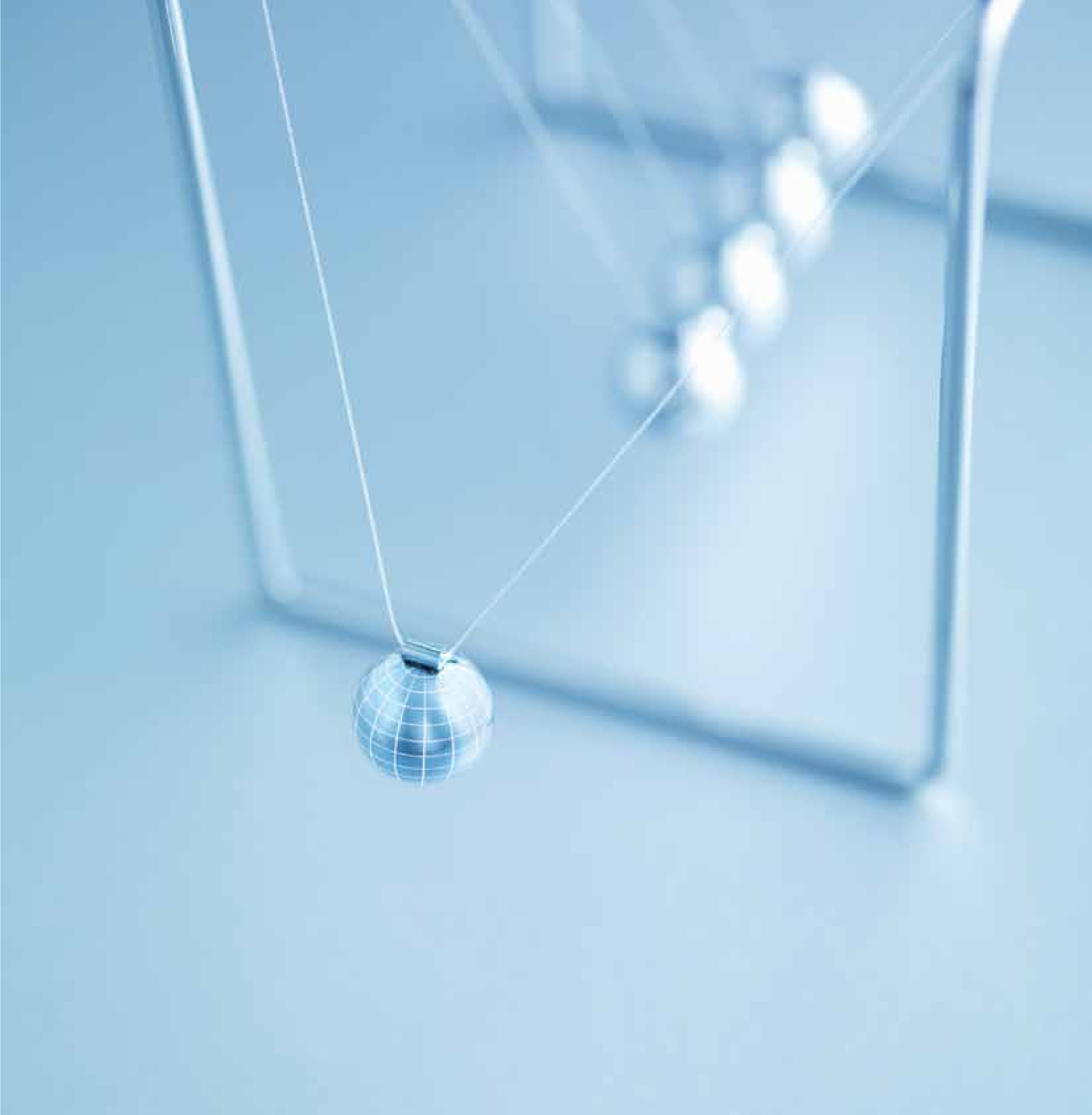

SUSTAINING GROWTH
ENHANCING VALUE

TEE International Limited
Annual Report 2013

TEE International Limited

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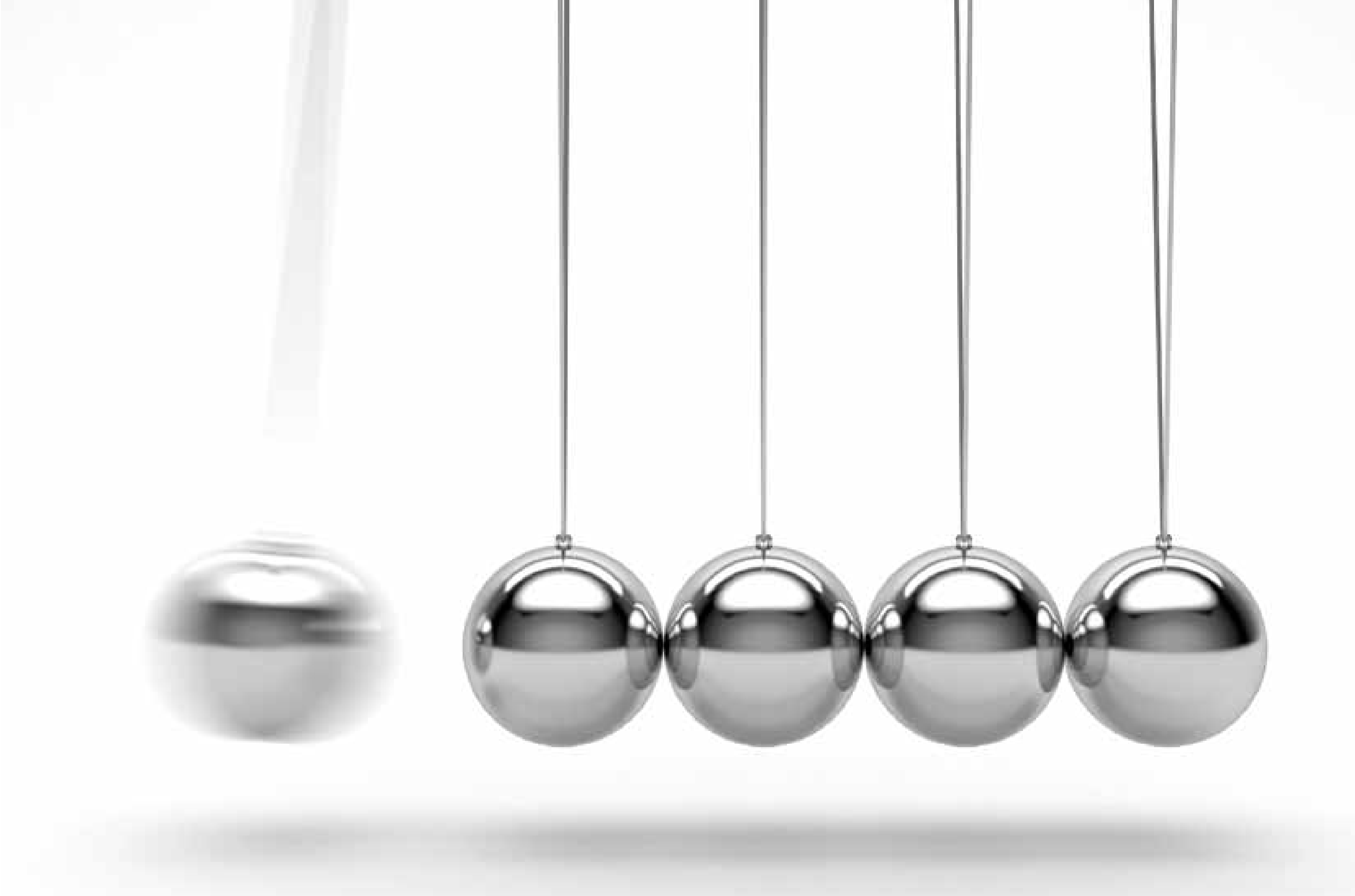


TEE has undergone vast transformation since our origins as a general electric contractor to become who we are today – a leading Engineering specialist with our Integrated Real Estate business.

With foresight and strategic planning, we are building on our strengths, venturing into multiple operations, spanning different regions; expanding our business operations and segments. We have developed an Infrastructure division to complement our existing businesses, strengthening our overall asset base and income stream.

The Group's efforts have formed a synergistic drive and momentum that we are now able to leverage and ride upon.

Together as one, we keep our focus on the road ahead, Sustaining Growth while adapting and differentiating ourselves as we diversify and Enhance Value for our Group.

FINANCIAL HIGHLIGHTS

REVENUE

S$216.5m

Up by 50.8%

GROSS PROFIT

S$31.8m

Up by 2.2%

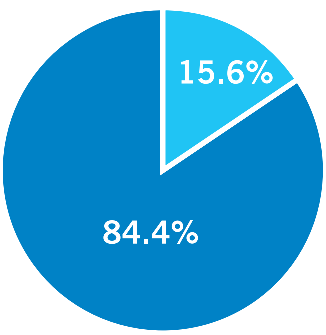
PROFIT BEFORE TAX

S$15.9m

Down by 28.3%

- Total dividends have increased by 0.80 Singapore cents to 3.15 Singapore cents.
- Engineering group order book stands at S$215.4m.
- Integrated real estate group recorded contracted sales of S$77.7m (excluding associates).

REVENUE BREAKDOWN



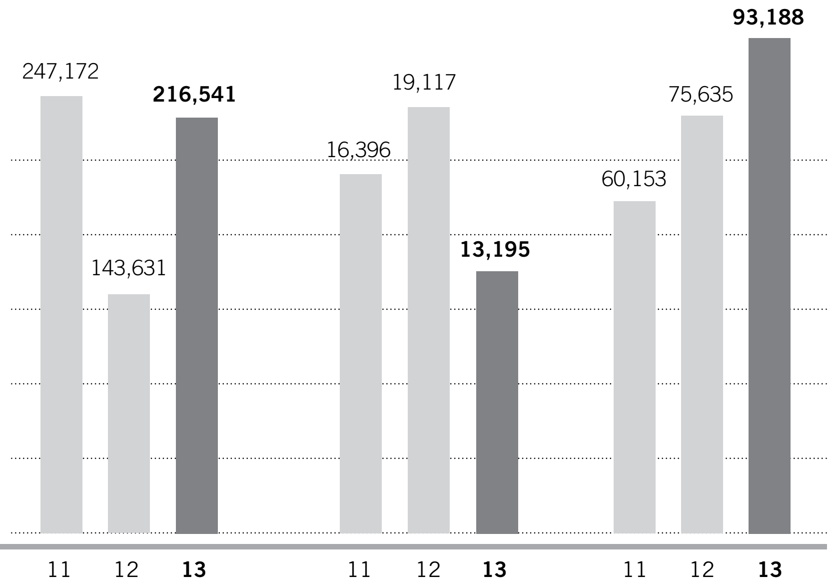
Integrated Real Estate
S$33.8m

Engineering
S$182.7m

REVENUE
(S$'000)

NET PROFIT FOR THE YEAR
(S$'000)

SHAREHOLDERS' EQUITY
(S$'000)



FINANCIAL HIGHLIGHTS

NET ASSET VALUE PER SHARE

20.0

Singapore Cents
Down by 1.5%

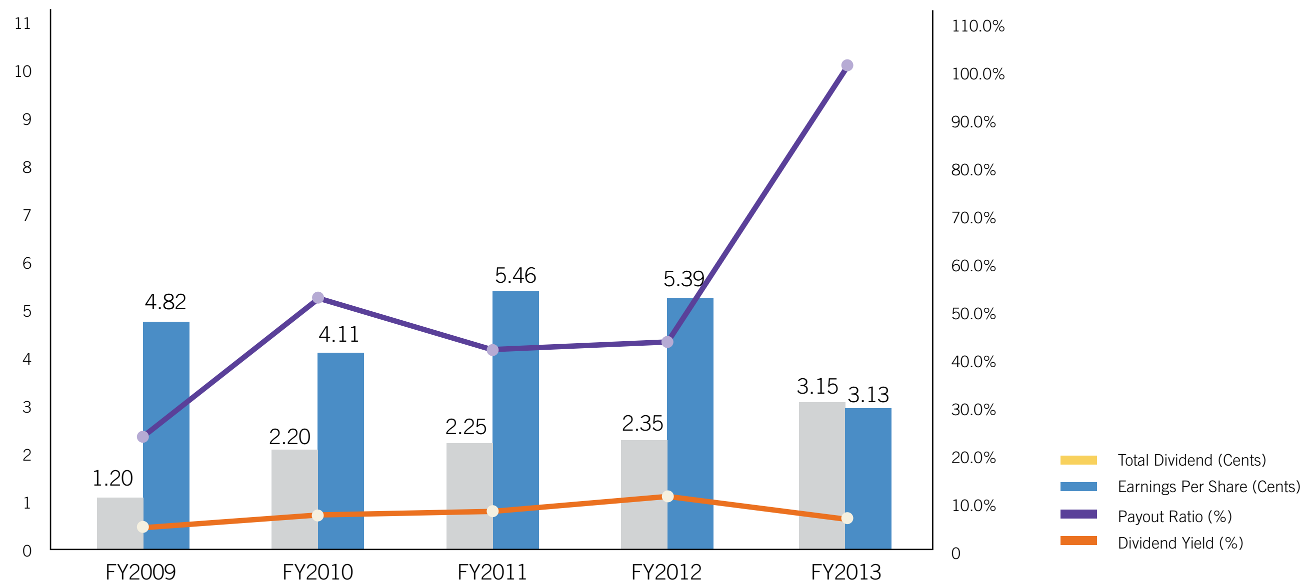
EARNINGS PER SHARE

3.13

Singapore Cents
Down by 41.9%

DIVIDEND TRACK RECORD

	FY2009	FY2010	FY2011	FY2012	**FY2013**
Total Dividend (Cents)	1.20	2.20	2.25	2.35	**3.15**
Basic Earnings Per Share (Cents)	4.82	4.11	5.46	5.39	**3.13**
Payout Ratio (%)	24.9	53.5	41.2	43.6	**100.6**
Dividend Yield (%)	5.22	7.10	9.78	11.75	**7.16**
Share Price as at 31 May (Cents)	23.0	31.0	23.0	20.0	**44.0**



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.

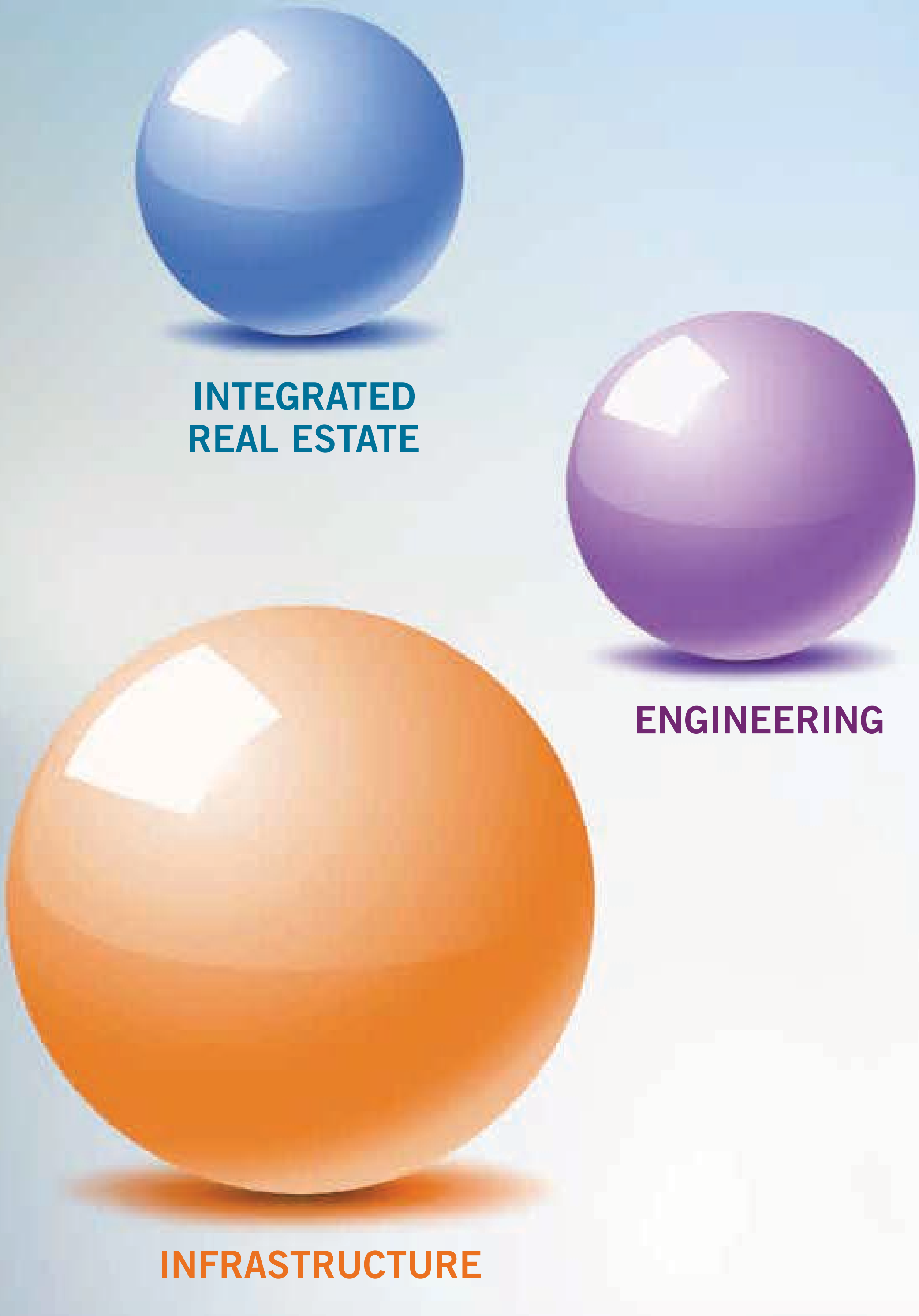
OUR VISION

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.

OUR GROWTH MODEL



TEE
AT A GLANCE

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, turn-key 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.

- Construction and Redevelopment
- Design and Build
- System Integration

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

INFRASTRUCTURE

Our Infrastructure segment is our next growth engine. With our experience in large-scale engineering projects and track record in facilities management, we are positioned to provide infrastructure solutions in the areas of water and energy resources.

- Community
- Energy
- Sustainability

TEE PORTFOLIO ENGINEERING


Ang Mo Kio MRT Station


Plaza Singapura CapitaLand Project


P&G Singapore Innovation Centre Project


Raffles Education Corporation Project


Raffles Education Corporation Project (Study Lounge)


Raffles Education Corporation Project (Exterior)

TEE
PORTFOLIO
INTEGRATED REAL ESTATE


31&31A@Dunsfold Drive


Chewathai Ratchaprarop


448@East Coast


Chewathai Ramkhamhaeng

TEE
PORTFOLIO
INFRASTRUCTURE


Industrial Parks

Turn-key Developments


Affordable Housing

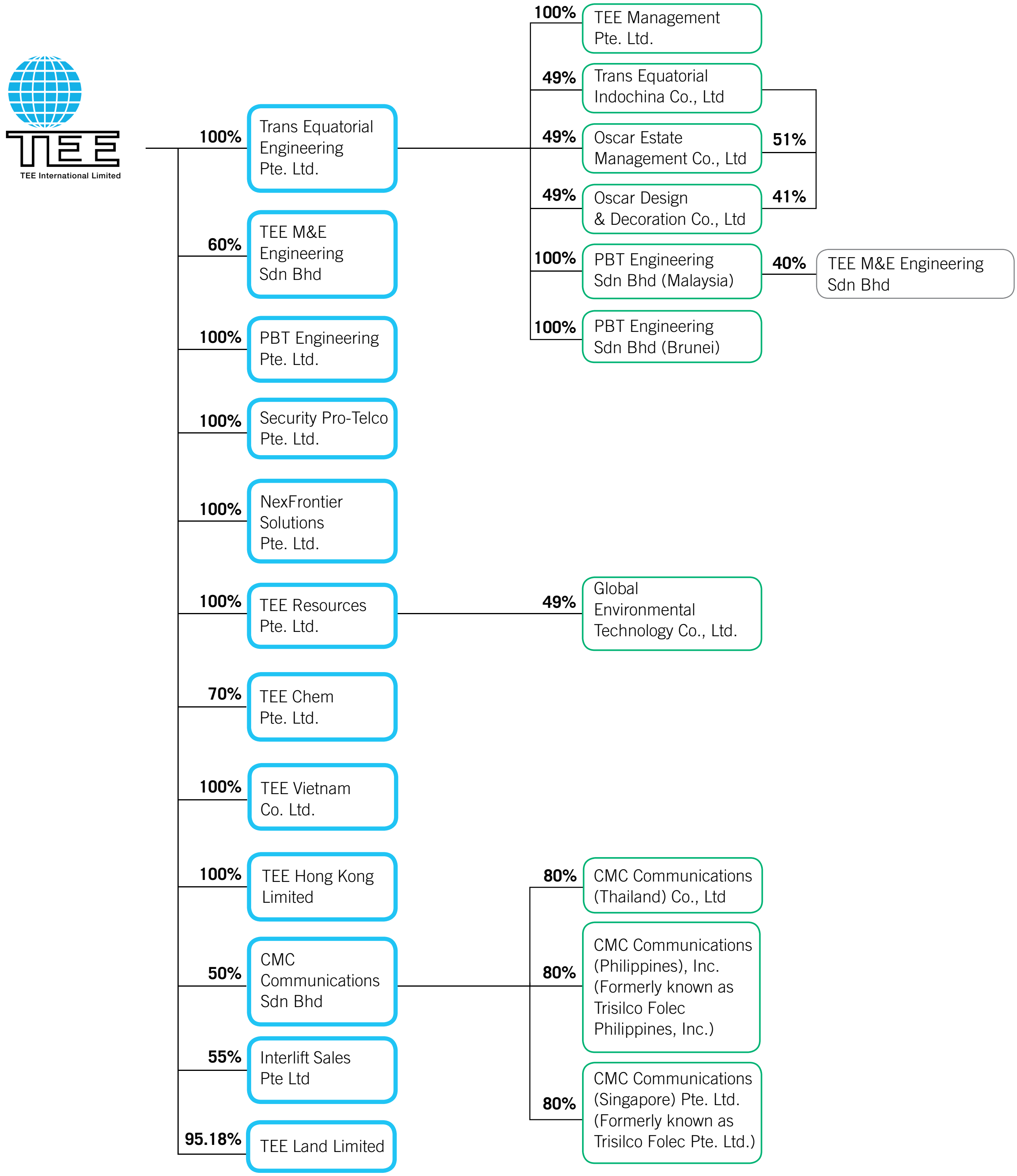

Communications


Water Treatment Plants


Logistics and Lifting Solutions

CORPORATE STRUCTURE

(As at 31 May 2013)



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
Mr. Lee Ah Fong

Independent and
Non-Executive Director
Mr. Gn Hiang Meng

(Appointed on 1 June 2013)

AUDIT COMMITTEE

Chairman
Mr. Tan Boen Eng

Members
Mr. Lee Ah Fong
Mr. Gn Hiang Meng

NOMINATING COMMITTEE

Chairman
Mr. Lee Ah Fong

Members
Mr. Bertie Cheng Shao Shiong
Mr. Phua Chian Kin
Mr. Gn Hiang Meng

REMUNERATION COMMITTEE

Chairman
Mr. Gn Hiang Meng

Members
Mr. Tan Boen Eng
Mr. Lee Ah Fong

EXECUTIVE COMMITTEE

Chairman
Mr. Bertie Cheng Shao Shiong

Members
Mr. Lee Ah Fong
Mr. Gn Hiang Meng
Mr. Phua Chian Kin

JOINT COMPANY SECRETARIES

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

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

DATE OF INCORPORATION

15 August 2000

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 AUDITORS

Deloitte & Touche LLP
6 Shenton Way #32-00
OUE Downtown 2
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

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

YEAR IN REVIEW

August 2012

Acquired Hillside Gardens, Singapore (64 – 80 Hillside Drive). These 999 years leasehold properties have a total land area of 2,001 square metre (“sqm”).

September 2012

Entered into a joint venture with KSH Holdings Limited and Heeton Holdings Limited to redevelop existing freehold properties located at 48 – 60 Lorong 32 Geylang, Singapore.

Set up TEE Hong Kong office.

October 2012

Acquired a piece of freehold commercial land in Cyberjaya Selangor, Malaysia for RM32.1 million. It has a land area of approximately 24,085 sqm.

January 2013

Acquired a piece of freehold industrial land in Thailand for THB46.5 million. It has a land area of approximately 42,400 sqm.

April 2013

Entered into a joint venture with Artmatic Holdings Limited to convert Riccarton Holiday Park to worker’s temporary accommodation in Christchurch, New Zealand.

May 2013

Acquired 55% of the issued and paid-up share capital of Interlift Sales Pte Ltd, one of the Singapore’s leading large-scale manufacturer of material handling equipment and systems.

June 2013

Launched the Initial Public Offering (“IPO”) of TEE Land Limited for the listing on the Mainboard of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

July 2013

Set up TEE Philippines office.

Focusing on Our Core

Going forward, the Group will continue to focus on our core Engineering division. We will push forward into new territories such as Hong Kong, Macau, as well as the Philippines, to win high value and specialised engineering contracts in these markets.

CHAIRMAN'S MESSAGE

"AS KEY ASIAN MARKETS OPEN UP FOR NEW INVESTMENTS, LARGE-SCALE ENGINEERING CONTRACTS IN SECTORS SUCH AS TOURISM AND INFRASTRUCTURE ARE SURFACING RAPIDLY. HONG KONG, MACAU, AS WELL AS THE PHILIPPINES, ARE EMERGING MARKETS WHERE THE GROUP SEES A GREAT DEAL OF INTEREST AND POTENTIAL." – BERTIE CHENG

Dear Shareholders,

The management and staff of TEE have achieved another year of good results in Financial Year 2013 ("FY2013", year ended 31 May 2013). The Group's Integrated Real Estate arm, TEE Land Limited ("TEE Land"), was successfully listed on the Mainboard of the SGX-ST while its Engineering division maintained a healthy rate of growth as it continues to deepen its capabilities.

The Group has an established track record of paying good dividends to shareholders and in view of the positive results, the Board is proposing a Final Dividend of Singapore 2.50 cents per share, bringing total dividends paid and proposed for FY2013 to Singapore 3.15 cents per share.

The Group's FY2013 revenue rose 50.8% to S$216.5 million while we registered a net profit of S$13.2 million. The total order book for our Engineering segment stood at S$215.4 million. In terms of real estate development, TEE Land had contracted sales of S$77.7 million (excluding associates) in Singapore while its Thailand associates have also contracted sales of S$22.2 million in Thailand.

SUSTAINING GROWTH – SEEKING HIGH VALUE ENGINEERING PROJECTS

As an established engineering group in Singapore and the surrounding region, TEE's key focus is on bidding and securing large-scale and high value engineering contracts. Since the Group delivered engineering projects for Marina Bay Sands Integrated Resorts, Asia Square Tower I, a large-scale housing project in Brunei Darussalam (nearing completion), we have expanded, taking similar projects around the region.

As key Asian markets open up for new investments, large-scale engineering contracts in sectors such as tourism and infrastructure are surfacing rapidly. Hong Kong, Macau, as well as the Philippines, are emerging markets where the Group sees a great deal of interest and potential. To tap on these opportunities, TEE is in the process of setting up potential new joint ventures in these markets.

BLOSSOMING INTO A REGIONAL REAL ESTATE DEVELOPER

Of particular gratification for us is the listing of TEE Land in June 2013. The team led by Mr. Jonathan Phua, CEO and Executive Director of TEE Land, has grown tremendously since 2007. From a single project in Thomson Road, Jonathan and his team developed a sizeable portfolio of more than 20 real estate developments in Singapore, Thailand, Malaysia and most recently, New Zealand. The team continues to build upon its strategy to grow into a well established regional real estate developer with a diversified portfolio of assets.

ENHANCING VALUE - INFRASTRUCTURE, A NEW GROWTH ENGINE

The Board and Management of TEE have recently reviewed our growth plans in light of opportunities that are arising from the regional markets. With our experience in large-scale engineering projects and our track record in facilities management, we believe TEE is well positioned to provide regional infrastructure solutions in the areas of water and energy resources. Investment into infrastructure projects will enable the Group to earn long-term recurring income which will help to balance the effect of the cyclical nature of the Group's large-scale engineering projects.

Regional economic development is generating increasing demand for water and all forms of energy across Asia. Moving forward, the Group is intensifying the search for high potential infrastructure; to acquire and manage more projects in the region.

IN APPRECIATION

TEE continues to gain new strengths that build upon a strong heritage of excellence and the outlook of the Group is bright.

On behalf of the Board of Directors, I would like to express my gratitude and also congratulate the management and staff of TEE on another year of good performance. Under the capable stewardship and tireless leadership of Mr. C K Phua, the Group continues to look forward with confidence and commitment to create sustainable growth while enhancing value. Finally, to the shareholders of TEE, I would also like to thank you for your support and putting your trust in us.

As the TEE Group of companies extends its wings to more territories and bigger projects, I invite you to continue being part of TEE 's future.

Thank you.

BERTIE CHENG

Non-Executive Chairman

GROUP CHIEF EXECUTIVE & MANAGING DIRECTOR'S MESSAGE

"AS MARKETS IN ASIA CONTINUE TO EXPAND, THE PROVISION OF RELIABLE INFRASTRUCTURE HAS EMERGED AS A KEY LIMITATION TO GROWTH. TEE AIMS TO WIN A PIECE OF THIS LUCRATIVE MARKET BY SELECTIVELY DEVELOPING OPPORTUNITIES IN THESE AREAS." – C K PHUA

Dear Shareholders,

It is my pleasure to share with you my report on TEE for FY2013. The management and staff of TEE have put in yet another year of strong performance both financially and operationally.

FY2013 has been a watershed year for the Group and I would like to take the opportunity to review our growth and evolution over the years with you.

TEE was born on 15 August 2000, 13 years ago. Prior to that, the Group started out when I engineered a Management Buyout (MBO) of Trans Equatorial Engineering Pte. Ltd. in 1991.

Putting things in perspective, the Group is 22 years old in 2013.

Today, the Group operates in eight countries and two companies in the Group are listed on the Mainboard of the SGX-ST. Besides our bread and butter engineering business, we have successfully moved into the real estate space as well. Our Integrated Real Estate division has come of age in FY2013. TEE Land was successfully listed on the Mainboard of the SGX-ST, raising net proceeds of S$57.8 million at its IPO.

The business environment of the Asia and Oceania regions, where the Group operates in today, is still one of the fastest growing regions in the world and the Group is well positioned to take full advantage of the opportunities available.

TEE's engineering division continues to do well, both in terms of revenue and order books in FY2013. Over the next three years, TEE shall leverage on our engineering and project management expertise and expand our portfolio of infrastructure projects in the region, particularly in the areas of water and power generation.

Let me elaborate on my vision and strategy for the Group in the following few sections.

ENGINEERING DIVISION

At the Group level, the focus of our core Engineering division is to push forward into new territories such as Hong Kong, Macau, as well as the Philippines, to win high value and specialised engineering contracts in these markets. I am pleased that our bids for new large-scale high value projects are gaining traction and I hope that we would be able to announce new projects in the near future.

On 13 August 2013, the Group announced the signing of a Memorandum of Understanding ("MOU") to explore the possibility of acquiring a minimum 60% stake in Meco Engineering Limited, an established mechanical and electrical services company based in the Hong Kong and Macau region. The move will enable the Group to establish a strong base to bid and deliver high value large-scale and complex engineering projects in the region.

In addition, the Group has been making strategic acquisitions over the past two years to add different aspects of specialised engineering expertise to our fold. The acquisition of Global Environmental Technology Co., Ltd. ("GETCO") gave us access to wastewater treatment opportunities in Thailand, while the Wireless Group gave us access to the rapidly growing markets in mobile telecommunications in South East Asia. More recently, the Group acquired Interlift Sales Pte Ltd, which is one of Singapore's leading large-scale manufacturers of material handling equipment and systems.

REAL ESTATE DIVISION

With our experience and the new capital raised via the IPO, TEE Land is poised to become a strong regional real estate developer. TEE Land will focus and increase exposure in key markets such as Singapore, Thailand and Malaysia to more commercial and industrial development projects. For example, we recently signed an MOU to explore opportunities in industrial estate development in Thailand.

BUILDING AN INFRASTRUCTURE PORTFOLIO

The Board and senior management of TEE conduct regular reviews of our growth strategy and future plans. The team has outlined a plan to build up a sizeable portfolio of infrastructure projects over the next three years; making infrastructure the third engine of growth for the Group. If we select, acquire and manage these projects well, the Group will be able to gain long-term recurring income at an attractive rate of return, while enjoying the immediate benefit of adding these projects to our order book. This will help to balance the cyclical nature of the Group's large-scale engineering projects.

We plan to expand our portfolio of infrastructure assets to support the rapid urbanisation and industrialisation of the region. As markets in Asia continue to expand, the provision of reliable infrastructure has emerged as a key limitation to growth. TEE aims to win a piece of this lucrative market by selectively developing opportunities in these areas.

With our experience in large-scale engineering projects and track record in facilities management, we believe TEE is well positioned to provide infrastructure solutions in the areas of water and energy resources.

HUMAN CAPITAL

In order to capitalise on the opportunities ahead, we will continue to invest in human capital and focus on creating a Group capable of sustaining growth, while enhancing value to shareholders.

We will continue to provide opportunities and platforms to groom new leaders from within the Group and remain on the lookout for like-minded talents from outside to propel future growth.

IN APPRECIATION

TEE's vision of being the best and preferred choice in our industry remains as relevant today as it was decades ago. The importance of human capital cannot be understated. Regardless of economic conditions, the Group continues to move ahead and embrace change, whether it is in opening a new market, taking on a new project or developing new capabilities.

In concluding my report, I would like to extend my gratitude to all members of the Board, management and staff of TEE. Your steadfast commitment to the Group's vision and mission has been the very foundation of growth. To the shareholders of TEE, I would also like to express my deep appreciation for your ongoing support for the Group over the years.

The journey over the last 22 years has not been easy but it was full of challenges, excitement and satisfaction for me personally. I look forward to many further years of fruitful growth together with all of you.

Thank you.

C K PHUA

Group Chief Executive & Managing Director

OPERATING AND FINANCIAL REVIEW

Statement of Comprehensive Income	2013 S$'000	2012 S$'000	Change %
Revenue			
Engineering	182,658	131,690	38.7
Integrated Real Estate	33,883	11,941	183.8
Total Revenue	**216,541**	**143,631**	**50.8**
Cost of Sales	(184,710)	(112,479)	64.2
Gross Profit	**31,831**	**31,152**	**2.2**
Other Operating Income	4,045	3,682	9.9
Administrative Expenses	(17,950)	(13,110)	36.9
Other Operating Expenses	(1,891)	(195)	869.7
Share of Results of Associates	2,194	2,191	0.1
Finance Costs	(2,322)	(1,525)	52.3
Profit Before Tax	**15,907**	**22,195**	**(28.3)**
Income Tax Expenses	(2,712)	(3,078)	(11.9)
Profit of the Year	**13,195**	**19,117**	**(31.0)**
Profit attributable to:-			
Owners of the Company	13,203	19,286	(31.5)
Non-controlling Interests	(8)	(169)	(95.3)
	13,195	**19,117**	**(31.0)**

Revenue
For FY2013, the Group's revenue increased by 50.8% to S$216.5 million is resulted from 2 business segments namely Engineering and Integrated Real Estate. The segmented revenue of Engineering and Integrated Real Estate increased by S$51.0 million or 38.7% to S$182.7 million and by S$21.9 million or 183.8% to S$33.9 million respectively. This was mainly due to the recognition of revenue from on-going/ completed engineering projects and property development projects of 448@East Coast, Peak@Cairnhill I and 91 Marshall.

Engineering
Currently the Group has an outstanding order book of S$139.6 million in Singapore and the region. As a niche player with an established track record, the Group will continue to aggressively pursue new orders in Singapore and the region. In addition to the above, the Group's associates have an outstanding order book of S$75.8 million in Malaysia and Thailand for its telecommunication engineering and wastewater treatment businesses.

The Group remains prudent in managing its business operations and cost efficiencies.

Integrated Real Estate
The Group's real estate subsidiary, TEE Land Limited has contracted sales of S$77.7 million for its on-going residential property development projects in Singapore (excluding associates). In Thailand, the Group's associates have contracted sales of approximately S$22.2 million for on-going residential property development projects.

The Group through its recently listed 70.69% owned subsidiary, TEE Land Limited, is better positioned to take advantage of investment opportunity and expand its land portfolio in Singapore and the region.

Cost of Sales
The increase in the Group's cost of sales by 64.2% to S$184.7 million was mainly due to higher cost incurred from the on-going/completed engineering and property development projects which is in line with the increase in the Group's revenue.

Administrative Expenses
Administrative expenses for FY2013 increased by S$4.8 million to S$17.9 million as compared to the full year ended 31 May 2012 ("FY2012"). The increase was mainly due to the marketing expenses for property development projects and administrative expenses of its newly acquired Interlift Sales Pte Ltd.

Other Operating Expenses
Other operating expenses for FY2013 increased by S$1.7 million to S$1.9 million due to expenses incurred for the listing of the Group's integrated real estate subsidiary, TEE Land.

Profit Before Tax
Overall, the Group recorded a profit before tax of S$15.9 million for FY2013 as compared to S$22.2 million for FY2012. The decrease was mainly due to the increase in administrative and other operating expenses.

Construction Work-In-Progress
Construction work-in-progress in excess of progress billings increased by S$21.9 million mainly due to the on-going engineering projects.

Development Properties
The increase in development properties by S$20.8 million was due to the acquisition of new land in Singapore and Malaysia as well as continued capitalisation of construction and development costs.

Statement of Financial Position	2013 S$'000	2012 S$'000	Change %
Current Assets	279,934	171,916	62.8
Total Assets	363,770	241,693	50.5
Cash and Bank balances	49,696	21,656	129.5
Trade Receivables	54,143	29,458	83.8
Construction Work-In-Progress in excess of Progress Billings	36,439	14,533	150.7
Development Properties	112,361	91,530	22.8
Investment in Associates	20,881	11,539	81.0
Current Liabilities	174,602	102,402	70.5
Total Liabilities	263,446	167,388	57.4
Bank Loans and Overdrafts	70,084	32,714	114.2
Trade Payables	56,350	30,835	82.7
Loan-Term Bank Loans	94,491	70,253	34.5
Equity Attributable to Owners of the Company	93,188	75,635	23.2

Statement of Cash Flows	2013 S$'000	2012 S$'000	Change %
Net cash used in Operating Activities	(36,530)	(26,311)	38.8
Net cash used in Investing Activities	(5,949)	(15,333)	(61.2)
Net cash from Financing Activities	63,868	16,721	282.0

Trade Receivables and Payables
Trade receivables and payables increased by S$24.7 million and S$25.5 million respectively which is in line with the increase in revenue and cost of sales.

Investment in Associates
The increase in investment in associates by S$9.3 million was mainly due to share of results of associates and the set-up and investment in the Group's Singapore associates in order to fund new property development projects. In line with the restructuring exercise to include only the property development businesses in the recently listed subsidiary, the Group's 49% owned Thai associate, Chewathai Ltd transferred its 49% equity interests in GETCO which is engaged in the wastewater treatment business to TEE Resources Pte Ltd, another wholly-owned subsidiary of the Company and the 51% equity interests to another Thai shareholder.

Bank Loans and Overdrafts
The increase in bank loans and overdrafts by S$37.4 million was mainly due to additional working capital and funding requirements for new/on-going engineering and property development projects.

Long-Term Bank Loans
Long-term bank loans increased by S$24.2 million mainly due to drawdown of loans to finance the acquisition of new land in Singapore and Malaysia.

Operating Activities
The utilisation of S$36.5 million in operating activities during FY2013 was mainly due to movements in working capital such as trade receivables, construction work-in-progress and development properties.

Investing Activities
The utilisation of S$5.9 million in investing activities during FY2013 was mainly due to loans made to associates, purchase of property, plant and equipment and the acquisition of a subsidiary.

Financing Activities
The Group raised S$63.9 million (net cash from financing activities) during FY2013 via a combination of loans as well as the proceeds of S$15.0 million from the exercise of warrants.

As a result, there was a net increase in cash and cash equivalents of S$21.4 million bringing the total cash and cash equivalents to S$33.2 million as at 31 May 2013.

GROUP FINANCIAL HIGHLIGHTS

	2013	2012	2011	2010
For the Year				
Revenue (S$'000)	**216,541**	143,631	247,172	159,597
Gross profit (S$'000)	**31,831**	31,152	29,358	23,841
Gross profit margin (%)	**14.7**	21.7	11.9	14.9
Earnings before interest, tax, depreciation and amortisation (EBITDA) (S$'000)	**17,983**	22,421	20,407	15,793
Operating profit (S$'000)	**16,181**	21,853	20,275	15,474
Profit before tax (S$'000)	**15,907**	22,195	19,114	14,233
Pre-tax profit margin (%)	**7.3**	15.5	7.7	8.9
Profit for the year (S$'000)	**13,195**	19,117	16,396	11,597
After-tax profit margin (%)	**6.1**	13.3	6.6	7.3
Profit attributable to owners of the Company (S$'000)	**13,203**	19,286	16,990	11,564
At Year End (S$'000)				
Current assets	**279,934**	171,916	176,730	134,360
Total assets	**363,770**	241,693	224,448	169,366
Current liabilities	**174,602**	102,402	103,180	97,407
Total liabilities	**263,446**	167,388	165,473	133,100
Total debts (including finance lease*)	**165,530**	103,411	81,645	85,852
Equity attributable to owners of the Company	**93,188**	75,635	60,153	36,905
Total equity	**100,324**	74,305	58,975	36,266
Number of shares as at 31 May+	**466,228,410**	372,288,998	343,759,998	281,642,372

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

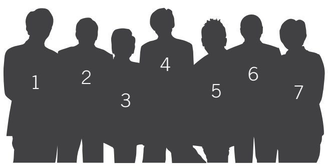
+ The number of issued shares has been adjusted for the share split of each ordinary share into 2 ordinary shares

	2013	2012	2011	2010
Profitability ratios				
Return on shareholders' equity (%)	**14.2**	25.5	28.2	31.3
Return on total assets (%)	**3.6**	8.0	7.6	6.8
Leverage ratios				
Long-term debt to equity ratio (times)	**0.8**	0.8	1.0	0.8
Total debt to equity ratio (times)	**1.6**	1.4	1.4	2.4
Interest cover (times)	**7.0**	14.3	9.4	8.6
Liquidity analysis ratios				
Current ratio (times)	**1.6**	1.7	1.7	1.4
Net asset value per share (cents)	**20.0**	20.3	17.5	13.1
Shareholders' investment ratios				
Earnings per share (cents)	**3.13**	5.39	5.46	4.11
Gross dividend per share (cents)	**3.15**	2.35	2.25	2.20
Dividend cover (times)	**1.0**	2.3	2.4	1.9
Productivity				
Number of employees	**795**	336	360	377
Revenue/employee (S$'000)	**272.4**	427.5	686.6	423.3
Number of employees (excluded workers)	**226**	218	193	186
Revenue/employee (S$'000)	**958.1**	658.9	1,280.7	858.0

Expanding Our Capabilities

Tapping on our strong engineering background, we have widened our scope of services to offer Infrastructure services for buildings, waste and water treatment, land transport and renewable energy. Our diversified capabilities provide integrated solutions to better cater to the specific needs of all our clients.

BOARD OF DIRECTORS



1. Mr. Lee Ah Fong
2. Mr. Tan Boen Eng
3. Mr. Bertie Cheng Shao Shiong
4. Mr. Phua Boon Kin
5. Mr. Phua Chian Kin
6. Mr. Gn Hiang Meng
7. Ms. Saw Chin Choo

MR. BERTIE CHENG SHAO SHIONG, 76
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-appointed as a Director of the Company on 27 September 2012. Mr. Cheng is the Chairman of the Executive Committee and a Member of the Nominating Committee.

Mr. Cheng retired as the Chief Executive Officer of POSBank in July 1997. He was appointed as Advisor to POSBank on 1 June 2010. He holds and has held directorships, in both listed and non-listed companies. Currently, he is the Chairman of TeleChoice International Limited. He is also a Director of Hong Leong Finance Limited, Pacific Andes Resources Development Limited and Baiduri Bank Berhad. Other appointments include being the Chairman of the Medifund Committee, Singapore General Hospital, Vice-Chairman of the Board of Trustees, Consumers Association of Singapore Endowment (“CASE”) Fund 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, 54
Group Chief Executive & Managing Director

Mr. C K Phua has been the Group Chief Executive & Managing Director of TEE 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 TEE.

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

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.

BOARD OF DIRECTORS

MR. TAN BOEN ENG, 80
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-appointed as a Director of the Company on 27 September 2012. 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 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, Nanyang Technological University. Mr. Tan was the President of the Institute of Certified Public Accountants of Singapore from April 1995 to April 2009. 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 Singapore Chartered Accountants and CPA Australia. He received the Public Administration Medal (Silver) in 1975.

MR. LEE AH FONG, 67
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 Ltd and legal advisor to several associations, societies and companies. He is also an Independent Director of Cortina Holdings Limited and TA Corporation Ltd.

Mr. Lee qualified as Barrister-at-Law (Middle Temple) in 1980 and was admitted to the Singapore Bar in 1981. He handled 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.

MR. GN HIANG MENG, 65
Non-Executive Director

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

Mr. Gn was appointed as an Independent and Non-Executive Director of the Company on 1 June 2013. He serves as Chairman of the Remuneration Committee and a Member of the Audit Committee, Executive Committee and the Nominating Committee.

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

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

MS. SAW CHIN CHOO, 51
Executive Director

Ms. Saw was appointed to the Board of Directors on 10 September 2004 and was last re-elected as an Executive Director of the Company on 27 September 2012.

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

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

She currently holds a position as a Company Director in PBT Engineering 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 Non-Executive Director of TEE Land.

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

MR. PHUA BOON KIN, 51
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 27 September 2012.

Mr. Phua currently holds the post of Managing Director, Engineering, and is overall in charge of the Group's Engineering Business. He has more than 28 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 22 years and has held various appointments in both of these subsidiaries.

He is currently a Company Director in PBT Engineering Pte. Ltd., Security Pro-Telco Pte. Ltd., Trans Equatorial Engineering Pte Ltd, TEE Management Pte Ltd and TEE Engineering Private Limited. He is also a Company Director in one of our Thai subsidiaries, Oscar Estate Management Co., Ltd..

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

KEY EXECUTIVES

MR. SIM GEOK SOON

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, gaming, water and waste sectors. He is also involved in various aspects of business development of Mechanical and Electrical ("M&E") Infrastructure and Special projects in Singapore and overseas.

Mr. Sim has more than 29 years of project execution and project management in the M&E industry. He is currently the Company Director of Trans Equatorial Engineering Pte. Ltd., TEE Philippines, Inc. and Interlift Sales Pte Ltd.

MS. YEO AI MEI, CA

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 Chartered Accountant of Singapore and Certified Practising Accountant of CPA Australia. She is also a Company Director of Interlift Sales Pte Ltd.

MR. TOH CHIEN JUIN

Project Director, Electrical Engineering

Mr. Toh joined the Group in 1998. Mr. Toh is well equipped with the experience and knowledge to handle the large-scale Mechanical, Electrical, Plumbing, Sanitary and Fire Protection ("MEPF") Systems Works project. He is currently in charge of P&G Singapore Innovation Center project. Mr. Toh also takes charge of the Daily operation of the Electrical Team. Mr. Toh is currently the Company Director of Trans Equatorial Engineering Pte. Ltd.

MR. WONG YUN SENG, EDRIC

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 unit. He handles all communications with team members, suppliers, sub-contractors and personally keeps a tight rein on urgent project schedules.

KEY EXECUTIVES

MR. CHIA YOKE HENG HENRY

Project Director, Rebuilding Engineering

Mr. Chia joined the Group in 2004. He is responsible for the tendering and construction 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.

Mr. Chia holds a Master of Science (Building Science) from National University of Singapore and Bachelor (Honours) of Engineering (Civil Engineering).

MS. LOH CHOOI LENG

Director, Human Resources

Ms. Loh joined the Group in 2005 and was promoted to Director, Human Resources in January 2013. She is overall responsible for implementing HR policies and programs, managing employee relations and development. Besides, she manages staffing and recruiting, performance management, training and development, compensation and benefits, 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.

MR. JOHN NG KIAN BOON

Group Business Development Director

Mr. Ng heads the business development team and executes TEE's local and overseas strategy. 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, rebuilding and construction industries. He spearheads in-market projects and international 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.

MR. TAN KENG HEAN

Assistant Finance Controller, Engineering Unit

Mr. Tan joined the Group in January 2013. He oversees the full spectrum of Engineering unit's accounting, finance, and related activities. He is in charge of various local and overseas subsidiaries' accounts.

Mr. Tan holds a Degree of Bachelor of Accounting from University of Malaya. He is currently a Fellow Chartered Certified Accountant ("FCCA") of Association of Chartered Certified Accountants, Certified Public Accountant of Malaysian Institute of Certified Public Accountants and Chartered Accountant of Malaysian Institute of Accountants.

KEY
EXECUTIVES

MR. CHEE WILLIAM
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 telecom industry for the past 17 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 telecom for Keppel T&T in Vietnam and Indonesia.

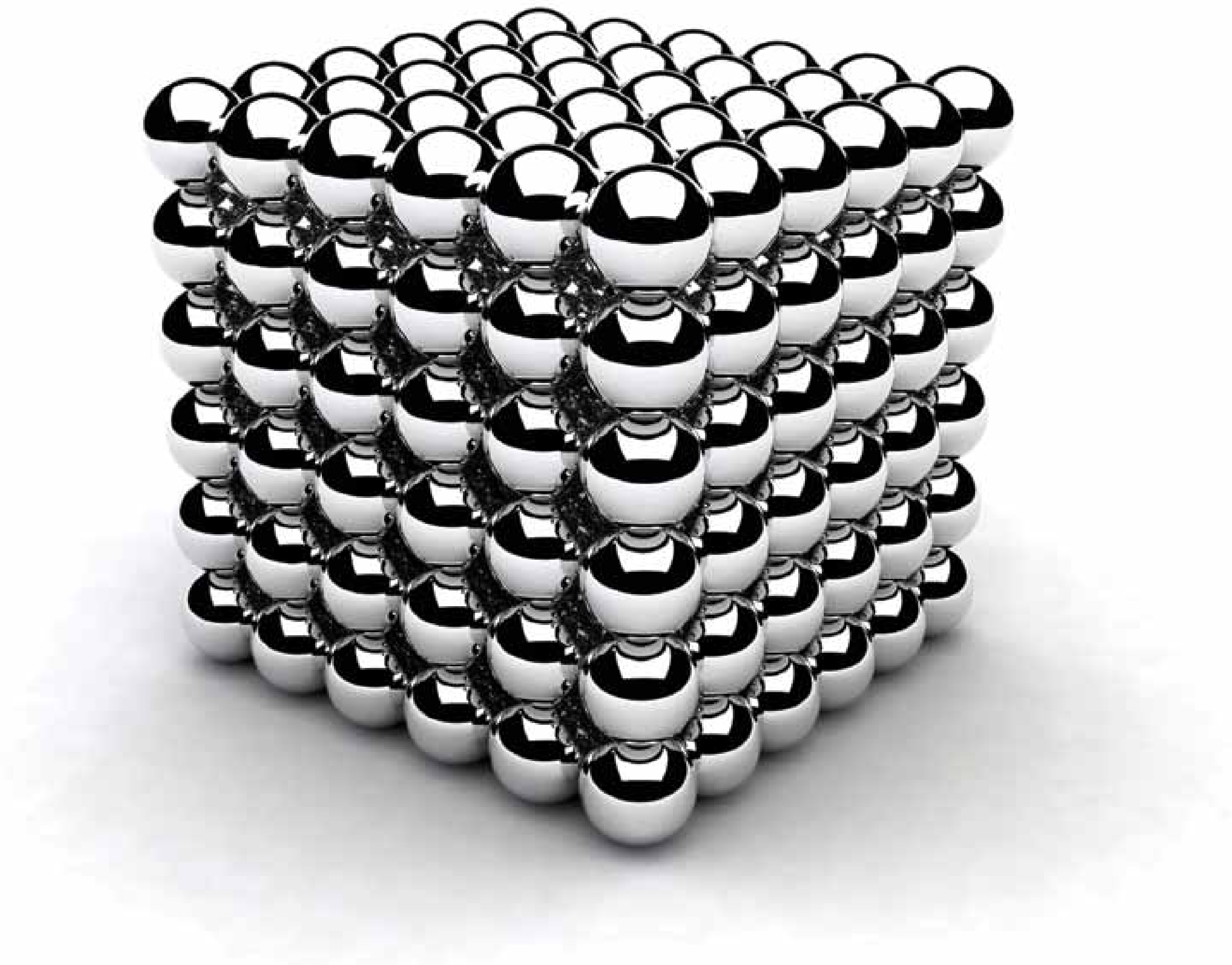
MR. CHEUNG KAY KWONG
General Manager, Hong Kong/Macau/China Operations

Mr. Cheung joined the Group in 2012. He is the General Manager overseeing and directing the Group's Hong Kong, Macau and China operations.

Mr. Cheung is a professional M&E engineer with over 30 years of working experience in business development and project management of large-scale M&E installation in the construction industry. He had previously been in the senior management position with several reputable and international electrical and mechanical contractors in Hong Kong.

IR. CHONG KOK YUEN, PEng, CEng
Operations Manager, Malaysia's Operations

Ir. Chong joined the Group in 2010. He is responsible for the operations in engineering and property development in Malaysia. He is an Engineer by training with more than 16 years of experience in the construction industry. Prior to joining TEE, he has served as a consultant and contractor to various organisations specialising in Water & Sewage M&E works within Malaysia.



Creating Values

Our proven track record has seen us clinching multiple tenders and contracts for an assortment of developments for the residential, commercial and industrial segments, as well as the management of estate and facilities. Riding on the growth momentum, we have gone further to transform ourselves and realise our goals with the listing of TEE Land Limited on the Mainboard of SGX-ST. This acts as our shining beacon and as proof that our persistence in value creation will enable us to advance to the next level and deliver long-term shareholder value.

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 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. We believe this holistic understanding 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 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 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 2013)

Source : Yahoo Finance

SHARES PERFORMANCE

<u>Stock Code</u>	
SGX	M1Z.SI
Bloomberg	TEE:SP
Reuters	TEEI.SI
<u>ISIN Code</u>	
SG2C64965297	
<u>Share Statistics</u>	
Issued and Paid-up Shares	466,228,410
Market Capitalisation	S$205.1 million
52 weeks share price range	S$0.19 – S$0.49

INVESTOR RELATIONS AND FINANCIAL CALENDAR 2013

8 January 2013	Announcement of FY2013 Half-Year Results
Book Closure Date on 8 March 2013, 5 p.m. Paid on 28 March 2013	FY2013 Declared and Paid tax exempt one-tier Interim Dividend of 0.65 Singapore cents per ordinary share
11 April 2013	Announcement of FY2013 Third Quarter Results
31 May 2013	Financial Year End
25 July 2013	Announcement of FY2013 Full-Year Results
25 July 2013	FY2013 Proposed tax exempt one-tier Final Dividend of 2.50 Singapore cents per ordinary share
25 July – 1 August 2013	Analyst and Investor Briefing for FY2013 Full-Year Results
4 September 2013	Despatch of Circular to Shareholders
11 September 2013	Despatch of Annual Reports to Shareholders
26 September 2013	13th Annual General Meeting
26 September 2013	Extraordinary General Meeting
October 2013	Announcement of FY2014 First Quarter Results

INVESTOR RELATIONS AND FINANCIAL CALENDAR 2014 (Tentative)

January 2014	Announcement of FY2014 Half-Year Results
January 2014	Analyst and Investor Briefing for FY2014 Half-Year Results
April 2014	Announcement of FY2014 Third Quarter Results
31 May 2014	Financial Year End
July 2014	Announcement of FY2014 Full-Year Results
July 2014	Analyst and Investor Briefing for FY2014 Full-Year Results
September 2014	Despatch of Annual Reports to Shareholders
September 2014	14th Annual General Meeting
October 2014	Announcement of FY2015 First Quarter Results

RISK MANAGEMENT

Introduction

At TEE, 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 the Group's primary source of revenue since 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 the Group's 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 overreliance 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.

The Group's 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 programmes 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 the Group 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.

SUSTAINABILITY REPORT
HIGHLIGHTS

TEE takes on a multi-faceted approach towards sustainability, keeping our business and sustainability goals aligned.

Human Capital

Priding ourselves as an organisation built upon our people, we are committed to build a skilled workforce that is inclusive and diverse. Through continuous training and development, we grow and nurture a constant talent pool that will enable TEE in achieving sustained growth.

Corporate Social Responsibility

We believe strongly in serving and giving back to the communities. To foster and cultivate the spirit of volunteerism and caring for the society, TEE highly encourages our employees in their participation and support for our corporate social events and activities that are held regularly.

Safety and Health

The safety and health of our employees, customers and contractors are an important aspect in the course of our business operations. TEE upholds high standards of safety and health awareness, implementing and reviewing workplace safety practices and health programmes to instill a sense of responsibility and mindset on a safe workplace and sustainable lifestyle.

Environmental

The Group sees environmental protection and stewardship as part of our responsibility as a corporate citizen. We adopt environmentally-friendly practices, and with our “Go Green Committee”, further drive the Group in our goal to protect and sustain the environment we work in.

Legal

TEE maintains strict compliance with the statutory rules and regulations, conducting our business in an honest and transparent manner. Regular internal audits are carried out and financial risk management policies are also put into action to enhance our internal management and controls to protect the interests of our stakeholders in all our operations.

Corporate Social Responsibility ("CSR") is rooted in our core values and philosophy. TEE cares deeply about serving and giving back to the community and seeks to be a corporate model. We encourage the spirit of volunteerism and actively involve all our staff in the regular community work that TEE organises. Established since 2007, our CSR Committee has planned and organised events and activities for the Villa Francis Home for the Aged ("VF") as well as other meaningful and worthy causes.

Fun Fiesta, November 2012

TEE organised a Fun Fiesta for the residents at VF, where we specially engaged an events planner to decorate the place like a "Mini Carnival". We had the place done up with colourful balloons and banners, setting up a few game stalls and prizes for the winners of the games. The old folks thoroughly enjoyed themselves playing games such as transfer ball and looping bottles with TEE 's staff. Buffet lunch was provided after the event and we distributed fun packs to each of the residents.

Nee Soon South GRC Hotmeal cum Birthday Celebration, January 2013

Our former Non-Executive Director cum MP Er. Dr. Lee Bee Wah, together with our Executive Director, Mr. Eric Phua Boon Kin, attended the event personally to distribute hot meals to the needy citizens, especially senior citizens. Lunch for the residents this year was served in buffet style. TEE also celebrated the birthdays of residents born in the month of January.

Pre-Chinese New Year Celebration, February 2013

In the Year of the Snake, TEE continued our tradition of celebrating Chinese New Year with the VF family. We started off this joyous celebration with singing and dancing, followed by a magic show performance that delighted the elderly residents. The lion dance performance added on to the festive mood and all the residents were clapping and cheering to the performance. After the event, buffet lunch and auspicious raw fish salad, known as "Yu Sheng", were provided, bringing an end to a happy and lively day.

CORPORATE
SOCIAL RESPONSIBILITY

Caregiver's Dinner, February 2013

This year, TEE held a caregiver's dinner for the residents of VF. A few tables were laid and all of us sat down to enjoy a full course meal while watching and participating in the caregiver's performance specially put up for our VF residents.

Mother's Day & Birthday Party, May 2013

We celebrated Mother's Day as well as the birthday of Mr. C K Phua, our Group Chief Executive & Managing Director, with the residents of VF. We planned a handicrafts session where TEE 's staff paired up with the elderly folks to guide and assist them in creating their own handcrafted flower. The VF residents were also given cupcakes after the celebration and lunch buffet.

Wall Mural done by students from Guangyang and Whitley Secondary School at TEE's Junction 8 project

TEE participated in this mural project coordinated by the management of Junction 8 Shopping Centre and fully sponsored by TEE 's wholly-owned subsidiary, PBT Engineering Pte. Ltd. We provided all the painting material, equipment as well as painting platforms for the wall painting drawn and painted by students from Guangyang and Whitley Secondary School at our project at Junction 8.

HUMAN CAPITAL





CREATING A HOLISTIC TEE

TEE recognises that human capital is a vital asset central to any organisation, and people play an important part in the business value chain. We aim to maximise the potential of our people through goal alignment, training and courses as well as self-development programmes that not only enhance their performance, but also nurture their personal growth. Our human capital strategy encompasses a comprehensive system of regular recruitment, training, retention and fostering of our staff to groom a constant pool of future leaders. Tapping on the capabilities of our workforce, we will channel this energy to sustain the growth of TEE and create greater values for us to be the leading specialist of choice.

HUMAN CAPITAL






Fostering our People

TEE remains steadfast in our commitment to attract, recruit, retain and develop talented individuals to tap on their capabilities and help the Group advance to the next level. We provide training and development in the form of various programmes and upgrading courses for our employees to help them refine their skills, enhance their areas of competencies and achieve improved performance. The courses range from soft skills to personal and professional development training, to unlock their potential, thereby heightening our standards of excellence.

An employee having a sense of belonging to the company is imperative, as that would mean they see their work as a long-term career, working towards a common goal and growing with the company. TEE aims to be the best in providing long-term career as well as career advancement for our staff. We create an open platform for communication, developing strategies and programmes to help employees understand and align their performance, goals and beliefs with the Group and its operations. TEE has established a code of conduct that sets out the main principles of the conduct and business ethics covering areas such as conflicts of interest, confidentiality of information and conduct in workplace for the employees. In addition, we have a Whistle Blowing Policy in place to enable our employees, to signal serious matters that they may be aware of.

Succession planning is an essential segment in the management of a sustainable enterprise. We identify and groom future talents through mentoring and training, where we empower the next generation leaders in their leadership and management skills. In the constantly evolving business environment today, the availability of a continuous talent pool will inject dynamism and fresh ideas to regenerate our business model, allowing us to maintain the additional edge over our competitors.

Caring for our People

TEE cares for the wellness of our employees, as we believe healthy individuals and organisational growth are closely interlinked. We advocate a positive workplace culture and work-life balance. To encourage and enhance staff relations

HUMAN
CAPITAL

and interactions, various team building events such as bowling tournaments, telematches, relays and outings etc. are held, serving as a platform for team bonding, increasing employee morale and creating a conducive working environment.

Apart from our emphasis on a healthy lifestyle and work-life harmony, the Group also places high importance on the spirit of volunteerism. We organise social activities such as community services, dinners and retreats for our staff to encourage social communication and community work and to instil the culture of giving back to the society.

Each and every employee at TEE is recognised and appreciated for their contribution and commitment to the company. We have in place a comprehensive remuneration and benefit scheme that is in line with market practices. The loyalty of our people is highly valued, and we will duly reward employees for their efforts in giving the best to the company.

STATISTICS ON QUALIFICATION

Qualification	No. of Staff
Degree and above	99
Diploma and equivalent	49
Secondary and below	84
Skill certificates	563
Total	**795**

LEADERSHIP RENEWAL

Description	Team 2013
Average age	39
Nationalities	Singaporean Malaysian Burmese
Highest education level	Master
Lowest education level	O Level

STATISTICS ON HUMAN TALENTS

Level	No. of Staff
Board of Directors - Executive	3
Key Executive	11
Senior Management	18
Junior and Middle Management	40
Administrative and clerical	52
Site operations	102
Non-Traditional Source/Skilled workers	569
Total	**795**

STATISTICS ON LENGTH OF SERVICE

Year of Service	No.of Staff
Less than 5 years	697
5 to 10 years	66
Over 10 years	32
Total	**795**

SAFETY, HEALTH, ENVIRONMENTAL AND LEGAL AWARENESS

Safety and Health Awareness

Be it our employees, contractors and even the general public we interact with, we believe their health and safety is a fundamental step in how we develop as a leading corporation. TEE takes it in our utmost interest in protecting the health and safety of all individuals in relation to our activities, and acts on this commitment through a series of initiatives and activities. We constantly review, improve and implement safety practices, identify and manage the Group's safety and health risks to reduce any potential accidents at our work sites. Regular safety awareness trainings are conducted to instill the importance of safety awareness in all our staff and encourage them to abide by all safety protocols in their course of work. We also habitually send our employees for safety courses like safety orientation, building construction safety supervisor courses, etc. 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. As part of the bizSAFE programme, we have been awarded both the ISO 9004: 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 largely aided us in our successful application for the bizSAFE Star award. TEE was bestowed the bizSAFE award as recognition of our efforts in improving workplace safety and health such as implementing workplace safety practices and health programmes such as Risk Management. We adopt a comprehensive approach in the education and inculcation of the right mindset in safety culture, starting from the top management and extending it down to all levels of our workforce. This way, we seek to motivate more employee involvement and commitment in ensuring a safe and healthy working environment for all.

Environmental Awareness

We are aware of the impact we have on the environment as a leading engineering and real estate corporation, and try to make efforts to protect and sustain the environment we work in. The TEE Group conducts all aspects of our business in a manner that ensures compliance with environmental laws. We believe in environmental protection and stewardship, and take upon ourselves to foster awareness and responsibility amongst all employees by developing and practicing environmentally-friendly measures.

Cognisant that pollution prevention and resource conservation are key to a sustainable environment, TEE has implemented several "green" initiatives like paper recycling, circulating "Go Green" awareness emails and adding "Support the Green Movement" messages to the signature of staff emails within TEE. We are also ardent supporters of the government's call to conserve energy and minimise the wastage of electricity with the use of light sensors in the office.

TEE has also been awarded the Environmental Management Systems ISO 14001: 2004 certification, and we hope to lead other engineering companies in taking up the responsibility to reduce the adverse impact engineering and construction works have on the environment and eco-system. In our determination to further promote and strengthen green practices within the Group, TEE has set up our own "Go Green Committee" to work towards our goal of providing a pollution-free conducive working environment that complies with applicable environmental standards and other requirements.

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

We place strong emphasis on the importance of timely, accurate and transparent disclosure of information to protect our shareholders' interests. Internal audits are carried out on a regular basis with the appointment of BDO LLP ("BDO") to provide internal audit services within the Group. BDO is part of a global network of legally independent firms providing quality audit, risk, business advisory and consultancy services.

The assistance of the Group's internal and external auditors helps to augment TEE 's internal management and controls. Furthermore, 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 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 Committee meetings held during the financial year ended 31 May 2013 ("FY2013") and the attendance of every Board member at the meetings are set out below:

	Board Committee Meetings							
Name of Director	**Board of Directors' Meeting**		**Audit Committee Meeting**		**Nominating Committee Meeting**		**Remuneration Committee Meeting**	
	No. of meetings held*	No. of meetings attended	No. of meetings held*	No. of meetings attended	No. of meetings held*	No. of meetings attended	No. of meetings held*	No. of meetings attended
Mr. Bertie Cheng Shao Shiong	4	4	–	–	3	3	–	–
Mr. Tan Boen Eng	4	4	6	6	–	–	3	3
Er. Dr. Lee Bee Wah[1]	4	4	6	6	–	–	3	3
Mr. Lee Ah Fong	4	4	6	6	3	3	3	3
Mr. Phua Chian Kin	4	4	–	–	3	3	–	–
Ms. Saw Chin Choo	4	4	–	–	–	–	–	–
Mr. Phua Boon Kin	4	4	–	–	–	–	–	–
Mr. Gn Hiang Meng[2]	4	–	6	–	3	–	3	–

1 Er. Dr. Lee Bee Wah has resigned with effect from 15 May 2013.

2 Mr. Gn Hiang Meng was appointed as an Independent and Non-Executive Director with effect from 1 June 2013.

* Number of meetings held during the period when the respective Directors served on the Board.

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
Mr. Lee Ah Fong
Mr. Gn Hiang Meng

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 25. The composition of the Board enables the Management to benefit from the objective perspective on issues brought 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 Independent and Non-Executive Directors provide, amongst other things, strategic guidance to the Company based on their professional knowledge, in particular, assisting to constructively challenge and develop proposals on strategy. The Independent and Non-Executive 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 appointed. Mr. Bertie Cheng Shao Shiong is the Chairman of the Executive Committee. More details on the Executive Committee can be found on page 55.

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.

There is 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 50, 48 and 55 respectively.

With effect from 24 July 2013, the Nominating Committee ("NC") comprises three Independent and Non-Executive Directors and an Executive Director as follows:

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

Executive Director
Mr. Phua Chian Kin

The majority of the NC members are independent from business and management relationships. Three 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 Director retiring by rotation under Article 88 of the Company's Articles of Association, namely Mr. Gn Hiang Meng for re-election at the forthcoming AGM which has been scheduled to be held on 26 September 2013.

The NC has recommended the nomination of Director retiring by rotation under Article 89 of the Company's Articles of Association, namely Mr. Lee Ah Fong, for re-election at the forthcoming AGM which has been scheduled to be held on 26 September 2013.

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, Mr. Lee Ah Fong and Mr. Gn Hiang Meng 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	76	Independent / Non-Executive	5 March 2001	27 September 2012
Mr. Tan Boen Eng	80	Independent / Non-Executive	5 March 2001	27 September 2012
Er. Dr. Lee Bee Wah[1]	52	Independent / Non-Executive	26 September 2008	22 September 2011
Mr. Lee Ah Fong	67	Independent / Non-Executive	1 March 2011	22 September 2011
Mr. Gn Hiang Meng[2]	65	Independent / Non-Executive	1 June 2013	Not applicable
Mr. Phua Chian Kin	54	Non-independent / Executive	15 August 2000	Not applicable
Ms. Saw Chin Choo	51	Non-independent / Executive	10 September 2004	27 September 2012
Mr. Phua Boon Kin	51	Non-independent / Executive	1 September 2008	27 September 2012

1 Er. Dr. Lee Bee Wah has resigned with effect from 15 May 2013.

2 Mr. Gn Hiang Meng was appointed as an Independent Director with effect from 1 June 2013.

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 FY2013.

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 24 July 2013, the Remuneration Committee ("RC") comprises three Independent and Non-Executive Directors as follows:

Independent and Non-Executive Directors
Mr. Gn Hiang Meng (Chairman)
Mr. Tan Boen Eng
Mr. Lee Ah Fong

All the RC members are independent from business and management relationships. The Independent Directors, including Mr. Gn Hiang Meng, 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. 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 governs 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 2013. There are no onerous removal clauses or early termination clauses.

The breakdown of the level and mix of remuneration paid to each Director of the Company (in percentage terms) for FY2013 is as follows:

Directors' Remuneration

Remuneration bands & Name of Director of the Company	Director's Fees %[1]	Attendance Fees %	Salaries %[2]	Bonuses %[2]
S$1,250,000 to below S$1,500,000				
Mr. Phua Chian Kin	–	1	19	80
S$250,000 to below S$500,000				
Mr. Phua Boon Kin[3]	–	3	90	7
S$100,000 to below S$250,000				
Ms. Saw Chin Choo	–	3	90	7
Below S$100,000				
Mr. Bertie Cheng Shao Shiong	90	10	–	–
Mr. Tan Boen Eng	88	12	–	–
Er. Dr. Lee Bee Wah	80	20	–	–
Mr. Lee Ah Fong	76	24	–	–
Mr. Gn Hiang Meng[4]	–	–	–	–

1 The Directors' fees of S$210,250 were approved at the Twelfth AGM held on 27 September 2012. 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 FY2013.

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.

4 There are no fees payable to Mr. Gn Hiang Meng as he was appointed on 1 June 2013.

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 11 Key Executives who are not the Executive Directors of the Company in bands as shown below for FY2013:

Remuneration bands	FY2013
S$200,000 to below S$250,000	2
S$100,000 to below S$200,000	8
Below S$100,000	1

Save as disclosed above, there is no Key Executive related to a Director, whose remuneration exceeded S$150,000 in FY2013.

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 1 June 2013, the Audit Committee ("AC") consists of three Independent and Non-Executive Directors as follows:

Independent and Non-Executive Directors
Mr. Tan Boen Eng (Chairman)
Mr. Lee Ah Fong
Mr. Gn Hiang Meng

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 and 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 plans, including nature and scope of audit before the commencement of each audit, evaluation of the group's system of internal accounting controls, auditors' report and management letters with the internal and external auditors;
- Review announcements of results of the company and the group before submission to the Board for approval;
- Review the assistance and co-operation given by the Management to the internal and external auditors;
- Review the results of the external auditors' examination of the statement of financial position and changes in equity of the company, the consolidated financial statements of the group;

- 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;

- Review with the internal auditors the effectiveness and adequacy of the internal control policies and procedures in addressing the financial, operational and compliance risks of the group including their recommendations on improving the internal control of the company and the group;

- Make recommendations to the Board on the appointment or re-appointment of the internal and external auditors, audit fees and matters relating to the resignation and dismissal of the auditors;

- Review the independence and objectivity of the external auditors where non-audit services are provided by them;

- Meet with the internal and external auditors without the presence of management;

- 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 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 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 internal and external auditors, the scope and quality of their audits and the independence and objectivity of the internal and 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 Rule 712 & 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 Notes 14 and 15 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 fees payable to Messrs Deloitte & Touche LLP are disclosed in Note 40 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, the 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.

There were no whistle-blowing letters or complaints received during FY2013 and until the date of this report.

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 BDO LLP ("BDO") to provide internal audit services within the Group.

BDO performs its internal audits according to the Global BDO Internal Audit methodology which is consistent with the International Standards for the Professional Practice of Internal Auditing promulgated by The Institute of Internal Auditors. The AC is satisfied that BDO has sufficient and competent resources to carry out the internal audit function for the Company and its subsidiaries.

BDO has reviewed key internal controls in selected areas in consultation with, but independent of the Management. In the review, BDO 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 Board with the concurrence of the AC, is of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, were adequate as at FY2013.

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. In addition to the issue of the Notice of AGM 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.

The guidelines on Share Buy-Back Mandate, to be renewed at the Company's forthcoming AGM also provides that the Company will not repurchase or acquire any share through on-market share purchases during the period commencing two weeks and one month immediately preceding the announcement of the Company's quarterly and full-year results respectively.

MATERIAL CONTRACTS

Other than as disclosed under Interested Person Transactions, pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST, no material contract involving the interests of the 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 the SGX-ST.

The aggregate values of all interested person transactions during the financial year (excluding transactions less than S$100,000) in FY2013 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	128	–	Company with common directors

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 on page 32 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 24 July 2013, the Executive Committee ("EXCO") consists of four members as follows:

Mr. Bertie Cheng Shao Shiong (Chairman)
Mr. Lee Ah Fong
Mr. Gn Hiang Meng
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 FY2013 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 (Chairman)	5	5
Er. Dr. Lee Bee Wah (Resigned on 15 May 2013)	5	5
Mr. Lee Ah Fong	5	5
Mr. Gn Hiang Meng (Appointed on 1 June 2013)	5	–
Mr. Phua Chian Kin	5	5

* Number of meetings held during the period when the respective Directors served on the Board.

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, 2013.

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
Mr. Lee Ah Fong
Mr. Gn Hiang Meng (Appointed on June 1, 2013)
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	7,300,000	7,300,000	4,000,000	4,000,000
Mr. Tan Boen Eng	191,800	191,800	–	–
Mr. Phua Chian Kin	200,595,754	236,544,282	14,400,924	16,376,264
Ms. Saw Chin Choo	1,136,400	1,136,400	3,312	3,312
Mr. Phua Boon Kin	105,172	105,172	–	–
		Warrants to subscribe for ordinary shares at the exercise price of $0.16 each		
The company				
Mr. Bertie Cheng Shao Shiong	3,200,000	–	–	–
Mr. Phua Chian Kin	52,948,528	–	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 subsidiaries of the company.

The directors' interests in shares and warrants of the company at June 21, 2013 were the same at May 31, 2013.

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 options to take up unissued shares of the company or any corporation in the group were granted, other than the warrants as disclosed below:

Date of issue	Balance at June 1, 2012	Additions during the year	Exercised during the year	Expired during the year	Balance at May 31, 2013	Exercise price	Exercise period
						$	
<u>TEE International Limited</u>							
<u>Warrants over ordinary shares</u>							
March 3, 2010	94,021,930	–	(93,939,412)	(82,518)	–	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 options, other than the warrants disclosed above.

6 AUDIT COMMITTEE

The Audit Committee comprised two 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)
Mr. Lee Ah Fong	(Independent non-executive director)
Mr. Gn Hiang Meng	(Independent non-executive director) (Appointed on June 1, 2013)

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 and the assistance and co-operation given by the management to them;

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

(c) the announcements of results of the company and the group;

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

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

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

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

(h) interested person transactions; and

(i) any potential conflicts of interest.

The Audit Committee has full access to and co-operation of 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 5, 2013

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 63 to 130 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, 2013, 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 May 31, 2013 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 5, 2013

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, 2013, 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 63 to 130.

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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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, 2013 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.

Emphasis of Matter

We draw attention to Note 51 to the financial statements which indicates that two directors of the company are the subject of investigation by the Commercial Affairs Department 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.

INDEPENDENT
AUDITORS' REPORT
To the Members of TEE International Limited

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
Chartered Accountants

Singapore
September 5, 2013

STATEMENTS OF FINANCIAL POSITION

May 31, 2013

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
ASSETS					
Current assets					
Cash and bank balances	6	49,696	21,656	4,580	4,155
Trade receivables	7	54,143	29,458	15,620	8,304
Other receivables	8	10,360	5,654	26,230	69,825
Current portion of loans receivable from associates	9	13,103	8,213	3,906	3,906
Other investments	10	380	872	380	872
Inventories	11	3,452	–	–	–
Construction work-in-progress in excess of progress billings	12	36,439	14,533	–	–
Development properties	13	112,361	91,530	–	–
Total current assets		279,934	171,916	50,716	87,062
Non-current assets					
Investment in associates	14	20,881	11,539	300	39
Investment in subsidiaries	15	–	–	104,835	30,824
Intangible assets	16	4,071	–	–	–
Prepaid investments	17	–	–	–	–
Club membership	18	50	49	50	49
Property, plant and equipment	19	3,248	2,065	16	–
Investment property	20	21,500	21,500	21,500	21,500
Deferred tax assets	21	443	422	–	–
Other receivables	8	8,088	6,370	–	–
Loans receivable from associates	9	25,555	27,832	–	–
Total non-current assets		83,836	69,777	126,701	52,412
Total assets		363,770	241,693	177,417	139,474

STATEMENTS OF
FINANCIAL POSITION

May 31, 2013

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
LIABILITIES AND EQUITY					
Current liabilities					
Bank loans and overdrafts	22	70,084	32,714	11,600	4,000
Trade payables	23	56,350	30,835	5,501	28,491
Other payables	24	22,969	12,765	84,063	51,329
Progress billings in excess of construction work-in-progress	12	6,395	6,704	–	–
Provision for maintenance costs	25	265	2,340	–	–
Current portion of finance leases	26	210	78	–	–
Current portion of long-term bank loans	28	13,655	12,373	1,300	2,550
Current portion of financial guarantee liabilities	29	933	722	1,463	1,115
Income tax payable		3,741	3,871	–	73
Total current liabilities		174,602	102,402	103,927	87,558
Non-current liabilities					
Finance leases	26	745	366	–	–
Long-term loan	27	4,050	4,050	–	–
Long-term bank loans	28	80,836	57,880	7,258	8,558
Financial guarantee liabilities	29	2,091	1,533	3,285	2,600
Long-term deposit	30	730	730	730	730
Deferred tax liabilities	21	374	386	–	386
Other payables	24	18	41	–	–
Total non-current liabilities		88,844	64,986	11,273	12,274
Capital, reserves and non-controlling interests					
Share capital	31	47,978	32,104	47,978	32,104
Currency translation reserve	32	51	186	–	–
Capital reserve	33	(46)	845	–	845
Accumulated profits		45,205	42,500	14,239	6,693
Equity attributable to owners of the company		93,188	75,635	62,217	39,642
Non-controlling interests		7,136	(1,330)	–	–
Total equity		100,324	74,305	62,217	39,642
Total liabilities and equity		363,770	241,693	177,417	139,474

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended May 31, 2013

	Note	Group 2013 $'000	Group 2012 $'000
Revenue	34	216,541	143,631
Cost of sales		(184,710)	(112,479)
Gross profit		31,831	31,152
Other operating income	35	4,045	3,682
Administrative expenses		(17,950)	(13,110)
Other operating expenses	37	(1,891)	(195)
Share of results of associates	14	2,194	2,191
Finance costs	38	(2,322)	(1,525)
Profit before tax		15,907	22,195
Income tax expense	39	(2,712)	(3,078)
Profit for the year	40	13,195	19,117
Other comprehensive income			
Currency translation differences, representing other comprehensive income for the year		(209)	70
Total comprehensive income for the year		12,986	19,187
Profit attributable to:			
Owners of the company		13,203	19,286
Non-controlling interests		(8)	(169)
		13,195	19,117
Total comprehensive income attributable to:			
Owners of the company		13,068	19,347
Non-controlling interests		(82)	(160)
		12,986	19,187
Earnings per share			
Basic (cents)	42	3.13	5.39
Diluted (cents)	42	3.13	4.93

See accompanying notes to financial statements.

STATEMENTS OF
CHANGES IN EQUITY
Year ended May 31, 2013

Group	Share capital	Currency translation reserve	Capital reserve	Accumulated profits	Equity attributable to owners of the the company	Non-controlling interests	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at June 1, 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 31)	4,821	–	(257)	–	4,564	–	4,564
Dividends paid (Note 41)	–	–	–	(8,429)	(8,429)	–	(8,429)
Balance at May 31, 2012	32,104	186	845	42,500	75,635	(1,330)	74,305
Total comprehensive income for the year	–	(135)	–	13,203	13,068	(82)	12,986
Acquisition of non-controlling interests in a subsidiary	–	–	(6)	–	(6)	(2)	(8)
Liquidation of a subsidiary	–	–	–	–	–	14	14
Acquisition of a subsidiary (Note 48)	–	–	–	–	–	2,555	2,555
Capital contribution from non-controlling interests	–	–	(40)	–	(40)	5,981	5,941
Issue of shares arising from exercise of warrants (Note 31)	15,874	–	(845)	–	15,029	–	15,029
Dividends paid (Note 41)	–	–	–	(10,498)	(10,498)	–	(10,498)
Balance at May 31, 2013	47,978	51	(46)	45,205	93,188	7,136	100,324

Company	Share capital	Capital reserve	Accumulated profits	Total
	$'000	$'000	$'000	$'000
Balance at June 1, 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 31)	4,821	(257)	–	4,564
Dividends paid (Note 41)	–	–	(8,429)	(8,429)
Balance at May 31, 2012	32,104	845	6,693	39,642
Total comprehensive income for the year	–	–	18,044	18,044
Issue of shares arising from exercise of warrants (Note 31)	15,874	(845)	–	15,029
Dividends paid (Note 41)	–	–	(10,498)	(10,498)
Balance at May 31, 2013	47,978	–	14,239	62,217

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended May 31, 2013

	Group	
	2013	2012
	$'000	$'000
Operating activities		
Profit before tax	15,907	22,195
Adjustments for:		
Share of results of associates	(2,194)	(2,191)
Change in fair value of investment property	–	(500)
Change in fair value of interest rate swap contract	(179)	(301)
Amortisation of fair value adjustment arising from acquisition of a subsidiary	(26)	–
Depreciation of property, plant and equipment	2,442	1,183
Loss on liquidation of a subsidiary	98	–
Amortisation of financial guarantee liabilities	(885)	(615)
Amortisation of intangible assets	271	–
Allowance for doubtful trade receivables	–	245
Allowance for doubtful other receivables	–	10
Allowance for inventories	–	115
(Write back of) Impairment loss on value of club membership	(1)	4
Trade receivables written off	115	25
Other receivables written off	4	33
Property, plant and equipment written off	–	5
Gain on disposal of property, plant and equipment	(108)	(25)
(Write back of) Provision for maintenance costs	(575)	2,557
Gain on disposal of other investments	(47)	(74)
Change in fair value of other investments	(75)	(8)
Dividend income	(16)	(53)
Interest income	(2,048)	(1,867)
Interest expense	2,322	1,525
Operating cash flows before movements in working capital	15,005	22,263
Trade receivables	(18,961)	7,042
Other receivables	(4,356)	(398)
Inventories	(1,380)	1,352
Construction work-in-progress in excess of progress billings	(21,906)	(6,699)
Development properties	(18,774)	(19,956)
Trade payables	22,342	(19,196)
Other payables	749	8,425
Progress billings in excess of construction work-in-progress	(309)	(13,162)
Utilisation of provision for maintenance costs	(1,512)	(564)
Cash used in operations	(29,102)	(20,893)
Interest paid	(4,345)	(2,972)
Income tax paid	(3,083)	(2,446)
Net cash used in operating activities	(36,530)	(26,311)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended May 31, 2013

	Group	
	2013	2012
	$'000	$'000
Investing activities		
Proceeds on disposal of property, plant and equipment	250	28
Purchase of property, plant and equipment (Note A)	(2,486)	(1,892)
Purchase of other investments	–	(1,436)
Proceeds on disposal of other investments	614	1,888
Investment in associates	(604)	(1,142)
Acquisition of non-controlling interests in a subsidiary	(8)	–
Acquisition of a subsidiary (Note 48)	(1,679)	–
Loans receivable from associates	(2,613)	(13,339)
Dividend received	16	53
Interest received	561	507
Net cash used in investing activities	(5,949)	(15,333)
Financing activities		
Drawdown of bank loans	164,254	91,007
Repayment of bank loans	(133,444)	(77,889)
Drawdown of long-term bank loans	28,089	30,842
Repayment of long-term bank loans	(5,809)	(22,456)
Increase in pledged fixed deposits	(854)	(865)
Decrease in restricted cash	1,344	–
Repayment of obligations under finance lease	(184)	(61)
Net proceeds from exercise of warrants	15,029	4,564
Capital contribution from non-controlling interests	5,941	8
Dividends paid	(10,498)	(8,429)
Net cash from financing activities	63,868	16,721
Net increase (decrease) in cash and cash equivalents	21,389	(24,923)
Cash and cash equivalents at beginning of year	12,125	36,965
Effect of foreign exchange rate changes	(271)	83
Cash and cash equivalents at end of year (Note 6)	33,243	12,125

Note A

During the year, the group acquired property, plant and equipment with an aggregate cost of $2,947,000 (2012 : $2,216,000) of which $461,000 (2012 : $324,000) 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, 2013 were authorised for issue by the Board of Directors on September 5, 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

ADOPTION OF NEW AND REVISED STANDARDS – On June 1, 2012, the group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the group's and company's accounting policies and has no material effect on the amounts reported for the current or prior years.

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 1 *Presentation of Financial Statements – Amendments relating to Presentation of Items of Other Comprehensive Income*
- FRS 27 (Revised) *Separate Financial Statements*
- FRS 28 (Revised) *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*
- Amendments to FRS 32 *Financial Instruments: Presentation* and FRS 107 *Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities*
- *Annual Improvements to FRS 2012*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The management anticipates that the adoption of the other 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 1 *Presentation of Financial Statements – Amendments relating to Presentation of Items of Other Comprehensive Income ("OCI")*

The amendments on Other Comprehensive Income ("OCI") presentation will require the group to present in separate groupings, OCI items that might be recycled i.e., reclassified to profit or loss (e.g., those arising from cash flow hedging, foreign currency translation) and those items that would not be recycled (e.g., revaluation gains on property, plant and equipment under revaluation model). The tax effects recognised for the OCI items would also be captured in the respective grouping, although there is a choice to present OCI items before tax or net of tax.

Changes arising from these amendments to FRS 1 will take effect from financial years beginning on or after July 1, 2012, with full retrospective application.

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. The group is currently estimating the effects of FRS 110 in the period of initial adoption.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 the extent of additional disclosures needed in the period of initial adoption.

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*.

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.

The disclosure requirements in FRS 113 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under FRS 107 *Financial Instruments: Disclosures* will be extended by FRS 113 to cover all assets and liabilities within its scope.

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.

Amendments to FRS 32 *Financial Instruments: Presentation* and FRS 107 *Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities*

The amendments to FRS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of 'currently has a legal enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to FRS 107 require entities to disclose information about rights of set-off and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to FRS 107 are required for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to FRS 32 are effective for annual periods beginning on or after January 1, 2014, with retrospective application required.

Annual Improvements to FRS 2012

The Annual Improvements include a number of amendments to various FRSs. The amendments are effective for annual periods beginning on or after January 1, 2013. The amendments include:

- Amendments to FRS 16 *Property, Plant and Equipment*; and
- Amendments to FRS 32 *Financial Instruments: Presentation*.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Amendments to FRS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in FRS 16 and as inventory if otherwise.

Amendments to FRS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with FRS 12 *Income Taxes*.

The group is currently estimating the effects of FRS 16 and FRS 32 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables 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.

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.

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 overdrafts 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*.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 44.

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.

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.

The group as lessor

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

The group as lessee

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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

Completed properties 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	-	25% to 100%
Renovation	-	20%
Motor vehicles	-	10% to 100%
Machinery and tools	-	15% to 100%
Office equipment	-	15% to 20%

Freehold land is not depreciated.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

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

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

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

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

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 consents 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 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.

Where the group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the group's interest in the joint venture.

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.

<u>Construction contracts</u>

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

Development properties

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

a) on a continuous transfer basis; or

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

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

Under (b), where transfer of significant risks and rewards of ownership coincides with the time when the property is completed or when the development units are delivered to the purchasers, revenue is recognised 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

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

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 under the header of currency translation reserve.

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

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

The management is of the opinion that there are no instances of application of judgements which are expected to have a significant effect on the amounts recognised in the financial statements other than the investigation by the Commercial Affairs Department as set out in Note 51 to the financial statements and those involving estimates as discussed below.

(b) Key sources of estimation uncertainty

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

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

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

(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 judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed. 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 judgement and estimates. Where the expectation is different from the original estimates, such difference will impact the carrying value of receivables and doubtful debts expenses in the period in which 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 judgement in estimating recoverable amounts of its investment in associates of the group and company and subsidiaries of the company.

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

(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 amount 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.

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

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

(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 and company's investment property is disclosed in Note 20.

(vi) Development properties

Development properties 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 judgement and the effect of assumptions in respect of development plans, timing of sale and the prevailing market conditions. Management performs cost studies for each 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 costs is disclosed in Note 25.

(viii) Fair value of net assets acquired in a subsidiary

The fair value of the assets acquired and liabilities assumed arising from the acquisition of a subsidiary in May 2013 (Note 48) will be determined based on valuation performed by an independent professional valuer. Due to the complexity involved in identifying and valuing the underlying assets, the allocation of the purchase price to the identifiable assets, liabilities and contingent liabilities acquired in this business combination is currently being determined as further disclosed in Note 48.

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	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Financial assets				
Loans and receivables (including cash and bank balances)	154,661	98,575	50,299	86,177
Fair value through profit or loss:				
Held for trading investments	380	872	380	872
Financial liabilities				
Amortised cost	248,956	151,639	110,452	103,590
Financial guarantee contracts	3,024	2,255	4,748	3,715
Derivative financial instruments	–	179	–	179

Financial assets consist of cash and bank balances, trade receivables, other receivables, loans receivable from associates and other investments excluding prepayments and deposits for options to purchase properties.

Financial liabilities consist of bank loans and overdrafts, trade payables, other payables, derivative financial instruments, finance leases, long-term loan, 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 British Sterling Pound 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	
	2013	2012	2013	2012	2013	2012	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
US Dollar	434	469	9	57	–	–	–	–
Thai Baht	4,892	–	1,625	4,873	–	–	–	–
Malaysian Ringgit	–	–	28	30	–	–	28	30
British Sterling Pound	666	–	–	–	–	–	–	–

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		British Sterling Pound impact	
	2013	2012	2013	2012	2013	2012	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Profit or loss	43	41	327	(487)	(3)	(3)	67	–
Company								
Profit or loss	–	–	–	–	(3)	(3)	–	–

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

Interest rate risk management

The group has exposure to interest rate risk through the impact of floating interest rate on cash and bank balances and borrowings. The group obtained financing through bank loans, overdrafts and finance leases and the details of the group's interest rate exposure is disclosed in Notes 22, 26 and 28.

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, 2013 would decrease/increase by $431,000 (2012 : $241,000). This is mainly attributable to the group'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 company's profit for the year ended May 31, 2013 would decrease/increase by $101,000 (2012 : $76,000). 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, 2013 would increase/decrease by $Nil (2012 : $64,000 or $23,000) respectively for the exposure to interest rates on the fair value of its interest rate swap contract.

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

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

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 are $114,371,000 and $346,339,000 (2012 : $74,526,000 and $275,286,000) respectively. Based on the expectations at the end of the reporting period, the group and company consider that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffered credit losses.

Liquidity risk management

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

As at May 31, 2013, the company's current liabilities exceeded its current assets by $53,211,000. Management is of the view that its subsidiaries will be able to provide support to enable the company to meet its financial obligations as and when they fall due.

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.

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)

	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						
2013						
Non-interest bearing	–	83,426	–	–	–	83,426
Finance lease liability (fixed rate)	5.53	252	788	32	(117)	955
Variable interest rate instruments	3.38	84,330	84,232	2,233	(10,883)	159,912
Fixed interest rate instruments	5.33	4,759	–	–	(96)	4,663
Financial guarantee liabilities	–	112,280	1,606	485	(111,347)	3,024
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	–	72,993	1,234	299	(72,271)	2,255

The earliest period that the guarantee could be called is within 1 year (2012 : 1 year) from the end of the reporting period. The group considers that it is more likely than not that no amount will be payable under the arrangement.

	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						
2013						
Non-interest bearing	–	90,294	–	–	–	90,294
Variable interest rate instruments	3.22	13,549	6,135	2,290	(1,816)	20,158
Financial guarantee liabilities	–	343,054	2,800	485	(341,591)	4,748
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	–	272,686	2,301	299	(271,571)	3,715

The earliest period that the guarantee could be called is within 1 year (2012 : 1 year) from the end of the reporting period. The group considers that it is more likely than not that no amount will be payable under the arrangement.

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						
2013						
Non-interest bearing	–	102,101	–	–	–	102,101
Held for trading investments	–	380	–	–	–	380
Fixed interest rate instruments	5.31	27,141	29,655	–	(4,236)	52,560
2012						
Non-interest bearing	–	54,343	–	–	–	54,343
Held for trading investments	–	872	–	–	–	872
Fixed interest rate instruments	5.02	18,622	31,599	–	(5,989)	44,232
Company						
2013						
Non-interest bearing	–	42,376	–	–	–	42,376
Held for trading investments	–	380	–	–	–	380
Fixed interest rate instruments	4.17	8,253	–	–	(330)	7,923
2012						
Non-interest bearing	–	79,614	–	–	–	79,614
Held for trading investments	–	872	–	–	–	872
Fixed interest rate instruments	4.11	6,833	–	–	(270)	6,563

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 were due within 1 year.

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 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 and Company				
2013				
Financial assets				
Financial assets at fair value through profit or loss:				
- Held for trading investments	380	380	–	–
Financial liabilities				
Derivative financial instruments	–	–	–	–
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	–

There were no transfers between Level 1 and Level 2 of the fair value hierarchy in 2013 and 2012.

(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 22, 26, 27 and 28 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 2012.

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	
		2013	**2012**
		$'000	**$'000**
(a)	Associates		
	Interest income	2,024	1,845
	Financial guarantee income	885	615
	Consultancy and service income	–	1,836
(b)	Company in which a director has significant financial interest		
	Rental expenses	128	119
(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	3,692	3,927
	Post-employment benefits	127	176

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 $96,000 (2012 : $123,000) was not recorded into the group's financial statements.

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

There is no sale of development properties to directors or key management personnel of the group for the year ended May 31, 2013. For the year ended May 31, 2012, the group had sold nine units of development properties to six directors and three key management personnel. The average sale discount given to directors and key management personnel on these transactions was 1.7% to 5.0% 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 29) 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.

(g) Provision of internal audit services by an independent non-executive director of a subsidiary

One of the subsidiary's independent non-executive directors is the co-founder and currently the deputy managing partner of PKF-CAP LLP, a chartered accountant firm and a director of various entities related to PKF-CAP LLP.

During the year and prior to his appointment as the independent non-executive director, PKF-CAP LLP was providing internal audit services to the company and its subsidiaries, and the independent non-executive director was the partner in charge. Provision of these internal audit services were paid by the company which had been recharged back to the subsidiary as part of the management fee paid to the company in the reporting period.

(h) Provision of civil and structural engineering consultancy services by an independent non-executive director of a subsidiary

One of the subsidiary's independent non-executive directors is a principal partner of LBW Consultants LLP, a firm providing civil and structural engineering consultancy services for certain projects of the group.

The aggregate amounts charged by LBW Consultants LLP during the year was $93,000 (2012 : $45,000).

6 CASH AND BANK BALANCES

	Group		**Company**	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Cash at banks	16,938	6,219	557	154
Cash on hand	123	162	6	–
Project accounts:				
Cash at banks	16,000	5,744	–	–
Fixed deposits	5,000	–	–	–
Fixed deposits	11,635	8,187	4,017	2,657
Restricted cash	–	1,344	–	1,344
	49,696	21,656	4,580	4,155
Less: Pledged fixed deposits	(11,635)	(8,187)	(4,017)	(2,657)
Restricted cash	–	(1,344)	–	(1,344)
Bank overdrafts (Note 22)	(4,818)	–	–	–
Cash and cash equivalents in the consolidated statement of cash flows	33,243	12,125	563	154

6 CASH AND BANK BALANCES (cont'd)

Fixed deposits bear average effective interest rate of 0.28% (2012 : 0.19%) per annum and for a tenure of approximately 278 days (2012 : 239 days). The fixed deposits of $11,635,000 (2012 : $8,187,000) are pledged for banking facilities.

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

Included in cash and bank balances for the group and company for the year ended May 31, 2012 were amounts of $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	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
US Dollar	9	57	–	–
Thai Baht	5	212	–	–
Malaysian Ringgit	28	30	28	30

7 TRADE RECEIVABLES

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Contract trade receivables	51,393	18,414	15,620	4,832
Associates (Notes 5 and 14)	–	1,836	–	–
Retention sums	2,750	9,208	–	3,472
	54,143	29,458	15,620	8,304

The average credit period given to customers is 14 to 45 days (2012 : 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 $107,000 (2012 : $212,000). This allowance has been determined by reference to past default experience.

7 TRADE RECEIVABLES (cont'd)

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 $1,179,000 (2012 : $2,593,000) and $Nil (2012 : $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 146 days (2012 : 139 days).

In determining the recoverability of a trade receivable, the group and company consider any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The group has nine (2012 : four) customers making up $29,377,000 (2012 : $14,625,000) which accounted for 54.3% (2012 : 49.6%) of the group's trade receivables. The company has one (2012 : one) customer with a balance of $15,620,000 (2012 : $4,775,000) which accounted for 100% (2012 : 57.5%) of the company's trade receivables. Management believes that there is no further credit allowance required in excess of the allowance for doubtful debts.

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

Movements in the allowance for doubtful debts:

	Group	
	2013	**2012**
	$'000	**$'000**
At beginning of the year	212	137
Acquisition of a subsidiary	107	–
Foreign currency exchange adjustment	3	(1)
Amounts written off during the year	(215)	(169)
Increase in allowance recognised in profit or loss	–	245
At end of the year	107	212

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

8 OTHER RECEIVABLES

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Associates (Notes 5 and 14)	95	130	95	130
Subsidiaries (Note 15)	–	–	25,446	69,053
Interest receivables due from associates (Notes 5 and 14)	3,663	2,176	578	265
Prepayments	4,565	608	37	13
Deposits	2,589	576	67	26
Joint developer	6,313	6,309	–	–
Advances to a director of a subsidiary	22	24	–	–
Outside parties	1,201	2,201	7	338
	18,448	12,024	26,230	69,825
Less: Amounts receivable within 12 months (shown under current assets)	(10,360)	(5,654)	(26,230)	(69,825)
Amounts receivable after 12 months	8,088	6,370	–	–

8 OTHER RECEIVABLES (cont'd)

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

Management has assessed the credit worthiness of the other receivables and allowances have been determined by reference to past default experience.

(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 $515,000 (2012 : $497,000).

(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 $26,000 (2012 : $45,000).

(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 $2,017,000 (2012 : $1,989,000).

(d) Included in the amount due from joint developer is an amount of $6,309,000 (2012 : $6,309,000) which is unsecured, interest-free and to be repaid upon settlement of the final account. The fair value of the group's non-current due from joint developer approximate its carrying amount. The remaining amount of $4,000 (2012 : $Nil) is unsecured, interest-free and repayable on demand.

In March 2010, the group entered into a joint development with a joint developer to develop 47, 49, 51, 57, 59 and 61 Cairnhill Circle, Singapore. The group recognised the related assets, liabilities, income and expenses arising from the joint venture in accordance with the accounting policy as described in Note 2.

(e) Included in the deposits are amounts of $1,719,000 (2012 : $Nil) for the options to purchase properties at 25 Bukit Batok Street 22, Singapore 659591 and the Riccarton Holiday Park in Christchurch, New Zealand.

Movements in the allowance for doubtful debts:

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
At beginning of the year	542	620	1,989	–
Foreign currency exchange adjustment	20	(5)	–	–
Amounts written off during the year	(21)	(83)	–	–
Increase in allowance recognised in profit or loss	–	10	28	1,989
At end of the year	541	542	2,017	1,989

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

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Thai Baht	76	56	–	–

9 LOANS RECEIVABLE FROM ASSOCIATES

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Loans receivable from associates	38,658	36,045	3,906	3,906
Less: Amounts receivable within 12 months (shown under current assets)	(13,103)	(8,213)	(3,906)	(3,906)
Amounts receivable after 12 months	25,555	27,832	–	–

Included in the loans receivable from associates is an amount of $2,733,000 (2012 : $Nil) which is unsecured, interest-free and expected to be repaid upon completion of the development project held by an associate. The remaining amount of $35,925,000 (2012 : $36,045,000) are unsecured, bear interest which is fixed at rates ranging from 5.00% to 8.00% (2012 : 5.00% to 8.00%) per annum. Management has assessed the credit worthiness of the associates and believes that no allowance is required for the loans receivable from associates.

The fair value of the group's loans receivable from associates approximates their carrying amounts.

The group executed two deeds of subordination (the "deeds") to secure all liabilities and indebtedness of two of its associates. As a result of the deeds, the loans receivable from associates amounting to $6,932,000 (2012 : $9,432,000) are subordinated in rank to the credit facilities granted by the banks to the associates.

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	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Thai Baht	1,544	4,605	–	–

10 OTHER INVESTMENTS

	Group and Company	
	2013	2012
	$'000	$'000
Quoted equity shares, at fair value	380	872

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	
	2013	2012
	$'000	$'000
At cost:		
Raw materials	1,922	–
Work-in-progress	1,530	–
	3,452	–
Movements in the allowance for inventories:		
At beginning of the year	115	–
Amounts written off during the year	(110)	–
Increase in allowance recognised in profit or loss	–	115
At end of the year	5	115

The allowance for inventories recognised in profit or loss was in respect of write-downs of inventory to net realisable value.

12 CONSTRUCTION WORK-IN-PROGRESS

	Group	
	2013	2012
	$'000	$'000
Contract cost incurred plus recognised profits	186,144	54,473
Less: Progress billings	(156,100)	(46,644)
Net	30,044	7,829
Presented in the statements of financial position as:		
Construction work-in-progress in excess of progress billings	36,439	14,533
Progress billings in excess of construction work-in-progress	(6,395)	(6,704)
	30,044	7,829

13 DEVELOPMENT PROPERTIES

	Group	
	2013	2012
	$'000	$'000
Continuous transfer of significant risk and rewards to ownerships as construction progresses		
Cost incurred plus attributable profit	123,028	97,255
Progress billings	(10,667)	(5,725)
	112,361	91,530

13 DEVELOPMENT PROPERTIES (cont'd)

Details of the group's development properties and completed property as at May 31, 2013 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:							
79, 79A, 79B, 81, 81A, 81B, 83, 83A, 83B and 85 Duku Road, Singapore	51 units of residential apartment	Freehold	*	December 2014	2,568	3,595	95%
47, 49 and 51 Cairnhill Circle, Singapore	52 units of residential apartment	Freehold	35%	March 2014	978	3,008	26%
55, 57, 59 and 61 Cairnhill Circle, Singapore	60 units of residential apartment	Freehold	*	September 2015	1,509	4,642	26%
91 Marshall Road, Singapore	30 units of residential apartment	Freehold	24%	December 2016	1,225	1,714	95%
64, 66, 68, 70, 72, 74, 76, 78 and 80 Hillside Drive, Hillside Gardens, Singapore	12 units of terrace properties	999 years Leasehold	*	December 2016	2,001	2,801	95%
PT 12059 Mukim of Dengkil, District of Sepang Selangor Darul Ehsan, Malaysia	Vacant plot of commercial land	Freehold	*	December 2016	24,085	72,257	95%
Phu Huu Residential District 9, Ho Chi Minh City, Vietnam	Vacant plot of commercial land	50 years Leasehold	*	**	6,029	**	62%
Completed property:							
448 East Coast, Singapore	28 units of residential apartment	Freehold	100%	May 2013	1,092	1,681	95%

* No revenue has been recognised in respect of these development properties.
** Master plan is in progress.

Certain development properties were pledged to banks to secure long-term bank loans granted to the group as disclosed at Notes 22 and 28 respectively.

Finance costs capitalised as cost of development properties during the financial year amounted to $2,057,000 (2012 : $1,366,000). The rate of interest relating to finance costs capitalised in development properties for the group during the financial year is 1.40% to 7.35% (2012 : 1.54% to 4.50%) per annum.

14 INVESTMENT IN ASSOCIATES

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Unquoted equity shares, at cost	11,772	6,282	300	306
Deemed cost of investment	4,797	3,143	–	–
Share of post-acquisition reserves	4,312	2,114	–	–
Impairment loss	–	–	–	(267)
	20,881	11,539	300	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 $367,000 (2012 : $517,000).

Movements in the allowance for impairment loss:

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
At beginning of the year	–	–	267	6
(Decrease) Increase in allowance recognised in profit and loss	–	–	(267)	261
At end of the year	–	–	–	267

Management had performed an impairment review on the investment of associates and this led to a reversal of impairment loss of $267,000 (2012 : impairment loss of $261,000) 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.

14 INVESTMENT IN ASSOCIATES (cont'd)

Details of the group's significant associates at May 31, 2013 are as follows:

Name of associate/ Place of incorporation and operation	Principal activity	Proportion of ownership interest and voting power held	
		2013	2012
		%	%
Unique Development Pte. Ltd., Singapore [4]	Development of real estate	19	20
Unique Realty Pte. Ltd., Singapore [4]	Development of real estate	19	20
Residenza Pte. Ltd., Singapore [1]	Development of real estate	30	32
Development 26 Pte. Ltd., Singapore [4]	Development of real estate	43	45
Unique Capital Pte. Ltd., Singapore [1]	Development of real estate	19	20
Chewathai Ltd, Thailand [2]	Development of real estate	47	49
Chewathai Hup Soon Ltd, Thailand [2]	Development of real estate	23	24.5
Global Environmental Technology Co., Ltd., Thailand [2]	Wastewater treatment	49	49
CMC Communications Sdn Bhd, Malaysia [3]	Telecommunications engineering	50	50

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

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

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

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

In accordance with the requirements of Rules 715 and 716 of the SGX-ST Listing Manual, the directors of the company and the Audit Committee, having reviewed the appointment of different auditors for the group's associates, are satisfied that these appointments would not compromise the standard and effectiveness of the audit of the group.

14 INVESTMENT IN ASSOCIATES (cont'd)

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

	Group	
	2013	2012
	$'000	$'000
Total assets	530,948	407,206
Total liabilities	(486,247)	(372,596)
Net assets	44,701	34,610
Group's share of associates' net assets	16,084	8,396
Revenue	95,848	52,976
Profit for the financial year	9,390	2,723
Group's share of associates' profit for the financial year	2,194	2,191

15 INVESTMENT IN SUBSIDIARIES

	Company	
	2013	2012
	$'000	$'000
Unquoted equity shares, at cost	103,259	29,224
Deemed cost of investment	3,087	2,363
Transferred from prepaid investment (Note 17)	–	748
Impairment loss	(1,511)	(1,511)
	104,835	30,824

Deemed cost of investment pertains to the effects of fair value of financial guarantees on initial recognition provided by the company on behalf of its subsidiaries for the granting of banking facilities.

Management had performed an impairment review on the investment of subsidiaries and is of the view that no impairment is required during the financial year based on the carrying amount of the underlying net assets which approximates the estimated fair value less cost to sell.

On June 6, 2013, the offering of 115,000,000 new TEE Land Limited shares ("TEE Land Shares") in the capital of TEE Land Limited pursuant to the Initial Public Offering ("IPO") has been completed and the new TEE Land Shares were listed on the Singapore Exchange Securities Trading Limited. With the completion of the IPO, gross proceeds of $62,100,000 was raised and the company will retain a shareholding interest of approximately 70.69% which was previously 95.18%.

In connection with the IPO, the company has lent 15,000,000 TEE Land Shares to SAC Capital Private Limited ("SAC Capital"), for the purpose of covering over-allotments in connection with the Invitation. Such TEE Land Shares had been entirely returned by SAC Capital to the company in June 2013.

15 INVESTMENT IN SUBSIDIARIES (cont'd)

Details of the company's significant subsidiaries at May 31, 2013 are as follows:

Name of subsidiary/ Country of incorporation and operation	Principal activity	Proportion of ownership interest and voting power held	
		2013 %	2012 %
Trans Equatorial Engineering Pte. Ltd., Singapore [(1)]	Provision of mechanical and electrical engineering services	100	100
PBT Engineering Pte. Ltd., Singapore [(1)]	Provision of addition, alteration and upgrading of existing buildings, mechanical and electrical engineering services	100	100
TEE Land Limited, Singapore [(1)]	Development of real estate and investment holding	95.18	–
Interlift Sales Pte Ltd, Singapore [(2)]	Manufacturing of material handling equipment and systems	55	–

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

(2) Audited by another firm of auditors, Wu Chiaw Ching & Company.

In accordance with the requirements of Rules 715 and 716 of the SGX-ST Listing Manual, the directors of the company and the Audit Committee, having reviewed the appointment of different auditors for the group's subsidiaries, are satisfied that these appointments would not compromise the standard and effectiveness of the audit of the group.

16 INTANGIBLE ASSETS

	Group
	$'000
Cost:	
Acquired on acquisition of a subsidiary (Note 48) and as at May 31, 2013	4,342
Accumulated amortisation:	
Amortisation for the year and as at May 31, 2013	(271)
Carrying amount:	
At May 31, 2013	4,071

Intangible assets comprise of customer relationships and distributorships with finite useful lives of 8 years, over which the assets are amortised.

The amortisation expense has been included in the line item "other operating expenses" in the statement of comprehensive income.

17 PREPAID INVESTMENTS

	Group	
	2013	**2012**
	$'000	**$'000**
Prepaid investments, at cost	621	1,369
Transferred to investment in subsidiaries (Note 15)	–	(748)
Impairment loss	(621)	(621)
	–	–

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 represented an amount loaned to an employee of a subsidiary of the group to invest in a subsidiary. The group had 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 $621,000 being recognised as it was deemed not likely to be recoverable.

18 CLUB MEMBERSHIP

	Group and Company	
	2013	**2012**
	$'000	**$'000**
Club membership, at cost	73	73
Impairment loss	(23)	(24)
	50	49

Management had performed an impairment review on the club membership based on its estimated fair value less cost to sell and this led to a reversal of impairment loss of $1,000 (2012 : impairment loss of $4,000) recognised during the financial year.

19 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, 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
Foreign currency exchange adjustment	–	8	1	2	14	26	2	53
Additions	–	–	112	173	1,781	802	79	2,947
Acquired on acquisition of a subsidiary (Note 48)	–	–	67	–	412	231	99	809
Write-offs/Disposals	–	–	(3)	–	(423)	(1)	(6)	(433)
At May 31, 2013	39	219	893	570	4,149	1,701	489	8,060
Accumulated depreciation:								
At June 1, 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
Foreign currency exchange adjustment	–	8	–	1	5	26	2	42
Depreciation	–	–	142	74	1,467	702	57	2,442
Write-offs/Disposals	–	–	(3)	–	(282)	(1)	(5)	(291)
At May 31, 2013	–	219	676	301	2,345	1,019	252	4,812
Carrying amount:								
At May 31, 2013	39	–	217	269	1,804	682	237	3,248
At May 31, 2012	39	–	179	169	1,210	351	117	2,065

The carrying amount of the group's motor vehicles includes an amount of $312,000 (2012 : $364,000) which are held under finance leases (Note 26).

19 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Computers	Renovation	Office equipment	Total
	$'000	**$'000**	**$'000**	**$'000**
Company				
Cost:				
Additions and as at May 31, 2013	6	6	5	17
Accumulated depreciation:				
Depreciation for the year and as at May 31, 2013	1	–	–	1
Carrying amount:				
At May 31, 2013	5	6	5	16

20 INVESTMENT PROPERTY

	Group and Company	
	2013	**2012**
	$'000	**$'000**
At fair value:		
At beginning of the year	21,500	21,000
Change in fair value included in profit or loss (Note 35)	–	500
At end of the year	21,500	21,500

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, 2013 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 28).

The property rental income from the group's and company's investment property, which is leased out under an operating lease, amounted to $1,927,000 (2012 : $1,917,000). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment property amounted to $183,000 (2012 : $191,000).

21 DEFERRED TAX

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

Deferred tax assets

	Provisions	Tax losses	Total
	$'000	$'000	$'000
Group			
At June 1, 2011	101	–	101
Credit to profit or loss for the year (Note 39)	266	55	321
At May 31, 2012	367	55	422
Credit to profit or loss for the year (Note 39)	(324)	345	21
At May 31, 2013	43	400	443

Deferred tax liabilities

	Recognition of profits on uncompleted projects	Investment property	Accelerated tax depreciation	Total
	$'000	$'000	$'000	$'000
Group				
At June 1, 2011	–	301	57	358
Charge to profit or loss for the year (Note 39)	–	85	(57)	28
At May 31, 2012	–	386	–	386
Charge (Credit) to profit or loss for the year (Note 39)	244	(386)	54	(88)
Arising from acquisition of a subsidiary (Note 48)	–	–	76	76
At May 31, 2013	244	–	130	374

	Investment property
	$'000
Company	
At June 1, 2011	301
Charge to profit or loss for the year	85
At May 31, 2012	386
Credit to profit or loss for the year	(386)
At May 31, 2013	–

22 BANK LOANS AND OVERDRAFTS

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Bank loans (a)	38,774	17,602	11,600	4,000
Bills payable (b)	26,492	15,112	–	–
Bank overdraft (c)	4,818	–	–	–
	70,084	32,714	11,600	4,000

a) i) The group's and company's bank loan amounting to $11,600,000 (2012 : $4,000,000) is unsecured, repayable on demand and bears interest at an average rate of 2.33% (2012 : 2.25%) per annum above the bank's prevailing cost of funds, resulting in an effective interest rate of 2.76% (2012 : 2.77%) per annum;

ii) The group's bank loan amounting to $2,500,000 (2012 : $7,500,000) is unsecured, repayable on demand and bears interest at 2.00% (2012 : 2.00%) per annum above the bank's prevailing cost of funds, resulting in an effective interest rate of 2.87% (2012 : 2.82%) per annum;

iii) The group's bank loan amounting to $4,995,000 (2012 : $2,998,000) is unsecured, repayable on demand and bears interest at 4.75% (2012 : 4.50%) per annum below the bank's prevailing enterprise base rate, resulting in an effective interest rate of 4.38% (2012 : 4.00%) per annum;

iv) The group's bank loan amounting to $12,016,000 (2012 : $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 2.90% (2012 : 5.25%) per annum and for tenure of approximately 90 days (2012 : 90 days);

v) The group's bank loan amounting to $3,000,000 (2012 : $Nil) is unsecured, bears a fixed interest of 6.00% (2012 : Nil%) per annum and repayable in June 2013;

vi) The group's bank loan amounting to $1,500,000 (2012 : $Nil) is secured by corporate guarantee from the company, bears a fixed interest of 4.50% (2012 : Nil%) per annum and repayable on demand;

vii) The group's bank loan amounting to $3,000,000 (2012 : $Nil) is secured on the development property at 91 Marshall Road, Singapore (Note 13) and secured by the corporate guarantee from the company. The loan bears interest ranging from 2.20% to 2.30% (2012 : Nil%) per annum and repayable in August 2013; and

viii) The group's bank loan amounting to $163,000 (2012 : $Nil) is secured against a joint and several directors' guarantee, bears a fixed interest of 5.50% (2012 : Nil%) per annum for a tenure of approximately 90 days (2012 : Nil day).

b) The average credit terms on the bills payable ranged from 90 to 150 days (2012 : 90 to 120 days). Interest is charged at rates ranging from 1.50% to 6.25% (2012 : 2.21% to 5.75%) per annum.

i) Bills payable of $12,093,000 (2012 : $Nil) are secured against a corporate guarantee from the company and a negative pledge over the assets of a subsidiary and a pledge over a fixed deposit of $4,740,000 (2012 : $Nil);

ii) Bills payable of $863,000 (2012 : $Nil) are secured against joint and several directors' guarantee and a pledge over a fixed deposit of $875,000 (2012 : $Nil);

iii) Bills payable of $7,219,000 (2012 : $3,693,000) are secured against a corporate guarantee from the company and a negative pledge over the assets of a subsidiary;

22 BANK LOANS AND OVERDRAFTS (cont'd)

(b) iv) Bills payable of $3,944,000 (2012 : $6,867,000) are secured against corporate guarantees from the company and a subsidiary;

v) Bills payable of $1,749,000 (2012 : $4,552,000) are secured against a corporate guarantee from the company; and

vi) Bills payable of $624,000 (2012 : $Nil) are secured against joint and several directors' guarantee.

c) i) Bank overdrafts amounting $2,367,000 (2012 : $Nil) are secured against a corporate guarantee from the company and a negative pledge over the assets of a subsidiary;

ii) Bank overdrafts amounting to $757,000 (2012 : $Nil) are secured against a corporate guarantee from the company and a subsidiary;

iii) Bank overdrafts amounting to $1,411,000 (2012 : $Nil) are secured against a corporate guarantee from the company;

iv) Bank overdrafts amounting to $283,000 (2012 : $Nil) are secured against a joint and several director guarantee; and

v) Interest is charged on daily balances at rates ranging from 0.25% to 2.75% (2012 : Nil%) per annum over the bank's Singapore dollar prime lending rate, resulting in an effective interest rate ranging from 5.50% to 7.00% per annum.

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

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
US Dollar	–	469	–	–
British Sterling Pound	666	–	–	–

23 TRADE PAYABLES

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Subsidiaries (Note 15)	–	–	5,438	28,454
Contract trade payables	48,022	22,164	63	37
Retention payables	8,328	8,671	–	–
	56,350	30,835	5,501	28,491

The average credit period granted by suppliers ranged from 30 to 90 days (2012 : 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.

23 TRADE PAYABLES (cont'd)

The group's trade payables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
US Dollar	434	–	–	–

24 OTHER PAYABLES

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Subsidiaries (Note 15)	–	–	82,173	50,689
Associates (Note 14)	5,442	–	–	–
Accrued expenses	2,553	1,844	622	327
Accrued interest expense	252	218	14	32
Rental and security deposits	592	753	–	–
Derivative financial instruments (Note 44)	–	179	–	179
Joint developer	8,500	8,849	–	–
Contingent consideration (Note 48)	1,122	–	1,122	–
Advances received from customers	691	14	–	–
Other payables	3,835	949	132	102
	22,987	12,806	84,063	51,329
Less: Amounts payable within 12 months (shown under current liabilities)	(22,969)	(12,765)	(84,063)	(51,329)
Amounts payable after 12 months	18	41	–	–

The amounts due to subsidiaries and associates 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 $7,250,000 (2012 : $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 $1,250,000 (2012 : $664,000) is unsecured, interest-free and repayable on demand.

The group's other payables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Thai Baht	4,892	–	–	–

25 PROVISION FOR MAINTENANCE COSTS

	Group	
	2013	2012
	$'000	$'000
At beginning of the year	2,340	347
Acquisition of a subsidiary (Note 48)	12	–
(Credit) Charge to profit or loss for the year	(575)	2,557
Utilised	(1,512)	(564)
At end of the year	265	2,340

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.

26 OBLIGATIONS UNDER FINANCE LEASES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Amounts payable under finance leases:				
Within one year	252	103	210	78
In the second to fifth years inclusive	788	371	713	314
After five years	32	54	32	52
	1,072	528	955	444
Less: Future finance charges	(117)	(84)	–	–
Present value of lease obligations	955	444	955	444
Less: Amounts due for settlement within 12 months (shown under current liabilities)			(210)	(78)
Amounts due for settlement after 12 months			745	366

It is the group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 6 years (2012 : 6 years). For the year ended May 31, 2013, the average effective borrowing rate was 5.53% (2012 : 5.71%) 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 amounts.

The group's obligations under finance leases are secured by the lessors' title to the leased assets (Note 19).

27 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.

The fair value of the group's long–term loan approximates its carrying amount.

28 LONG–TERM BANK LOANS

	Group		Company	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Bank loans	94,491	70,253	8,558	11,108
Less: Amounts due for settlement within 12 months (shown under current liabilities)	(13,655)	(12,373)	(1,300)	(2,550)
Amounts due for settlement after 12 months	80,836	57,880	7,258	8,558

The group and company have fourteen (2012 : ten) and one (2012 : two) principal bank loans respectively:

(a) The group and company have a loan of $8,558,000 (2012 : $9,858,000). The loan is a 12 year term loan from 2009 repayable in monthly instalments secured on the investment property (Note 20);

(b) In 2012, the group's and company's loan of $1,250,000 issued for working capital requirements was fully repaid in May 2013;

(c) In 2012, the group's loan of $1,128,000 issued for working capital requirements was fully repaid in March 2013;

(d) The group's loan of $742,000 (2012 : $1,512,000) was raised for working capital requirements. The loan is to be repaid in 48 instalments with last instalment to be repaid in April 2014 and is unsecured;

(e) The group's loan of $777,000 (2012 : $1,763,000) was raised for working capital requirements. The loan is to be repaid in 24 instalments with last instalment to be repaid in February 2014 and is unsecured;

(f) The group's loan of $9,134,000 (2012 : $6,939,000) was raised for and secured on the development property at 47, 49 and 51 Cairnhill Circle, Singapore (Note 13). The loan is repayable in the financial year ended May 31, 2013. On February 27, 2013, the bank extended the loan to be repaid in November 2014 or 3 months from the date of issuance of Temporary Occupation Permit;

(g) The group's loan of $13,663,000 (2012 : $13,016,000) was raised 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 December 2015 or 6 months from the date of issuance of Temporary Occupation Permit;

(h) The group's loan of $9,113,000 (2012 : $6,613,000) was raised 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;

(i) The group's loan of $18,999,000 (2012 : $18,462,000) was raised 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;

28 LONG–TERM BANK LOANS (cont'd)

(j) The group's loan of $9,712,000 (2012 : $9,712,000) was raised 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;

(k) The group's loan of $12,950,000 (2012 : $Nil) was raised for and secured on the development property at 64, 66, 68, 70, 72, 74, 76, 78 and 80 Hillside Drive, Hillside Gardens, Singapore (Note 13). The loan is expected to be repaid in October 2016 or 6 months from the date of issuance of Temporary Occupation Permit;

(l) The group's loan of $9,259,000 (2012 : $Nil) was raised for and secured on the development property at PT 12059, Mukim of Dengkil, District of Sepang Selangor Darul Ehsan, Malaysia, with monthly principal and interest payments beginning October 2013 through to September 2018;

(m) The group's loan of $142,000 (2012 : $Nil) was raised for working capital requirements. The loan is to be repaid in 36 instalments with the last instalment to be repaid in February 2014 and is secured against joint and several directors' guarantee and a pledge over fixed deposit;

(n) The group's loan of $529,000 (2012 : $Nil) was raised for working capital requirements. The loan is to be repaid in 36 instalments with the last instalment to be repaid in May 2015 and is secured against joint and several directors' guarantee and a pledge over fixed deposit;

(o) The group's loan of $501,000 (2012 : $Nil) was raised for working capital requirements. The loan is to be repaid in 48 instalments with the last instalment to be repaid in April 2016 and is secured against joint and several directors' guarantee and a pledge over fixed deposit; and

(p) The group's loan of $412,000 (2012 : $Nil) was raised for working capital requirements. The loan is to be repaid in 36 instalments with the last instalment to be repaid in June 2015 and is secured against joint and several directors' guarantee and a pledge over fixed deposit.

The group's and company's long–term bank loans bear interest at rates ranging from 1.40% to 7.35% (2012 : 1.54% to 5.00%) per annum. The directors estimate the fair value of the group's and company's long–term bank loans to approximate the carrying amount.

The group's long-term bank loans as disclosed in Note 28(f) to Note 28(l) are secured by the corporate guarantee from the company.

On July 6, 2012, the group executed a deed of subordination (the "deed") to secure all liabilities and indebtedness of one of its subsidiaries, TEE Resources Sdn Bhd. The deed is in line with the credit facilities of an aggregate principal amount of up to Malaysia Ringgit ("RM") of 25,500,000 (equivalents to $10,493,000) granted to TEE Resources Sdn Bhd by Malaysia Building Society Berhad. The management is of the opinion that the execution of the deed by the group is in the commercial interests and for the benefit of the group.

29 FINANCIAL GUARANTEE LIABILITIES

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Financial guarantee liabilities	3,024	2,255	4,748	3,715
Less: Amounts shown under current liabilities	(933)	(722)	(1,463)	(1,115)
Amounts shown under non–current liabilities	2,091	1,533	3,285	2,600

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.

30 LONG–TERM DEPOSIT

Long–term deposit is for the lease of premises located at 33 Changi North Crescent, Singapore (Note 20). Duration of tenancy is 10 years from 2007.

31 SHARE CAPITAL

	Group and Company			
	2013	2012	2013	2012
	Number of ordinary shares		$'000	$'000
Issued and paid up:				
At beginning of the year	372,288,998	343,759,998	32,104	27,283
Issuance of shares arising from exercise of warrants	93,939,412	28,529,000	15,874	4,821
At end of the year	466,228,410	372,288,998	47,978	32,104

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 outstanding warrants which each carried 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. During the year, the company issued 93,939,412 new ordinary shares upon the exercise of warrants. The rights to exercise the 82,518 outstanding warrants expired on February 28, 2013.

32 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.

33 CAPITAL RESERVE

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
At beginning of the year	845	1,102	845	1,102
Exercise of warrants	(845)	(257)	(845)	(257)
Acquisition of non–controlling interest in a subsidiary	(6)	–	–	–
Capital contribution from non–controlling interests	(40)	–	–	–
At end of the year	(46)	845	–	845

34 REVENUE

	Group	
	2013	2012
	$'000	$'000
Revenue from construction contracts	174,533	129,517
Dividend income	16	53
Sales of goods	6,248	1,896
Sales of development properties	29,546	4,414
Rental income	3,989	5,638
Consultancy and service income	2,209	2,113
	216,541	143,631

35 OTHER OPERATING INCOME

	Group	
	2013	2012
	$'000	$'000
Interest income arising from:		
Fixed deposits	24	22
Associates (Note 5)	2,024	1,845
Change in fair value of investment property (Note 20)	–	500
Foreign currency exchange adjustment gain	358	4
Gain on disposal of property, plant and equipment	108	25
Change in fair value of interest rate swap contract (Note 44)	179	301
Change in fair value of other investments	75	8
Gain on disposal of other investments	47	74
Amortisation of financial guarantee liabilities	885	615
Write back of impairment loss in value of club membership (Note 18)	1	–
Amortisation of fair value adjustment arising from acquisition of a subsidiary	26	–
Others	318	288
	4,045	3,682

36 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 $954,000 (2012 : $799,000) represents contributions payable to these plans by the group at rates specified in the rules of the plans. As at May 31, 2013, contributions of $80,000 (2012 : $91,000) due in respect of current financial year had not been paid over to the plans.

37 OTHER OPERATING EXPENSES

	Group	
	2013	2012
	$'000	$'000
Foreign currency exchange adjustment loss	127	182
IPO expenses incurred by a subsidiary	1,349	–
Amortisation of intangible assets	271	–
Loss on liquidation of a subsidiary	98	–
Acquisition of a subsidiary	46	–
Property, plant and equipment written off	–	5
Impairment loss on value of club membership (Note 18)	–	4
Others	–	4
	1,891	195

38 FINANCE COSTS

	Group	
	2013	2012
	$'000	$'000
Interest on bank loans and overdrafts	4,329	2,872
Interest on obligations under finance leases	50	19
Total borrowing costs	4,379	2,891
Less: Amounts included in the cost of qualifying assets (Note 13)	(2,057)	(1,366)
	2,322	1,525

39 INCOME TAX EXPENSE

	Group	
	2013	2012
	$'000	$'000
Current:		
– On the profit for the year	2,761	3,465
– Adjustment in respect of prior years	60	(247)
– Withholding tax expense	–	153
Deferred (Note 21):		
– Adjustment in respect of prior years	(386)	–
– Charge (Credit) for the year	277	(293)
	2,712	3,078

Domestic income tax is calculated at 17% (2012 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

39 INCOME TAX EXPENSE (cont'd)

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

	Group	
	2013	2012
	$'000	$'000
Profit before tax	15,907	22,195
Less: Share of results of associates	(2,194)	(2,191)
	13,713	20,004
Tax at the domestic income tax rate of 17% (2012 : 17%)	2,331	3,401
Tax effect of income (expense) that are not taxable (deductible) in determining taxable profit	279	(307)
Deferred tax benefits not recognised	574	249
Deferred tax benefits previously not recognised now utilised	(150)	(22)
Withholding tax expense	–	153
Effect of different tax rates of overseas operations	174	53
Exempt income and tax rebate	(239)	(188)
Adjustment in respect of prior years	(326)	(247)
Others	69	(14)
	2,712	3,078

Deferred tax assets have not been recognised as follows:

Tax losses		
Amount at beginning of year	4,354	4,875
Adjustment in respect of prior years	(1,106)	(1,859)
Tax losses for the year	3,090	1,465
Utilised during the year	(881)	(127)
Amount at end of year	5,457	4,354
Other temporary differences		
Amount at beginning of year	–	1,079
Adjustment in respect of prior years	(279)	(1,079)
Amount during the year	285	–
Amount at end of year	6	–
Total	5,463	4,354
Deferred tax assets at 17% (2012 : 17%) not recognised taken up in the financial statements	929	740

39 INCOME TAX EXPENSE (cont'd)

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.

40 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Group	
	2013	**2012**
	$'000	**$'000**
Directors' remuneration:		
Directors of the company	2,171	2,240
Directors of the subsidiaries	891	876
Employee benefits expense (including directors' remuneration)	20,745	15,135
Costs of defined contribution plans included in employee benefits expense	954	799
Audit fees:		
Auditors of the company		
- current year	560	399
- adjustment in respect of prior year	61	–
Other auditors - current year	82	42
Non-audit fees:		
Auditors of the company - current year	49	42
Other auditors - current year	5	3
Fees paid to the auditors of the company as reporting accountants for the subsidiary's initial public offering	350	–
Cost of inventories recognised as expense	46,200	26,455

41 DIVIDENDS

(i) 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.

(ii) During the financial year ended May 31, 2013, the company paid a final tax exempt dividend of $0.0125 per ordinary share and special tax exempt dividend of $0.005 per ordinary share totalling $7,467,000 in respect of financial year ended May 31, 2012 on the ordinary shares of the company.

In addition, the company declared and paid an interim tax exempt dividend of $0.0065 per ordinary share totalling $3,031,000 for the financial year ended May 31, 2013 on the ordinary shares of the company.

(iii) Subsequent to May 31, 2013, the directors of the company recommended that a final tax exempt dividend of $0.025 per ordinary share totalling $11,656,000 be paid for the financial year ended May 31, 2013 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*.

42 EARNINGS PER SHARE

The calculation of basic earnings per ordinary share is based on group profit attributable to owners of the company of $13,203,000 (2012 : $19,286,000) divided by the weighted average number of ordinary shares of 421,151,365 (2012 : 357,973,664) in issue during the year.

Fully diluted earnings per ordinary share is calculated based on 421,151,365 (2012 : 391,008,396) ordinary shares.

	Group			
	2013		2012	
	Basic	Diluted	Basic	Diluted
	$'000	$'000	$'000	$'000
Profit attributable to owners of the company	13,203	13,203	19,286	19,286

	Group			
	2013		2012	
	Number of shares		Number of shares	
	Basic	Diluted	Basic	Diluted
Weighted average number of ordinary shares for the purposes of basic earnings per share	421,151,365	421,151,365	357,973,664	357,973,664
Effect of dilutive potential ordinary shares:				
- Warrants	–	–	–	33,034,732
Weighted average number of ordinary shares for the purposes of diluted earnings per share	421,151,365	421,151,365	357,973,664	391,008,396
Earnings per share (cents)	3.13	3.13	5.39	4.93

43 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) As at May 31, 2013, the company has undertaken to provide financial support of $12,966,000 (2012 : $10,526,000) to some of its subsidiaries.

44 DERIVATIVE FINANCIAL INSTRUMENTS

	2013		2012	
	Assets	Liabilities	Assets	Liabilities
	$'000	$'000	$'000	$'000
Group and Company				
Interest rate swap contract	–	–	–	179

The group's and company's derivative financial instruments in 2012 were due within 1 year.

The group and company used 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. In 2012, contract with nominal values of $9.9 million had fixed interest payments 3.68% against the floating interest rate at 0.25% per annum plus Swap Offered Rate.

At May 31, 2012, the fair value of the derivative financial instruments was estimated at a loss of $179,000. The fair value was measured based on estimation valuation derived from market quotation.

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

The contracts were classified as held for trading.

45 OPERATING LEASE ARRANGEMENTS

The group as a lessee

	Group	
	2013	2012
	$'000	$'000
Minimum lease payments under operating leases recognised as expense in the year	2,467	1,496

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

	Group	
	2013	2012
	$'000	$'000
Within one year	2,655	1,504
In the second to fifth year inclusive	544	988
	3,199	2,492

Operating lease payments represent rentals payable by the group for certain of its office premises, warehouse and equipment. Leases are negotiated for an average term of 3 years and rentals are fixed for an average of 3 years.

The company does not have outstanding commitments under non-cancellable operating leases.

45 OPERATING LEASE ARRANGEMENTS (cont'd)

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 $1,927,000 (2012 : $1,917,000).

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	
	2013	**2012**
	$'000	**$'000**
Within one year	1,933	1,924
In the second to fifth year inclusive	6,444	7,695
After five years	–	641
	8,377	10,260

46 COMMITMENTS

The group has commitment of $6,611,000 (2012 : $18,722,000) 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, 2013 and 2012, the company does not have any commitments.

47 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, 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 expenses: Segment revenue and expenses are the operating revenue and expenses reported in the group's profit or loss that are directly attributable to a segment and the relevant portion of such revenue and 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 operating receivables, construction work-in-progress in excess of progress billings, inventories, development properties, property, plant and equipment, intangible assets 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, long-term deposit and financial guarantee liabilities.

47 SEGMENT INFORMATION (cont'd)

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

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.

	Engineering		Integrated Real Estate		Elimination		Group	
	2013	2012	2013	2012	2013	2012	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue								
External sales	182,658	131,690	33,883	11,941	–	–	216,541	143,631
Inter-segment sales	84,336	40,478	–	8,200	(84,336)	(48,678)	–	–
Total revenue	266,994	172,168	33,883	20,141	(84,336)	(48,678)	216,541	143,631
Segment results								
Segment results	13,462	16,725	2,573	4,804	–	–	16,035	21,529
Finance costs							(2,322)	(1,525)
Share of results of associates							2,194	2,191
Profit before tax							15,907	22,195
Income tax expense							(2,712)	(3,078)
Profit for the year							13,195	19,117
Segment assets	96,552	36,415	157,110	134,695	–	–	253,662	171,110
Unallocated corporate assets							110,108	70,583
Consolidated total assets							363,770	241,693
Segment liabilities	71,263	40,325	22,538	19,395	–	–	93,801	59,720
Unallocated corporate liabilities							169,645	107,668
Consolidated total liabilities							263,446	167,388
Other information								
Depreciation	2,385	1,169	57	14	–	–	2,442	1,183
Amortisation of intangible assets	271	–	–	–	–	–	271	–

47 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	
	2013	**2012**	**2013**	**2012**
	$'000	**$'000**	**$'000**	**$'000**
Singapore	117,283	103,441	81,701	59,977
Malaysia	16,999	6,475	184	169
Thailand	2,487	2,529	237	7,951
Brunei	79,772	31,186	1,233	1,249
Vietnam	–	–	7	9
Hong Kong	–	–	31	–
	216,541	143,631	83,393	69,355

c) Other information

The group has two major customers (2012 : two) from the engineering segment that contribute greater than 10% of the group's total revenue.

	2013	**2012**
	$'000	**$'000**
Customer A	79,772	31,186
Customer B	–	23,966
Customer C	34,007	–

48 ACQUISITION OF SUBSIDIARY

On May 3, 2013, the group entered into a sales and purchase agreement with a third party to acquire 55% of the issued share capital of Interlift Sales Pte Ltd ("Interlift") with effect from December 1, 2012. The principal activity of Interlift is that of manufacturing of material handling equipment and systems.

The group has engaged an independent valuer to perform the purchase price allocation exercise. The allocation of the purchase price to the identifiable assets, liabilities and contingent liabilities being acquired in this business combination is currently being determined and has not been completed due to the complexity involved in identifying and valuing the underlying assets. In the meantime, no provisional goodwill that results from the purchase price had been recognised.

Details of the consideration paid, the assets acquired and liabilities assumed, the non-controlling interests recognised and the effects on the cash flows of the group, at the acquisition date, are as follows:

48 ACQUISITION OF SUBSIDIARY (cont'd)

a) Purchase consideration

	2013
	$'000
Cash paid	2,000
Contingent consideration (Note 24)	1,122
	3,122

In the event Interlift's profit after tax for the year ended March 2013 is less than the profit after tax for the year ended March 2012 by more than ten percent (10%), the actual shortfall shall be computed and the total consideration shall be adjusted by deducting the shortfall from the contingent consideration payable to the vendors.

Acquisition-related costs amounting to $46,000 have been excluded from the consideration transferred and have been recognised as an expense in the financial year, within the "other operating expenses" line item in the statement of comprehensive income.

b) Assets acquired and liabilities assumed at the date of acquisition:

Interlift Sales Pte Ltd

	Acquiree's carrying amount before combination	Fair value adjustment	Fair Value
	$'000	$'000	$'000
Cash and bank balances	389	–	389
Pledged fixed deposits	2,594	–	2,594
Trade receivables	5,943	(104)	5,839
Other receivables	585	–	585
Inventories	2,072	–	2,072
Property, plant and equipment	809	–	809
Bank loans and overdrafts	(1,811)	–	(1,811)
Trade payables	(3,173)	–	(3,173)
Other payables	(3,536)	(27)	(3,563)
Provision for maintenance costs	(12)	–	(12)
Finance leases	(214)	(14)	(228)
Income tax payable	(132)	–	(132)
Deferred tax liabilities	(76)	–	(76)
Long-term bank loans	(1,825)	(133)	(1,958)
Intangible assets	–	4,342	4,342
Non-controlling interests			(2,555)
Net assets acquired representing total purchase consideration			3,122
Contingent consideration			(1,122)
Cash outflow on acquisition			2,000
Cash and cash equivalents acquired			(321)
Net cash outflow on acquisition			1,679

48 ACQUISITION OF SUBSIDIARY (cont'd)

c) Impact of acquisition on the results of the group

Had Interlift been consolidated from June 1, 2012, the consolidated revenue and consolidated profit for the year ended May 31, 2013 would have been $226,127,000 and $14,899,000 respectively. Included in the profit for the year is $356,000 attributable to the additional business generated by Interlift and revenue for the period from December 1, 2012 to May 31, 2013 from Interlift amounted to $6,457,000.

49 EVENTS AFTER THE REPORTING PERIOD

(a) On December 18, 2012, the group incorporated a new wholly-owned subsidiary, TEE Land Private Limited, with an initial issued and paid-up capital of $1.00. The principal activity of the subsidiary is investment holding company. On June 6, 2013, the subsidiary was admitted to the Mainboard of Singapore Exchange Securities Trading Limited subsequent to its change of name to "TEE Land Limited" ("TEE Land"), in connection with its conversion to a public company limited by shares in May 2013 (Note 15).

(b) On June 6, 2013, TEE Land Performance Share Plan ("PSP") and Employee Share Option Scheme ("ESOS") became effective. The directors of the subsidiary are authorised to allot and issue Award Shares or Option Shares (as the case may be) upon the vesting of Awards granted under the group's PSP or exercise of options granted under the ESOS.

(c) On June 7, 2013, a subsidiary, Development 16 Pte. Ltd., together with Lian Beng Group Ltd and Kim Seng Heng Realty Pte. Ltd., have completed the acquisition of the property located at 160 Changi Road, Singapore 419728 for a purchase consideration of $68,000,000.

(d) On June 11, 2013, a subsidiary, TEE Hospitality Pte. Ltd., together with Artmatic Holdings Limited, had through TEE Oceania Pte. Ltd. completed the acquisition of the property located at Riccarton Holiday Park in Christchurch, New Zealand for a purchase consideration of New Zealand Dollar 6,742,000 (equivalent to $6,823,000).

(e) On June 27, 2013, TEE Land announced that it had entered into an option to purchase agreement to acquire a freehold land with an existing building with an estimated land area of 96,649 square feet, at PN 9425 Lot 27, Bandar Petaling Jaya, Negeri Selangor, Malaysia for a purchase consideration of RM40,000,000 (equivalent to $16,460,000).

(f) On August 12, 2013, a subsidiary, TEE Industrial Pte. Ltd. had completed the acquisition of the property located at 25 Bukit Batok Street 22, Singapore 659591 for a purchase consideration of $9,200,000.

(g) On August 16, 2013, an associate, Chewathai Limited had completed the acquisition of a freehold land located at Pracharat Sai 2 Road, Bangsue Sub-District, Dusit (Bangsue) District, Bangkok, Thailand for a purchase consideration of Thai Baht 67,000,000 (equivalent to $2,807,000).

(h) On September 2, 2013, an associate, Chewathai Limited had entered into a sale and purchase agreement to acquire 100% of the issued and paid up capital of Rojtaj Development Co.,Ltd. who holds a freehold property at 416/10-11 Pracharat Sai 2 Road, Bangsue, Bangkok, Thailand for a purchase consideration of Thai Baht 200,000,000 (equivalent to $8,380,000).

The acquisitions of the properties as disclosed in Note 49(c) to Note 49(h) will be funded by the use of IPO proceeds and external bank borrowings.

49 EVENTS AFTER THE REPORTING PERIOD (cont'd)

(i) On June 10, 2013, the group incorporated a new wholly-owned subsidiary, TEE Ventures Pte. Ltd., with an initial issued and paid-up capital of $1.00. The principal activities of the subsidiary are investment holding and real estate development. TEE Ventures Pte. Ltd. had entered into a Memorandum of Understanding with Mr. Supachai Suthipongschai, who is the managing director of the Western Property Group Co., Ltd to jointly develop, build and operate a series of "Boutique" industrial estates in Thailand.

(j) On June 17, 2013, Global Environmental Technology Co., Ltd together with Cisco Engineering Co., Ltd and Lam Water Solution Co., Ltd had formed a consortium of 30%, 50% and 20% respectively to enter into a contract worth Thai Baht 209,785,000 (equivalent to $8,607,000) with Bangkok Metropolitan Administration to manage and control the water level at Makkasan Water Catchment area by periodically pumping water into the Chao Phaya River, Thailand.

(k) On June 25, 2013, the company had entered into a Memorandum of Understanding with Pioneer Environmental Technology Pte Ltd, a subsidiary of AnnAik Limited, to evaluate the possibility to invest in sewage treatment facilities/wastewater treatment plant in Huzhou Prefecture-level City, China.

(l) On August 13, 2013, the company had entered into a Memorandum of Understanding with Meco Phoenix Limited ("Meco") to evaluate the possibility of acquisition from Meco a minimum of 60% of the issued capital in Meco Engineering Limited, a mechanical and electrical engineering contractor in Hong Kong.

50 RESTATEMENTS AND COMPARATIVE FIGURES

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

As a result, certain line items have been amended in the statements of financial position 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:

Statements of financial position

	May 31, 2012	
	Previously reported	**As restated**
	$'000	**$'000**
GROUP		
CURRENT ASSETS		
Other receivables	11,963	5,654
NON-CURRENT ASSETS		
Other receivables	61	6,370

51 INVESTIGATION BY THE COMMERCIAL AFFAIRS DEPARTMENT

In April 2012, the company announced that it has been informed by Mr. Bertie Cheng Shao Shiong, the Independent Director and Non-Executive Chairman of the company, and Mr. Phua Chian Kin, the Group Chief Executive and Managing Director, that they are the subject of investigation by the Commercial Affairs Department ("CAD") on possible contravention of market rigging 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 given 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 CAD investigation has not had any impact on the group and the company.

SHAREHOLDERS' INFORMATION

As at 23 August 2013

Issued and fully paid-up capital	:	S$47,978,317.39
No. of shares issued	:	466,228,410 shares
Class of share	:	Ordinary shares
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1-999	284	15.87	44,992	0.01
1,000-10,000	630	35.22	3,952,629	0.85
10,001-1,000,000	839	46.90	66,733,163	14.31
1,000,001 and above	36	2.01	395,497,626	84.83
Grand Total	**1,789**	**100.00**	**466,228,410**	**100.00**

TOP TWENTY LARGEST SHAREHOLDERS

S/No.	Name of Shareholders	No. of Shares Held	%
1	Hong Leong Finance Nominees Pte Ltd	81,360,150	17.45
2	Phua Chian Kin	74,820,062	16.05
3	Maybank Nominees (S) Pte Ltd	28,500,000	6.11
4	Lincoln Capital Pte Ltd	24,000,100	5.15
5	SBS Nominees Pte Ltd	22,032,000	4.73
6	DMG & Partners Securities Pte Ltd	20,290,000	4.35
7	Morgan Stanley Asia (Singapore) Securities Pte Ltd	17,853,200	3.83
8	CIMB Securities (Singapore) Pte Ltd	13,458,930	2.89
9	Maybank Kim Eng Securities Pte Ltd	11,315,056	2.43
10	HSBC (Singapore) Nominees Pte Ltd	10,510,180	2.25
11	Tay Kuek Lee	9,695,340	2.08
12	Phillip Securities Pte Ltd	8,074,532	1.73
13	UOB Kay Hian Pte Ltd	7,387,024	1.58
14	Cheng Shao Shiong @ Bertie Cheng	7,300,000	1.57
15	4 P Investments Pte Ltd	6,680,924	1.43
16	OCBC Securities Private Limited	6,480,204	1.39
17	Ng Chin Hock	6,218,040	1.33
18	DBS Nominees Pte Ltd	3,656,130	0.78
19	ABN AMRO Nominees Singapore Pte Ltd	3,350,000	0.72
20	Ong Boon Chuan	2,795,100	0.60
Total		**365,776,972**	**78.45**

SHAREHOLDERS' INFORMATION

As at 23 August 2013

SUBSTANTIAL SHAREHOLDERS

As shown in the Register of Substantial Shareholders

	Direct Interest	%	Deemed Interest	%
Phua Chian Kin[1]	236,544,282	50.74	16,376,264	3.51
Tay Kuek Lee[1]	9,695,340	2.08	236,544,282	50.74
4 P Investments Pte Ltd[1]	6,680,924	1.43	236,544,282	50.74
Lincoln Capital Pte Ltd[2]	24,000,100	5.15	Nil	Nil

Notes:

1 Mr. Phua Chian Kin is deemed to have an interest in the 9,695,340 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 161,724,220 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, Maybank Nominees (S) Pte Ltd, OCBC Nominees Singapore Private Limited and DMG & Partners Securities Pte Ltd.

2 Mr. Tan Soon Hoe, through his 100% shareholding in Lincoln Capital Pte Ltd, is deemed to have an interest in the shares held directly by Lincoln Capital Pte Ltd.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on the information available to the Company as at 23 August 2013, approximately 35.43% of the issued ordinary shares of the Company are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF
THIRTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of TEE International Limited ("the Company") will be held at York Hotel Singapore, 21 Mount Elizabeth, Singapore 228516 on 26 September 2013, 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 2013 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final tax exempt (one-tier) dividend of 2.50 cents per ordinary share for the financial year ended 31 May 2013 (Year 2012: 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 Mr. Gn Hiang Meng retiring pursuant to Article 88 of the Articles of Association of the Company: **(Resolution 3)**

   Mr. Gn Hiang Meng, who is an Independent and Non-Executive Director, if re-elected as Director of the Company will remain as the Chairman of the Remuneration Committee and a member of the Audit, Executive and Nominating Committees and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

4. To re-elect Mr. Lee Ah Fong retiring pursuant to Article 89 of the Articles of Association of the Company: **(Resolution 4)**

   Mr. Lee Ah Fong, who is an Independent and Non-Executive Director, if re-elected as Director of the Company will remain as the Chairman of the Nominating Committee and a member of the Audit, Executive and Remuneration Committees 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 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 for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.*

   * *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.*

6. To approve Directors' fees of S$48,663 for the financial year ended 31 May 2013 to the Executive Directors (Year 2012: Nil). **(Resolution 7)**

7. (a) To approve the payment of Directors' fees of S$295,000 for the financial year ending 31 May 2014 to be paid quarterly in arrears (Year 2013: S$210,250). **(Resolution 8)**

   (b) To approve additional Directors' fees of S$189,250 for the financial year ended 31 May 2013 to the Independent Directors (Year 2012: Nil). **(Resolution 9)**

NOTICE OF
THIRTEENTH ANNUAL GENERAL MEETING

8. 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 10)**

9. 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:-

10. 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 11)**

11. Renewal of Share Buy-Back Mandate

That for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as ascertained as at the date of Annual General Meeting of the Company) at the price of up to but not exceeding the Maximum Price as defined on page 9 of the Company's Circular to shareholders dated 12 September 2012 (the "Circular"), in accordance with the said Circular on "Share Purchase Mandate", and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)] **(Resolution 12)**

By Order of the Board

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

Singapore
11 September 2013

NOTICE OF
THIRTEENTH ANNUAL GENERAL MEETING

Explanatory Notes:

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

(ii) The Ordinary Resolution 11, 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.

(iii) The Ordinary Resolution 12, 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, whichever is the earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the Maximum Price as defined in the Circular dated 12 September 2012. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Buy-Back Mandate on the audited consolidated financial accounts of the Group for the financial year ended 31 May 2013 are set out in greater detail in the Letter to Shareholders enclosed together with the Annual Report.

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.

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 26 September 2013 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 2013		
2	Payment of proposed final tax exempt (one-tier) dividend		
3	Re-election of Mr. Gn Hiang Meng as a Director		
4	Re-election of Mr. Lee Ah Fong 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 for the financial year ended 31 May 2013 to the Executive Directors		
8	Approval of Directors' fees for the financial year ending 31 May 2014 to be paid quarterly in arrears		
9	Approval of additional Directors' fees for the financial year ended 31 May 2013 to the Independent Directors		
10	Re-appointment of Deloitte & Touche LLP as Company's Auditors		
11	Authority to issue new shares		
12	Renewal of Share Buy-Back Mandate		

Dated this __________ day of ______________ 2013

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 of the Company 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

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Email: enquiries@teeintl.com
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SINGAPORE
Trans Equatorial Engineering Pte. Ltd.
PBT Engineering Pte. Ltd.
TEE Management Pte. Ltd.
Security Pro-Telco Pte. Ltd.
NexFrontier Solutions Pte. Ltd.
TEE Resources Pte. Ltd.
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Interlift Sales Pte Ltd
212 Hougang Street 21
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Fax: (65) 6284 8794
Website: http://www.interlift.com.sg

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