont'd)

The liquidity risk is managed on the basis of expected maturity dates of the financial liabilities. The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 30 to 90 days (2017: 30 to 90 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary. In order to meet such cash commitments the operating activity is expected to generate sufficient cash inflows.

	Group	
Bank facilities	2018	2017
	$'000	$'000
Undrawn borrowing facilities	22,250	21,352
Unused bank guarantees	14,757	6,854

The undrawn borrowing facilities are available for operating activities and to settle other commitments. Borrowing facilities are maintained to ensure funds are available for the operations. A schedule showing the maturity of financial liabilities and unused bank facilities is provided regularly to management to assist in monitoring the liquidity risk.

36F. Interest rate risk

The interest rate risk exposure is from changes in fixed interest rates and floating interest rates and it mainly concerns financial liabilities. The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Financial assets with interest:				
Fixed rates	35,071	60,223	41,735	47,185
Floating rates	2,265	2,960	–	–
Total at end of the year	37,336	63,183	41,735	47,185
Financial liabilities with interest:				
Fixed rates	1,336	147	–	–
Floating rates	2,750	2,733	–	–
Total at end of the year	4,086	2,880	–	–

Sensitivity analysis: The effect on pre-tax profit is not significant.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

36. Financial instruments: information on financial risks (cont'd)

36G. Foreign currency risks

Analysis of amounts denominated in non-functional currency:

Group 2018	Philippines Peso $'000	British Pound $'000	United States Dollar $'000	Vietnam Dong $'000	Euro Dollar $'000	Singapore Dollar $'000	Total $'000
Financial assets:							
Cash	49	–	1,396	2	–	601	2,048
Loans and receivables – third parties	–	–	2,359	–	–	747	3,106
Loans and receivables – intragroup	–	–	–	–	–	3,576	3,576
Total financial assets	49	–	3,755	2	–	4,924	8,730
Financial liabilities:							
Trade and other payables – third parties	–	38	558	–	6	277	879
Trade and other payables – intragroup	–	–	–	–	–	11,752	11,752
Total financial liabilities	–	38	558	–	6	12,029	12,631
Net financial (liabilities) / assets at end of the year	49	(38)	3,197	2	(6)	(7,105)	(3,901)

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

36. Financial instruments: information on financial risks (cont'd)

36G. Foreign currency risks (cont'd)

Group 2017	Japanese Yen $'000	British Pound $'000	United States Dollar $'000	Vietnam Dong $'000	Euro Dollar $'000	Singapore Dollar $'000	Total $'000
Financial assets:							
Cash	–	–	601	2	–	145	748
Loans and receivables – third parties	–	–	382	4	–	–	386
Loans and receivables – intragroup	–	–	–	–	–	1,308	1,308
Total financial assets	–	–	983	6	–	1,453	2,442
Financial liabilities:							
Trade and other payables – third parties	40	30	559	–	2	2,282	2,913
Trade and other payables – intragroup	–	–	–	–	–	1,358	1,358
Total financial liabilities	40	30	559	–	2	3,640	4,271
Net financial (liabilities) / assets at end of the year	(40)	(30)	424	6	(2)	(2,187)	(1,829)

The Company's financial assets and financial liabilities are denominated in its functional currency.

There is exposure to foreign currency risk as part of the Group's normal business.

Sensitivity analysis: The effect on pre-tax profit is not significant.

36H. Equity price risk

There are investments in equity shares. As a result, such investments are exposed to market price risk arising from uncertainties about future values of the investment securities. The fair values of these assets are disclosed in Note 19.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

37. Items in profit or loss

In addition to the profit and loss line items disclosed elsewhere in the notes to the financial statements, this item includes the following expenses:

	Group	
	2018	2017
	$'000	$'000
Audit fees to the independent auditors of the Company	117	125
Audit fees to the other independent auditors	23	22
Other fees to the independent auditors of the Company	120	21
Other fees to the other independent auditors	6	6

38. Changes and adoption of financial reporting standards

For the current reporting year new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS ("INT FRS") were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. These applicable new or revised standards did not require any material modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 7	Amendments to FRS 7: Disclosure Initiative

39. New or amended standards in issue but not yet effective

For the future reporting years new or revised Singapore Financial Reporting Standards (International) and the related Interpretations to SFRS(I)s ("SFRS(I) INT") were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below.

SFRS(I) No.	Title	Effective date for periods beginning on or after
SFRS(I) 1	First-time Adoption of Singapore Financial Reporting Standards (International)	1 Jan 2018
SFRS(I) 9	Financial Instruments	1 Jan 2018
SFRS(I) 15	Revenue from Contracts with Customers. Amendments to, Clarifications to SFRS(I) 15 Revenue from Contracts with Customers	1 Jan 2018
SFRS(I) 16	Leases and Leases - Illustrative Examples & Amendments to Guidance on Other Standards	1 Jan 2019

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

39. New or amended standards in issue but not yet effective (cont'd)

SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)

Companies listed on the Singapore Exchange ("SGX") currently reporting under SFRSs are required to comply with new Singapore Financial Reporting Standards (International) (SFRS(I)s (issued by the Singapore Accounting Standards Council) that would be equivalent to the International Financial Reporting Standards ("IFRS") (issued by the International Accounting Standards Board (IASB)) for reporting years beginning on after 1 January 2018. The new framework is referred to as SFRS(I)s. Non-listed companies may elect to voluntarily apply SFRS(I)s. SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) will be adopted in the financial statements when it becomes mandatory. Based on the current accounting treatment of the account balances management does not anticipate that the application of SFRS(I) 1 will have a material impact on the financial position and / or financial performance of the entity.

SFRS(I) 9 Financial Instruments

SFRS(I) 9 Financial Instruments will replace SFRS(I) 1-39 effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition. SFRS(I) 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics. For financial liabilities, SFRS(I) 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. For the impairment of financial assets, SFRS(I) 9 introduces an "expected credit loss" ("ECL") model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment. For hedge accounting, SFRS(I) 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures. The recognition and derecognition provisions are carried over almost unchanged from SFRS(I) 1-39. On the basis of the facts and circumstances that exist as at 31 July 2018 (see accounting policy in Note 2) the entity does not anticipate that the application of the new standard will have a material impact on the financial position and / or financial performance of the entity, apart from providing more extensive disclosures on the entity's financial instruments.

SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 Revenue from Contracts with Customers effective for annual periods beginning on or after 1 January 2018 replaces other standards on revenue and the related interpretations. It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g., the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.). SFRS(I) 15 will be adopted in the financial statements when it becomes mandatory and the full retrospective method of transition to the new standard will be used. On the basis of the current accounting treatment of the major sources of revenue (see accounting policy in Note 2 and disclosures in Note 5 on revenue) the management does not anticipate that the application of SFRS(I) 15 will have a material impact on the financial position and / or financial performance of the entity, apart from providing more extensive disclosures on the revenue transactions. However, as the entity is still in the process of assessing the full impact of the application of SFRS(I) 15 on the financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the detailed review is completed.

NOTES TO THE FINANCIAL STATEMENTS

31 July 2018

39. New or amended standards in issue but not yet effective (cont'd)

SFRS(I) 16 Leases

SFRS(I) 16 Leases is effective for annual periods beginning on or after 1 January 2019 and it replaces SFRS(I) 1-17 and the related interpretations. For the lessee, the biggest change introduced is that almost all leases will be brought onto the statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. For the lessor, the accounting remains largely unchanged and the distinction between operating and finance leases is retained. SFRS(I) 16 will be adopted in the financial statements when it becomes mandatory, with the following effects: For the entity's non-cancellable operating lease commitments of $11,423,000 as at 31 July 2018 (Note 34), a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under SFRS(I) 16. Thus, the entity will have to recognise a right-of-use asset and a corresponding liability in respect of all these leases (unless they qualify for low value or short-term leases upon the application of SFRS(I) 16 which might have a material impact on the amounts recognised in the financial statements. However, it is not practicable to provide a reasonable financial estimate of that effect until the detailed review by management is completed. As for the finance leases of a lessee, as the financial statements have already recognised an asset and a related finance lease liability for the lease arrangement, the application of SFRS(I) 16 is not expected to have a material impact on the amounts recognised in the financial statements.

STATISTICS OF SHAREHOLDINGS

As at 12 October 2018

Number of Issued Shares (excluding Treasury Shares)	:	349,500,000
Number/Percentage of Treasury Shares	:	500,000 (0.14%)
Class of Equity Security	:	Ordinary shares
Voting Rights of Ordinary Shareholders	:	One vote per share
Number of subsidiary holdings held and percentage	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 - 99	0	0.00	0	0.00
100 - 1,000	60	7.55	39,300	0.01
1,001 - 10,000	339	42.64	2,088,900	0.60
10,001 - 1,000,000	382	48.05	28,853,500	8.25
1,000,001 AND ABOVE	14	1.76	318,518,300	91.14
Total	795	100.00	349,500,000	100.00

SHAREHOLDING HELD IN HANDS OF PUBLIC

As at 12 October 2018, approximately 14.5% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual is complied with.

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. Of shares	%
1	Citibank Nominees Singapore Pte Ltd	125,325,600	35.86
2	CGS-CIMB Securities (S) Pte Ltd	50,090,000	14.33
3	Hong Leong Finance Nominees Pte Ltd	50,000,000	14.31
4	Teo Hock Chwee	39,900,000	11.42
5	DB Nominees (S) Pte Ltd	30,030,000	8.59
6	HSBC (Singapore) Nominees Pte Ltd	7,683,600	2.20
7	UOB Kay Hian Pte Ltd	3,033,000	0.87
8	DBS Nominees Pte Ltd	2,723,700	0.78
9	Raffles Nominees (Pte) Ltd	2,359,700	0.67
10	Ng Kwong Chong or Liu Oi Fui Ivy	2,258,000	0.65
11	Phillip Securities Pte Ltd	1,598,300	0.46
12	Goh Han Peng (Wu Hanping)	1,301,400	0.37
13	Chiong Su Been	1,115,000	0.32
14	Elavarasu Somasundaram	1,100,000	0.31
15	Teo Teck Heong	965,000	0.28
16	Maybank Kim Eng Securities Pte Ltd	657,300	0.19
17	See Beng Lian Janice	630,000	0.18
18	Ng Yiaw Heong	601,000	0.17
19	Buddharaju Sriramaraju	600,000	0.17
20	Yee Lat Shing	600,000	0.17
	Total	322,571,600	92.30

STATISTICS OF SHAREHOLDINGS

As at 12 October 2018

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 12 October 2018)

	Direct interests		Deemed interests	
Name of Substantial Shareholders	No. of shares	%	No. of shares	%
Teo Hock Chwee	39,900,000	11.42	255,000,000	72.96

Note:

Mr Teo Hock Chwee's deemed interest in T T J Holdings Limited arises from the shares held in his securities accounts with sub-depository agents as his nominees.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of T T J Holdings Limited will be held at 8 Wilkie Road, #03-08, Wilkie Edge, Singapore 228095 on 29 November 2018 at 2.30 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the reporting year ended 31 July 2018 together with the Statement by Directors and the Auditors' Report. **(Resolution 1)**

2. To declare a first and final dividend of 0.7 Singapore cent per ordinary share (tax exempt one-tier) for the reporting year ended 31 July 2018. **(Resolution 2)**

3. To re-elect Mr Ling Chien Yien who is retiring pursuant to Regulation 90 of the Constitution of the Company. **(Resolution 3)**

   [See Explanatory Note (i)]

4. To re-elect Mr Leong Yee Yew who is retiring pursuant to Regulation 90 of the Constitution of the Company. **(Resolution 4)**

   [See Explanatory Note (ii)]

5. To approve the payment of Directors' fees of S$147,000 to the Directors of the Company for the reporting year ending 31 July 2019. **(Resolution 5)**

6. To re-appoint Messrs RSM Chio Lim LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

7. To transact any other business that may be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

8. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution, with or without modifications:

   "Resolved that

   (a) pursuant to Section 161 of the Companies Act, Cap. 50 (the "Act") and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to allot and issue shares and convertible securities in the Company at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares and convertibles securities to be issued pursuant to this Resolution does not exceed more than 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings), of which the aggregate number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders must be not more than 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings);

NOTICE OF ANNUAL GENERAL MEETING

(b) for the purpose of determining the aggregate number of shares that may be issued under (a) above, the percentage of issued share capital is based on the issued share capital of the Company (excluding treasury shares and subsidiary holdings) at the time 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 of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares; and

(c) unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." **(Resolution 7)**

[See Explanatory Note (iii)]

9. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution, with or without modifications:

"That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50, (the "Companies Act"), the exercise by the Directors of all powers of the Company to purchase or otherwise acquire Shares, not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchase(s) (each a "Market Purchase") transacted on the SGX-ST through the ready market or as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through 1 or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) off-market purchase(s) (each an "Off-Market Purchase") effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Purchase Mandate");

NOTICE OF ANNUAL GENERAL MEETING

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next Annual General Meeting of the Company is held; or

(ii) the date by which the next Annual General Meeting of the Company is required by law to be held;

(c) in this Resolution:

"**Prescribed Limit**" means 10% of the number of issued Shares as at the date of passing of this Resolution; and

"**Maximum Price**" in relation to a Share to be purchased or acquired, means an amount (excluding brokerage, commission, stamp duties, applicable goods and services tax, clearance fees and other related expenses) not exceeding:

(i) in the case of a Market Purchase, 105% of the Average Closing Price (as hereinafter defined) of the Shares; and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 115% of the Average Closing Price of the Shares;

where:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five market days on which transactions in the Shares were recorded on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period; and

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(d) the Directors and each of them be and are hereby authorised to deal with the shares purchased by the Company, pursuant to the Share Purchase Mandate in any manner as they think fit, which is allowable under the Companies Act.

(e) the Directors and each of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they or he may consider necessary, desirable or expedient to give effect to the transactions contemplated by this Resolution." **(Resolution 8)**

[See Explanatory Note (iv)]

NOTICE OF ANNUAL GENERAL MEETING

By Order of the Board

Tan Swee Gek
Company Secretary

1 November 2018

Explanatory Note:

(i) Mr Leong Yee Yew, upon re-appointment, will remain as an Independent Director, the Chairman of the Remuneration Committee, a member of the Audit Committee, a member of the Nominating Committee, and will be considered independent of the Management.

(ii) Mr Ling Chien Yien, upon re-election, will remain as an Independent Director, the Chairman of the Nominating Committee, a member of the Audit Committee, a member of the Remuneration Committee, and will be considered independent of the Management.

(iii) The Ordinary Resolution 7 proposed in item 8 above, if passed, will empower the Directors from the date of this Annual General 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, in total, 50% of the issued share capital of the Company (excluding treasury shares); at the time of passing of this resolution, of which up to 20% may be issued other than on a pro-rata basis to shareholders. For the purpose of determining the aggregate number of shares which may be issued, the percentage of share capital shall be based on the Company's issued share capital (excluding treasury shares) at the time this Ordinary Resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of convertible securities, (b) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time this Ordinary Resolution is passed and (c) any subsequent consolidation or subdivision of shares.

(iv) The Ordinary Resolution 8 proposed in item 9 above, if passed, will empower the Directors of the Company, from the date of this Annual General Meeting until the date the next Annual General Meeting is to be held or is required by law to be held, whichever is the earlier, to make purchases (whether by way of Market Purchases or Off-Market Purchases on an equal access scheme) from time to time of up to 10 per cent. of the total number of issued Shares excluding any Shares which are held as treasury shares by the Company, at prices up to but not exceeding the Maximum Price. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate are set out in greater detail in the Letter to Shareholders dated 1 November 2018.

Notes:

1) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.

2) (a) A member who is not a relevant intermediary (as defined in Section 181 of the Companies Act, Cap. 50) is entitled to appoint one (1) or two (2) proxies to attend, speak, and vote on his behalf at the Annual General Meeting. Where a member appoints two (2) proxies, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form.

   (b) A member who is a relevant intermediary (as defined in Section 181 of the Companies Act, Cap. 50) is entitled to appoint more than two (2) proxies to attend, speak, and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's proxy form appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

3) The instrument appointing a proxy or proxies must be under the hand of the appointer 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 seal or under the hand of an officer or attorney duly authorised.

4) The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 57 Pioneer Road, Singapore 628508 not less than 72 hours before the time appointed for holding the Annual General Meeting.

5) A depositor shall not be regarded as a member of a Company entitled to attend, speak, and vote at the Annual General Meeting unless his name appears on the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289) 72 hours before the time fixed for the Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

Personal Data Privacy:

By attending the Annual General Meeting and/or any adjournment thereof or 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 proxy(ies) and/or representative(s) 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.

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T T J HOLDINGS LIMITED

Company Registration No.: 199204617M
(Incorporated in the Republic of Singapore)

PROXY FORM

Annual General Meeting

IMPORTANT:

1. For Investors who have used their CPF monies to buy ordinary shares in the capital of T T J Holdings Limited, this Annual Report is forwarded to them at the request of their CPF Approved Nominees.
2. This Proxy Form is not valid for use by such 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.
4. Relevant intermediaries (as defined in Section 181 of the Companies Act, Cap. 50) may appoint more than two (2) proxies to attend, speak, and vote at the Meeting.

I/We _____ (Name)

of _____ (Address)

being a member/members of T T J Holdings Limited (the "Company") hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of my/our shareholding	
			No. of shares	%
and/or (delete as appropriate)				
Name	**Address**	**NRIC/ Passport No.**	**Proportion of my/our shareholding**	
			No. of shares	**%**

failing which, the Chairman of the Annual General Meeting (the "Meeting"), as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Meeting, to be held at 8 Wilkie Road, #03-08, Wilkie Edge, Singapore 228095 on 29 November 2018 at 2.30 p.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

No.	Resolutions Relating To:	For	Against
	Ordinary Business		
1.	Adoption of Statement by Directors and Audited Financial Statements for reporting year ended 31 July 2018		
2.	To declare a final dividend of 0.7 Singapore cent per ordinary share (tax exempt one-tier) for the reporting year ended 31 July 2018		
3.	Re-election of Mr Ling Chien Yien as Director		
4.	Re-election of Mr Leong Yee Yew as Director		
5.	Approval of Directors' Fees for the reporting year ending 31 July 2019		
6.	Re-appointment of Messrs RSM Chio Lim LLP as Auditors		
	Special Business		
7.	Authority to allot and issue new shares		
8.	Renewal of Share Purchase Mandate		

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting.)

Dated this _____ day of _____ 2018.

Total number of Shares held

_____

Signature of Member(s) or Common Seal

Important: Please read notes overleaf

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 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares registered in 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) A member who is not a relevant intermediary (as defined in Section 181 of the Companies Act, Chapter 50) is entitled to appoint one (1) or two (2) proxies to attend, speak, and vote on his behalf at the Meeting. Where a member appoints two (2) proxies, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the Proxy Form.

   (b) A member who is a relevant intermediary (as defined in Section 181 of the Companies Act, Chapter 50) is entitled to appoint more than two (2) proxies to attend, speak, and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's Proxy Form appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the Proxy Form.

3. A proxy need not be a member of the Company.

4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 57 Pioneer Road, Singapore 628508 at least 72 hours before the time of the Annual General Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter of power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy; failing which the instrument may be treated as invalid.

6. 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 its attorney or a duly authorised officer. 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.

7. The sending of a Proxy Form by a member does not preclude him from attending and voting in person at the Meeting if he finds that he is able to do so. In such event, the relevant Proxy Forms will be deemed to be revoked.

8. The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

9. An investor who buys shares using CPF monies ("**CPF Investor**") and/or SRS monies ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

Personal Data Privacy:

By attending the Meeting and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting.

T T J HOLDINGS LIMITED

Company Registration No.: 199204617M
(Incorporated in the Republic of Singapore)

Singapore Office:

No. 57 Pioneer Road Singapore 628508
Tel: +65 6862 2126 Fax: +65 6862 0284

www.ttj.com.sg

T T J HOLDINGS LIMITED

STRUCTURES THAT SHAPE THE FUTURE

ANNUAL REPORT 2018