TEE International Limited
Co. Reg. No.: 200007107D

Block 2024, Bukit Batok Street 23
#03-48, Singapore 659529

Tel: (65) 6561 1066
Fax: (65) 6565 1738

Email: enquiries@teeintl.com
Website: http://www.teeintl.com

BUILDING ON OUR STRENGTHS

TEE International Limited
Annual Report 2012

TEE International Limited

contents

corporate profile

TEE International Limited ("TEE" or "the Group") was established in the 1980s, and has grown from a general electrical contractor to a recognised Engineering and Integrated Real Estate Group that it is today. With its operations spanning across Singapore, Thailand, Malaysia, Philippines, Cambodia, Brunei, Vietnam and China, TEE continues to focus on its core Engineering specialisation, complemented by its Integrated Real Estate business.

Listed on the Stock Exchange of Singapore Dealing and Automated Quotation System "SESDAQ" (now known as the SGX Catalist) in 2001, TEE was upgraded to the SGX Mainboard in 2008.

Over the years, TEE has established a strong track record in delivering quality and value-added services by providing integrated solutions to its customers. With a strong brand position, TEE has been able to secure prominent projects both locally and regionally.

With its people at the centre of TEE's business model, TEE branches out through its twin engines of growth - Engineering and Integrated Real Estate by tapping on the expertise, experience and capabilities of its people. The Group has expanded its regional presence in South East Asia ("SEA") either fully undertaken by TEE's team or through strategic partnerships and acquisitions.

our vision

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

our mission

We strive to be a leading engineering and integrated real estate group recognised for our quality and value-added services, cost competitiveness; and backed by people with a devotion to quality service delivery and the tenacity to face challenges.

FORGING A STRONGER TEE

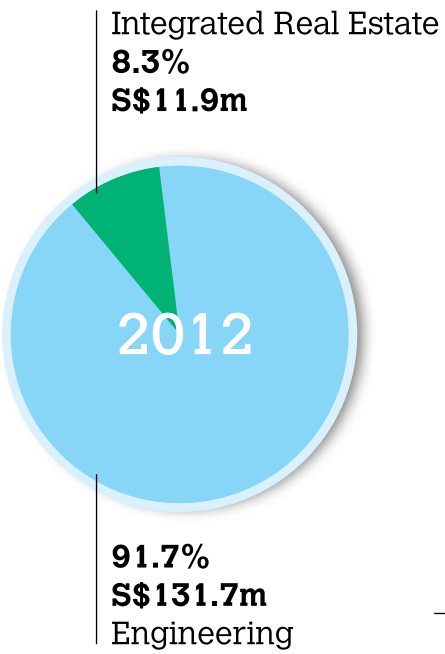
TEE is a dynamic group made up of multiple aspects. Like the gem pieces coming into shape on the cover, we have steadily assembled the fundamental qualities and competencies that forged us into who we are today.

From this, we build and magnify our strengths, hone our expertise and fortify our resilience. This has enabled us to strengthen our foundation and provided us the confidence to expand into the region.

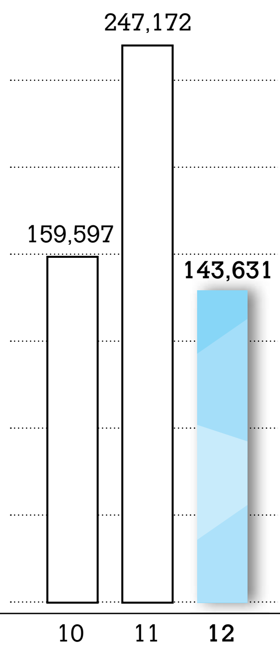
Looking forward, we will continue to leverage on our core competencies and create diversified revenue streams through synergistic acquisitions. Though there are many challenges ahead, TEE has laid down a strong foundation and is well-positioned to create sustainable growth and value for our businesses.

financial highlights

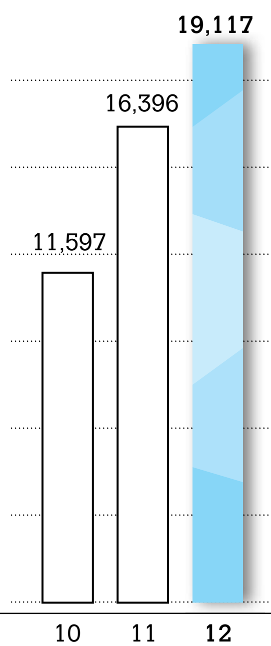
Revenue Breakdown



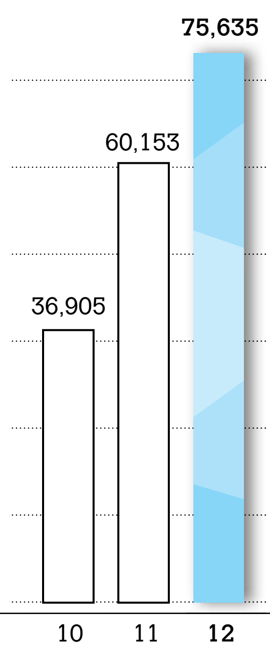
Revenue (S$'000)



Net Profit For The Year (S$'000)

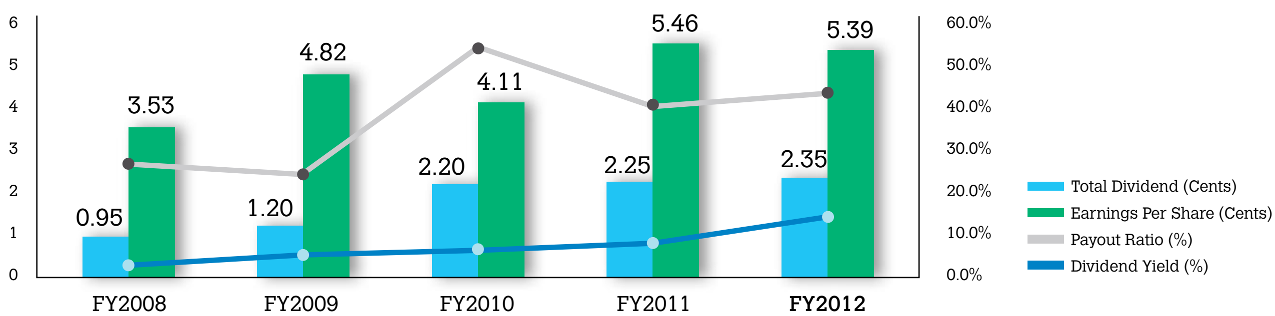


Shareholders' Equity (S$'000)



Dividend Track Record

	FY2008	FY2009	FY2010	FY2011	FY2012
Total Dividend (Cents)	0.95	1.20	2.20	2.25	**2.35**
Basic Earnings Per Share (Cents)	3.53	4.82	4.11	5.46	**5.39**
Payout Ratio (%)	26.9%	24.9%	53.5%	41.2%	**43.6%**
Dividend Yield* (%)	2.38%	5.22%	7.10%	9.78%	**11.75%**



* Share closing price as at 31 May

- Net profit for the year has increased 16.6% year-on-year in line with new and on-going large-scale projects.
- Total dividends have increased by 0.10 cents to 2.35 Singapore cents.
- Engineering group order book stands at S$294.5m.
- Integrated real estate group recorded contracted sales of S$67.8m.

TEE's 12-Month Daily Share Price and Trading Volume
(last closing date : 31 May 2012)

Source : Yahoo Finance

Revenue
S$143.6m
Down by **41.9%**

Gross Profit
S$31.2m
Up by **6.1%**

Profit Before Tax
S$22.2m
Up by **16.1%**

Net Asset Value Per Share
20.3
Singapore Cents
Up by **16.0%**

Earnings Per Share
5.39
Singapore Cents
Down by **1.3%**

corporate milestones

DELIVERING OVER 20 YEARS OF EXCELLENCE

1991-1995

- **Established as a general electrical contractor**

1996-2000:

- **Established our presence to Malaysia and Thailand in 1998 and 2000 respectively**
- Ventured into Rebuilding Engineering in 1996 and became a Building and Construction Authority ("BCA") registered Building Contractor focusing on Rebuilding works
- Became a BCA registered Mechanical and Electrical ("M&E") Contractor and established as one of the leading M&E Engineering service providers in Singapore

2001-2002:

- **Listed on the SGX SESDAQ in March 2001 as TEE International Limited**
- Established our presence in the Philippines in 2001
- Added services to provide M&E Engineering, Rebuilding and Extra Low Voltage Engineering

2009-2010:

- **Achieved a record of 83.0% increase in total revenue in 2009**
- Registered year-on-year revenue growth of 56.0% in 2010
- **Established our presence in Brunei and awarded a contract worth S$147.5 million to design and build 1,500 housing units in Brunei**
- **Anchored large-scale contract worth S$120.6 million for the Mechanical, Electrical, Plumbing, Sanitary and Fire Protection ("MEPF") Systems Works for Asia Square Tower 1**
- Awarded a Theatre Electrical Installation Works contract worth S$19.1 million by MBS
- Awarded contracts worth S$26.8 million by Citibank for the fitting-out works at Citi Campus

2003-2005:

- **Expanded into Real Estate and Facilities Management businesses in Thailand**
- Established our presence in Cambodia in 2005
- Secured a 9-year housing estate management in Thailand
- Awarded a S$33.0 million low cost housing project in Thailand

2006-2007:

- **Ventured into residential and industrial property development in Singapore and Thailand**
- Awarded contract for installation of airfield lighting systems, aircraft blast fence for Civil Aviation Authority of Singapore
- Awarded contracts by SMRT for Dhoby Ghaut and Tanjong Pagar Xchange
- Designed, built and leased a new aerospace facility for NORDAM Group
- **Launched the first residential development in Singapore, The Thomson Duplex**

2008:

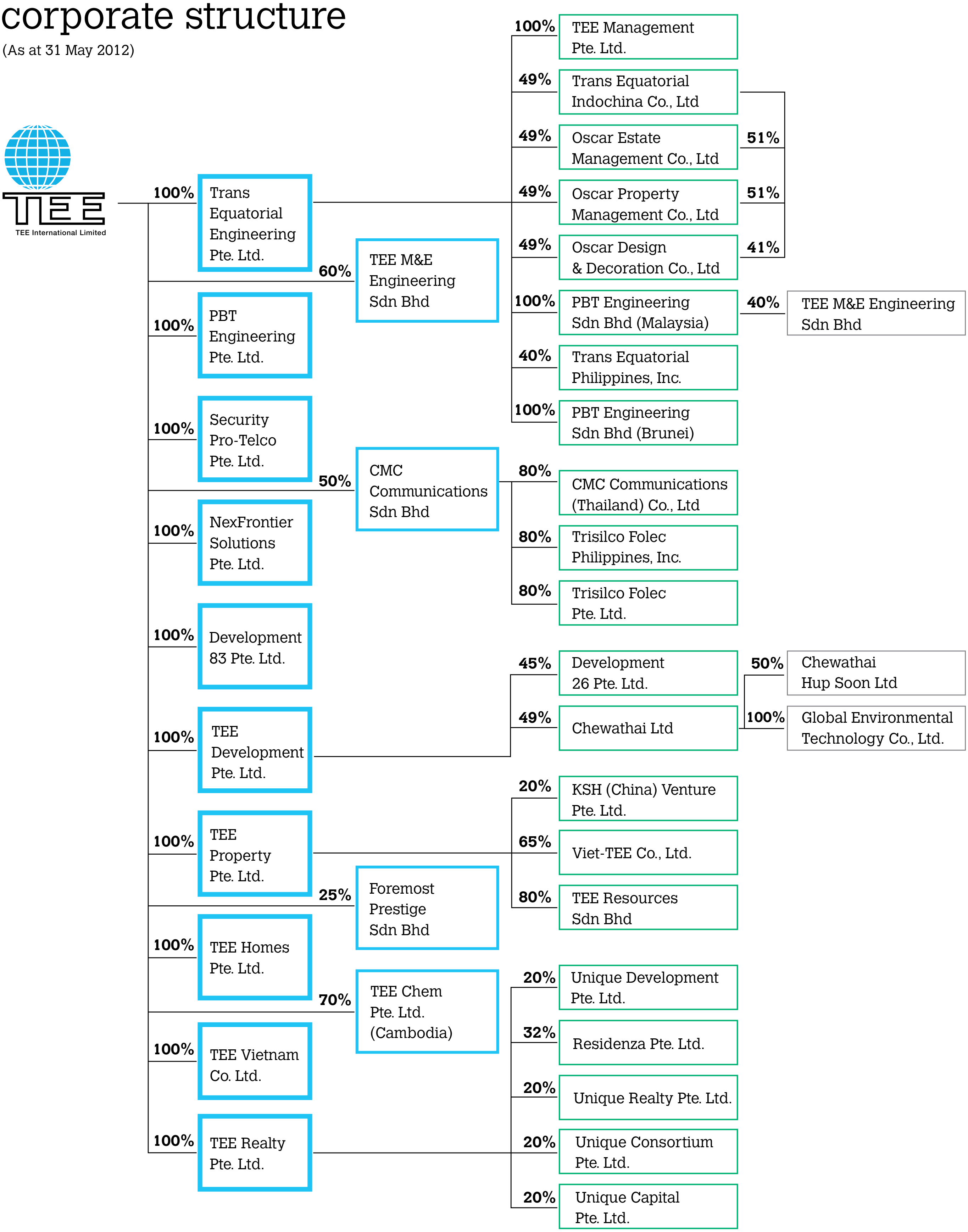
- **Upgraded to the SGX Mainboard in September**
- **Awarded a landmark contract worth S$109.0 million for the electrical installation of the North and South Podiums of Marina Bay Sands™ ("MBS") Integrated Resort ("IR") Development**
- Secured our first fitting-out works contract worth S$32.9 million for The Fusionopolis by A*STAR
- **Launched the first residential development in Thailand, Chewathai Ratchaprarop**
- Awarded contract for the Design, Build and Manage of MBS Workers' Dormitory

2011- Present:

- **Acquired telecommunications and water-related engineering business and further strengthened our integrated business model**
- **Established our presence in Vietnam**
- **Secured contracts for the Kelana Jaya LRT extension project and Bertam DAF Phase 2 Water Treatment Plant amounting to S$58.2 million and further strengthened our position in Malaysia**
- Awarded a S$10.1 million project by CapitaLand Retail Project Management Pte Ltd and a S$12.2 million contract by Nanyang Technological University ("NTU") for Additions and Alterations ("A&A") Works
- Secured a S$46.2 million contract for M&E Works at P&G Singapore Innovation Centre
- **Achieved more than 95% sales for 3 of our residential developments – 448@East Coast, Rezi26 and 91 Marshall**

corporate structure

(As at 31 May 2012)



TOGETHER AS ONE LEVERAGING ON OUR NETWORKS AND EXPERTISE

At TEE, relationships are central to our way of business. Be it between our business partners, joint ventures, associates, or amongst our employees, these cohesive bonds bring us together as one. With such cohesion, we are able to leverage on our networks and expertise, gathering our strengths and building resilience as we advance towards developing a stronger TEE.

our strategy

Staying Focused On Our Core Competencies

Engineering will continue to drive the Group forward as this is our area of expertise where we have carved a solid reputation and track records in the region. As for the Integrated Real Estate business, we will continue to build our portfolio both locally and regionally by leveraging on expertise, competitive strengths, networks and partnerships.

Diversifying Earnings Through Synergistic Acquisitions

As part of our long-term strategy, we seek to further diversify our earnings through synergistic acquisition growth. We have recently moved up the engineering value chain through acquisitions which enabled us to enter wastewater treatment and telecommunications engineering businesses. This move will generate a long-term and stable recurring income stream for us, and will further strengthen our integrated business model.

Nurturing Human Capital

People are our most valuable assets. At TEE, we strive to maximise the potential of our people through goal alignment, regular training and self-development programmes. Our human capital strategy entails grooming leaders and developing staff through a system of regular recruitment, training, retention and nurture of our workforce to ensure a continuous pool of talent.

our businesses

TWIN GROWTH ENGINES

TEE specialises in two complementary businesses:
Engineering and **Integrated Real Estate**

Residential Development at Duku Road -- AURA 83

Electrical Installation for MBS IR Development

Engineering

Our Engineering segment continues to perform well and going forward, will be more aggressive in pursuing and clinching high-value contracts. We are an engineering solutions provider specialising in large scale and complex infrastructure services such as rebuilding and conversion of existing facilities, turnkey design and building services as well as system integration. TEE's extensive capabilities and regional networks enable the Group to offer complete solutions based on international standards that cover different industries, including telecommunications and water-related engineering industries.

- Infrastructure
- Construction and Redevelopment
- Design and Build
- System Integration

Engineering Projects

P&G SINGAPORE INNOVATION CENTRE PROJECT

The global, state of the art facility is constructed in the heart of Singapore's innovation district at the Biopolis. The contract for M&E Works at P&G Singapore Innovation Centre worth S$46.2 million was awarded to TEE, with a contract period from March 2012 to October 2013.

Outstanding Order Book

S$294.5m

JUNCTION 8 CAPITALAND RETAIL PROJECT

Junction 8 is a one-stop shopping, dining and entertainment destination comprising five retail levels, including a basement retail level and two levels of basement car park. TEE was awarded the contract for A&A to the existing building on Lot 12281 MK18 at 9 Bishan Place, Singapore (Phase 2). The contract sum of S$10.1 million is for the period from January 2012 to January 2013.

NTU CLEANTECH PARK 1

Building on the synergies of being located next to NTU, Cleantech Park 1 serves as an epicentre for research, innovation and commercialisation in clean technology. The contract for A&A to the existing NTU Building (NTU Cleantech Park 1) was awarded to TEE with a total contract sum of S$12.2 million for a period lasting from March to June 2012.

BRUNEI AFFORDABLE HOUSING PROJECT

The Brunei Affordable Housing Project is a project for the development of 1,500 units of houses under the National Housing Scheme of Brunei Darussalam. TEE was awarded the S$147.5 million contract in October 2010 by the Brunei Economic Development Board. Under this "Design and Build" contract, TEE was responsible for the Master Plan of the development, together with the design and construction of the housing units.

CITIBANK ASIA SQUARE TOWER PROJECTS

Following from the contract for MEPF Systems Works at Asia Square Tower 1 worth S$123.8 million awarded to TEE, TEE continued to secure fit-out projects with total contract value worth S$22.3 million with Citibank, Asia Square's largest tenant. Citibank occupies more than 250,000 square feet of office space spanning 8 floors from levels 17 to 24 plus a 5,000 square feet retail banking hall, nearly a quarter of the net lettable office space at Tower 1.

Integrated Real Estate

Our Integrated Real Estate business continues to gain traction both in terms of sales and the acquisition of land bank for future growth. The Integrated Real Estate business is part of TEE's industry diversification strategies and is a natural extension stemming from the Group's vast experience and expertise in infrastructure engineering. Taking on the role of a boutique developer, TEE acquires, designs, develops and markets residential developments either independently or taking strategic stakes with partners in larger projects.

- Property Development
- Estate and Facilities Management

Property Development

91 MARSHALL

91 Marshall is a boutique development of 5-storey residential apartment of 30 units located along Katong district. This is a perfect location to enjoy staying indoors or explore the lush greenery and rich heritage of food and culture nearby.

Contracted Sales
for On-going Projects
in Singapore and Thailand

S$67.8m

AURA 83

Nestled in the private surroundings of Duku Road, Aura 83 is a 5-storey residential development comprising of 51 units offering a modernistic lifestyle. It is also the 5th residential development of TEE in District 15.

CHEWATHAI RAMKHAMHAENG

Chewathai Ramkhamhaeng is a 33-storey high-rise condominium with 535 units of one-bedroom and studio residential units for the middle-income population who live and work close to the city centre of Bangkok.

REZI26

Rezi26 is a freehold development comprising 2 blocks of 7 and 8 storeys with a conserved bungalow (106 units) strategically located at Lorong 26 Geylang. It is a Joint Venture development with Kim Seng Heng Realty Pte. Ltd. and Heeton Homes Pte. Ltd..

PALACIO

Located at Lorong M Telok Kurau, Palacio is a luxury 3-storey cluster inter-terrace houses with a private pool and a cozy attic. It is a Joint Venture development with Heeton Homes Pte. Ltd. and Kim Seng Heng Realty Pte. Ltd..

chairman's message

Dear Shareholders,

Our company has completed another year of operations and I am very pleased to share with you, our full year financial performance for the Financial Year 2012 ("FY2012", year-ended 31 May 2012). The Group recorded a net profit after tax of S$19.1 million despite challenges posed by the difficult economic and market environment. Our Engineering outstanding order book stood at a healthy S$294.5 million as at 31 May 2012. We have also made inroads in strengthening our regional network as well as expanding our service offerings.

Our progressive integration of two new businesses – Global Environmental Technology Co., Ltd., a large wastewater treatment company in Thailand and The Wireless Group[1], a regional telecommunications engineering group, will widen our Group's skills base and diversify the income streams of the company, as we move forward.

---

[1] The Wireless Group is composed of CMC Communications (Thailand) Co., Ltd and Trisilco Folec Pte. Ltd. together with its subsidiary, Trisilco Folec Philippines, Inc.. TEE acquired the Wireless Group through its 50%-owned Joint Venture company, CMC Communications Sdn Bhd.

Growth Strategy

The Group recently embarked on a review of its strategy and deployment of key executives with a view to maintain the healthy growth momentum in its Engineering and Integrated Real Estate business segments. In the new FY, the Group will be promoting a few officers from within the ranks to take on additional responsibilities and also bring in external experienced senior managers to spearhead the next phase of growth.

As part of its regionalisation strategy, the Group is looking to enter new markets in Asia (E.g. Hong Kong, Macau, Myanmar, Qatar, Saudi Arabia) and to further entrench itself in the eight markets (Singapore, Malaysia, Brunei, China, Vietnam, Thailand, Philippines and Cambodia) that the Group is already operating in by deepening the scope of products and services offered, particularly in the Engineering segment.

Outlook

Even as the Group looks to expand into new markets and deepen the services within existing markets, the Group maintains a cautiously optimistic outlook. The Singapore economy contracted by 0.7% on a quarter-on-quarter, seasonally-adjusted annualised basis in the second quarter of the calendar year 2012. The government forecasts slower growth for the second half of the year, reducing its growth projection for the Singapore economy in 2012 from 1.5% to 2.5%. More broadly, according to the International Monetary Fund in its April 2012 economic outlook, growth in Asia will be more stable than the developed West this year.

As such, there will be a long-term need for housing and infrastructure development and we believe our presence in these two areas should stand us in good stead. At the same time, we anticipate growing demand for telecommunications engineering and wastewater treatment services and are confident that our strategic moves into these new areas of business will not only allow us to climb up the value chain but also benefit the company in the long run.

Appreciation

As a Group, TEE has made progress over the year while maintaining focus, building up our capabilities and developing sound strategies for expansion. I would like to thank our Directors and Management for their contribution and dedication over the year.

To achieve a more effective organisational structure as we move forward in Singapore and abroad, we are strengthening our senior management team with a series of recent promotions and appointments. As for our Board, we are further improving corporate governance with the separation of our Board's Nominating and Remuneration Committees.

Lastly, we would also like to thank our staff, partners and shareholders. To reward shareholders, we are proposing a final dividend of 1.25 cents per ordinary share as well as a special dividend of 0.50 cents per ordinary share, both tax exempt one-tier, to be approved at the upcoming Annual General Meeting. Together with an interim dividend of 0.60 cents per ordinary share distributed earlier in the year, our total dividends declared for FY2012 are 2.35 cents.

Since 2008, our dividends have been increasing, despite some years where we experienced flat or declining earnings per share. In fact, our dividend payout ratio for the last three years from FY2010 to FY2012 had been about 41-54%. This is much higher than during FY2008 to FY2009 and is a testament of our commitment to our shareholders.

We remain positive as we move on to the year ahead and I am looking forward to seeing all of you at our forthcoming Annual General Meeting.

Bertie Cheng

Non-Executive Chairman

group chief executive & managing director's message

Dear Shareholders,

FY2012 has seen mixed developments in our larger business environment and operations, but we have managed well, maintained our focus and continued to expand steadily. I am pleased to share with you that the end result is a profitable year with a strengthened Group.

Our larger business environment was marked by uncertainty with the developed economies still affected by significant sovereign debt while the local and regional economies were affected by the headwinds from these developed countries. The local and regional construction and property markets were more resilient, with Singapore experiencing on-going commercial project development and solid housing demand. However, many of our larger projects were completed over the year and that brought about a 41.9% reduction in revenue to S$143.6 million, compared with the year before. Nonetheless, with our strong project management expertise and operational capabilities, we were able to manage costs efficiently and generate a 16.1% increase, year-on-year, in profit before tax and a 16.6% year-on-year increase in net profits to S$19.1 million.

Most encouragingly, our net profit margin had improved significantly from 6.6% in FY2011 to 13.3% in FY2012. Group net asset value per share also increased to 20.3 cents in FY2012, compared with 17.5 cents in FY2011.

DIVERSIFYING GROWTH

Engineering

With a steady focus, we continue to develop our Engineering business, secure more projects and expand our presence in the region. Over the year, besides completing certain large projects, we also continued to build on our track record by clinching a wide range of projects such as a S$46.2 million M&E project for P&G Singapore Innovation Centre. Another milestone contract we confirmed was the Kelana Jaya LRT extension project in Kuala Lumpur where we will supply the power distribution system. Amounting to about S$31.8 million, the contract period is from October 2011 to May 2014. Meanwhile, we have also established a wholly-owned subsidiary, TEE Vietnam Co. Ltd. to strengthen our regional presence.

As a progressive company, we seek to continue to broaden our presence and capabilities. Our on-going diverse regional projects bear testament to our efforts. Take for example the Brunei Affordable Housing Project that was awarded to TEE for S$147.5 million in October 2010. We had mobilised an experienced project team to ensure that the Master Plan, design and construction of the development of 1,500 housing units are executed on a timely and high quality fashion. TEE also clinched a S$26.4 million contract for the construction of Bertam DAF Phase 2 Water Treatment Plant in Malacca, Malaysia. Commencing May 2011, TEE's scope of work includes partial design, civil as well as M&E engineering wohrks.

Revenue achieved for engineering sales in FY2012 was S$131.7 million or about 91.7% of the Group's total. All in, as of July 2012, the Group has an order book of S$213.5 million in Singapore and the region. Regionally, the Group's associates have an order book of S$81.0 million in Malaysia and Thailand for its telecommunications engineering and wastewater treatment businesses.

Integrated Real Estate

In our Integrated Real Estate segment, revenue achieved during the year of review was S$11.9 million, a contribution of 8.3% to Group's revenue. In addition, the Group has confirmed contracts amounting to S$53.4 million for its on-going residential property development projects in Singapore (excluding Joint Venture projects). We are also making inroads regionally. In Thailand, the Group's associates have achieved about S$14.4 million in sales for its on-going residential property development projects.

In our home market, we acquired the Octaville site at Duku Road for a total purchase consideration of S$9.8 million. We intend to develop the site, which is 100%-owned by the Group, into a 5-storey residential development, together with the adjacent Rivan Court which we had acquired earlier. The combined site will have an estimated gross floor area of 3,869 sqm.

While we aim to grow organically, I am glad to share with you that we had also successfully entered into a number of strategic partnerships to expand our presence and deepen our expertise in the Integrated Real Estate space in Singapore. For example, TEE has entered into a Joint Venture with three local companies to acquire a 35.0% stake in Oxley Holdings Limited's wholly-owned subsidiary Oxley Viva Pte. Ltd. ("Oxley Viva"). Our effective stake in Oxley Viva, post-acquisition, is 7.0%. Oxley Viva has successfully purchased Hong Leong Garden Shopping Centre for S$171.1 million and intends to redevelop it. In December 2011, through the acquisition of an effective stake of 8.0% in Mountbatten Edge Pte. Ltd., TEE will be participating in the development of a 3-storey office building at 223 Mountbatten Road.

In addition, I am pleased to inform that three of our residential projects in Singapore namely – 448@East Coast, Rezi26 and 91 Marshall have ahchieved more than 95% sales.

Our strategic goal for our real estate business is to ramp up our expertise and ability, successfully managing a diverse mix of residential and commercial developments not only locally but regionally. This multi-faceted growth plan will stand us in good stead as we progress.

REACHING THE NEXT LEVEL

As the Group matures, we believe it is essential to develop a broader, more balanced skill and income base beyond our core competency in engineering and home base of Singapore. Ultimately, our strategic objective is to grow the Group into one of the top-tier engineering and real estate development companies in Singapore and SEA.

Already, we see substantial progress made in the local Engineering and Integrated Real Estate sectors and have established growing footholds in Thailand and Malaysia. Our recent acquisition of The Wireless Group will enable our penetration into telecommunications engineering while that of the Global Environmental Technology Co., Ltd., one of Thailand's largest wastewater treatment companies, will position us well in these two exciting industries. Recurrent service and maintenance fees from this area will also augment our diversified income composition.

IN CONCLUSION

At this juncture, I would like to commend the efforts and leadership of our directors, management and staff, and the support of our partners and shareholders. Together, we have achieved much over the past year.

I am encouraged by our accomplishments. Our managerial acumen, group synergy and energy have taken us so far, and I look forward to this next phase of exciting developments, confident that we will be equal to the task.

C K Phua

Group Chief Executive
& Managing Director

operating and financial review

Statement of Comprehensive Income

	2012 S$'000	(Restated) 2011 S$'000	Change %
Revenue			
Engineering	131,690	215,443	(38.9)
Integrated Real Estate	11,941	31,729	(62.4)
Total Revenue	143,631	247,172	(41.9)
Cost of Sales	(112,479)	(217,814)	(48.4)
Gross Profit	31,152	29,358	6.1
Other Operating Income	3,682	2,200	67.4
Administrative Expenses	(13,110)	(9,808)	33.7
Other Operating Expenses	(195)	(1,471)	(86.7)
Share of Results of Associates	2,191	982	123.1
Finance Costs	(1,525)	(2,147)	(29.0)
Profit Before Tax	22,195	19,114	16.1
Income Tax Expenses	(3,078)	(2,718)	13.2
Profit for the Year	19,117	16,396	16.6
Profit Attributable to: -			
Owners of the Company	19,286	16,990	13.5
Non-controlling Interests	(169)	(594)	(71.5)
	19,117	16,396	16.6

Revenue

In FY2012, the Group revenue decreased by S$103.5 million to S$143.6 million, mainly due to the completion of the Group's larger projects.

Engineering

In July 2011, the Group announced being awarded three contracts for Fit-Out and M&E works for Citibank at Asia Square Tower 1, Marina Bay Financial Centre. The total contract size is about S$17.4 million with recognition of revenue at project milestones over FY2012. In September 2011, it announced securing additional engineering works at the building amounting to S$0.6 million.

Integrated Real Estate

Among other development over the year, the Group has entered into a Joint Venture with three local companies to acquire a 35.0% stake in Oxley Holdings Limited's wholly-owned subsidiary Oxley YCK Pte. Ltd. ("Oxley YCK"). Our effective stake in Oxley YCK, post acquisition is 7.0%. It has succesfully purchased Seletar Garden for S$96.2 million and intends to redevelop it.

Other Operating Income

Other operating income increased by 67.4% for FY2012 which mainly comprised of interest income amounting to S$1.9 million from loans to associates in Singapore, Malaysia and Thailand. It was also partly due to fair value gain on an investment property and interest rate swap amounting to S$0.5 million and S$0.3 million respectively.

Administrative Expenses

Over the year in review, administrative expenses increased by S$3.3 million mainly due to marketing expenses for development properties, employee benefit expenses and overseas travelling expenses.

Other Operating Expenses

Other operating expenses decreased by 86.7% For FY2012 as there was no impairment loss on prepaid investment and lesser foreign exchange adjustment loss in the current year as compared to the previous corresponding period.

Statement of Financial Position

	2012 S$'000	(Restated) 2011 S$'000	Change %
Current Assets	178,225	176,730	0.8
Total Assets	241,693	224,448	7.7
Cash and Bank balances	21,656	45,631	(52.5)
Loans Receivable from Associates	36,045	22,706	58.7
Development Properties	91,530	70,208	30.4
Current Liabilities	102,402	103,180	(0.8)
Total Liabilities	167,388	165,473	1.2
Trade Payables	30,835	50,031	(38.4)
Equity Attributable to Owners of the Company	75,635	60,153	25.7

Statement of Cash Flows

	2012 S$'000	Restated 2011 S$'000	Change %
Net cash (used in) from Operating Activities	(26,311)	46,813	(156.2)
Net cash used in Investing Activities	(15,333)	(10,884)	40.9
Net cash from Financing Activities	16,721	3,261	412.8

Share of Results of Associates

Share of results of associates increased by S$1.2 million mainly due to valuation gain on assets of the newly acquired telecommunications engineering.

Loans Receivable from Associates

Loans made to associates increased by S$13.3 million mainly due to funding requirements for the acquisition of new businesses and land for the new developments in Singapore.

Development Properties

The increase in development properties of S$21.3 million was mainly due to the acquisition of new land for the development projects in Singapore and Malaysia.

Trade Payables

Trade payables decreased by S$19.2 million in line with the decrease in revenue and cost of sales.

Operating Activities

In FY2012, the Group utilised cash of S$26.3 million for operating activities for payment of its trade payables and the increase in the number of property development projects.

Investing Activities

S$15.3 million cash was used during FY2012 mainly for loans made to associates, purchase of other investments and investment in associates.

Financing Activities

To finance the increase in the number of property development projects, the Group raised S$16.7 million during FY2012 mainly through long-term bank loans.

group financial highlights

	2012	(Restated) 2011	(Restated) 2010
For the Year			
Revenue (S$'000)	**143,631**	247,172	159,597
Gross profit (S$'000)	**31,152**	29,358	23,841
Gross profit margin (%)	**21.7**	11.9	14.9
Earnings before interest, tax, depreciation and amortisation (S$'000)	**22,421**	20,407	15,793
Operating profit (S$'000)	**21,853**	20,275	15,474
Profit before tax (S$'000)	**22,195**	19,114	14,233
Pre-tax profit margin (%)	**15.5**	7.7	8.9
Profit for the year (S$'000)	**19,117**	16,396	11,597
After-tax profit margin (%)	**13.3**	6.6	7.3
Profit attributable to owners of the company (S$'000)	**19,286**	16,990	11,564
At Year End (S$'000)			
Current assets	**178,225**	176,730	134,360
Total assets	**241,693**	224,448	169,366
Current liabilities	**102,402**	103,180	97,407
Total liabilities	**167,388**	165,473	133,100
Total debts (including finance lease*)	**103,411**	81,645	85,852
Equity attributable to owners of the company	**75,635**	60,153	36,905
Total equity	**74,305**	58,975	36,266
Number of shares as at 31 May+	**372,288,998**	343,759,998	281,642,372

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

+ The number of issued shares has been adjusted for the share split of each ordinary share into 2 ordinary shares

	2012	(Restated) 2011	(Restated) 2010
Profitability ratios			
Return on shareholders' equity (%)	**25.5**	28.2	31.3
Return on total assets (%)	**8.0**	7.6	6.8
Leverage ratios			
Long-term debt to equity ratio (times)	**0.8**	1.0	0.8
Total debts to equity ratio (times)	**1.4**	1.4	2.4
Interest cover (times)	**14.3**	9.4	8.6
Liquidity analysis ratios			
Current ratio (times)	**1.7**	1.7	1.4
Net asset value per share (cents)	**20.3**	17.5	13.1
Shareholders' investment ratios			
Basic Earnings per share (cents)	**5.39**	5.46	4.11
Gross dividend per share (cents)	**2.35**	2.25	2.20
Divdend cover (times)	**2.3**	2.4	1.9
Productivity			
Number of employees	**336**	360	377
Revenue/employees (S$'000)	**427**	687	423

TRANSCENDING BORDERS
EXPLORING NEW OPPORTUNITIES

Over the years, TEE has established a regional presence, transcending borders with operations spanning Singapore, Malaysia, Cambodia, Thailand, Philippines, Vietnam, and Brunei. Our Group recently ventured into China, looking to tap into the buoyant economy. With the world as our oyster, we are constantly on the lookout to explore new opportunities that enable us to diversify, expand and add value to our business.

board of directors

L-R	seated:	Ms. Saw Chin Choo	Er. Dr. Lee Bee Wah	Mr. Bertie Cheng Shao Shiong	Mr. Phua Chian Kin
	standing:	Mr. Phua Boon Kin	Mr. Tan Boen Eng	Mr. Lee Ah Fong	

Mr. Bertie Cheng Shao Shiong, 75
Non-Executive Chairman

Mr. Cheng was appointed as an Independent and Non-Executive Director of the Company on 5 March 2001 and was last re-elected as a Director of the Company on 22 September 2011. Mr. Cheng is the Chairman of the Executive Committee and a Member of the Nominating Committee. He is also a Company Director in one of our Thai associates, Chewathai Ltd.

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 CFM Holdings Limited, Hong Leong Finance Limited, Pacific Andes Resources Development Limited and Baiduri Bank Berhad. Other appointments include being the Chairman of the Medifund Committee, Singapore General Hospital, Vice-Chairman of the Consumers Association of Singapore Endowment ("CASE") Fund, a Board Member of NTUC First Campus Co-operative Ltd and the Chairman of the Investment Panel of SPRING SEEDS Capital Pte Ltd.

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

Mr. Phua Chian Kin, 53
Group Chief Executive
& Managing Director

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

Mr. Phua has over 30 years of experience in the Engineering and Real Estate Industry, starting his career with Danish multi-national LK-NES (SEA) Pte Ltd where he was later promoted to General Manager and Director, responsible for 3 of LK-NES's subsidiaries. He joined Trans Equatorial Enterprises (SEA) Pte. Ltd. in 1991 and subsequently Trans Equatorial Engineering Pte. Ltd. in 1994 and took over the Group during a management buyout in 1993.

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 Awards.

He is a keen sportsman who has completed 10 full marathons to-date.

Mr. Tan Boen Eng, 79
Non-Executive Director

Mr. Tan was appointed as an Independent and Non-Executive Director of the Company on 5 March 2001 and was last re-elected as a Director of the Company on 22 September 2011. Currently he serves as Chairman of the Audit Committee and a Member of the Remuneration Committee.

Mr. Tan has extensive experience in both the public and private sectors. He is currently holding directorships in several listed and non-listed companies from various industries, ranging from business consultancy and training to management consultancy.

Mr. Tan is an Independent Director of OKP Holdings Limited. He is also the Director of Singapore Institute of Accredited Tax Professionals Limited, SAA Global Education Centre Pte Ltd, Association of Taxation Technicians (S) Limited and Certified Accounting Technicians (Singapore) Ltd. Mr. Tan was the President of the ASEAN Federation of Accountants from 2000 to 2001 and he is now a Council member. He is also a former Board Member of the Tax Academy of Singapore. Mr. Tan has been the President of the Institute of Certified Public Accountants of Singapore from April 1995 to April 2009 and is now a Council Member of the Institute.

Mr. Tan had previously held the position of Director of Asiamedic Limited and AsiaPrime Pte Ltd. He also held the position of Senior Deputy Commissioner of Inland Revenue Authority of Singapore and was a Director of Singapore Pools Pte Ltd, and a Member of the Nanyang Business School Advisory Committee, NTU. He was a Board Member of the Accounting and Corporate Regulatory Authority and a Member of the Singapore Sports Council. He also served as Chairman of the Securities Industries Council.

Mr. Tan holds a Bachelor of Arts Degree in Economics (Honours) from the University of Malaya in Singapore. He is a Fellow of the Institute of Certified Public Accountants of Singapore and CPA Australia. He received the Public Administration Medal (Silver) in 1975.

Er. Dr. Lee Bee Wah, 51
Non-Executive Director

Er. Dr. Lee was appointed as an Independent and Non-Executive Director of the Company on 26 September 2008 and was last re-elected as a Director of the Company on 22 September 2011. Besides being the Chairman of the Remuneration Committee, she is also a Member of the Audit Committee and the Executive Committee.

Er. Dr. Lee has immense experience in many industries, especially in the engineering and the construction sectors. She has previously worked in ST Construction Pte Ltd and in Wing Tai Property Management Pte Ltd. In addition, she is a Licensed Professional Engineer in Singapore. Er. Dr. Lee is currently the Principal Partner of LBW Consultants LLP and a Director of LBW Engineering Pte Ltd. She is also an Honorary Fellow member of the Institution of Structural Engineers ("IStructE") in the United Kingdom, a Fellow Member of the Institution of Engineers Singapore and a Board Member of the Professional Engineers Board, Singapore. Er. Dr. Lee is also the Director of Trailblazer Foundation Ltd.

Er. Dr. Lee holds a Master of Science (Engineering) from the University of Liverpool, United Kingdom and a Bachelor of Civil Engineering from NTU. Er. Dr. Lee was conferred Honorary Doctorate by The University of Liverpool on 22 July 2011.

She is a Member of Parliament ("MP") for the Nee Soon GRC and Adviser to Nee Soon South Grassroots Organisation. She is also the Chairman of the Government Parliamentary Committee for Ministry of National Development and Ministry of Environment and Water Resources.

board of directors

Mr. Lee Ah Fong, 66
Non-Executive Director

Mr. Lee was appointed as an Independent and Non-Executive Director of the Company on 1 March 2011 and was last re-elected as a Director of the Company on 22 September 2011.

Mr. Lee is a partner of the law firm, Ng, Lee & Partners, and has 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 Management Committee and legal advisor to several associations, societies and companies. He is also an Independent Director of two other public listed companies.

Mr. Lee qualified as Barrister-at-Law (Middle Temple) in 1980 and was admitted to the Singapore Bar in 1981. 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 had 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 had served in various units of the SPF before his resignation in 1980.

Ms. Saw Chin Choo, 50
Executive Director

Ms. Saw was appointed to the Board of Directors on 10 September 2004 and was last re-elected as a Director of the Company on 24 September 2009.

Ms. Saw has over 29 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 currently holds a position as a Company Director in PBT Engineering Pte. Ltd., TEE Development Pte. Ltd., TEE Realty Pte. Ltd., TEE Property Pte. Ltd., Development 83 Pte. Ltd., TEE Homes Pte. Ltd. and in one of our Thai subsidiaries, Oscar Design & Decoration Co., Ltd. She is an Alternate Director in our Bruneian subsidiary, PBT Engineering Sdn Bhd. She is also a Member in the Executive Committee of Chewathai Ltd, one of our Thai subsidiaries.

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

Ms. Saw Chin Choo has been promoted to Managing Director (Engineering - Malaysia and Brunei), with effect from 1 July 2012. She is responsible for the Group's Malaysia and Brunei's Engineering Business.

Mr. Phua Boon Kin, 50
Executive Director

Mr. Phua was appointed to the Board of Directors on 1 September 2008 and was last re-elected as a Director of the Company on 23 September 2010.

Mr. Phua has more than 27 years of experience in project execution and project management. He was instrumental in the setting up of the two main subsidiaries of the Group, namely Trans Equatorial Engineering Pte. Ltd. in 1991 and PBT Engineering Pte. Ltd. in 1996. He has since been with the Group for the past 21 years and has held various appointments in both of these subsidiaries. He is currently a Company Director in PBT Engineering Pte. Ltd., TEE Development Pte. Ltd., TEE Realty Pte. Ltd., Security Pro-Telco Pte. Ltd., TEE Property Pte. Ltd., Development 83 Pte. Ltd. and TEE Homes Pte. Ltd.. He is also a Company Director in one of our associates, Development 26 Pte. Ltd. and in one of our Thai subsidiaries, Oscar Estate Management Co., Ltd.

He is also appointed as an Alternate Director to Mr. Phua Cher Chew in one of our local associates, KSH (China) Venture Pte. Ltd..

Mr. Phua holds a Technician Diploma Certificate in Mechanical Engineering from Singapore Polytechnic.

Mr. Phua Boon Kin currently holds the post of Managing Director, Engineering, and is overall in charge of the Group's Engineering Business.

corporate information

Board Of Directors

Independent and
Non-Executive Chairman
Mr. Bertie Cheng Shao Shiong

Group Chief Executive
& Managing Director
Mr. Phua Chian Kin

Executive Director
Ms. Saw Chin Choo

Executive Director
Mr. Phua Boon Kin

Independent and
Non-Executive Director
Mr. Tan Boen Eng

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

Independent and
Non-Executive Director
Mr. Lee Ah Fong

Audit Committee

Chairman
Mr. Tan Boen Eng

Members
Er. Dr. Lee Bee Wah
Mr. Lee Ah Fong

Nominating Committee

Chairman
Mr. Lee Ah Fong

Members
Mr. Bertie Cheng Shao Shiong
Mr. Phua Chian Kin

Remuneration Committee

Chairman
Er. Dr. Lee Bee Wah

Members
Mr. Tan Boen Eng
Mr. Lee Ah Fong

Executive Committee

Chairman
Mr. Bertie Cheng Shao Shiong

Members
Er. Dr. Lee Bee Wah
Mr. Lee Ah Fong
Mr. Phua Chian Kin

Joint Company Secretaries

Ms. Lai Foon Kuen, ACIS
Ms. Yeo Ai Mei, CPA

Registered Office

Co. Reg. No.: 200007107D
Block 2024 Bukit Batok Street 23
#03-48 Singapore 659529
Tel: (65) 6561 1066
Fax: (65) 6565 1738
Email: enquiries@teeintl.com
Website: http://www.teeintl.com

Share Registrar

B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758
Tel: (65) 6593 4848
Fax: (65) 6593 4847

Share Listing

TEE has been listed on the SESDAQ, now renamed as the SGX Catalist, on 22 March 2001. Its listing was upgraded from the SGX Catalist to the SGX Mainboard with effect from 3 September 2008

Independent Auditor

Deloitte & Touche LLP
Certified Public Accountants
6 Shenton Way #32-00
DBS Building Tower Two
Singapore 068809

Audit Partner-in-charge:
Mr. Loi Chee Keong
(Appointed with effect from FY2012)

Investor Relations

Capital Access Communications
Pte Ltd
12 Prince Edward Road
Bestway Building
#06-05, Podium B
Singapore 079212
Tel: (65) 9455 2690
Fax: (65) 6220 7229
Contact person: Mr. Roger Poh
Email: rp@capitalaccess.com.sg

Principal Bankers

Standard Chartered Bank
DBS Bank Ltd
Oversea-Chinese Banking
Corporation Limited

key executives


1


2


3


4


5


6


7


8


9


10


11


12


13

Mr. Sim Geok Soon [1]
Executive Director,
Infrastructure Engineering

Mr. Sim joined the Group in 1996. He oversees the management and operations of the Infrastructure and Special projects team in Singapore, handling projects in the airport, metro, commercial, water and waste sectors. He is also involved in various aspects of business development of M&E Infrastructure and Special projects in Singapore and overseas.

Mr. Sim has more than 28 years of project execution and project management in the M&E industry. He is currently the Company Director of Trans Equatorial Engineering Pte. Ltd..

Mr. Phua Cher Chew [2]
Executive Director,
Property Development

Mr. Phua joined the Group in 1997. He oversees the property arms of TEE. He manages the acquisition of land, land development, sale of the properties, as well as securing opportunities for joint development with other partners in residential development.

He has completed residential development projects like The Thomson Duplex and the Cantiz @ Rambai. He is also currently the Company Director of Trans Equatorial Engineering Pte. Ltd., TEE Management Pte. Ltd., TEE Development Pte. Ltd., TEE Realty Pte. Ltd., TEE Property Pte. Ltd., Development 83 Pte. Ltd. and TEE Homes Pte. Ltd.. He is also a Company Director in one of our Thai subsidiaries, Oscar Estate Management Co., Ltd, in our Malaysian subsidiary, TEE Resources Sdn Bhd and in our Philippines associate, Trans Equatorial Philippines, Inc..

Mr. Phua is also the Company Director in our local associates, Unique Development Pte. Ltd., Development 26 Pte. Ltd., Residenza Pte. Ltd., Unique Realty Pte. Ltd., KSH (China) Venture Pte. Ltd., Unique Consortium Pte. Ltd. and Unique Capital Pte. Ltd..

Mr. Phua has been promoted to Managing Director, Real Estate, with effect from 1 July 2012.

Ms. Yeo Ai Mei, CPA [3]
Group Finance Controller

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

Ms. Yeo holds a Bachelor of Business in Accountancy Degree from RMIT University and is a Certified Public Accountant of Singapore and Certified Practising Accountant of CPA Australia.

Mr. Toh Chien Juin [4]
Project Director,
Electrical Engineering

Mr. Toh joined the Group in 1998. With 14 years of experience in the Engineering field, Mr. Toh is well equipped to handle the massive scale of Electrical Engineering Projects. His responsibilities include all major and minor electrical engineering projects. Mr. Toh graduated from Ngee Ann Polytechnic with Diploma in Electrical Engineering.

He is currently the Company Director of Trans Equatorial Engineering Pte. Ltd..

Mr. Wong Yun Seng, Edric [5]
Project Director,
Mechanical Engineering

Mr. Wong joined the Group in 2003. In his role as Project Director, Mr. Wong oversees and supervises the daily operations of the Air Conditioning and Mechanical Ventilation. He handles all communications with team members, suppliers, sub-contractors and personally keeps a tight rein on urgent project schedules.

Mr. Chia Yoke Heng [6]
Project Director,
Rebuilding Engineering

Mr. Chia joined the Group in 2004. He is responsible for the construction and management of rebuilding projects. His job is one which requires impeccable execution of fast track projects, a result of effective organisation, high commitment levels and strong decision making.

Ms. Loh Chooi Leng [7]
Senior Group HR Manager

Ms. Loh joined the Group in 2005 and was promoted to Senior Group HR Manager in January 2011. She is overall responsible for the training and development programme, recruitment, compensation, benefits and performance and career management of employees.

Ms. Loh holds a Graduate Diploma in Human Resource Management from Southern Cross University and Bachelor of Arts Degree in Psychology and Political Science.

key executives

Mr. John Ng Kian Boon [8]
Group Business Development Director

Mr. Ng joined the Group in 2011. He is primarily responsible for helping TEE and its subsidiaries to expand into different regions, while navigating through regulatory frameworks and business norms.

To achieve TEE's expansion goals, Mr. Ng identifies key growth industries and develops strategic plans that potentially place TEE in a niche market in the infrastructure and construction industries. He spearheads in-market projects and business missions to explore opportunities in each region. Mr. Ng adopts both short-and long-term views for TEE, and aims to achieve an optimal balance between profit and risk through cross-regional and cross-industrial diversification.

Ms. Chew Lay Ling [9]
Group Accounts Manager

Ms. Chew joined the Group in 2007 and was promoted to Group Accounts Manager in July 2010. She is in charge of various subsidiaries' and associates' accounts. She graduated from the Association of Chartered Certified Accountants (United Kingdom) and is currently an affiliate of the association.

Mr. Boon Choon Kiat, CFA, CPA [10]
Executive Director,
Thailand's Operations

Mr. Boon joined the Group in 2000. He is the Executive and Country Director for the Group's operations in Thailand.

He is the Authorised Director of Trans Equatorial Indochina Co., Ltd., Oscar Estate Management Co., Ltd., Oscar Property Management Co., Ltd., Oscar Design & Decoration Co., Ltd., Chewathai Ltd, Chewathai Hup Soon Ltd and Global Environmental Technology Co., Ltd..

Mr. Boon graduated with Bachelors (Honours) of Accountancy from NTU. He is currently a Chartered Financial Analyst charterholder, and a Certified Public Accountant, Singapore.

Mr. Boon has been promoted to Managing Director, Indochina, with effect from 1 July 2012 and is responsible for all business operations and property developments in Thailand, Vietnam, Myanmar, Cambodia and Lao People's Democratic Republic.

Mr. Nguyen Vinh Binh [11]
Operations Manager,
Vietnam's Operations

Mr. Nguyen joined the Group in 2009. He is responsible for the operations in engineering, business and property development in Vietnam. Mr. Nguyen experienced working as a Project Manager in Genuwin D&C Co. Ltd., a Korean property developer.

He is also the General Director and Legal Representative of TEE Vietnam Co. Ltd. and Viet-TEE Co., Ltd..

Mr. Chee William [12]
Chief Operating Officer,
Wireless Group

With the acquisition of the wireless business in June 2011, Mr. Chee has joined the Group as the Chief Operating Officer overseeing the wireless businesses in Singapore, Thailand, Philippines and Malaysia.

He has been involved in the telecommunications industry for the past 16 years. Prior to his joining, he was the Operations Director of Wireless Group with Radiance Converged Solutions Sdn. Bhd., a subsidiary of Keppel Communications Pte. Ltd.. He previously sat on the board of directors of various Keppel T&T subsidiaries and associates. Mr. Chee was also actively involved in business development opportunities in logistics and telecommunications for Keppel T&T in Vietnam and Indonesia.

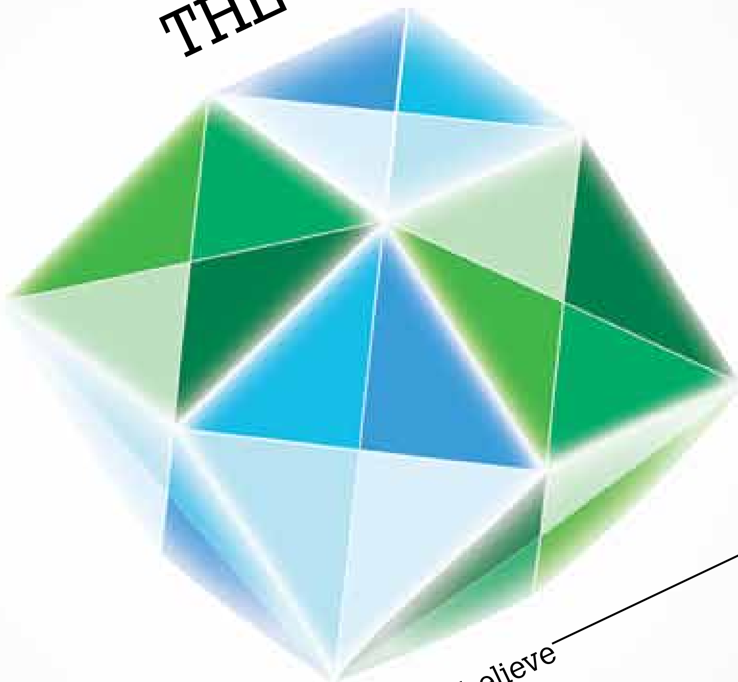
Mr. Chew Teik Boon [13]
General Manager,
Malaysia's Operations

Mr. Chew joined the Group in 2012. Anticipating new opportunities in Malaysia, Mr. Chew was appointed as General Manager to manage the operations and grow the various businesses of the Malaysia entity.

Mr. Chew, a trained civil and structural engineer, comes with 25 years of experience in hands-on project management, business development and sales as well as overall business management. His previous position as General Manager for Taiyo Birdair Asia covering ASEAN brings valuable regional business insight to the Group.

PREPARING FOR THE FUTURE

DIFFERENTIATING OURSELVES FROM THE REST



In seeking long-term sustainable growth, we believe a company must be well-prepared for the future in its adaptability and relevance to changing market conditions. TEE takes upon this by investing in our most important asset- Human Capital. We provide training and goal alignment for our staff to ensure their potential is maximised, and nurture a motivated workforce that is committed and focused in their services to the company.

human capital

Harnessing the synergy

People are the fundamental building blocks of TEE. They are integral to the Group's success and are essential in promoting growth. TEE recognises this, and strives to maximise the potential of our people through goal alignment, regular training and self-development programmes. Our human capital strategy entails grooming leaders developing staff through a system of regular recruitment, training, retention and nurture of our workforce to ensure a continuous pool of talent. We aim to harness the synergy of our human capital, tapping on their competencies, and building and investing for the future to propel TEE to be the best and preferred choice in the industry.

Futsal Tournament

Hong Kong Retreat

Bowling Tounament

BUILDING TEAM SPIRIT

Futsal Tournament

Standard Chartered
Hong Kong Marathon

Standard Chartered
KL Marathon

human capital

1 Weekly Run
2 TRI-Factor Run
3 Bowling Tournament
4 Staff Chill Out
5 Chinese Chess Competition

Nurturing Human Capital

At TEE, we are always seeking to attract people of high calibre who can help drive the Group forward in our endeavours and achieve sustainable growth. TEE provides training and development for our employees through various programmes and upgrading courses that help them refine their skills and expand their competencies. These courses cover a broad range of topics from soft skills to personal and professional development, allowing us to realise the full potential of our staff and set higher standards for excellence. We have also established a succession planning system in which we actively identify and mentor young senior officers to take on leadership roles. With their fresh input, these officers can help energise and pave the way forward for the Group's success.

It is critical that employees feel a sense of belonging to the company and work with a shared vision towards a common goal. To promote effective communication, TEE encourages its employees to adopt an open communication culture within the organisation. Regular events like the TEE Summit, staff meetings and dialogue sessions are organised to align employee goals with the Group and directly engage them in our operations.

Recognising And Taking Care Of Our People

The basis for healthy individual and organisation growth lies in the inter-connectedness between workplace health and work-life balance. We hold numerous team building activities, such as badminton tournaments, volleyball tournaments, and telematch relays etc., to provide a platform for team bonding and enhance the level of communication and interaction between employees. Such activities aim to foster cohesiveness amongst staff of all levels, boost productivity and increase morale as well as team spirit.

As an advocate of a healthy lifestyle and work-life balance, TEE promotes health awareness by sponsoring annual medical screenings and conducting periodic exercise classes, relays and marathons. Our Group Chief Executive also initiated a TEAM TEE 1000 in 2005, followed progressively by TEAM TEE 3000, TEE 5000, TEE 8000 and the most recent TEAM TEE 10,000 in June 2011. In this initiative, every employee is encouraged to jog a certain distance which will be accumulated and recorded in TEE's total running distance. We have

6 Weekly Run
7 Bowling Tournament
8 Deepavali Celebration
9 Volley Ball Toumament
10 Telematch

targeted to complete TEE 10,000 by December 2012. The Group also organises social activities such as community services, dinners and retreats to inculcate the spirit of volunteerism and to encourage communication at social and community levels.

TEE recognises and appreciates each and every employee for their commitment and contribution to the company. Thus we have in place a comprehensive remuneration and benefit scheme that is in line with market practices. We value the loyalty of our people and will duly reward them for giving their best to the company.

Statistics on Human Talents

Level	No. of Staff
Board of Directors - Executive	3
Key Executives	13
Senior Management	18
Junior and Middle Management	43
Administrative and Clerical	59
Site Operations	82
Non-Traditional Source/ Skilled Workers	118
Total	**336**

Statistics on Length of Service

Year of Service	No. of Staff
Less than 5 Years	243
5 to 10 Years	55
Over 10 Years	38
Total	**336**

Statistics on Qualification

Qualification	No. of Staff
Degree and Above	83
Diploma and Equivalent	62
Secondary and Below	77
Skill Certificates	114
Total	**336**

Leadership Renewal

Description	TEAM 2012
Average Age	37
Nationalities	Singaporeans, Malaysians, Thais, Burmese, Bruneians, Vietnamese, Chinese, British
Highest Education Level	Master
Lowest Education Level	O Level

corporate social responsibility

1 Birthday Celebration at VF
2 Hot Meal Cum Birthday Celebration
3 Chinese New Year Celebration
4 Hands-on Arts & Crafts
5 Mini Carnival

With Corporate Social Responsibility ("CSR") deeply embedded in our core philosophy, TEE aims to be a paradigm in giving back to the community. The spirit of volunteerism is highly encouraged and all staff is actively involved in the community work that TEE carries out on a regular basis. Established in 2007, our CSR Committee plans and organises events and activities for the Villa Francis Home for the Aged ("VF") and other meaningful and worthy causes.

Mini Carnival, July 2011

TEE's staff brought bundles of joy to VF's residents by organising and transforming their place into a "Mini Carnival". We set up a few game stalls, decorated with brightly-coloured bunting and balloons, and prepared fun prizes for the winners of the games. The residents were momentarily transported back in time, playing games they used to play in the past. Buffet lunch was provided after the event, and we distributed goodie bags to the old folks.

Children's Day Gathering, October 2011

TEE celebrated Children's Day with children from The Spastic Children's Association of Singapore. Our volunteers split into different groups to help the form teachers organise and take care of the children from different classes. All our employees and the children had a fun-filled day playing games at the mini carnival organised by the school.

Nee Soon South Zone GRC Hot Meal cum Birthday Celebration, January 2012

With the attendance of MP Er. Dr. Lee Bee Wah, TEE's Non-Executive Director, our Executive Director, Mr. Phua Boon Kin, personally led the distribution of hot meals to the needy citizens. We organised it in the form of a buffet lunch this year, for the individuals in need, especially senior citizens. TEE also helped to celebrate the birthdays of residents who were born in January.





Children's Day at SCAS

Pre-Chinese New Year Celebration, January 2012

TEE celebrated Chinese New Year with the residents of VF as part of a whole big family. We ushered in the Year of the Dragon with a string of activities such as singing, dancing, and lion dance performances. Our employee also dressed up as the "God of Fortune", giving out ang pows and goodie bags to all residents. Buffet lunch and auspicious raw fish salad, also known as "Yu Sheng", were provided to the old folks after the celebration, bringing an end to a joyful, eventful day.

Hands-on Arts & Crafts, April 2012

It was the first time TEE organised an "Arts and Crafts" event for VF. Our staff paired up with the residents, encouraging and assisting them in designing and making the desired art piece they had in mind. Photographs were later taken, where residents posed proudly with their handicrafts, faces lit with joy and a sense of accomplishment.

Birthday Celebration, May 2012

Together with the residents of VF, TEE celebrated the birthday of our Group Chief Executive & Managing Director, Mr. C K Phua. The residents and staff specially made Mr. Phua a birthday card and gave him a hamper for his present. Mr. Phua also arranged a lunch buffet for the old folks as part of the celebration.

investor relations

Investor relations forms a vital and integral part of TEE's commitment to high standards of corporate governance and transparency. With a clearly-structured and robust corporate governance system, TEE focuses on enhancing long-term shareholder value while communicating in a regular, timely, fair and effective manner. As such, TEE makes material disclosures on an immediate basis as required under the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") or as soon as possible, if an immediate disclosure is not practicable.

REGULAR INVESTOR ENGAGEMENT

We believe that regular investor relations communications and engagement will help to foster a deeper understanding of the Group's strategy, objectives, and management culture in addition to the financial results. This more holistic understanding we believe will generate long-term confidence in our Group and our stock.

Analysts and Media

TEE engages stock analysts regularly in briefings with its key management, reviewing the Group's most recent financial performance as well as discussing its strategy and outlook. Following such briefings, any materials used in the briefings are also immediately publicly disseminated via SGX-ST's SGXNet broadcast network ("SGXNet") and TEE's corporate website at http://www.teeintl.com. We also engage the media through interviews in order to develop a better appreciation among a larger portion of the investing community of the Group's operations, business updates, financial performance and management strategy.

Investor Meetings

The Group also seeks to cater to the needs of investors who wish to understand the company better. It arranges one-to-one meetings in the form of teleconferences or face-to-face meetings with key management. Additionally, large group meetings with remisiers and dealers are arranged to keep them informed about TEE and give them the opportunity to meet key management.

Corporate Website

Our corporate website is a one-stop information platform for any potential investors to understand TEE's businesses. It features our corporate information together with updates of latest projects and various contracts awarded. Details of our Integrated Real Estate developments are also included on the website. In addition, our awards and certifications as well as portfolio of clients are also listed on it.

SHAREHOLDER COMMUNICATIONS

Corporate Announcements

We release important information such as strategic initiatives, contract wins, financial results and acquisitions through the SGXNet within the mandatory reporting period in the form of announcements and press releases. These announcements and press releases are also uploaded on TEE's corporate website for wider exposure.

Annual Report and Annual General Meeting

The Annual Report is an extensive report of TEE's activities and performance for the financial year in review and is crafted to give all existing and potential shareholders important, comprehensive company information. Our annual reports are despatched to shareholders at least 14 days before the Annual General Meeting ("AGM"). Not resting on our laurels, we aim to continually improve and enhance the report's content and format for greater transparency.

The AGM is another route by which we reach out to shareholders. It is the main platform for the Board of Directors and key management to answer shareholders' questions about the Company. The venue of the AGM is usually easily accessible to the shareholders while an adequate notice period within the statutory minimum period allows shareholders to receive the notice and participate in the AGM. The Board of Directors, key management and the external auditors are usually available at the AGM to address any shareholders' concerns with regards to the Company's performance for the year and also to keep them informed of recent developments.

Shareholders' Enquiries

TEE believes in an effective two-way communication between shareholders and the Group. The Group's Investor Relations contacts are easily found in most of TEE's official publications as well as the corporate website. Shareholders' enquiries are addressed by the relevant management personnel in a prompt manner.

DIVIDEND POLICY

At TEE, we believe with group effort, astute management strategy and flexibility, we will be able to derive sustainable growth and maximise long-term shareholder value. With that in mind, we will also strive to maintain or increase our dividend payouts in recognition of the confidence our investors and shareholders have in us. The 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 deem appropriate.

TEE's 12-Month Daily Share Price and Trading Volume
(last closing date : 31 May 2012)

Source : Yahoo Finance

Shares Performance

Share Statistics	
SES	M1Z.SI
Bloomberg	TEE:SP
Reuters	TEEI.SI
Issued and Paid-up Shares	372,288,998
Market Capitalisation	S$74.5 million
52 weeks share price range	S$0.19 — S$0.31

Investor Relations and Financial Calendar 2012

10 January 2012	Announcement of FY2012 Half-Year Results
11-18 January 2012	Analyst and Investor Briefing for FY2012 Half-Year Results
Book Closure Date on 22 February 2012, 5 p.m., Dividend Payment Date on 8 March 2012	FY2012 Declared and Paid tax exempt one-tier Interim Dividend of 0.60 Singapore cents per ordinary share
5 April 2012	Announcement of FY2012 Third Quarter Results
31 May 2012	Financial Year End
24 July 2012	Announcement of FY2012 Full-Year Results
25 July - 1 August 2012	Analyst and Investor Briefing for FY2012 Full-Year Results
12 September 2012	Despatch of Annual Reports to Shareholders
27 September 2012	12th Annual General Meeting
October 2012	Announcement of FY2013 First Quarter Results
Book Closure Date on 22 November 2012, 5 p.m., Dividend Payment Date on 3 December 2012	FY2012 proposed tax exempt one-tier Final Dividend of 1.25 Singapore cents per ordinary share
Book Closure Date on 18 December 2012, 5 p.m., Dividend Payment Date on 28 December 2012	FY2012 proposed tax exempt one-tier Special Dividend of 0.50 Singapore cents per ordinary share

Investor Relations and Financial Calendar 2013 (Tentative)

January 2013	Announcement of FY2013 Half-Year Results
January 2013	Analyst and Investor Briefing for FY2013 Half-Year Results
April 2013	Announcement of FY2013 Third Quarter Results
31 May 2013	Financial Year End
July 2013	Announcement of FY2013 Full-Year Results
July 2013	Analyst and Investor Briefing for FY2013 Full-Year Results
September 2013	Despatch of Annual Reports to Shareholders
September 2013	13th Annual General Meeting
October 2013	Announcement of FY2014 First Quarter Results

risk management

Introduction

Risk management is an integral part of the management of the Group's business. It involves identifying the risks, setting policies and mitigation plans, which are reviewed regularly by the Board to incorporate changing market conditions and business activities of the Group. TEE places great emphasis on strengthening its risk management framework to provide reasonable assurance that risks are minimised.

The Board has the overall responsibility to ensure that the Group has the capabilities to manage and control the risks in new and existing businesses. Additionally, the Executive Committee has been tasked by the Board to focus on managing key strategic risks and provide regular reports and recommendations to the Board to facilitate its overall risk management function. Within the risk management framework set by the Board and the Executive Committee, individual business units are responsible for their day-to-day identifying, managing and monitoring of the related risks and the effectiveness of their operations.

Business Risk

The Singapore market has remained its primary source of revenue since its inception. Presently, over 80.0% of the Group's revenue is derived from engineering activities in Singapore. The prevailing general economic, political, legal and social conditions would affect its financial performance and operations, as a downturn could dampen general sentiments in the infrastructure and engineering sector. This may result in fewer engineering activities available for public tender, greater competition and erosion of profit margins.

To minimise the risks of over-reliance on engineering activities in Singapore, the Group has been actively strengthening its regional network and offering more engineering solutions, which include telecommunications and water-related engineering.

Property development is a highly competitive industry in Singapore. There are many small to medium-sized property developers and a few large established ones in the market. Some of these developers may have stronger brand names and reputations, larger land banks, more prime land sites and resources, which may enable them to bid higher prices for more desirable land sites, thus resulting in more profitable property development projects. This may have an effect on the Group's sustainability and profitability in the business and operations of property development.

The property development industry is also subjected to various regulatory requirements and government policies in Singapore, where the Government may introduce new policies, or amend or remove existing policies at any time. If the Government regulates the property market with stringent measures, the Group's operations and financial performance may be adversely affected. There is also no certainty that there will be demand for its projects despite its projections and expectations. This may affect the Group's business objectives and sales target, thus impacting its profitability.

As a result, the Board and the Management consistently keep themselves up-to-date on the changes in industry regulations and the prevailing market trends and prices of the property sector in Singapore to ensure that the Group is able to anticipate or respond to any adverse changes in market conditions in a timely and efficient manner.

Additionally, the Group adopts a prudent approach to achieve a right balance of risk and return in different projects across geographical regions in order to achieve profitability. Each proposal is objectively assessed to ensure profitability is achieved without undertaking excessive risk. Before any proposal is adopted, it undergoes rigorous due diligence, feasibility studies, and sensitivity studies as well as evaluation of macro and project-specific risks.

Operational Risk

The environment that the Group operates in is guided and regulated by the BCA which also functions as an administrative body for tenders relating to public sector projects. BCA grading is a pre-requisite for securing public sector projects. The various categories of BCA grading determine the value of each contract which our Group is qualified to tender for.

In the event that the Group is unable to maintain its BCA grading status, the Group would not be able to tender for public projects of the stipulated contract values. This could have an adverse impact on its financial performance. To date, the Group has not experienced any downgrade in the BCA certifications awarded to them. This was attributed to the Board and Management's commitment to ensure that the Group's operations continued to deliver outstanding results for its customers and maintaining the highest level of quality.

Its business is also highly dependent on semi-skilled and skilled workers, as well as experienced engineers and project staff to ensure the efficient running of projects on site. If the Group fail to retain or face difficulties in hiring people with these competencies, its revenue and profitability may be adversely affected. This problem may be more critical in a tight labour market.

The Group will continue to review its hiring and compensation policies to ensure fair remuneration packages are given to retain skilled staff and attract new employees. In addition, the Management also supports work life balance among its staff and regularly organise family-friendly programs that helps its staff achieve work life balance as well as create a quality work environment.

In view of retaining managerial talent and cultivating the next generation of leaders in the organisation, the Group has also put in place a succession plan to ensure continuity of leadership, both on Group's level as well as individual business unit's level to propel the organisation towards its next phase of growth.

In project management, cost overruns occur when the actual project cost incurred exceeds the original estimation of the costs of projects determined during the tendering stage. The project costs are dependent on the quotations from suppliers. Any unanticipated increases in costs of supplies and equipment may lead to cost overruns and adversely affect profit margins. In addition, any delay in the delivery of the supplies and equipment may lead to an extended completion, which could cause the Group to incur penalty charges for the delay, thereby adversely affecting its financial performance.

As such, cost control measures are carried out at various stages along the entire project execution stage to ensure that the projects are kept well within budget and stipulated timeframe. Careful monitoring and quality assurance checks are also performed vigilantly to ensure that project management risks are alleviated as far as possible. The Group believe that its people have the right project management expertise to manage the costs related to each project effectively.

Competition Risk

In the Group's business, contracts are usually awarded through a tender process and work is project-based. The nature of the business is such that the number and value of projects that the Group succeeds in securing may fluctuate. There is no assurance that it will continue to secure new projects that are profitable. Should the Group fails to do so, its financial performance will be adversely affected. With increased competition in the tender process, the Group may be forced to lower its tender prices to secure projects, which affect its profit margins.

Although price is often a primary factor in determining whom the contract would be awarded to, other factors such as experience, reputation, availability, equipment and safety record are also important. The Group believes that its engineering expertise and experience put itself in a strong position to tender competitively for both government and private sector projects. Building on an excellent track record and a long operating history, the Group has demonstrated in no uncertain terms its ability to deliver superior quality, value-added services on time and within budget.

Financial Risks

The Group is exposed 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's financial instruments, financial risks and capital risks management are discussed under Note 4 of the Notes to the Financial Statements in the Annual Report.

safety, health, environmental and legal awareness

Safety and Health Awareness

At TEE, we are aware that the health and safety of our employees, contractors as well as the general public we interact with, is integral to our development as a leading corporation. As such, we are committed to protecting the health and safety of all individuals in relation to our activities. We do this through a variety of initiatives and activities.

We consistently review, improve and implement safety practices, identifying and managing the Group's safety and health risks and reducing potential accidents at our work sites. Through regular safety awareness training, we instill the importance of safety awareness in all our employees and encourage them to adhere to all safety protocols in their course of work. Our staff are also sent for safety courses like safety orientation, building construction safety supervisor courses, etc. on a frequent basis to ensure they have adequate training and are well-equipped to safely carry out their tasks.

TEE operates within a Quality, Environmental, Health and Safety Management framework. We are part of the bizSAFE programme, and have been awarded both the ISO 9001: 2008 and ISO 14001: 2004 certifications for our compliance with the bizSAFE standards of workplace safety and health. TEE was also awarded the OHSAS 18001: 2007 certification that was instrumental in our successful application for the bizSAFE Star award. The bizSAFE Star award was bestowed in recognition of our efforts in improving workplace safety and health such as implementing workplace safety practices and health programmes like Risk Management.

We have taken a comprehensive approach in educating and fostering the right mindset in safety culture. We start from the top management and extend it down to all levels of our workforce. In this way, we try to inculcate more employee involvement and commitment in ensuring a safe and healthy working environment for all.

Environmental Awareness

As a leading engineering and integrated real estate Group, we are aware of our environmental impact and make efforts to protect and sustain the environment we work in.

At TEE, we conduct all aspects of our business in a manner that ensures compliance with environmental laws. We believe in environmental protection and stewardship and inculcate awareness and responsibility amongst all employees by developing and practicing environmentally-friendly measures.

Recognising that pollution prevention and resource conservation are at the heart of a sustainable environment, we have implemented several "Go Green" initiatives such as paper recycling, circulating "Green Awareness" emails and adding a "Support the green movement" to the signature of staff emails within TEE. TEE also advocates the government's call for energy conservation by using light sensors in the office to minimise electricity wastage.

We have also been awarded the Environmental Management Systems ISO 14001: 2004 certification, and hope to lead other engineering companies to play their part in reducing the adverse impact our engineering and construction works have on the environment and eco-system. In our resolve to provide a pollution-free working environment, TEE has even set up our own "Go Green Committee" to further promote and strengthen green practices within the Group.

Legal Awareness

TEE maintains strict compliance with the rules and regulations enforced by the SGX-ST as well as the Singapore Government. We aim to meet the highest standards of business conduct and undertake our business in an honest and transparent manner.

Protecting Shareholders' Interests

To protect shareholders' interests, TEE emphasises the importance of timely, accurate and transparent disclosure of information. Internal audits are carried out on a regular basis with the appointment of PKF-CAP Risk Consulting Pte. Ltd. ("PKF") to provide internal audit services within the Group. PKF is part of a global network of legally independent firms providing quality audit, business advisory and consultancy services. The internal management of the Group is boosted with the assistance of TEE's internal and external auditors. Additionally, financial risk management policies like credit risk management and liquidity risk management are implemented to protect the interests of our shareholders.

Strengthening the Board

TEE maintains a stringent and transparent process for the appointment of new Board directors. Newly-appointed directors will be inducted via orientation and educational programmes. In addition, new directors regularly receive updates on relevant statutory and regulatory compliance issues, as well as business environment risks and operational developments. This will aid in making better-informed decisions.

TEE's management also monitors any changes to the financial reporting standards, and effectively adopts and adheres to them.

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of TEE International Limited (the "Company") 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 2005 ("the Code") except where otherwise explained. In areas where we have not complied with the Code, the Group will continue to assess its needs and implement appropriate measures accordingly.

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 success of the Company. The Board works with the Management to achieve this and the Management remains accountable to the Board.

The Board assumes responsibility for setting strategic direction, establishing pertinent policies, 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;
- Approval of quarterly and full-year results announcements;
- Approval of annual report and accounts;
- 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 ("Management");
- Declaration of interim dividends and proposals of final dividends and special dividends (if any);
- Convening of shareholders' meetings;
- Approval of annual budget, material acquisitions and disposal of assets, major investments and divestment proposals;
- Approval of nominations for the Board by the Nominating Committee and endorsing the appointments of the Key Executives, internal auditors and external auditors; and
- Reviewing recommendations made by the Remuneration Committee and approving the remuneration packages for the Board and Key Executives.

All directors are required to use reasonable diligence in discharging their duties and act in good faith in the best interests of the Group.

In order to provide an independent oversight and to discharge its responsibilities more efficiently, the Board has delegated certain functions to various Committees. The Board Committees consist of the Audit Committee, Nominating Committee, Remuneration Committee and Executive Committee. The Chairman of the respective Committees will report to the Board on the outcome of the Committee meetings and their recommendations on the specific agendas mandated to the Committee by the Board.

The Board meets regularly at least four times within each financial year and at other times as appropriate, to approve the release for the Group's financial results as well as to consider and resolve major financial and business matters of the Group. To facilitate effective management, the day-to-day management of the Group's businesses and affairs are entrusted to the Directors and Key Executives.

The Company's Articles of Association 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 Committees' meetings held during the financial year ended 31 May 2012 and the attendance of every Board member at the meetings are set out below:-

	Board Committees' Meetings							
Name of Director	**Board of Directors' Meeting**		**Audit Committee Meeting**		**Remuneration Committee Meeting[2]**		**Nominating and Remuneration Committee Meeting[2]**	
	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[1]	4	4	5	2	–	–	1	1
Mr. Tan Boen Eng	4	4	5	5	1	1	1	1
Er. Dr. Lee Bee Wah	4	4	5	5	1	1	1	1
Mr. Lee Ah Fong[3]	4	4	5	4	1	1	–	–
Mr. Phua Chian Kin	4	4	–	–	–	–	1	1
Ms. Saw Chin Choo	4	4	–	–	–	–	–	–
Mr. Phua Boon Kin	4	4	–	–	–	–	–	–

1 Mr. Bertie Cheng Shao Shiong has ceased to be a member of the Audit Committee with effect from 15 July 2011.

2 The Nominating and Remuneration Committee was separated into two committees, namely the Nominating Committee and Remuneration Committee, with effect from 15 July 2011.

3 Mr. Lee Ah Fong was appointed a member of the Audit Committee with effect from 15 July 2011.

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 require the Board's approval.

Directors' Training

Orientation courses and educational programmes will be organised for new Directors to ensure that the incoming Directors are familiar with the Company's key business and governance practices.

Prior to their appointment, new Directors are also provided with the relevant information on their duties and responsibilities as Directors, the Company's corporate governance processes as well as relevant statutory and regulatory compliance issues. Directors may request for further explanations, briefings and informal discussions on any aspects of the Company's operations or business issues.

The Management monitors changes to regulations and financial reporting standards closely. Directors will also receive regular updates on changes in the relevant laws and regulations, changing commercial risks and business conditions to enable them to make well-informed decisions.

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 the Management. No individual or small group of individuals should be allowed to dominate the Board's decision-making.

The Board comprises seven Directors, of whom four are Independent and Non-Executive Directors. 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.

The composition of the Board is as follows:-

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

Independent and Non-Executive Directors
Mr. Bertie Cheng Shao Shiong (Non-Executive Chairman)
Mr. Tan Boen Eng
Er. Dr. Lee Bee Wah
Mr. Lee Ah Fong

The Nominating Committee reviews the independence of each Director on an annual basis by taking into consideration the Code's definition of an Independent Director as well as the relationships which would deem a Director not to be independent. The Nominating Committee 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.

The Board is made up of a team of high calibre leaders whose extensive experience, knowledge and expertise combine to contribute to effective decision-making and direction for the Group. As a group, they possess the core competencies such as finance knowledge, business and management experience, industry knowledge and strategic planning experience which are required for the Board to be effective. The profiles of the Directors are set out in the 'Board of Directors' section on pages 22 to 24. The composition of the Board enables the Management to benefit from the objective perspective on issues before the Board.

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.

The Non-Executive and 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 Non-Executive and Independent Directors also help to review the performance of the 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 Management being present, on a regular basis and at times deemed necessary.

Role of Chairman and Group Chief Executive & Managing Director

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the Executive responsibility of the Company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

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

Mr. Bertie Cheng Shao Shiong, Non-Executive Chairman, is responsible for, among others, approving the agendas for the Board and the various Board Committees. He is also responsible for exercising control over the quantity, quality and timeliness of the flow of information between the 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 Group Chief Executive & Managing Director and the Management.

Mr. Phua Chian Kin who assumes the role of Group Chief Executive & Managing Director plays an instrumental role in the expansion and growth of the business of the Group and leads the Group with strong vision. He also leads the Management and executes plans in the implementation of the Board's decisions.

In order to assist the Group Chief Executive & Managing Director, an Executive Committee is formed. Mr. Bertie Cheng Shao Shiong is the Chairman of the Executive Committee. More details on the Executive Committee can be found on page 56.

For good practice, the Key Executives or the Management who have prepared the Board meeting papers, or who can provide additional insight into the matters to be discussed, are invited to present the Board meeting papers or attend at the relevant time during the Board meeting.

BOARD COMMITTEES

NOMINATING COMMITTEE

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new Directors to the Board.

The Nominating and Remuneration Committee, which was a committee previously, had been separated into two committees, namely the Nominating Committee and Remuneration Committee with effect from 15 July 2011. The Company had released an announcement to the Singapore Exchange Securities Trading Limited ("SGX-ST") on the separation of the two committees. The terms of reference for both committees remain unchanged. There is also a change in the composition of members of the Audit Committee, Nominating Committee, Remuneration Committee and Executive Committee. More details on the Audit Committee, Remuneration Committee and Executive Committee can be found on pages 51, 48 and 56 respectively.

The Nominating Committee ("NC") comprises two Independent and Non-Executive Directors as follows:-

Independent and Non-Executive Directors
Mr. Lee Ah Fong (Chairman)
Mr. Bertie Cheng Shao Shiong

Executive Director
Mr. Phua Chian Kin

The majority of the NC members are independent from business and management relationships. Both of the Independent Directors, including Mr. Lee Ah Fong, the Chairman of the NC, are independent from major shareholders.

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:-

- Nominate directors to fill up any vacancies in the Board or the various Committees;
- Re-nominate existing directors, having regard to the Director's contribution and performance including, if applicable, as an Independent Director;
- Review annually 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;
- Take into account the scope and nature of the operations of the Group to review and determine the appropriate size and structure of the Board; and
- Recommend Directors who are retiring by rotation to be put forward for re-election.

Election and Re-election

All Directors (excluding the Group Chief Executive & Managing Director) submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to Article 89 of the Company's Articles of Association, one-third of the Board of Directors (apart from the Group Chief Executive & Managing Director) are subject to retirement from office by rotation and be subject to the re-election at the Company's Annual General Meeting ("AGM").

It was also provided in Article 88 of the Company's Articles of Association that Directors appointed during the year shall only hold office until the next AGM and are subject to re-election by the shareholders.

Pursuant to Section 153(6) of the Companies Act, Cap. 50, Directors who are above the age of 70 years are statutorily required to seek re-appointment at each AGM.

The NC has recommended the nomination of Directors retiring by rotation under Article 89 of the Company's Articles of Association, namely Ms. Saw Chin Choo and Mr. Phua Boon Kin, for re-election at the forthcoming AGM which has been scheduled to be held on 27 September 2012.

Pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr. Bertie Cheng Shao Shiong and Mr. Tan Boen Eng who are over the age of 70 years are subject to re-appointment as Directors of the Company at the forthcoming AGM to hold office until the next AGM.

Upon the re-appointment as Directors of the Company, Mr. Bertie Cheng Shao Shiong will remain as Non-Executive Chairman of the Company, Chairman of the Executive Committee and a member of the NC respectively. Mr. Tan Boen Eng will remain as Chairman of the Audit Committee and a member of the Remuneration Committee respectively.

Review of Directors' Independence

The NC conducts an annual review of the independence of Directors. After taking into consideration the Code's definition of independence, the NC is of the view that the Non-Executive Directors, Mr. Bertie Cheng Shao Shiong, Mr. Tan Boen Eng, Er. Dr. Lee Bee Wah and Mr. Lee Ah Fong are independent.

Review of Directors with Multiple Board Representations

The NC also determines on an annual basis, if Directors, who serve on many boards, are able to and have been discharging their duties. The NC has reviewed and is satisfied that all the Directors have been adequately carrying out their duties.

Succession Plan for the Board

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. The NC also reviews the succession and leadership development plans for senior management, including the identification and management of talent among the younger staff.

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 which are completed by the Board annually, the NC is able to evaluate whether the composition of the Board is adequate. It also assesses whether additional competencies are required in the area where the appointment of new Directors is concerned.
- In selecting new directors, suggestions made by Directors were considered.
- After assessing their suitability, potential candidates are then short-listed by the NC.
- The most suitable candidate is subsequently appointed to the Board.

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.

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	75	Independent / Non-Executive	5 March 2001	22 September 2011
Mr. Tan Boen Eng	79	Independent / Non-Executive	5 March 2001	22 September 2011
Er. Dr. Lee Bee Wah	51	Independent / Non-Executive	26 September 2008	22 September 2011
Mr. Lee Ah Fong	66	Independent / Non-Executive	1 March 2011	22 September 2011
Mr. Phua Chian Kin	53	Non-independent / Executive	15 August 2000	Not applicable
Ms. Saw Chin Choo	50	Non-independent / Executive	10 September 2004	24 September 2009
Mr. Phua Boon Kin	50	Non-independent / Executive	1 September 2008	23 September 2010

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board.

In the process of assessing the effectiveness of the Board, the contribution of individual Directors plays an important role. In reviewing the 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 conducted a Board Performance Evaluation to assess the effectiveness of the Board for FY2012.

In addition, through the NC, the Board ensures that the appointed Directors possess core competencies like business experience, knowledge of accounting and finance and background understanding of the industry. This in turn allows the Board to benefit from the different viewpoints which the Directors provide.

New directors will be appointed by way of a board resolution or board meeting after the NC approves of their appointment. Such new directors must submit themselves for re-election at the next AGM as provided under Article 88 of the Company's Articles of Association.

Access to Information

Principle 6: Board members should be provided with complete, adequate and timely information prior to Board meetings and on an ongoing basis.

Prior to each meeting, the members of the Board are provided with timely management accounts 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. 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. Any sensitive matters are to be tabled at the Board meetings or discussed without distributing meeting papers.

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 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 for the Board as a whole.

The Directors have also been provided with the telephone numbers and electronic communication particulars of the Company's Key Executives and Joint Company Secretaries to facilitate access. Moreover, 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.

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 of remuneration should be appropriate to attract, retain and motivate the Directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of Executive Directors' remuneration should be structured so as to link rewards to corporate and individual performance.

Disclosure on Remuneration

Principle 9: Each Company should provide clear disclosure of its remuneration policy, 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 executives, and performance.

With effect from 15 July 2011, the Remuneration Committee ("RC") comprises three Independent and Non-Executive Directors as follows:-

Independent and Non-Executive Directors
Er. Dr. Lee Bee Wah (Chairman)
Mr. Tan Boen Eng
Mr. Lee Ah Fong

All the RC members are independent from business and management relationships. The Independent Directors, including Er. Dr. Lee Bee Wah, the Chairman of the RC, are independent from major shareholders.

The responsibilities of the RC are as follows:-

- Recommend a framework for remunerating the Board, both Executive and Non-Executive directors and Key Executives; and
- Review all matters relating to remuneration of the Board and Key Executives.

Remuneration Matters

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 depends on the performance of each company within the Group.

The Company does not have any long-term incentive schemes. In setting remuneration packages, the Company takes into account of the remuneration and employment conditions within the same industry and in comparable companies.

The Board also recommended a fixed fee for the effort, time spent and responsibilities of each Independent and Non-Executive Director. The Chairman of the Board is remunerated with a higher Director's fee as his level of responsibility is higher. Executive Directors do not receive Director's fees, but be remunerated with attendance fees for their attendance at meetings. The Independent Directors' fees are subject to shareholders' approval at the AGM. They do not have any service contracts with the Company.

The Company's Articles of Association govern the terms of their 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 advice on matters relating to remuneration, if the need arises. No Director is involved in the determination of his own remuneration.

The Group Chief Executive & Managing Director has a 3-year renewal service contract with the Company which was last renewed in July 2010. There are no onerous removal clauses or early termination clauses.

The breakdown of the level and mix of remuneration paid or payable to each Director of the Company (in percentage terms) for FY2012 is as follows:-

Directors' Remuneration

Remuneration bands & Name of Director of the Company	Director's Fees %[1]	Attendance Fees %	Salaries %[2]	Bonuses %[2]
S$500,000 and above				
Mr. Phua Chian Kin	–	1	23	76
S$250,000 to below S$500,000				
Mr. Phua Boon Kin[3]	–	2	45	53
Ms. Saw Chin Choo	–	2	48	50
S$100,000 to below S$250,000				
Nil	–	–	–	–
Below S$100,000				
Mr. Bertie Cheng Shao Shiong	90	10	–	–
Mr. Tan Boen Eng	89	11	–	–
Er. Dr. Lee Bee Wah	81	19	–	–
Mr. Lee Ah Fong	88	12	–	–

1 The Directors' fees of S$210,250 were approved at the Eleventh AGM held on 22 September 2011. Mr. Bertie Cheng Shao Shiong, Mr. Tan Boen Eng, Er. Dr. Lee Bee Wah and Mr. Lee Ah Fong were paid S$88,500, S$51,750, S$38,500 and S$31,500 respectively for FY2012. Mr. Lee Ah Fong's Director's fee is inclusive of the payment of Director's fees of S$7,500 for FY2011 which was approved at the Eleventh AGM.

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, Group Chief Executive & Managing Director.

Key Executives' Remuneration

The remuneration of each Key Executive is not disclosed as the Company believes that the disclosure may be prejudicial to its business interests given that it is operating in highly competitive environments. The Company is disclosing the remuneration of the top 13 Key Executives who are not the Executive Directors of the Company in bands as shown below for FY2012:-

Remuneration bands	FY2012
S$250,000 to below S$500,000	1
S$100,000 to below S$250,000	9
Below S$100,000	3

Out of the 13 Key Executives in FY2012, Mr. Phua Cher Chew is the nephew of Mr. Phua Chian Kin, Group Chief Executive & Managing Director, whose remuneration exceeded S$150,000.

ACCOUNTABILITY AND AUDIT

Accountability

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

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

Upon approval and authorisation given by the Board, quarterly and full-year financial statements are presented to the shareholders promptly via SGX-ST's SGXNet broadcast network ("SGXNet") and the Company's website. The Company's latest Annual Report is also available at the Company's website.

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 Management currently provides the Board with a continual flow of relevant information on a timely basis so that it may effectively discharge its duties.

Audit Committee

Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

With effect from 15 July 2011, the Audit Committee ("AC") consists of three Independent and Non-Executive Directors as follows:-

Independent and Non-Executive Directors
Mr. Tan Boen Eng (Chairman)
Er. Dr. Lee Bee Wah
Mr. Lee Ah Fong

The role of the AC is to assist the Board in the execution of its corporate governance responsibilities within the established Board references and requirements to monitor and appraise whether the Management has created and maintained an effective control environment in the Group, as well as providing a channel of communication between the Board, the Management, the internal auditors and the external auditors, on matters arising out of the internal and external audits. Each member of the AC shall abstain from voting any resolution in respect of matters of which he is interested in.

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 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 co-operation given by the Management to the internal auditors 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 auditors 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 members of the AC have sufficient accounting and related financial management expertise and are suitably qualified to discharge the AC's experience.

The AC has explicit authority to investigate any matter within its terms of reference and has full access to and co-operation of the Management. It also has full discretion to invite any Director or Key Executive to attend its meetings. The AC has access to sufficient resources to enable it to discharge its functions properly.

Furthermore, 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.

The AC also has separate and independent access to the internal auditors and external auditors. During the year, the AC has held a separate meeting with the internal auditors and external auditors without the presence of the Management to discuss the reasonableness of the financial reporting process, to review the adequacy of audit arrangements with particular emphasis on the observation and recommendations of the external auditors, the scope and quality of their audits and the independence and objectivity of the external auditors.

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 Company has complied with Rules 712 and 715 of the Listing Manual.

It is noted that different auditors have been appointed for some of the overseas subsidiaries and associates. The names of the auditing firms are disclosed in Note 14 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.

Having reviewed the amount of non-audit related work which comprised tax services rendered to the Group by the external auditors, Messrs Deloitte & Touche LLP, the amount of audit and non-audit fee payable to Messrs Deloitte & Touche LLP are disclosed in Note 39 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 auditors and AC has recommended their re-nomination to the Board.

In addition, the AC has set up 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. All whistle-blower complaints would be reviewed by the AC at its quarterly meetings to ensure thorough investigation and adequate follow-up.

Internal Controls

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The AC is aware that the Group's system of internal controls plays a crucial part in the identification and assessment of risks that may have an impact on the Group's operations. With the assistance of the Group's internal and external auditors, regular reviews of the system of internal controls are carried out. The results of the reviews are then reported to the AC. The AC will then take action on the material internal control weaknesses as well as on the recommendations for improvement which are proposed.

The Board believes that the system of internal controls maintained by the Company's Management which was in place throughout the financial year provides reasonable, but not absolute, assurance against material financial misstatements or loss. Reviewing the system of internal controls includes ensuring the adequate safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation and the identification and containment of business risk. The Board acknowledges that no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Internal Audit

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

The Company has appointed PKF-CAP Risk Consulting Pte. Ltd. ("PKF") to provide internal audit services within the Group.

PKF has adopted the International Standards for the Professional Practice of Internal Auditing promulgated by The Institute of Internal Auditors. The AC is satisfied that PKF has sufficient and competent resources to carry out the internal audit function for the Company and its subsidiaries.

PKF has reviewed key internal controls in selected areas in consultation with, but independent of the Management. In the review, PKF has reported its findings to the AC and recommended areas of improvement to strengthen the Group's internal control system.

Based on the internal controls established and maintained by the Group, work performed by the internal auditors and external auditors, and reviews performed by the Management, various Board Committees and the Board, the AC and the Board are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, were adequate as at FY2012.

COMMUNICATIONS WITH SHAREHOLDERS

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

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 through SGXNet, notwithstanding that some of these transactions may not require disclosure.

Disclosure of the information by the Company is made on a timely basis through communication channels such as corporate announcements via the SGXNet, the publication of the Annual Report and the holding of the AGM. All material information is also updated on the Company's website at http://www.teeintl.com, which serves as a one-stop source for shareholders and stakeholders alike. 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.

The Company does not practise 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. The Company also gives investors and shareholders advance notification of the date of release of its financial results, through the SGXNet announcement. In addition to the issue of the Notice of AGM and Notice of Books Closure and Dividend Payment Dates together with the Annual Report, the Notice of AGM is also advertised in a major local newspaper.

Shareholders can vote for Resolutions or appoint not more than two proxies to attend the AGM on their behalf in the event that they are unable to attend. Separate resolutions on each distinct issue are proposed at the AGM for approval.

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

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

DEALING IN SECURITIES

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

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

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

MATERIAL CONTRACTS

Other than as disclosed under Interested Person Transactions, pursuant to Rule 1207(8) of the Listing Manual of SGX-ST, no material contract involving the interests of the Group Chief Executive & Managing Director, 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 FY2012 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	119	–	Company with common directors
Ms. Saw Chin Choo	Purchase of unit at 448@East Coast	627	–	Executive Director
Mr. Bertie Cheng Shao Shiong	Purchase of unit at Rezi26	859	–	Independent and Non-Executive Chairman
Mr. Phua Chian Kin	Purchase of unit at Rezi26	852	–	Group Chief Executive & Managing Director
Ms. Saw Bee Choo	Purchase of unit at Rezi26	508	–	Sister of Ms. Saw Chin Choo, Executive Director
Mr. Lee Ah Fong	Purchase of unit at Rezi26	937	–	Independent and Non–Executive Director
Mr. Phua Boon Kin	Purchase of unit at The Boutiq	1,710	–	Executive Director
Er. Dr. Lee Bee Wah	Purchase of unit at 91 Marshall	826	–	Independent and Non–Executive 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.

RISK MANAGEMENT POLICIES AND PROCESSES

The Board regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks.

The Group's management of risk is discussed in detail in page 38 of the Annual Report. In addition, the Group's financial instruments, financial risks and capital risks management are discussed under Note 4 of the Notes to the Financial Statements in the Annual Report.

EXECUTIVE COMMITTEE

With effect from 15 July 2011, the Executive Committee ("EXCO") consists of four members as follows:-

Mr. Bertie Cheng Shao Shiong (Chairman)
Er. Dr. Lee Bee Wah
Mr. Lee Ah Fong
Mr. Phua Chian Kin

The Scope of the EXCO shall cover the following:-

- Approval of property development projects commencing from land acquisition;
- Approval of acceptance for projects with the contract value exceeding S$25 million;
- Approval of investment in new businesses with the total investment exceeding S$0.50 million; and
- Approval of single capital investment with the value exceeding S$0.2 million.

The details of the frequency of EXCO meetings held during FY2012 and the attendance of every EXCO member at the meetings are set out below:-

Name of Member	EXCO Meetings	
	No. of meetings held	No. of meetings attended
Mr. Bertie Cheng Shao Shiong	4	4
Er. Dr. Lee Bee Wah	4	4
Mr. Lee Ah Fong[1]	4	3
Mr. Phua Chian Kin	4	4
Ms. Yeo Ai Mei[2]	4	1

1 Mr. Lee Ah Fong was appointed as a member of the EXCO with effect from 15 July 2011.

2 Ms. Yeo Ai Mei has ceased to be a member of the EXCO with effect from 15 July 2011.

financial contents

report of the directors

The directors present their report 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 financial year ended May 31, 2012.

1 DIRECTORS

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

Mr. Bertie Cheng Shao Shiong
Mr. Tan Boen Eng
Er. Dr. Lee Bee Wah
Mr. Lee Ah Fong
Mr. Phua Chian Kin
Ms. Saw Chin Choo
Mr. Phua Boon Kin

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

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate other than the options as mentioned in paragraph 3 below.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	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 beginning of year**	**At end of year**
		Ordinary shares		
The company				
Mr. Bertie Cheng Shao Shiong	6,500,000	7,300,000	4,000,000	4,000,000
Mr. Tan Boen Eng	191,800	191,800	–	–
Er. Dr. Lee Bee Wah	659,000	764,000	–	–
Mr. Phua Chian Kin	180,904,754	200,595,754	13,970,924	14,400,924
Ms. Saw Chin Choo	1,136,400	1,136,400	–	–
Mr. Phua Boon Kin	105,172	105,172	–	–

Names of directors and company in which interests are held	Shareholdings registered in names of directors		Shareholdings in which directors are deemed to have interests	
	At beginning of year	At end of year	At beginning of year	At end of year
The company	**Warrants to subscribe for ordinary shares at the exercise price of $0.16 each**			
Mr. Bertie Cheng Shao Shiong	3,200,000	3,200,000	–	–
Mr. Phua Chian Kin	68,248,528	52,948,528	2,405,340	1,975,340

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

The directors' interests in shares and warrants of the company at June 21, 2012 were the same at May 31, 2012.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

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

5 SHARE OPTIONS

(a) *Options to take up unissued shares*

During the financial year, no option to take up unissued shares of the company or any corporation in the group was granted, other than the warrants as disclosed below:

Date of issue	Balance at June 1, 2011	Additions during the year	Exercised during the year	Expired during the year	Balance at May 31, 2012	Exercise price	Exercise period
						$	
TEE International Limited							
Warrants over ordinary shares							
March 3, 2010	122,550,930	–	(28,529,000)	–	94,021,930	0.16	March 3, 2010 to February 28, 2013

(b) *Options exercised*

During the financial year, there were no shares of the company or any corporation in the group issued by virtue of the exercise of an option to take up unissued shares, other than the warrants disclosed above.

(c) *Unissued shares under option*

At the end of the financial year, there were no unissued shares of the company or any corporation in the group under option, other than the warrants disclosed above.

6 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. Tan Boen Eng	(Chairman and independent non-executive director)
Er. Dr. Lee Bee Wah	(Independent non-executive director)
Mr. Lee Ah Fong	(Independent non-executive director)

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

The Audit Committee has held five meetings since the last report of the directors and has reviewed the following:

(a) the audit plans of the company's internal and external auditors, the results of the internal auditors' examination and evaluation of the group's system of internal accounting controls and the assistance given by the management to the internal and external auditors;

(b) the statement of financial position and statement of changes in equity of the company and the consolidated financial statements of the group before their submission to the Board of Directors;

(c) interested person transactions; and

(d) the quarterly, half yearly and annual announcements on the results and financial position of the company and the group.

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

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

7 AUDITORS

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

ON BEHALF OF THE DIRECTORS

Mr. Phua Chian Kin

Mr. Bertie Cheng Shao Shiong

Singapore
September 7, 2012

statement of directors

In the opinion of the directors, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company as set out on pages 65 to 139 are drawn up so as to give a true and fair view of the state of affairs of the group and of the company as at May 31, 2012, and of the results, changes in equity and cash flows of the group and changes in equity of the company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

Mr. Phua Chian Kin

Mr. Bertie Cheng Shao Shiong

Singapore
September 7, 2012

independent auditors' report

To the Members of TEE International Limited

Report on the Financial Statements

We have audited the accompanying financial statements of TEE International Limited (the company) and its subsidiaries (the group) which comprise the statements of financial position of the group and the company as at May 31, 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the group and the statement of changes in equity of the company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 65 to 139.

Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the group and of the company as at May 31, 2012 and of the results, changes in equity and cash flows of the group and changes in equity of the company for the year ended on that date.

independent auditors' report

To the Members of TEE International Limited

Emphasis of Matter

We draw attention to Note 49 to the financial statements which indicates that two directors of the company are the subject of investigation by the Commercial Affairs Department ("CAD") on possible contravention of market rigging provisions in the Securities and Futures Act (Chapter 289). Our opinion is not modified in respect of this matter.

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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and
Certified Public Accountants

Singapore
September 7, 2012

statements of financial position

May 31, 2012

	Note	Group			Company	
		May 31, 2012 ("2012")	May 31, 2011 ("2011")	June 1, 2010 ("2010")	May 31, 2012 ("2012")	May 31, 2011 ("2011")
		$'000	$'000 (Restated)	$'000 (Restated)	$'000	$'000
ASSETS						
Current assets						
Cash and bank balances	6	21,656	45,631	7,371	4,155	6,298
Trade receivables	7	29,458	36,770	41,713	8,304	14,093
Other receivables	8	11,963	9,498	9,226	69,825	59,411
Current portion of loans receivable from associates	9	8,213	4,080	5,035	3,906	–
Other investments	10	872	1,242	394	872	1,242
Inventories	11	–	1,467	816	–	–
Construction work-in-progress in excess of progress billings	12	14,533	7,834	23,241	–	–
Development properties	13	91,530	70,208	41,857	–	–
Completed property held for sale	13	–	–	4,707	–	–
Total current assets		178,225	176,730	134,360	87,062	81,044
Non-current assets						
Investment in associates	14	11,539	6,086	4,070	39	–
Investment in subsidiaries	15	–	–	–	30,824	27,426
Prepaid investments	16	–	748	621	–	–
Club membership	17	49	53	48	49	53
Property, plant and equipment	18	2,065	1,041	790	–	–
Investment property	19	21,500	21,000	20,500	21,500	21,000
Deferred tax assets	20	422	101	55	–	–
Other receivables	8	61	63	–	–	–
Loans receivable from ssociates	9	27,832	18,626	8,922	–	–
Total non-current assets		63,468	47,718	35,006	52,412	48,479
Total assets		241,693	224,448	169,366	139,474	129,523

statements of financial position

May 31, 2012

	Note	Group			Company	
		May 31, 2012 ("2012")	May 31, 2011 ("2011")	June 1, 2010 ("2010")	May 31, 2012 ("2012")	May 31, 2011 ("2011")
		$'000	$'000 (Restated)	$'000 (Restated)	$'000	$'000
LIABILITIES AND EQUITY						
Current liabilities						
Bank loans and bills payable	21	32,714	19,596	38,245	4,000	1,000
Trade payables	22	30,835	50,031	33,073	28,491	32,786
Other payables	23	12,765	4,763	5,418	51,329	43,788
Progress billings in excess of construction work-in-progress	12	6,704	19,866	–	–	–
Provision for maintenance costs	24	2,340	347	438	–	–
Current portion of finance leases	25	78	41	19	–	–
Current portion of long-term bank loans	27	12,373	5,341	17,484	2,550	2,550
Current portion of financial guarantee liabilities	28	722	249	206	1,115	603
Income tax payable		3,871	2,946	2,524	73	146
Total current liabilities		102,402	103,180	97,407	87,558	80,873
Non-current liabilities						
Finance leases	25	366	141	86	–	–
Long-term loan	26	4,050	4,050	4,050	–	–
Long-term bank loans	27	57,880	56,526	30,018	8,558	11,108
Financial guarantee liabilities	28	1,533	488	567	2,600	944
Long-term deposit	29	730	730	730	730	730
Deferred tax liabilities	20	386	358	242	386	301
Other payables	23	41	–	–	–	–
Total non-current liabilities		64,986	62,293	35,693	12,274	13,083
Capital and reserves						
Share capital	30	32,104	27,283	15,559	32,104	27,283
Currency translation reserve	31	186	125	318	–	–
Capital reserve	32	845	1,102	1,266	845	1,102
Accumulated profits		42,500	31,643	19,762	6,693	7,182
Equity attributable to owners of the company		75,635	60,153	36,905	39,642	35,567
Non-controlling interests		(1,330)	(1,178)	(639)	–	–
Total equity		74,305	58,975	36,266	39,642	35,567
Total liabilities and equity		241,693	224,448	169,366	139,474	129,523

See accompanying notes to financial statements.

consolidated statement of comprehensive income

Year ended May 31, 2012

	Note	Group 2012 $'000	Group 2011 $'000 (Restated)
Revenue	33	143,631	247,172
Cost of sales		(112,479)	(217,814)
Gross profit		31,152	29,358
Other operating income	34	3,682	2,200
Administrative expenses		(13,110)	(9,808)
Other operating expenses	36	(195)	(1,471)
Share of results of associates	14	2,191	982
Finance costs	37	(1,525)	(2,147)
Profit before tax		22,195	19,114
Income tax expense	38	(3,078)	(2,718)
Profit for the year	39	19,117	16,396
Other comprehensive income			
Currency translation differences, representing other comprehensive income for the year		70	(138)
Total comprehensive income for the year		19,187	16,258
Profit attributable to:			
Owners of the company		19,286	16,990
Non-controlling interests		(169)	(594)
		19,117	16,396
Total comprehensive income attributable to:			
Owners of the company		19,347	16,797
Non-controlling interests		(160)	(539)
		19,187	16,258
Earnings per share			
Basic (cents)	41	5.39	5.46
Diluted (cents)	41	4.93	4.86

See accompanying notes to financial statements.

statements of changes in equity

Year ended May 31, 2012

	Share capital	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
Group							
Balance at June 1, 2010, as previously stated	15,559	318	1,266	19,438	36,581	(639)	35,942
Prior year adjustments (Note 48)	–	–	–	324	324	–	324
Balance at June 1, 2010, as restated	15,559	318	1,266	19,762	36,905	(639)	36,266
Total comprehensive income for the year, as previously stated	–	(193)	–	17,314	17,121	(539)	16,582
Prior year adjustments (Note 48)	–	–	–	(324)	(324)	–	(324)
Total comprehensive income for the year, as restated	–	(193)	–	16,990	16,797	(539)	16,258
Issue of shares arising from exercise of warrants (Note 30)	11,782	–	(164)	–	11,618	–	11,618
Share split expenses (Note 30)	(58)	–	–	–	(58)	–	(58)
Dividends paid (Note 40)	–	–	–	(5,109)	(5,109)	–	(5,109)
Balance at May 31, 2011	27,283	125	1,102	31,643	60,153	(1,178)	58,975
Total comprehensive income for the year	–	61	–	19,286	19,347	(160)	19,187
Capital contribution from non-controlling interests	–	–	–	–	–	8	8
Issue of shares arising from exercise of warrants (Note 30)	4,821	–	(257)	–	4,564	–	4,564
Dividends paid (Note 40)	–	–	–	(8,429)	(8,429)	–	(8,429)
Balance at May 31, 2012	32,104	186	845	42,500	75,635	(1,330)	74,305

See accompanying notes to financial statements.

statements of changes in equity

Year ended May 31, 2012

	Share capital	Capital reserve	Accumulated profits	Total
	$'000	$'000	$'000	$'000
Company				
Balance at June 1, 2010	15,559	1,266	1,289	18,114
Total comprehensive income for the year	–	–	11,002	11,002
Issue of shares arising from exercise of warrants (Note 30)	11,782	(164)	–	11,618
Share split expenses (Note 30)	(58)	–	–	(58)
Dividends paid (Note 40)	–	–	(5,109)	(5,109)
Balance at May 31, 2011	27,283	1,102	7,182	35,567
Total comprehensive income for the year	–	–	7,940	7,940
Issue of shares arising from exercise of warrants (Note 30)	4,821	(257)	–	4,564
Dividends paid (Note 40)	–	–	(8,429)	(8,429)
Balance at May 31, 2012	32,104	845	6,693	39,642

See accompanying notes to financial statements.

consolidated statement of cash flows

Year ended May 31, 2012

	Group	
	2012	2011
	$'000	$'000
		(Restated)
Operating activities		
Profit before tax	22,195	19,114
Adjustments for:		
Share of results of associates	(2,191)	(982)
Change in fair value of investment property	(500)	(500)
Change in fair value of interest rate swap contract	(301)	(154)
Depreciation of property, plant and equipment	1,183	352
Amortisation of financial guarantee liabilities	(615)	(220)
Allowance for (Write back of) doubtful trade receivables	245	(494)
Allowance for (Write back of) doubtful other receivables	10	(278)
Allowance for (Write back of) inventories	115	(3)
Impairment loss (Write back) in value of club membership	4	(5)
Trade receivables written off	25	320
Other receivables written off	33	–
Property, plant and equipment written off	5	72
Gain on disposal of property, plant and equipment	(25)	(40)
Impairment loss on prepaid investment	–	621
Provision for maintenance costs	2,557	220
Gain on disposal of other investments	(74)	(41)
Change in fair value of other investments	(8)	30
Dividend income	(53)	(46)
Interest income	(1,867)	(986)
Interest expense	1,525	2,147
Operating cash flows before movements in working capital	22,263	19,127
Trade receivables	7,042	5,117
Other receivables	(398)	(185)
Inventories	1,352	(648)
Construction work-in-progress in excess of progress billings	(6,699)	15,407
Completed property held for sale	–	4,707
Development properties	(19,956)	(27,304)
Trade payables	(19,196)	16,958
Other payables	8,425	(501)
Progress billings in excess of construction work-in-progress	(13,162)	19,866
Utilisation of provision for maintenance costs	(564)	(311)
Cash (used in) generated from operations	(20,893)	52,233
Interest paid	(2,972)	(3,194)
Income tax paid	(2,446)	(2,226)
Net cash (used in) from operating activities	(26,311)	46,813

consolidated statement of cash flows

Year ended May 31, 2012

	Group	
	2012	**2011**
	$'000	**$'000**
		(Restated)
Investing activities		
Proceeds on disposal of property, plant and equipment	28	116
Purchase of property, plant and equipment (Note A)	(1,892)	(656)
Purchase of other investments	(1,436)	(1,096)
Proceeds on disposal of other investments	1,888	259
Investment in associates	(1,142)	(1,170)
Loans receivable from associates	(13,339)	(8,749)
Dividend received	53	46
Interest received	507	366
Net cash used in investing activities	(15,333)	(10,884)
Financing activities		
Drawdown of bank loans and bills payable	91,007	146,649
Repayment of bank loans and bills payable	(77,889)	(160,355)
Drawdown of long-term bank loans	30,842	34,846
Repayment of long-term bank loans	(22,456)	(20,481)
Increase in pledged fixed deposits	(865)	(2,481)
Increase in restricted cash	–	(1,344)
Repayment of obligations under finance lease	(61)	(24)
Net proceeds from exercise of warrants	4,564	11,560
Capital contribution from non-controlling interests	8	–
Dividends paid	(8,429)	(5,109)
Net cash from financing activities	16,721	3,261
Net (decrease) increase in cash and cash equivalents	(24,923)	39,190
Cash and cash equivalents (Overdrawn) at beginning of year	36,965	(2,413)
Effect of foreign exchange rate changes	83	188
Cash and cash equivalents at end of year (Note 6)	12,125	36,965

Note A

During the year, the group acquired property, plant and equipment with an aggregate cost of $2,216,000 (2011: $760,000) of which $324,000 (2011: $104,000) was acquired under finance lease arrangements.

See accompanying notes to financial statements.

1 GENERAL

The company (Registration No. 200007107D) is incorporated in Singapore with its principal place of business and registered office at 2024 Bukit Batok Street 23, #03-48, Singapore 659529. 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 and subsidiaries are disclosed in Notes 14 and 15 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, 2012 were authorised for issue by the Board of Directors on September 7, 2012.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

ADOPTION OF NEW AND REVISED STANDARDS - In the current financial year, the group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after June 1, 2011. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the group's and company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below:

INT FRS 115 *Agreements for Construction of Real Estate*

INT FRS 115 has been adopted for annual periods beginning June 1, 2011 and has been applied retrospectively. The Interpretation clarifies how entities should determine whether an agreement for the construction of real estate is within the scope of FRS 11 Construction Contracts or FRS 18 Revenue and when revenue from the construction of real estate should be recognised. The Interpretation is issued with an Accompanying Note that explains the application of the Interpretation to property development sales in Singapore by considering the Singapore legal framework for standard residential sales regulated by the Singapore Housing Developers (Control and Licensing) Act (Chapter 130) and use the standard form of the sale and purchase agreement prescribed in the Housing Developers Rules.

Previously, the group accounted for all pre-completion contracts for the sale of real estate using the completed contract method of accounting. As a consequence of adopting INT FRS 115 and its accompanying note, the method of recognising revenue for standard residential sales regulated by the Singapore Housing Developers (Control and Licensing) Act (Chapter 130) and use the standard form of the sale and purchase agreement prescribed in the Housing Developers Rules has changed to the percentage of completion contract as risks and rewards of ownership of the real estate are transferred on a continuous basis.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

INT FRS 115 *Agreements for Construction of Real Estate (Cont'd)*

For other sales of real estate 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 at that time.

The estimated effects of retrospective application on the amounts reported in 2011 and 2010 are disclosed in Note 48.

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the group and the company were issued but not effective:

- Amendments to FRS 107 *Financial Instruments: Disclosure- Transfers of Financial Assets*
- Amendments to FRS 12 *Deferred Tax: Recovery of Underlying Assets*
- Revised FRS 27 *Separate Financial Statements*
- Revised FRS 28 *Investments in Associates and Joint Ventures*
- FRS 110 *Consolidated Financial Statements*
- FRS 111 *Joint Arrangements*
- FRS 112 *Disclosure of Interests in Other Entities*
- FRS 113 *Fair Value Measurements*

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the group and of the company in the period of their initial adoption except for the following:

Amendments to FRS 107 *Financial Instruments: Disclosures – Transfers of Financial Assets*

The amendments to FRS 107 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The group does not anticipate that these amendments to FRS 107 will have a significant effect on the group's disclosures regarding its existing arrangements for transfers of trade receivables. However, if the group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

The amendments to FRS 107 are effective for annual periods beginning on or after July 1, 2011. Comparative disclosures are not required for periods before the date of initial application.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Amendments to FRS 12 *Deferred Tax: Recovery of Underlying Assets*

The amendments to FRS 12 apply to the measurement of deferred tax liabilities and assets arising from investment properties measured using the fair value model under FRS 40 *Investment Property*, including investment property acquired in a business combination and subsequently measured using the fair value model. For the purposes of measuring deferred tax, the amendments introduce a rebuttable presumption that the carrying amount of an investment property measured at fair value will be recovered entirely through sale. The presumption can be rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale.

The amendments are effective from annual period beginning on or after January 1, 2012.

The group provides for deferred tax liabilities for its investment properties on the basis of the current requirements of FRS 12. Upon adoption of the Amendments to FRS 12, there is a presumption that the carrying amount of an investment property measured at fair value will be recovered entirely through sale. Accordingly, there will be no deferred tax liability on investment properties in Singapore as there is no capital gains tax in Singapore. The group expects the adoption of amendments to FRS 12 to result in a decrease in deferred tax liabilities of the group and corresponding increase in retained earnings upon initial application of the amendments.

FRS 110 *Consolidated Financial Statements and FRS 27 Separate Financial Statements*

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12 *Consolidation – Special Purpose Entities*.

FRS 110 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. It also provides more extensive application guidance on assessing control based on voting rights or other contractual rights. Under FRS 110, control assessment will be based on whether an investor has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the returns. FRS 27 remains as a standard applicable only to separate financial statements.

FRS 110 will take effect from financial years beginning on or after January 1, 2014, with retrospective application, subject to transitional provisions.

When the group adopts FRS 110, entities it currently consolidates may not qualify for consolidation, and entities it currently does not consolidate may qualify for consolidation. The group is currently estimating the effects of FRS 110 on its investments in the period of initial adoption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

FRS 111 *Joint Arrangements and FRS 28 Investments in Associates and Joint Ventures*

FRS 111 supersedes FRS 31 *Interests in Joint Ventures* and INT FRS 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*.

FRS 111 clarifies a joint arrangement as either a joint operation or joint venture based on the parties' rights and obligations under the arrangement. The existence of a separate legal vehicle is no longer the key factor. A joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. A joint venture is a joint arrangement whereby the parties that have rights to the net assets.

The joint venturer should use the equity method under the revised FRS 28 *Investments in Associates and Joint Ventures* to account for a joint venture. The option to use proportionate consolidation method has been removed. For joint operations, the group directly recognises its rights to the assets, liabilities, revenues and expenses of the investee in accordance with applicable FRSs.

FRS 111 will take effect from financial years beginning on or after January 1, 2014, with retrospective application, subject to transitional provisions.

When the group adopts FRS 111, arrangements currently accounted for as jointly controlled operations and jointly controlled assets may have to be equity accounted for as joint ventures; and arrangements currently accounted for as jointly controlled entities may have to be accounted for as joint operation. For arrangements that are joint ventures and were previously proportionately consolidated, the group will have to adopt equity accounting.

The group is currently estimating the effects of FRS 111 on its joint arrangements in the period of initial adoption.

FRS 112 *Disclosures of Interests in Other Entities*

FRS 112 requires an entity to provide more extensive disclosures regarding the nature of and risks associated with its interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

FRS 112 will take effect from financial years beginning on or after January 1, 2014, and the group is currently estimating extent of additional disclosures needed.

FRS 113 *Fair Value Measurement*

FRS 113 is a single new Standard that applies to both financial and non-financial items. It replaces the guidance on fair value measurement and related disclosures in other Standards, with the exception of measurement dealt with under FRS 102 *Share-based Payment*, FRS 17 *Leases, net realisable* value in FRS 2 *Inventories and value-in-use in* FRS 36 *Impairment of Assets*.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

FRS 113 *Fair Value Measurement (Cont'd)*

FRS 113 provides a common fair value definition and hierarchy applicable to the fair value measurement of assets, liabilities, and an entity's own equity instruments within its scope, but does not change the requirements in other Standards regarding which items should be measured or disclosed at fair value.

FRS 113 will be effective prospectively from annual periods beginning on or after January 1, 2013. Comparative information is not required for periods before initial application.

The group is currently estimating the effects of FRS 113 in the period of initial adoption.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the company and entities (including special purpose entities) controlled by the company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the group's equity therein. The interest of non-controlling shareholders 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 (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the group's interest in a subsidiary that do not result in a loss of control 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 subsidiary. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

When the group loses control of a subsidiary, the profit or loss on disposal 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. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate.

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

BUSINESS COMBINATION – 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 in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

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.

The accounting policy for initial measurement of non-controlling interests is described above.

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

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense are recognised on an effective interest basis for debt instruments 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" and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (Cont'd)

<u>Financial assets at fair value through profit or loss (FVTPL)</u>

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
- it is a part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-making; 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. Fair value is determined in the manner described in Note 4.

<u>Loans and receivables</u>

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 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 recognition of interest would be immaterial.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a 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 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
- 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. Fair value is determined in the manner described in Note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial liabilities and equity instruments (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 and bills 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.

Derivative financial instruments

The group enters into certain derivative financial instruments to manage its exposure to interest rate risk and foreign exchange rate risk, which include, interest rate swaps and foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in Note 43.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial liabilities and equity instruments (Cont'd)

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

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.

<u>The group as lessor</u>

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.

<u>The group as lessee</u>

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

DEVELOPMENT PROPERTIES AND COMPLETED PROPERTIES HELD FOR SALE - Development properties are stated at lower of cost and net realisable value. Cost of property comprise specifically identified costs, including acquisition costs, development expenditure, borrowing costs and other related expenditure. Borrowing costs payable on loans funding a development property are also capitalised, on a specific identification basis, as part of the cost of the development property until the completion of development.

Completed properties 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.

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

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

Leasehold improvements	-	20%
Computers	-	$33^1/_3$%
Renovation	-	20%
Motor vehicles	-	10%
Machinery and tools	-	20% to 50%
Office equipment	-	20%

Freehold land is not depreciated.

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

IMPAIRMENT OF NON-FINANCIAL ASSETS - At the end of each reporting period, the group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

ASSOCIATES - 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.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate) are not recognised, unless the group has incurred legal or constructive obligation or made payments on behalf of the associate.

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

INTERESTS IN JOINT VENTURES - 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 consent of the parties sharing control.

Where a group entity undertakes its activities under joint venture arrangements directly, the group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised by the group on a proportion of 27%:73% when it is probable that the economic benefits associated with the transactions will flow to / from the group and their amount can be measured reliably.

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.

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.

Construction contracts

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

Sale of goods

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Development properties

Revenue from sales of development property 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 at that time.

Revenue from sale of overseas development properties is recognised when the legal title passes to the buyer or when the equitable interest in the property vest in the buyer upon release of the handover notice of the respective property to the buyer, whichever 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.

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 COSTS - 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 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 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, and is accounted for using the balance sheet liability method. 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 for taxable temporary differences arising on investments in subsidiaries and associates, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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. 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.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates not involving a change of accounting basis), 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.

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 restricted cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGMENTS 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 judgments, 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 judgments in applying the entity's accounting policies

The management is of the opinion that there are no instances of application of judgments which are expected to have a significant effect on the amounts recognised in the financial statements other than the investigation by the Commercial Affairs Department as set out in Note 49 to the financial statements and those involving estimates as discussed below.

3 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

(b) Key sources of estimation uncertainty

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

(i) 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 collectible. The identification of bad and doubtful debts requires the use of judgment 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. The carrying amounts of the group's and company's trade and other receivables are disclosed in Notes 7 and 8 respectively.

(ii) Loans receivable from associates

The group and company make allowances for bad and doubtful debts based on assessment of the recoverability of loans receivable from associates. Allowances are applied to loans receivable when events or changes in circumstances indicate that the balance may not be collectible. The identification of bad and doubtful debt requires the use of 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 receivable from associates is disclosed in Note 9.

(iii) Impairment of investment in associates and subsidiaries

Management exercises their judgment in estimating recoverable amounts of its investment in associates of the group and subsidiaries of the company.

The recoverable amounts of the investments are reviewed at the end of each reporting period to determine whether there is any indication that those investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, management need 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 the company's investment in subsidiaries are disclosed in Note 14 and 15 respectively.

3 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

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

(iv) Construction work-in-progress

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 profitability are realistic.

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

The carrying amount of the group's construction work in progress is disclosed in Note 12.

(v) Valuation of investment property

Investment property is stated at fair value based on the valuation performed by an independent professional valuer. In determining the fair value, the valuer has made reference to the comparable sales transactions available in the relevant market of the property.

The carrying amount of the group's investment property is disclosed in Note 19.

(vi) Development properties

Development properties (including the completed property held for sale) are stated at lower of cost and estimated net realisable value, assessed on an individual project basis. When it is probable that the total project 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 judgment and the effect of assumptions in respect of development plans, timing of sale and the prevailing market conditions. Management performs cost studies for each project, taking into account the costs incurred to date, the development status and costs to complete each development project. Any future variation in plans, assumptions and estimates can potentially impact the carrying amounts of the respective properties.

The carrying amount of the group's development properties is disclosed in Note 13.

(vii) 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 is disclosed in Note 24.

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	
	2012	2011	2012	2011
	$'000	$'000 (Restated)	$'000	$'000
Financial assets				
Loans and receivables (including cash and bank balances)	98,575	114,434	86,177	79,785
Fair value through profit or loss:				
Held for trading investments	872	1,242	872	1,242
Financial liabilities				
Amortised cost	151,639	140,724	103,590	91,482
Financial guarantee contracts	2,255	737	3,715	1,547
Derivative financial instruments	179	480	179	480

Financial assets consist of cash and bank balances, trade receivables, other receivables, loans receivable from associates and other investments excluding prepayments.

Financial liabilities consist of bank loans and bills payable, trade payables, other payables, derivative financial instruments, finance leases, long-term loan and long-term bank loans, 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 uses derivative financial instruments to manage its exposure to interest rate risk including interest rate swaps to mitigate the 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.

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

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

Foreign exchange risk management

The group transacts business in various foreign currencies, including United States ("US") Dollar, Thai Baht, Malaysian Ringgit and Japanese Yen therefore is exposed to foreign exchange risk.

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

	Group				Company			
	Liabilities		Assets		Liabilities		Assets	
	2012	2011	2012	2011	2012	2011	2012	2011
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
US Dollar	469	–	57	291	–	–	–	–
Thai Baht	113	–	4,817	6,024	–	–	–	–
Malaysian Ringgit	277	107	30	20	–	–	30	20
Japanese Yen	–	53	–	–	–	–	–	–

The company has a number of investments in foreign subsidiaries, 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.

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)

Foreign currency sensitivity (Cont'd)

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

	US Dollar impact		Thai Baht impact		Malaysian Ringgit impact		Japanese Yen impact	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Group								
Profit or loss	41	(29)	(470)	(602)	25	9	–	5
Company								
Profit or loss	–	–	–	–	(3)	(2)	–	–

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, bills payable and finance leases and the details of the group's interest rate exposure is disclosed in Notes 21, 25 and 27.

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 financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the group's profit for the year ended May 31, 2012 would decrease/increase by $241,000 (2011 : $193,000). This is mainly attributable to the group's exposure to interest rates on its variable rate borrowings.

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 (Cont'd)

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the company's profit for the year ended May 31, 2012 would decrease/increase by $76,000 (2011 : $73,000). This is mainly attributable to the company's exposure to interest rates on its variable rate borrowings.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the group's and company's profit for the year ended May 31, 2012 would increase/decrease by $64,000 or $23,000 (2011 : $98,000 or $63,000) respectively for the exposure to interest rates on the fair value of its interest rate swap contract.

Credit risk management

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

The credit risk on cash and bank balances and derivative financial instruments is limited as these balances are placed with or transacted with financial institutions with acceptable credit ratings.

The group's credit risk is primarily attributable to its trade and other receivables and loans receivable from associates. 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 is disclosed in Note 28.

Liquidity risk management

The group maintain 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, 2012, the company's current liabilities exceeded its current assets by $496,000. Management is of the view that its subsidiaries will be able to provide support to enable the company meet its financial obligations as and when they fall due.

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						
2012						
Non-interest bearing	–	48,228	–	–	–	48,228
Finance lease liability (fixed rate)	5.71	103	371	54	(84)	444
Variable interest rate instruments	3.59	48,663	61,604	3,781	(11,081)	102,967
Financial guarantee liabilities	–	722	1,234	299	–	2,255
2011 (Restated)						
Non-interest bearing	–	59,079	–	–	–	59,079
Finance lease liability (fixed rate)	5.73	50	138	18	(24)	182
Variable interest rate instruments	3.81	28,044	56,054	5,458	(8,093)	81,463
Financial guarantee liabilities	–	249	488	–	–	737

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						
2012						
Non-interest bearing	–	88,482	–	–	–	88,482
Variable interest rate instruments	3.82	7,127	6,506	3,807	(2,332)	15,108
Financial guarantee liabilities	–	1,115	2,301	299	–	3,715
2011						
Non-interest bearing	–	76,824	–	–	–	76,824
Variable interest rate instruments	3.84	4,113	8,012	5,463	(2,930)	14,658
Financial guarantee liabilities	–	603	944	–	–	1,547

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

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	% p.a.	$'000	$'000	$'000	$'000	$'000
Group						
2012						
Non-interest bearing	–	54,343	–	–	–	54,343
Fixed interest rate instruments	5.02	18,622	31,599	–	(5,989)	44,232
2011 (Restated)						
Non-interest bearing	–	84,406	–	–	–	84,406
Fixed interest rate instruments	4.58	12,779	20,438	–	(3,189)	30,028
Company						
2012						
Non-interest bearing	–	79,614	–	–	–	79,614
Fixed interest rate instruments	4.11	6,833	–	–	(270)	6,563
2011						
Non-interest bearing	–	77,135	–	–	–	77,135
Fixed interest rate instruments	0.33	2,659	–	–	(9)	2,650

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)

Derivative financial instruments

The group's and company's derivative financial instruments in 2012 are due within 1 year (2011 : 1 to 2 years).

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;

- 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; and

- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

The group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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

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

Financial instruments measured at fair value

	Total	Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Group				
2012				
Financial assets				
Financial assets at fair value through profit or loss:				
- Held for trading investments	872	872	–	–
Financial liabilities				
Derivative financial instruments	179	–	179	–
2011				
Financial assets				
Financial assets at fair value through profit or loss:				
- Held for trading investments	1,242	1,242	–	–
Financial liabilities				
Derivative financial instruments	480	–	480	–

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

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

Financial instruments measured at fair value (Cont'd)

	Total	Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000
Company				
2012				
Financial assets				
Financial assets at fair value through profit or loss:				
- Held for trading investments	872	872	–	–
Financial liabilities				
Derivative financial instruments	179	–	179	–
2011				
Financial assets				
Financial assets at fair value through profit or loss:				
- Held for trading investments	1,242	1,242	–	–
Financial liabilities				
Derivative financial instruments	480	–	480	–

There were no transfers between Level 1 and Level 2 of the fair value hierarchy in 2012 and 2011.

(c) Capital risk management policies and objectives

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

The capital structure of the group consists of debt, which includes the borrowings disclosed in Notes 21, 25, 26 and 27 and equity attributable to owners of the company, comprising of share capital, reserves and retained earnings.

The group's overall strategy with regards to capital risk management remains unchanged from 2011.

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	
	2012	**2011**
	$'000	**$'000**
(a) Associates		
Interest income	1,845	965
Financial guarantee income	615	220
Consultancy and service income	1,836	–
(b) Company in which a director has significant financial interest		
Rental expenses	119	144
(c) Compensation of directors and key management personnel		
The remuneration of directors and other members of key management during the year were as follows:		
Short-term benefits	3,927	3,850
Post-employment benefits	176	141

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) Finance lease entered on behalf of a director

The group had entered into a finance lease for the purchase of a motor vehicle on behalf of a director who undertakes to repay the finance lease. As at the end of the reporting period, the finance lease of $123,000 (2011 : $151,000) was not recorded into the group's financial statements.

(e) Sales of development properties to directors and key management personnel

During the year, the group had sold nine (2011 : Nil) units of development properties to six (2011 : Nil) directors and three (2011 : Nil) key management personnel. The average sale discount given to directors and key management personnel on these transactions are 1.7% to 5.0% (2011: Nil) of the group's usual list price.

5 RELATED PARTY TRANSACTIONS (Cont'd)

(f) Guarantees given to related parties

No guarantees have been given except that the financial guarantee liabilities (Note 28) 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.

6 CASH AND BANK BALANCES

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Cash at banks	6,219	28,892	154	1,969
Cash on hand	162	55	–	–
Project accounts	5,744	8,018	–	335
Fixed deposits	8,187	7,322	2,657	2,650
Restricted cash	1,344	1,344	1,344	1,344
	21,656	45,631	4,155	6,298
Less: Pledged fixed deposits	(8,187)	(7,322)	(2,657)	(2,650)
Restricted cash	(1,344)	(1,344)	(1,344)	(1,344)
Cash and cash equivalents in the consolidated statement of cash flows	12,125	36,965	154	2,304

Fixed deposits bear average effective interest rate of 0.19% (2011 : 0.50%) per annum and for a tenure of approximately 239 days (2011 : 249 days). The fixed deposits are pledged for banking facilities.

Included in cash and bank balances for the group and company are amounts of $5,744,000 (2011 : $8,018,000) and $Nil (2011 : $335,000) respectively, which are subject to restrictions under the Housing Developers (Project Account) Rules (1997 Ed). Withdrawals from these project accounts are restricted to payments for project expenditure incurred until the completion of the project.

Included in cash and bank balances for the group and company are amounts of $1,344,000 (2011 : $1,344,000) earmarked for payment of a contracted project for the construction and completion of the water treatment plant in Malaysia by a subsidiary.

The group's and company's cash and bank balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
US Dollar	57	291	–	–
Thai Baht	212	205	–	–
Malaysian Ringgit	30	20	30	20

7 TRADE RECEIVABLES

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000 (Restated)	$'000	$'000
Contract trade receivables	18,414	34,277	4,832	14,093
Associates (Notes 5, 14)	1,836	–	–	–
Retention sums	9,208	2,493	3,472	–
	29,458	36,770	8,304	14,093

The average credit period given to customers is 30 to 45 days (2011 : 30 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 defines 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 $212,000 (2011 : $137,000). 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 $757,000 (2011 : $630,000) and $Nil (2011 : $Nil) respectively which are past due at the end of the reporting period for which the group and company have 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 139 days (2011 : 159 days).

In determining the recoverability of a trade receivable, the group and company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The group has four (2011 : five) customers making up $14,625,000 (2011 : $23,309,000) which accounted for 49.6% (2011 : 63.4%) of the group's trade receivables. The company has one (2011 : three) customers with a balance of $4,775,000 (2011 : $13,360,000) which accounted for 57.5% (2011 : 94.8%) of the company's trade receivables. Management believes that there is no further credit allowance required in excess of the allowance for doubtful debts.

The group's trade receivable due from associates are unsecured, interest free and repayable on demand.

Retention sums are classified as current as they are expected to be received within the group's normal operating cycle.

7 TRADE RECEIVABLES (Cont'd)

Movements in the allowance for doubtful debts:

	Group	
	2012	2011
	$'000	$'000 (Restated)
At beginning of the year	137	2,094
Foreign currency exchange adjustment	(1)	(6)
Amounts written off during the year	(169)	(1,457)
Increase (Decrease) in allowance recognised in profit or loss	245	(494)
At end of the year	212	137

All trade receivables are denominated in the functional currencies of respective entities.

8 OTHER RECEIVABLES

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Associates (Notes 5, 14)	130	4	130	2
Subsidiaries (Note 15)	–	–	69,053	58,847
Interest receivables due from associates (Notes 5, 14)	2,176	816	265	–
Prepayments	608	234	13	17
Deposits	576	458	26	6
Joint developer	6,309	6,309	–	–
Advances to a director of a subsidiary	24	28	–	–
Outside parties	2,201	1,712	338	539
	12,024	9,561	69,825	59,411
Less: Amounts receivable within 12 months (shown under current assets)	(11,963)	(9,498)	(69,825)	(59,411)
Amounts receivable after 12 months	61	63	–	–

In determining the recoverability of other receivables, the group and the company considers 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.

8 OTHER RECEIVABLES (Cont'd)

(a) The advances to a director of a subsidiary are unsecured, interest-free and not repayable within the next twelve months. An allowance has been made for estimated irrecoverable amounts by the group of $497,000 (2011 : $502,000).

(b) The amounts due from outside parties are unsecured, interest-free and repayable on demand. An allowance has been made for estimated irrecoverable amounts by the group of $45,000 (2011 : $118,000).

(c) 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 $1,989,000 (2011 : $Nil).

(d) The amounts due from joint developer are unsecured, interest-free and repayable on demand.

Movements in the allowance for doubtful debts:

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
At beginning of the year	620	1,378	–	447
Foreign currency exchange adjustment	(5)	(30)	–	–
Amounts written off during the year	(83)	(450)	–	(447)
Increase (Decrease) in allowance recognised in profit or loss	10	(278)	1,989	–
At end of the year	542	620	1,989	–

9 LOANS RECEIVABLE FROM ASSOCIATES

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Loans receivable from associates	36,045	22,706	3,906	–
Less: Amounts receivable within 12 months (shown under current assets)	(8,213)	(4,080)	(3,906)	–
Amounts receivable after 12 months	27,832	18,626	–	–

The unsecured loans receivable from associates bear interest which is fixed at rates ranging from 5.0% to 8.0% (2011 : 5.0% to 7.0%) per annum. Management has assessed the credit worthiness of the associates and believes that no allowance is required for the loans receivable from associates.

9 LOANS RECEIVABLE FROM ASSOCIATES (Cont'd)

The group's and company's loans receivable from associates that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Thai Baht	4,605	5,819	–	–

10 OTHER INVESTMENTS

	Group and Company	
	2012	2011
	$'000	$'000
Quoted equity shares, at fair value	872	1,242

The investments above include investments in quoted equity securities that offer the group and company the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. The fair values of these securities are based on closing quoted market prices on the last market day of the financial year. The investments are classified as held for trading.

The other investments are denominated in the company's functional currency.

11 INVENTORIES

	Group	
	2012	2011
	$'000	$'000
Consumables and supplies	–	1,467
Movements in the allowance for inventories:		
At beginning of the year	–	3
Increase (Decrease) in allowance recognised in profit or loss	115	(3)
At end of the year	115	–

The allowance for inventories recognised in profit or loss is in respect of write-downs of inventory to net realisable value. Previous write-downs have been reversed as a result of sales made above carrying amount.

12 CONSTRUCTION WORK-IN-PROGRESS

	Group	
	2012	2011
	$'000	$'000
Contract cost incurred plus recognised profits	54,473	331,563
Less: Progress billings	(46,644)	(343,595)
Net	7,829	(12,032)

Presented in the statements of financial position as:

	Group	
	2012	2011
	$'000	$'000
Construction work-in-progress in excess of progress billings	14,533	7,834
Progress billings in excess of construction work-in-progress	(6,704)	(19,866)
	7,829	(12,032)

13 DEVELOPMENT PROPERTIES AND COMPLETED PROPERTY HELD FOR SALE

	Group	
	2012	2011
	$'000	$'000 (Restated)
Development Properties		
Continuous transfer of significant risk and rewards to ownerships as construction progresses		
Cost incurred plus attributable profit	97,255	70,923
Progress billings	(5,725)	(715)
	91,530	70,208

Presented in the statements of financial position as:

	Group	
	2012	2011
	$'000	$'000
Development properties	91,530	70,208
Completed property held for sale	–	–
	91,530	70,208

13 DEVELOPMENT PROPERTIES AND COMPLETED PROPERTY HELD FOR SALE (Cont'd)

Details of the group's development properties and completed property held for sale as at May 31, 2012 are as follows:

Name of Property	Description	Tenure	Estimated percentage of completion	Year to be completed/ completed	Land Area (sq m)	Gross floor area (sq m)	Group interest in property
Properties in the course of development:							
448 East Coast, Singapore	28 units of residential apartment	Freehold	21%	December 2014	1,092	1,681	100%
79, 79A, 79B, 81, 81A, 81B, 83, 83A, 83B and 85 Duku Road, Singapore	51 units of residential apartment	Freehold	*	March 2015	2,568	3,869	100%
47, 49, 51, 55, 57, 59 and 61 Cairnhill Circle, Singapore	Condominiums of 114 units	Freehold	*	May 2015	2,486	7,650	27%
91 Marshall Road, Singapore	30 units of residential apartment	Freehold	*	December 2016	1,269	1,714	100%
HSD 7051, PT 12059, Mukim of Dengkil, Sepang, Malaysia	Vacant plot of commercial land	Freehold	*	December 2016	24,085	24,085	80%
Completed properties:							
323B Thomson Road, Singapore	6 units of residential apartment	Freehold	100%	April 2010	812	1,184	100%
21 Rambai Road, Singapore	12 units of residential apartment	Freehold	100%	January 2011	735	1,029	100%
31 and 31A Dunsfold Drive, Singapore	2 units of detached dwelling house	Freehold	100%	December 2010	1,056	1,317	100%

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

All development properties were pledged to banks to secure long-term bank loans granted to the group (Note 27).

Finance costs capitalised as cost of development properties during the financial year amounted to $1,366,000 (2011 : $1,047,000). The rate of interest relating to finance costs capitalised in development properties for the group during the financial year is 1.54% to 4.50% (2011 : 2.04% to 4.50%) per annum.

14 INVESTMENT IN ASSOCIATES

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Unquoted equity shares, at cost	6,282	5,140	306	6
Deemed cost of investment	3,143	1,009	–	–
Share of post-acquisition reserves	2,114	(63)	–	–
Impairment loss	–	–	(267)	(6)
	11,539	6,086	39	–

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.

The share of accumulated losses not recognised were $517,000 (2011: $Nil).

Movements in the allowance for impairment loss:

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
At beginning of the year	–	–	6	6
Increase in allowance recognised in profit and loss	–	–	261	–
At end of the year	–	–	267	6

Management had performed an impairment review on the investment of associates and this led to an impairment loss of $261,000 (2011 : $Nil) recognised during the financial year based on the carrying amount of the underlying net assets which approximates the estimated fair value less cost to sell.

14 INVESTMENT IN ASSOCIATES (Cont'd)

Details of the group's significant associates at May 31, 2012 are as follows:

Name of associate/ Place of incorporation and operation	Principal activity	Proportion of ownership interest and voting power held 2012 %	2011 %
Unique Development Pte Ltd, Singapore (1)	Development of real estate	20	20
Unique Realty Pte Ltd, Singapore (1)	Development of real estate	20	20
Residenza Pte Ltd, Singapore (1)	Development of real estate	32	32
Development 26 Pte Ltd, Singapore (1)	Development of real estate	45	45
Chewathai Ltd, Thailand (2)	Development of real estate	49	49
Chewathai Hup Soon Ltd, Thailand (2)	Development of real estate	24.5	24.5
Global Environment Technology Co., Ltd., Thailand (2)	Waste water treatment	49	–
CMC Communications Sdn Bhd, Malaysia (3)	Telecommunications engineering	50	–

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

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

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

In accordance with the requirements of Rule 715 of the SGX-ST Listing Manual, the directors and the Audit Committee, having reviewed the appointment of different auditors for the group's associates, are satisfied that these appointments would not compromise the standard and effectiveness of the audit of the group.

Summarised financial information in respect of the group's associates is set out below:

	Group 2012 $'000	2011 $'000
Total assets	407,206	235,376
Total liabilities	(372,596)	(217,784)
Net assets	34,610	17,592
Group's share of associates' net assets	8,396	5,077
Revenue	52,976	14,389
Profit for the financial year	2,723	2,622
Group's share of associates' profit for the financial year	2,191	982

15 INVESTMENT IN SUBSIDIARIES

	Company 2012 $'000	Company 2011 $'000
Unquoted equity shares, at cost	29,224	27,908
Deemed cost of investment	2,363	1,029
Transferred from prepaid investment (Note 16)	748	–
Impairment loss	(1,511)	(1,511)
	30,824	27,426

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 this led to an impairment loss of $Nil (2011 : $1,511,000) recognised during the financial year based on the carrying amount of the underlying net assets which approximates the estimated fair value less cost to sell.

Details of the company's significant subsidiaries at May 31, 2012 are as follows:

Name of subsidiary/ Country of incorporation and operation	Principal activity	Proportion of ownership interest and voting power held 2012 %	2011 %
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 Development Pte Ltd, Singapore [1]	Development of real estate	100	100
TEE Realty Pte Ltd, Singapore [1]	Development of real estate	100	100

[1] Audited by Deloitte & Touche LLP, Singapore.

16 PREPAID INVESTMENTS

	Group	
	2012	2011
	$'000	$'000
Prepaid investments, at cost	1,369	1,369
Transferred to investment in subsidiaries (Note 15)	(748)	–
Impairment loss	(621)	(621)
	–	748

Prepaid investment of $748,000 was earmarked as deposit for future shares subscription of a company in Vietnam in financial year ended May 31, 2011 and has been transferred to investment in subsidiaries in financial year ended May 31, 2012.

Prepaid investment of $621,000 represents an amount loaned to an employee of a subsidiary of the group to invest in a subsidiary. The group has an option to purchase all the employee's shares in the subsidiary at fair value at that point in time, when the regulations allow the subsidiary to be majority foreign-owned. Management had performed an impairment review and determined that the change in regulations to allow the subsidiary to be majority foreign-owned is remote. As a result, this led to an impairment loss of $Nil (2011 : $621,000) being recognised as it is deemed not likely to be recoverable.

17 CLUB MEMBERSHIP

	Group and Company	
	2012	2011
	$'000	$'000
Club membership, at cost	73	73
Impairment loss	(24)	(20)
	49	53

During the year, the group and the company had recognised an impairment loss of $4,000 in the club membership as its fair value less costs to sell was lower than the carrying amount.

In 2011, a reversal of impairment loss of $5,000 was recognised in profit or loss.

18 PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Leasehold improvements	Computers	Renovation	Motor vehicles	Machinery and tools	Office equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Cost:								
At June 1, 2010	42	238	729	404	594	493	337	2,837
Foreign currency exchange adjustment	(3)	(16)	(1)	(2)	(15)	(18)	(5)	(60)
Additions	–	–	207	118	127	265	43	760
Write-offs/Disposals	–	(9)	(293)	(161)	(136)	(275)	(59)	(933)
At May 31, 2011	39	213	642	359	570	465	316	2,604
Foreign currency exchange adjustment	–	(2)	–	–	(1)	(2)	(1)	(6)
Additions	–	–	83	36	1,858	180	59	2,216
Write-offs/Disposals	–	–	(9)	–	(62)	–	(59)	(130)
At May 31, 2012	39	211	716	395	2,365	643	315	4,684
Accumulated depreciation:								
At June 1, 2010	–	238	534	257	454	348	216	2,047
Foreign currency exchange adjustment	–	(16)	(1)	(2)	(12)	(16)	(4)	(51)
Depreciation	–	–	153	54	40	61	44	352
Write-offs/Disposals	–	(9)	(280)	(143)	(116)	(189)	(48)	(785)
At May 31, 2011	–	213	406	166	366	204	208	1,563
Foreign currency exchange adjustment	–	(2)	–	–	–	(2)	(1)	(5)
Depreciation	–	–	140	60	851	90	42	1,183
Write-offs/Disposals	–	–	(9)	–	(62)	–	(51)	(122)
At May 31, 2012	–	211	537	226	1,155	292	198	2,619
Carrying amount:								
At May 31, 2012	39	–	179	169	1,210	351	117	2,065
At May 31, 2011	39	–	236	193	204	261	108	1,041

The carrying amount of the group's motor vehicles includes an amount of $364,000 (2011 : $189,000) which are held under finance leases (Note 25).

19 INVESTMENT PROPERTY

	Group and Company	
	2012	2011
	$'000	$'000
At fair value:		
At beginning of the year	21,000	20,500
Change in fair value included in profit or loss (Note 34)	500	500
At end of the year	21,500	21,000

The investment property held by the group and company is a 4-storey leasehold factory building for industrial use, with ancillary offices located at 33 Changi North Crescent, Singapore with lease term of 30 years from February 2006.

The fair value of the investment property at May 31, 2012 has been determined on the basis of valuation carried out at the respective year end dates by an independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. The valuation was arrived at by reference to market evidence of transaction prices for similar properties and was performed in accordance with International Valuation Standards.

The investment property is pledged to a bank to secure long-term bank loan granted to the group (Note 27).

The property rental income from the group's and company's investment property, which is leased out under an operating lease, amounted to $1,917,000 (2011 : $1,909,000). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment property amounted to $191,000 (2011 : $177,000).

20 DEFERRED TAX

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

Deferred tax assets

	Provisions
	$'000
At June 1, 2010	55
Credit to profit or loss for the year (Note 38)	46
At May 31, 2011	101
Credit to profit or loss for the year (Note 38)	321
At May 31, 2012	422

20 DEFERRED TAX (Cont'd)

Deferred tax liabilities

	Investment property $'000	Accelerated tax depreciation $'000	Total $'000
Group			
At June 1, 2010	216	26	242
Charge to profit or loss for the year (Note 38)	85	31	116
At May 31, 2011	301	57	358
Charge to profit or loss for the year (Note 38)	85	(57)	28
At May 31, 2012	386	–	386

	Investment property $'000
Company	
At June 1, 2010	216
Charge to profit or loss for the year	85
At May 31, 2011	301
Charge to profit or loss for the year	85
At May 31, 2012	386

21 BANK LOANS AND BILLS PAYABLE

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Bank loans (a)	17,602	2,000	4,000	1,000
Bills payable (b)	15,112	17,596	–	–
	32,714	19,596	4,000	1,000

a) i) The group's and company's bank loan amounting to $4,000,000 (2011 : $1,000,000) is unsecured, repayable on demand and bears interest at 2.25% (2011 : 2.25%) per annum above the bank's prevailing cost of funds, resulting in an effective interest rate of 2.77% (2011 : 2.96%) per annum;

ii) The group's bank loan amounting to $7,500,000 (2011 : $1,000,000) is unsecured, repayable on demand and bears interest at 2.00% (2011 : 2.00%) per annum above the bank's prevailing cost of funds, resulting in an effective interest rate of 2.82% (2011 : 2.84%) per annum;

iii) The group's bank loan amounting to $2,998,000 is unsecured, repayable on demand and bears interest at 4.50% per annum below the bank's prevailing enterprise base rate, resulting in an effective interest rate of 4.00% per annum; and

iv) The group's bank loan amounting to $3,104,000 representing accounts receivable financing facilities which were guaranteed by the company and a subsidiary. This bank loan bears interest at an average rate of 5.25% per annum and for tenure of approximately 90 days.

b) The average credit terms on the bills payable ranged from 90 to 120 days (2011 : 90 to 120 days). Interest is charged at rates ranging from 2.21% to 5.75% (2011 : 2.51% to 5.75%) per annum.

21 BANK LOANS AND BILLS PAYABLE (Cont'd)

In 2011, the group had bills payable of $1,990,000 which were guaranteed by the company and a negative pledge over the assets of a subsidiary and pledge over a fixed deposit of $4,010,000.

The group's and company's bank loans and bills payable that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
US Dollar	469	–	–	–
Japanese Yen	–	53	–	–

22 TRADE PAYABLES

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Subsidiaries (Note 15)	–	–	28,454	32,773
Contract trade payables	22,164	41,388	37	13
Retention payables	8,671	8,643	–	–
	30,835	50,031	28,491	32,786

The average credit period granted by suppliers ranged from 30 to 90 days (2011 : 30 to 90 days). No interest is charged on the outstanding balance.

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

All trade payables are denominated in the functional currencies of the respective entities.

23 OTHER PAYABLES

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000 (Restated)	$'000	$'000
Subsidiaries (Note 15)	–	–	50,689	42,870
Accrued expenses	1,844	1,290	327	78
Accrued interest expense	218	299	32	24
Rental and security deposits	753	1,705	–	–
Derivative financial instruments (Note 43)	179	480	179	480
Joint developer	8,849	118	–	–
Advances received from customers	14	15	–	–
Other payables	949	856	102	336
	12,806	4,763	51,329	43,788
Less: Amounts payable within 12 months (shown under current liabilities)	(12,765)	(4,763)	(51,329)	(43,788)
Amounts payable after 12 months	41	–	–	–

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

Included in the amount due to joint developer ("JD") is an agreed amount payable to the JD of $8,185,000 as the group recognises the enhanced value that the JD brings to the joint development and of the JD's effort in facilitating the joint development. The amount due to the JD is unsecured, interest-free and expected to be repayable within the next twelve months. The remaining amount of $664,000 (2011 : $118,000) is unsecured, interest-free and repayable on demand.

24 PROVISION FOR MAINTENANCE COSTS

	Group	
	2012	2011
	$'000	$'000
At beginning of the year	347	438
Charge to profit or loss for the year	2,557	220
Utilised	(564)	(311)
At end of the year	2,340	347

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.

25 OBLIGATIONS UNDER FINANCE LEASES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Amounts payable under finance leases:				
Within one year	103	50	78	41
In the second to fifth years inclusive	371	138	314	124
After five years	54	18	52	17
	528	206	444	182
Less: Future finance charges	(84)	(24)	–	–
Present value of lease obligations	444	182	444	182
Less: Amounts due for settlement within 12 months (shown under current liabilities)			(78)	(41)
Amounts due for settlement after 12 months			366	141

It is the group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 6 years (2011 : 6 years). For the year ended May 31, 2012, the average effective borrowing rate was 5.71% (2011 : 5.73%) 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 our contingent rental payments.

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

The group's obligations under finance leases are secured by the lessors' title to the leased assets (Note 18).

The group's obligations under finance leases that are not denominated in the functional currencies of the respective entities are as follows:

	Group	
	2012	2011
	$'000	$'000
Thai Baht	113	–
Malaysian Ringgit	277	107

26 LONG-TERM LOAN

The unsecured long-term loan is repayable to a joint developer, to be repaid upon settlement of final account. No interest is charged on the outstanding balance.

27 LONG-TERM BANK LOANS

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Bank loans	70,253	61,867	11,108	13,658
Less: Amounts due for settlement within 12 months (shown under current liabilities)	(12,373)	(5,341)	(2,550)	(2,550)
Amounts due for settlement after 12 months	57,880	56,526	8,558	11,108

The group and company have ten (2011 : nine) and two (2011 : two) principal bank loans respectively:

(a) The group and company have a loan of $9,858,000 (2011 : $11,158,000). The loan is a 12 year term loan from 2009 repayable in monthly instalments secured on the investment property (Note 19);

(b) The group and company have a loan of $1,250,000 (2011 : $2,500,000) issued in May 2009 for working capital requirements. The loan is to be repaid in 48 instalments with the last instalment to be repaid in May 2013 and is unsecured;

(c) The group's loan of $1,128,000 (2011 : $2,418,000) was raised in February 2009 for working capital requirements. The loan is to be repaid in 48 instalments with the last instalment to be repaid in March 2013 and is unsecured;

(d) In 2011, the group's loan of $768,000 was raised in June 2010 for working capital requirements. The loan was fully repaid in May 2012;

(e) The group's loan of $1,512,000 (2011 : $2,245,000) was raised in March 2010 for working capital requirements. The loan is to be repaid in 48 instalments with the last instalment to be repaid in April 2014 and is unsecured;

(f) The group's loan of $1,763,000 (2011 : $Nil) was raised in March 2012 for working capital requirements. The loan is to be repaid in 24 instalments with the last instalment to be repaid in February 2014 and is unsecured;

(g) The group's loan of $6,939,000 (2011 : $6,802,000) was raised in October 2007 for and secured on the development property at 47, 49 and 51 Cairnhill Circle, Singapore (Note 13). The loan is expected to be repaid after November 2012;

(h) The group's loan of $13,016,000 (2011 : $11,953,000) was raised in October 2007 for and secured on the development property at 55, 57, 59 and 61 Cairnhill Circle, Singapore (Note 13). The loan is expected to be repaid in June 2016 or 6 months from the date of issuance of Temporary Occupation Permit;

(i) The group's loan of $6,613,000 (2011 : $8,535,000) was raised in August 2010 for and secured on the development property at 448 East Coast Road, Singapore (Note 13). The loan is expected to be repaid in March 2014 or 6 months from the date of issuance of Temporary Occupation Permit;

27 LONG-TERM BANK LOANS (Cont'd)

(j) The group's loan of $18,462,000 (2011 : $15,488,000) was raised in February 2011 for and secured on the development property at 79, 79A, 79B, 81, 81A, 81B, 83, 83A, 83B and 85 Duku Road, Singapore (Note 13). The loan is expected to be repaid in September 2015 or 6 months from the date of issuance of Temporary Occupation Permit; and

(k) The group's loan of $9,712,000 (2011 : $Nil) was raised in August 2011 for and secured on the development property at 91 Marshall Road, Singapore (Note 13). The loan is expected to be repaid in December 2015 or 6 months from the date of issuance of Temporary Occupation Permit.

The group's and company's long-term bank loans bear interest at rates ranging from 1.54% to 5.00% (2011 : 2.04% to 5.00%) per annum. The directors estimate the fair value of the group's and company's long-term bank loans to be approximate the carrying amount.

28 FINANCIAL GUARANTEE LIABILITIES

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Financial guarantee liabilities	2,255	737	3,715	1,547
Less: Amounts shown under current liabilities	(722)	(249)	(1,115)	(603)
Amounts shown under non-current liabilities	1,533	488	2,600	944

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.

29 LONG-TERM DEPOSIT

Long-term deposit is for the lease of premises located at 33 Changi North Crescent, Singapore. Duration of tenancy is 10 years from 2007.

30 SHARE CAPITAL

	Group and Company			
	2012	2011	2012	2011
	Number of ordinary shares		$'000	$'000
Issued and paid up:				
At beginning of the year	343,759,998	140,821,186	27,283	15,559
Share split expenses	–	–	–	(58)
Share split	–	157,025,063	–	
Issuance of shares arising from exercise of warrants	28,529,000	45,913,749	4,821	11,782
At end of the year	372,288,998	343,759,998	32,104	27,283

30 SHARE CAPITAL (Cont'd)

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

As at May 31, 2012, the company has 94,021,930 (2011 : 122,550,930) outstanding warrants which each carries the right to subscribe for one ordinary share at an exercise price of $0.16 per ordinary share and with the exercise period from March 3, 2010 to February 28, 2013.

31 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.

32 CAPITAL RESERVE

	Group and Company	
	2012	**2011**
	$'000	**$'000**
At beginning of the year	1,102	1,266
Less: Exercise of warrants	(257)	(164)
At end of the year	845	1,102

In 2010, the company issued 70,410,343 warrants at an issue price of $0.02 for each warrant. Each warrant carries the right to subscribe for one new ordinary share at an exercise price of $0.31 for each new share on the basis of one warrant for every two existing ordinary shares held in the capital of the company with exercise date of up to February 28, 2013.

Pursuant to a share split exercise in 2011, the company has 94,021,930 (2011 : 122,550,930) outstanding warrants which each carries the right to subscribe for one ordinary share with exercise price of $0.16 (2011 : $0.16) per ordinary share.

33 REVENUE

	Group	
	2012	**2011**
	$'000	**$'000 (Restated)**
Revenue from construction contracts	129,517	214,174
Dividend income	53	46
Sales of goods	1,896	1,211
Sales of development properties	4,414	22,646
Rental income	5,638	9,037
Consultancy and service income	2,113	58
	143,631	247,172

34 OTHER OPERATING INCOME

	Group	
	2012	**2011**
	$'000	**$'000**
Interest income	1,867	986
Change in fair value of investment property (Note 19)	500	500
Foreign currency exchange adjustment gain	4	–
Gain on disposal of property, plant and equipment	25	44
Change in fair value of interest rate swap contract (Note 43)	301	154
Change in fair value of other investments	8	–
Amortisation of financial guarantee liabilities	615	220
Gain on disposal of other investments	74	41
Write back of impairment loss in value of club membership (Note 17)	–	5
Job credits	–	23
Others	288	227
	3,682	2,200

35 RETIREMENT BENEFIT OBLIGATIONS

The employees of TEE International Limited and its subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the group with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognised in profit or loss of $799,000 (2011: $709,000) represents contributions payable to these plans by the group at rates specified in the rules of the plans. As at May 31, 2012, contributions of $91,000 (2011: $48,000) due in respect of current financial year had not been paid over to the plans.

36 OTHER OPERATING EXPENSES

	Group	
	2012	**2011**
	$'000	**$'000**
Foreign currency exchange adjustment loss	182	733
Loss on disposal of property, plant and equipment	–	4
Property, plant and equipment written off	5	72
Realised loss on commodity contract	–	11
Impairment loss on prepaid investment (Note 16)	–	621
Impairment loss on value of club membership (Note 17)	4	–
Change in fair value of other investments	–	30
Others	4	–
	195	1,471

37 FINANCE COSTS

	Group	
	2012	2011
	$'000	$'000
Interest on bank loans and bills payable	2,872	3,187
Interest on obligations under finance leases	19	7
Total borrowing costs	2,891	3,194
Less: Amounts included in the cost of qualifying assets (Note 13)	(1,366)	(1,047)
	1,525	2,147

38 INCOME TAX EXPENSE

	Group	
	2012	2011
	$'000	$'000
Current:		
- On the profit for the year	3,465	2,844
- Overprovision in prior years	(247)	(196)
- Withholding tax expense	153	–
Deferred (Note 20):		
- (Charge) Credit for the year	(293)	70
	3,078	2,718

Domestic income tax is calculated at 17% (2011 : 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	
	2012	2011
	$'000	$'000
Profit before tax	22,195	19,114
Less: Share of results of associates	(2,191)	(982)
	20,004	18,132
Tax at the domestic income tax rate of 17% (2011 : 17%)	3,401	3,082
Tax effect of income that are not taxable in determining taxable profit	(307)	(519)
Deferred tax benefits not recognised	249	429
Deferred tax benefit previously not recognised now utilised	(22)	(33)
Withholding tax expense	153	–
Effect of different tax rates of overseas operations	53	(1)
Exempt income	(188)	(130)
Overprovision in prior years	(247)	(196)
Others	(14)	86
	3,078	2,718

38 INCOME TAX EXPENSE (Cont'd)

Deferred tax assets have not been recognised as follows:

	Group	
	2012	2011
	$'000	$'000
Tax losses		
Amount at beginning of year	4,875	2,447
Adjustment in the current year in respect of prior years	(1,859)	–
Tax losses for the year	1,465	2,526
Utilised during the year	(127)	(98)
Amount at end of year	4,354	4,875

	Group	
	2012	2011
	$'000	$'000
Other temporary differences		
Amount at beginning of year	1,079	1,176
Adjustment in the current year in respect of prior years	(1,079)	–
Utilised during the year	–	(97)
Amount at end of year	–	1,079
Total	4,354	5,954
Deferred tax assets at 17% (2011 : 17%) not recognised taken up in the financial statements	740	1,012

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.

39 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Group	
	2012	2011
	$'000	$'000
Directors' remuneration:		
Directors of the company	2,240	2,310
Directors of the subsidiaries	876	822
Employee benefits expense (including directors' remuneration)	15,135	14,908
Costs of defined contribution plans included in employee benefits expense	799	709
Audit fees:		
Auditors of the company	399	222
Other auditors	42	19
Non-audit fees:		
Auditors of the company	42	40
Other auditors	3	4
Cost of inventories recognised as expense	26,455	40,109

40 DIVIDENDS

(i) During the financial year ended May 31, 2011, the company paid a final tax exempt dividend of $0.012 per ordinary share and special tax exempt dividend of $0.010 per ordinary share totalling $3,454,000 in respect of the financial year ended May 31, 2010 on the 157,005,401 ordinary shares of the company (before share split).

In addition, the company declared and paid an interim tax exempt dividend of $0.005 per ordinary share totalling $1,655,000 for the financial year ended May 31, 2011 on the 331,068,254 ordinary shares of the company (after share split).

(ii) During the financial year ended May 31, 2012, the company paid a final tax exempt dividend of $0.0125 per ordinary share and special tax exempt dividend of $0.010 per ordinary share totalling $6,195,000 in respect of the financial year ended May 31, 2011 on the ordinary shares of the company.

In addition, the company declared and paid an interim tax exempt dividend of $0.006 per ordinary share totalling $2,234,000 for the financial year ended May 31, 2012 on the ordinary shares of the company.

(iii) Subsequent to May 31, 2012, the directors of the company recommended that a final tax exempt dividend of $0.0125 per ordinary share and special tax exempt dividend of $0.005 per ordinary share totalling $6,515,000 be paid for the financial year ended May 31, 2012 on the ordinary shares of the company. The proposed dividends are not accrued as a liability for the current financial year in accordance with FRS 10 *Events after the Reporting Period*.

41 EARNINGS PER SHARE

The calculation of basic earnings per ordinary share is based on group profit after income tax and non-controlling interests of $19,286,000 (2011 : $16,990,000) divided by the weighted average number of ordinary shares of 357,973,664 (2011 : 311,300,956) in issue during the year.

Fully diluted earnings per ordinary share is calculated based on 391,008,396 (2011 : 349,364,351) ordinary shares.

	Group			
	2012		2011	
	Basic	Diluted	Basic	Diluted
	$'000	$'000	$'000 (Restated)	$'000 (Restated)
Net profit attributable to owners of the company	19,286	19,286	16,990	16,990
	Number of shares		Number of shares	
	Basic	Diluted	Basic (Restated)	Diluted (Restated)
Weighted average number of ordinary shares for the purposes of basic earnings per share	357,973,664	357,973,664	311,300,956	311,300,956
Effect of dilutive potential ordinary shares:				
Warrants	–	33,034,732	–	38,063,395
Weighted average number of ordinary shares for the purposes of diluted earnings per share	357,973,664	391,008,396	311,300,956	349,364,351
Earnings per share (cents)	5.39	4.93	5.46	4.86

42 CONTINGENT LIABILITIES

(a) In 2011, a subcontractor of the group initiated proceedings for wrongfully processing claims of $75,000. The group's lawyer has advised the company that the claim has no merit, and has recommended that it be contested. Accordingly, no provision has been recognised in 2011. In 2012, the subcontractor discontinued its claim against the group.

(b) The company has granted corporate guarantees to the financial institutions amounting to $59,313,000 (2011 : $55,595,000) for securing banking facilities for its subsidiaries.

(c) As at May 31, 2012, the company has undertaken to provide financial support of $10,526,000 (2011 : $6,488,000) to some of its subsidiaries and associates.

43 DERIVATIVE FINANCIAL INSTRUMENTS

	2012		2011	
	Assets	Liabilities	Assets	Liabilities
	$'000	$'000	$'000	$'000
Group and Company				
Interest rate swap contact	–	179	–	480

The group's and company's derivative financial instruments in 2012 are due within 1 year (2011: 1 to 2 years).

The group and company use interest rate swap contract to manage its exposure to interest rate movements on its borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. As at May 31, 2012, contract with nominal values of $9.9 million (2011 : $11.2 million) had fixed interest payments at 3.68% until December 18, 2012 against the floating interest rate at 0.25% per annum plus Swap Offered Rate.

At May 31, 2012, the fair value of the derivative instruments is estimated at a loss of $179,000 (2011 : $480,000). The fair value is measured based on estimation valuation derived from market quotation.

The group and company did not adopt hedge accounting in respect of interest rate swap contracts.

The contracts are classified as held-for-trading.

44 OPERATING LEASE ARRANGEMENTS

The group as a lessee

	Group	
	2012	2011
	$'000	$'000
Minimum lease payments under operating leases recognised as expense in the year	1,496	1,502

At the end of the reporting period, the group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2012	2011
	$'000	$'000
Within one year	1,504	1,483
In the second to fifth year inclusive	988	2,114
	2,492	3,597

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.

44 OPERATING LEASE ARRANGEMENTS (Cont'd)

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 property in Singapore. Property rental income earned during the year was $1,917,000 (2011 : $1,909,000).

At the end of the reporting period, the group and company have contracted with tenants for the following future minimum lease payments:

	Group and Company	
	2012	2011
	$'000	$'000
Within one year	1,924	1,915
In the second to fifth year inclusive	7,695	7,659
After five years	641	2,553
	10,260	12,127

45 COMMITMENTS

On May 13, 2011, the group has successfully exercised the option to purchase the property at 91 Marshall Road, Singapore for a total purchase consideration of $13,300,000. The group has paid deposit of 5% of the purchase price, amounting to $665,000 upon the exercise of the option.

The group has commitment of $18,722,000 (2011 : $23,989,000) for Project Bertam DAF Phase 2 Water Treatment Plant in Malaysia, which the group is in charge of the partial design works, civil, mechanical and electrical engineering works.

At May 31, 2012 and 2011, the company does not have any commitments.

46 SEGMENT INFORMATION

For management purposes, the group is organised into two major operating divisions - Engineering and Integrated Real Estate. The divisions are the basis on which the group reports its segment information. The accounting policies of these reportable segments are the same as the group's accounting policies described in Note 2.

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. Integrated Real Estate involves developing properties and managing facilities, water tanks supply and installation, workers' dormitory and property rental 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 expense: Segment revenue and expense are the operating revenue and expense reported in the group's profit or loss that are directly attributable to a segment and the relevant portion of such revenue and expense 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, construction work-in-progress in excess of progress billings, inventories, development properties, property, plant and equipment and investment property, net of allowances. Segment liabilities include all operating liabilities used by a segment and consist principally of operating payables, progress billings in excess of construction work-in-progress, provision for maintenance costs, long-term loan, banks loans and bills payable, long-term deposit and financial guarantee liabilities.

Inter-segment transfers: Segment revenue and expenses include transfers between operating segments. Inter-segment sales are charged at cost plus a percentage profit mark-up. These transfers are eliminated on consolidation.

Investment in associates: Income from associates and loans to associates are not allocated as they are analysed independently from the two major operating segments when making strategic decisions, and correspondingly these investments in associates are included as unallocated assets of the group.

46 SEGMENT INFORMATION (Cont'd)

(a) Reportable Operating Segment Information (Cont'd)

	Engineering		Integrated Real Estate		Elimination		Group	
	2012	2011	2012	2011	2012	2011	2012	2011
	$'000	$'000 (Restated)	$'000	$'000 (Restated)	$'000	$'000 (Restated)	$'000	$'000 (Restated)
Segment revenue								
External sales	131,690	215,443	11,941	31,729	–	–	143,631	247,172
Inter-segment sales	40,478	91,990	8,200	10,588	(48,678)	(102,578)	–	–
Total revenue	172,168	307,433	20,141	42,317	(48,678)	(102,578)	143,631	247,172
Segment results								
Segment results	16,725	15,033	4,804	5,246	–	–	21,529	20,279
Finance costs							(1,525)	(2,147)
Share of results of associates							2,191	982
Profit before tax							22,195	19,114
Income tax expense							(3,078)	(2,718)
Profit for the year							19,117	16,396

	Engineering		Integrated Real Estate		Elimination		Group	
	2012	2011	2012	2011	2012	2011	2012	2011
	$'000	$'000 (Restated)	$'000	$'000 (Restated)	$'000	$'000 (Restated)	$'000	$'000 (Restated)
Segment assets	36,415	46,151	134,695	101,730	–	–	171,110	147,881
Unallocated corporate assets							70,583	76,567
Consolidated total assets							241,693	224,448
Segment liabilities	40,325	71,498	19,395	9,026	–	–	59,720	80,524
Unallocated corporate liabilities							107,668	84,949
Consolidated total liabilities							167,388	165,473
Other information								
Depreciation	1,169	348	14	4	–	–	1,183	352

46 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 deferred tax assets) are analysed based on the location of those assets.

	Revenue		Non–current assets	
	2012	**2011**	**2012**	**2011**
	$'000	**$'000 (Restated)**	**$'000**	**$'000 (Restated)**
Singapore	103,441	236,395	53,668	43,365
Malaysia	6,475	325	169	141
Thailand	2,529	4,308	7,951	4,038
Brunei	31,186	6,144	1,249	73
Vietnam	–	–	9	–
	143,631	247,172	63,046	47,617

c) Other information

The group has two major customers (2011: four) from the engineering segment that contribute greater than 10% of the group's total revenue.

	2012	**2011**
	$'000	**$'000**
Customer A	31,186	–
Customer B	–	33,663
Customer C	23,966	84,393
Customer D	–	31,296
Customer E	–	26,992

47 EVENTS AFTER THE REPORTING PERIOD

On July 25, 2012, the group has acquired additional 20% of the shareholdings in the capital of TEE Resources Sdn Bhd. Subsequent to the acquisition, TEE Resources Sdn Bhd becomes a wholly-owned subsidiary of the group.

On August 8, 2012, the group has incorporated a new wholly-owned subsidiary, Development 72 Pte. Ltd., with an initial issued and paid-up capital of $1.00. The principal activity of the subsidiary is real estate development and had successfully exercised the options to purchase the properties sited at 64, 66, 68, 70, 72, 74, 76, 78 and 80 Hillside Drive, Hillside Gardens, Singapore on August 15, 2012, for a total consideration of $18.5 million.

On August 31, 2012, the group has invested in a wholly-owned subsidiary, TEE Residence Pte. Ltd., with an initial issued and paid up capital of $1.00. The principal activity of the subsidiary is real estate development and had successfully exercised the options to purchase the properties sited at 48/A, 50/A, 52/A, 54/A, 56/A, 58/A and 60/A Lorong 32 Geylang, Singapore on August 31, 2012 for a total consideration of $22.6 million.

48 RESTATEMENTS AND COMPARATIVE FIGURES

(a) Prior year adjustments

INT FRS 115 has been adopted for annual periods beginning January 1, 2011 and has been applied retrospectively. The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of FRS 11 *Construction Contracts* or FRS 18 *Revenue* and when revenue from the construction of real estate should be recognised. The Interpretation is issued with an Accompanying Note that explains the application of the Interpretation to property development sales in Singapore by considering the Singapore legal framework for standard residential sales regulated by the Singapore Housing Developers (Control and Licensing) Act (Chapter 130) and use the standard form of the sale and purchase agreement prescribed in the Housing Developers Rules.

Previously, the group accounted for all pre-completion contracts for the sale of real estate using the completed contract method of accounting. As a consequence of adopting INT FRS 115 and its accompanying note, the method of recognising revenue for standard residential sales regulated by the Singapore Housing Developers (Control and Licensing) Act (Chapter 130) and use the standard form of the sale and purchase agreement prescribed in the Housing Developers Rules has changed to the percentage of completion contract as risks and rewards of ownership of the real estate are transferred on a continuous basis.

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.

For other sales of real estate 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 at that time.

48 RESTATEMENTS AND COMPARATIVE FIGURES (Cont'd)

(a) Prior year adjustments (Cont'd)

The effects of change have been accounted for retrospectively and the comparative figures have been restated accordingly as follows:

(i) Statement of financial position

	May 31, 2011			June 1, 2010		
	Previously stated	Prior year adjustments	As restated	Previously stated	Prior year adjustments	As restated
	$'000	$'000	$'000	$'000	$'000	$'000
GROUP						
ASSETS						
Trade receivables	36,770	–	36,770	39,483	2,230	41,713
Development properties	70,923	(715)	70,208	47,399	(5,542)	41,857
LIABILITIES AND EQUITY						
Other payables	5,478	(715)	4,763	9,054	(3,636)	5,418
Accumulated profits	31,643	–	31,643	19,438	324	19,762
Equity attributable to owners of the company	60,153	–	60,153	36,581	324	36,905

(ii) Consolidated statement of comprehensive income

	2011		
	Previously stated	Prior year adjustments	As restated
	$'000	$'000	$'000
Revenue	253,037	(5,865)	247,172
Cost of sales	(223,355)	5,541	(217,814)
Profit attributable to:			
Owners of the company	17,314	(324)	16,990
Total comprehensive income attributable to:			
Owners of the company	17,121	(324)	16,797

	2011	
	Previously stated	As restated
	Cents	Cents
Basic earnings per share	5.56	5.46
Diluted earnings per share	4.96	4.86

48 RESTATEMENTS AND COMPARATIVE FIGURES (Cont'd)

(a) Prior year adjustments (Cont'd)

(iii) Statement of changes in equity

	May 31, 2011			June 1, 2010		
	Previously stated	Prior year adjustments	As restated	Previously stated	Prior year adjustments	As restated
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
Accumulated profits	31,643	–	31,643	19,438	324	19,762
Equity attributable to owners of the company	60,153	–	60,153	36,581	324	36,905

(iv) Consolidated statement of cash flows

	2011		
	Previously stated	Prior year adjustments	As restated
	$'000	$'000	$'000
Profit before tax	19,438	(324)	19,114
Operating activities			
Trade receivables	2,887	2,230	5,117
Development properties	(22,477)	(4,827)	(27,304)
Other payables	(3,422)	2,921	(501)

48 RESTATEMENTS AND COMPARATIVE FIGURES (Cont'd)

(b) The summarised effect had INT FRS 115 not been adopted in the current financial year are disclosed as below:

(i) Statement of financial position

	May 31, 2012		
	Prior to adoption of INT FRS 115	**Adjustments**	**As reported**
	$'000	**$'000**	**$'000**
GROUP			
ASSETS			
Trade receivables	29,286	172	29,458
Development properties	101,790	(10,260)	91,530
LIABILITIES AND EQUITY			
Other payables	23,447	(10,682)	12,765
Income tax payable	3,814	57	3,871
Accumulated profits	41,963	537	42,500
Equity attributable to owners of the company	75,098	537	75,635

(ii) Consolidated statement of comprehensive income

	2012		
	Prior to adoption of INT FRS 115	**Adjustments**	**As reported**
	$'000	**$'000**	**$'000**
Revenue	139,217	4,414	143,631
Cost of sales	(108,659)	(3,820)	(112,479)
Income tax expense	(3,021)	(57)	(3,078)
Profit attributable to:			
Owners of the company	18,749	537	19,286
Total comprehensive income attributable to:			
Owners of the company	18,810	537	19,347

48 RESTATEMENTS AND COMPARATIVE FIGURES (Cont'd)

(b) The summarised effect had INT FRS 115 not been adopted in the current financial year are disclosed as below: (Cont'd)

(iii) Consolidated statement of comprehensive income (Cont'd)

	2012	
	Prior to adoption of INT FRS 115	As reported
	Cents	Cents
Basic earnings per share	5.24	5.39
Diluted earnings per share	4.80	4.93

(iv) Statement of changes in equity

	May 31, 2012		
	Prior to adoption of INT FRS 115	Adjustments	As reported
	$'000	$'000	$'000
Group			
Accumulated profits	41,963	537	42,500
Equity attributable to owners of the company	75,098	537	75,635

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

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

The items were reclassified as follows:

(i) Statement of financial position

	May 31, 2011	
	Previously reported	As restated
	$'000	$'000
GROUP		
ASSETS		
Current portion of loans receivable from associates	22,706	4,080
Loans receivable from associates	–	18,626

48 RESTATEMENTS AND COMPARATIVE FIGURES (Cont'd)

(c) Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements. (Cont'd)

(ii) Consolidated statement of cash flows

	2011	
	Previously reported	As restated
	$'000	$'000
Financing activities		
Drawdown of bank loans and bills payable	19,596	146,649
Repayment of bank loans and bills payable	(33,302)	(160,355)

49 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 Executive and Managing Director, that they are the subject of investigation by the Commercial Affairs Department ("CAD") on possible contravention of market rigging provisions in the Securities and Futures Act (Chapter 289). Mr. Cheng and Mr. Phua have indicated that they will cooperate fully with the CAD in its investigation, and are providing CAD with access to the relevant records for the period from July 1, 2008 to March 31, 2009.

The Board of Directors of the company are of the opinion that the involvement of Mr. Cheng and Mr. Phua in the day to day matters of the group and the company is minimal. The group and the company are run by a team of capable senior and middle managers, many of whom have spent more than a decade building up the group and the company. The group and the company continue to operate at an optimal level. Hence, the Board of Directors confirm that in their opinion, the CAD investigation would not have any impact on the group and the company.

shareholders' information

As at 24 August 2012

Issued and fully paid-up capital	:	S$31,757,525.37
No. of shares issued	:	372,388,998 shares
Class of share	:	Ordinary shares
Voting rights	:	One vote per share

There were no treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1-999	281	18.12	41,706	0.01
1,000-10,000	593	38.23	3,605,596	0.97
10,001-1,000,000	649	41.84	51,866,508	13.93
1,000,001 and above	28	1.81	316,875,188	85.09
Grand Total	**1,551**	**100.00**	**372,388,998**	**100.00**

TOP TWENTY LARGEST SHAREHOLDERS

S/No.	Name of Shareholders	No. of Shares Held	%
1	Hong Leong Finance Nominees Pte Ltd	83,151,750	22.33
2	Phua Chian Kin	63,871,534	17.15
3	Mayban Nominees (S) Pte Ltd	23,594,300	6.34
4	SBS Nominees Pte Ltd	22,032,000	5.92
5	Lincoln Capital Pte Ltd	16,999,200	4.57
6	Morgan Stanley Asia (Singapore) Securities Pte Ltd	13,153,200	3.53
7	CIMB Securities (Singapore) Pte Ltd	12,233,930	3.29
8	HSBC (Singapore) Nominees Pte Ltd	7,907,900	2.12
9	Tay Kuek Lee	7,720,000	2.07
10	Phillip Securities Pte Ltd	7,504,692	2.02
11	Cheng Shao Shiong @ Bertie Cheng	7,300,000	1.96
12	4 P Investments Pte Ltd	6,680,924	1.79
13	Maybank Kim Eng Securities Pte Ltd	6,593,156	1.77
14	Ng Chin Hock	6,043,040	1.62
15	UOB Kay Hian Pte Ltd	4,495,024	1.21
16	DBS Nominees Pte Ltd	3,489,330	0.94
17	OCBC Securities Private Limited	3,138,404	0.84
18	Laurie Kelvin Laxon	2,550,500	0.68
19	Yap Boh Pin	2,500,000	0.67
20	OCBC Nominees Singapore Pte Ltd	2,400,930	0.64
Total		**303,359,814**	**81.46**

As at 24 August 2012

SUBSTANTIAL SHAREHOLDERS

As shown in the Register of Substantial Shareholders

	Direct Interest	%	Deemed Interest	%
Phua Chian Kin	200,595,754	53.87	14,400,924	3.87
Tay Kuek Lee	7,720,000	2.07	200,595,754	53.87
4 P Investments Pte Ltd	6,680,924	1.79	200,595,754	53.87

Note:-

Mr. Phua Chian Kin is deemed to have an interest in the 7,720,000 ordinary shares held by his spouse, Mdm. Tay Kuek Lee, and in the 6,680,924 ordinary shares held by 4 P Investments Pte Ltd where he is a shareholder. A total of 136,724,220 ordinary shares held by Mr. Phua Chian Kin are registered in the name of Hong Leong Finance Nominees Pte Ltd, CIMB Securities (Singapore) Pte Ltd, SBS Nominees Pte Ltd, Phillip Securities Pte Ltd, Mayban Nominees (S) Pte Ltd, and OCBC Nominees Singapore Pte Ltd.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on the information available to the Company as at 24 August 2012, approximately 37.54% of the issued share capital 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 2012

DISTRIBUTION OF WARRANTHOLDINGS - TEEW130228

Size of Warrantholdings	No. of Warrantholders	%	No. of Warrants	%
1-999	4	2.72	1,462	0.00
1,000-10,000	31	21.09	173,102	0.18
10,001-1,000,000	97	65.99	7,315,798	7.79
1,000,001 and above	15	10.20	86,431,568	92.03
Grand Total	**147**	**100.00**	**93,921,930**	**100.00**

TOP TWENTY LARGEST WARRANTHOLDERS

S/No.	Name of Warrantholders	No. of Warrants Held	%
1	Phua Chian Kin	28,173,618	30.00
2	CIMB Securities (Singapore) Pte Ltd	11,981,000	12.76
3	SBS Nominees Pte Ltd	9,384,000	9.99
4	Lincoln Capital Pte Ltd	7,000,900	7.45
5	Morgan Stanley Asia (Singapore) Securities Pte Ltd	5,880,000	6.26
6	Lim Siew Lan Irene	3,740,000	3.98
7	Phillip Securities Pte Ltd	3,690,710	3.93
8	Mayban Nominees (S) Pte Ltd	3,436,000	3.66
9	Cheng Shao Shiong @ Bertie Cheng	3,200,000	3.41
10	HSBC (Singapore) Nominees Pte Ltd	2,802,000	2.98
11	Kua Phek Long	1,994,000	2.12
12	Tay Kuek Lee	1,975,340	2.10
13	Fok Chee Cheong @ Fok Chee Chiong	1,125,000	1.20
14	Ng Toong Seng	1,030,000	1.10
15	Ng Chin Hock	1,019,000	1.08
16	OCBC Securities Private Limited	888,900	0.95
17	Ong Eric	500,000	0.53
18	Sim Geok Soon	371,656	0.40
19	Deborah Anne Cheng Wei Ling	356,000	0.38
20	Lam Ee Lin	300,000	0.32
Total		**88,848,124**	**94.60**

notice of twelfth annual general meeting

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of TEE International Limited ("the Company") will be held at York Hotel Singapore, 21 Mount Elizabeth, Singapore 228516 on 27 September 2012, Thursday, at 2.30 p.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the financial year ended 31 May 2012 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final tax exempt (one-tier) dividend of 1.25 cents per ordinary share and special tax exempt (one-tier) dividend of 0.50 cents per ordinary share for the financial year ended 31 May 2012 (Year 2011: final tax exempt (one-tier) dividend of 1.25 cents per ordinary share and special tax exempt (one-tier) dividend of 0.50 cents per ordinary share). **(Resolution 2)**

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

   Mr. Phua Boon Kin **(Resolution 3)**
   Ms. Saw Chin Choo **(Resolution 4)**

4. To re-appoint the following Directors of the Company retiring under Section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company:-

   Mr. Bertie Cheng Shao Shiong **(Resolution 5)**
   Mr. Tan Boen Eng **(Resolution 6)**

   [See Explanatory Note (i)]

   * *Mr. Bertie Cheng Shao Shiong will, upon re-appointment as an Independent and Non-Executive Director of the Company, remain as the Non-Executive Chairman of the Company, Chairman of the Executive Committee and a member of the Nominating Committee and will be considered independent.*

   * *Mr. Tan Boen Eng will, upon re-appointment as an Independent and Non-Executive Director of the Company, remain as the Chairman of the Audit Committee and a member of the Remuneration Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.*

5. To approve the payment of Directors' fees of S$210,250 for the financial year ending 31 May 2013 to be paid quarterly in arrears (Year 2012: S$210,250). **(Resolution 7)**

6. To re-appoint Deloitte & Touche LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 8)**

7. 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 an Ordinary Resolution, with or without any modifications:-

8. Authority to issue shares

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:-

(a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:-

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:-

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

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

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (ii)] **(Resolution 9)**

By Order of the Board

Ms. Lai Foon Kuen
Ms. Yeo Ai Mei
Company Secretaries

Singapore
12 September 2012

Explanatory Notes:-

(i) The effect of the Ordinary Resolutions 5 and 6 proposed in item 4 above, is to re-appoint Directors of the Company who are over 70 years of age.

(ii) The Ordinary Resolution 9 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

Notes:-

1. A Member entitled to attend and vote at the Annual General Meeting 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.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Block 2024 Bukit Batok Street 23, #03-48, Singapore 659529 not less than forty-eight (48) hours before the time set for the Annual General Meeting.

notice of books closure and dividend payment dates

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed at 5.00 p.m. on 22 November 2012 and 18 December 2012 respectively for the purpose of determining Members' entitlements to the final tax exempt (one-tier) dividend and special tax exempt (one-tier) dividend ("final and special dividends") to be proposed at the Twelfth Annual General Meeting of the Company ("12th AGM") which is scheduled to be held on 27 September 2012.

Duly completed Registrable Transfers in respect of ordinary shares in the Company received by the Company's Share Registrar, B.A.C.S. Private Limited, 63 Cantonment Road, Singapore 089758 up to close of business at 5.00 p.m. on 22 November 2012 and 18 December 2012 respectively will be registered to determine Members' entitlements to the proposed final and special dividends. Subject to the aforesaid, Members whose Securities Accounts maintain with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company at 5.00 p.m. on 22 November 2012 and 18 December 2012 respectively will be entitled to the proposed final and special dividends.

Payment of the final and special dividends, if approved by the Members at the 12th AGM will be made on 3 December 2012 and 28 December 2012 respectively.

TEE INTERNATIONAL LIMITED

(Incorporated in Singapore with limited liability)
(Co. Reg. No.: 200007107D)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. For investors who have used their CPF monies to buy TEE International Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, ____

of ____

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 27 September 2012 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 or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/ proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the financial year ended 31 May 2012		
2	Payment of proposed final tax exempt (one-tier) dividend and a special tax exempt (one-tier) dividend		
3	Re-election of Mr. Phua Boon Kin as a Director		
4	Re-election of Ms. Saw Chin Choo as a Director		
5	Re-appointment of Mr. Bertie Cheng Shao Shiong as an Independent and Non-Executive Director		
6	Re-appointment of Mr. Tan Boen Eng as an Independent and Non-Executive Director		
7	Approval of Directors' fees amounting to S$210,250 for the financial year ending 31 May 2013 payable quarterly in arrears		
8	Re-appointment of Deloitte & Touche LLP as Company's Auditors		
9	Authority to issue new shares		

Dated this ____________ day of __________________ 2012

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

Notes:-

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A Member entitled to attend and vote at the meeting 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. 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.

5. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at Block 2024 Bukit Batok Street 23, #03-48, Singapore 659529 not less than 48 hours before the time set for the Meeting.

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

7. A corporation which is a Member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:-

The Company shall be entitled to reject the instrument appointing a proxy or proxies, if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on 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 if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

corporate directory

TEE International Limited
Co. Reg. No.: 200007107D

Block 2024, Bukit Batok Street 23
#03-48, Singapore 659529
Tel: (65) 6561 1066
Fax: (65) 6565 1738
Email: enquiries@teeintl.com
Website: http://www.teeintl.com

Singapore

Trans Equatorial Engineering Pte. Ltd.
PBT Engineering Pte. Ltd.
TEE Management Pte. Ltd.
Security Pro-Telco Pte. Ltd.
NexFrontier Solutions Pte. Ltd.
TEE Development Pte. Ltd.
TEE Realty Pte. Ltd.
TEE Property Pte. Ltd.
Development 83 Pte. Ltd.
TEE Homes Pte. Ltd.

Block 2024, Bukit Batok Street 23
#03-48, Singapore 659529
Tel: (65) 6561 1066
Fax: (65) 6565 1738

Trisilco Folec Pte. Ltd.

82 Genting Lane, #A3-02
Media Centre Annexe Building
Singapore 349567
Tel: (65) 6654 1200
Fax: (65) 6747 8631

Malaysia

TEE M&E Engineering Sdn Bhd
Foremost Prestige Sdn Bhd
PBT Engineering Sdn Bhd
CMC Communications Sdn Bhd
TEE Resources Sdn Bhd

No. D1-16-2, Jalan Dutamas 1
Taman Dutamas 43200 Balakong
Selangor Darul Ehsan, Malaysia
Tel: (60) 10 251 5730/781/932
Fax: (60) 12 372 5730

Thailand

Trans Equatorial Indochina Co., Ltd.
Oscar Property Management Co., Ltd.
Oscar Design & Decoration Co., Ltd.
Chewathai Ltd
Chewathai Hup Soon Ltd

1168/80 Lumpini Tower Building
27th Floor, Unit D, Rama IV Road
Kwaeng Tungmahamek, Khet Sathorn
Bangkok 10120, Thailand
Tel: (662) 679 8870/1/2/3/4
Fax: (662) 679 8875
Website: http://www.chewathai.com

Oscar Estate Management Co., Ltd.

121 Moo 4, Rom Klao Road
Kwaeng Klong Song Ton Nun
Khet Lat Krabang
Bangkok 10520, Thailand
Tel: (662) 543 0844/5
Fax: (662) 543 0846

CMC Communications (Thailand) Co., Ltd.

900/22 SVOA Tower, 27th Floor
Rama III Road,
Kwang Bangpongpang,
Khet Yannawa, Bangkok
Tel: (662) 682 7488
Fax: (662) 682 7998

Global Environmental Technology Co., Ltd.

No. 649/1 Moo 4, Sukhumvit Road
Tambol Phraekasa, Amphur
Mueang Samutprakan
Samutprakan Province 10280
Thailand
Tel: (662) 709 2950/1/2/3
Fax: (662) 709 2955

Brunei

PBT Engineering Sdn Bhd

Unit No.1, 2nd Floor, Blk A
Hassanin Complex, Lot 4879
Spg 42, Jalan Muara
Kg Delima Satu
Bandar Seri Begawan BB4713
Brunei Darussalam
Tel: (673) 233 7093/7431
Fax: (673) 233 7092

Philippines

Trans Equatorial Philippines, Inc.

Room 503 Fil-Am Resources
Building 231 Binondo, Manila
Philippines
Tel: (632) 242 1689
Fax: (632) 242 1772

Trisilco Folec Philippines, Inc.

Unit 3C & 3D, 3/F,
Country Space 1 Building
Sen. Gil Puyat Avenue, Salcedo
Village, Makati City
Philippines 1200
Tel: (632) 893 5085
Fax: (632) 892 2306

Cambodia

TEE Chem Pte. Ltd.

#32EO, Street 144
Sangkat Phsar Thmei III
Khan Daun Penh
Phnom Penh, Cambodia
Tel: (855) 11 338 833
Fax: (855) 23 997 817

Vietnam

TEE Vietnam Co. Ltd.
Viet-TEE Co., Ltd.

3rd Floor, Mekong Tower
235-241 Cong Hoa Street
Ward 13, Tan Binh District
Ho Chi Minh City, Vietnam
Tel: (848) 38 134 298
Fax: (848) 38 134 287