Broadening our circle of competencies

TEE INTERNATIONAL ANNUAL REPORT 2018

CONTENTS

ABOUT THE 2018 ANNUAL REPORT

This year's annual report illustrates the business diversity of TEE Group and our regional footprint. Going forward, we will continue to broaden our circle of competencies to create greater resilience for the Group.

CORPORATE PROFILE

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

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

OUR MISSION

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

OUR VISION

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

CHAIRMAN'S MESSAGE

Bertie Cheng
Chairman and Independent Director

DEAR SHAREHOLDERS,

The current economic landscape continues to be challenging. Taking into consideration the challenges in the various industries we are in, the Group is focused on various initiatives centred on broadening competencies to enhance competitiveness and adapting to the changes in the business environment.

BROADENING OUR CIRCLE OF COMPETENCIES

In the face of expected headwinds, TEE Group will continue to focus on three aspects throughout the Group.

Technological Advancements & Sustainability

In order to keep up with the fast-growing economy, we will integrate technology advancements into our businesses to improve operational and cost efficiency, as well as improve service experiences and product quality for our clients. We will be teaming up with technology partners that complement our capabilities to increase competitiveness, alongside the possibility of developing certain technology expertise in-house.

While we embrace technology, we will also be placing great importance on sustainability. This year, we are pleased to showcase our inaugural Sustainability Report for TEE Group in accordance to Global Reporting Initiative ("GRI") Standards. While we have various sustainability measures in place, this report serves as a benchmark for further improvement in the years ahead. Going forward, TEE Group will collectively work on greater disclosure and sustainability efforts both internally as well as with our business partners.

Good Human Capital

TEE Group views human capital as our most essential and valued resource. Thus, we will place greater emphasis on attracting, retaining and developing good human capital. With a cohesive and performance-driven work environment, coupled with training and development courses that are tailored to the requirements of the workforce, we will endeavour to encourage our employees to reach their fullest potential.

To be in good stead to combat headwinds, **TEE Group will continue to focus on three aspects throughout the Group**.

With the strong pillar of a motivated workforce, we will continue our pursuit for greater growth.

Financial Health

During the year, we secured US$15 million Senior Secured Notes from Pierfront Capital Mezzanine Fund Pte. Ltd. ("Pierfront Capital"), as well as issued Bonus Warrants that will potentially raise approximately S$10.8 million if fully exercised. With a firm strategy in place, we hope that our shareholders will further extend their support and participate in this fund raising exercise.

While we envisage the new funding will strengthen our financial position, TEE Group will concurrently explore other ways, such as improving cash flows and consolidating debt, to further reinforce our financial position.

NOTE OF APPRECIATION

On behalf of the Board, I would like to thank the management and staff of TEE Group for their contributions and dedication to TEE, as well as all shareholders and stakeholders for their unwavering support through the years. With supportive stakeholders, TEE Group will withstand and adapt to the current challenging times while striving to create greater value for shareholders.

Bertie Cheng
Chairman and
Independent Director

GROUP CHIEF EXECUTIVE & MANAGING DIRECTOR'S MESSAGE

Through the years, TEE Group has been continuously learning from our experiences. From what we have learnt, we apply it to TEE Group in the bid to reach our fullest potential. Despite the different challenges each of the three businesses face, TEE Group remains spirited to continue learning, growing and broadening our competencies.

REAFFIRMATION

In December 2017, we secured US$15 million Senior Secured Notes from Pierfront Capital, a Temasek Group Company established in 2015 that focuses on growth capital for asset and corporate acquisition, refinancing and project expansion. We are honoured to gain a new established investor as this illustrates confidence in our potential to grow and further strengthen TEE Group's position in the competitive market. This new investment serves as encouragement to persevere through our challenges.

RESILIENCE

As a measure to strengthen our financial position, we issued Bonus Warrants, which we anticipate to raise approximately S$10.8 million if fully exercised. This also serves as a good opportunity for shareholders to increase their equity participation in TEE International. We hope that our shareholders will continue to support us through participation in this corporate exercise.

Through the establishment of a strong reputation in the engineering industry over the years, the core Engineering business continued to remain resilient in the face of more competitive market conditions.

In line with our strategy to provide engineering services for infrastructure-related projects particularly in the healthcare and transportation sectors, we have secured notable contracts such as Asset Enhancement Initiative ("AEI") works for the College of Medicine Building for the Ministry of Health, as well as the contracts with the Land Transport Authority worth S$56.5m in relation to designing, supplying and installing noise barrier systems at existing MRT viaducts. In addition, we are incorporating Design for Manufacture and Assembly ("DfMA") technologies to value add to our tenders as we adapt to the evolving construction landscape that is increasingly integrating innovative technologies.

In spite of the entrance of more international players, we strongly believe in our capabilities to be among the best and the preferred choice in the industry. Through strategic partnerships, coupled with tenacious business development activities and a dedicated tendering team, we will continue to build up and strengthen our engineering order book.

REFOCUS

Through our Real Estate business performed by TEE Land, the past year saw us realising value in our investment in associated company Chewathai Public Company Limited ("Chewathai"), which involved the disposal of TEE Land's entire shareholding interest in Chewathai held by TEE Land's wholly-owned subsidiary TEE Development Pte. Ltd.. The disposal was completed in July 2018.

Ongoing development projects - 183 Longhaus, 24One Residences and Rezi 35 - are underway and on schedule, of which most residential units have been sold. A continuous pipeline of projects in Singapore remains as one of TEE Land's core strategies going forward.

TEE Land will focus on the Singapore real estate market, which we believe will continue to show demand for high-quality homes in good localities despite the recent incremental changes in the Additional Buyer's Stamp Duty. Notwithstanding TEE Land's land acquisitions at Seraya Crescent and Gilstead Road that will be launched towards the end of 2018, we will continue to seek land acquisitions in Singapore with good development opportunities. Additionally, TEE Land remains open to attractive investment opportunities overseas.

RESTRATEGISE

The past year had been a transformational one for the Infrastructure business ("TEE Infrastructure") that saw us venturing into the environmental business with the acquisition of TEE Environmental Pte. Ltd. (formerly known as Chiang Kiong Environmental Pte. Ltd.) - which owns TEE Recycling Pte. Ltd. (formerly known as Chiang Kiong Resources (Paper) Pte. Ltd.) - as well as Envotek Engineering Pte. Ltd. through G3 Environmental Private Limited, of which TEE Infrastructure has a 50.1% stake in.

TEE Group will continue rolling out our strategy of enhancing our capabilities to remain competitive.

In addition, we collaborated with Dymon Asia Private Equity for the acquisition of the medical and biohazardous waste division of Sembcorp Environmental Pte. Ltd., which will be completed in early September 2018. The environmental arm now forms the largest revenue contributor to the Infrastructure business.

The power business remains exciting, with our 25-megawatt thermal hybrid power plant officially coming online operationally and supplying power in early July 2018. Our solar leasing portfolio is set to grow over the next year, with more than 2-megawatt of potential projects in the pipeline.

TEE Infrastructure will concurrently be working on integrating technologies into our businesses and operations to enhance our competitive edge. With TEE Infrastructure boasting environmental, power and water capabilities, we aim to provide a full suite of sustainability solutions to our clients.

SUSTAINABILITY REPORT

Aligning ourselves with the SGX's push towards sustainability, this year marks the debut of TEE Group's Sustainability Report, which illustrates our sustainability efforts thus far. With a point of reference in place, we strive to contribute more to the economy, environment and communities that we have an impact on through our business practices.

ACKNOWLEDGEMENT

To adapt to challenging economic and industry conditions, TEE Group will continue rolling out our strategy of enhancing our capabilities to remain competitive. With the end of another full financial year, I would like to express my earnest appreciation to the Board of Directors for their counsel and guidance, as well as the management and staff for their tenacity and support towards TEE Group. I would like to thank our business partners and associates for their commendation and validation. Last but not the least, I would like to express gratitude on behalf of TEE Group to our shareholders for their continual support and belief in the company. TEE Group will endeavour to bring greater value and transcend all challenges.

C K Phua
Group Chief Executive and
Managing Director

C K Phua
Group Chief Executive and
Managing Director

OPERATING REVIEW

ENGINEERING

During the year, the Engineering business successfully delivered major Mechanical and Electrical ("M&E") engineering projects, namely the iconic Marina One development at Marina Bay, Frasers Tower along Cecil Street, Tampines Town Hub under People Association and the new high tension cable network at Changi Airport. Under Architecture & Civil & Structure, the team completed the Third Runway Ancillary Buildings project under Changi Airport Group.

Concurrently, we remain focused on executing ongoing M&E projects. This includes the Air-Conditioning and Mechanical Ventilation System and Building Management System, as well as the Electrical and ELV System for the Proposed Erection of a 51-Storey Commercial Development at Market Street/ Chulia Street/Church Street and the airfield lighting system for Changi East Development.

Additionally, we continue to execute Asset Enhancement Initiative ("AEI") works in the commercial and infrastructure sectors. Projects include an office tower development along Shenton Way, the College of Medicine Building for the Ministry of Health – which comprises conservation works of a national monument of Singapore and comprehensive maintenance of the Central Cooling System - and AMK Hub under Mercatus Co-operative Limited. Various projects in the infrastructure sector include the implementation of noise barriers at rail viaduct phase 2 along the elevated tracks at existing MRT viaducts in the Eastern, Western and Northern parts of Singapore.

Though market conditions have gradually become more challenging, the Engineering & Construction ("E&C") team has beefed up its tendering and business development headcount to actively participate in tenders. To keep up with the advancements in construction technology, TEE E&C has a task force actively working with the relevant authorities and professional bodies to develop Design for Manufacturing and Assembly ("DfMA") technologies in the areas of Modular Prefabricated Prefinished Volumetric Construction ("PPVC"). This is also in line with the greater emphasis from the Building and Construction Authority to drive and implement productivity technologies in the construction industry.

REAL ESTATE

In FY2018, TEE Land obtained Temporary Occupation Permit ("TOP") for a landed residential property development at 31 and 31A Harvey Avenue. Construction of 183 Longhaus is on-track and is expected to obtain TOP by December 2018. Concurrently, we launched 24One Residences, a freehold development comprising 2- to 4- bedroom units that has since been fully sold.

For a continuous flow of development projects, TEE Land acquired two sites in Singapore - 1, 1A, 1B, 1C, 1D and 1E Seraya Crescent, as well as 35 Gilstead Road. Both freehold developments will be launched during financial year 2019.

As part of our strategy to realise investments, TEE Land completed the disposal of its stake in associated company Chewathai Public Company Limited. This would enhance TEE Land's financial position to capitalise on opportunities.

With the recent cooling measures, TEE Land will continue to ensure timely execution of ongoing projects while seeking good land acquisition and investment opportunities.

INFRASTRUCTURE

TEE Infrastructure built new capabilities in the environmental and power segments during the year.

TEE Infrastructure has a 50.1% stake in G3 Environmental Private Limited, which acquired TEE Environmental Pte. Ltd. (formerly known as Chiang Kiong Environmental Pte. Ltd.) - which owns TEE Recycling Pte. Ltd. (formerly known as Chiang Kiong Resources (Paper) Pte. Ltd.) - as well as Envotek Engineering Pte. Ltd.. Through this acquisition, TEE Infrastructure has gained capabilities in the environmental space as a provider of a full suite of waste management solutions.

In addition, TEE Infrastructure teamed up with Dymon Asia Private Equity to acquire Sembcorp Environmental Pte. Ltd.'s medical and biohazardous waste division, which is a leader in Singapore's medical waste management industry. With this acquisition, which will complete in early September 2018, TEE Infrastructure will further expand its waste management capabilities.

TEE Infrastructure continues to build its power capabilities. In Singapore, the team remains focused on building up its solar portfolio through offering solar leasing to potential clients. In the Philippines, construction work of Powersource Philippnies Distributed Power Holdings Inc. ("PHI")'s 25-megawatt thermal hybrid power plant has completed, with the plant coming online in early July 2018. TEE's shareholding interests in PHI remains unchanged at 21.05%.

FINANCIAL REVIEW

INCOME STATEMENT

Revenue increased by S$17.6 million due mainly to higher contribution of progressive revenue from development properties, as well as the newly acquired waste and recycling management subsidiaries. Cost of sales correspondingly increased by S$15.2 million.

Other operating income decreased by S$4.0 million due mainly to the absence of gain on disposal of the Australia property by TEE Land in FY2017, offset by the negative goodwill on the acquisition of the waste and recycling management subsidiaries.

Selling and distribution expenses increased by S$6.6 million due mainly to one-off marketing cost incurred for Third Avenue, Malaysia.

Administrative expenses increased by S$2.2 million due mainly to the newly acquired waste and recycling management subsidiaries.

Other operating expenses increased by S$5.5 million due mainly to one-off impairment losses recognised on the disposal of an associate and the remaining unsold units in the completed properties held for sale by TEE Land.

Share of profit of associates and joint venture increased by S$5.1 million due mainly to higher contribution of profits from TEE Land's associated companies.

Finance costs decreased by S$0.3 million due mainly to repayment of loans.

Income tax expenses decreased by S$2.5 million due mainly to the absence of the gain on disposal of the Australia property by TEE Land in FY2017.

The Group recorded a loss after tax of S$8.8 million in FY2018, as previously mentioned, due mainly to one-off impairment losses recognised on the disposal of an associate and the remaining unsold units in the completed properties held for sale by TEE Land.

Loss attributable to owners of the Company was S$7.6 million in FY2018 as compared to loss of S$1.6 million in FY2017.

STATEMENT OF FINANCIAL POSITION

Trade receivables increased by S$15.0 million due mainly to higher progressive billings for development property projects and newly acquired waste and recycling management subsidiaries.

Total other receivables increased by S$4.0 million due mainly to amount receivable from the disposal of an associate by TEE Land.

Loans receivables decreased by S$12.4 million due mainly to repayments by associated companies.

Amounts due from customers for contract work decreased by S$18.5 million due to progressive billings for the ongoing engineering projects.

Development properties increased by S$83.8 million due mainly to the acquisition of land by TEE Land.

Investment in associates decreased by S$28.7 million due mainly to the disposal of an associate by TEE Land.

Intangible assets and property, plant and equipment increased by S$1.8 million and S$8.5 million respectively, due mainly to the acquisition of waste and recycling management subsidiaries.

Total borrowings increased by S$40.1 million due mainly to additional loans utilised for the acquisition of land and secured notes issued in December 2017.

Other payables increased by S$18.4 million due mainly to loan from a related party and shareholders loans from non-controlling interests.

STATEMENT OF CASH FLOWS

OPERATING ACTIVITIES

Net cash used in operating activities was S$75.2 million, mainly for the acquisition of new land.

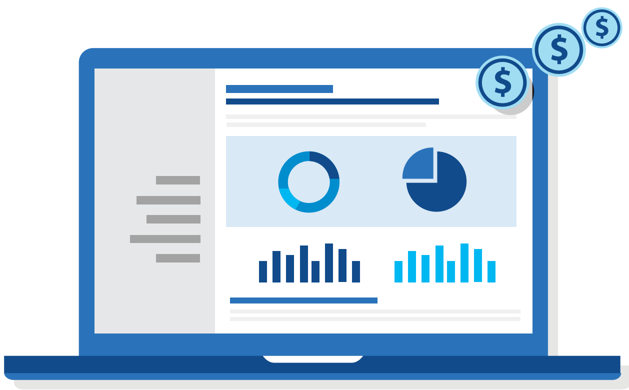
INVESTING ACTIVITIES

Net cash from investing activities was S$15.0 million, due mainly to repayments by associated companies and proceeds from disposal of an associate.

FINANCING ACTIVITIES

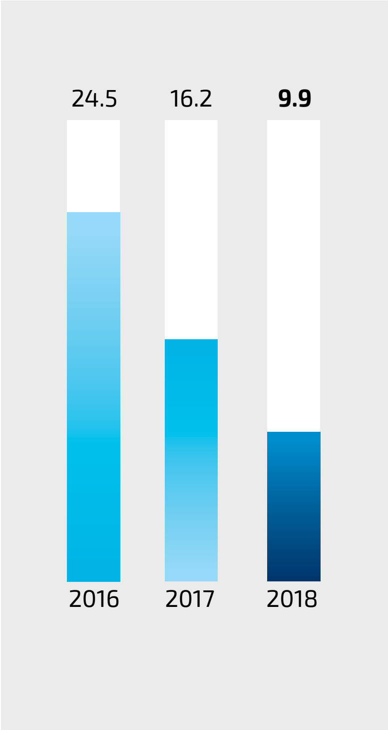
Net cash from financing activities was S$57.2 million, due mainly to issuance of secured notes, net borrowings and repayment of term notes upon maturity.

As a result, the Group recorded a net decrease in cash and cash equivalents of S$3.0 million.

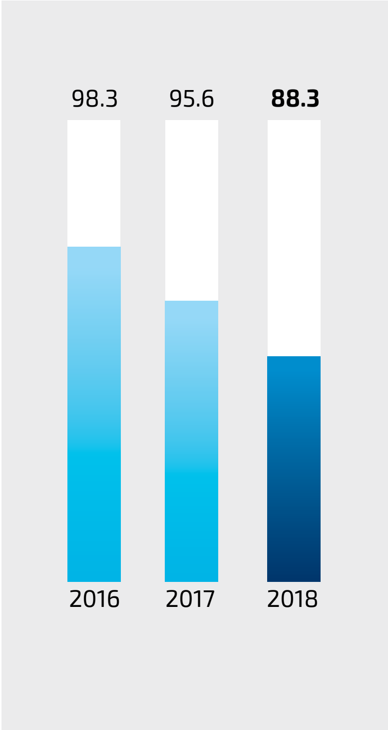


GROUP FINANCIAL HIGHLIGHTS

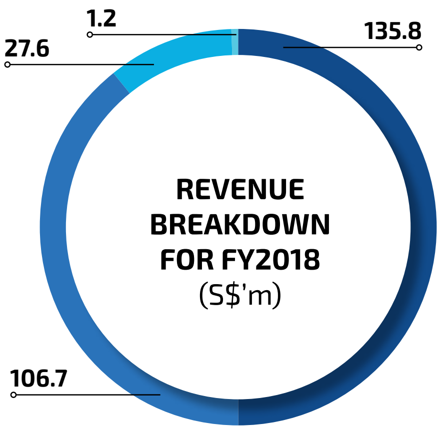
REVENUE
(S$'m)

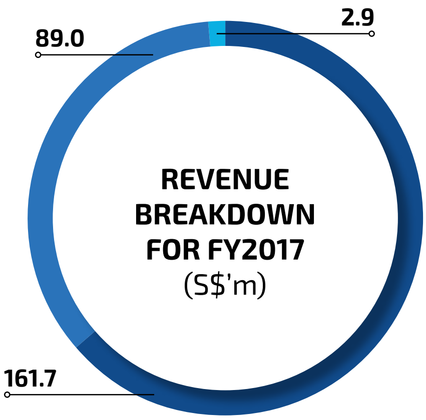


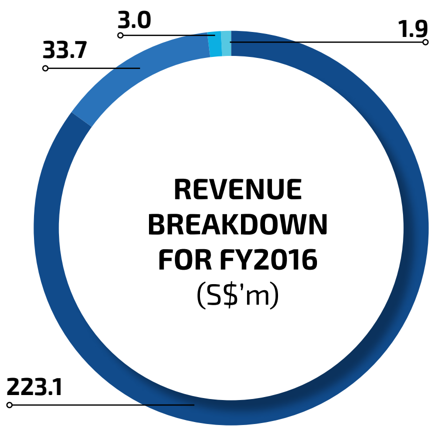
EBITDA
(S$'m)



SHAREHOLDERS' EQUITY
(S$'m)







● ENGINEERING ● REAL ESTATE ● INFRASTRUCTURE ● CORPORATE & OTHERS

THREE-YEAR TREND

	2018	2017	2016 (Restated)
FOR THE YEAR			
Revenue (S$'000)	271,255	253,615	261,706
Gross Profit (S$'000)	38,642	36,177	29,855
Gross Profit Margin (%)	14.2	14.3	11.4
Earnings before interest, tax, depreciation and amortisation (EBITDA) (S$'000)	9,878	16,176	24,502
Operating Profit (EBIT) (S$'000)	994	11,153	19,747
(Loss) Profit before tax (S$'000)	(8,023)	2,296	12,404
Pre-tax profit margin (%)	(3.0)	0.9	4.7
(Loss) Profit for the year (S$'000)	(8,761)	(968)	11,377
After-tax profit margin (%)	(3.2)	(0.4)	4.3
(Loss) Profit attributable to owners of the Company (S$'000)	(7,605)	(1,569)	9,062
AT YEAR END (S$'000)			
Current assets	535,531	465,991	391,888
Total assets	626,872	582,284	592,951
Current liabilities	298,405	275,156	245,121
Total liabilities	473,370	416,658	425,035
Total debts (including finance lease)*	307,963	267,905	271,358
Equity attributable to owners of the Company	88,274	95,610	98,304
Total equity	153,502	165,626	167,916
Number of shares (excluding treasury shares) as at 31 May ('000)	501,953	501,953	503,223
PROFITABILITY RATIOS			
Return on shareholders' equity (%)	(8.6)	(1.6)	9.2
Return on total assets (%)	(1.2)	(0.3)	1.5
LEVERAGE RATIOS			
Long-term debt to equity ratio (times)	1.07	0.82	1.06
Total debt to equity ratio (times)	2.0	1.6	1.6
Interest cover (times)	0.1	1.1	2.2
LIQUIDITY ANALYSIS RATIOS			
Current ratio (times)	1.8	1.7	1.6
Net asset value per share (cents)	17.6	19.0	19.5
SHAREHOLDERS' INVESTMENT RATIOS			
(Loss) Earnings per share – basic (cents)	(1.52)	(0.31)	1.80
Gross dividend per share (cents)	NA	0.12	0.33
Dividend cover (times)	NA	(2.6)	5.5
PRODUCTIVITY			
Number of employees	832	445	532
Revenue/employees (S$'000)	326.0	569.9	491.9
Number of employees (excluding workers)	340	309	379
Revenue/employees (S$'000)	797.8	802.8	690.5

** Excluding long-term loan of S$4,050,000 due to a former joint developer (FY2016)*

OUR STRATEGIC FOCUS

LEVERAGING ON CORE FUNDAMENTALS IN ENGINEERING

At TEE, we pride ourselves in our ability to promptly deliver high quality work for our clients. Our Engineering business boasts a strong track record in delivering large-scale and complex engineering projects for internationally renowned clients. Coupled with our ability to secure projects from reputable and repeat clients, we have established a competitive advantage over international and domestic competitors. TEE Group continues to amalgamate the capabilities of a dedicated and experienced management team while we competitively bid for sizable projects with a balance of high-value and complex engineering components.

INTEGRATED BUSINESS PLATFORM ENHANCES BUSINESS SYNERGIES

TEE Group is able to create synergies and value through an integrated business platform comprising our three main businesses – Engineering, Real Estate and Infrastructure. By virtue of our established reputation and capabilities built from our Engineering business, we are able to grow and expand into complementary businesses and new markets, where we can tap on our existing business network in the region.

To ensure sustainable growth, TEE is focused on growing its real estate developments through its Real Estate business, TEE Land Limited, where we are able to develop and unlock potential investment value in the region. Additionally, we are strategically building up our Infrastructure business portfolio that will serve to enhance business opportunities for the Engineering and Real Estate businesses. As such, we prudently select, acquire, build and manage Infrastructure projects with the aim of building capabilities alongside having a long-term recurring income portfolio, while enjoying the immediate benefit of adding these projects to our engineering order book.

STRENGTHENING FOOTHOLD IN OVERSEAS MARKETS

Over the years, TEE Group has established its presence in the Asia-Pacific region through our various businesses, namely Malaysia, Thailand, the Philippines, Hong Kong, Macao, Australia and New Zealand. Today, we continue to strengthen our position in markets we have entrenched a foothold in by actively tapping on existing relationships with joint venture partners and business associates in the region.

TEE's proven track record in delivering quality and value-added services has won strong accolades from our clients. With our strong brand position, TEE has been able to secure prominent projects locally, in ASEAN, as well as in the Greater China region.

BUSINESS SEGMENTS

ENGINEERING BUSINESS

Established in 1991, it has since grown into an integrated engineering solutions provider for retail, commercial and institutional buildings, as well as factories, research facilities, residential apartments and infrastructure facilities ("Engineering business"). TEE's Engineering business offers a full suite of high-value engineering solutions based on international standards that are adopted for large-scale and complex commercial building projects. Our professional and technical team also provides a one-stop design and build package alongside project management that meet clients' requirements.

Our major clients over the years include SMRT, CapitaLand, Citibank NA, Frasers Centrepoint, Las Vegas Sands Group, Changi Airport Group, National University of Singapore, Nanyang Technological University and Hyundai Engineering and Construction. Majority of them are repeat clients, which bear testimony to TEE's work quality and ability to deliver.

MECHANICAL AND ELECTRICAL ("M&E") DIVISION

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

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

BUILDING AND CONSTRUCTION DIVISION

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

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

REAL ESTATE BUSINESS

TEE Group has an established track record in delivering quality and well-designed residential commercial and indusutrial property developments ("Real Estate business") via a majority-owned listed subsidiary, TEE Land Limited ("TEE Land"). TEE Land is a regional real estate developer with property development projects that are predominantly freehold in tenure, and are targeted at middle-to-high income consumers who value exclusivity in good locations.

Leveraging on its experience and expertise in property development in Singapore, TEE Land has extended its geographical reach to Malaysia, Australia and New Zealand. By incorporating core expertise and past experience from TEE Group's Engineering business, TEE Land enhances the value of its property developments for its customers through a more effective project management system, which translates to good and timely execution of projects.

TEE Land's strategic focus is to steadily increase its exposure in residential, commercial and industrial development projects, while concurrently expand its income generating portfolio of good quality assets in Singapore and the region.

INFRASTRUCTURE AND INFRASTRUCTURE-RELATED BUSINESS

With TEE Group's experience in large-scale engineering projects and its track record in facilities management, investing into infrastructure and infrastructure-related projects ("Infrastructure business") is a natural and complementary extension to the Engineering business.

TEE's wholly-owned subsidiary, TEE Infrastructure Private Limited ("TEE Infrastructure") was established to offer comprehensive sustainable solutions to meet demands for integrated infrastructure, utilities and environmental services throughout the Asia Pacific region. TEE Infrastructure actively seeks to build up its capabilities in the environmental, power and water segments, through investing in assets and developing greenfield projects in Asia Pacific.

ENVIRONMENTAL DIVISION

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

In addition, TEE Medical Services Pte. Ltd., a 45% associated company of TEE Infrastructure, will complete the acquisition of a leading medical waste management business that specialises in the treatment and disposal of biohazardous and pharmaceutical waste in early September 2018.

POWER DIVISION

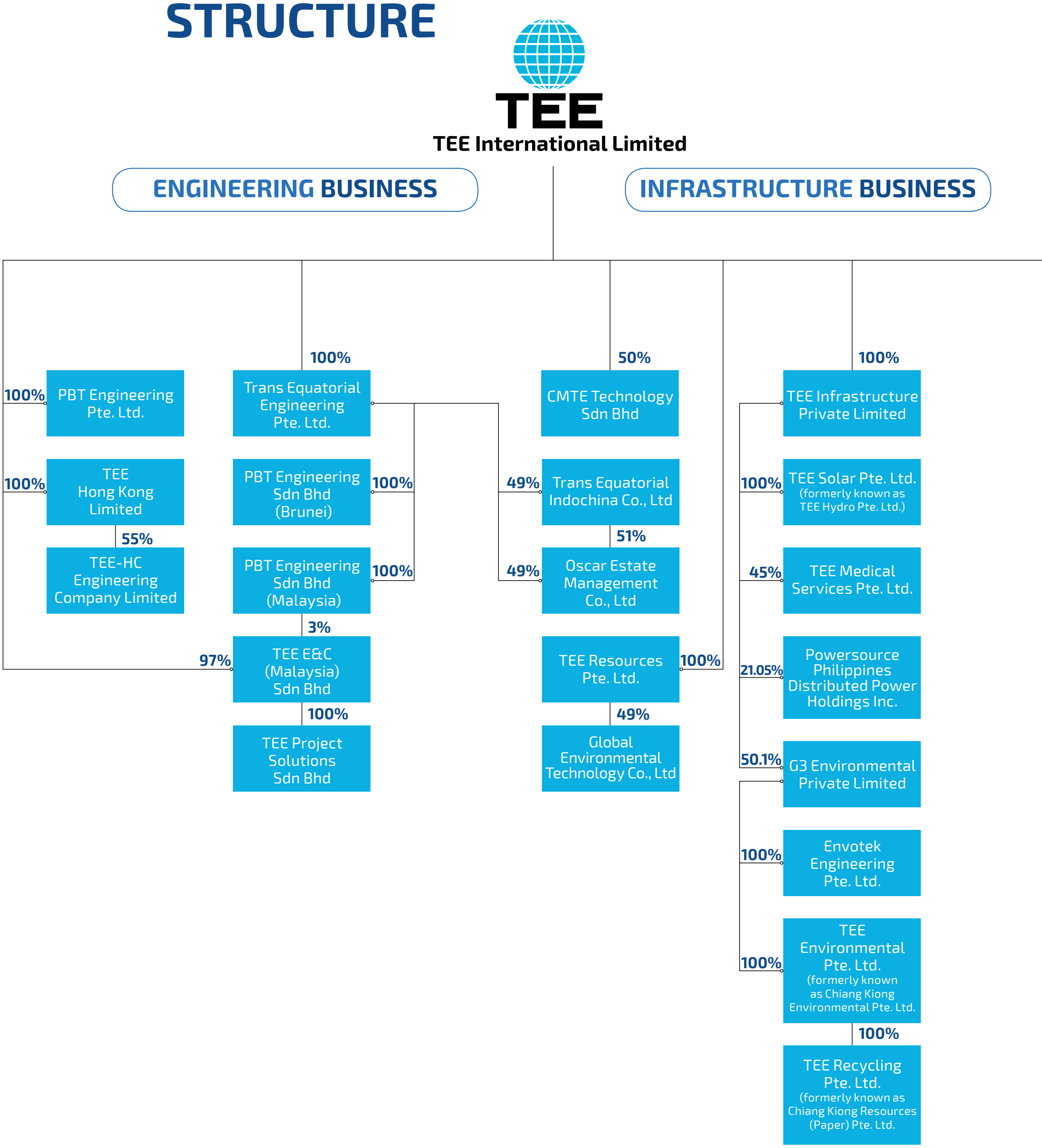
TEE ventured into the power business through a 21.05% investment in PowerSource Philippines Distributed Power Holdings, Inc. in 2015. Through this investment, TEE made its maiden foray into the Philippines to own and construct a 25-megawatt green-field thermal hybrid power plant. In addition, TEE Infrastructure is also expanding its power business by exploring opportunities in the waste-to-energy segment.

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

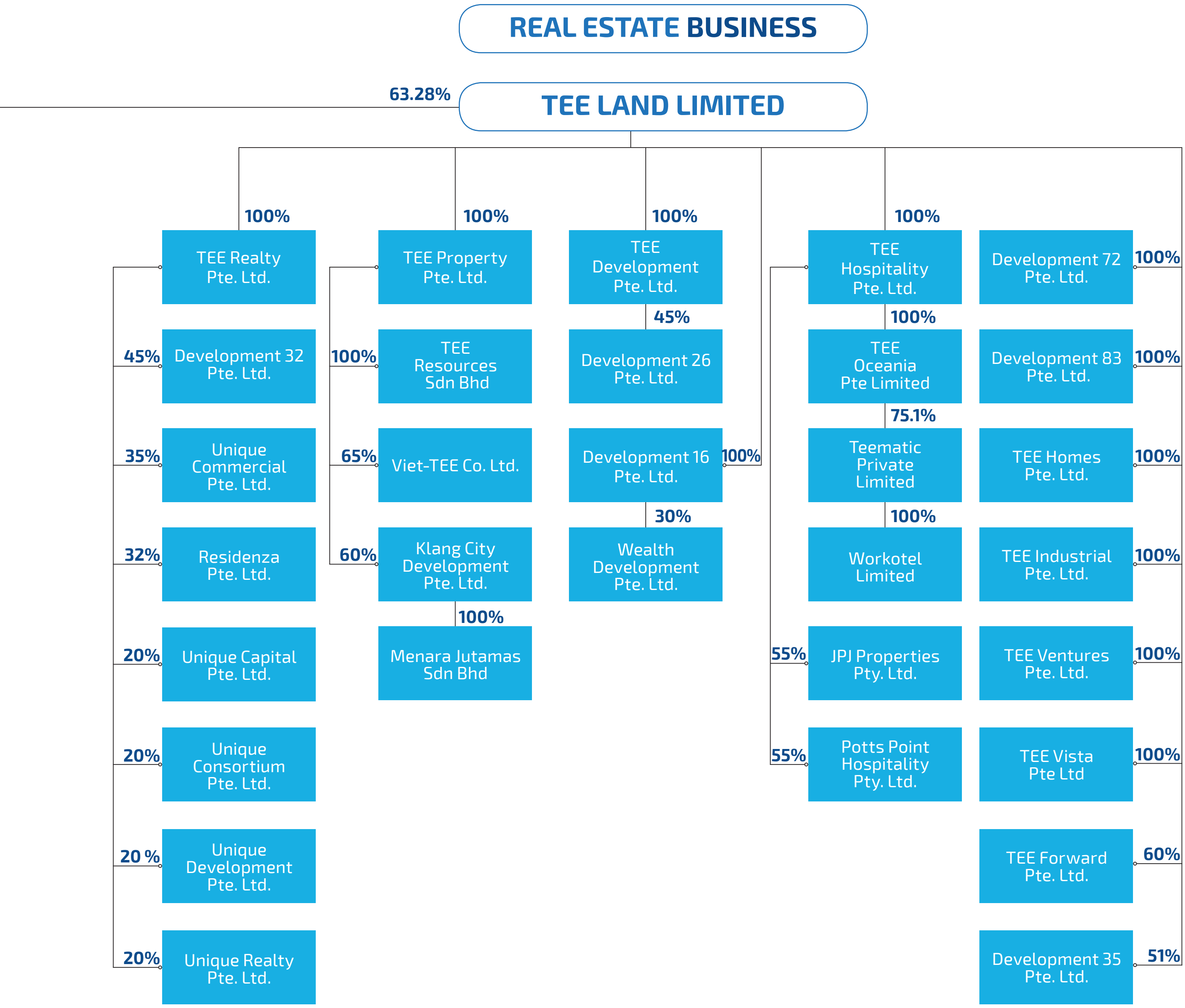
WATER DIVISION

In Thailand, TEE owns a 49% stake in Global Environmental Technology Co., Ltd. ("GETCO"). GETCO is one of Thailand's largest waste water treatment companies, with a total capacity of 350 million litres per day, serving commercial, industrial, business and residential communities. It currently operates two wastewater treatment plants in Thailand including Bangkok's first underground waste water treatment plant in Bang Sue.

CORPORATE STRUCTURE



Note: Group Corporate Structure dues not include dormant subsidiaries and associate companies with less than 20% stake.


REAL ESTATE BUSINESS
63.28%
TEE LAND LIMITED
100%
TEE Realty Pte. Ltd.
45%
Development 32 Pte. Ltd.
35%
Unique Commercial Pte. Ltd.
32%
Residenza Pte. Ltd.
20%
Unique Capital Pte. Ltd.
20%
Unique Consortium Pte. Ltd.
20 %
Unique Development Pte. Ltd.
20%
Unique Realty Pte. Ltd.
100%
TEE Property Pte. Ltd.
100%
TEE Resources Sdn Bhd
65%
Viet-TEE Co. Ltd.
60%
Klang City Development Pte. Ltd.
100%
Menara Jutamas Sdn Bhd
100%
TEE Development Pte. Ltd.
45%
Development 26 Pte. Ltd.
100%
Development 16 Pte. Ltd.
30%
Wealth Development Pte. Ltd.
100%
TEE Hospitality Pte. Ltd.
100%
TEE Oceania Pte Limited
75.1%
Teematic Private Limited
100%
Workotel Limited
55%
JPJ Properties Pty. Ltd.
55%
Potts Point Hospitality Pty. Ltd.
100%
Development 72 Pte. Ltd.
100%
Development 83 Pte. Ltd.
100%
TEE Homes Pte. Ltd.
100%
TEE Industrial Pte. Ltd.
100%
TEE Ventures Pte. Ltd.
100%
TEE Vista Pte Ltd
60%
TEE Forward Pte. Ltd.
51%
Development 35 Pte. Ltd.

BOARD OF DIRECTORS

1 MR. BERTIE CHENG SHAO SHIONG, 81
Chairman and Independent Director

Mr. Cheng was appointed an Independent Director of the Company on 5 March 2001 and was last re-appointed a Director of the Company on 27 September 2016.

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

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

2 MR. PHUA CHIAN KIN, 59
Group Chief Executive & Managing Director

Mr. C K Phua has been the Group Chief Executive & Managing Director of TEE International since 2000. He is instrumental in spearheading the expansion and growth of TEE Group and is also responsible for TEE Group's overall management, investment decisions, direction and policy decision-making. He is also the major shareholder of TEE International and the Chairman of the Executive Committee and a member of the Nominating Committee.

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

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

He is a keen sportsman who has completed 10 full marathons over the past 16 years.

3 MR. LEE AH FONG, 72
Independent Director

Mr. Lee was appointed an Independent Director of the Company on 1 March 2011 and was last re-elected a Director of the Company on 27 September 2016. He currently serves as Chairman of the Remuneration Committee, and a member of the Audit Committee, Nominating Committee and Executive Committee.

Mr. Lee qualified as Barrister-at-Law (Middle Temple) in 1980 and was admitted to the Singapore Bar in 1981. He is at present a partner of the law firm Ng Lee & Partners. He handles mainly criminal cases, civil litigation, family law cases and general solicitor's work. Besides being a volunteer lawyer of the Law Society Criminal Legal Aid Scheme, he has also offered his service as assigned counsel for High Court capital cases. He joined the Singapore Police Force ("SPF") as an inspector in 1966 and was promoted to the rank of Assistant Superintendent of Police in 1976 after attending a 3-month training course at the FBI National Academy in 1974. He served in various units of the SPF before his resignation in 1980.

Mr. Lee previously held the position as the President of the Singapore Hainan Hwee Kuan and is currently an Honorary Management Committee member of the Singapore Federation of Chinese Clan Associations, the Chairman of Yuying Secondary School Ltd and legal advisor to several associations, societies and companies. He is also an Independent Director of Cortina Holdings Limited and TA Corporation Ltd.

4 MR. GN HIANG MENG, 70

Independent Director

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

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

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

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

5 MR. ARIC LOH SIANG KHEE, 54

Independent Director

Mr. Loh was appointed an Independent Director of the Company on 1 August 2014 and was last re-elected a Director of the Company on 27 September 2016. He is a member of the Audit Committee and Remuneration Committee.

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

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

6 MR. PHUA BOON KIN, 56

Deputy Group Managing Director

Mr. Phua was appointed to the Board of Directors on 1 September 2008 and was last re-elected a Director of the Company on 29 September 2015.

Mr. Phua holds the post of Deputy Group Managing Director and Managing Director of TEE Group's Engineering business. He plays an active role in the corporate affairs of TEE Group, as well as the overall-in-charge of TEE Group's Engineering business. Mr. Phua has more than 30 years of experience in project execution and project management, and was instrumental in the setting up of the two main subsidiaries of TEE Group, namely Trans Equatorial Engineering Pte. Ltd. in 1991 and PBT Engineering Pte. Ltd. in 1996. He has been with TEE Group for the past 27 years and has held various appointments in both of these subsidiaries.

He is also a Company Director in PBT Engineering Pte. Ltd., Security Pro-Telco Pte. Ltd., Trans Equatorial Engineering Pte. Ltd., TEE Management Pte. Ltd. and TEE Engineering & Construction Private Limited.

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

7 MS. SAW CHIN CHOO, 56

Executive Director

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

Ms. Saw currently holds the post of Managing Director, Engineering - Malaysia and Brunei. She is responsible for the Group's Malaysia and Brunei's Engineering business.

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

She is currently the Managing Director of all the Malaysian subsidiaries of TEE Group and a Director of PBT Engineering Pte. Ltd.. She is an Alternate Director in our Bruneian subsidiary, PBT Engineering Sdn Bhd.

Due to the Company's internal key executive rotation policy, as a nominee director to the Board of a subsidiary company, Ms Saw has stepped down as a Non-Executive Director of the Company's listed subsidiary, TEE Land Limited, and Company Director of various subsidiaries of TEE Land Group in 2018.

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

KEY EXECUTIVES








1. MR. SIM GEOK SOON
2. MR. CHEUNG KAY KWONG
3. MR. NEO WENG MENG, EDWIN
4. MR. PHUA CHER CHEW
5. MS. YEO AI MEI
6. ER. JANNET ANG
7. MS. LOH CHOOI LENG
8. MS. CELINE OOI

MR. SIM GEOK SOON

Managing Director of Special Projects, Engineering

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

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

MR. CHEUNG KAY KWONG

Managing Director, Hong Kong, Macao and China Operations

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

MR. NEO WENG MENG, EDWIN

Special Assistant to Group Chief Executive & Head of Infrastructure

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

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

Prior to joining TEE, Mr. Neo worked for the Singapore government holding various leadership positions in International Enterprise Singapore, a statutory board under the Ministry of Trade and Industry (MTI). He is also a recipient of the Firefly scholarship granted by MTI to pursue his undergraduate education in the United States.

Mr. Neo graduated Summa cum Laude from Stanford University, USA with a double degree in Electrical Engineering and Economics. He spends his past time reading and playing chess and is a member of the Gifted Education Programme (GEP) Alumni.

MR. PHUA CHER CHEW

Executive Director & Chief Executive Officer,
TEE Land Limited

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

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

MS. YEO AI MEI

Group Chief Financial Officer and
Group Company Secretary

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

She is also a Company Director of various subsidiaries of TEE Land Group and TEE Group.

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

ER. JANNET ANG

Director, Group Business Development

Er. Ang joined TEE in 2017 and heads the business development team, as well as executes TEE's local and overseas business development strategies. Er. Ang is a professional engineer and Licensed Electrical Engineer with over 20 years of experience in M&E consultancy, project management and supervision of transportation, commercial, industrial, residential, institutions and hospital development projects.

Prior to joining TEE, Er. Ang was a consultant in various international firms and was actively involved in BCA Electronic National Productivity and Quality Specifications (eNPQS) as a technical committee work group member and familiar with the specification, and Technical Committee Work Group Member of SS CP97: Part 2 – Code of Practice for Construction Electronic Measurement Standards to improve productivity and quality in measurement of building works. Er. Ang was a Council and Executive Committee Member of Asian Institute of Intelligent Buildings (Singapore Chapter) who value adds on innovative design.

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

MS. LOH CHOOI LENG

Director, Human Resources

Ms. Loh is the Director, Human Resources. She has been with the TEE Group since 2005. She is overall responsible for the training and development program, recruitment, compensation, benefits and performance and career management of employees.

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

MS. CELINE OOI

Senior Manager, Investor Relations and Communications

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

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

INVESTOR RELATIONS

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

INVESTOR RELATIONS POLICY

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

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

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

CORPORATE GOVERNANCE

To promote good corporate governance, TEE Group has undertaken the pledge for board diversity launched by the Singapore Institute of Directors. "We are committed to enhancing decision making by harnessing the variety of skills, industry and business experiences, gender, age, ethnicity and culture, geographical background and nationalities, tenure of service and other distinguishing qualities of the members of the Board." In practice, we have readily embraced board diversity through the stringent nomination criteria we have put in place in selecting our board members.

ENGAGING STAKEHOLDERS

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

DIVIDEND POLICY

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

INVESTORS, SHAREHOLDERS AND MEDIA CONTACT

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

IR Calendar	
2018	
Jan	Announcement of FY2018 Half-Year Results
Feb	Shareholders' Forum 2018
Apr	Announcement of FY2018 Third Quarter Results, SGX-CGS-CIMB Construction & Infrastructure Day 2018
May	Financial Year End
Jul	Announcement of FY2018 Full-Year Results
Sep	18th Annual General Meeting
Oct	Announcement of FY2019 First Quarter Results
2019	
Jan	Announcement of FY2019 Half-Year Results
Apr	Announcement of FY2019 Third Quarter Results
May	Financial Year End
Jul	Announcement of FY2019 Full-Year Results
Sep	19th Annual General Meeting
Oct	Announcement of FY2020 First Quarter Results

SUSTAINABILITY REPORT

BOARD STATEMENT

TEE Group established a dedicated Sustainability Committee, which comprises key executives across various business functions, to execute and monitor sustainability practices. The Sustainability Committee is responsible for ongoing reviews and assessments of material ESG topics, as well as updates of key performance indicators.

The management identified the nature and impact of relevant Economic, Environmental and Social ("EES") topics in relation to the Group's day-to-day operations and determined the impact of material EES topics on stakeholders. The Board took into consideration related risks and opportunities during the formulation of overall business strategy and objectives of the Group.

In addition, the management provides reasonable assurance to the Board and key stakeholders on the effectiveness of the instituted sustainability management system through regular reviews and assessments of the performance of material EES topics and key performance measures.

The Board has approved the material EES topics for disclosure of this reporting period and together with management, will continue to enhance the Group's sustainability governance, which is a constituent of sustainable growth and value for stakeholders.

REPORTING PRACTICE AND BOUNDARY

The Group's inaugural sustainability report has been prepared in accordance to the GRI standards "Core" option which encompasses our sustainable practices and performance for the Financial Year ended May 31, 2018 ("FY2018"). This report focuses primarily on the core engineering segment and the environmental business arm acquired by wholly-owned subsidiary TEE Infrastructure Private Limited ("TEE Infrastructure") in December 2017. The environmental business arm comprises TEE Environmental Pte. Ltd. ("TEE Environmental"), TEE Recycling Pte. Ltd. ("TEE Recycling") and Envotek Engineering Pte. Ltd. ("Envotek"). Additionally, this report makes references to the real estate business as carried out through TEE's subsidiary TEE Land Limited ("TEE Land"), which is listed on the Singapore Exchange Limited-Securities Trading ("SGX-ST") Main Board and has published its own sustainability report.

The report complies with the five primary components set out by the SGX-ST Listing Manual Rule 711A's "Comply or Explain" requirements. The Sustainability Committee will review the option for external assurance going forward. This report is part of the Group's Annual Report for FY2018 and is available at www.teeintl.com.

SUSTAINABILITY STRATEGY

MISSION AND VISION

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

SUSTAINABILITY PHILOSOPHY

Sustainability is inherent in the Group's corporate philosophy and identity. A strong emphasis has been placed on good corporate governance, coupled with stringent risk management practices, throughout our value chain and across the entire organisation. Committed to integrating sustainable practices into our business strategy, the Group has adopted best practices pertaining to the various industries we have a presence in, alongside the establishment of a balanced and holistic approach in addressing any concerns raised by external and internal stakeholders, to whom the Group strives to serve and partner with in the long term. With good governance complemented with integrated best practices, the Group is able to achieve a sustainable business.

PEOPLE, COMMUNITY & EXCELLENCE

Our business success has been built upon three key pillars, namely People, Community and Excellence, all of which empower us to establish a competitive advantage amongst others. Each business unit strives to bring value to their respective clients while being good corporate citizens that play an active role to care for the greater community and environment.

SUSTAINABILITY REPORT

STAKEHOLDER ENGAGEMENT

The Group places a strong emphasis on meeting and exceeding expectations of our key stakeholder groups. In order for us to continue creating value for all stakeholders, we regularly engage stakeholders and address all concerns in a timely manner.

Key stakeholders who are material to our operations, businesses and management were identified through focused discussions among the management team that were facilitated to ensure consistency and fairness. Through these discussions, the importance of specific key stakeholders, their respective impacts and key topics of interest on the Group were evaluated using assessment parameters involving a quantitative and qualitative matrix.

As the Group continues to expand its operations, we are committed to reviewing the relevancy and significance of key stakeholders on an annual basis, as well as including stakeholders who subsequently become material to the Group.

Key Stakeholders	Significance to TEE Group	Topics of Interest	Engagement Channels
Employees	Our people are one of our most valuable assets. The well-being and capabilities of our employees ensure their continual contributions to the success of all aspects of our businesses.	• Benefits and remuneration • Career progression • Training and development • Employee well-being and welfare	• Internal and external trainings • Staff appraisal • Onboarding and orientation • Ongoing sharing sessions and dialogues • Management feedback sessions
Customers (Engineering Business)	The Engineering business delivers a full suite of high-value engineering solutions on a timely basis without compromising on quality. Fulfilling customers' requirements while adhering to various regulatory requirements is of utmost importance.	• Project management • Ability to meet requirements • Timeline and execution • Work quality	• Ongoing dialogues and meetings • Feedback form for analysis of performance
Customers (Real Estate Business)	At TEE Land, we believe in providing quality and well-designed products for our customers. Our customers' experiences and satisfaction levels are part of our key priorities towards a sustainable business.	• Quality of projects and services • Product responsibility	• Face-to-face meetings • Sales launches • Feedback sessions with appointed sales agencies
Customers (Infrastructure Business)	TEE Infrastructure's environmental division offers a full suite of waste management solutions in accordance to customers' requirements. We do so while striving to be more environmentally-friendly.	• Service management • Ability to meet requirements • Execution and quality of service	• Customer service hotline • Ongoing engagement with clients
Suppliers & Vendors	In line with our goal of delivering quality products and services to our customers, we work with reliable contractors with good track records to ensure our projects are delivered in a timely manner without compromising on quality.	• Company financial strength • Payment terms	• Regular project progress updates • Project meetings

SUSTAINABILITY REPORT

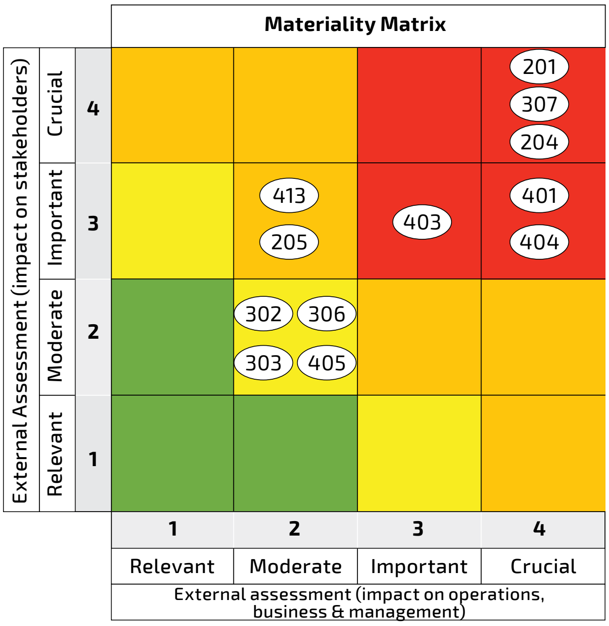
Government & Regulators	Being a Mainboard listed company on the SGX-ST, we are required to comply with the requirements of the listing rules of SGX-ST as well as the Securities and Futures Act. Relevant permits and licences are obtained from the relevant authorities such as the Building and Construction Authority ("BCA"), Ministry of Manpower ("MOM") and National Environment Agency ("NEA").	• Compliance with laws and regulations as mandated by the relevant authorities • Anti-corruption and bribery	• Announcements via SGXNet • Ongoing engagement with clients • Annual Report • Sustainability Report • Attending seminars and trainings conducted by regulatory bodies • Direct engagement with authorities • Newsletter updates
Shareholders & Investors	We view our shareholders as our utmost supporters as we continue to grow the Group. We fully understand the need to address their concerns, as well as share timely and accurate information about TEE Group with our shareholders to enable a transparent assessment of TEE Group's financial performance and state of affairs. This is in accordance to our Investor Relations policy.	• Group business strategy and developments • Financial performance • Dividend policy • Risk management • Operational efficiency • Regulatory compliance • Corporate Governance	• General Meetings • Announcements via SGXNet • Annual Report • Investor Relations team • Company website • Media releases
Society	The Group strives to have a positive impact on the community. We are dedicated to being a model corporate citizen who positively contributes to the community and encourages the spirit of volunteerism.	• Charitable contribution • Volunteering activities	• Corporate Social Responsibility (CSR) programme • Community service events
Media & Analyst	In line with our proactive investor and media relations approach, TEE Group regularly engages the media and analysts to keep them updated on our various corporate activities while gaining different perspectives on our business performance.	• Company performance • Valuation and stock performance • Corporate Governance	• Interviews • Press releases • Face-to-face meetings
Strategic Partners	Our strategic partners help complement our capabilities to provide our customers with the best services and products.	• Financial performance • Track records and reputation	• Ongoing meetings and dialogues • Business reviews

SUSTAINABILITY REPORT

MATERIALITY ASSESSMENT

In line with SGX's materiality principle, the management adopted a structured process to prioritise the material EES factors applicable to the core businesses of the Group. Workshops were conducted involving internal stakeholders and the Sustainability Committee to identify critical sustainability issues to monitor and track, as well as bring to attention potential sustainability opportunities that can be captured. The nature and impact of material EES factors were analysed using a quantitative and qualitative matrix.

The material EES topics derived from the materiality assessment exercise with management will be assessed along with the Group's Enterprise Risk Management ("ERM") register to incorporate relevant EES related risks arising from external market environment and internal business processes. The material EES topics are prioritised in the materiality matrix below:



GRI Reference	Material Topics	Section Reference	Impact Boundary
201	Economic Performance	Economic	TEE Group
204	Procurement Practices	Economic	TEE Group
205	Anti-Corruption	Economic	TEE Group
302	Energy	Environmental	TEE Group
303	Water	Environmental	TEE Group
306	Effluents and Waste	Environmental	TEE Group
307	Environmental Compliance	Environmental	TEE Group
401	Employment	Social	TEE Group
403	Occupational Health and Safety	Social	TEE Group
404	Training and Education	Social	TEE Group
405	Diversity and Equal Opportunity	Social	TEE Group
413	Local Communities	Social	TEE Group

SUSTAINABILITY REPORT

ECONOMIC TOPICS

GRI201 ECONOMIC PERFORMANCE

During the reporting period, the Group remained resilient despite the more competitive business landscape. Initiatives are executed to realise value in its investments while building its capabilities to enhance competitiveness.

Economic Performance		
	FY2018 [S$'000]	FY2017 [S$'000]
Economic Value Generated (a)	286,236	293,134
Revenue *(excluding rental)*	266,449	250,057
Sale of Assets *(physical assets and investments)*	14,066	38,195
Revenue from Financial Investments *(interest income, dividend and rental)*	5,721	4,882
Economic Value Distributed (b)	277,986	258,950
Operating Costs *(excluding employee wages and benefits)*	237,806	215,316
Employee Wages & Benefits	29,710	27,818
Payments to Providers of Capital *(dividend to shareholders and interest expense)*	9,878	10,784
Payments to Government *(current corporate tax, withholding tax and property tax)*	559	4,982
Community Investments *(contribution to charities)*	33	50
Economic Value Retained (a-b)	**8,250**	**34,184**

Going forward, the Group will strive to improve its performance and boost its competitive edge in the respective industries it is in.

GRI204 PROCUREMENT PRACTICES

The Group sees its suppliers and vendors as business partners capable of creating positive economic impact along the value chain, in turn enhancing stakeholder value.

We maintain a stringent selection process for suppliers and vendors, who are assessed based on their past track records and adherence to occupational health and safety standards. The performance of suppliers and vendors are regularly reviewed based on their project delivery competencies, service quality and technological capabilities. Assessment of suppliers and vendors' performance is conducted by our Project Managers through all phases of our projects to ensure compliance with product specifications as well as the criteria of compliance certifications ISO 9001:2015 (Quality Management System), ISO 14001:2015 (Environmental Management System), SS 506 Part 1: 2009 (Occupational Safety and Health Management Systems) and OHSAS 18001:2007 (Occupational Health and Safety Management System).

During the reporting period, 97% of total supplier spending is attributed to local suppliers. The Group is committed to continue procuring responsibly while generating positive economic and social benefits for the local community we operate in.

GRI205 ANTI-CORRUPTION

The Group adopts a zero-tolerance policy against bribery and corruption. We have established a Group Code of Business Conduct and Ethics, which comprises well-defined anti-corruption guidelines and procedures for business dealings with third party service providers, vendors and all employees of the Group. In addition, we have developed a whistle-blowing policy and corresponding procedures to provide accessible channels for internal and external stakeholders to report alleged corruption, unethical practices, conflict of interest and other improprieties.

The Group is committed to inculcating strong ethical behaviour to ensure all employees fully understand and abide by the core values and principles that influence day-to-day operations of the Group. We conduct in-house anti-corruption awareness talks for employees on a timely basis and ensure that new hires are briefed on our corporate code of conduct, which includes dealing in securities and conflict of interest. Training based on the Group code of Business Conduct and Ethics, anti-corruption guidelines and procedures as well as acceptable business practices have also been conducted.

There were no cases of complaints and corrupt practices during the reporting period. The Group strives to maintain the highest standards of ethics and integrity in our business dealings through regular awareness talks.

SUSTAINABILITY REPORT

ENVIRONMENTAL TOPICS

GRI302 ENERGY

Environmental sustainability forms an integral part of the Group's sustainability philosophy. We endeavour to integrate the best sustainability practices across business operations to reduce adverse environmental impact on the ecosystem.

ENGINEERING

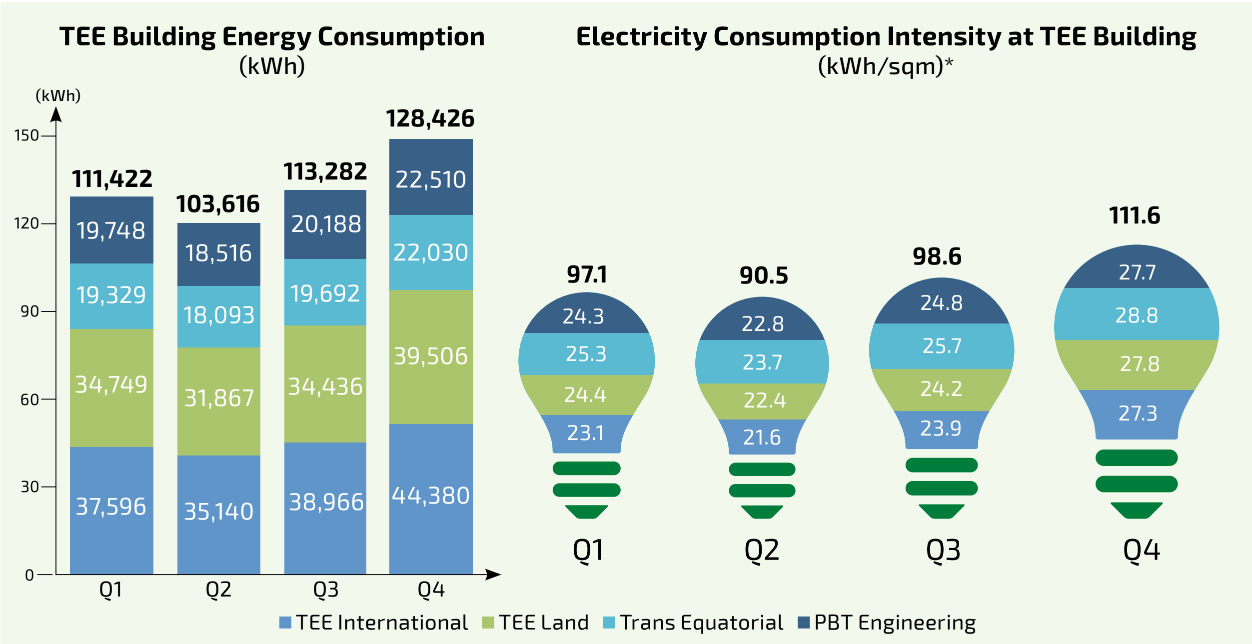
The management systems of our wholly-owned subsidiaries - PBT Engineering Pte Ltd ("PBT") and Trans Equatorial Engineering Pte Ltd ("Trans") - are ISO 14001:2015 (Environmental Management System) certified. PBT has also been awarded the BCA Green and Gracious Builder Award for our efforts in promoting environmentally-friendly practices during all phases of construction projects. At construction sites, we recycle and reuse air-conditioning equipment and lighting fixtures, which in turn reduces resource consumption and generation of electronic waste. Moving forward, we strive to maintain the highest environmental standards and improve existing procedures whenever the opportunity arises. As energy consumption is currently not tracked at our project sites, we will be working on collating this information in the future, subject to the availability of data from our contractors, business partners and relevant third parties.

Energy Efficiency Practices	Impact
Solar photovoltaic system on TEE Building's rooftop	Reduce electricity consumption from the grid
Design for natural light maximisation	Reduce lighting requirements and electricity consumption
Use of LED lights, motion sensors, controlled central air-conditioning operating hours, and energy efficient lighting	Reduce electricity consumption

REAL ESTATE

Energy efficiency principles have been incorporated into the design of TEE Building - which serves as the headquarters of TEE Group and rental office spaces. Coupled with energy-saving initiatives implemented throughout TEE Building, the overall energy consumption of our rental customers and the Group's operations has been well-managed. Additionally, TEE Land's project management team include energy-saving practices from project development through project delivery.

We will conscientiously work towards making our operations more energy efficient whenever the opportunity to do so presents itself.



* Based on the following gross floor area breakdown – TEE International (1,628sqm), TEE Land (1,422sqm), Trans Equatorial (765sqm), PBT Engineering (813sqm)

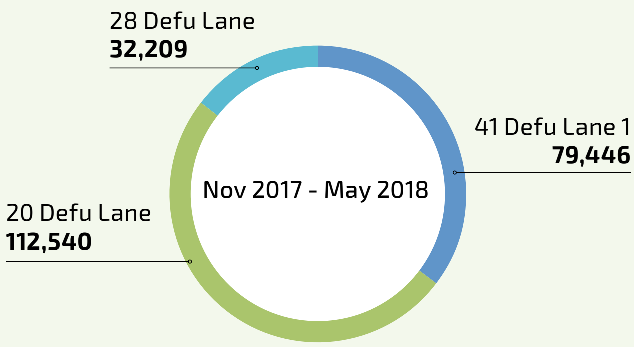
Type	Project(s)	Status	Electricity	Period
Residential	24One Residences	Ongoing	25,742 kWh	Sep 2017 – May 2018
	Rezi 35	Ongoing	96,844 kWh	Jan 2018 – May 2018
	31 & 31A Harvey Avenue	Completed	63,875 kWh	Jun 2017 – Mar 2018
Commercial	TRIO	Completed	75,508kWh	Jun 2017 – Jan 2018
Mixed Use	Third Avenue, Cyberjaya	Ongoing	516,921kWh	Jun 2017 – May 2018
	183 Longhaus	Ongoing	38,138 kWh	Jun 2017 – May 2018

INFRASTRUCTURE

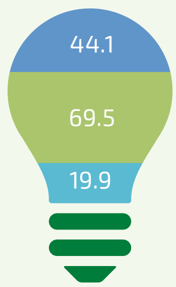
TEE Environmental is the leading industrial and commercial environmental service provider for waste and recycling management. Together with TEE Recycling and Envotek, we strive to provide the best waste management solutions in a safe, secure and transparent way that is environmentally responsible.

TEE Environmental has taken innovative steps towards building an environmentally sustainable business. We have implemented effective fleet routing, tracked waste collection schedules and are in the midst of incorporating automation into our processes. Total fuel consumption by the fleets is 1,083,186 litres from November 2017 to May 2018. Our waste collection fleet complies with the Euro 5 standards, which are the most comprehensive standards for reducing emissions from commercial vehicles.

Electricity Consumption at TEE Infrastructure's Environmental Business' Offices
(kWh)



Electricity Consumption Intensity at TEE Infrastructure's Environmental Business' Offices
(kWh/sqm)*



Nov 2017 - May 2018

■ 41 Defu Lane 1 ■ 28 Defu Lane 7 ■ 20 Defu Lane 9

With the Environmental business spanning three separate sites, the concept of 3Rs (Reduce, Reuse, Recycle) is inculcated into day-to-day business practices. Moving forward, TEE Environmental shall explore more eco-friendly practices and improve on current environmental frameworks.

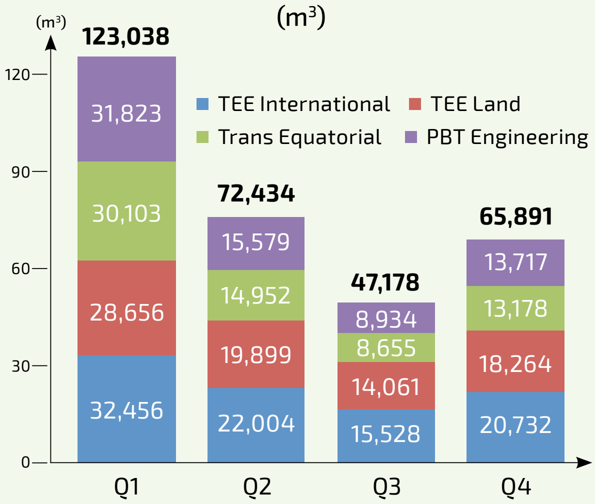
* Based on the following gross floor area breakdown – 41 Defu Lane 1 (1,800sqm), 28 Defu Lane 7 (1,620sqm), 20 Defu Lane 9 (1,620sqm)

SUSTAINABILITY REPORT

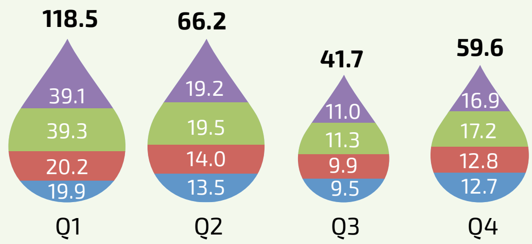
GRI303 WATER

As part of the ISO 14001:2015 (Environmental Management System) certification, the Group monitors water consumption for our offices and real estate projects. As water consumption is currently not tracked at our engineering project sites, we will be working on collating this information in the future, subject to the availability of data from our contractors, business partners and relevant third parties. Concurrently, employees are strongly encouraged to be conscious of daily water usage through reminders and posters implemented at key touchpoints around TEE Building, where water consumption is monitored. Regardless, we endeavour to further reduce our water usage at TEE Building as well as our various corporate and project sites through more water conservation programmes and making our operations more water efficient. Water usage for the Group is illustrated below.

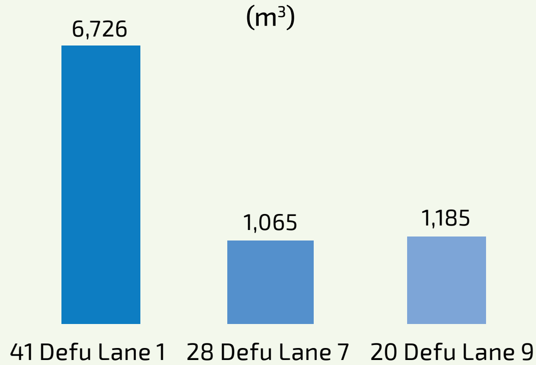
TEE Building Water Consumption
(m^3)



Water Consumption Intensity at TEE Building
(m^3/sqm)*

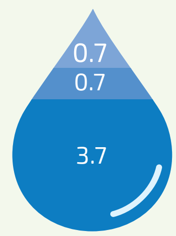


Water Consumption at TEE Infrastructure's Environmental Business' Offices
(m^3)



Nov 2017 - May 2018

Water Consumption Intensity at TEE Infrastructure's Environmental Business' Offices
(m^3/sqm)**



Nov 2017 - May 2018

Type	Project(s)	Status	Water Consumption	Period
Residential	240ne Residences	Ongoing	578 m^3	Dec 2017 – May 2018***
	Rezi 35	Ongoing	1,175 m^3	Jan 2018 – May 2018
	31 & 31A Harvey Avenue	Completed	2,003 m^3	Jun 2017 – Mar 2018
Commercial	TRIO	Completed	3,472 m^3	Jun 2017 – Jan 2018
Mixed Use	Third Avenue, Cyberjaya	Ongoing	10,238 m^3	Jun 2017 – May 2018
	183 Longhaus	Ongoing	9,586 m^3	Jun 2017 – May 2018

* Based on the following gross floor area breakdown – TEE International (1,628sqm), TEE Land (1,422sqm), Trans Equatorial (765sqm), PBT Engineering (813sqm).
** Based on the following gross floor area breakdown - 41 Defu Lane 1 (1,800sqm), 28 Defu lane 7 (1,60sqm), 20 Defu Lane 9 (1,620sqm).
*** Water supply was from a neighbouring childcare centre from September to November 2017. Water consumption readings during that period are unavailable.

SUSTAINABILITY REPORT

GRI306 EFFLUENTS AND WASTE

Singapore is a land scarce country with limited landfill and water resources. As such, the Group is committed to managing its industrial waste disposal in accordance to environmental regulations, while aiming to minimise the adverse impact on Singapore's landfill and our ecosystem. This is accomplished through ensuring that treatment and disposal processes endorse reducing waste, recycling and the avoidance of intractable waste generation.

ENGINEERING REAL ESTATE

Waste generated at construction sites are non-hazardous and disposed in accordance with NEA waste regulations. Project managers strictly supervise and monitor the disposal process by certified third party vendors, who are licensed under the Environmental Public Health Regulations. Waste water is managed in compliance with the Sewerage and Drainage Act legislated by Public Utilities Board ("PUB").

The total quantity of solid waste disposed by PBT during the reporting period is 3,378 tonnes. Solid waste disposed by Trans is managed by the various main contractors who adhere with waste disposal regulations. Going forward, we will be working on tracking Trans' waste disposal, subject to the availability of data from our contractors, business partners and relevant third parties. The table below delves into what constitutes toxic and hazardous waste, non-hazardous waste and the compliance certifications the Engineering Business has.

Waste Disposed at Construction Sites	
Toxic and Hazardous Materials	**Non-Hazardous Materials**
Oil-based paints, solvents, fluorescent bulbs and aerosol cans	Bricks, wood, tiles, rebar, nails, electrical wiring, rockwool, scrap metal and cement
List of Compliance Certification	
ISO 14001:2015 (Environmental Management System)	
BizSAFE Star Certification	

During the reporting period, there were no cases of non-compliance relating to waste management practices. We strive to maintain high standards of waste management and continuously explore the adoption of innovative technology that would facilitate a better waste management process.

In addition, we have a noise management procedure in place for both engineering and real estate project sites where we actively monitor noise levels in accordance with NEA regulations. Project management teams are promptly updated if noise pollution exceeds the permissible limits and immediate actions are taken to address and resolve the cause on site. In relation to exceeding the maximum permissible noise limit, we received a warning from NEA for our College of Medicine Building project, as well as fines for our Ang Mo Kio Hub project during the year. We have made the necessary ratifications to avoid future breaches and will remain cautious about noise pollution to achieve minimal disruption at sites.

INFRASTRUCTURE

As a licensed NEA General Waste Collector, TEE Environmental complies with industrial standards at all stages of waste management operations. Through the advancement of new waste management technologies coupled with greater support systems, we aspire to become the most efficient, accessible, and advanced service provider in Singapore's waste management sector.

Our fleet collects waste and recyclables from hundreds of buildings and premises each day in Singapore. A route tracking system is utilised to maximise reliability and efficiency of our fleet while ensuring timely collection in accordance to the fixed schedule. Approximately 10% of waste collected undergo processing, sorting and recovery at our NEA-approved Materials Recovery Facilities (MRF) under TEE Recycling before being transported to NEA's Incineration Plant, where the heat from the combustion process is used to generate steam in boilers, which is in turn used to drive turbo generators to produce electricity for NEA'S Incineration Plant operations. For the period of November 2017 to May 2018, we have handled total of 117,681 tonnes of waste for clients.

In line with NEA's goal to reduce landfill contribution, we produce monthly automated waste collection reports for our clients to effectively monitor waste management. Additionally, we strongly encourage clients to work with us on recycling programmes. Going forward, we strive to leverage on more efficient processes to increase material recovery and further minimise waste generation while enhancing our recycling programmes.

SUSTAINABILITY REPORT

GRI307 ENVIRONMENTAL COMPLIANCE

The Group ensures all businesses comply with required local and international environmental regulations and operate in conformity to requirements set out in the Environmental Management Systems. We take pride in conducting our businesses in an environmentally-friendly manner and strongly endorse environmental protection and stewardship.

To promote green practices within the Group, we have established a "Go Green Committee" to foster awareness among employees. The objective is to strengthen eco-friendly practices at our offices and incorporate green habits into employees' daily activities. Posters are placed at prominent locations to encourage energy saving and recycling. Additionally, solar panels have been installed on the roof of TEE building to offset daily grid electricity usage as we work towards creating a truly sustainable and conducive work environment.

During the reporting period, there were no cases of regulatory non-compliance relating to environmental issues. The Group will continue to maintain a high level of environmental standards across all business operations.

ENGINEERING

Trans and PBT have been certified with ISO 9001: 2015 (Quality Management System), ISO 14001: 2015 (Environmental Management System), OHSAS 18001:2007 (Occupational Health and Safety Management System) and SS 506 Part 1: 2009 (Occupational Safety and Health Management Systems). The Management has instituted environmental procedures to assess significant environmental impact using a likelihood and severity matrix and devise responding mitigating controls. Environmental assessment takes into consideration these various aspects:

• Emissions to air	• Energy emitted
• Releases to water	• Waste and by-products
• Releases to land	• Physical attributes i.e. shape, colour
• Use of raw materials and natural resources	• Other local environmental and community issues i.e. odour, noise
• Use of energy	

We will continue to evaluate and assess relevant environmental aspects and incorporate emerging indicators into our management system.

REAL ESTATE

TEE Land's main contractors are ISO 14001 certified to comply fully with required environmental laws and regulations. Our appointed consultants regularly conduct site visits to ensure contractors operate under their standard operating procedures and adhere to environmental regulations.

Development projects 183 Longhaus, REZI 35 and TRIO meet the green standards and have been awarded the Green Mark Certification administered by BCA in Singapore. The office block of the Third Avenue, Cyberjaya project in Malaysia has been awarded the provisional Green Building Index certification administered by the Green Building Index Certification Panel. During the reporting period, there were no incidents of non-compliance and penalties for environmental related issues. To maintain the highest standard of environmental compliance and to prevent future occurrence of incidence, we will continue to review and improve current environmental management system and practices.

INFRASTRUCTURE

As a leading environmental services provider, TEE Environmental works seamlessly with a network of clients, partners and suppliers to cultivate environmental and sustainability awareness through events and workshops, as well as to encourage supporting related causes. TEE Environmental, TEE Recycling along with our Materials Recovery Facilities, as well as Envotek are certified with ISO 9001:2015 (Quality Management System) and ISO 14001:2015 (Environmental Management System). Moving forward, TEE Environmental strives to enhance current practices and prevent any occurrences of non-compliance.

SOCIAL TOPICS
GRI401 EMPLOYMENT

AN EQUAL OPPORTUNITY EMPLOYER

TEE Group is an equal opportunity employer with strictly no discrimination in our career advancement and recruiting practices. Our recruitment process is stringently based on the TEE Group Human Resources policies and guidelines. There are no preferences for any particular religion, age, ethnicity, race, physical disability or gender. We promote healthy competition and a performance-driven environment where employees are rewarded based on merits, capabilities and experiences. Our employees can resign on a voluntary basis given that the required notice period is fulfilled.

We have a corporate Code of Business Conduct and Ethics Policy in place, which establishes acceptable standards of behaviours and outlines the Group's values for all employees. The key objective is to promote responsible workplace behaviours and maintain a strong ethical climate among all employees. Employees are required to observe all relevant Group policies and practices. We encourage declaration of conflict of interest on an annual basis as a preventive safeguard for fair and transparent dealings and business relationships.

As of 31 May 2018, the Group has a total number of 832 employees, of which 98.3% are permanent staff. We have 174 new hires during the reporting period and a staff turnover rate of 30.8% due to high turnover of general workers. We will continue to cultivate a transparent and inclusive environment to attract and retain talent while ensuring a top-down approach to promote fair and ethical business dealings.

HEALTH AND WELLNESS OF EMPLOYEES

A healthy and balanced lifestyle is paramount for a long and fulfilling career. The Group prioritises employee well-being through a wide range of activities and initiatives throughout the organisation. On top of regular team bonding, health talks, lunch talks, team sports, workout sessions and cooking classes, the Group also keeps all employees informed of quarterly corporate events and developments with a quarterly internal newsletter called "Insight TEE". As part of our employee engagement program, we conduct an annual employee satisfaction survey to gain more insights on how we can further improve overall employee well-being and welfare. We strive to enhance existing employee engagement initiatives and roll out more well-rounded programs going forward.

GRI403 OCCUPATIONAL HEALTH AND SAFETY

Maintaining a safe and healthy workplace for our employees and contractors is critical to the Group's continual operation and success. Occupational health and safety is governed by the Quality, Environmental Health and Safety Management framework. Our engineering, real estate and infrastructure businesses have been certified with bizSAFE Star for high standards of workplace health and safety.

The Group applies the principles of ergonomics in the workplace to improve occupational health and safety, employee well-being and productivity. Each department regularly reviews workplace health and safety issues to implement appropriate control measures, including engineering controls, work practice controls and ongoing reminders.

Through strict adherence to health and safety requirements, coupled with relevant programmes in place, the Group maintained zero cases of fatality and occupational diseases at our work sites during the reporting period. We strive to retain our accident-free track record going forward and will remain vigilant to maintain stringent health and safety standards in all our business operations.

SUSTAINABILITY REPORT

SUSTAINABILITY REPORT

ENGINEERING

Trans and PBT have been awarded the OHSAS 18001: 2007 (Occupational Health and Safety Management System) and SS 506 Part 1: 2009 (Occupational Safety and Health Management Systems) certifications, and operate compliantly with the OHSAS Manual. Health and safety practices and procedures such as a fall prevention plan, hearing conservation programme and machine operation procedures are regularly reviewed and strictly supervised to reduce risks of accidents at construction sites. OHSAS training sessions are conducted at construction sites by safety officers, safety coordinators and supervisors.

REAL ESTATE

TEE Land's main contractors are certified with OHSAS 18001:2007 (Occupational Health and Safety Management System). All employees are responsible for observing the internal Occupational Health and Safety ("OHS") Standard Operating Procedures ("SOPs") and report any OHS-related incidents to relevant parties. To ensure safe and regulated practices, our contractors' safety officers and supervisors conduct training and briefings in addition to regulatory courses. Our project teams and management prioritise and endorse the "safety first" mindset alongside appropriate ergonomic practices at workplace and construction sites.

INFRASTRUCTURE

TEE Environmental, TEE Recycling and Envotek are certified with the OHSAS 18001: 2007 (Occupational Health and Safety Management System). Awareness training is conducted on a periodic basis to ensure adherence to safety practices and standards.

GRI404 TRAINING AND EDUCATION

The Group is committed to developing a capable and productive workforce through comprehensive learning and development programmes made available to all employees. We believe in building a long-term career for our employees, as well as creating an inclusive and growth-driven workplace where good performance is rewarded.

Our talent management programmes are comprehensive, consisting of internal and external training, competency development plans guided by best practices, cultural alignment talks, regular performance review and seminars on learning strategies. Employees are able to undergo training courses based on identified skillset gaps after each performance review to achieve greater effectiveness and efficiency in their work. Recognising the importance of operation-related training for workers at construction sites for safe and compliant day-to-day operations, such training sessions are held on a timely basis.

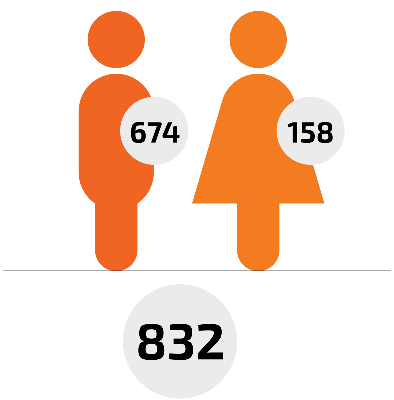
Additionally, the Group believes in nurturing future leaders to lay the foundation of long-term growth. As such, a succession planning programme has been established that involves defining key leadership requirements and positions, identifying high potential candidates and providing the required trainings to hone their leadership and management skills. Candidates who have been recognised thus far have contributed to the Group's continual success for more than a decade and are identified by senior management as emerging leaders.

During the reporting period, the Group has dedicated a total of 5,613 training hours for all employees. Key training courses conducted this year include financial reporting, corporate governance, leadership, safety, ethics and engineering skills. Going forward, the Group will continue to identify and nurture future leaders for business continuity, as well as encourage employee self-improvement to enhance workforce productivity and employee potential.

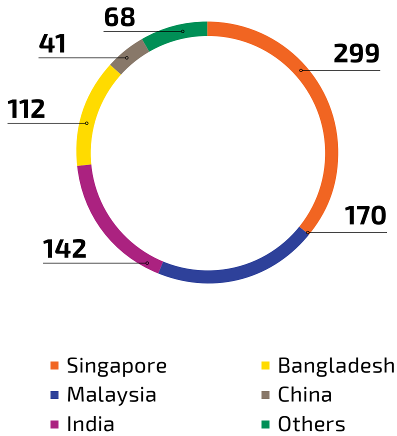
GRI405 DIVERSITY AND EQUAL OPPORTUNITY

A diversified workforce gives rise to greater creativity, innovation and cultural exchange within the Group. We are committed to creating an inclusive and cohesive environment where our employees share their visions and aspirations for the businesses while growing and developing together with the Group. The average age of workforce is 38, alongside a total headcount of 832 comprising 10 nationalities. Our workforce composition by gender, level of positions and qualifications is illustrated on the next page.

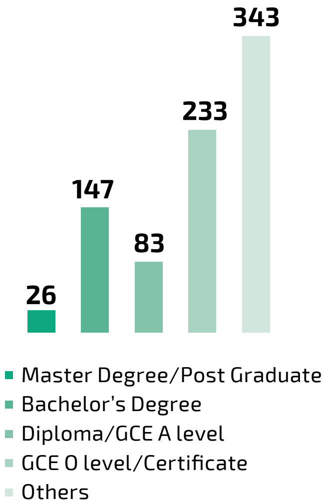
Workforce by Gender



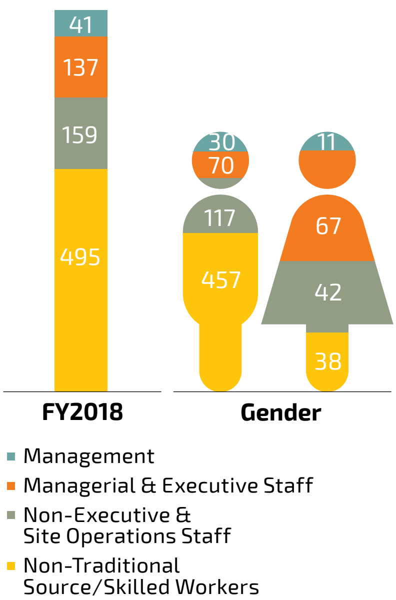
Workforce by Nationality



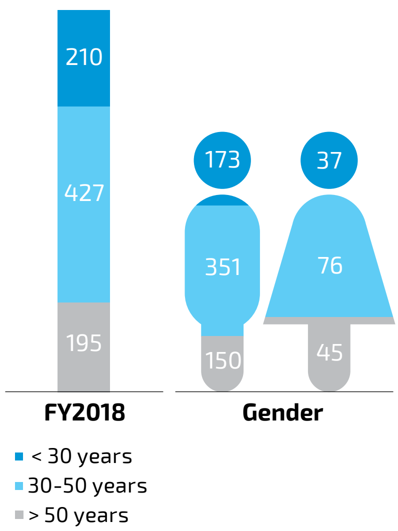
Workforce by Educational Qualifications



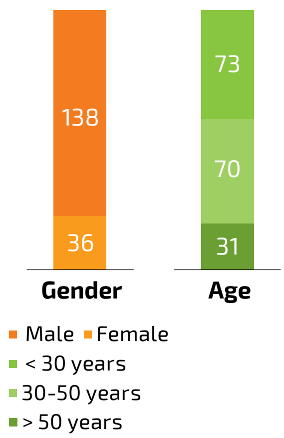
Workforce by Seniority & Gender



Workforce by Age & Gender



New Hires by Gender & Age (FY2018)



GRI413 LOCAL COMMUNITIES

The Group is dedicated to being a model corporate citizen who positively contributes and impacts the community. Corporate Social Responsibility ("CSR") is instilled within our core values and philosophy. We encourage the spirit of volunteerism and actively encourage our employees to take part in our regular community and volunteering events.

Villa Francis Home for the Aged ("VFHA") is our adopted charity where we organise regular visits, events and activities to engage the elderly. During the reporting period, we organised events such as Chinese New Year celebrations and durian parties for the elderly at VFHA to enjoy the festivities.

The Group will continue our CSR contributions, as well as explore other ways we can make an impact.

GRI STANDARDS CONTENT INDEX

GRI Ref	Disclosures	Page/Section Reference
1. Organizational profile		
102-1	Name of the organization	Corporate Profile
102-2	Activities, brands, products, and services	Corporate Profile
102-3	Location of headquarters	Corporate Information
102-4	Location of operations	Corporate Profile
102-5	Ownership and legal form	• Corporate Profile • Business Segments • Corporate Structure
102-6	Markets served	• Corporate Profile • Group Chief Executive & Managing Director's Message • Operating Review • Our Strategic Focus • Business Segments
102-7	Scale of the organization	• Chairman's Message • Operating Review • Financial Review
102-8	Information on employees and other workers	Sustainability Report
102-9	Supply chain	Sustainability Report
102-10	Significant changes to the organization and its supply chain	• Chairman's Message • Group Chief Executive & Managing Director's Message • Operating Review • Business Segments
102-11	Precautionary Principle or approach	• Our Strategic Focus • Group Chief Executive & Managing Director's Message
102-12	External initiatives	• Chairman's Message • Investor Relations • Sustainability Report
102-13	Membership of associations	Not applicable
2. Strategy		
102-14	Statement from senior decision-maker	Chairman's Statements
102-15	Key impacts, risks, and opportunities	• Chairman's Statements • Operation Review • Financial Review
3. Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	Sustainability Strategy
102-17	Mechanisms for advice and concerns about ethics	Economic Topics: Anti-Corruption
4. Governance		
102-18	Governance structure	Corporate Governance Report
102-19	Delegating authority	Corporate Governance Report
102-20	Executive-level responsibility for economic, environmental, and social topics	Board Statement
102-21	Consulting stakeholders on economic, environmental, and social topics	Board Statement
102-22	Composition of the highest governance body and its committees	Corporate Governance Report
102-23	Chair of the highest governance body	Corporate Governance Report
102-24	Nominating and selecting the highest governance body	Corporate Governance Report
102-25	Conflicts of interest	• Corporate Governance Report • Anti-Corruption Pg23 • Employment Pg29
102-26	Role of highest governance body in setting purpose, values, and strategy	Corporate Governance Report
102-27	Collective knowledge of highest governance body	Corporate Governance Report
102-28	Evaluating the highest governance body's performance	Stakeholder Engagement
102-29	Identifying and managing economic, environmental, and social impacts	Board Statement
102-30	Effectiveness of risk management processes	Corporate Governance Report: Enterprise Risk Management
102-31	Review of economic, environmental, and social topics	Board Statement
102-32	Highest governance body's role in sustainability reporting	Board Statement
102-33	Communicating critical concerns	Stakeholder Engagement
102-34	Nature and total number of critical concerns	Stakeholder Engagement
102-35	Remuneration policies	Corporate Governance Report
102-36	Process for determining remuneration	Corporate Governance Report
102-37	Stakeholders' involvement in remuneration	Corporate Governance Report
102-38	Annual total compensation ratio	Corporate Governance Report
102-39	Percentage increase in annual total compensation ratio	Corporate Governance Report
102-40	List of stakeholder groups	Stakeholder Engagement
102-41	Collective bargaining agreements	Not Applicable
102-42	Identifying and selecting stakeholders	Stakeholder Engagement
102-43	Approach to stakeholder engagement	Stakeholder Engagement
102-44	Key topics and concerns raised	Stakeholder Engagement
102-45	Entities included in the consolidated financial statements	Reporting Practice and Boundary
102-46	Defining report content and topic Boundaries	Reporting Practice and Boundary
102-47	List of material topics	Materiality Assessment
102-48	Restatements of information	Not applicable
102-49	Changes in reporting	Not applicable
102-50	Reporting period	Reporting Practice and Boundary
102-51	Date of most recent report	Reporting Practice and Boundary
102-52	Disclosure Reporting cycle	Reporting Practice and Boundary
102-53	Contact point for questions regarding the report	Invest Relations
102-54	Claims of reporting in accordance with the GRI Standards	Reporting Practice and Boundary
102-55	GRI content index	GRI Standards Content Index
102-56	External assurance	Reporting Practice and Boundary
103-1	Explanation of Material Topic and its Boundary	• Materiality Assessment • Reporting Practice and Boundary
103-2	The management approach and its components	Economic, Environmental and Social Topics
103-3	Evaluation of the management approach	Economic, Environmental and Social Topics
Economic Topics		
201-1	Direct economic value generated and distributed	Page 23
205-2	Communication and training on anti-corruption policies and procedures	Page 23
Environmental Topics		
302-1	Energy consumption within the organisation	Page 24
302-3	Energy intensity	Page 24
303-1	Total water consumption	Page 26
306-2	Waste by type and disposal method	Page 27
307-1	Non-compliance with environmental laws and regulations	Page 28
Social Topics		
401-1	New employee hires and employee turnover	Page 29
403-1	Staff represented in OHS committee	Page 29
403-2	Occupational injury	Page 29
404-1	Average hours of training	Page 30
404-3	Performance and career development reviews	Page 30
405-1	Diversity	Page 30
413-1	Operations with local community engagement, impact assessment and development programs	Page 31

CORPORATE GOVERNANCE REPORT

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

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

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

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

BOARD MATTERS

The Board's Conduct of Affairs

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

Guidelines 1.1 and 1.2: Principal Role, Duties and Responsibilities of the Board

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

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

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

CORPORATE GOVERNANCE REPORT

Guideline 1.3: Delegation of Authority by the Board

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

Guideline 1.4: Meetings of the Board

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

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

The details of the frequency of Board and Board Committee meetings held during the financial year ended 31 May 2018 (**"FY2018"**) and the attendance of every Board member at the meetings are set out below:

Name of Director	Board of Directors' Meeting		Board Committee Meetings					
			AC Meeting		NC Meeting		RC Meeting	
	No. of meetings held*	No. of meetings attended	No. of meetings held*	No. of meetings attended	No. of meetings held*	No. of meetings attended	No. of meetings held*	No. of meetings attended
Mr. Bertie Cheng Shao Shiong	5	5	–	–	–	–	–	–
Mr. Lee Ah Fong	5	5	5	5	1	1	1	1
Mr. Gn Hiang Meng	5	5	5	5	1	1	1	1
Mr. Aric Loh Siang Khee	5	5	5	5	–	–	1	1
Mr. Phua Chian Kin	5	5	–	1[1]	1	1	–	1[1]
Mr. Phua Boon Kin	5	5	–	4[1]	–	–	–	
Ms. Saw Chin Choo	5	5	–	–	–	–	–	–

Notes:

* Number of meetings held during the FY2018.

[1] By Invitation

Guideline 1.5: Internal Guidelines for Matters Requiring Board Approval

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

Guidelines 1.6 and 1.7: Directors' Orientation and Training

Upon appointment as a director, each director receives a formal letter of appointment from the Company and will also be provided with the relevant information on his/her duties and responsibilities as a director, the Company's annual reports, corporate governance processes as well as relevant statutory and regulatory compliance issues. Orientation courses and educational programs will be organised for each new director to ensure that the incoming director is familiar with the Group's key business and governance practices. There was no new director appointed during FY2018.

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

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

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

During FY2018, the directors collectively attended external programmes, seminars, briefings and update sessions, such as the core professional development programmes on Rebooting Corporate Governance, Director's Financial Reporting Essentials and on Competitiveness, Trade, Liveability and Productivity in ASEAN Economies. Apart from attending external courses, the directors have also attended various programmes such as in-house training conducted by the Company or conducted by external professional or consultancy firms invited by the Company on topics such as on Strategic Thinking, Overview of Financial Reporting Standard and on Anti-Corruption. Attendances to such training session help enhance the performance of the directors in their duties.

Board Composition and Guidance

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

Guidelines 2.1 and 2.2: Board Independence

The Board comprises seven directors, of whom four are independent directors. More than half of the Board is made up of independent directors and this composition is in compliance with the Code's requirement that at least one-third of the Board should be made up of independent directors. Currently, there is no alternate director appointed.

The composition of the Board is as follows:

Executive Directors
Mr. Phua Chian Kin (Group Chief Executive & Managing Director)
Mr. Phua Boon Kin (Deputy Group Managing Director)
Ms. Saw Chin Choo

CORPORATE GOVERNANCE REPORT

Independent Directors
Mr. Bertie Cheng Shao Shiong (Chairman)
Mr. Lee Ah Fong
Mr. Gn Hiang Meng
Mr. Aric Loh Siang Khee

Guidelines 2.5 and 2.6: Board Competency and Diversity

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

The Board is made up of a team of high calibre leaders whose extensive experience, knowledge and expertise combine will contribute to the effective decision-making and direction for the Group. Collectively, there is an appropriate balance and diversity of skills, experience, gender and knowledge of the Board. The Board possesses the core competencies in areas such as vast experience in the Group's core businesses and industry, finance, audit, tax, legal knowledge, management and strategic capability. The profiles of the directors are set out in the "Board of Directors" section on pages 14 to 15 in this Annual Report. The composition of the Board enables the Company's management to benefit from the objective perspective on issues brought before the Board. The NC is of the view that the Board is of the appropriate size and with the right mix of skills and experience given the nature and scope of the Group's operations.

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

Guidelines 2.7 and 2.8: Role of Non-Executive Directors

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

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

The NC reviews the independence of each independent director on an annual basis by taking into consideration the Code's guidelines and definition of an independent director as well as the relationships which would deem an independent director not to be independent. As a result of the NC's review of the independence of each independent director for FY2018, the NC is of the view that the independent directors of the Company are independent and that no individual or small group of individuals dominate the Board's decision-making process. The Board has determined after taking into account the views of the NC that each independent director, namely Mr. Bertie Cheng Shao Shiong, Mr. Lee Ah Fong, Mr. Gn Hiang Meng and Mr. Aric Loh Siang Khee are independent in character and judgement and there are no relationships or circumstances which are likely to affect, or could appear to affect the directors' judgement.

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

Taking into consideration that Mr. Bertie Cheng Shao Shiong has served on the Board for more than nine years, the NC has conducted a rigorous review of his independence and has determined that he has maintained his independence in accordance with the Code and has contributed significantly to the discussion on matters brought before the Board, which includes issues relating to the strategic direction and corporate governance of the Company. Mr. Cheng's independence and objective leadership of the Board, his depth of experiences and skills, makes him an invaluable member of the Board. The Board concurred with the views of the NC and is satisfied with the performance and independence of judgement of Mr. Cheng.

The Board does not consider it to be in the interests of the Company and shareholders to require all directors who have served for nine years or longer to retire. The Board is of the view that the continuity and stability of the Board provide effective decision-making.

Role of Chairman and Group Chief Executive & Managing Director

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

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

The Chairman and the Group Chief Executive & Managing Director (**"GCE & MD"**) are not related to each other. There is a clear division of responsibilities of the Chairman and GCE & MD to ensure an appropriate balance of power and authority to increase accountability and greater capacity of the Board for independent decision-making.

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

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

Mr. Phua Boon Kin, the Deputy Group Managing Director and Managing Director of the Group's Engineering business (**"Deputy Group MD"**) assists the GCE & MD in the corporate affairs, including overall financial performance, internal controls and risk management of the Group's business in various business units.

In order to assist the GCE & MD, an EXCO has been established. The GCE & MD is the Chairman of the EXCO. More details on the EXCO can be found on page 52.

BOARD COMMITTEES

NOMINATING COMMITTEE

Board Membership

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

CORPORATE GOVERNANCE REPORT

Guideline 4.1: Composition of the NC

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

Independent Directors
Mr. Gn Hiang Meng (Chairman)
Mr. Lee Ah Fong

Executive Director
Mr. Phua Chian Kin

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

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

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

In addition, the NC also performs the following functions:

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

Process for Selection and Appointment of New Directors:

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

Retirement and Re-election of Directors

All directors (excluding the GCE & MD) submit themselves at each AGM for re-election at regular intervals of at least once every three years. Pursuant to Article 89 of the Company's Constitution, one-third of the Board of Directors (apart from the GCE & MD) are subject to retirement from office by rotation and eligible for re-election at the Company's AGM. Each member of the Board and NC shall abstain from any discussion and decision in respect of his/her own re-nomination as director.

The NC has recommended the nomination of directors retiring by rotation under Article 89 of the Company's Constitution, namely Mr. Phua Boon Kin and Mr. Aric Loh Siang Khee for re-election at the forthcoming AGM of the Company which has been scheduled to be held on 26 September 2018 (**"2018 AGM"**). Both Mr. Phua and Mr. Loh, being eligible for re-election, have offered themselves for re-election. Mr. Loh will, upon re-election as a director of the Company, remain as a member of AC and RC. Both Mr. Phua and Mr. Loh abstain from any discussion and decision in respect of their own re-nomination as director.

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

Name of Director	Age	Position	Date of Initial Appointment	Date of last Re-appointment / Re-election
Mr. Bertie Cheng Shao Shiong	81	Independent Director	5 March 2001	27 September 2016
Mr. Lee Ah Fong	72	Independent Director	1 March 2011	27 September 2016
Mr. Gn Hiang Meng	70	Independent Director	1 June 2013	13 November 2017
Mr. Aric Loh Siang Khee	54	Independent Director	1 August 2014	27 September 2016
Mr. Phua Chian Kin	59	Executive Director	15 August 2000	Not applicable
Mr. Phua Boon Kin	56	Executive Director	1 September 2008	29 September 2015
Ms. Saw Chin Choo	56	Executive Director	10 September 2004	13 November 2017

Succession Plan for the Board and Key Management

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

Guideline 4.4: Review of Directors with Multiple Board Representations

The NC is of the view that multiple listed company board appointments will not affect the director's ability to carry out their duties as directors of the Company and therefore, it would not be necessary to prescribe a maximum number of listed company board presentations a director may hold. With full attendance of the directors at Board and Board Committee meetings for FY2018, the NC is also satisfied that each director has contributed and devoted sufficient time and attention to the Company's affairs to adequately and competently carry out his or her duties as a director of the Company. The Board concurs with the view of the NC.

Policy on External Appointments

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

CORPORATE GOVERNANCE REPORT

Board Performance

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

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

In the process of assessing the effectiveness of the Board, the contribution of individual directors plays an important role. In reviewing the re-election as well as re-appointment of any director, a formal process is established by performing an evaluation on the performance of the directors annually. Assessment on each director's contribution to the Board includes his attendance and participation, time and effort devoted to the Company's business and affairs. The NC has also conducted the Performance Evaluation exercise to assess the effectiveness of the Board and Board Committees for FY2018. The results of the annual assessment shown that the effectiveness of the Board as a whole and its Board Committees and the contribution by each director to the effectiveness of the Board are consistently good. Overall, the NC is satisfied with the Performance Evaluation results.

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

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

Access to Information

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

Guidelines 6.1 and 6.2: Adequacy of Information Provided to the Board

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

The GCE & MD also updated the Board at each meeting on business and strategic developments pertaining to the Group's business.

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

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

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

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

Guideline 6.5: Ability to take Independent Professional Advice

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

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

Level and Mix of Remuneration

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

Disclosure on Remuneration

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

Guidelines 7.1 and 7.2: Establishment of the RC and its Role

The RC comprises three independent directors as follows:

Independent Directors
Mr. Lee Ah Fong (Chairman)
Mr. Gn Hiang Meng
Mr. Aric Loh Siang Khee

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

The responsibilities of the RC are as follows:

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

Guideline 9.6: Disclosure on Link between Performance and Remuneration

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

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

No option has been granted under the TEE ESOS 2016 and no shares have been awarded under the TEE PSP 2016 since the commencement of the Schemes till the end of FY2018.

Guideline 8.3: Remuneration of Non-Executive Directors

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

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

The GCE & MD has a 3-year renewal service contract with removal clauses or early termination clauses. The RC would review the Group's obligations arising in the event of termination of the executive directors' and key management's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

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

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

The RC did not require the services of an external remuneration consultant during FY2018. Nevertheless, the RC will seek advice from external consultant should such need arise in the future.

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

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

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

The breakdown of the level and mix of remuneration paid or payable to each director of the Company (in percentage terms) for FY2018 is set out below:

Directors' Remuneration

Remuneration bands & Name of Director of the Company	Directors' Fees %[1]	Attendance Fees %[1]	Salaries %[2]	Bonuses %[2]
S$500,000 to below S$750,000				
Mr. Phua Chian Kin	2.8	1.6	77.9	17.7
S$250,000 to below S$500,000				
Mr. Phua Boon Kin[3]	2.5	1.9	76.9	18.7
Ms. Saw Chin Choo	2.8	1.6	77.0	18.6
Below S$100,000				
Mr. Bertie Cheng Shao Shiong	92.8	7.2	–	–
Mr. Lee Ah Fong	88.8	11.2	–	–
Mr. Gn Hiang Meng	89.3	10.7	–	–
Mr. Aric Loh Siang Khee	87.1	12.9	–	–

Notes:

1 Mr. Bertie Cheng Shao Shiong, Mr. Lee Ah Fong, Mr. Gn Hiang Meng and Mr. Aric Loh Siang Khee were paid S$64,000, S$75,000, S$79,500 and S$54,000 respectively for FY2018. Mr. Phua Chian Kin was paid S$17,250, Mr. Phua Boon Kin and Ms. Saw Chin Choo were paid S$10,500 each for FY2018.

2 The salaries and bonuses shown are inclusive of Singapore Central Provident Fund Contributions.

3 Mr. Phua Boon Kin is the younger brother of Mr. Phua Chian Kin, GCE & MD.

CORPORATE GOVERNANCE REPORT

Guideline 9.3: Disclosure of Key Executives' Remuneration

Due to competitiveness and commercially sensitive reasons, the Company is not disclosing the names and remuneration of each of the key management (who are not directors or CEO of the Company). The Company believes that the disclosure may be prejudicial to its business interests given that it is operating in highly competitive business environments. Hence, the Company is only disclosing the remuneration of its top five (5) key management, in bands of S$250,000 as follows:

Remuneration Band	Salaries %[1]	Bonuses %[1]
S$250,000 to below S$500,000		
5 Key Management	86.1%	13.9%
Total Remuneration	S$1,404,480	

Note:

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

Guideline 9.4: Remuneration of Employees Related to Directors or CEO

With the exception of Mr. Phua Chian Kin, Mr. Phua Boon Kin, Mr. Phua Cher Chuan and Mr. Phua Cher Chew, there were no employees of the Group who are family members of a director or the GCE & MD of the Company, and whose remuneration exceeded S$50,000 during FY2018. Mr. Phua Boon Kin, Deputy Group MD, is the younger brother of Mr. Phua Chian Kin, GCE & MD. Both Mr Phua Cher Chuan and Mr. Phua Cher Chew are the nephews of Mr. Phua Chian Kin and Mr. Phua Boon Kin. Mr. Phua Cher Chew is the Executive Director and Chief Executive Officer of TEE Land Limited and his remuneration is disclosed in TEE Land Limited's annual report for FY2018. The remuneration of Mr. Phua Cher Chuan is as follows:

Remuneration Band	Salaries %[1]	Bonuses %[1]
S$50,000 to below S$250,000		
Mr. Phua Cher Chuan	88.4%	11.6%

Note:

[1] The salary and bonus shown are inclusive of Singapore Central Provident Fund Contributions.

ACCOUNTABILITY AND AUDIT

Accountability

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

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

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

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

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

For accountability purpose, the negative assurance confirmation by the Board was incorporated into the results announcements of the first, second and third quarters. The assurance was confirmed by Mr. Phua Boon Kin, Deputy Group MD, and Ms. Saw Chin Choo, Executive Director, for and on behalf of the Board, that to the best of the Board's knowledge, nothing has come to the attention of the Board which may render the unaudited financial statements to be false or misleading in any material aspect.

The directors aim to present a balanced and transparent assessment of the Group's position and prospects. During the preparation of financial statements, the directors have ensured that all applicable financial reporting standards have been followed; judgments and estimates made are reasonable and prudent; and adopted appropriate accounting policies and applied them consistently. The Company's management currently provides the Board with a continual flow of relevant information on a timely basis so that it may effectively discharge its duties.

Risk Management and Internal Control

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

The Audit Committee (**"AC"**) also reviewed reports submitted by the internal and external auditors relating to the effectiveness of the Group's internal controls including the adequacy and effectiveness of the Group's financial, human resources, operational, compliance and relevant communications as part of their audit for FY2018.

The Board has received assurance from the GCE & MD and the Group Chief Financial Officer (**"Group CFO"**) (i) that the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (ii) that the Group's risk management and internal control systems are in place and effective.

Based on the framework of risk management and internal controls established and maintained, the work performed by the Business Control and Risk department, internal and external auditors, and the reviews performed by the Company's management and the above assurance from the GCE & MD and Group CFO, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal control systems, addressing key financial, operational, compliance, information technology and risk management objectives, and which the Group considers relevant and material to its operations were adequate and effective to meet the needs of the Group in its business environment during FY2018. The Company has complied with Rule 1207(10) of the Listing Manual of SGX-ST.

Guideline 11.4: Risk Committee

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

Audit Committee

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

Guidelines 12.1 and 12.2: Composition of the AC

The AC consists of three independent directors as follows:

Independent Directors
Mr. Gn Hiang Meng (Chairman)
Mr. Lee Ah Fong
Mr. Aric Loh Siang Khee

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

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

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

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

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

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

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

The duties of AC include the following:

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

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

It is noted that different auditors have been appointed for some of the local and overseas subsidiaries and associates. The names of the auditing firms are disclosed in Notes 17 and 18 of the Notes to Financial Statements in the Annual Report. To comply with Rule 716 of the Listing Manual of the SGX-ST, this matter has been reviewed by the AC and the Board. The AC and the Board have satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Company.

Guideline 12.6: Review of Independence of External Auditor

Having reviewed the amount of non-audit related work which comprised tax services rendered to the Group by the external auditor, Deloitte & Touche LLP (**"D&T"**), the amount of audit and non-audit fees payable to D&T, as disclosed in Note 44 of the Notes to Financial Statements in the Annual Report, the AC was satisfied that the nature and extent of such services provided will not prejudice the independence and objectivity of the external auditor. The AC has accordingly recommended their re-appointment to the Board for shareholders' approval at the 2018 AGM.

CORPORATE GOVERNANCE REPORT

Guideline 12.7: Whistle-Blowing Policy

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

All whistle-blower complaints would be reviewed by the AC at its quarterly meetings to ensure thorough investigation and adequate follow-up. On an on-going basis to bring awareness of this policy, the whistle-blowing policy is covered during staff's training or periodic communication to all staff. In addition, new staff who joined the Company will also be informed of the availability of such policy which can be downloaded from staff electronic-portal. There were no whistle-blowing reports received during FY2018 and until the date of this Annual Report.

Guideline 12.9: Former Partner or Director Involved in Company's Audit Process

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

Internal Audit

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

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

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

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

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

In consultation with the AC and independent of the Company's management, the IA and BCR have reviewed key internal controls in selected areas and they have reported their findings to the AC and recommended areas of improvement to strengthen the Group's internal control system.

COMMUNICATIONS WITH SHAREHOLDERS

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

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

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

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

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

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

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

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

The Company has taken steps to solicit and understand the views of the shareholders by proactively engaging shareholders and investors through face-to-face meetings, email communication, webpage and conference calls. The Company meets its retail and institutional investors regularly at least (4) four times within each financial year, once every quarter after the release of its Group's financial results, and at other times as and when appropriate. The Company has conducted a Shareholders' Forum in February 2018 to update shareholders on the Group's business overview, latest corporate and industry developments and to attend to their questions.

The Company also worked with the Securities Investors Association (Singapore) ("**SIAS**") to organise a SIAS dialogue session in relation to the Company's corporate exercise during FY2018. The SIAS dialogue session served as an avenue to explain the rationale of the corporate exercise, as well as address shareholders' concerns.

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

Guideline 15.5: Dividend Policy

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

As the Group incurred losses in FY2018, no dividend has been proposed by the Board for this financial year.

Conduct of shareholder meetings

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

Guidelines 16.1 and 16.2: Greater Shareholder Participation and Separate Resolutions

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

CORPORATE GOVERNANCE REPORT

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

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

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

Guideline 16.4: Minutes of General Meetings

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

Guideline 16.5: Voting by Poll

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

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

DEALING IN SECURITIES

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

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

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

The guidelines on share buy-back mandate to be renewed at the 2018 AGM also provides that the Company will not repurchase or acquire any share through on-market share purchases during the period commencing two (2) weeks and one (1) month immediately preceding the announcement of the Company's quarterly and full year results respectively.

The Company has adhered to its policy for securities transactions for FY2018.

MATERIAL CONTRACTS

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

INTERESTED PERSON TRANSACTIONS

The Group has adopted a policy in respect of any transactions with interested persons which requires all such transactions to be at arm's length, that the transactions are not prejudicial to the interests of the shareholders and reviewed by the AC during the quarterly and full-year meetings. The following disclosures have been made in compliance with Rule 907 of the Listing Manual of SGX-ST.

The aggregate values of all interested person transactions during the financial year (excluding transactions less than S$100,000) in FY2018 are as follows:

Name of interested person	Nature of Transaction	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S$'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) S$'000	Remarks
PBT Automobile & Credit Pte. Ltd.	Rental of vehicles	235	–	Company with common shareholder and director

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

USE OF PROCEEDS ARISING FROM EXERCISE OF BONUS WARRANTS

On 30 April 2018, there were bonus warrants issued on the basis of one (1) warrant for every ten (10) existing ordinary shares in the capital of the Company held by the shareholders of the Company. A total of 50,195,020 bonus warrants were issued and can be exercised at the exercise price of S$0.215 per warrant payable in cash within the period from the date of issue of the bonus warrants, 30 April 2018 and expiring at 5.00 p.m. on 30 October 2020. As the bonus warrants were issued free to the shareholders, there were no immediate proceeds from the bonus warrants issue.

As at 31 May 2018, the number of outstanding bonus warrants was 50,195,020. No warrants were exercised during the FY2018. The Company intends to utilise the net proceeds arising from the exercise of bonus warrants for financing working capital, reduction of existing loans and new investments and capital expenditure requirements of the Group as the directors may deem fit. As the actual amount of net proceeds to be received by the Company from the exercise of the bonus warrants will depend on when and the extent to which the bonus warrants are exercised, the percentage allocation for the aforementioned intended uses cannot be determined as at to date.

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

CORPORATE GOVERNANCE REPORT

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

EXECUTIVE COMMITTEE

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

Executive Director
Mr. Phua Chian Kin (Chairman)

Independent Directors
Mr. Lee Ah Fong
Mr. Gn Hiang Meng

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

The details of the frequency of the EXCO meetings held during FY2018 and the attendance of the EXCO members and the invitees are set out below:

	EXCO Meetings	
Name of Member	**No. of meetings held***	**No. of meetings attended**
Mr. Phua Chian Kin	2	2
Mr. Lee Ah Fong	2	2
Mr. Gn Hiang Meng	2	2
Mr. Phua Boon Kin	–	2[1]
Ms. Saw Chin Choo	–	1[1]

Notes:

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

[1] By Invitation

Guideline	Questions	How has the Company complied?
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code. (b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	(a) Yes. Where there are deviations from the principles and guidelines of the Code, an explanation has been provided in this Report. (b) Not applicable.
Board Responsibility		
Guideline 1.5	(a) What are the types of material transactions which require approval from the Board?	The specific matters which are reserved for the Board's approval include the following: (1) all investments, material acquisitions and disposals of assets and corporate restructuring; (2) all commitments to term loans and lines of credit from banks and financial institutions; and (3) unbudgeted capital expenditures.
Members of the Board		
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees? (b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate. (c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?	(a) The Nominating Committee ("**NC**") is responsible for examining the Board size and composition to ensure effciency and will make its recommendation to the Board in relation to these matters and the NC takes into account factors such as knowledge and experience of directors, scope and nature of the Group's operation, balance of skills, perspectives and the balance of executive directors and independent directors. (b) Collectively, there is an appropriate balance and diversity of skills, experience, gender and knowledge of the Board, the Board possess the core competencies in areas such as vast experience in the Group's core businesses and industry, finance, audit, tax, legal knowledge, management and strategic capability. (c) The Board and NC have taken, inter alia, the following steps to enhance its balance and diversity to maximize its effectiveness: (1) The nomination process of directors takes into consideration the importance of as knowledge and experience of directors, scope and nature of the Group's operation, balance of skills, perspectives and the balance of executive directors and independent directors; (2) Annual review and recommend directors who are retiring by rotation to be put forward for re-election to the Board, having regard to the director's contribution and performance including, if applicable, as an independent director; and (3) Ensure that, where the director has multiple directorships, he is able to devote sufficient time and attention to the affairs of the Group so as to carry out his duties.

CORPORATE GOVERNANCE REPORT

Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	(i) For the financial year, there is no appointment of new directors, however, the Group does have the nomination procedures in place for assessing or selection and appointment of new directors as set out in page 38 of this Annual Report; and (ii) The nomination process for the Company in the last financial year for re-electing incumbent directors includes : • the director's contribution and performance including, if applicable, as an independent director; • ensure that, where the director has multiple directorships, he is able to devote sufficient time and attention to the affairs of the Group so as to carry out his duties; • assessment on each director's contribution to the Board includes his attendance and participation, time and effort devoted to the Company's business and affairs; and • being eligible for re-election, have offered themselves for re- election.
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why. (b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?	(a) Yes. Orientation courses and educational programs will be organised for each new Director to ensure that the incoming Director is familiar with the Group's key business and governance practices. (b) The types of information and training provided to (i) new directors, are as set out in page 35 of this Annual Report; and (ii) existing directors to keep them up-to-date, are as set out in page 35 of this Annual Report.
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number? (b) If a maximum number has not been determined, what are the reasons? (c) What are the specific considerations in deciding on the capacity of directors?	(a) No maximum number has been determined. (b) The reasons are as set out in page 39 of this Annual Report. (c) Assessment on each director's contribution to the Board includes his attendance and participation, time and effort devoted to the Company's business and affairs. The Board also ensures that the appointed directors possess core competencies like business experience, knowledge of accounting, audit, tax, finance, legal and background understanding of the industry.
Board Evaluation		
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year? (b) Has the Board met its performance objectives?	(a) The processes are as set out in page 40 of this Annual Report. (b) Yes.
Independence of Directors		
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Yes. The Board comprises seven directors, of whom four are independent directors. More than half of the Board is made up of independent directors and this composition is in compliance with the Code's requirement that at least one-third of the Board should be made up of independent directors.

Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	(a) No. (b) Not applicable.
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	The name of independent director who served on the Board for more than nine years and the Board's reasons for considering him independent are set out in pages 36 to 37 of this Annual Report.
Disclosure on Remuneration		
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/ bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Due to competitiveness and commercially sensitive reasons, the Company is not disclosing the remuneration of each individual director. However, the Company shall adopt the disclosure of the directors' remuneration in bands of S$250,000, which in the Company's context would provide an informative and good overview of the remuneration of the directors. The Board is of the opinion that the Company's compensation policies are commercially sensitive information and full disclosure is prejudicial to the Group's interests and may hamper its ability to retain the Group's talent pool. The long-term incentives comprising the TEE ESOS 2016 and TEE PSP 2016 (collectively, the **"Schemes"**), which were adopted at the extraordinary general meeting of the Company held on 27 September 2016. No options or awards were granted under the Schemes during the financial year.
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/ fixed salary, variable or performance-related income/ bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	(a) Due to competitiveness and commercially sensitive reasons, the Company is not disclosing the names and remuneration of each of the key management (who are not directors or CEO of the Company). The Company believes that the disclosure may be prejudicial to its business interests given that it is operating in highly competitive business environments. Hence, the Company is only disclosing the remuneration of its top five (5) key management, in bands of S$250,000, as well as a breakdown (in percentage terms) into base/fixed salary, variable or performance-related income/bonuses. (b) No options or awards were granted under the Schemes during the financial year. (c) For FY2018, the aggregate remuneration paid to the top five key management is S$1,404,480.

CORPORATE GOVERNANCE REPORT

Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	Details on employees who are immediate family member of a director or the CEO of the Company and whose remunerations exceeds S$50,000 during the year are as set out in page 44 of this Annual Report.
Guideline 9.6	(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria. (b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes? (c) Were all of these performance conditions met? If not, what were the reasons?	(a) The remuneration policy adopted by the Group comprises a fixed component and a performance-related variable component. The fixed component is in the form of a base salary. The variable component payouts depend on both the staff's individual performance and each company's performance within the Group. (b) The variable component payouts of the executive directors and key management were assessed based on meeting the pre-determined key performance indicators (KPI) or service conditions and involvement of the personnel in the assignment or project as well as their roles and responsibilities over the performance period. (c) Yes.
Risk Management and Internal Controls		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	The details on adequacy of information provided to the Board are as set out in page 40 of this Annual Report.
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Yes, the Company has appointed Protiviti Pte. Ltd. (the **"IA"**) to provide internal audit services within the Group for selected audits which are not audited internally by the Group's Business Control and Risk department (**"BCR"**).

Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems. (b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	(a) The Group has adopted the Enterprise Risk Management (**"ERM"**) Framework which is in line with the ISO31000 – Risk Management and Guidelines and the recommended best practices standard. The framework is reviewed regularly taking into the account changes in the business and operation environments as well as evolving corporate governance requirements. Identified risks that affect the achievement of the business objectives and financial performance of Group over a short-medium term are summarised in the Group Risks Register, and are being ranked according to their likelihood and consequential impact to the Group as a whole. On a half-yearly basis, Management reports to the Board on the Group's risk profile, evaluates results and counters measures to mitigate or transfer identified potential risks so as to assure that the process is operating effectively as planned. The AC also reviewed reports submitted by the internal and external auditors relating to the effectiveness of the Group's internal controls including the adequacy and effectiveness of the Group's financial, human resources, operational, compliance and relevant communications as part of their audit for FY2018. The Board has also received assurance from the GCE & MD and Group CFO : (i) that the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (ii) that the Group's risk management and internal control systems are in place and effective. (b) Yes.
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. (b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	(a) The amount of audit and non-audit fees payable to external auditors, Deloitte & Touche LLP (**"D&T"**) as disclosed in Note 44 of the Notes to Financial Statements in the Annual Report. (b) Having reviewed the amount of non-audit related work which comprised tax services rendered to the Group by the external auditor, D&T, the AC was satisfied that the nature and extent of such services provided will not prejudice the independence and objectivity of the external auditor.

CORPORATE GOVERNANCE REPORT

Communication with Shareholders		
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? (c) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	(a) Yes. The Company has taken steps to solicit and understand the views of the shareholders by proactively engaging shareholders and investors through face to face meetings, email communication, webpage and conference calls. The Company meets its retail and institutional investors regularly at least (4) four times within each financial year, once every quarter after the release of its Group's financial results, and at other times as appropriate. (b) Yes, a dedicated IR is available to facilitate investors' communication with the Company. An e-mail account maintained by IR is available at the Company's corporate website. (c) All material information is also updated on the Company's corporate website at http://www.teeintl.com, which serves as a one-stop source for shareholders and stakeholders. They may also subscribe to TEE International's email alert service, which will allow the subscribers to automatically receive all announcements or press releases that have been released by the Company via SGXNet.
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	As the Group incurred losses in FY2018, no dividend has been proposed by the Board for the financial year.

DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS

CONTENTS

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended May 31, 2018.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 72 to 153 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at May 31, 2018, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

Mr. Bertie Cheng Shao Shiong
Mr. Lee Ah Fong
Mr. Gn Hiang Meng
Mr. Aric Loh Siang Khee
Mr. Phua Chian Kin
Mr. Phua Boon Kin
Ms. Saw Chin Choo

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

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

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Shareholdings registered in names of directors			Shareholdings in which directors are deemed to have interests		
Names of directors and company in which interests are held	**At beginning of year**	**At end of year**	**At June 21, 2018**	**At beginning of year**	**At end of year**	**At June 21, 2018**
The Company			**Ordinary shares**			
Mr. Bertie Cheng Shao Shiong	7,500,000	7,500,000	7,500,000	3,900,000	3,900,000	3,900,000
Mr. Phua Chian Kin	282,054,456	286,156,752	286,656,752	17,423,004	17,423,004	17,423,004
Mr. Phua Boon Kin	105,172	105,172	105,172	–	–	–
Ms. Saw Chin Choo	1,390,000	1,395,000	1,395,000	3,312	3,312	3,312

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

Names of directors and company in which interests are held	Shareholdings registered in names of directors: At beginning of year	At end of year	At June 21, 2018	Shareholdings in which directors are deemed to have interests: At beginning of year	At end of year	At June 21, 2018
A subsidiary, TEE Land Limited			**Ordinary shares**			
Mr. Bertie Cheng Shao Shiong	500,000	500,000	500,000	260,000	260,000	260,000
Mr. Lee Ah Fong	37,000	37,000	37,000	–	–	–
Mr. Phua Chian Kin	23,491,793	23,491,793	23,491,793	283,939,210	283,939,210	283,939,210
Mr. Phua Boon Kin	7,011	7,011	7,011	93,000	93,000	93,000
Ms. Saw Chin Choo	368,000	436,900	436,900	220	220	220
The Company			**Warrants (W201030) to subscribe for ordinary shares at the exercise price of $0.215 each**			
Mr. Bertie Cheng Shao Shiong	–	750,000	750,000	–	390,000	390,000
Mr. Phua Chian Kin	–	29,053,273	29,059,373	–	1,742,300	1,742,300
Mr. Phua Boon Kin	–	10,517	10,517	–	–	–
Ms. Saw Chin Choo	–	139,500	139,500	–	331	331

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

4 SHARE OPTIONS

(a) *Options to take up unissued shares*

During the year, no option to take up unissued shares of the Company or any corporation in the Group was granted, other than the warrants to subscribe for ordinary shares of the Company at the exercise price at $0.215 each, as disclosed below:

Date of issue	At beginning of year	Issued during the year	Exercised during the year	Expired during the year	At end of year
Warrants (W201030) over ordinary shares					
April 30, 2018	–	50,195,020	–	–	50,195,020

(b) *Options exercised*

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

(c) *Unissued shares under options*

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

DIRECTORS' STATEMENT

5 AUDIT COMMITTEE

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

Mr. Gn Hiang Meng	(Chairman and independent director)
Mr. Lee Ah Fong	(Independent director)
Mr. Aric Loh Siang Khee	(Independent director)

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

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

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

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

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

(d) reviewed with the internal auditors the effectiveness and adequacy of the internal control policies and procedures in addressing the financial, operational and compliance risks of the Group including their recommendations on improving the internal controls of the Company and the Group;

(e) considered and recommended the appointment or re-appointment of the internal and external auditors;

(f) reviewed the independence and objectivity of the external auditors where non-audit services are provided by them;

(g) met with the external and internal auditors without the presence of management;

(h) reviewed interested person transactions; and

(i) reviewed any potential conflict of interest.

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

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

6 AUDITORS

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

ON BEHALF OF THE DIRECTORS

Mr. Phua Chian Kin

Mr. Bertie Cheng Shao Shiong

Singapore
August 31, 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TEE INTERNATIONAL LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of TEE International Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at May 31, 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 72 to 153.

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 May 31, 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the 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 Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. 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 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.

Key Audit Matters	How the matter was addressed in the audit

Revenue recognition using the percentage-of-completion method

The Group is involved in both construction contracts and construction of development properties. The Group uses the percentage of completion method to account for:

(i) contract revenue in accordance with FRS 11 *Construction Contract*; and

(ii) qualifying development properties in accordance with INT FRS 115 *Agreements for the construction of Real Estate and Accompanying Note on Application of INT FRS 115 in Singapore, as applicable.*

The stage of completion is measured by reference to the estimated total costs incurred to date as compared to the total budgeted costs of the construction contract or development property projects as approved by management.

The Group recognised $214.2 million of revenue from both construction contracts and sale of development properties recognised on the percentage of completion basis for the year ended May 31, 2018.

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

Additional revenue from claims and variation orders are recognised when negotiations have reached an advanced stage such that it is probable that the customer will accept the claims or approve the variation orders, and the amount that it is probable will be accepted by the customer can be measured reliably.

We have performed the procedures below in relation to revenue recognition from construction contracts. We have also discussed with the component auditors to understand the nature, extent and timing of procedures performed on revenue from sale of development properties. We have reviewed the work performed by the component auditors.

The work performed includes the following procedures:

- obtained an understanding of the key controls and processes that management has in place in respect of budgeting and revenue recognition from construction contracts and construction of development properties;
- obtained an understanding of the significant projects under construction through discussion with management and project directors, and examined related documentation (including contracts, correspondences with customers on delays and extension of time);
- assessed the reasonableness of the total budgeted costs for individual significant projects prepared by management. Reviewed the appropriateness of inputs, amongst others, contractors or sub-contractors costs, materials, labour costs, variation works, expected finance costs and other construction costs used by management in their estimation of the total cost to complete and obtained supporting documentation on the major inputs;
- assessed the robustness of the budgets from our understanding of the projects and comparing the budgeted profit margins to the actual profit margins achieved for completed projects during the year and subsequent to year end;
- verified the costs incurred during the year against underlying documents, such as quotations or contracts entered;
- in relation to total contract revenue for construction projects, verified total contract sum to contracts entered with the customers and additional claims and variation orders recognised to supporting documents;
- in relation to development properties revenue, reviewed the sales and purchase agreement with the buyer and verified the sales value; and
- re-computed the arithmetic accuracy of the revenue, cost and profit recognised based on the percentage of completion for significant projects.

The accounting policies for revenue recognition are set out in Note 2 to the financial statements and further information related to the different revenue streams of the Group have been disclosed in Note 39 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TEE INTERNATIONAL LIMITED

Key Audit Matters	How the matter was addressed in the audit
Valuation of development properties and completed properties and land held for sale	
As at May 31, 2018, the carrying amount of the Group's development properties and completed properties and land held for sale amounted to $227.8 million and $46.5 million respectively. The development properties, completed properties and land held for sale are stated at the lower of cost and net realisable values, assessed on an individual property basis. The determination of the estimated net realisable value of these development properties is dependent upon the Group's expectations of future selling prices. Total development costs and associated selling expenses for the respective projects are estimated for each of these properties and compared with the estimated net realisable values to estimate the write down, where applicable. Weakening market conditions and slow take up rate of a property may impact and create downward pressure on the prices of these properties. There is, therefore, a risk that the estimates of net realisable values may exceed future selling prices, resulting in losses when properties are sold.	We have discussed with the component auditors to understand the nature, extent and timing of procedures performed on valuation of development properties and completed properties and land held for sale. We have reviewed the work performed by the component auditors which includes the following procedures: • obtained an understanding of the key controls and processes that management has in place in respect of valuation of development properties and completed properties and land held for sale; • evaluated the reasonableness of the Group's estimated selling prices by comparing these with recently transacted prices for the same project and with comparable properties in the vicinity or against valuation performed by independent professional valuers; • obtained the external valuation reports and evaluated the work scope, qualifications, competency, objectivity and independence of the external valuers; • discussed with the external valuer to obtain understanding of their work performed on the properties covering amongst others, the valuation methodology and the significant judgement and appropriateness of assumptions applied; and • evaluated management's estimate of total costs to completion which are based on contracted amounts and projections based on experience. For projects which are expected to sell below cost, re-computed the write down to estimated net realisable value. The key judgement and estimation on the valuation of development properties and completed properties and land held for sale is disclosed in Note 3(b)(vii) to the financial statements, and further information related to development properties and completed properties and land held for sale are provided in Note 15 to the financial statements.

Key Audit Matters	How the matter was addressed in the audit
Valuation of amounts due from customers for contract work	
As at May 31, 2018, the carrying amount of the Group's amounts due from customers for contract work amounted to $71.1 million. The value of work done and their recoverability is subject to significant judgement and accounting estimate which includes assessment of whether construction projects are profitable and any potential delays and hence whether provision for foreseeable losses, if any, should be recognised. Additional claims and variation orders are recognised when negotiations have reached an advanced stage such that it is probable that the customer will accept the claims or approve the variation orders, and the amount that it is probable will be accepted by the customer can be measured reliably.	We have performed the following procedures in relation of valuation of amounts due from customers for contract work: • obtained an understanding of the key controls and processes that management has in place in respect of valuation of amounts due from customers for contract work; • evaluated the recoverability of significant contracts, including variation orders and assessed and challenged the Group's ability to complete contracts within budgeted margins by assessing management's underlying estimates and assumptions on forecasted margins; • obtained the report from external consultant, where relevant, and evaluated the work scope, qualifications, competency, objectivity and independence of the external consultant; • discussed with the external consultant engaged by the Group, where relevant, to obtain understanding of their work performed on the additional claims and variation orders covering amongst others, the process and the basis of claims; and • reviewed management's assessment on the construction projects provision for foreseeable losses and assessed the adequacy of no such provision. The key judgement and estimation on the valuation of amounts due from customers for contract work is disclosed in Note 3(b)(v) to the financial statements, and further information related to construction work-in-progress is provided in Note 14 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TEE INTERNATIONAL LIMITED

Key Audit Matters	How the matter was addressed in the audit
Valuation of investment properties	
The carrying amount of the Group's investment properties as at May 31, 2018 is $32.4 million. The investment properties are stated at fair value, determined based on valuation performed by independent professional external valuers. The valuation of investment properties involves significant judgement in determining the appropriate valuation methods, use of subjective assumptions and various unobservable inputs. The valuation is sensitive to underlying assumptions applied by the valuers such as market comparable used, the capitalisation rate and discount rate and may have a significant impact to the valuation.	We have performed the procedures below in relation to valuation of investment properties. We have also discussed with the component auditors to understand the nature, extent and timing of procedures performed on valuation of investment properties. We have reviewed the work performed by the component auditors. The work performed includes the following procedures: • obtained an understanding of the key controls and processes that management has in place in respect of valuation of investment properties; • obtained the external valuation reports and evaluated the work scope, qualifications, competency, objectivity and independence of the external valuers; • discussed with the external valuer to obtain understanding of their work performed on the properties covering amongst others, the valuation methodology, the key unobservable inputs and the significant judgement and appropriateness of assumptions applied; • considered the adequacy of the disclosures in the financial statements, about the key assumptions used in the valuation and the relationships between the key unobservable inputs and fair values, in conveying the inherent degree of subjectivity in valuations. The key judgement and estimation on the valuation of investment properties is disclosed in Note 3(b)(vi) to the financial statements, and further information related to investment properties is provided in Note 22 to the financial statements.

Key Audit Matters	How the matter was addressed in the audit
Accounting for acquisition of business	
During the year, the Group acquired TEE Environmental Pte. Ltd. (formerly known as Chiang Kiong Environmental Pte. Ltd.) (which in turn owns TEE Recycling Pte. Ltd. (formerly known as Chiang Kiong Resources (Paper) Pte. Ltd.)) and Envotek Engineering Pte. Ltd. (collectively known as "TEE Environmental Group") at $18.5 million and recognised gain from a bargain purchase of $2.5 million in profit or loss. Management has engaged external valuers to assist them with the identification and allocation of purchase consideration to identify acquired assets and liabilities, and the measurement of their fair values at acquisition date. Significant management judgement and estimates are involved in the identification of intangible asset and its fair value and the fair values of other assets and liabilities. Information on the acquisition are disclosed in Note 49 to the financial statements.	We have performed the procedures below in relation to the acquisition of TEE Environmental Group: • read the sales and purchase agreement to understand key terms and conditions and assessed the appropriate accounting treatment; • obtained the external valuation reports and evaluated the work scope, qualifications, competency, objectivity and independence of the external valuers; and • discussed with the external valuers to obtain understanding of their approach and work performed on the valuation reports, and engaged our internal specialists to assist in assessing and challenging the valuation methodology, inputs and key assumptions used by the valuers against general market practices and available market data. We have also assessed the appropriateness and the adequacy of the Group's disclosure in Note 49 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF TEE INTERNATIONAL LIMITED

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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.

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.

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

(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 year 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.

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 Mr. Kee Cheng Kong, Michael.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

August 31, 2018

STATEMENTS OF FINANCIAL POSITION

MAY 31, 2018

	Note	Group		Company	
		May 31, 2018	May 31, 2017	May 31, 2018	May 31, 2017
		$'000	$'000	$'000	$'000
ASSETS					
Current assets					
Cash and cash equivalents	6	34,902	39,587	990	3,494
Bank balances pledged	7	52	2,402	–	1,390
Trade receivables	8	70,074	55,117	34	269
Other receivables	9	22,180	13,239	24,033	11,972
Loans receivables	10	14,376	26,793	–	933
Held-to-maturity financial asset	11	25	25	25	25
Held for trading investment	12	700	700	700	700
Inventories	13	168	27	–	–
Amounts due from customers for contract work	14	71,142	89,622	–	–
Development properties	15	227,757	143,997	–	–
Completed properties and land held for sale	15	46,538	47,001	–	–
Non-current assets classified as held for sale	16	47,617	47,481	–	–
Total current assets		535,531	465,991	25,782	18,783
Non-current assets					
Bank balances pledged	7	471	435	–	–
Other receivables	9	1,211	6,144	1,104	40
Held-to-maturity financial asset	11	–	25	–	25
Investment in associates	17	19,563	48,296	–	300
Investment in joint venture	17	270	891	–	–
Investment in subsidiaries	18	–	–	109,930	108,930
Club membership	19	5	45	5	45
Intangible asset	20	1,799	–	–	–
Property, plant and equipment	21	31,253	22,794	138	333
Investment properties	22	32,405	33,812	22,000	22,000
Deferred tax assets	23	4,364	3,851	–	–
Total non-current assets		91,341	116,293	133,177	131,673
Total assets		626,872	582,284	158,959	150,456

	Note	Group May 31, 2018	Group May 31, 2017	Company May 31, 2018	Company May 31, 2017
		$'000	$'000	$'000	$'000
LIABILITIES AND EQUITY					
Current liabilities					
Bank loans and overdrafts	24	51,250	50,115	4,481	7,100
Trade payables	25	104,081	104,212	54	222
Other payables	26	46,972	32,951	65,608	59,777
Provision for maintenance costs	27	1,034	910	–	–
Current portion of finance leases	28	607	83	–	–
Current portion of long-term borrowings	29	91,857	51,151	1,920	4,277
Term notes	30	–	29,939	–	–
Current portion of financial guarantee liabilities	31	67	199	76	86
Income tax payable		2,537	5,596	–	–
Total current liabilities		298,405	275,156	72,139	71,462
Non-current liabilities					
Finance leases	28	330	285	–	–
Long-term borrowings	29	142,830	136,332	12,762	23,239
Financial guarantee liabilities	31	385	752	150	226
Notes payable	32	21,089	–	21,267	–
Long-term deposit	33	306	–	306	–
Other payables	26	8,074	3,704	–	–
Deferred tax liabilities	23	1,951	429	–	–
Total non-current liabilities		174,965	141,502	34,485	23,465
Capital, reserves and non-controlling interests					
Share capital	34	58,701	58,701	58,701	58,701
Treasury shares	35	(269)	(269)	(269)	(269)
Currency translation reserve	36	(690)	(1,011)	–	–
Capital reserve	37	18,741	18,793	(94)	(42)
Accumulated profits (losses)		11,791	19,396	(6,003)	(2,861)
Equity attributable to owners of the Company		88,274	95,610	52,335	55,529
Non-controlling interests	38	65,228	70,016	–	–
Net equity		153,502	165,626	52,335	55,529
Total liabilities and equity		626,872	582,284	158,959	150,456

See accompanying notes to financial statements.

STATEMENTS OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED MAY 31, 2018

	Note	Group 2018	Group 2017
		$'000	**$'000**
Revenue	39	271,255	253,615
Cost of sales		(232,613)	(217,438)
Gross profit		38,642	36,177
Other operating income	40	7,569	11,546
Selling and distribution expenses		(11,675)	(5,101)
Administrative expenses		(23,410)	(21,264)
Other operating expenses	41	(12,309)	(6,786)
Share of results of associates and joint venture	17	3,038	(2,095)
Finance costs	42	(9,878)	(10,181)
(Loss) Profit before tax		(8,023)	2,296
Income tax expense	43	(738)	(3,264)
Loss for the year	44	(8,761)	(968)
Other comprehensive income (loss)			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences, representing other comprehensive income (loss) for the year		2,143	(324)
Total comprehensive loss for the year		(6,618)	(1,292)
(Loss) Profit attributable to:			
Owners of the Company		(7,605)	(1,569)
Non-controlling interests		(1,156)	601
		(8,761)	(968)
Total comprehensive (loss) income attributable to:			
Owners of the Company		(7,284)	(947)
Non-controlling interests		666	(345)
		(6,618)	(1,292)
Loss per share			
Basic (cents)	46	(1.52)	(0.31)
Diluted (cents)	46	(1.52)	(0.31)

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED MAY 31, 2018

	Share capital	Treasury shares	Currency translation reserve	Capital reserve	Accumulated profits	Equity attributable to owners of the Company	Non-controlling interests	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Balance at June 1, 2016	58,701	–	(1,633)	18,765	22,471	98,304	69,612	167,916
Total comprehensive income (loss) for the year:								
(Loss) Profit for the year	–	–	–	–	(1,569)	(1,569)	601	(968)
Other comprehensive income (loss) for the year	–	–	622	–	–	622	(946)	(324)
Total comprehensive income (loss) for the year	–	–	622	–	(1,569)	(947)	(345)	(1,292)
Transaction with owners, recognised directly in equity:								
Issue of shares arising from exercise of warrants (Note 34)	*	–	–	–	–	*	–	*
Acquisition of non-controlling interests in a subsidiary	–	–	–	28	–	28	(64)	(36)
Capital injection by non-controlling interests	–	–	–	–	–	–	1,732	1,732
Dividends paid (Note 45)	–	–	–	–	(1,506)	(1,506)	(919)	(2,425)
Purchase of treasury shares (Note 35)	–	(269)	–	–	–	(269)	–	(269)
Balance at May 31, 2017	58,701	(269)	(1,011)	18,793	19,396	95,610	70,016	165,626

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED MAY 31, 2018

	Share capital	Treasury shares	Currency translation reserve	Capital reserve	Accumulated profits	Equity attributable to owners of the Company	Non-controlling interests	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Balance at June 1, 2017	58,701	(269)	(1,011)	18,793	19,396	95,610	70,016	165,626
Total comprehensive income (loss) for the year:								
Loss for the year	–	–	–	–	(7,605)	(7,605)	(1,156)	(8,761)
Other comprehensive income for the year	–	–	321	–	–	321	1,822	2,143
Total comprehensive income (loss) for the year	–	–	321	–	(7,605)	(7,284)	666	(6,618)
Transaction with owners, recognised directly in equity:								
Capital injection by non-controlling interests	–	–	–	–	–	–	1,142	1,142
Repayment of deemed capital to non-controlling interests	–	–	–	–	–	–	(4,345)	(4,345)
Expenses incurred on issue of bonus warrants	–	–	–	(52)	–	(52)	–	(52)
Dividends paid/payable to non-controlling interests	–	–	–	–	–	–	(2,251)	(2,251)
Balance at May 31, 2018	58,701	(269)	(690)	18,741	11,791	88,274	65,228	153,502

* Denotes amount less than $1,000

See accompanying notes to financial statements.

	Share capital	Treasury shares	Capital reserve	Accumulated profits	Total
	$'000	$'000	$'000	$'000	$'000
Company					
Balance at June 1, 2016	58,701	–	(42)	786	59,445
Loss for the year, representing total comprehensive loss for the year	–	–	–	(2,141)	(2,141)
Transaction with owners, recognised directly in equity:					
Issue of shares arising from exercise of warrants (Note 34)	*	–	–	–	*
Dividends paid (Note 45)	–	–	–	(1,506)	(1,506)
Purchase of treasury shares (Note 35)	–	(269)	–	–	(269)
Balance at May 31, 2017	58,701	(269)	(42)	(2,861)	55,529
Loss for the year, representing total comprehensive loss for the year	–	–	–	(3,142)	(3,142)
Transaction with owners, recognised directly in equity:					
Expenses incurred on issue of bonus warrants	–	–	(52)	–	(52)
Balance at May 31, 2018	58,701	(269)	(94)	(6,003)	52,335

* Denotes amount less than $1,000

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MAY 31, 2018

	Group	
	2018	2017
	$'000	$'000
Operating activities		
(Loss) Profit before tax	(8,023)	2,296
Adjustments for:		
Share of results of associates and joint venture	(3,038)	2,095
Change in fair value of investment properties	995	2,469
Depreciation of property, plant and equipment	2,685	1,933
Gain on disposal of an associate	–	(1,301)
Amortisation of deferred commission expenses	5,393	2,887
Amortisation of deferred show flat costs	514	688
Amortisation of financial guarantee liabilities	(333)	(666)
Amortisation of issuance costs on term notes	60	181
Amortisation of issuance costs on notes payable	131	–
Amortisation of intangible asset	434	–
Gain from a bargain purchase	(2,488)	–
Allowance for doubtful trade receivables	646	–
Allowance for doubtful other receivables	639	193
Trade receivables written off	437	2
Impairment loss on investments in associates	7,788	–
Allowance for diminution in value of completed properties and land held for sale	1,277	3,301
Change in fair value of club membership	–	(3)
Change in fair value of foreign exchange forward contract	–	(70)
Change in fair value of held for trading investment	–	(164)
Property, plant and equipment written off	10	547
Non-current assets held for sale written off	83	–
Gain on disposal of property, plant and equipment	(33)	(2)
Gain on disposal of non-current asset held for sale	–	(5,348)
Dividend income	(544)	–
Gain on disposal of stock dividend	(160)	–
Provision for maintenance costs	876	478
Unrealised currency translation loss	(1,124)	(742)
Interest income	(861)	(1,324)
Interest expense	9,878	10,181
Operating cash flows before movements in working capital	15,242	17,631
Trade receivables	(7,185)	(12,122)
Other receivables	436	8,139
Inventories	(31)	(11)
Amounts due from customers for contract work	18,891	13,904
Development properties	(64,273)	(32,172)
Completed properties and land held for sale	(15,409)	(770)
Trade payables	(3,025)	(3,348)
Other payables (Note B)	(3,309)	(1,114)
Long-term deposit	306	(730)
Utilisation of provision for maintenance costs	(752)	(210)
Cash used in operations	(59,109)	(10,803)
Interest paid	(12,221)	(13,298)
Income tax paid	(3,837)	(4,259)
Net cash used in operating activities	(75,167)	(28,360)

	Group	
	2018	2017
	$'000	$'000
Investing activities		
Proceeds on disposal of property, plant and equipment	48	2
Proceeds on disposal of non-current asset held for sale	–	32,820
Proceeds on disposal of an associate	4,856	5,373
Purchase of non-current asset held for sale	(1,067)	–
Purchase of property, plant and equipment	(531)	(8,145)
Purchase of held-to-maturity financial asset	–	(50)
Proceeds from held-to-maturity financial asset	25	–
Investment in associates (Note A)	(1,574)	(1,008)
Acquisition of subsidiaries (Note 49)	(12,792)	–
Acquisition of non-controlling interests in a subsidiary	–	(36)
Loans receivables	(919)	(1,303)
Repayment of loans receivables	13,421	4,838
Proceeds on disposal of club membership	45	–
Purchase of club membership	(5)	–
Dividend received from associates and joint venture	10,991	7,892
Interest received	2,510	1,754
Net cash generated from investing activities	15,008	42,137
Financing activities		
Drawdown of bank loans	130,736	123,252
Repayment of bank loans	(129,846)	(132,729)
Drawdown of long-term borrowings	90,408	87,805
Repayment of long-term borrowings	(43,738)	(88,956)
Repayment of long-term loan	–	(4,050)
Repayment of term notes	(30,000)	–
Issuance of notes payable	20,175	–
Decrease in bank balances pledged	2,368	1,046
Repayment of obligations under finance leases	(709)	(90)
Loan from a director	10,600	–
Repayment of loan from a director	(600)	–
Payment of warrant issue expenses	(52)	–
Loans from non-controlling interests	12,859	3,680
Capital injection from non-controlling interests	–	1,732
Deemed capital injection by non-controlling interest	1,142	–
Repayment of deemed capital to non-controlling interests	(4,345)	–
Purchase of treasury shares	–	(269)
Dividends paid to shareholders	–	(1,506)
Dividends paid to non-controlling interests (Note B)	(1,841)	(919)
Net cash generated from (used in) financing activities	57,157	(11,004)
Net (decrease) increase in cash and cash equivalents	(3,002)	2,773
Cash and cash equivalents at beginning of year	33,439	32,206
Effect of foreign exchange rate changes	(146)	(1,540)
Cash and cash equivalents at end of year (Note 6)	30,291	33,439

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MAY 31, 2018

Note A

In 2017, the Group made an investment in associates with an aggregate cost of $2,519,000 of which $1,511,000 was remained outstanding and included in other payables.

Note B

During the year, the Group declared dividends amounting to $2,251,000 (2017 : $919,000) to its non-controlling interest which $410,000 (2017: Nil) remained outstanding as of year end and included in other payables (Note 26).

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

1 GENERAL

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

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

The principal activities of its associates, joint venture and subsidiaries are disclosed in Notes 17 and 18 respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended May 31, 2018 were authorised for issue by the Board of Directors on August 31, 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

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

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

ADOPTION OF NEW AND REVISED STANDARDS - On June 1, 2017, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRSs") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years, except for certain presentation improvements arising from Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*.

Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group's liabilities arising from financing activities and a reconciliation between the opening and closing balances of these liabilities are set out in Note 29. Consistent with the transition provisions of the amendments, the group has not disclosed comparative information for the prior period. Apart from the additional disclosures in Note 29, the application of these amendments has had no impact on the Group's consolidated financial statements.

ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK IN 2019 - In December 2017, the Accounting Standards Council (ASC) has issued a new financial reporting framework - Singapore Financial Reporting Standards (International) (SFRS(I)), which is to be adopted by Singapore-incorporated companies listed on the Singapore Exchange (SGX), for annual periods beginning on or after January 1, 2018. SFRS(I) is identical to the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Group and the Company will be adopting the new framework for the first time for year ending May 31, 2019 and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* will be applied in the first set of SFRS(I) financial statements.

<u>SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*</u>

As a first-time adopter, the Group and the Company are to apply retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (May 31, 2019), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the year ending May 31, 2019, an additional opening statement of financial position as at date of transition (June 1, 2017) will be presented, together with related notes. Reconciliation statements from previously reported FRSs amounts and explanatory notes on transition adjustments are required for equity as at date of transition (June 1, 2017) and as at end of last financial period under FRS (May 31, 2018), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended May 31, 2018). Additional disclosures may also be required for specific transition adjustments if applicable.

Management has performed a detailed analysis of the transition options and other requirements of SFRS(I) and has determined that there will be no change to the Group's and the Company's current accounting policies under FRSs or material adjustments on the initial transition to the new framework, other than those that may arise from implementing certain new SFRS(I) pronouncements effective at the same time (see below), and the election of certain transition option available under SFRS(I) 1 .

Management will be electing the option to reset the translation reserve to zero as at date of transition that will result in material adjustments on transition to the new framework. Translation reserve of the Group as at June 1, 2017 will be reset to zero upon transfer of the debit balances of translation reserve of $1,011,000 to retained earnings as at June 1, 2017.

As SFRS(I) 1 requires a first-time adopter to apply accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (May 31, 2019), it is not possible to know all possible effects as at date of authorisation of current year's financial statements. If there are any subsequent pronouncements on SFRS(I) that are effective as at May 31, 2019, they may impact the disclosures of estimated effects described below.

New SFRS(I) and SFRS(I) INT yet to be adopted

At the date of authorisation of these financial statements, the following SFRS(I), SFRS(I) INT and amendments to SFRS(I) that are relevant to the Group and the Company were issued but not effective:

- SFRS(I) 9 *Financial Instruments*[1]
- SFRS(I) 15 *Revenue from Contracts with Customers (with clarifications issued)*[1]
- SFRS(I) 16 *Leases*[2]

[1] Applies to annual periods beginning on or after January 1, 2018.

[2] Applies to annual periods beginning on or after January 1, 2019, with early application permitted if SFRS(I) 15 is adopted.

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

Management has not opted to early adopt any of the above new or amended SFRS(I).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting (iii) impairment requirements for financial assets.

Key requirements of SFRS(I) 9:

- All recognised financial assets that are within the scope of SFRS(I) 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at fair value through profit or loss (FVTPL) at the end of subsequent accounting periods. In addition, under SFRS(I) 9, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as FVTPL, SFRS(I) 9 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

- In relation to the impairment of financial assets, SFRS(I) 9 requires an expected credit loss model to be applied. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms. Under SFRS(I) 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Management has performed a detailed analysis of the requirements of the initial application of the new SFRS(I) 9 which will result in changes to the accounting policies relating to the impairment provisions of financial assets. Management anticipates that the adoption of SFRS(I) 9 will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in SFRS(I) 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SFRS(I) 15.

Management anticipates that the initial application of the new FRS 115 will result in changes to the accounting policies relating to revenue recognition and revenue will be recognised when (or as) a performance obligation is satisfied. Additional disclosures will also be made, including any significant judgement and estimation made. Based on the existing sources and nature of revenue for the Group and the Company, management does not expect the application of these amendments to SFRS(I) 15 to have a significant impact on the financial statements of the Group and of the Company in the period of initial application.

SFRS(I) 16 *Leases*

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the existing framework.

The management has yet to complete its detailed assessment of the possible impact of implementing SFRS(I) 16. The Group does not have significant operating leases at the end of the reporting period (Note 47). Accordingly, management anticipates that there is no material impact on the Group's financial statements in the period of initial application except for additional disclosure requirements. SFRS(I) 16 will not impact the Group's accounting as a lessor.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

BASIS OF CONSOLIDATION (cont'd)

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

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

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 Income Taxes and FRS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 Non-Current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Financial assets

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

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

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

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

A financial asset is classified as held for trading if:

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

Held-to-maturity financial assets

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

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or other financial liabilities.

Financial liabilities at fair value through profit or loss (FVTPL)

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

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

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- On initial recognition, the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- It forms part of a contract containing one or more embedded derivatives, and FRS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at fair value through profit or loss are initially measured at fair value and subsequently stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other operating expenses' line in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 4.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities (cont'd)

Other financial liabilities

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

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

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

Derecognition of financial liabilities

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

Offsetting arrangements

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

CONSTRUCTION CONTRACTS - Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as trade payables. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade receivables.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

The Group as lessor

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

The Group as lessee

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

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

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

PROPERTY, PLANT AND EQUIPMENT (cont'd)

Freehold land is not depreciated.

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

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

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

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

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

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

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consents of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with FRS 105. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

ASSOCIATES AND JOINT VENTURE (cont'd)

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

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

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

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

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

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

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

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

<u>Construction contracts</u>

Revenue from construction contract is recognised in accordance with the Group's accounting policy on construction contracts (see above).

<u>Sale of goods</u>

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

REVENUE RECOGNITION (cont'd)

Development properties

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

a) on a continuous transfer basis; or

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

Under (a), revenue is recognised based on the percentage of completion method when the transfer of significant risks and rewards of ownership occurs as construction progresses. Under the percentage of completion method, revenue and costs are recognised by reference to the stage of completion of the development activity at the end of the reporting period based on survey of work completed at the end of each reporting period performed by independent qualified surveyors. Profits are recognised only in respect of properties with finalised sales agreements. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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

Rendering of services

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

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

Interest income

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

Dividend income

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

Rental income

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

Revenue from hotel operations

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

INCOME TAX (cont'd)

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

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION (cont'd)

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

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

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

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

(i) Revenue recognition from sales of development properties

The Group recognises revenue from sales of development properties when the significant risks and rewards of ownership have been transferred to the buyers in accordance with the accounting policies set out in Note 2.

Revenue is recognised based on the percentage of completion method, for residential and mixed development projects in Singapore and residential development projects in Malaysia, under progressive payment scheme whereby the legal terms in the sale contracts result in continuous transfer of work-in-progress to the buyers.

Revenue from other types of development projects will be recognised upon the transfer of significant risks and rewards of ownership, which generally coincides with the time the development units are delivered to the purchasers.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

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

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

(ii) Non-current assets held for sale

As disclosed in Note 16, freehold property comprising Larmont Hotel Sydney was presented as held-for-sale following the decision of the TEE Land Limited group's management and directors on July 26, 2016 to sell the hotel and the group's active marketing of the said property for sale since that date. As of May 31, 2018, discussions with potential buyers for the hotel are still ongoing. The transaction is expected to complete in next year and the freehold property therefore remains classified as a non-current assets held-for-sale in the consolidated statement of financial position.

If the said property no longer meets the classification as non-current assets held-for-sale, it will be reclassified back to property, plant and equipment and valued at the lower of its carrying amount before it was classified as held for sale (adjusted for depreciation) and its recoverable amount at the date of the decision not to sell.

(b) Key sources of estimation uncertainty

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

(i) Revenue recognition

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

The stage of completion is measured by reference to the estimated total costs incurred to date as compared to the total budgeted costs of the construction contract or development property projects as approved by management.

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

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

(ii) Allowances for doubtful trade and other receivables

The Group and Company make allowances for bad and doubtful debts based on on-going evaluation of collectability and aging analysis of individual receivables by reference to their past default experience. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectable. The identification of bad and doubtful debts requires the use of judgement and estimates.

Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed.

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

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

(ii) Allowances for doubtful trade and other receivables (cont'd)

The Group made full allowance for a deposit amounting to $3,374,000 (2017: $3,374,000) to acquire 26 plots of freehold land located in Mukim Klang, Daerah Klang, Negeri Selangor, Malaysia from a third party (the "Seller"). The Group has terminated the acquisition as a result of non-compliance of conditions precedent by the Seller and assessed and determined the balance may not be collectable.

The Group made 50% allowance of $181,000 on a deposit paid amounting to $361,000 to acquire land located in Batam Island, Indonesia from a third party (the "Seller"). The Group has terminated the acquisition as a result of non-compliance of conditions precedent by the Seller and assessed and determined half of the deposit paid may not be collectable.

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

(iii) Loans receivables

The Group and Company make allowances for bad and doubtful debts based on assessment of the recoverability of loans receivables. Allowances are applied to loans receivable when events or changes in circumstances indicate that the balance may not be collectable. The identification of bad and doubtful debt requires the use of judgment and estimates. Where the expectation is different from the original estimates, such difference will impact the carrying value of receivables and doubtful debts expenses in the period in which estimates has been changed. The carrying amount of the Group's and Company's loans receivables is disclosed in Note 10.

(iv) Impairment of investment in associates, joint venture and subsidiaries

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

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

The carrying amounts of the Group's and Company's investment in associates and joint venture and the Company's investment in subsidiaries are disclosed in Notes 17 and 18 respectively.

(v) Amounts due from customers for contract work

The costs of uncompleted contracts are computed based on the estimates of total contract costs for the respective contracts.

Management has performed the cost studies, taking into account the costs to date and costs to complete on each contract. Management has also reviewed the status of such contracts and is satisfied that the cost estimates to complete, the total contract costs and the expected profitability are realistic.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

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

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

(v) Amounts due from customers for contract work (cont'd)

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

Based on the above, management is of the opinion that the carrying amount as at the end of the reporting period is reasonable.

The carrying amount of the Group's amounts due from customers for contract work is disclosed in Note 14.

(vi) Valuation of investment properties

Investment properties are stated at fair value based on independent professional external valuers. In determining the fair value, the valuers have used valuation techniques which involve certain estimates and significant unobservable inputs which are disclosed in Note 22. The key assumptions used to determine the fair value include market-corroborated capitalisation yield and discount rate.

The valuers have considered valuation techniques (including income capitalisation method, discounted cash flow method and direct comparison method) in arriving at the open market value as at the end of the reporting period. The direct comparison method involves the analysis of comparable sales of similar properties and adjusting prices to those reflective of the investment properties. Income capitalisation method involves assessment of the income earning capacity and capitalised it at the adopted capitalisation rate to derive a core value. Discounted cash flow method recognises the time value of money by estimating the net present value of future cash flows.

In relying on valuation reports, the management has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions. The carrying amounts of investment properties at the end of the reporting period are disclosed in Note 22.

(vii) Development properties, completed properties and land held for sale

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

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

The Group estimated selling prices by comparing these with recently transacted prices for the same project and with comparable properties in the vicinity or against valuation performed by independent professional valuers.

The carrying amount of the Group's development properties and completed properties and land held for sale are disclosed in Note 15.

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

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

(viii) Provision for maintenance costs

The Group provides for maintenance costs based on management's best estimate of the Group's liability for additional costs to be incurred for the completed projects within the warranty periods granted on such completed projects based on past experience.

Management is of the opinion that the provision for maintenance costs as at the end of the reporting period is reasonable.

The carrying amount of the Group's provision for maintenance costs is disclosed in Note 27.

(ix) Deferral of sales commission expenses

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

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

(x) Useful lives of intangible asset and property, plant and equipment

Intangible asset and property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 1 to 40 years. Changes in the expected level of usage and technological development could impact the economic useful life and the residual value of these assets, therefore future depreciation charges could be revised.

The carrying amount of intangible assets and property, plant and equipment are disclosed in Notes 20 and 21 respectively.

(xi) Impairment of intangible asset and property, plant and equipment

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

The carrying amount of intangible asset and property, plant and equipment are disclosed in Notes 20 and 21 respectively.

(xii) Purchase price allocation

The Group completed the acquisition of TEE Environmental Group (formerly known as Chiang Kiong Environmental Group) during the year. Purchase price allocation exercise requires a significant amount of management estimation, particularly in relation to the identification and valuation of intangible asset and estimation of its useful life.

In relying on valuation reports, the management has exercised its judgement and is satisfied that the valuation methodology, inputs and key assumptions used by the valuers are reflective of current market conditions.

The accounting policies for intangible asset is set out in Note 2 to the financial statements and further information related to the acquisition is disclosed in Note 49 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) *Categories of financial instruments*

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Loans and receivables (including cash and bank balances)	135,631	138,935	24,847	18,055
Held-for-maturity financial asset	25	50	25	50
Held for trading investment	700	700	700	700
Financial liabilities				
Amortised cost	459,483	400,727	106,394	94,615
Financial guarantee liabilities	452	951	226	312

Financial assets consist of held-to-maturity financial asset, held for trading investment, cash and bank balances, trade receivables, other receivables, loans receivables excluding prepayments, deferred commission expenses, deferred show flat costs and accrued rental income.

Financial liabilities consist of bank loans and overdrafts, trade payables, other payables, finance leases, long-term loan, long-term borrowings, term notes, notes payable, financial guarantee liabilities and long-term deposit excluding advances received from customers.

(b) *Financial risk management policies and objectives*

The Group's activities expose it to a variety of financial risks, such as market risk (including foreign exchange risk and interest rate risk), credit risk, liquidity risk, cash flow interest rate risk and fair value risk.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

Foreign exchange risk management

The Group transacts business in various foreign currencies including Thai Baht, Australian Dollar and United States Dollar and therefore is exposed to foreign exchange risk.

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

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

Foreign exchange risk management (cont'd)

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group			
	Liabilities		Assets	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Thai Baht	900	1,784	9,382	3,232
Australian Dollar	–	–	25	53
United States Dollar	20,079	9	410	5

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

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of each group entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans where they gave rise to an impact on the Group's profit or loss.

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

	Thai Baht impact		Australian Dollar impact		United States Dollar impact	
	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Profit or loss	(848)	(145)	(3)	(5)	1,967	–

If the relevant foreign currency strengthens by 10% against the functional currency of each group entity, the effect on profit or loss will be vice-versa.

Interest rate risk management

The Group has exposure to interest rate risk through the impact of floating interest rate on cash and bank balances and borrowings. The Group obtained financing through bank loans, overdrafts, finance leases, long-term borrowings, term notes and notes payable and the details of the Group's interest rate exposure is disclosed in Notes 24, 26, 28, 29, 30 and 32.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

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

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

Interest rate risk management (cont'd)

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the year and held constant throughout the reporting period in the case of instruments that have floating rates, excluding finance costs capitalised as cost of development properties. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's loss for the year ended May 31, 2018 would increase/decrease by $673,000 (2017 : $866,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate receivables and borrowings.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Company's loss for the year ended May 31, 2018 would increase/decrease by $200,000 (2017 : $145,000). This is mainly attributable to the Company's exposure to interest rates on its variable rate borrowings.

Credit risk management

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

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

The Group's credit risk is primarily attributable to its trade and other receivables and loans receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The maximum amount that the Group and the Company could be forced to settle under the financial guarantee contract, if the full guaranteed amount is claimed by the counterparty to the guarantee are $46,602,000 and $98,557,000 (2017 : $57,568,000 and $85,901,000) respectively. Based on the expectations at the end of the reporting period, the Group and Company consider that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffered credit losses.

Liquidity risk management

The Group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance their activities. The Group minimises liquidity risk by keeping committed credit lines available.

As at May 31, 2018, the Company's current liabilities exceeded its current assets by $46,357,000 (2017 : $52,679,000), which arose primarily from short-term payables to subsidiaries and the Company is in a position to control the timing of repayment. Management is of the view that its subsidiaries will be able to provide financial support, by way of issue of dividends, to enable the Company to meet its financial obligations as and when they fall due.

NOTES TO FINANCIAL STATEMENTS

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

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

Liquidity and interest risk analysis

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statements of financial position.

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	% p.a.	$'000	$'000	$'000	$'000	$'000
Group						
2018						
Non-interest bearing	–	133,158	–	306	–	133,464
Finance lease liability (fixed rate)	3.60	636	347	–	(46)	937
Variable interest rate instruments	4.29	154,117	168,858	25,761	(44,629)	304,107
Fixed interest rate instruments	5.71	13,232	9,831	–	(2,088)	20,975
Financial guarantee liabilities	–	46,217	385	–	(46,150)	452
Total		347,360	179,421	26,067	(92,913)	459,935
2017						
Non-interest bearing	–	129,142	–	–	–	129,142
Finance lease liability (fixed rate)	5.12	102	305	13	(52)	368
Variable interest rate instruments	3.97	107,548	134,010	27,916	(35,301)	234,173
Fixed interest rate instruments	4.09	38,141	426	–	(1,523)	37,044
Financial guarantee liabilities	–	56,816	752	–	(56,617)	951
Total		331,749	135,493	27,929	(93,493)	401,678

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

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

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

Liquidity and interest risk analysis (cont'd)

Non-derivative financial liabilities (cont'd)

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	% p.a.	$'000	$'000	$'000	$'000	$'000
Company						
2018						
Non-interest bearing	–	65,658	–	306	–	65,964
Variable interest rate instruments	7.45	8,966	37,990	8,481	(15,423)	40,014
Fixed interest rate instruments	3.00	429	–	–	(13)	416
Financial guarantee liabilities	–	98,407	150	–	(98,331)	226
		173,460	38,140	8,787	(113,767)	106,620
2017						
Non-interest bearing	–	59,999	–	–	–	59,999
Variable interest rate instruments	4.64	7,513	20,447	8,147	(7,116)	28,991
Fixed interest rate instruments	3.40	5,378	416	–	(169)	5,625
Financial guarantee liabilities	–	85,675	226	–	(85,589)	312
		158,565	21,089	8,147	(92,874)	94,927

The earliest period that the guarantee could be called is within 1 year (2017 : 1 year) from the end of the reporting period. The Group and Company consider that it is more likely than not that no amount will be payable under the arrangement.

NOTES TO FINANCIAL STATEMENTS

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

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

Liquidity and interest risk analysis (cont'd)

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and Company anticipate that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statements of financial position.

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	% p.a.	$'000	$'000	$'000	$'000	$'000
Group						
2018						
Non-interest bearing	–	119,001	–	–	–	119,001
Fixed interest rate instruments	3.70	17,416	–	–	(61)	17,355
		136,417	–	–	(61)	136,356
2017						
Non-interest bearing	–	105,052	–	–	–	105,052
Variable interest rate instruments	4.15	249	6,158	–	(407)	6,000
Fixed interest rate instruments	3.46	28,885	26	–	(278)	28,633
		134,186	6,184	–	(685)	139,685
Company						
2018						
Non-interest bearing	–	25,547	–	–	–	25,547
Fixed interest rate instruments	8.00	27	–	–	(2)	25
		25,574	–	–	(2)	25,572
2017						
Non-interest bearing	–	16,432	–	–	–	16,432
Fixed interest rate instruments	4.76	2,459	26	–	(112)	2,373
		18,891	26	–	(112)	18,805

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

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

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

Liquidity and interest risk analysis (cont'd)

Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, provisions and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of the other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

(c) Capital management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Notes 24, 26, 28, 29, 30 and 32 and equity attributable to owners of the Company, comprising of share capital, reserves and accumulated profits. The Group is required to maintain the required gearing in order to comply with covenants in loan agreements with banks and financial institutions.

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

The Group monitors capital using debt ratio as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Total debt	307,963	267,905
Total assets	626,872	582,284
Total equity	153,502	165,626
Debt-to-total assets ratio (times)	0.49	0.46
Debt-to-total equity ratio (times)	2.01	1.62

The Group's overall strategy with regards to capital management remains unchanged from 2017.

5 RELATED PARTY TRANSACTIONS

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

Significant related party transactions as follows:

		Group	
		2018	2017
		$'000	$'000
(a)	Associates and joint venture		
	Dividend income	10,991	7,892
	Interest income	636	1,057
	Financial guarantee income	333	666
	Management fee income	823	346
	Consultancy and service income	109	44
	Provision of engineering services	–	10
(b)	Company in which a director has significant financial interest		
	Rental expenses	235	236

(c) Compensation of directors and key management personnel

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

	Group	
	2018	2017
	$'000	$'000
Short-term benefits	3,610	3,912
Post-employment benefits	166	159

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

(d) Guarantees given to related parties

No guarantees have been given except that the financial guarantee liabilities (Note 31) pertaining to the effects of fair value of corporate guarantee on initial recognition provided by the Group on behalf of associates to obtain banking facilities.

(e) Professional fees paid to an independent non-executive director

An independent non-executive director of the Company is a partner of a firm which provided professional services amounting to $23,000 (2017 : $36,000).

(f) Professional fees paid to an independent non-executive director of a subsidiary

An independent non-executive director of a subsidiary is a partner of a firm which provided professional services amounting to $119,000 (2017 : $12,000).

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

5 RELATED PARTY TRANSACTIONS (cont'd)

(g) Services provided to a director of the company

In 2017, a subsidiary provided services to a director of the company amounting to $241,000.

(h) Advance from a director

An advance of $10,000,000 from a director bears interest rate of 11.50% per annum, is unsecured and repayable by February 28, 2019. Advance from a director is denominated in Singapore dollars. The interest expense recognised in profit or loss during the year amounting to $819,000.

6 CASH AND CASH EQUIVALENTS

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Cash at banks	9,596	26,972	989	3,493
Cash on hand	107	49	1	1
Project accounts:				
Cash at banks	20,035	6,380	–	–
Fixed deposits	2,005	4,019	–	–
Fixed deposits	3,159	2,167	–	–
	34,902	39,587	990	3,494
Less: Bank overdrafts (Note 24)	(4,611)	(6,148)	–	–
Cash and cash equivalents in the consolidated statement of cash flows	30,291	33,439	990	3,494

Fixed deposits bear average effective interest rate of 2.95% (2017 : 1.55%) per annum and for a tenure of approximately 167 days (2017 : 183 days).

Project accounts are subject to restrictions under the Singapore Housing Developers (Project Account) Rules (1997 Ed) or the Malaysia Housing Development (Control and Licensing) Act, 1966. Withdrawals from these project accounts are restricted to payments for project expenditure incurred until the completion of the project.

7 BANK BALANCES PLEDGED

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Bank balances pledged	523	2,837	–	1,390
Less: Amounts receivable within 12 months (shown under current assets)	(52)	(2,402)	–	(1,390)
Amounts receivable after 12 months	471	435	–	–

These bank balances were pledged as security for certain bank facilities and bear average effective interest rate of 1.93% (2017 : 1.47%) per annum and for a tenure of approximately 491 days (2017 : 387 days).

8 TRADE RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Contract trade receivables	59,325	48,223	34	222
Retention sums	9,290	6,434	–	–
Others	1,459	460	–	47
Total	70,074	55,117	34	269

The credit period given to customers ranges from 14 to 45 days (2017 : 14 to 45 days). No interest is charged on the outstanding trade receivables.

Before accepting any new customer, the Group and Company assess the potential customer's credit quality and define credit limits by customer.

An allowance has been made for estimated irrecoverable amounts from the sale of goods and rendering of services by the Group to third parties of $854,000 (2017 : $189,000). This allowance has been determined by reference to past default experience.

The Group and the Company closely monitor the credit quality of its trade receivables and consider trade receivables that are neither past due nor impaired to be of a good credit quality. Included in the Group's and Company's trade receivable balance are debtors with a carrying amount of $2,289,000 (2017 : $424,000) and $Nil (2017 : $Nil) respectively which are past due at the end of the reporting period for which the Group has not made allowance as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 101 days (2017 : 174 days).

In determining the recoverability of a trade receivable, the Group and Company consider any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The Group has fifteen (2017 : ten) customers making up $13,411,000 (2017 : $22,237,000) which accounted for 19.1% (2017 : 40.3%) of the Group's trade receivables. Management believes that there is no further credit allowance required in excess of the allowance for doubtful debts.

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

Movements in the allowance for doubtful debts:

	Group	
	2018	2017
	$'000	$'000
At beginning of the year	189	189
Foreign currency exchange adjustment	17	–
Acquisition of subsidiaries	2	–
Increase in allowance recognised in profit or loss	646	–
At end of the year	854	189

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

9 OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Associates and joint venture (a) (Notes 5 and 17)	103	111	–	–
Subsidiaries (b) (Note 18)	–	–	21,638	11,237
Related parties (c) (Note 5)	1,114	1,122	–	7
Interest receivables due from associates/ former associate (Notes 5 and 17)	1,959	3,597	–	–
Interest receivables	–	13	815	38
Dividend receivable	–	–	707	–
Deferred commission expenses (d)	3,797	3,854	282	–
Deferred show flat costs (d)	129	131	–	–
Prepayments	3,005	797	328	43
Deposits (e)	1,523	959	224	216
Former joint developer (f)	–	21	–	–
Loan to former joint developer (f)	–	6,000	–	–
Advances to directors of subsidiaries (g) (Note 5)	451	622	–	–
Accrued rental income	704	–	704	–
Outside parties (h)	10,606	2,156	439	471
	23,391	19,383	25,137	12,012
Less: Amounts receivable within 12 months (shown under current assets)	(22,180)	(13,239)	(24,033)	(11,972)
Amounts receivable after 12 months	1,211	6,144	1,104	40

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

Management has assessed the credit worthiness of the other receivables and allowances have been determined by reference to past default experience.

(a) The amount due from associates and joint venture of $103,000 (2017 : $111,000) is unsecured, interest-free and repayable within 12 months from the reporting date. An allowance has been made for estimated irrecoverable amounts of $2,000 (2017 : Nil).

(b) The amounts due from subsidiaries are unsecured, interest-free and repayable on demand. An allowance has been made for estimated irrecoverable amounts by the Company of $19,506,000 (2017 : $19,542,000).

(c) Included in other receivables due from related parties are amounts of $Nil and $1,114,000 (2017 : $7,000 and $1,115,000) which are due from a company with a common director and non-controlling shareholders respectively. Both amounts are unsecured, interest-free and repayable within 12 months (2017 : repayable within 12 months). The fair value approximates its carrying amount.

(d) Deferred commission expenses are recognised in profit or loss as and when revenue is recognised.

Deferred show flat costs are capitalised and amortised to profit or loss over marketing period.

9 OTHER RECEIVABLES (cont'd)

(e) Included in deposits are:

(i) An amount of $3,374,000 for an option to acquire 26 plots of land located in Mukim Klang, Daerah Klang, Negeri Selangor, Malaysia from a third party (the "Seller"). The Group has terminated the acquisition as a result of non-compliance of conditions precedent by the Seller and assessed and determined that the option money may not be collectable. Accordingly, full allowance for doubtful receivable has been provided for this option money amount in 2016. In 2018, management reassessed that the option money may still be uncollectable and hence remain as doubtful receivables at the end of the reporting period;

(ii) An amount of $361,000 for an option to acquire land located in Batam Island, Indonesia from a third party (the "Seller"). The Group has terminated the acquisition as a result of non-compliance of conditions precedent by the Seller and assessed and determined half of the deposit paid may not be collectable. Accordingly, allowance for doubtful receivable of $181,000 has been provided for this deposit paid; and

(iii) In 2017, $2,595,000 deposit had been transferred to development properties as the acquisition of the land was completed and a refundable deposit for potential investment amounting to $3,410,000 which was unsecured, bore interest bearing at 4.00% per annum, was refunded.

(f) In 2017, the loan to former joint developer of $6,000,000 was unsecured and repayable after 12 months from the end of the reporting period. The loan bore floating interest of 1.1% per annum below Hong Leong Finance Enterprise Base Rate, which approximated an average of 4.15% per annum. The loan has been received during the year.

In 2017, the amount of $21,000 due from former joint developer was unsecured, interest-free and repayable within 12 months from the end of the reporting period. The amount due has been received during the year.

(g) The advances to directors of subsidiaries are provided under an approved employees loan scheme and are unsecured, interest-free and not repayable within the next twelve months.

(h) Included in amount due from outside parties were:

(i) The amount due from outside parties relating to disposal of property, plant and equipment in prior year are unsecured, interest-free and repayable on demand. An allowance has been made for estimated irrecoverable amounts by the Group of $1,002,000 (2017 : $546,000);

(ii) An amount of $8,421,000 being the amount receivable from the exercise of the call option by the Purchaser on the Option Shares in Chewathai Public Company Limited ("Chewathai"). The Purchaser, Chartchewa Company Limited, is the buyer of the Group's entire shareholding interest of 239,119,300 ordinary shares in the capital of Chewathai ("Chewathai Shares"), the Group's associate in Thailand. The Option Shares were 151,119,300 Chewathai Shares for which the Purchaser had exercised call option on May 28, 2018 (Note 17). The amount has been received in August 2018; and

(iii) An amount of $646,000 being the amount receivable for the Distribution Shares, payable by the Purchaser. The Distribution Shares were the stock dividend declared by Chewathai before the exercise of the call option by the Purchaser, for which the Purchaser was obligated to purchase at the same price as the Chewathai Shares. The amount has been received in August 2018.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

9 OTHER RECEIVABLES (cont'd)

Movements in the allowance for doubtful debts:

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
At beginning of the year	3,920	3,727	19,542	19,494
Increase in allowance recognised in profit or loss (Note 41)	639	193	(34)	48
At end of the year	4,559	3,920	19,508	19,542

10 LOANS RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Loans receivables from former associate	–	933	–	933
Loans receivables from associates	14,376	25,860	–	–
	14,376	26,793	–	933

Included in the Group's loans receivables is an amount of $2,733,000 (2017 : $7,233,000) which is unsecured, interest-free and expected to be repaid upon completion of the development project held by an associate. The remaining amount of $11,643,000 (2017 : $19,560,000) is unsecured, bears interest which is fixed at 5.00% (2017 : 4.00% to 5.35%) per annum.

In 2017, the Company's loans receivable from former associate of $933,000 was unsecured and bore interest which was fixed at 5.35% per annum. The amount has been received during the year.

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

11 HELD-TO-MATURITY FINANCIAL ASSET

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Quoted debt securities, at amortised cost	25	50	25	50
Presentation on statements of financial position:				
Current assets	25	25	25	25
Non-current assets	–	25	–	25
Total	25	50	25	50

The quoted debt securities have nominal values amounting to $50,000, with coupon rates of 8% per annum and maturity dates ranging from December 13, 2017 to December 13, 2018.

There were no disposals or allowance for impairment for held-to-maturity financial assets.

The held-to-maturity financial assets are denominated in Singapore dollars, the functional currency of the Company.

12 HELD FOR TRADING INVESTMENT

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Listed equity securities, at fair value	700	700	700	700

The balance represented investment in a listed equity security in Singapore and measured at fair value by reference to quoted prices as at year end.

The fair value measurement of the held for trading investment is classified within Level 1 of the fair value hierarchy.

13 INVENTORIES

	Group	
	2018	2017
	$'000	$'000
At cost:		
Consumables	168	27

14 AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	Group	
	2018	2017
	$'000	$'000
Contract cost incurred plus recognised profits	411,714	454,572
Less: Progress billings	(340,572)	(364,950)
Net	71,142	89,622

15 DEVELOPMENT PROPERTIES

	Group	
	2018	2017
	$'000	$'000
Cost incurred plus attributable profit	345,357	263,452
Progress billings	(51,006)	(59,920)
Recognised as expense in profit or loss	(13,945)	(7,535)
Allowance for diminution in value	(6,111)	(4,999)
Net	274,295	190,998
Presented in the statements of financial position as:		
Development properties	227,757	143,997
Completed properties and land held for sale	46,538	47,001
Total	274,295	190,998

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

15 DEVELOPMENT PROPERTIES (cont'd)

Allowance for diminution in value

	Group 2018	Group 2017
	$'000	$'000
At beginning of the year	4,999	1,785
Charge to profit or loss	1,277	3,301
Write back of written down recorded in cost of sales	(165)	(87)
At end of the year	6,111	4,999

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

The Group makes allowance for diminution in value taking into account estimated net realisable values of the project by reference to comparable properties, location and property market conditions.

The allowance for diminution value was made on a property due to the weakening market conditions and the slow take up rate of the property.

Details of the Group's development properties as at May 31, 2018 are as follows:

Name of Property/ location	Description	Tenure	Estimated percentage of completion	Year to be completed/ completed	Land area (sq m)	Gross floor area (sq m)	Group's interest in property
Properties in the course of development:							
240One Residences 241 Pasir Panjang, Singapore	24 units of residential apartments	Freehold	40%	March 2019	1,202	1,682	63%
183 Longhaus 183 Upper Thomson Road, Singapore	40 residential units and 10 commercial units	Freehold	55%	December 2018	1,576	4,727	63%
Third Avenue Jalan Teknokrat 3, Cyberjaya, Selangor, Malaysia	1 office block	Freehold	100%**	November 2018	24,085	12,766	63%
Rezi 35 Geylang Lorong 35, Singapore	44 units of residential apartments	Freehold	13%	December 2019	1,115	3,121	32%
Lattice One 1 Seraya Crescent, Singapore	48 units of residential apartments	Freehold	*	September 2020	2,236	3,131	63%
35 Gilstead 35 Gilstead Road, Singapore	70 units of residential apartments	Freehold	*	December 2021	3,528	4,954	38%

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

** Pending Completion Certificate.

NOTES TO FINANCIAL STATEMENTS

15 DEVELOPMENT PROPERTIES (cont'd)

Details of the Group's completed properties and land held for sale as at May 31, 2018 are as follows:

Name of Property/ location	Description	Tenure	Estimated percentage of completion	Land area (sq m)	Gross floor area (sq m)	Group's interest in property
Completed properties and land held for sale:						
31 Harvey Avenue, Singapore	1 unit of 3 storey house	Freehold	100%	515	723	63%
The Peak @ Cairnhill I, 51 Cairnhill Circle, Singapore	15 units of residential apartment	Freehold	100%	978	1,189	63%
Third Avenue Jalan Teknokrat 3, Cyberjaya, Selangor, Malaysia	57 residential units and 5 commercial units	Freehold	100%	24,085	4,761	63%
Peach Garden Phu Huu Residential District 9, Ho Chi Minh City, Vietnam	30 plots of land	Freehold	100%	6,029	–	41%

Development properties were pledged to banks to secure the bank loans and long-term borrowings granted to the Group as disclosed in Notes 24 and 29 respectively.

Finance costs capitalised as cost of development properties during the year amounted to $3,040,000 (2017 : $3,255,000) at interest rates ranging from 2.46% to 7.60% (2017 : 2.08% to 7.50%) per annum.

16 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Group	
	2018	2017
	$'000	$'000
At beginning of the year	47,481	–
Foreign currency exchange adjustment	(848)	–
Reclassified from property, plant and equipment (Note 21)	–	74,953
Additions	1,067	–
Written off	(83)	–
Less: Disposal	–	(27,472)
Net	47,617	47,481

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

16 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE (cont'd)

Following the approval of the Group's management and subsidiary's directors on July 26, 2016 to sell the two hotels in Australia, the freehold land and building on freehold land are classified as "non-current assets classified as held for sale" and presented separately in the consolidated statement of financial position.

In 2017, the Group sold one of the hotels for a consideration of approximately $32,820,000 (A$31,365,000), net of transaction cost. The gain on disposal of $5,348,000 (A$5,111,000) is recorded in the profit or loss (Note 40).

The Group is actively marketing for sale of Larmont Hotel Sydney since the date of reclassification in 2017. The sales has not been completed as at the end of the reporting period. The Group's management and directors have reassessed and are satisfied that the freehold land and building on freehold land continues to meet the criteria to be classified as held for sale in accordance with FRS 105 Non-current assets held for sale and discontinued operations.

The non-current assets held for sale is pledged to banks to secure the long-term borrowings granted to the Group (Note 29).

At May 31, 2018, details of the Group's non-current assets held for sale are as follows:

Name of property/ location	Tenure of property	Existing use	Gross floor area (sq m)	Group's interest in property
Larmont Hotel Sydney 2-14 Kings Cross Road, Potts Point, NSW 111, Australia	Freehold	Hotel operations	4,653	35%

17 INVESTMENT IN ASSOCIATES AND JOINT VENTURE

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Associates				
Quoted equity shares, at cost	–	9,875	–	–
Unquoted equity shares, at cost	11,280	11,643	300	300
Deemed cost of investment	4,756	5,766	–	–
Share of post-acquisition reserves, net of dividend received	4,018	21,012	–	–
Impairment:				
Recognised in profit or loss	(7,788)	–	(300)	–
Disposal of associate	7,297	–	–	–
Net	(491)	–	(300)	–
Total	19,563	48,296	–	300
Joint venture				
Unquoted equity shares, at cost	9	9	–	–
Share of post-acquisition reserves, net of dividend received	261	882	–	–
Total	270	891	–	–

NOTES TO FINANCIAL STATEMENTS

17 INVESTMENT IN ASSOCIATES AND JOINT VENTURE (cont'd)

Deemed cost of investment pertains to the effects of fair value of financial guarantee on initial recognition provided by the Group on behalf of associates to obtain banking facilities.

Management had performed an impairment review on the investment of associates and impairment loss of $7,788,000 is recognised during the year based on the fair value less cost to sell.

Details of the Group's significant associates and joint venture at May 31 are as follows:

Name of associate/joint venture Place of incorporation and operation	Principal activity	Proportion of effective ownership interest and voting power held	
		2018	2017
		%	%
Associates			
Unique Development Pte. Ltd. ("UDPL") Singapore [(4) (5)]	Development of real estate	13	13
Unique Realty Pte. Ltd. ("UREL") Singapore [(2) (5)]	Development of real estate	13	13
Residenza Pte. Ltd. ("RPL") Singapore [(4) (5)]	Development of real estate	20	20
Unique Consortium Pte. Ltd. ("UCPL") Singapore [(4) (5)]	Development of real estate	13	13
Development 26 Pte. Ltd. ("D26") Singapore [(4) (5)]	Development of real estate	28	28
Chewathai Public Company Limited ("CWL") Thailand [(1) (5) (6)]	Development of real estate	–	20
Global Environmental Technology Co., Ltd. ("GETCO") Thailand [(1)]	Wastewater treatment	49	49
Joint venture			
TEE-HC Engineering Company Limited Macao [(3)]	Provision of mechanical and electrical engineering	55	55

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

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

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

(4) Reviewed by another firm of auditors, Baker Tilly TFW LLP, Singapore for the purpose of consolidation.

(5) Held by a subsidiary, TEE Land Limited (Note 18).

(6) Disposed during the year and recorded impairment loss recognised in profit or loss of $7,297,000 (Note 41).

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

17 INVESTMENT IN ASSOCIATES AND JOINT VENTURE (cont'd)

In accordance with the requirements of Rules 715 and 716 of the SGX-ST Listing Manual, the directors of the Company and the Audit Committee, having reviewed the appointment of different auditors for the Group's associates, are satisfied that these appointments would not compromise the standard and effectiveness of the audit of the Group.

During the year, by an extraordinary general meeting held on January 24, 2018, the Group disposed of its entire shareholding interest of 239,119,300 ordinary shares in the capital of its associate, Chewathai Public Company Limited ("Chewathai") to Chartchewa Company Limited ("Purchaser"). The selling price per share was Baht 1.33, being negotiated at arms-length and arrived at on a "willing-buyer, willing-seller" basis, taking into account, inter alia, the market capitalisation and net asset value of Chewathai as at September 30, 2017. The par value per share is Baht 1.00.

The disposal was in two tranches as follows:

1. 88,000,000 ordinary shares in Chewathai was sold to the Purchaser on January 26, 2018; and

2. the remaining 151,119,300 ordinary shares in Chewathai was sold to the Purchaser upon the exercise of a call option by the Purchaser on May 28, 2018.

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

	Group	
	2018	**2017**
	$'000	**$'000**
Total assets	252,674	510,588
Total liabilities	(197,847)	(357,666)
Net assets	54,827	152,922
Group's share of associates' and joint venture's net assets	19,833	49,187
Revenue	133,828	162,841
Profit (Loss) for the year	8,707	(10,856)
Group's share of associates' and joint venture's results for the year	3,038	(2,095)
Dividends received from associates and joint venture during the year	10,991	7,892

17 INVESTMENT IN ASSOCIATES AND JOINT VENTURE (cont'd)

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

Summarised statement of financial position

2018

	Associates								Joint Venture	
	UDPL	UREL	RPL	UCPL	D26	GETCO	Individually immaterial associates	Total	TEE-HC Engineering	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Proportion of the group's effective ownership interest	13%	13%	20%	13%	28%	49%	13–50%		55%	
Current assets	5,074	3,066	9,950	29,304	350	3,421	116,390	167,555	590	168,145
Non-current assets	946	–	–	13,546	–	8,536	61,501	84,529	–	84,529
Current liabilities	(1,541)	(642)	(2,524)	(21)	(286)	(2,102)	(19,734)	(26,850)	(99)	(26,949)
Non-current liabilities	–	(72)	–	(39,696)	–	(2,108)	(129,022)	(170,898)	–	(170,898)
Net assets	4,479	2,352	7,426	3,133	64	7,747	29,135	54,336	491	54,827
Group's share of net assets	896	470	2,376	627	29	3,796	6,873	15,067	270	15,337
Deemed cost of investment	1,054	610	201	694	300	–	1,898	4,757	–	4,757
Impairment loss	–	–	–	–	(271)	–	(221)	(492)	–	(492)
Other adjustments	–	–	–	–	–	–	231	231	–	231
Carrying amount of the group's interest in associate and joint venture	1,950	1,080	2,577	1,321	58	3,796	8,781	19,563	270	19,833

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

17 INVESTMENT IN ASSOCIATES AND JOINT VENTURE (cont'd)

Summarised statement of profit or loss and comprehensive income

2018

	Associates									Joint Venture	
	UDPL	UREL	RPL	UCPL	D26	CWL	GETCO	Individually immaterial associates	Total	TEE-HC Engineering	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	1,797	8,560	–	–	–	76,828	7,841	33,922	128,948	4,880	133,828
(Loss) Profit for the year	(17)	1,863	(70)	(2,914)	1,084	8,058	290	422	8,716	(9)	8,707
Dvidends received from associates and joint venture during the year	580	1,900	–	7,000	450	–	510	–	10,440	551	10,991

Summarised statement of financial position

2017

	Associates									Joint Venture	
	UDPL	UREL	RPL	UCPL	D26	CWL	GETCO	Individually immaterial associates	Total	TEE-HC Engineering	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Proportion of the group's effective ownership interest	13%	13%	20%	13%	28%	20%	49%	13–50%	–	55%	–
Current assets	9,118	17,884	10,395	42	4,149	158,749	6,130	153,209	359,676	2,386	362,062
Non-current assets	944	–	–	69,474	–	22,678	8,728	46,702	148,526	–	148,526
Current liabilities	(2,666)	(7,818)	(2,638)	(24)	(3,169)	(97,455)	(3,669)	(62,431)	(179,870)	(799)	(180,669)
Non-current liabilities	–	(77)	(260)	(28,445)	–	(36,436)	(2,931)	(108,848)	(176,997)	–	(176,997)
Net assets	7,396	9,989	7,497	41,047	980	47,536	8,258	28,632	151,335	1,587	152,922
Group's share of net assets	1,479	1,998	2,399	8,209	441	16,968	4,046	6,741	42,281	873	43,154
Deemed cost of investment	1,054	610	201	691	300	1,185	–	1,725	5,766	–	5,766
Other adjustments	–	–	–	–	–	–	–	249	249	18	267
Carrying amount of the group's interest in associate and joint venture	2,533	2,608	2,600	8,900	741	18,153	4,046	8,715	48,296	891	49,187

NOTES TO FINANCIAL STATEMENTS

17 INVESTMENT IN ASSOCIATES AND JOINT VENTURE (cont'd)

Summarised statement of profit or loss and comprehensive income

2017

	Associates										Joint Venture	
	UDPL	UREL	RPL	UCPL	D26	CWL	GETCO	CMCI	Individually immaterial associates	Total	TEE-HC Engineering	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue	9,638	–	–	–	–	29,955	7,563	12,898	95,758	155,812	7,029	162,841
(Loss) Profit for the year	(2,407)	(592)	(336)	(7,983)	(48)	410	803	(1,491)	260	(11,384)	528	(10,856)
Dividends received from associates and joint venture during the year	1,497	1,600	–	–	3,150	288	593	–	–	7,128	764	7,892

18 INVESTMENT IN SUBSIDIARIES

	Company	
	2018	2017
	$'000	$'000
Quoted equity shares, at cost	70,671	70,671
Unquoted equity shares, at cost	38,514	37,514
Deemed cost of investment	2,256	2,256
Impairment loss	(1,511)	(1,511)
Net	109,930	108,930

Deemed cost of investment pertains to the effects of fair value of financial guarantees on initial recognition provided by the Company on behalf of its subsidiaries for the granting of banking facilities.

Management had performed an impairment review on the investment of subsidiaries and is of the view that no impairment is required during the year based on the carrying amount of the underlying net assets which approximates the estimated fair value less cost to sell.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

18 INVESTMENT IN SUBSIDIARIES (cont'd)

Details of the Company's significant subsidiaries at May 31, 2018 are as follows:

Name of subsidiary/ Country of incorporation and operation	Principal activity	Proportion of ownership interest and voting power held	
		2018	2017
		%	%
Trans Equatorial Engineering Pte. Ltd. Singapore [(1)]	Provision of mechanical and electrical engineering services	100	100
PBT Engineering Pte. Ltd. Singapore [(1)]	Provision of addition, alteration and upgrading of existing buildings, mechanical and electrical engineering services	100	100
TEE Land Limited Singapore [(2)]	Development of real estate and investment holding	63.28	63.28
TEE E&C (Malaysia) Sdn. Bhd. Malaysia [(3)]	Provision of mechanical and electrical engineering services	100	100
G3 Environmental Private Limited Singapore [(1)] [(4)]	Commercial and industrial real estate management	50.10	–

(1) Audited by Deloitte & Touche LLP, Singapore

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

(3) Audited by another firm of auditors, Deloitte & Touche LLP, Malaysia

(4) Incorporated during the year to acquire TEE Environmental Group (Note 49)

In accordance with the requirements of Rules 715 and 716 of the SGX-ST Listing Manual, the directors of the Company and the Audit Committee, having reviewed the appointment of different auditors for the Group's subsidiaries, are satisfied that these appointments would not compromise the standard and effectiveness of the audit of the Group.

The Group undertakes to provide financial support to certain subsidiaries with net current liabilities to ensure that subsidiaries can meet their contractual obligations when they fall due.

18 INVESTMENT IN SUBSIDIARIES (cont'd)

Information about the composition of wholly-owned and non wholly-owned subsidiaries of the Group as at May 31, 2018 and 2017 is as follows:

Principal activity	Place of incorporation and operation	Number of wholly-owned subsidiaries		Number of non wholly-owned subsidiaries	
		2018	2017	2018	2017
Mechanical and electrical engineering services	Singapore, Malaysia, Hong Kong, Brunei	11	11	–	–
Development of real estates	Singapore, Malaysia, New Zealand, Australia	–	–	25	24
Infrastructure and wastewater treatment	Singapore, Thailand, Philippines, Cambodia	5	5	7	3

Details of non wholly-owned subsidiaries that have material non-controlling interests to the Group are disclosed below:

Name of subsidiary	Place of incorporation and operation	Effective equity interest and voting power held by non-controlling interest		(Loss) Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	2018	2017	2018	2017
		%	%	$'000	$'000	$'000	$'000
TEE Land Limited and its subsidiaries	Singapore	36.72	36.72	(1,944)	531	65,849	71,399
G3 Environmental Private Limited and its subsidiaries	Singapore	49.90	–	692	–	697	–
Individually immaterial subsidiaries with non-controlling interest				96	70	(1,318)	(1,383)
				(1,156)	601	65,228	70,016

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

18 INVESTMENT IN SUBSIDIARIES (cont'd)

The summarised financial information of TEE Land Limited and its subsidiaries on a 100% basis is set out below, as adjusted to align accounting policies to that of Group's:

	2018	2017
	$'000	$'000
Current assets	410,941	330,158
Non-current assets	49,629	86,600
Current liabilities	159,566	130,159
Non-current liabilities	138,341	116,641
Equity attributable to owners of the company	150,807	154,814
Revenue for the year	107,910	90,208
Expenses	(113,405)	(91,066)
Loss for the year	(5,495)	(858)
Loss attributable to:		
Owners of the company	(5,611)	(2,195)
Non-controlling interests	116	1,337
Loss for the year	(5,495)	(858)
Other comprehensive income attributable to:		
Owners of the company	225	1,384
Non-controlling interests	259	457
Other comprehensive income for the year	484	1,841
Total comprehensive (loss) income attributable to:		
Owners of the company	(5,386)	(811)
Non-controlling interests	375	1,794
Total comprehensive (loss) income for the year	(5,011)	983
Net cash outflow used in operating activities	(67,977)	(20,534)
Net cash inflow from investing activities	28,190	39,615
Net cash inflow from (outflow used in) financing activities	34,552	(9,348)
Net cash (outflow) inflow	(5,235)	9,733

18 INVESTMENT IN SUBSIDIARIES (cont'd)

The summarised financial information of G3 Environmental Private Limited and its subsidiaries on a 100% basis is set out below, as adjusted to align accounting policies to that of Group's:

	2018
	$'000
Current assets	12,125
Non-current assets	11,591
Current liabilities	20,881
Non-current liabilities	1,437
Equity attributable to owners of the company	1,398
Revenue for the year	24,561
Expenses	(23,174)
Profit for the year	1,387
Profit attributable to:	
Owners of the company	695
Non-controlling interests	692
Profit for the year	1,387
Net cash inflow generated from operating activities	1,558
Net cash outflow used in investing activities	(13,123)
Net cash inflow generated from financing activities	14,621
Net cash inflow	3,056

19 CLUB MEMBERSHIP

	Group and Company	
	2018	2017
	$'000	$'000
Club membership, at cost	50	73
Impairment loss	–	(28)
Disposals	(45)	–
Net	5	45

Management had performed an impairment review on the club membership based on its estimated fair value less cost to sell and this led to increase in fair value of $Nil (2017 : fair value of $3,000) recognised.

20 INTANGIBLE ASSET

	Group	
	2018	2017
	$'000	$'000
Customer contracts		
Cost:		
Arising from acquisition of subsidiaries (Note 49) and at the end of the year	2,233	–
Accumulated amortisation:		
Amortisation for the year and at the end of the year	(434)	–
Carrying amount	1,799	–

The intangible asset above has a finite useful life, over which the asset is amortised, which is 3 years.

The amortisation expense has been included in the line item "other operating expenses" in the profit or loss.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

21 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings on freehold land	Leasehold building	Leasehold improvements	Computers	Renovation	Motor vehicles	Machinery and tools	Office equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group										
Cost:										
At June 1, 2016	10,491	49,835	22,361	231	1,655	1,255	1,145	229	9,859	97,061
Reclassification (Note 16)	(10,900)	(52,138)	–	–	–	–	–	–	(15,711)	(78,749)
Foreign currency exchange adjustment	448	1,884	–	11	(5)	(45)	(1)	10	259	2,561
Additions	–	561	–	15	264	16	57	–	7,232	8,145
Disposals	–	–	–	–	(33)	–	(114)	–	–	(147)
Write-offs	–	(142)	–	–	(441)	(33)	–	(7)	(594)	(1,217)
At May 31, 2017	39	–	22,361	257	1,440	1,193	1,087	232	1,045	27,654
Foreign currency exchange adjustment	1	–	–	6	1	51	14	5	1	79
Arising from acquisition of subsidiaries (Note 49)	–	–	150	–	248	281	6,319	3,377	253	10,628
Additions	–	–	–	1	237	24	3	210	56	531
Disposals	–	–	–	–	–	–	(140)	–	(5)	(145)
Write-offs	–	–	–	–	(48)	(26)	–	(3)	(14)	(91)
At May 31, 2018	40	–	22,511	264	1,878	1,523	7,283	3,821	1,336	38,656
Accumulated depreciation:										
At June 1, 2016	–	1,720	642	204	1,061	713	705	217	2,133	7,395
Reclassification (Note 16)	–	(1,947)	–	–	–	–	–	–	(1,849)	(3,796)
Foreign currency exchange adjustment	–	72	–	10	(2)	(23)	–	9	79	145
Depreciation	–	180	642	9	390	263	98	5	346	1,933
Disposals	–	–	–	–	(33)	–	(114)	–	–	(147)
Write-offs	–	(25)	–	–	(442)	(28)	–	(7)	(168)	(670)
At May 31, 2017	–	–	1,284	223	974	925	689	224	541	4,860
Foreign currency exchange adjustment	–	–	–	6	3	42	13	5	–	69
Depreciation	–	–	657	35	415	332	742	290	214	2,685
Disposals	–	–	–	–	–	–	(125)	–	(5)	(130)
Write-offs	–	–	–	–	(47)	(16)	–	(4)	(14)	(81)
At May 31, 2018	–	–	1,941	264	1,345	1,283	1,319	515	736	7,403
Carrying amount:										
At May 31, 2018	40	–	20,570	–	533	240	5,964	3,306	600	31,253
At May 31, 2017	39	–	21,077	34	466	268	398	8	504	22,794

21 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Detail of the Group's properties are as follow:

Address of properties	Tenure of properties	Term of lease	Remaining term of lease	Existing use
TEE Building 25 Bukit Batok Street 22 Singapore 659591	Leasehold	From May 1, 1992 to April 30, 2052	34 years	Industrial and office space for providing rental

The carrying amount of the Group's motor vehicles includes an amount of $4,717,000 (2017 : $201,000) which are held under finance leases (Note 28).

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

The Group's freehold land, buildings on freehold land and leasehold building were pledged to bank to secure facilities granted to the Group (Note 29).

	Computers	Renovation	Office equipment	Total
	$'000	$'000	$'000	$'000
Company				
At June 1, 2016	489	–	138	627
Additions	120	8	4	132
Write-offs	(10)	–	–	(10)
At May 31, 2017	599	8	142	749
Additions	9	–	–	9
Write-offs	(17)	–	–	(17)
At May 31, 2018	591	8	142	741
Accumulated depreciation:				
At June 1, 2016	203	–	26	229
Depreciation	167	1	29	197
Write-offs	(10)	–	–	(10)
At May 31, 2017	360	1	55	416
Depreciation	175	1	28	204
Write-offs	(17)	–	–	(17)
At May 31, 2018	518	2	83	603
Carrying amount:				
At May 31, 2018	73	6	59	138
At May 31, 2017	239	7	87	333

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

22 INVESTMENT PROPERTIES

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
At fair value:				
At beginning of the year	33,812	35,717	22,000	24,000
Changes in fair value included in profit or loss (Note 41)	(995)	(2,469)	–	(2,000)
Foreign currency exchange adjustments	(412)	564	–	–
At end of the year	32,405	33,812	22,000	22,000

As at May 31, 2018 and 2017, the Group's and Company's investment properties are stated at estimated fair value based on valuation carried out by independent professional valuers, having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

The investment properties were pledged to a bank to secure long-term borrowings granted to the Group and the Company (Note 29).

The property rental income from the Group's and Company's investment properties, which are leased out under operating leases, amounted to $2,489,000 (2017 : $1,377,000) and $1,211,000 (2017 : $Nil) respectively. The direct operating expenses (including repairs and maintenance) arising from the Group's and Company's rental-generating investment properties, amounted to $1,052,000 (2017 : $601,000) and $477,000 (2017 : $Nil) respectively.

The Group classified fair value measurement using a fair value hierarchy that reflects the nature and complexity of the significant inputs used in making the measurement. As at May 31, 2018 and 2017, the fair value measurements of the Group's investment properties are classified within Level 3 of the fair value hierarchy.

The investment properties held by the Group as at May 31, 2018 and 2017 are as follow:

Name of property	Location	Description	Tenure
33 Changi North Crescent	Singapore	4-storey purpose-built factory building with ancillary offices	30 years from 2006
Workotel 19 Main South Road Upper Riccarton, Christchurch	New Zealand	107 units and 4 houses for providing rental accommodation	Freehold
Thistle Guesthouse 21 Main North Road Upper Riccarton, Christchurch	New Zealand	10 bedrooms and 1 ground floor apartment and an attached sleep-out for providing rental accommodation	Freehold
Chewathai Ratchaprarop Condominium, No.11 Ratchaprarop Road Makkasan Sub-district, Ratchathewi District, Bangkok	Thailand	3 condominium apartment units for providing rental accommodation	Freehold

22 INVESTMENT PROPERTIES (cont'd)

There were no transfers between different levels during the year. Details of valuation techniques and significant unobservable inputs used in the fair value measurement as at May 31, 2018 and 2017 are as follows:

Investment properties	Fair value 2018 $'000	Fair value 2017 $'000	Valuation methodology	Significant unobservable inputs (Level 3)	Range 2018	Range 2017
Singapore	22,000	22,000	Direct comparison method	Price per square meter of gross floor area [(1)]	$1,600 - $3,000	$1,600 - $3,000
New Zealand	8,197	9,676	Discounted cash flow method	Discount rate [(2)]	8.00%	10.00%
			Direct comparison method	Price per square meter of gross floor area [(1)]	$311 - $480	$300 - $480
Thailand	2,208	2,136	Direct comparison method	Price per square meter of gross floor area [(1)]	$3,900 - $7,100	$4,000 - $6,600
			Income capitalisation method	Occupancy turnover [(1)]	97.00%	97.00%
				Turnover [(1)]	$2,700/ Week	$3,000/ week
				Operating income [(1)]	$2,600/ week	$2,600/ week
				Net operating income margin [(1)]	91.00%	87.00%
				Capitalisation rate [(2)]	6.00%	6.00%
	32,405	33,812				

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

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

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

23 DEFERRED TAX

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

Deferred tax assets

	Provisions	Tax losses	Total
	$'000	$'000	$'000
Group			
At June 1, 2016	–	2,643	2,643
Credit to profit or loss for the year (Note 43)	67	1,127	1,194
Foreign currency exchange adjustment	–	14	14
At May 31, 2017	67	3,784	3,851
Credit to profit or loss for the year (Note 43)	101	394	495
Foreign currency exchange adjustment	–	18	18
At May 31, 2018	168	4,196	4,364

Deferred tax liabilities

	Recognition of profits from properties under development	Accelerated tax depreciation	Total
	$'000	$'000	$'000
Group			
At June 1, 2016	210	63	273
Charge (Credit) to profit or loss for the year (Note 43)	153	(8)	145
Foreign currency exchange adjustment	11	–	11
At May 31, 2017	374	55	429
Arising from acquisition of subsidiaries (Note 49)	–	681	681
Charge to profit or loss for the year (Note 43)	694	162	856
Foreign currency exchange adjustment	(15)	–	(15)
At May 31, 2018	1,053	898	1,951

No deferred tax liability has been recognised in respect of undistributed earnings of subsidiaries which would be subject to withholding tax if transferred out of the country. The Group is in a position to control the timing of the transfer of these retained earnings and do not expect the retained earnings to be remitted such as to attract withholding tax in the foreseeable future. Temporary differences arising in connection with interests in associates is insignificant.

24 BANK LOANS AND OVERDRAFTS

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Secured				
– Bank loans	9,281	4,950	4,481	3,700
– Bills payable	11,612	11,710	–	–
	20,893	16,660	4,481	3,700
Unsecured				
– Bank loans	14,833	15,473	–	3,400
– Bills payable	10,913	11,834	–	–
– Bank overdrafts (Note 6)	4,611	6,148		–
	30,357	33,455	–	3,400
Total	51,250	50,115	4,481	7,100

The following outstanding balances are secured with the following:

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Secured with:				
Shares of a subsidiary	4,481	3,700	4,481	3,700
Trade receivables	16,211	11,997	–	–
Joint and several former directors' guarantee	201	–	–	–
Pledge over fixed deposit	–	963	–	–
Total	20,893	16,660	4,481	3,700

The effective interest rate on the outstanding balances ranges from 2.76% to 6.25% (2017 : 3.03% to 7.71%) per annum.

25 TRADE PAYABLES

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Subsidiaries (Note 18)	–	–	–	222
Contract trade payables	74,824	79,966	–	–
Retention payables	23,796	22,502	–	–
Others	5,461	1,744	54	–
Total	104,081	104,212	54	222

The credit period granted by suppliers ranged from 30 to 90 days (2017 : 30 to 90 days). No interest is charged on the outstanding balance.

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

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

26 OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Subsidiaries (Note 18)	–	–	63,872	59,070
Related parties (Note 5)	598	103	–	–
Associates (Notes 5 and 17)	5,325	9,620	–	3
Non-controlling interest	2,218	4,095	–	–
Loan from non-controlling interest	16,539	3,680	–	–
Accrued expenses	6,639	4,103	882	549
Accrued interest expense	2,199	1,557	162	57
Amount due to a director (Note 5)	10,000	–	–	–
Rental and security deposits	1,216	1,137	77	–
Dividend payable	410	–	–	–
Advances received from customers	7,913	8,045	4	–
Other payables	1,989	4,315	611	98
	55,046	36,655	65,608	59,777
Less: Amounts payable within 12 months (shown under current liabilities)	(46,972)	(32,951)	(65,608)	(59,777)
Amounts payable after 12 months	8,074	3,704	–	–

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

In 2017, included in the other payables to non-controlling interest is dividend payable of $1,841,000 to a non-controlling interests of a subsidiary. The balance has been paid during the year.

The non-current loan from non-controlling interest of $8,056,000 (2017: $3,680,000) are for development properties "Rezi 35" and "35 Gilstead", bear interest at 5% per annum and repayable after 12 months from the end of the reporting period. The remaining amount of $8,483,000 is for working capital loans for respective subsidiaries and are unsecured, interest-free and repayable on demand.

The fair value of the non-current loan from non-controlling interest approximates its carrying value as the borrowing rates are based on benchmark market rates.

27 PROVISION FOR MAINTENANCE COSTS

	Group	
	2018	2017
	$'000	$'000
At beginning of the year	910	643
Charge to profit or loss for the year	876	478
Utilised	(752)	(210)
Foreign currency exchange adjustment	–	(1)
At end of the year	1,034	910

The provision for maintenance costs expense charged to profit or loss is included under cost of sales.

The provision for maintenance costs represents management's best estimate of the Group's liability for additional costs to be incurred for the completed projects within the warranty periods granted on such completed projects.

28 OBLIGATIONS UNDER FINANCE LEASES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Amounts payable under finance leases:				
Within one year	636	102	607	83
In the second to fifth years inclusive	347	305	330	272
After five years	–	13	–	13
	983	420	937	368
Less: Future finance charges	(46)	(52)	–	–
Present value of lease obligations	937	368	937	368
Less: Amounts due for settlement within 12 months (shown under current liabilities)			(607)	(83)
Amounts due for settlement after 12 months			330	285

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 4 years (2017 : 7 years). For the year ended May 31, 2018, the average effective borrowing rate was 3.60% (2017 : 5.12%) per annum. Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into contingent rental payments.

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

The Group's obligations under finance leases are secured by the lessors' title to the leased assets (Note 21).

29 LONG-TERM BORROWINGS

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Borrowings	234,687	187,483	14,682	27,516
Less: Current portion due within 12 months	(91,857)	(51,151)	(1,920)	(4,277)
Amounts due for settlement after 12 months	142,830	136,332	12,762	23,239
Secured	231,648	171,482	14,266	13,705
Unsecured	3,039	16,001	416	13,811
Total	234,687	187,483	14,682	27,516

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

29 LONG-TERM BORROWINGS (cont'd)

The following outstanding balances are secured with the following:

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Secured with:				
Development properties	150,550	77,757	–	–
Completed properties and land held for sale	18,867	31,111	–	–
Investment properties	18,998	18,862	14,266	13,705
Leasehold building	16,987	17,800	–	–
Joint and several former directors' guarantee	725	–	–	–
Non-current assets classified as held-for-sale	25,521	25,952	–	–
Total	231,648	171,482	14,266	13,705

The Group's and Company's long-term borrowings bear interest at rates ranging from 2.28% to 6.50% (2017 : 2.08% to 7.50%) per annum. The directors estimate the fair value of the Group's and Company's long-term borrowings to approximate the carrying amount and interest rates to approximate current market interest rates on or near the end of the reporting period.

Reconciliation of liabilities arising from financing activities

			Non-cash changes			
	June 1, 2017	Financing cash flow [i]	Acquisition of subsidiaries (Note 49)	Foreign exchange movement	Other changes [ii]	May 31, 2018
	$'000	$'000	$'000	$'000	$'000	$'000
Bank loans (Note 24)	43,967	890	1,659	123	–	46,639
Finance leases (Note 28)	368	(709)	1,272	6	–	937
Long-term borrowings (Note 29)	187,483	46,670	1,041	(507)	–	234,687
Term notes (Note 30)	29,939	(30,000)	–	–	61	–
Notes payable (Note 32)	–	20,175	–	(94)	1,008	21,089
Amount due to a director (Note 26)	–	10,000	–	–	–	10,000
Loan from non-controlling interest (Note 26)	3,680	12,859	–	–	–	16,539

(i) The cash flows make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

(ii) Other changes include amortisation costs, interest accruals and payments.

30 TERM NOTES

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Notes issued under MTN Programme, net of issuance cost	–	29,939	–	–

The Company and Group have in place $350 million and $600 million Multicurrency Medium Term Note Programme ("MTN Programme") respectively under which they can issue notes in series or tranches and may be denominated in Singapore dollars or other currency deemed appropriate at the time.

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

The fair value of the Group's term notes approximated their carrying amount.

31 FINANCIAL GUARANTEE LIABILITIES

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Financial guarantee liabilities	452	951	226	312
Less: Amounts shown under current liabilities	(67)	(199)	(76)	(86)
Amounts shown under non-current liabilities	385	752	150	226

Financial guarantee liabilities pertain to the effects of fair value of corporate guarantee on initial recognition provided by the Group and Company on behalf of associates and subsidiaries to obtain banking facilities, less amortisation.

32 NOTES PAYABLE

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Notes payable	21,089	–	21,267	–

The Senior Secured Notes of US$15 million issued on December 19, 2017 with an original maturity date on December 18, 2020, have an option to extend for an additional 2 years, and bear effective interest rate of 22.93% per annum. The Senior Secured Notes are denominated in US dollars.

The Senior Secured Notes are secured by respective subsidiaries share capital, subsidiary's shares held by the Company and subject to comply by the respective financial covenants and subject to certain restrictions.

The proceeds were used for repayment of loan and acquisition of subsidiaries.

The fair value of the Group's notes payable approximated their carrying amount.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

33 LONG-TERM DEPOSIT

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Long-term deposit	306	–	306	–

Long-term deposit is for the lease of premises located at 33 Changi North Crescent, Singapore (Note 22) with tenor and renewal till 2035.

34 SHARE CAPITAL

	Group and Company			
	2018	2017	2018	2017
	Number of ordinary shares		$'000	$'000
Issued and paid up:				
At beginning of the year	503,223,039	503,222,633	58,701	58,701
Issue of shares arising from exercise of warrants	–	406	–	*
At end of the year	503,223,039	503,223,039	58,701	58,701

* Denotes amount less than $1,000

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

In 2017, the Company issued 406 new ordinary shares upon the exercise of warrants with an exercise price of 25.0 cents per ordinary share.

On April 30, 2018, there were bonus warrants issued on the basis of 1 warrant for every 10 existing ordinary shares in the capital of the Company held by the shareholders of the Company. The number of bonus warrants issued was 50,195,020 and the exercise price is at 21.5 cents per warrant.

The warrants can be exercised within the period from date of issue of the bonus warrant to October 30, 2020.

35 TREASURY SHARES

	Group and Company			
	2018	2017	2018	2017
	Number of ordinary shares		$'000	$'000
Purchase during the year and at end of the year	1,270,400	1,270,400	269	269

In 2017, the Company acquired 1,270,400 of its own shares through purchases on the Singapore Exchange. The total amount paid to acquire the shares was $269,000 and has been deducted from shareholders' equity. The shares are held as 'treasury shares'.

The Company intends to transfer the treasury shares for the purposes of or pursuant to an employees' share scheme or as consideration for the acquisition of shares in or assets of another company or assets of a person.

36 CURRENCY TRANSLATION RESERVE

Exchange differences relating to the translation from the functional currencies of the Group's foreign operations into Singapore dollars are brought to account by recognising those exchange differences in other comprehensive income and accumulating them in a separate component of equity under the header of currency translation reserve.

37 CAPITAL RESERVE

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
At beginning of the year	18,793	18,765	(42)	(42)
Acquisition of non-controlling interests in a subsidiary	–	28	–	–
Expenses incurred on issue of bonus warrants	(52)	–	(52)	–
At end of the year	18,741	18,793	(94)	(42)

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

38 NON-CONTROLLING INTERESTS

Included in non-controlling interests is an amount of $11,454,000 (2017 : $15,462,000) of loan due to non-controlling interests which has been classified as equity as the loan is repayable at the discretion of the subsidiary.

39 REVENUE

	Group	
	2018	2017
	$'000	$'000
Revenue from construction contracts	129,932	156,218
Sale of goods	10,662	2,333
Sales of service	19,743	–
Sale of development properties	98,251	75,566
Rental income	4,806	3,558
Hotel operations	7,177	12,061
Consultancy and service income	684	3,879
Total	271,255	253,615

Included in revenue from construction contracts and sale of development properties is an amount of $116,443,000 and $97,719,000 (2017 : $156,218,000 and $75,312,000) respectively of revenue recognised based on the percentage of completion basis.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

40 OTHER OPERATING INCOME

	Group	
	2018	2017
	$'000	$'000
Interest income arising from:		
Fixed deposits	218	233
Associates (Notes 5 and 17)	636	1,057
Others	7	34
Gain on disposal of an associate	–	1,301
Change in fair value of club membership (Note 19)	–	3
Change in fair value of held for trading investment	–	164
Gain on disposal of non-current asset held-for-sale (Note 16)	–	5,348
Gain on disposal of property, plant and equipment	33	2
Amortisation of financial guarantee liabilities	333	666
Management fees income	905	429
Government grant	472	212
Dividend income	544	–
Gain on disposal of stock dividend	160	–
Compensation received from a tenant	–	1,413
Gain from a bargain purchase (Note 49)	2,488	–
Foreign currency exchange adjustment gain	1,276	–
Others	497	684
Total	7,569	11,546

41 OTHER OPERATING EXPENSES

	Group	
	2018	2017
	$'000	$'000
Foreign currency exchange adjustment loss	–	344
Property, plant and equipment written off	10	547
Non-current assets held for sale written off	83	–
Amortisation of intangible assets (Note 20)	434	–
Allowance for doubtful other receivables (Note 9)	639	193
Allowance for doubtful trade receivables (Note 8)	646	–
Trade receivables written off	437	2
Allowance for diminution in value on completed properties and land held for sale (Note 15)	1,277	3,301
Impairment loss on investment in associates (Note 17)	7,788	–
Change in fair value of investment properties (Note 22)	995	2,469
Change in fair value of foreign exchange forward contract	–	(70)
Total	12,309	6,786

42 FINANCE COSTS

	Group	
	2018	2017
	$'000	$'000
Interest on borrowings and bank overdrafts	12,880	13,412
Interest on obligations under finance leases	38	24
Total borrowing costs	12,918	13,436
Less: Amounts included in the cost of development properties and completed properties and land held for sale (Note 15)	(3,040)	(3,255)
Net	9,878	10,181

43 INCOME TAX EXPENSE

	Group	
	2018	2017
	$'000	$'000
Current:		
– On the profit for the year	1,937	4,929
– Adjustment in respect of prior years	(1,993)	(728)
– Withholding tax expense	433	112
Deferred (Note 23):		
– Adjustment in respect of prior years	17	(53)
– Credit for the year	344	(996)
	738	3,264

Domestic income tax is calculated at 17% (2017 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	Group	
	2018	2017
	$'000	$'000
(Loss) Profit before tax	(8,023)	2,296
Less: Share of results of associates and joint venture (Note 17)	(3,038)	2,095
	(11,061)	4,391
Tax at the domestic income tax rate of 17% (2017 : 17%)	(1,880)	746
Tax effect of income that are not taxable in determining taxable profit	3,586	1,831
Deferred tax benefits not recognised	836	643
Deferred tax benefits previously not recognised now utilised	–	(34)
Withholding tax expense	433	112
Overprovision of income tax in prior years	(1,993)	(728)
Under (Over) provision of deferred tax in prior years	17	(53)
Effect of different tax rates of overseas operations	117	1,225
Exempt income and tax rebate	(259)	(580)
Others	(119)	102
	738	3,264

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

43 INCOME TAX EXPENSE (cont'd)

Deferred tax assets have not been recognised as follows:

	Group	
	2018	2017
	$'000	$'000
Tax losses		
Amount at beginning of year	32,724	35,785
Adjustment in respect of prior years	(6,530)	(6,413)
Tax losses for the year	2,983	3,551
Utilised during the year	–	(199)
Amount at end of year	29,177	32,724
Other temporary differences		
Amount at beginning of year	885	712
Adjustment in respect of prior years	–	(56)
Amount during the year	1,935	229
Amount at end of year	2,820	885
Total	31,997	33,609
Deferred tax assets at 17% (2017 : 17%) not taken up in the financial statements	5,439	5,714

Subject to the agreement by the tax authorities, at the end of the reporting period, the Group has unutilised tax losses and temporary differences available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

44 LOSS FOR THE YEAR

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

	Group	
	2018	2017
	$'000	$'000
Directors' remuneration:		
Directors of the Company	1,715	1,643
Directors of the subsidiaries	1,677	1,939
Employee benefits expense (including directors' remuneration)	29,710	27,818
Costs of defined contribution plans included in employee benefits expense	1,773	1,439
Cost of development properties recognised as cost of sales	82,283	65,608
Audit fees:		
Auditors of the Company		
– current year	277	215
– adjustment in respect of prior year	29	–
Other auditors		
– current year	227	243
– adjustment in respect of prior year	42	23
Non-audit fees:		
Auditors of the Company		
– current year	35	27
– adjustment in respect of prior year	–	1
Other auditors		
– current year	95	106
– adjustment in respect of prior year	(7)	-
Amortisation of deferred commission expenses *	5,393	2,887
Amortisation of deferred show flat costs **	514	688
Amortisation of issuance costs on term notes ***	60	181
Amortisation of issuance costs on notes payable ***	131	–

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

** Included in selling and distribution expenses in the consolidated statement of profit or loss

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

Retirement Benefit Obligations

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

As at May 31, 2018, contributions of $293,000 (2017 : $215,000) due in respect of current year had not been paid over to the plans.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

45 DIVIDENDS

	Group and Company	
	2018	2017
	$'000	$'000
Tax-exempt one-tier final dividend paid in respect of previous year		
Cash	–	903
Tax-exempt one-tier interim dividend paid in respect of current year		
Cash	–	603
	–	1,506

46 LOSS PER SHARE

The calculation of basic earnings per ordinary share is based on Group loss attributable to owners of the Company of $7,605,000 (2017 : $1,569,000) divided by the weighted average number of ordinary shares (excluding treasury shares) of 501,952,639 (2017 : 502,361,650) in issue during the year.

Fully diluted loss per ordinary share is calculated based on 501,952,639 (2017 : 502,361,650) ordinary shares.

	Group			
	2018		2017	
	Basic	Diluted	Basic	Diluted
	$'000	$'000	$'000	$'000
Loss attributable to owners of the Company	(7,605)	(7,605)	(1,569)	(1,569)
Weighted average number of ordinary shares (excluding treasury shares) for the purposes of basic/diluted earnings per share	501,952,639	501,952,639	502,361,650	502,361,650
Loss per share (cents)	(1.52)	(1.52)	(0.31)	(0.31)

47 OPERATING LEASE ARRANGEMENTS

The Group as lessee

	Group	
	2018	2017
	$'000	$'000
Minimum lease payments under operating leases recognised as expense in the year	1,260	857

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2018	2017
	$'000	$'000
Within one year	732	262
In the second to fifth year inclusive	88	45
Total	820	307

Operating lease payments represent rentals payable by the Group for certain of its office premises, warehouse and equipment. Leases are negotiated for an average term of 3 years and rentals are fixed for an average of 3 years.

The Company does not have outstanding commitments under non-cancellable operating leases.

The Group and Company as lessor

The Group and Company rent out its investment properties under operating lease to outside parties. Property rental income earned by the Group and Company during the year was $2,489,000 (2017 : $1,377,000) and $1,211,000 (2017 : $Nil) respectively.

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

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Within one year	2,036	292	1,935	–
In the second to fifth year inclusive	7,778	83	7,740	–
After fifth year	5,321	–	5,321	–
Total	15,135	375	14,996	–

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

48 SEGMENT INFORMATION

The Group is organised into four major operating divisions – Corporate & Other, Engineering, Real Estate and Infrastructure. The divisions are the basis on which the Group reports its segment information. Certain assets, liabilities and profit and loss items are also reallocated to the respective segments. The accounting policies of these reportable segments are the same as the Group's accounting policies described in Note 2.

Corporate & Other involves a range of activities from corporate exercises and include income and expenses not attributable to other operating segments. Engineering involves providing mechanical and electrical work relating to the expansion and improvement of infrastructure, constructing new buildings and converting existing buildings and facilities for new uses and offering turnkey approaches to the construction of infrastructure as well as in system development from system definition, system development and system deployment. Real estate involves the development and sale of private residential and commercial properties and investment in hotels and properties. Infrastructure business offers infrastructure solutions in the areas of water and energy related projects and commercial and industrial real estate management. This includes comprehensive sustainable solutions to meet demands for integrated infrastructure, utilities and environmental services.

(a) Reportable Operating Segment Information

In accordance with FRS 108 *Operating Segments*, management has determined the operating segments based on the reports regularly reviewed by the Group Chief Executive that are used to make strategic decisions.

Segment revenue and expenses: Segment revenue and expenses are the operating revenue and expenses reported in the Group's profit or loss that are directly attributable to a segment and the relevant portion of such revenue and expenses that can be allocated on a reasonable basis to a segment.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of cash and bank balances, operating receivables, loans to associates, amounts due from customers for contract work, inventories, development properties, available-for-sale investment, investment in associates, investment in joint venture, club membership, completed properties and land held for sale, deferred tax assets, property, plant and equipment, intangible assets and investment properties, net of allowances. Segment liabilities include all operating liabilities used by a segment and consist principally of bank loans and overdrafts, operating payables, provision for maintenance costs, income tax payable, finance leases, term notes, long-term borrowings, notes payable, financial guarantee liabilities, derivative financial instruments and deferred tax liabilities.

Inter-segment transfers: Segment revenue and expenses include transfers between operating segments. Inter-segment sales are charged at cost plus a percentage of profit mark-up. These transfers are eliminated on consolidation.

48 SEGMENT INFORMATION (cont'd)

	Corporate & Other		Engineering		Real Estate		Infrastructure		Elimination		Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue												
External sales	1,211	–	135,775	161,660	106,706	89,004	27,563	2,951	–	–	271,255	253,615
Inter-segment sales	3,931	3,384	29,511	64,107	1,204	1,204	513	593	(35,159)	(69,288)	–	–
Total revenue	5,142	3,384	165,286	225,767	107,910	90,208	28,076	3,544	(35,159)	(69,288)	271,255	253,615
Segment results												
Segment results	156	(341)	6,590	10,714	(3,929)	10,180	2,186	699	(6,186)	(6,680)	(1,183)	14,572
Share of results of associates and joint venture	–	–	(5)	291	2,838	(2,090)	205	(296)	–	–	3,038	(2,095)
Finance costs	(3,299)	(1,799)	(1,986)	(1,995)	(4,479)	(6,279)	(912)	(154)	798	46	(9,878)	(10,181)
Profit before tax	(3,143)	(2,140)	4,599	9,010	(5,570)	1,811	1,479	249	(5,388)	(6,634)	(8,023)	2,296
Income tax expense	–	–	(372)	(536)	27	(2,669)	(393)	(59)	–	–	(738)	(3,264)
(Loss) Profit for the year	(3,143)	(2,140)	4,227	8,474	(5,543)	(858)	1,086	190	(5,388)	(6,634)	(8,761)	(968)
Segment assets												
Segment assets	25,111	29,719	118,417	131,760	443,986	366,672	15,161	1,095	–	–	602,675	529,246
Investment in associates and joint venture	–	–	270	891	11,932	40,269	7,631	8,027	–	–	19,833	49,187
Deferred tax assets	–	–	105	67	4,259	3,784	–	–	–	–	4,364	3,851
Total assets	25,111	29,719	118,792	132,718	460,177	410,725	22,792	9,122	–	–	626,872	582,284
Segment liabilities												
Segment liabilities	2,245	942	80,331	100,412	65,804	37,495	12,539	3,879	–	–	160,919	142,728
Loans and borrowings	40,252	34,616	42,877	43,958	223,196	189,266	1,638	65	–	–	307,963	267,905
Income tax payable	–	–	1,810	2,015	654	3,581	73	–	–	–	2,537	5,596
Deferred tax liabilities	–	–	–	25	1,025	374	926	30	–	–	1,951	429
Total liabilities	42,497	35,558	125,018	146,410	290,679	230,716	15,176	3,974	–	–	473,370	416,658

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

48 SEGMENT INFORMATION (cont'd)

	Corporate & Other		Engineering		Real Estate		Infrastructure		Elimination		Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Other information												
Depreciation	204	197	230	295	1,063	1,407	1,188	34	–	–	2,685	1,933
Allowance for diminution in value of completed properties and land held for sale	–	–	–	–	1,277	3,301	–	–	–	–	1,277	3,301
Change in fair value of investment properties	–	2,000	–	–	995	469	–	–	–	–	995	2,469
Allowance for doubtful trade receivables	–	–	646	–	–	–	–	–	–	–	646	–
Allowance for doubtful other receivables	2	–	456	193	181	–	–	–	–	–	639	193
Impairment on investment in associates	220	–	–	–	7,568	–	–	–	–	–	7,788	–
Gain on disposal of non-current asset held for sale	–	–	–	–	–	(5,348)	–	–	–	–	–	(5,348)
Gain on disposal of property, plant and equipment	–	–	(29)	(2)	–	–	(4)	–	–	–	(33)	(2)
Gain on disposal of an associate	–	–	–	–	–	–	–	(1,301)	–	–	–	(1,301)
Property, plant and equipment written off	–	–	1	5	9	542	–	–	–	–	10	547
Non-current assets held for sale written off	–	–	–	–	83	–	–	–	–	–	83	–
Gain from a bargain purchase	–	–	–	–	–	–	(2,488)	–	–	–	(2,488)	–
Amortisation of intangible asset	–	–	–	–	–	–	434	–	–	–	434	–
Change in fair value of held for trading investment	–	–	–	–	–	–	–	(164)	–	–	–	(164)
Purchase of property, plant and equipment	9	132	132	199	24	7,774	366	40	–	–	531	8,145

48 SEGMENT INFORMATION (cont'd)

b) Geographical Information

Segment revenue: Segment revenue is analysed based on the location of customers regardless of where the goods are produced.

Segment non-current assets: Segment non-current assets (excluding bank balances pledged, held-to-maturity financial asset, other receivables and deferred tax assets) are analysed based on the location of those assets.

	Revenue		Non-current assets	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Singapore	204,090	169,021	76,492	94,603
Malaysia	49,332	65,618	215	523
Thailand	3,001	2,951	55	57
Vietnam	532	254	–	–
Hong Kong	5,844	2,333	274	896
Australia/New Zealand	8,456	13,438	8,259	9,759
Total	271,255	253,615	85,295	105,838

49 ACQUISITION OF SUBSIDIARIES

On November 3, 2017, TEE International Limited's subsidiary, TEE Infrastructure Private Limited ("TEE Infrastructure") entered into an option agreement with Tan Chin Kiong and Tan Chiang Leong (the "Sellers") in which the Sellers grant to TEE Infrastructure the right, exercisable within 14 days to purchase all the shares in TEE Environmental Pte. Ltd. (Formerly known as Chiang Kiong Environmental Pte. Ltd.) (which in turn owns TEE Recycling Pte. Ltd. (Formerly known as Chiang Kiong Resources (Paper) Pte. Ltd.)) and Envotek Engineering Pte. Ltd. (collectively known as "TEE Environmental Group") at $18.5 million (the "Acquisition").

G3 Environmental Private Limited is a special purpose company incorporated by TEE Infrastructure (50.1%), Advancer Global Facility Pte. Ltd. (20.1%) and Kenmoore Mezzanine Investments Ltd (29.8%) to acquire TEE Environmental Group. The Acquisition was completed on December 29, 2017.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 2018

49 ACQUISITION OF SUBSIDIARIES (cont'd)

The fair value of the net identifiable assets acquired are as follows:

	Carrying amount $'000	Fair value adjustments $'000	Fair value $'000
Cash and cash equivalent	5,708	–	5,708
Trade receivables	8,164	–	8,164
Other receivables	3,271	–	3,271
Inventories	110	–	110
Intangible assets	876	1,357	2,233
Property, plant and equipment	9,486	1,142	10,628
Bank loans and overdraft	(1,659)	–	(1,659)
Trade payables	(1,698)	–	(1,698)
Other payables	(2,630)	–	(2,630)
Long-term borrowings	(1,041)	–	(1,041)
Finance leases	(1,272)	–	(1,272)
Income tax payable	(145)	–	(145)
Deferred tax liabilities	(107)	(574)	(681)
Fair value of identifiable net assets acquired			20,988
Gain from a bargain purchase arising from acquisition			(2,488)
Total consideration, satisfied by cash			18,500
Cash and cash equivalent acquired			(5,708)
Net cash outflow on acquisition of subsidiaries			12,792

Management was of the view, after re-assessment, that the gain arising from acquisition represented a bargain purchase on acquisition, which was primarily due to fair value of customers contracts and fair value adjustment of property, plant and equipment as at acquisition date.

Acquisition related costs amounting to $299,000 have been excluded from consideration transferred and have been recognised as an expense during the year, within the "administrative expenses" line item in the statement of profit or loss and other comprehensive income.

Impact on acquisition on the results of the Group

The consolidated result of the Group include post acquisition revenue of $24.6 million and profit after tax of $1.4 million contributed by TEE Environmental Group from January 2018 to May 2018.

Had the acquisition of TEE Environmental Group been effected at July 1, 2017, the estimated revenue of the Group from operation would have been $290.8 million, and the estimated loss for the year from operation would have been $7.6 million.

50 EVENTS AFTER THE REPORTING PERIOD

The Group's wholly-owned subsidiary, TEE Infrastructure Private Limited, together with Dymon Asia Private Equity, through their newly incorporated associate company, TEE Medical Services Pte. Ltd., entered into a sale and purchase agreement to acquire the biohazardous waste, cytotoxic waste and pharmaceutical waste treatment business from SembCorp Environment Pte. Ltd., a wholly-owned subsidiary of Sembcorp Industries Limited for consideration of S$20,000,000.

51 INVESTIGATION BY THE COMMERCIAL AFFAIRS DEPARTMENT

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

To its best knowledge, the Board of Directors of the Company is not aware that the CAD investigation had any impact on the Group and Company.

SHAREHOLDERS' INFORMATION

AS AT 24 AUGUST 2018

Issued and Fully Paid-up Capital (including Treasury Shares)	:	S$58,700,878.30
Issued and Fully Paid-up Capital (excluding Treasury Shares)	:	S$58,432,229.69
Number of Shares Issued (excluding Treasury Shares)	:	501,952,639
Number of Treasury Shares held	:	1,270,400
Percentage of Treasury Shares held	:	0.25%
Class of Shares	:	Ordinary
Voting Rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	189	11.58	3,485	0.00
100 - 1,000	121	7.42	66,561	0.01
1,001 - 10,000	519	31.80	3,231,277	0.64
10,001 - 1,000,000	771	47.24	62,439,271	12.44
1,000,001 and above	32	1.96	436,212,045	86.91
TOTAL	1,632	100.00	501,952,639	100.00

TOP TWENTY SHAREHOLDERS

No.	Name of Shareholders	No. of Shares held	%
1	Hong Leong Finance Nominees Pte Ltd	121,527,213	24.21
2	DB Nominees (S) Pte Ltd	50,308,000	10.02
3	Phua Chian Kin	26,372,202	5.25
4	Lincoln Capital Pte. Ltd.	25,967,321	5.17
5	SBS Nominees Pte Ltd	23,837,901	4.75
6	CGS-CIMB Securities (Singapore) Pte Ltd	23,761,222	4.73
7	RHB Securities Singapore Pte Ltd	19,122,022	3.81
8	KGI Securities (Singapore) Pte Ltd	17,460,400	3.48
9	Phillip Securities Pte Ltd	16,661,339	3.32
10	United Overseas Bank Nominees Pte Ltd	14,650,048	2.92
11	Citibank Nominees Singapore Pte Ltd	11,977,205	2.39
12	DBS Nominees Pte Ltd	11,723,278	2.34
13	Tay Kuek Lee	9,845,340	1.96
14	Cheng Shao Shiong @Bertie Cheng	7,500,000	1.49
15	4 P Investments Pte Ltd	6,680,924	1.33
16	Maybank Kim Eng Securities Pte Ltd	6,579,085	1.31
17	Sing Invest & Finance Nominees Pte Ltd	5,500,000	1.10
18	Lum Tuck Seng	5,254,160	1.05
19	Raffles Nominees (Pte) Ltd	4,340,958	0.87
20	DBS Vickers Securities (S) Pte Ltd	4,176,854	0.83
	TOTAL	413,245,472	82.33

SUBSTANTIAL SHAREHOLDERS

As shown in the Register of Substantial Shareholders as at 24 August 2018

	Direct Interest	%	Deemed Interest	%
Phua Chian Kin[1]	287,656,752	57.31	17,423,004	3.47
Lincoln Capital Pte. Ltd.[2]	25,967,321	5.17	–	–

Notes:

1 Mr. Phua Chian Kin is deemed to have an interest in the 17,423,004 ordinary shares held by his spouse, Mdm. Tay Kuek Lee and 4 P Investments Pte. Ltd., where he is a shareholder. A total of 261,284,550 ordinary shares held by Mr. Phua Chian Kin are registered in the name of Hong Leong Finance Nominees Pte Ltd, CGS-CIMB Securities (Singapore) Pte Ltd, CIMB Bank Berhad (Singapore Branch), SBS Nominees Pte Ltd, Phillip Securities Pte Ltd, Maybank Nominees (Singapore) Pte Ltd, RHB Securities Singapore Pte Ltd and KGI Fraser Securities Pte Ltd.

2 Mr. Tan Soon Hoe, through his 100% shareholding interest in Lincoln Capital Pte. Ltd., is deemed to have an interest in the shares held directly by Lincoln Capital Pte Ltd.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on the information available to the Company as at 24 August 2018, approximately 30.93% of the issued ordinary shares of the Company are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

WARRANTHOLDERS' INFORMATION

AS AT 24 AUGUST 2018

Number of Warrants Issued	:	50,195,020
Exercise Price Per Warrant	:	S$0.215
Expiry Date	:	30 October 2020

DISTRIBUTION OF WARRANTHOLDINGS - TEE W201030

Size of Warrantholdings	No. of Warrantholdings	%	No. of Warrants	%
1 - 99	223	14.27	5,228	0.01
100 - 1,000	536	34.29	325,820	0.65
1,001 - 10,000	633	40.50	2,312,994	4.61
10,001 - 1,000,000	159	10.17	10,479,272	20.88
1,000,001 and above	12	0.77	37,071,706	73.85
TOTAL	1,563	100.00	50,195,020	100.00

TOP TWENTY WARRANTHOLDERS

No.	Name of Warrantholders	No. of Warrants held	%
1	Hong Leong Finance Nominees Pte Ltd	11,302,721	22.52
2	DB Nominees (S) Pte Ltd	5,030,800	10.02
3	CGS-CIMB Securities (Singapore) Pte Ltd	3,326,129	6.63
4	Phua Chian Kin	3,282,920	6.54
5	Lincoln Capital Pte. Ltd	2,596,732	5.17
6	SBS Nominees Pte Ltd	2,383,790	4.75
7	RHB Securities Singapore Pte Ltd	1,996,831	3.98
8	KGI Securities (Singapore) Pte Ltd	1,741,040	3.47
9	United Overseas Bank Nominees Pte Ltd	1,468,703	2.92
10	Phillip Securities Pte Ltd	1,369,126	2.73
11	Citibank Nominees Singapore Pte Ltd	1,292,120	2.57
12	DBS Nominees Pte Ltd	1,280,794	2.55
13	Tay Kuek Lee	984,534	1.96
14	Cheng Shao Shiong @Bertie Cheng	750,000	1.49
15	4 P Investments Pte Ltd	668,092	1.33
16	Maybank Kim Eng Securities Pte Ltd	667,348	1.33
17	Raffles Nominees (Pte) Ltd	435,606	0.87
18	Tan Su Lan @ Tan Soo Lung	410,199	0.82
19	DBS Vickers Securities (S) Pte Ltd	349,515	0.70
20	UOB Kay Hian Pte Ltd	284,351	0.57
	TOTAL	41,621,351	82.92

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of TEE International Limited (the "**Company**") will be held at York Hotel Singapore, 21 Mount Elizabeth, Singapore 228516 on 26 September 2018, Wednesday, at 2.30 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 May 2018 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Article 89 of the Constitution of the Company:

   Mr. Phua Boon Kin **(Resolution 2)**

   Mr. Aric Loh Siang Khee **(Resolution 3)**

   - *Mr. Aric Loh Siang Khee will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and Remuneration Committee respectively and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").*

3. To approve the payment of Directors' fees of S$310,750 for the financial year ending 31 May 2019 to be paid quarterly in arrears. (2018: S$310,750). **(Resolution 4)**

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

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

AS SPECIAL BUSINESS

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

6. **Authority to issue new shares**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the SGX-ST, the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other Instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

   provided that:

   (1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall be limited as follows:

NOTICE OF ANNUAL GENERAL MEETING

(A) without prejudice to sub-paragraph (1)(B) below, the aggregate number of Shares to be issued shall not exceed 50 per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed 20 per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below) ("**General Limit**");

(B) in addition to the General Limit, the aggregate number of Shares to be issued by way of renounceable rights issues on a pro rata basis ("**Renounceable Rights Issues**") shall not exceed 50 per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below ("**Additional Limit**");

(C) where an issue of Shares is to be issued by way of Renounceable Rights Issues, that issue shall first use the Additional Limit, and in the event that the Additional Limit has been fully used and is insufficient to satisfy that issue, that issue may use the General Limit, but only to the extent of the then remaining General Limit;

(D) where an issue of Shares is to be issued otherwise than by way of Renounceable Rights Issue, that issue may only use the General Limit, but only to the extent of the then remaining General Limit;

(E) an issue of Shares that is not for a financing purpose may only use the General Limit, but the number of such Shares that may be issued shall be limited to the numerical number of the then remaining Additional Limit;

(2) the General Limit and the Additional Limit shall not, in aggregate, exceed 100 per centum (100%) of the total number of issue shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below);

(3) no Shares shall be issued pursuant to this Resolution after 31 December 2018, if on that date the aggregate number of shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) exceeds 50 per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below);

(4) (subject to such calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1)(A) and (1)(B) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new Shares arising from the conversion or exercise of any convertible securities;

(b) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

(5) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

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

[See Explanatory Note (i)] **(Resolution 6)**

7. **Renewal of Share Buy-Back Mandate**

That for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as ascertained as at the date of Annual General Meeting of the Company) at the price of up to but not exceeding the Maximum Price as defined on page 9 of the Company's Circular to shareholders dated 12 September 2012 (the "**Circular**"), in accordance with the terms of the said Circular and the Letter to Shareholders enclosed together with the Annual Report, and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)] **(Resolution 7)**

8. **Authority to issue shares under the TEE International Limited Scrip Dividend Scheme**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the SGX-ST, the Directors of the Company be authorised and empowered to issue such number of Shares in the Company as may be required to be issued pursuant to the TEE International Limited Scrip Dividend Scheme from time to time in accordance to the "Terms and Conditions of the Scrip Dividend Scheme" set out in pages A-2-2 to A-2-8 of the Circular to Shareholders dated 4 September 2013 and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)] **(Resolution 8)**

9. **Authority to issue shares under the TEE International Employee Share Option Scheme 2016**

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant options in accordance with the provisions of the TEE International Employee Share Option Scheme 2016 (the "**Scheme**") and to allot and issue or deliver from time to time such number of Shares (or treasury shares) in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of Shares available pursuant to the Scheme, the TEE International Performance Share Plan 2016 and any other share-based schemes of the Company collectively, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iv)] **(Resolution 9)**

10. **Authority to issue shares under the TEE International Performance Share Plan 2016**

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant awards in accordance with the provisions of the TEE International Performance Share Plan 2016 (the "**Plan**") and to allot and issue or deliver from time to time such number of Shares (or treasury shares) in the capital of the Company as may be required to be issued pursuant to the vesting of awards granted or to be granted by the Company under the Plan, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of Shares available pursuant to the Plan, the Scheme and any other share-based schemes of the Company collectively, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (v)] **(Resolution 10)**

NOTICE OF ANNUAL GENERAL MEETING

By Order of the Board

Yeo Ai Mei
Josephine Toh
Company Secretaries

Singapore
10 September 2018

Explanatory Notes on Resolutions to be passed:

(i) The Ordinary Resolution 6 proposed in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting ("**AGM**") of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding the aggregated of (i) 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders of the Company (the General Limit) and (ii) additional 50% for Renounceable Rights Issues, of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (the Additional Limit), provided that the total number of Shares which may be issued pursuant to (i) and (ii) shall not exceed 100% of the issued shares (excluding treasury shares and subsidiary holdings) at the time Ordinary Resolution 6 is passed, after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

The authority for the Additional Limit is proposed pursuant to SGX-ST Practice Note 8.3 which became effective on 13 March 2017 until 31 December 2018 by which date no further Shares shall be issued pursuant to this Resolution, if on that date the aggregate number of shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) exceeds 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company ("**the Enhanced Rights Issue Limit**"). The Enhanced Rights Issue Limit is aimed at helping companies raise funds expediently for expansion activities or working capital. It is subject to the condition that the Company complies with applicable legal requirements including but not limited to provisions in the Companies Act, Cap. 50 requiring the Company to seek shareholders' approval and disclosure requirements under the Listing Manual of the SGX-ST on the use of the proceeds as and when the funds are materially disbursed and a status report on the use of proceeds in the annual report; and limitations in any existing mandate from shareholders.

The Board is of the view that the Enhanced Rights Issue Limit is in the interests of the Company and its shareholders as it enables the Company to raise funds expediently for expansion activities or working capital.

The Enhanced Rights Issue Limit will be exercised only if the Directors believe that to do so would be likely to promote the success of the Company for the benefit of shareholders as a whole.

(ii) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier, to purchase or otherwise acquire ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the Maximum Price as defined in the Circular dated 12 September 2012. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Buy-Back Mandate on the audited consolidated financial statements of the Group for the financial year ended 31 May 2018 are set out in greater detail in the Letter to Shareholders enclosed together with the Annual Report.

(iii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or when such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares in the Company from time to time pursuant to the TEE International Limited Scrip Dividend Scheme.

(iv) The Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares in the Company pursuant to the exercise of options granted under the Scheme. The aggregate number of Shares which may be issued pursuant to the Scheme, the Plan and any other share-based schemes of the Company collectively, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

(v) The Ordinary Resolution 10 proposed in item 10 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares in the Company pursuant to the vesting of awards granted or to be granted under the Plan, provided that the aggregate number of Shares available pursuant to the Plan, the Scheme and any other share-based schemes of the Company collectively, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote in his/her stead at the Annual General Meeting (the "**Meeting**").

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

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

3. Please see the enclosed Proxy Form and the Notes to Proxy Form for more information.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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TEE INTERNATIONAL LIMITED
Company Registration No. 200007107D
(Incorporated In The Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this form)

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy TEE International Limited's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY.**
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ______________________________ (Name) ______________________________ (NRIC/Passport No.)

of ____ (Address)

being a member/members of TEE International Limited (the "**Company**"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as *my/our proxy/ proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held on 26 September 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 proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

No.	**Resolutions relating to:**	**[1] No. of Votes For**	**[1] No. of Votes Against**
1	Directors' Statement and Audited Financial Statements for the year ended 31 May 2018		
2	Re-election of Mr. Phua Boon Kin as a Director		
3	Re-election of Mr. Aric Loh Siang Khee as a Director		
4	Approval of Directors' fees for the financial year ending 31 May 2019 to be paid quarterly in arrears		
5	Re-appointment of Deloitte & Touche LLP as Auditors		
6	Authority to issue new shares		
7	Renewal of Share Buy-Back Mandate		
8	Authority to issue shares under the TEE International Limited Scrip Dividend Scheme		
9	Authority to issue shares under the TEE International Employee Share Option Scheme 2016		
10	Authority to issue shares under the TEE International Performance Share Plan 2016		

[1] *If you wish to exercise all your votes "For" or "Against" the relevant Resolution, please tick (√) within the relevant box provided. Alternatively, please indicate the number of votes as appropriate in the boxes provided.*

Dated this ____________ day of ____________________ 2018

Total number of Shares in:	**No. of Shares**
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

** Delete where inapplicable*

Notes:

1. Please insert the total number of shares of the Company ("**Shares**") held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the member shall specify the proportion of his/her shares to be represented by each proxy, failing which the appointment shall be deemed to be in the alternative.

4. A member who is a relevant intermediary entitled to attend and vote at the meeting is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 25 Bukit Batok Street 22, TEE Building, Singapore 659591 not less than 48 hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument of proxy, failing which the instrument of proxy may be treated as invalid.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 September 2018.

General:

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman, Independent Director
Mr. Bertie Cheng Shao Shiong

Group Chief Executive & Managing Director
Mr. Phua Chian Kin

Deputy Group Managing Director
Mr. Phua Boon Kin

Executive Director
Ms. Saw Chin Choo

Independent Director
Mr. Lee Ah Fong

Independent Director
Mr. Gn Hiang Meng

Independent Director
Mr. Aric Loh Siang Khee

AUDIT COMMITTEE

Chairman
Mr. Gn Hiang Meng

Members
Mr. Lee Ah Fong
Mr. Aric Loh Siang Khee

NOMINATING COMMITTEE

Chairman
Mr. Gn Hiang Meng

Members
Mr. Phua Chian Kin
Mr. Lee Ah Fong

REMUNERATION COMMITTEE

Chairman
Mr. Lee Ah Fong

Members
Mr. Gn Hiang Meng
Mr. Aric Loh Siang Khee

EXECUTIVE COMMITTEE

Chairman
Mr. Phua Chian Kin

Members
Mr. Lee Ah Fong
Mr. Gn Hiang Meng

COMPANY SECRETARIES

Ms. Yeo Ai Mei, CA
Ms. Josephine Toh Le Mui, ACIS

REGISTERED OFFICE

Co. Reg. No.: 200007107D
25 Bukit Batok Street 22
TEE Building
Singapore 659591
Tel: (65) 6561 1066
Fax: (65) 6565 1738
Email: IR@teeintl.com
Website: www.teeintl.com

DATE OF INCORPORATION

15 August 2000

SHARE REGISTRAR

B.A.C.S. Private Limited
8 Robinsons Road
#03-00 ASO Building
Singapore 048544
Tel: (65) 6593 4848
Fax: (65) 6593 4847

INDEPENDENT AUDITORS

Deloitte & Touche LLP
6 Shenton Way #33-00
OUE Downtown 2
Singapore 068809

Auditor Partner-in-charge:
Mr. Kee Cheng Kong, Michael
(Appointed with effect from FY2017)

INVESTOR RELATIONS

Ms. Celine Ooi
Tel: (65) 6697 6589
Fax: (65) 6565 1738
Email: IR@teeintl.com

PRINCIPAL BANKERS

United Overseas Bank Limited
DBS Bank Ltd
CIMB Bank Berhad

TEE INTERNATIONAL LIMITED
UEN: 200007107D

TEE Building
25 Bukit Batok Street 22
Singapore 659591
Tel: (65) 6561 1066
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