

SOLID • STRATEGIC • STEADFAST

TEHO INTERNATIONAL INC LTD.

ANNUAL REPORT

2019



ABOUT TEHO GROUP

The TEHO Group – Multi-faceted Solutions Provider for the Marine and Offshore and Real Estate Industries

Since our establishment in 1986, TEHO Group has grown from a small, domestic rigging and mooring company to an international marine and offshore solutions provider, and a real estate developer.

As a rigging and mooring company, our focus on customer service and continuous product and staff development generated significant growth and financial stability, and led to our listing on the Singapore Stock Exchange in 2009 as TEHO International Inc Ltd.

Since then, reflecting a commitment to deliver greater value for our stakeholders, we acquired what are now known as TEHO Engineering and TEHO Water & Envirotec respectively, to supply innovative products for the marine and offshore industry. At the same time, we expanded the global reach of our traditional rope and mooring business to Europe, the Americas, China and the Middle East, through wholly-owned subsidiaries and local partnerships.

In 2014, the Group diversified into real estate business. We now operate in the areas of property development and consultancy primarily in Singapore.

We remain committed to grow our market share and global presence in the current business segments, as well as to seek opportunities in new and unrelated fields.

This Annual Report has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "**Sponsor**").

This Annual Report has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this Annual Report, including the correctness of any of the statements or opinions made or reports contained in this Annual Report.

The contact person for the Sponsor is Mr David Yeong (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.



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TEHO International has always focused on growing a solid and sustainable enterprise. Today, we look to the future with an intensified focus on improving our competitiveness in order to drive performance and enhance our resilience.

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SOLID

In the face of challenges, we will continue to harness our solid business fundamentals: Our proven capabilities, our cross-border footprint, and our extensive track record with the aim of reinforcing our stability and driving positive results.

33 YEARS

experience of fulfilling mooring and rigging needs

1978

- Founded Teck Hoe & Company (Private) Limited

1986

- Established TEHO Ropes & Supplies Pte. Ltd.
- Acquired 4,000 m² warehouse

1999

- Acquired 7,000 m² warehouse

2004

- Established logistics points in Sharjah, Antwerp and Houston

2005

- Acquired 11,000 m² warehouse

CORPORATE PROFILE

MARINE & OFFSHORE

Rigging, Mooring, Lifting & Safety Systems

- TEHO Ropes & Supplies Pte. Ltd. (“TEHO Ropes Singapore”)
- TEHO International (USA), LLC (“TEHO Ropes USA”)
- TEHO EuROPE B.V. (“TEHO Ropes Europe”)
- TEHO (Shanghai) Co., Ltd (“TEHO Ropes China”)

The four subsidiaries have been in the industry for over three decades fulfilling the mooring and rigging needs of the marine & offshore and construction industries across various geographical regions. The regions/countries which these four subsidiaries cover are as follows:

| | |
|-----------------------------|--|
| TEHO Ropes Singapore | Southeast Asia region |
| TEHO Ropes Europe | Rotterdam, Hamburg, Bremen, Antwerp, India and West Africa |
| TEHO Ropes USA | Houston and Panama |
| TEHO Ropes China | China region |



With these four subsidiaries, the Group is able to fulfil the mooring and rigging needs in the respective regions with our robust inventory of ropes, chains, synthetic slings and related fittings, and to ensure a quick turnaround time for our customers around the globe. Equipped with the technical expertise and knowledge of the latest industry regulations, the TEHO brand – backed up by numerous awards and certifications such as the Business Excellence and ISO-9001 certifications – has become a name that is synonymous with quality and reliability.

The Group’s inventory locations around the globe enable the Group to cater to the needs of its customers, with the same quality products and

exceptional services which is the hallmark of the TEHO brand. The offices in the respective regions also facilitate the Group’s sales and marketing activities, and function as the sourcing and logistical arm for supplying vessels at the ports in the area.

Electrical & Mechanical Engineering Systems TEHO Engineering Pte. Ltd. (“TEHO Engineering”)

TEHO Engineering specialises in electrical and mechanical engineering systems and solutions. We target our growing range of products and services towards safety and its assurance, compliance and cost efficiency according to clients’ specifications.

CORPORATE PROFILE



Water & Environmental Treatment Systems
TEHO Water & Envirotec Pte. Ltd.
 ("TEHO Water")

TEHO Water is a water treatment company specialising in reverse osmosis desalination technology and catering to the marine & offshore, resorts and other industries. We design and engineer compact and highly efficient STS Reverse Osmosis Watermakers, built with quality components for lasting and trouble-free performance. Over the span of 15 years, we have delivered our water makers to more than 300 workboats and supply vessels throughout Asia and leading island resorts around the Indian Ocean. TEHO Water also manufactures high performing STS Hydrophore and STS Hot Water Calorifier Systems that are durable and easy to use. In addition, we distribute CAT Pumps products, marine sewage treatment plants and other consumable components. TEHO Water is also the official services centre for CAT Pumps in Southeast Asia.

Our range of products and services include HVAC, Blast Proof, Water & Outfitting systems. We are the authorised distributor and installer of these products under well-renowned brands like Halton, InterDam, OSO, Chromalox, STI, Meiko and many others. We also manage turnkey projects where we support clients with design engineering, compliance and onsite troubleshooting.

Our technical portfolio covers work in energy, marine, offshore oil & gas, industrial and the government sectors. We have a solid history of prompt delivery of premium quality products accompanied by excellent services.



REAL ESTATE

Property Development & Services

TEHO Development Pte. Ltd.
 ("TEHO Development")

TEHO Development, together with a group of subsidiaries, form the real estate arm of the TEHO

Group. Our core business encompasses property development and real estate services. We develop residential, commercial and mixed-use projects and we provide real estate consultancy services.



DISTRIBUTION NETWORK



We have successfully weathered the cyclical turbulence in the oil and gas industry and have come through the challenging times stronger, imbued with a greater focus on expanding the horizon and seeking new opportunities in the marine and offshore and real estate industries as well as in overseas markets.



Marine & Offshore Offices and Warehouses

- Houston (USA)
- Rotterdam (The Netherlands)
- Shanghai (China)
- Singapore



Logistics Points and Agents

- Dubai (United Arab Emirates)
- Algeciras (Spain)
- Panama



Real Estate Offices

- Singapore

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors ("**Board**") of TEHO International Inc Ltd. ("**TEHO**" or the "**Group**"), it is my pleasure to present to you the annual report for the financial year ended 30 June 2019 ("**FY2019**").

Overview

FY2019 has been yet another eventful year for us amid great uncertainty. Political cross currents in the form of trade disputes, or even the impending Brexit in the EU have resulted in the continuing volatile churn in maritime cargo freight rates and erratic oil prices.

With the marine and offshore industry continuing in turbulent times, the Group proved resilient, raking in a net profit of \$122,000 during the second half of FY2019. This exceptional turnaround from the \$582,000 in net losses incurred in the first half of FY2019 was predominantly due to the double-digit revenue growth in our core Marine & Offshore segment's mooring and rigging business.

Singapore's slowing economy did not deter the city-state's property market which saw rising prices and increase in transaction volume, hitting a five-year high for the second quarter of 2019, according to flash estimates by the Urban Redevelopment Authority (URA).

In our property development segment, we have begun spurring marketing efforts for the completed Farleigh Avenue project. In June 2019, another residential property at Lorong Salleh has been acquired, with construction slated for completion by the first half of the financial year ended 30 June 2021.

Overall, in line with the quick turnaround, the Group posted \$0.9 million in operating profits for FY2019, as compared with the \$0.9 million operating loss in the financial year ended 30 June 2018 ("**FY2018**").

Financial Review

In FY2019, owing to the absence of revenue contribution from the Property Development Segment, the Group recorded a 15.6% decline in revenue to \$54.4 million from \$64.4 million in FY2018. Gross profits, on the other hand, continued to grow, rising by 14.5% from \$16.4 million in FY2018 to \$18.8 million in FY2019.

Revenue from our Marine & Offshore Segment increased 13.2% from \$47.4 million in FY2018 to \$53.6 million in FY2019, with its core mooring and rigging business accounting for 79.0% of the jump.

The Marine & Offshore Segment's corresponding gross profit jumped by 13.9% year-on-year, contributing 95.7% of the Group's gross profits in FY2019. Its gross profit margin increased marginally by 0.2 percentage points to 33.6%.

Revenue contribution from the Property Development Segment fell 95.5% from \$17.0 million in FY2018 to \$0.8 million in FY2019, attributable primarily to the absence of revenue contribution from both the sale of the completed Elite Terrace and the property agency business in FY2018 amounting to \$15.0 million and \$1.0 million respectively.

The Property Development Segment contributed a gross profit of \$0.7 million to the Group for FY2019 as compared to \$0.6 million in FY2018. The increase is due to the absence of gross loss of \$0.5 million arising from cost overrun as the Elite Terrace development project was completed, offset by a decline in gross profit contribution of \$0.4 million from the property consulting and agency business.

Holding steady amid volatile headwinds

Despite escalating global trade tensions in a slowing economy, the Group remains steadfast in growing its core business. In a bid to further strengthen TEHO's global supply chain platform, the Group went on to build its own wire rope

rigging facility at Houston (Texas) in March 2019. We are also in the process of setting up a wholly-owned subsidiary in Korea, through Enterprise Singapore's Market Readiness Assistance Grant.

Together with three rigging facilities in Rotterdam, Singapore and Houston and four stock points in Algeciras, Dubai, Panama and Shanghai and the new Korean subsidiary, the Group aims to elevate its capabilities to provide value-adding and reliable products and services to its customers, propelling our growth and extending our global reach.

Given the outlook for the marine and offshore industry, we expect greater challenges and remain committed to seeking high-value and high-performance product offerings to sustain our competitive edge.

With regards to the Singapore's property market, we believe that the slowing economy¹ might lead to growing uncertainties in the Singapore's private property market. As such, we will continue to stay cautiously optimistic on landed residential property developments in Singapore while ensuring the completion of our new project at Lorong Salleh and the marketing of our Farleigh Avenue project.

¹ Focus Economics: Singapore Economic Outlook - <https://www.focus-economics.com/countries/singapore>

CHAIRMAN'S STATEMENT

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Overall, I am deeply encouraged by the performance in the Group's core businesses, that is built on the Group's unwavering pursuit of excellence in executing quality and operational reliability to our core mooring and rigging services. Amid the current market uncertainties, we hope to improve the Group's quality of services while adopting a prudent cash management approach.

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Overall, I am deeply encouraged by the performance in the Group's core businesses, that is built on the Group's unwavering pursuit of excellence in executing quality and operational reliability to our core mooring and rigging services. Amid the current market uncertainties, we hope to improve the Group's quality of services while adopting a prudent cash management approach.

Appreciation

I would like to take this opportunity to thank my fellow Board of Directors for the guidance and

counsel throughout the year. On behalf of the Board and Management, I would like to sincerely thank our business partners, customers, bankers and most importantly, our employees, for their unwavering efforts and contributions to the Group. Last but not least, I would like to express my deep appreciation for our shareholders' trust and loyal support in the Company.

Mr Lim See Hoe

Executive Chairman and Chief Executive Officer





4,000

Meter Square office and warehouse in Ridderkerk, Rotterdam established since FY2017

STRATEGIC

In order to stay relevant and competitive, our forward strategy entails enhancing operational productivity and to offer high-quality and environmentally sustainable solutions to our clients.

2008

- Incorporated TEHO International Inc Ltd. (USA), LLC

2009

- Listed TEHO International Inc Ltd. on the SGX Catalist

2012

- Incorporated TEHO (Shanghai) Co., Ltd.
- Acquired a heating equipment supplier, now known as TEHO Engineering Pte. Ltd.

2013

- Incorporated TEHO EuROPE B.V.
- Acquired a water treatment equipment supplier, now known as TEHO Water & Envirotec Pte. Ltd.
- TEHO Ropes & Supplies Pte. Ltd. attained bizSAFE 3

2014

- First step into Singapore property industry
- Acquired LIHA Shipperservice B.V. and Store Rijnmond B.V.

BOARD OF DIRECTORS

LIM SEE HOE

Executive Chairman and Chief Executive Officer

Date of first appointment: 10 June 2008
Date of last re-election: 30 October 2018

Lim See Hoe is our Executive Chairman and CEO and is currently responsible for the overall corporate and strategic development, business direction, expansion plan and management of our Group. He joined TEHO in 1994 as a Marketing Manager where he was in charge of our Group's sales and marketing functions. In 2000, he became TEHO's Managing Director and was responsible for TEHO's entire operations.

Prior to joining TEHO, he worked as a Senior Parts Executive with Mitsubishi Caterpillar Forklift Asia Pte Ltd, Singapore, a company dealing in the forklift business, from 1993 to 1994 where he was responsible for marketing activities and management of customer's relationship in relation to the products sold by the company. Lim See Hoe graduated with a Bachelor of Engineering (Mechanical) degree from the Nanyang Technological University, Singapore in 1993. He also obtained a Master of Business in International Marketing from the Curtin University of Technology, Australia in 2003.

LIM SIEW CHENG

Executive Director and Chief Operating Officer

Date of first appointment: 15 October 2008
Date of last re-election: 30 October 2017

Lim Siew Cheng is our Executive Director and COO and is currently responsible for our Group's sales administration, operations and strategic planning. She joined TEHO in 1986 as a Director

where she was in charge of operations and has extensive experience in managing the operations of supplying rigging and mooring equipment and services. Prior to joining TEHO, she was working as a Sales Executive in Teck Hoe & Company (Private) Limited, where she was in charge of sales and general administration duties from 1978 to 1985. Lim Siew Cheng attained a GCE Advanced Level certification in 1975.

KWAH THIAM HOCK

Lead Independent Director

Date of first appointment: 5 May 2009
Date of last re-election: 30 October 2017

Kwah Thiam Hock was appointed as our Lead Independent Director on 5 May 2009 and is currently the Chairman of the Audit Committee. In addition, he serves as an Independent Director of Excelpoint Technology Ltd and Wilmar International Limited, companies listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). He was formerly an Independent Director of IFS Capital Limited, listed on the SGX-ST. He joined ECICS Holdings Ltd in 1976 as Assistant General Manager and was subsequently promoted to President and CEO in 1994. From 2003 to 2006, he was the CEO and Principal Officer of ECICS Limited, where he was responsible for its overall performance. Kwah Thiam Hock graduated from the University of Singapore (now known as National University of Singapore) with a Bachelor of Accountancy degree in 1973. He is a Fellow CPA, Australia and also a Fellow of the Institute of Singapore Chartered Accountants and ACCA (UK).

JOANNE KHOO SU NEE

Independent Director

Date of first appointment: 10 January 2014
Date of last re-election: 26 October 2016

Joanne Khoo Su Nee was appointed as our Independent Director on 10 January 2014 and is currently the Chairwoman of the Remuneration Committee. She is currently a Director of Bowmen Capital Private Limited, a company that provides business and management consultancy services. She also serves as an Independent Director of Excelpoint Technology Ltd, a company listed on the SGX-ST and as an Independent Non-Executive Director of Netccentric Limited, a company listed on the Australian Securities Exchange Ltd. She was formerly an Independent Director of Kitchen Culture Holdings Ltd., listed on the SGX-ST. Joanne Khoo has more than 22 years of experience in corporate finance and business advisory services. From February 2008 to October 2012, she was a Director of corporate finance at Canaccord Genuity Singapore Pte. Ltd. (formerly known as Collins Stewart Pte. Limited). Prior to this, she was involved in a wide range of corporate finance activities in the employment of Phillip Securities Pte Ltd and Hong Leong Finance Limited. From 2000 to 2004, she was with Stone Forest Consulting Pte Ltd where she was involved in providing consultancy services to companies seeking public listings in Singapore. From 1997 to 2000, she was with PricewaterhouseCoopers. During that period, she was involved in both the corporate finance and recovery department as well as the audit and business advisory services department. Joanne Khoo graduated with a Bachelor of Business in Accountancy from Royal Melbourne Institute of Technology University in 1996. She was admitted as a Certified Public

Accountant by the CPA Australia in 1999 and a Chartered Accountant under the Malaysian Institute of Accountants in 2000. She was also a member of the Women Corporate Directors, the world's largest membership organization and community of women corporate board directors.

KELVYN OO CHEONG KWAN

Independent Director

Date of first appointment: 1 January 2015
Date of last re-election: 30 October 2018

Kelvyn Oo Cheong Kwan was appointed as our Independent Director on 1 January 2015 and is currently the Chairman of the Nominating Committee. He was also appointed as an Executive Director of New Silkroutes Group Limited, a company listed on the main board of the SGX-ST, on 1 June 2017.

Kelvyn Oo was a lawyer by profession and for almost 20 years has practiced in several of the large local as well as international law firms. Prior to joining New Silkroutes Group Limited, he was a partner of an international law firm. His area of practice was mainly in corporate finance particularly mergers and acquisitions (public and private, including reverse take-overs), joint ventures, equity capital markets and corporate restructuring. He also advised on fund formation and with corporate entities (listed and private), he also advised on various securities, compliance and regulatory matters.

Kelvyn Oo graduated from The University of Buckingham with LLB (Honours) and subsequently obtained his LL.M (Financial Services) from The University of New South Wales.

EXECUTIVE OFFICERS

LIM SIEW CHOO is our General Administration Director and is currently responsible for day-to-day operations, statutory matters, recruitment and staff welfare of our Group. She joined TEHO in 1987 as a Manager responsible for general administration. In 2004, she was tasked to be responsible for our financial and management reporting, treasury operations, internal audit, developing corporate strategy, negotiating with financial institutions for facilities and financial budgeting. Lim Siew Choo graduated with a Bachelor degree in Management from Nagasaki Institute of Applied Science, Japan in 1987.

SOARE SIEW LIAN is our CEO of USA Operations. She joined TEHO in August 2008 and is currently responsible for liaising and servicing our existing customers and securing new customers in the western hemisphere, market research, and outsourcing and purchasing of products for our Group. Prior to joining TEHO, she operated her own business through TEHO (USA), LLC, a company incorporated in USA to facilitate our supply of products in North America from 2005 to July 2008. From 2001 to 2005, she worked as Forecast Manager with Sara Lee Corporation's apparel division (now known as Hanesbrands Inc.), where she was tasked to integrate new businesses into existing forecasting and planning systems, and to provide sales forecast and analysis. From 1991 to 1995, she worked as Special Projects Manager at Catalina Lighting, Inc., a manufacturer and distributor of lighting products in Florida, USA, where she was responsible for new product

development. She was subsequently promoted to Inventory Manager in 1995, to oversee inventory replenishment and purchasing. Soare Siew Lian graduated with a Bachelor of Business Administration degree from the National University of Singapore in 1981 and obtained a Master of International Management degree from the American Graduate School of International Management (now known as Thunderbird School of Global Management), USA in 1984.

PHUA SIAN CHIN is our CFO. He joined our Group in August 2008 and is responsible for the management of our Group's corporate finance, compliance and financial reporting matters. He is also an Independent Director of Oxley Holdings

Ltd. Prior to joining our Group, he was, for over 8 years, the CFO of a holding company listed on the Hong Kong Stock Exchange. For over 10 years, he had worked as regional financial controller for multi-national corporations in the Asia-Pacific region. He was also the group financial head for property development groups in Singapore and Indonesia for over 6 years. Phua Sian Chin graduated with a Bachelor of Accountancy degree from the University of Singapore (now known as National University of Singapore) in 1975. He is currently a Fellow of the Institute of Singapore Chartered Accountants, a Fellow of the CPA Australia, a Fellow of the Association of Chartered Certified Accountants (UK) and a registered member of the Singapore Institute of Directors.



MANAGEMENT TEAM

TEHO International

Phua Cheng Boon is our Financial Controller. He joined the Group in December 2010 as Financial Controller and was responsible for the operational finance and accounting functions of the Group. Between July 2016 and September 2019, he took on the role of Operations Director, overseeing the whole operations of the real estate business. He began his career in public accounting firms with over 10 years of experience where he was also involved in clients' IPO and RTO exercises on the Singapore and Malaysia stock exchanges. He is a member of the Institute of Singapore Chartered Accountants.

TEHO Ropes Singapore

Anthony Tan is our General Manager for TEHO Ropes. He graduated from the Upper Iowa University in 2004 with a degree in Bachelor of Arts (Hons). Anthony Tan has over 21 years of experience in the marine and shipping industry. Prior to this appointment, he was the Group Business Development Manager. His vast pool of industrial knowledge and technical know-how acquired through the years enables him to accede to the tasks of managing and leading the departments of Sales, Operations and Quality and Factory in the group.

Blonde Guy is our Corporate Strategy Senior Manager. Prior to joining the Group in April 2012, he was the Sales and Marketing Manager for a leading fibre ropes manufacturer in Europe where he set up a worldwide network of distributors. Equipped with almost two decades of extensive commercial and technical

knowledge and experience, Blonde Guy leads the development and execution of medium and long term growth strategies of TEHO Group's rigging companies.

Chua Lay Mui is our Operations Manager. She joined the Group in 1986 and plays a significant role in managing the operations team which provides a critical supporting role to the business development team. A pioneer in the company, her accumulated experience and meticulousness to customers' requirements ensure accurate and smooth deliveries to customers.

Jamie Choo, our Business Development Manager of the marine industry, joined the Group in 2002. She monitors the market intelligence within the industry and leads the business development team in aligning to organizational goals and objectives. Jamie Choo completed her Bachelor in Business Studies (Hons) from Loughborough University (UK) in 2010.

Jason Tan is our Quality and Technical/Factory Manager. After graduating with a Bachelor in Engineering (Mechanical) (Hons) from the Nanyang Technological University in 2004, he joined the Group in June of the same year. He is currently responsible for driving quality assurance programmes to deliver efficient and quality products. Besides leading a team of technical and product specialists to provide design solutions across a broad spectrum of applications, he is also crucial in initiating internal quality process improvements.

TEHO Ropes China

Anthony Tok is our Project Executive, responsible for expanding the business in the China market. He joined the Group in September 2009. He graduated from the National University of Singapore, majoring in Mechanical Engineering, in 2005.

TEHO Engineering

Philip Tan Chiun Wei is our Managing Director of TEHO Engineering Pte Ltd. He graduated from the University of Aberdeen (UK) in 1994 with an Honors degree in Bachelor of Engineering. Philip Tan started off as an Electrical Engineer and accumulated more than 24 years of experience in the marine and offshore industry. He took on roles with increasing responsibilities in sales and marketing before being appointed General Manager and Company Director for electrical and mechanical engineering products. He joined the Group in 2012.

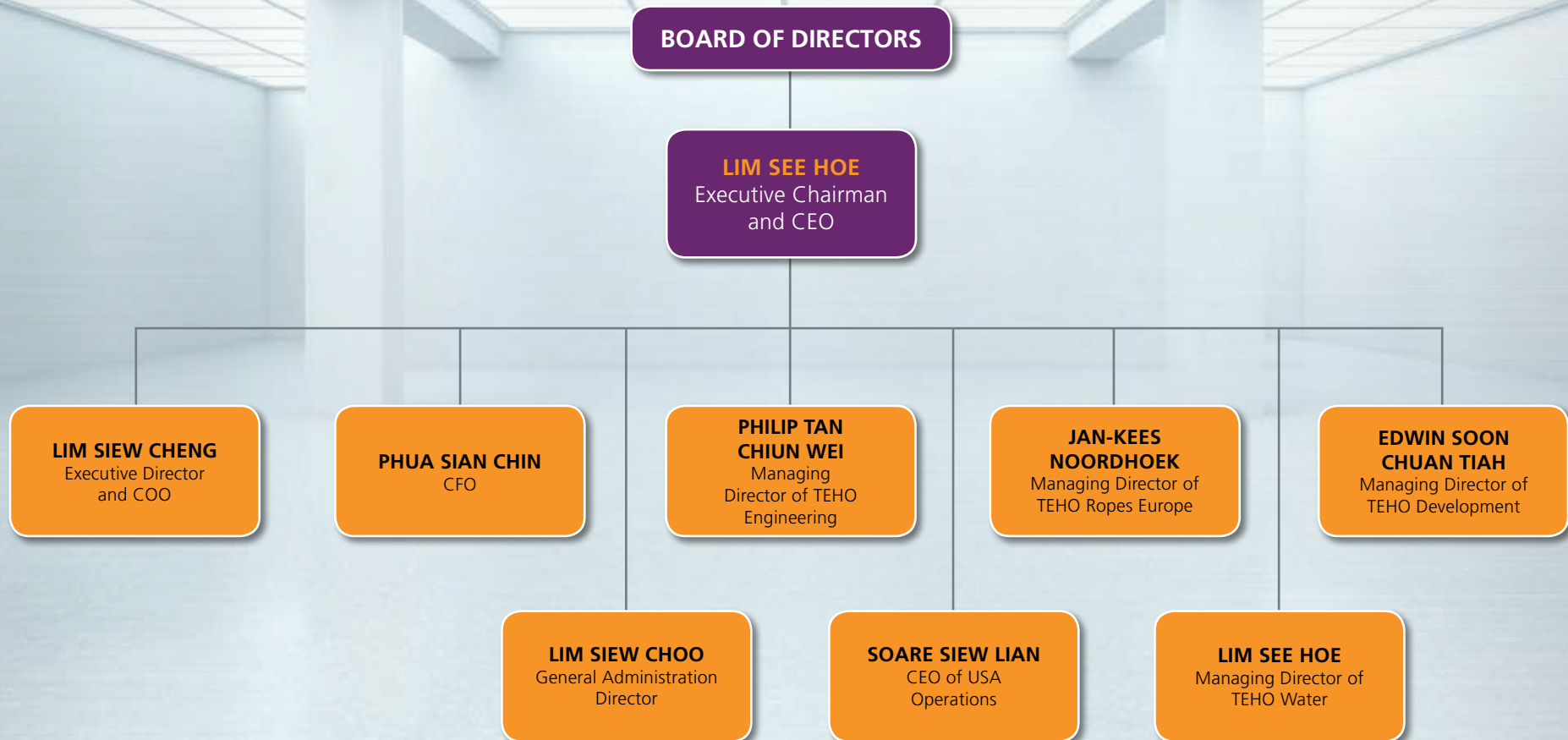
TEHO Ropes Europe

Jan-Kees Noordhoek is our Managing Director of TEHO EuROPE B.V.. He graduated from Fontys Hoge School Tilburg (University of Applied Science) in 1994 with a Bachelor's degree in Economics. He rose from Product Manager to Commercial Director at Lankhorst Ropes, and before joining the Group, served as a managing director of Oliveira. Actively involved in Eurocord and OCIMF, Jan-Kees Noordhoek has harnessed a wealth of knowledge in all aspects of synthetic rope production, marketing and applications, especially of the newer high performance rope.

TEHO Development

Edwin Soon Chuan Tiah is the Managing Director of TEHO Development and TEHO Property Group. He brings in extensive experience in property marketing, business development and investment sales. He has previously overseen the various business divisions within the TEHO Property Group and has successfully implemented strategies for growth and profitability. With his fresh insights and in depth knowledge in the real estate industry, he has led various teams in achieving record-breaking sales, and spearheaded successful overseas property launches that have set trends in the local market and beyond.

GROUP MANAGEMENT STRUCTURE

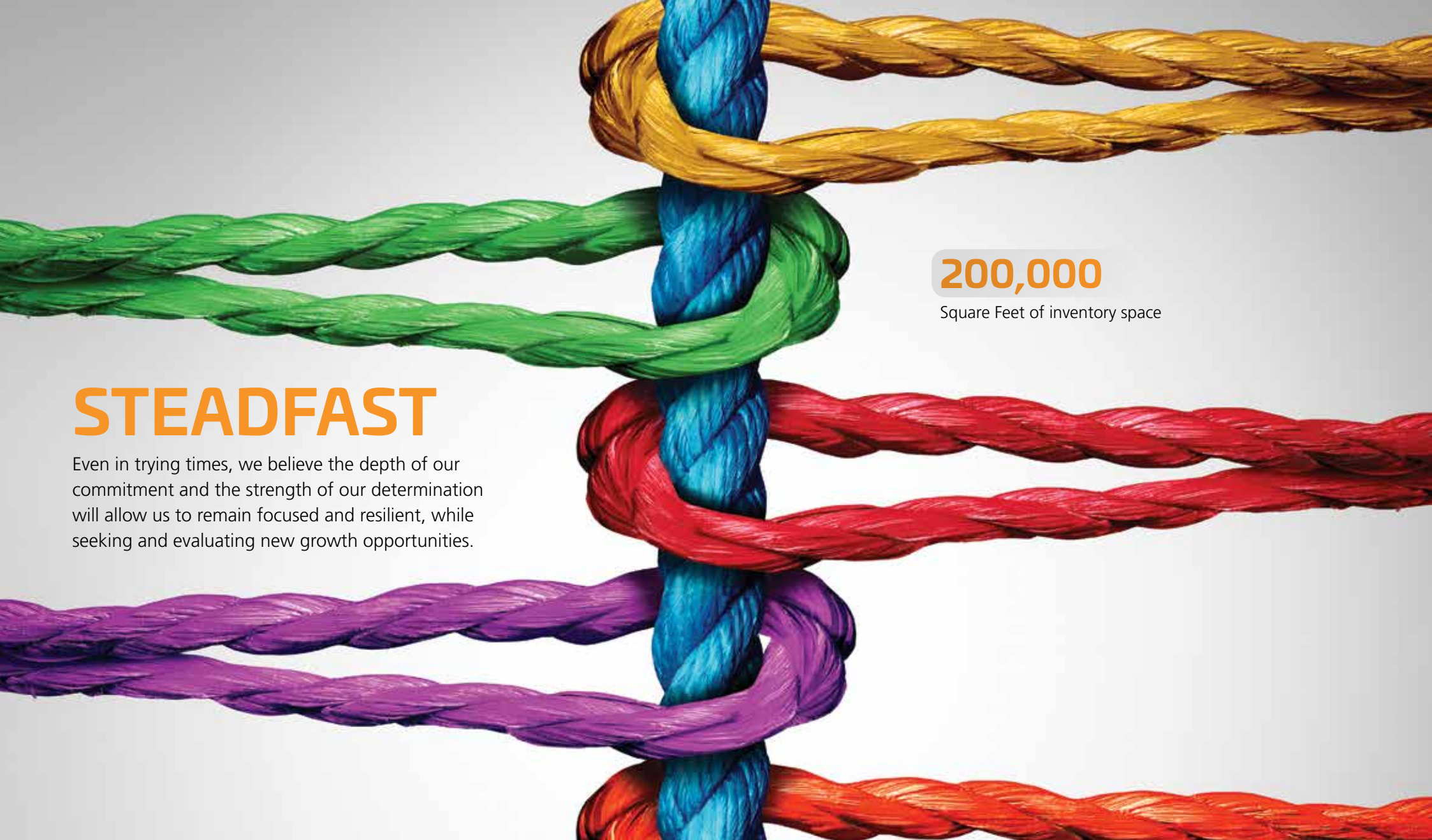


GROUP STRUCTURE

As at 30 June 2019



Subsidiaries and associates that are not significant are not shown above.



STEADFAST

Even in trying times, we believe the depth of our commitment and the strength of our determination will allow us to remain focused and resilient, while seeking and evaluating new growth opportunities.

200,000

Square Feet of inventory space

2015

- TEHO Ropes & Supplies Pte. Ltd. attained DNV GL certification
- TEHO Water & Envirotec Pte. Ltd. attained bizSAFE 3
- TEHO EuROPE B.V. and Liha Shiptservice B.V. attained ISO 9001:2008

2016

- TEHO Group celebrated 30th anniversary
- Established new stock points in Panama and Algeciras

2017

- TEHO Ropes & Supplies Pte. Ltd. awarded the Business Excellence certification
- TEHO EuROPE B.V. opens new 4,000 m² office and warehouse in Ridderkerk (Rotterdam)

2018

- TEHO Ropes & Supplies Pte. Ltd. certified as Eco-Office

2019

- TEHO Ropes & Supplies Pte. Ltd. and TEHO Engineering Pte. Ltd. achieved bizSAFE 4

OPERATIONS & BUSINESS REVIEW



Financial Performance Review

Revenue

The Group's revenue of \$54.4 million for FY2019 decreased by \$10.0 million or 15.6%, from \$64.4 million for FY2018.

Revenue contribution from the Marine & Offshore Segment increased by \$6.2 million or 13.2% to \$53.6 million in FY2019 as compared to \$47.4 million in FY2018. The increase of \$6.2 million is due to:

- The mooring and rigging business contributed to an increase of \$4.9 million.
- The water treatment business contributed to an increase of \$2.0 million, offset by a decline in the engineering business of \$0.7 million.

Revenue contribution from the Property Development Segment decreased by \$16.2 million or 95.5% from \$17.0 million in FY2018 to \$0.8 million in FY2019. The decrease was mainly due to the absence of revenue contribution from the sale of the completed Elite Terrace development project in FY2018 amounting to \$15.0 million and the absence of revenue contribution from the property agency business amounting to \$1.0 million.

Revenue from Singapore remained the highest geographical segment, at 54.3% of the Group's revenue in FY2019, a 10.2 percentage points

decline from 64.5% in FY2018. The decline was mainly attributable to the absence of revenue contribution from the sale of the completed Elite Terrace development project in FY2018.

Gross profit

The Group's gross profit of \$18.8 million in FY2019 increased by \$2.4 million or 14.5% from \$16.4 million in FY2018. The Group's gross profit margin in FY2019 increased by 9.1 percentage points to 34.5% as compared to 25.4% in FY2018.

- The Marine & Offshore Segment contributed gross profit of \$18.0 million to the Group in FY2019 as compared to \$15.8 million in FY2018. The gross profit margin in FY2019 increased marginally by 0.2 percentage points to 33.6%. \$2.1 million of the \$2.2 million increase in gross profit is attributable to the segment's increase in revenue.
- The Property Development Segment contributed gross profit of \$0.7 million to the Group in FY2019 as compared to a gross profit of \$0.6 million in FY2018. The increase was due to the absence of gross loss of \$0.5 million arising from cost overrun of the Elite Terrace development project in FY2018, offset by a decline in gross profit contribution from the property consultancy and agency business of \$0.4 million.

OPERATIONS & BUSINESS REVIEW



Other income

Other income of \$0.5 million in FY2019 decreased by \$3.0 million or 84.4% from \$3.5 million in FY2018 which is partly due to the absence of the global settlement (the “**Settlement**”) reached in January 2018 between the Group and the two vendors of TIEC Holdings Pte. Ltd., a wholly-owned subsidiary of the Company.

Distribution expenses

Distribution expenses of \$1.6 million in FY2019 decreased by \$0.4 million or 21.1% from \$2.0 million in FY2018 due to the Group’s commission expenses being reduced by \$0.5 million in FY2019 as a result of an absence of commission expenses attributable to the Elite Terrace development project.

However, the decrease was offset by an increase of \$0.1 million in trade exhibition and related selling expenses mainly incurred by the Marine & Offshore Segment.

Administrative expenses

Administrative expenses of \$12.3 million in FY2019 decreased by \$0.4 million or 3.0% from \$12.7 million in FY2018. This was due to the decrease in legal and professional fees by \$0.6 million in FY2019 as compared to FY2018, following the Settlement.

However, the decrease was offset by an increase in employee remuneration expenses by \$0.2 million. The increase in employee remuneration relating to the head office and Marine & Offshore Segment by \$0.3 million was offset by a decrease of \$0.1 million in the Property Development Segment. The decrease in the Property Development Segment was mainly attributed by a reduction in headcount in the Property Development Segment.

Other operating expenses

Other operating expenses of \$4.4 million in FY2019 decreased by \$2.2 million or 33.4% from \$6.6 million in FY2018 mainly due to the following:

- Absence of impairment loss on development properties of \$1.9 million incurred by the Property Development Segment in FY2018.
- Total depreciation decreased by \$0.3 million in FY2019 because more property, plant and equipment have been fully depreciated. Most of the property, plant and equipment that were acquired occurred toward the end of FY2019. The additional depreciation arising from the acquired property, plant and equipment was not for the full year.
- Expenses arising from bad debts written-off decreased by \$0.1 million, mainly attributable to the Property Development Segment.

However, the decrease was offset by the increase in repair and maintenance expense by \$0.1 million in the Marine & Offshore Segment.

Impairment loss on trade and other receivables and contract assets

Impairment loss on trade and other receivables and contract assets incurred in FY2019 was \$83,000, compared to a reversal of \$0.6 million in FY2018. The reversal in FY2018 related to the recovery of amounts due from former shareholders of a subsidiary.



OPERATIONS & BUSINESS REVIEW



Finance income and loss

Finance costs of \$1.2 million in FY2019 decreased by \$0.3 million from \$1.5 million in FY2018. The decrease is mainly attributable to the absence of finance costs arising from the sale of the completed Elite Terrace development project in FY2018. The Group's finance income is insignificant.

Income tax expense

In FY2019, the Group incurred an income tax expense of \$0.2 million as compared to income tax credits of \$0.2 million in FY2018. Although the Group incurred a loss before tax during FY2019, the overseas subsidiaries in the Marine & Offshore Segment had taxable profits and contributed to the income tax expense.

Loss for the year

Combining the profit before tax of \$2.1 million for the Marine & Offshore Segment, loss before tax of \$1.6 million for the Property Development Segment, and the unallocated head office expenses of \$0.8 million, the loss before tax of the Group was \$0.3 million. After accounting for income tax expense of \$0.2 million, the Group's loss after tax in FY2019 was \$0.5 million as compared to a loss of \$2.2 million incurred in FY2018.

Balance Sheet Review

Non-current assets

Non-current assets decreased by \$0.2 million or 1.5% to \$10.4 million as at 30 June 2019 from \$10.6 million as at 30 June 2018. The decrease was mainly due to the following:

- Property, plant and equipment decreased by \$0.1 million. Additions of property, plant and equipment during the year of \$0.7 million was offset by depreciation and currency differences of \$0.8 million.

- Investment property decreased by \$0.2 million due to depreciation.

The decrease was offset by the following:

- Deferred tax assets increased by \$0.1 million.

Current assets

Current assets of \$46.5 million as at 30 June 2019 decreased by \$19.2 million or 29.2% from \$65.7 as at 30 June 2018. The decrease was mainly due to the following:

- Assets held for sale decreased by \$21.9 million to nil as at 30 June 2019 following the completion of the disposal of the Group's entire shareholding interest in TEHO Development (Cambodia) Pte. Ltd. ("TDCPL") in FY2019.



OPERATIONS & BUSINESS REVIEW



- Contract assets decreased by \$3.6 million. Following the sale of the completed Elite Terrace development project in FY2018, the Property Development Segment's unbilled revenue decreased by \$3.1 million. The Marine & Offshore Segment's contract assets decreased by \$0.5 million mainly due to billings of project's retention balances during FY2019.
- Inventories decreased by \$1.7 million mainly due to efforts to optimize inventory levels in the Marine & Offshore Segment's business operations in Singapore and Europe. As a result, inventory turnover days decreased from 254 days in FY2018 to 218 days in FY2019.
- Trade and other receivables decreased by \$1.7 million, of which \$1.9 million relates to unbilled revenue and outstanding receivables arising from the completion of the Elite Terrace development project. During FY2019, the outstanding receivables have been settled in full. These decreases were offset by an increase amounting to \$0.2 million attributable to the Marine & Offshore Segment. Trade and other receivables turnover days for the Marine &

Offshore Segment decreased by 8 days from 78 days in FY2018 to 70 days in FY2019.

The decrease was offset by the following:

- Development properties increased by \$9.6 million. The Group completed the construction of the property at 88 Farleigh Avenue during the year. In addition, the Group also acquired a property at 16 Lorong Salleh for redevelopment.
- Cash and cash equivalents, including the effect of exchange rate fluctuations on cash held, increased by \$0.1 million from \$4.5 million as at 30 June 2018 to \$4.6 million as at 30 June 2019. Please refer to the "Cash Flows Review" section below for details.

Non-current liabilities

Non-current liabilities increased by \$1.4 million or 12.1% to \$14.2 million as at 30 June 2019 from \$12.7 million as at 30 June 2018. The increase was mainly due an increase in the non-current portion of loans and borrowings by \$1.4 million. This was due to:

- Land and construction loans were taken out for the Group's property development at 88 Farleigh Avenue and 16 Lorong Salleh, resulting in an increase in non-current portion of loans and borrowings by \$6.9 million.

The increase was offset by the following:

- A term loan with a bullet repayment falling within twelve months from the balance sheet date resulted in a decrease in non-current portion of loans and borrowings by \$3.3 million.
- Repayment of loans and borrowings, mainly by the Marine & Offshore Segment, which resulted in a further decrease in non-current portion of loans and borrowings by \$2.2 million.

Current liabilities

Current liabilities increased by \$1.5 million or 5.6% to \$29.0 million as at 30 June 2019 from \$27.5 million as at 30 June 2018. The increase was due to the following (the figures below do not add up due to rounding):

- Current portion of loans and borrowings increased by \$4.1 million, due to a term loan with a bullet repayment falling within twelve months from the balance sheet date resulting in an increase in current portion of loans and borrowings by \$3.3 million, increase in utilisation of trade facilities by \$1.0 million and an increase in the drawdown of short-term revolving credit facilities by \$0.5 million for working capital purposes. These increases were offset by a \$0.7 million decrease due to repayment of term loans.

OPERATIONS & BUSINESS REVIEW

- Contract liabilities increased slightly by \$0.2 million.

The increase was offset by the following:

- Trade and other payables decreased by \$2.6 million, mainly due to the Property Development Segment which contributed to a \$1.5 million decrease as a result of the completion of the Elite Terrace development project in FY2018. Most of these trade and other payables were settled during FY2019. The Marine & Offshore Segment contributed to a \$0.8 million decrease in trade and other payables. The segment's trade and other payables turnover days decreased by 8 days from 60 days in FY2018 to 52 days in FY2019.

Shareholders' equity

Shareholders' equity of \$13.7 million as at 30 June 2019 decreased by \$22.4 million or 62.1% from \$36.1 million as at 30 June 2018. The decrease was mainly due to the following:

- Loss for FY2019 amounting to \$0.5 million; and
- Decrease in non-controlling interests by \$21.9 million following the completion of the disposal of the Group's entire shareholding interest in TDCPL in FY2019.

Cash Flows Review

Cash flows from operating activities

Operating cash inflows before changes in working capital was \$2.1 million in FY2019. Net cash outflow used in working capital was \$5.2 million due to the following (the figures below do not add up due to rounding):

- Cash inflows arising from a decrease in inventories of \$1.8 million;
- Cash outflows arising from an increase in development properties of \$9.7 million;
- Cash inflows arising from a decrease in trade and other receivables of \$1.5 million;
- Cash inflows arising from a decrease in contract assets of \$3.6 million;
- Cash outflows arising from a decrease in trade and other payables of \$2.6 million; and
- Cash inflows arising from an increase in contract liabilities of \$0.2 million.

After deducting income taxes paid of \$0.3 million, net cash used in operating activities in FY2019 was \$3.4 million.

Cash flows used in investing activities

Net cash used in investing activities in FY2019 was \$0.8 million which was mainly attributable to the purchase of property, plant and equipment by the Marine & Offshore Segment.

Cash flows from financing activities

Net cash from financing activities in FY2019 was \$4.2 million, mainly attributable to the following:

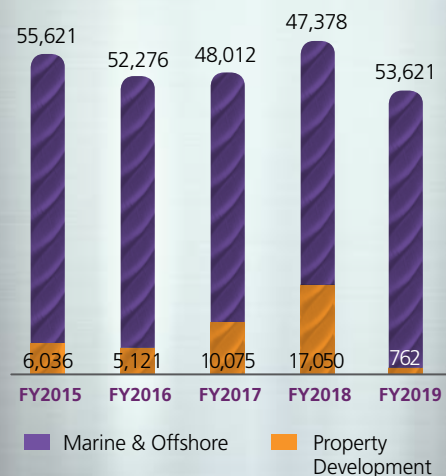
- Interest paid of \$1.3 million;
- Repayment of bank borrowings and finance lease liabilities totalling \$22.4 million; and
- Proceeds from bank borrowings amounting to \$28.0 million.

As a result of the above, cash and cash equivalents increased by approximately \$92,000 during FY2019. Cash and cash equivalents as at 30 June 2019 were \$4.6 million.

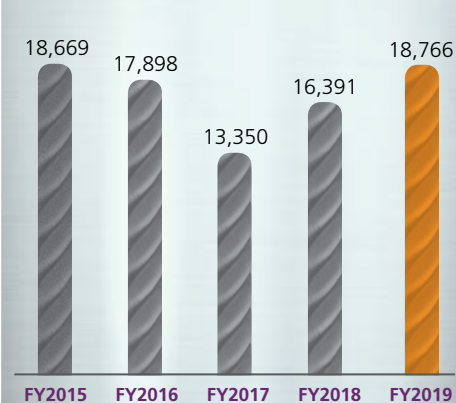


FINANCIAL HIGHLIGHTS

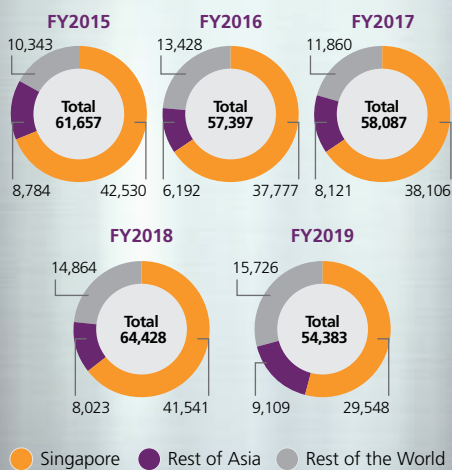
Revenue By Operating Segments (\$'000)



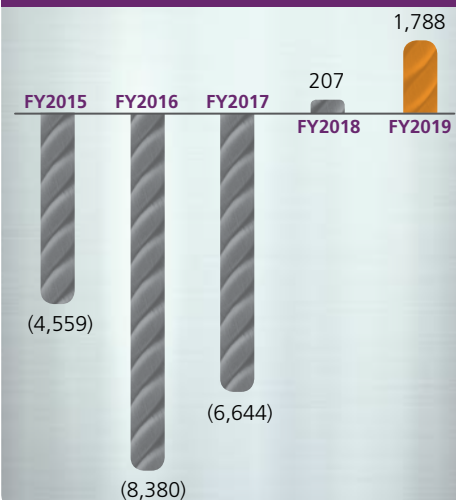
Gross Profit (\$'000)



Revenue By Geographical Areas (\$'000)



EBITDA (\$'000)



| | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 |
|--|--------|--------|--------|--------|--------|
|--|--------|--------|--------|--------|--------|

Revenue By Operating Segments

| | | | | | |
|-------------------------------|--------|--------|--------|--------|--------|
| Marine & Offshore (\$'000) | 55,621 | 52,276 | 48,012 | 47,378 | 53,621 |
| Property Development (\$'000) | 6,036 | 5,121 | 10,075 | 17,050 | 762 |
| Total | 61,657 | 57,397 | 58,087 | 64,428 | 54,383 |

Revenue By Geographical Areas

| | | | | | |
|----------------------------|--------|--------|--------|--------|--------|
| Singapore (\$'000) | 42,530 | 37,777 | 38,106 | 41,541 | 29,548 |
| Rest of Asia (\$'000) | 8,784 | 6,192 | 8,121 | 8,023 | 9,109 |
| Rest of the World (\$'000) | 10,343 | 13,428 | 11,860 | 14,864 | 15,726 |
| Total | 61,657 | 57,397 | 58,087 | 64,428 | 54,383 |

Operating Results

| | | | | | |
|---|---------|----------|---------|---------|--------|
| Gross Profit (\$'000) | 18,669 | 17,898 | 13,350 | 16,391 | 18,766 |
| EBITDA (\$'000) | (4,559) | (8,380) | (6,644) | 207 | 1,788 |
| Loss Before Tax (\$'000) | (6,789) | (11,377) | (9,313) | (2,343) | (299) |
| Loss After Tax (\$'000) | (7,021) | (11,545) | (9,427) | (2,189) | (460) |
| Gross Profit Margin (%) | 30.3 | 31.2 | 23.0 | 25.4 | 34.5 |
| Basic Loss Per Ordinary Share (Cents) | -3.23 | -4.94 | -4.04 | -0.94 | -0.20 |
| Diluted Loss Per Ordinary Share (Cents) | -3.23 | -4.94 | -4.04 | -0.93 | -0.20 |

Financial Position

| | | | | | |
|--------------------------------|---------|---------|--------|--------|--------|
| Total Assets (\$'000) | 133,270 | 102,982 | 93,344 | 76,294 | 56,940 |
| Total Liabilities (\$'000) | 72,220 | 53,442 | 53,078 | 40,169 | 43,258 |
| Total Equity (\$'000) | 61,050 | 49,540 | 40,266 | 36,125 | 13,682 |
| Cash (\$'000) | 13,745 | 7,795 | 7,782 | 4,468 | 4,622 |
| Borrowings (\$'000) | 62,533 | 43,701 | 44,398 | 31,625 | 37,164 |
| Debt-to-adjusted capital ratio | 0.80 | 0.72 | 0.91 | 0.75 | 2.38 |
| NAV Per Ordinary Share (Cents) | 16.96 | 11.99 | 7.80 | 6.10 | 5.84 |

FY2018 comparative figures were adjusted to take into account retrospective adjustments arising from the adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") as disclosed in Note 34 to the financial statements. The comparative figures for FY2015, FY2016 and FY2017 as shown in the table above were also restated accordingly in order to be consistent over the 5-years period.

MAJOR PROPERTIES

As at 30 June 2019

| Location | Description | Tenure |
|---|--|--|
| 1 Tuas Lane, Singapore 638610 | Leasehold warehouse | 30 years commencing 1 September 1992, with an option to renew for a further 30 years |
| 1 Bukit Batok Crescent #03-20, Singapore 658064 | Leasehold ramp-up factory unit for production work | 60 years commencing 13 March 1997 |
| 33 Ubi Avenue 3, #01-14 Vertex, Singapore 408868 | Leasehold office | 60 years commencing 1 January 2007 |
| 33 Ubi Avenue 3, #01-15 Vertex, Singapore 408868 | Leasehold office | 60 years commencing 1 January 2007 |
| Nikkelstraat 19, Ridderkerk (2984 AM), The Netherlands | Commercial property | Freehold |

MAJOR PROPERTIES FOR DEVELOPMENT AND/OR SALE

As at 30 June 2019

| Project Name/Location/Description | Tenure | Approx. Land Area (sqm) | Approx. Gross Floor Area (sqm) | Percentage of Completion at 30 June 2019 (%) | Interest held by the Group (%) | Expected Completion Date (Calendar Year) |
|--|---|-------------------------|--------------------------------|--|--------------------------------|--|
| 88 Farleigh Avenue Singapore 557862 2-storey envelope control detached dwelling house with an attic and a swimming pool | 999 years leasehold commencing 1 January 1954 | 393 | 421 | 100% | 100% | 2019 |
| 16 Lorong Salleh Singapore 416770 Proposed new erection of a 3-Storey envelope control semi-detached dwelling house with an attic | Freehold | 297 | 446 | Has not commenced construction | 100% | 2020 |

CORPORATE INFORMATION

Board of Directors

Mr Lim See Hoe
Chairman & Chief Executive Officer

Ms Lim Siew Cheng
Executive Director & Chief Operating Officer

Mr Kwah Thiam Hock
Lead Independent Director

Ms Joanne Khoo Su Nee
Independent Director

Mr Oo Cheong Kwan Kelvyn
Independent Director

Audit Committee

Mr Kwah Thiam Hock
Chairman

Ms Joanne Khoo Su Nee

Mr Oo Cheong Kwan Kelvyn

Remuneration Committee

Ms Joanne Khoo Su Nee
Chairwoman

Mr Kwah Thiam Hock

Mr Oo Cheong Kwan Kelvyn

Nominating Committee

Mr Oo Cheong Kwan Kelvyn
Chairman

Mr Kwah Thiam Hock

Ms Joanne Khoo Su Nee

Company Secretaries

Mr Phua Sian Chin, FCA (Singapore)

Ms Wee Woon Hong, LLB (Hons)

Share Registrar and Share Transfer Office

RHT Corporate Advisory Pte. Ltd.
30 Cecil Street
#19-08 Prudential Tower
Singapore 049712

Sponsor

SAC Capital Private Limited
1 Robinson Road
#21-00 AIA Tower
Singapore 048542

Auditors

KPMG LLP
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
Partner-in-charge: Mr Lau Kam Yuen
Effective from the financial year ended
30 June 2015

Registered Office and Principal Place of Business

1 Commonwealth Lane
#09-23 One Commonwealth
Singapore 149544
Tel: (65) 6744 8777
Fax: (65) 6744 8788
Email: ir@teho.com.sg
Website: www.teho.com.sg



CORPORATE DIRECTORY

Rigging, Mooring, Lifting & Safety Systems (Marine, Offshore O&G & Construction)

TEHO Ropes Singapore

TEHO Ropes & Supplies Pte. Ltd.

1 Commonwealth Lane, #09-23 One Commonwealth
Singapore 149544
Tel: (65) 6744 8777
Fax: (65) 6744 8788
Email: ropes@teho.com.sg
Website: www.tehoropes.com.sg



TEHO Ropes Europe

TEHO EuROPE B.V.

Nikkelstraat 19, 2984 AM Ridderkerk, The Netherlands
Tel: (31) (0)180.82.09.95
Email: ropes@tehoeurope.nl
Website: www.tehoeurope.nl



Cert. No.: NL018858

TEHO Ropes USA

TEHO International (USA), LLC

2521 Reid Blvd, Pearland, TX77581, USA
Tel: (1) 866 737 3365
Fax: (1) 877 292 1442
Email: sales@tehoropes.com
Website: www.tehoropes.com

TEHO Ropes China

TEHO (Shanghai) Co., Ltd

Suite 2210A, 22/F Tomson Commercial Building
710 Dongfang Road, Shanghai P.R.C. 200122
Tel: (86) 186 1627 3590
Fax: (86) 21 6165 2286
Email: anthony_tok@teho.com.sg
Website: www.tehoropes.com.sg

Electrical and Mechanical Engineering Systems (Offshore O&G)



TEHO Engineering Pte. Ltd.

1 Commonwealth Lane, #02-06 One Commonwealth
Singapore 149544
Tel: (65) 6862 0900
Fax: (65) 6862 3955
Email: sales@tehoengineering.com.sg
Website: www.tehoengineering.com.sg

Reverse Osmosis Watermaker, Water & Environmental Solutions (Marine & Offshore O&G)

TEHO Water & Envirotec Pte. Ltd.

1 Bukit Batok Crescent, #03-20 WCEGA Plaza
Singapore 658064
Tel: (65) 6766 0397
Fax: (65) 6267 9748
Email: sales@tehowater.com.sg
Website: www.tehowater.com.sg



Cert. No.: Q-SG-16009

Property Development & Services

TEHO Development Pte. Ltd.

8 Jalan Lembah Kallang, #03-01 Min Ghee Bldg
Singapore 339564
Tel: (65) 6259 7977
Fax: (65) 6258 7977
Email: info@tehoproperty.com.sg
Website: www.tehoproperty.com.sg

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REPORT OF CORPORATE GOVERNANCE

The Board of Directors (the “**Board**”) of TEHO International Inc Ltd. (the “**Company**” or “**TEHO**”) is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the “**Group**”) to ensure greater transparency and to protect the interests of the Company’s shareholders.

TEHO has in place the appropriate personnel, processes and structures to direct and manage its business and affairs while safeguarding the interests of shareholders and enhancing long-term shareholder value as part of its effort to maintain high standards of corporate governance. This corporate governance report (the “**Report**”) describes the Group’s efforts in keeping pace with the evolving corporate governance practices and complying with the Code of Corporate Governance 2012 (the “**Code**”) and where applicable, the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) (the “**Catalist Rules**”) and the Companies Act (Chapter 50 of Singapore) (the “**Companies Act**”).

STATEMENT OF COMPLIANCE

The Board is pleased to confirm that for the financial year ended 30 June 2019 (“**FY2019**”), the Group has adhered to the principles and guidelines set out in the Code except for the following guidelines where there are deviations from the Code and appropriate explanations have been provided:

- (a) Guideline 3.1 – Common Role of Chairman and Chief Executive Officer
- (b) Guideline 8.4 – Contractual Provision to Reclaim Incentive Components of Remuneration
- (c) Guideline 9.1 – Remuneration report
- (d) Guideline 9.2 – Full disclosure of the remuneration of each director
- (e) Guideline 11.4 – Risk Committee
- (f) Guideline 16.1 – Shareholders’ Participation

On 6 August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance 2018 (the “**2018 Code**”) and accompanying Practice Guidance. The 2018 Code supersedes the Code and will apply to annual reports covering financial years commencing from 1 January 2019, except for specified requirements that will take effect in 1 January 2022. The Group will outline its corporate governance practices and structure in place to comply with the 2018 Code, where appropriate, in its next annual report for the financial year ending 30 June 2020 (“**FY2020**”).

BOARD MATTERS

The Board’s Conduct of Affairs

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

The Board currently comprises two (2) executive directors and three (3) independent directors, who have the right core competencies and diversity of experiences to enable them, in their collective wisdom, to contribute effectively for the long-term success of the Company. The independent directors make up more than half of the Board and there is a strong independent element in the Board.

The Board is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group. Matters which specifically require the Board’s decision or approval are those involving:

- (a) Corporate strategy and business plans;
- (b) Investment and divestment proposals;
- (c) Funding decisions of the Group;
- (d) Nominations of directors for appointment or re-appointments to the Board and appointment of key management personnel;
- (e) Announcement of half-year and full-year results, annual reports and financial statements;
- (f) Material acquisitions and disposals of assets;
- (g) Consideration of sustainability issues as part of the Group’s strategic formulation;
- (h) All matters of strategic importance;
- (i) Review of management performance;
- (j) Identify key stakeholder groups and recognise that their perceptions affect the Company’s reputation; and
- (k) Corporate governance of the Group.

REPORT OF CORPORATE GOVERNANCE

All directors recognise that they have to discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. The Board is a representation of the shareholders in the Company and is accountable to them through effective governance of the business.

To assist the Board in the execution of the Board's responsibilities, certain functions of the Board have been delegated to the following committees:

- (a) Audit Committee (the "AC");
- (b) Nominating Committee (the "NC"); and
- (c) Remuneration Committee (the "RC"),

(collectively, the "Board Committees").

The principle functions and roles of the Board Committees are described in subsequent sections of this Report, detailed functions and roles are described in each of the Board Committees' terms of reference. Each of these committees is chaired by an independent director and operates within clearly defined terms of reference and functional procedures which are reviewed on a regular basis. These committees provide further safeguards to prevent an uneven concentration of power, authority and decision-making in a single individual. While these committees are delegated with certain responsibilities, the ultimate responsibility for the final decisions lies with the entire Board.

To get a better understanding of the Group's business, the Company adopts an open policy whereby directors are encouraged to request for further explanations, briefings or informal discussions on the Group's operations or business with the executive directors and the management.

The Board holds at least two (2) meetings a year at regular intervals. In addition, ad hoc meetings involving the Board and the management are held as and when there is a need to review important matters such as major acquisition and divestment and related funding requirements. In between Board meetings, other important matters are also being circulated and put for the Board's approval by way of circulating resolutions in writing. The Company's Constitution provides for meetings of directors to be held by means of telephone conference or other methods of simultaneous communication by electronic or other means.

Frequency of formal Board and Board Committee meetings held and attended by each member for FY2019 are disclosed below:

| Types of meetings | Board | AC | NC | RC |
|------------------------------|----------------|----------------|----------------|----------------|
| Names of directors | | | | |
| Total held for FY2019 | 3 | 2 | 1 | 1 |
| Mr Lim See Hoe | 3 [#] | 2 [*] | 1 [*] | 1 [*] |
| Ms Lim Siew Cheng | 3 | 2 [*] | 1 [*] | 1 [*] |
| Mr Kwah Thiam Hock | 3 | 2 [#] | 1 | 1 |
| Ms Joanne Khoo Su Nee | 3 | 2 | 1 | 1 [#] |
| Mr Oo Cheong Kwan Kelvyn | 3 | 2 | 1 [#] | 1 |

Notes:

- # Chairman
- * By invitation

All directors are expected, in the course of carrying out their duties, to act in good faith to provide insights and objectively take decisions in the interest of the Group.

Newly appointed directors will be given briefings by the management on the business activities and strategic direction of the Group. There are also induction or orientation programmes to familiarise them with the Group's operations. They will also be provided with a formal letter setting out their duties and obligations. Where appropriate and for first-time directors with no prior experience as a director of a listed company in Singapore, the Company will also arrange for them to attend training courses organised by the Singapore Institute of Directors or other professional training institutions as appropriate so as to equip them to discharge their duties effectively. No new director was appointed in FY2019.

As part of training for the Board, directors are briefed either during Board and Board Committee meetings or at specially convened sessions on changes to regulations and accounting standards, as well as industry related matters. All directors are encouraged to keep themselves updated on changes to the financial, legal and regulatory requirements or framework and the business environment

REPORT OF CORPORATE GOVERNANCE

through reading relevant literature and attending appropriate seminars and courses conducted by bodies such as the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and Singapore Institute of Directors. The directors are also provided with ongoing updates and/or briefings from time to time by management of the Company, professional advisers, auditors, Sponsor and the company secretaries in areas such as directors’ duties and responsibilities, corporate governance practices and risk management matters. During AC meetings, KPMG LLP (the “**External Auditors**”) briefed the directors on the changes in accounting standards as well as key audit matters.

Board Composition and Guidance

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

Executive Directors

| | |
|-------------------|---|
| Mr Lim See Hoe | Executive Chairman and Chief Executive Officer (“ CEO ”) |
| Ms Lim Siew Cheng | Executive Director and Chief Operating Officer (“ COO ”) |

Non-Executive Directors

| | |
|--------------------------|--|
| Mr Kwah Thiam Hock | Lead Independent Director and Chairman of AC |
| Ms Joanne Khoo Su Nee | Independent Director and Chairman of RC |
| Mr Oo Cheong Kwan Kelvyn | Independent Director and Chairman of NC |

The Board currently comprises five directors of whom three are independent and non-executive. As the Chairman of the Board and CEO of the Group is the same person and part of the management, more than half of the Board is made up of independent non-executive directors. The NC is of the view that no individual or small group of individuals dominates the Board’s decision-making process.

The independence of each independent director is reviewed annually by the NC. Starting from 1 July 2019, the NC adopts the definition in the 2018 Code as to what constitutes an independent director in its review to ensure that the Board consists of persons who, together, will provide core competencies necessary to meet the Company’s objectives. The independent directors have confirmed

that they do not have any relationship with the Company or its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the directors’ independent business judgement with a view to the best interests of the Company. In this regard, the NC is of the view that Mr Kwah Thiam Hock, Ms Joanne Khoo Su Nee and Mr Oo Cheong Kwan Kelvyn are independent.

The Code states that the independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. The Board is of the view that the independence of the independent directors must be based on the substance of their professionalism, integrity and objectivity, and not merely based on form such as the number of years which they have served on the Board. Currently, Mr Kwah Thiam Hock has served on the Board for more than nine years from the date of his first appointment. The Board conducted rigorous review by examining any conflicts of interest, his review and scrutiny of matters and proposals put before the Board, his exercise of independent judgment, the effectiveness of his oversight roles as a check and balance on the acts of the executive directors and the management as well as his role in enhancing and safeguarding the interests of the Company and its shareholders. Upon review, the Board considers Mr Kwah Thiam Hock to remain independent.

After taking into account the views of the NC, the Board is satisfied that each independent director is independent in character and judgement and there are no relationships or circumstances which are likely to affect, or could affect, the director’s judgement.

TEHO is committed in building a diverse and collegiate culture in the Board. As such, the Board’s diversity policy provides that in examining the Board composition and succession planning, the Board will consider balancing the benefits of all aspects of diversity, including diversity of skills, experience, knowledge, gender and other relevant factors – the Board is of the view that the current composition does facilitate effective decision-making. All director appointments are based on meritocracy with the objective of forming an effective board. In relation to gender diversity, the Board does not preclude the selection of female candidates for director appointments. While the Board recognises the emerging target of Singapore’s Diversity Action Committee of having at least 30% female representation on boards of Singapore listed companies, the Board’s collective view is that it should not be the main selection criteria and that board appointments, based on the right blend of skills, experience relevant to the Group’s business and ability to contribute effectively, should remain a priority. Thus far, TEHO has maintained 40% of its Board or two out of five directors, to be females.

REPORT OF CORPORATE GOVERNANCE

The Board, through the NC, has examined its size and is of the view that it is of an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Group. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.

There is adequate relevant competence on the part of the directors, who, as a group, carry specialist backgrounds in accounting, finance, law, business and management and strategic planning. The profile of each of the directors is disclosed in the "**Board of Directors**" section of this annual report.

The independent directors participate actively in developing strategies and in reviewing the performance of the Group. Where necessary, the independent directors may meet and discuss about the Group's affairs without the presence of the executive directors and the management of the Group.

The Group does not have a non-executive director on the Board who is not independent.

Chairman and Chief Executive Officer

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

Mr Lim See Hoe is the Chairman and CEO of the Company. Mr Lim See Hoe leads the Board and is responsible for the overall corporate and strategic development, business direction, expansion plan and management of the Group. Mr Lim See Hoe, in assuming the responsibility of the Chairman of the Board, is responsible for scheduling Board meetings as and when required, setting the agenda for the Board meetings and ensuring the quality, quantity and timeliness of the flow of information between the management, the Board and the shareholders so as to enhance working relations among the management, executive and non-executive directors, and to encourage constructive communication with shareholders respectively. He is also responsible for ensuring compliance with the Company's guidelines on corporate governance.

Mr Lim See Hoe is assisted by Ms Lim Siew Cheng, who is the executive director and COO, in the management of the day-to-day operations of the Group. Ms Lim Siew Cheng is responsible for the Group's sales administration, operations and strategic planning. Mr Lim See Hoe and Ms Lim Siew Cheng are siblings.

The independent directors currently form more than half of the composition of the Board. With the establishment of three (3) Board Committees, each chaired by and comprised of independent directors, there are adequate safeguards in place to prevent an uneven concentration of power, authority and decision-making in a single individual. As such, the Board is of the view that it would not be necessary for the Group to effect a separation of the role of the Chairman and the CEO.

As Mr Lim See Hoe is the Chairman and CEO, the Board has appointed Mr Kwah Thiam Hock as the lead independent director to co-ordinate and lead the independent directors to provide non-executive perspective, to avail himself to shareholders where they have concerns and for which contact through the normal channels of the Chairman and CEO or the Chief Financial Officer ("**CFO**") has failed to resolve or is inappropriate, and to act as a counter-balance in the decision-making process and contribute a balanced viewpoint to the Board.

Where necessary, the independent directors may meet without the presence of the executive directors and the lead independent director shall provide feedback to the Chairman after such meetings.

Board Membership

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

To facilitate a formal and transparent process for the appointment and re-appointment of directors to the Board, the Board has formed the NC, which comprises:

| | |
|--------------------------|---|
| Mr Oo Cheong Kwan Kelvyn | Chairman of NC and Independent Director |
| Mr Kwah Thiam Hock | Member and Lead Independent Director |
| Ms Joanne Khoo Su Nee | Member and Independent Director |

The NC comprises entirely independent directors and the NC is guided by written terms of reference that describe the responsibilities of its members.

REPORT OF CORPORATE GOVERNANCE

The principal functions of the NC are as follows:

- (a) To review and recommend the nomination or re-nomination of the directors having regard to each director's contribution and performance;
- (b) To determine on an annual basis whether or not a director is independent;
- (c) To assess the performance of the Board, the Board Committees and the contribution of each director to the effectiveness of the Board; and
- (d) To review the training and professional development programmes for the Board.

In the event that a vacancy on the Board arises, the NC may identify suitable candidates for appointment as new director through the business networks of the Board. The NC will assess suitable candidates for appointment to the Board based on the requisite qualification, expertise and experience, and recommend the most suitable candidate to the Board for appointment as director.

Under the Company's Constitution, all directors are required to submit themselves for re-nomination and re-election at least once every three years. Directors who retire are eligible to offer themselves for re-election.

The NC assesses and recommends to the Board whether retiring directors are suitable for re-election. The NC, in considering the re-appointment of a director, evaluates such director's contributions in terms of experience, business perspective and attendance at meetings of the Board and/or Board Committees and pro-activeness of participation in meetings. Each member of the NC shall abstain from recommending his or her own re-election. The NC has recommended the re-election of two retiring directors, namely Ms Lim Siew Cheng and Ms Joanne Khoo Su Nee at the forthcoming annual general meeting (the "AGM"). The Board has accepted the NC's recommendations and Ms Lim Siew Cheng and Ms Joanne Khoo Su Nee will be offering themselves for re-election at the forthcoming AGM.

Ms Lim Siew Cheng is siblings with Mr Lim See Hoe (Executive Chairman and CEO, and a controlling shareholder of the Company) and Ms Lim Siew Choo (a 10% shareholder of the Company). Save for the foregoing, there are no other relationships including immediate family relationships between the retiring directors and the other directors of the Company, the Company and its 10% shareholders.

Key information regarding the directors is set out below:

| Name of director | Date of first appointment | Date of last re-election | Principal commitments | Directorships in other listed companies | |
|--------------------------|---------------------------|--------------------------|--|--|---|
| | | | | Present | Past (Last five years) |
| Mr Lim See Hoe | 10 June 2008 | 30 October 2018 | TEHO International Inc Ltd. | Nil | Nil |
| Ms Lim Siew Cheng | 15 October 2008 | 30 October 2017 | TEHO International Inc Ltd. | Nil | Nil |
| Mr Kwah Thiam Hock | 5 May 2009 | 30 October 2017 | 1. PM Shipping Pte Ltd 2. Pivot Medical Pte. Ltd. | 1. Excelpoint Technology Ltd. 2. Wilmar International Limited | 1. Select Group Limited 2. IFS Capital Limited |
| Ms Joanne Khoo Su Nee | 10 January 2014 | 26 October 2016 | Bowmen Capital Private Limited | 1. Excelpoint Technology Ltd. 2. Netcentric Limited | Kitchen Culture Holdings Ltd. |
| Mr Oo Cheong Kwan Kelvyn | 1 January 2015 | 30 October 2018 | New Silkroutes Group Limited | New Silkroutes Group Limited | Nil |

The academic and professional qualifications and the information on shareholdings in the Company held by each director are set out in the "Board of Directors" and "Directors' Statement" sections of this annual report respectively.

The NC considers that the multiple board representations held presently by some directors do not impede their respective performance in carrying out their duties towards the Company. The NC has also taken into consideration the other principal commitments of the directors in deciding if the directors are able to and have adequately carried out their duties. As such, the Board does not propose to set the maximum number of listed company board representations which directors may hold until such need arises.

Currently, there is no alternate director on the Board.

REPORT OF CORPORATE GOVERNANCE

Board Performance

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

The NC decides how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the Board's approval, which address how the directors have enhanced long-term shareholders' value.

In assessing the effectiveness of the Board as a whole and the different committees, the Board has implemented an assessment process which is carried out by the NC. Each director will be provided an assessment checklist which includes evaluation factors such as Board composition and structure, conduct of meetings, corporate strategy and planning, risk management and internal control, measuring and monitoring performance, training and recruitment, compensation, financial reporting and communicating with shareholders. The results of the assessments are then discussed at the NC meeting.

The Chairman of the Company will, in consultation with the NC, act on the results of the performance evaluations and where appropriate, propose new members be appointed to the Board or seek the resignation of directors. Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his or her performance or re-nomination as director.

No external facilitator had been engaged by the Board in FY2019 for this purpose.

Access to Information

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

The Company recognises the importance of unlimited and unhindered flow of information for the Board to discharge its duties effectively. The management and the executive directors furnish the

Board, and where appropriate, each director regularly with information about the Group as well as the relevant background information or explanatory information relating to the business to be discussed at Board meetings. The type of information that is provided to the Board includes facts, resources needed, financial impact, expected outcomes, conclusions and recommendations. Detailed board papers are circulated to directors in advance for each meeting to give the directors sufficient time to review the matters to be discussed. The directors are also provided with the contact details of the management and company secretaries to facilitate separate and independent access.

Either one of the company secretaries attends Board and Board Committee meetings. Together with the management, the company secretaries are responsible for ensuring that appropriate procedures are followed and that the requirements of the Companies Act, and the provisions in the Catalist Rules are complied with. The company secretaries assist the Chairman of the Board in ensuring good information flow within the Board and the Board Committees and between the management and non-executive directors. Directors have separate and independent access to the company secretaries. The appointment and the removal of the company secretaries is a matter for the approval of the Board as a whole.

Each director, either individually or collectively, has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil his or her duties and responsibilities as director.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

The RC comprises:

Ms Joanne Khoo Su Nee
Mr Kwah Thiam Hock
Mr Oo Cheong Kwan Kelvyn

Chairwoman and Independent Director
Member and Lead Independent Director
Member and Independent Director

REPORT OF CORPORATE GOVERNANCE

The RC comprises entirely independent directors and the Chairwoman of the RC is Ms Joanne Khoo Su Nee. The RC has written terms of reference that describe the responsibilities of its members.

The RC was formed to recommend to the Board a framework of remuneration for the directors and key management personnel, and to determine specific remuneration packages for each executive director. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses and other benefits-in-kind are covered by the RC. In addition, the RC administers the TEHO Performance Share Plan (the "TEHO PSP").

Each member of the RC shall abstain from voting on any resolutions in respect of his or her remuneration package.

If necessary, the RC shall seek advice from external remuneration consultants on the remuneration of all directors. The RC would also ensure that any relationship between the appointed remuneration consultant and any of the directors or the Company will not affect the independence and objectivity of the remuneration consultant. No remuneration consultants were engaged for FY2019.

The RC will continue to review the Company's obligations arising in the event of termination of any of the executive directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

Level and Mix of Remuneration

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

The Company has a remuneration policy for the CEO and COO, which comprises a fixed component and a variable component. The fixed component is in the form of a base salary and a fixed one-month bonus while the variable component is in the form of a variable bonus which takes into account the performance of the Company and their respective performances. The performance-related elements of remuneration are designed to align the executive directors' interest with those of the Company's shareholders and link rewards to corporate and individual performance.

In setting remuneration packages, the Company also takes into consideration the remuneration packages and employment conditions in comparable positions and within the comparable industry and companies as well as its risk policies, arising from the need for the compensation to be symmetric with the risk outcomes and the time horizon of risks.

Mr Lim See Hoe and Ms Lim Siew Cheng, being the CEO and COO respectively, are remunerated based on their service agreements with the Company. These service agreements will be renewed for such period as the Board may decide upon expiry, on such terms and conditions as the parties may agree. The agreements provide for termination by either party upon giving not less than six months' notice in writing.

The independent directors do not have service agreements with the Company. They are paid fixed directors' fees, which are determined by the Board appropriate to the level of their contributions, taking into account factors such as the effort and time spent and the responsibilities of each independent director. The directors' fees are subject to approval by shareholders at each AGM. The independent directors do not receive any other remuneration from the Company.

The review of the remuneration of the key management personnel takes into consideration the performance and contributions of the staff to the Group and gives due regard to the financial and business performance of the Group. The Group seeks to offer a competitive level of remuneration to attract, motivate and retain senior management of the required competency to run the Group successfully.

The Company has adopted a long-term employee incentive scheme known as the TEHO PSP that was approved by shareholders at the extraordinary general meeting held on 25 November 2011, to align itself with and embrace local trends and best practices in employee compensation and retention. The TEHO PSP aims to promote higher performance goals, recognise exceptional achievements and retain talents within the Group. The TEHO PSP is administered by the RC. Please refer to the "Directors' Statement" section of this annual report for more information on the TEHO PSP.

The Company does use contractual provisions to allow the Company to reclaim incentive components of remuneration from its executive directors in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. With regard to the key management personnel, having reviewed and considered the variable components in the remuneration package of the key management personnel, the RC is of the view that it is not necessary to institute such contractual provisions.

REPORT OF CORPORATE GOVERNANCE

Disclosure on Remuneration

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

The Board supports and is keenly aware of the need for transparency. However, having considered the sensitivity and confidentiality of the remuneration packages, the Board took the view that full disclosure of the specific amounts of remuneration of the directors may not be in the best interest of the Group. A breakdown, showing the level and mix of each director's remuneration for FY2019 is as follows:

| Remuneration band and name of director | Fee | Salary | Bonus | Benefits | Total |
|--|-------|--------|-------|----------|-------|
| | % | % | % | % | % |
| \$600,000 to below \$700,000 | | | | | |
| Mr Lim See Hoe | 1.5 | 78.4 | – | 20.1 | 100.0 |
| \$300,000 to below \$400,000 | | | | | |
| Ms Lim Siew Cheng | 2.8 | 91.8 | – | 5.4 | 100.0 |
| Below \$100,000 | | | | | |
| Mr Kwah Thiam Hock | 100.0 | – | – | – | 100.0 |
| Ms Joanne Khoo Su Nee | 100.0 | – | – | – | 100.0 |
| Mr Oo Cheong Kwan Kelvyn | 100.0 | – | – | – | 100.0 |

The Code recommends the Company to name and disclose the remuneration of at least the top five key management personnel, who are not directors or CEO of the Company. For FY2019, the Company has only one key management personnel (who is not a director or CEO of the Company). A breakdown showing the remuneration amount and mix of the Company's top key management personnel (who is not a director or CEO of the Company) for FY2019 is as follows:

| Name of key management personnel | Salary | Bonus | Benefits | Total |
|----------------------------------|--------|-------|-------------------|--------|
| | % | % | % | \$'000 |
| Mr Phua Sian Chin | 66.2 | 10.8 | 23.0 [#] | 279 |

Note:

[#] Benefits include share-based payment expense arising from share awards under the TEHO PSP. Please refer to the "Directors' Statement" section of this annual report for more information on the TEHO PSP.

A breakdown, showing the remuneration level and mix of each employee who is an immediate family member of a director or the CEO for FY2019 is as follows:

| Remuneration band and name of employee | Salary | Bonus | Benefits | Total |
|--|--------|-------|----------|-------|
| | % | % | % | % |
| \$300,000 to below \$350,000 | | | | |
| Ms Soare Siew Lian | 81.2 | 12.3 | 6.5 | 100.0 |
| \$200,000 to below \$250,000 | | | | |
| Ms Lim Siew Choo | 92.9 | – | 7.1 | 100.0 |
| \$100,000 to below \$150,000 | | | | |
| Mr Lim See Heng | 87.1 | – | 12.9 | 100.0 |

Ms Soare Siew Lian is the CEO of USA Operations; Ms Lim Siew Choo is the General Administration Director; and Mr Lim See Heng, who has retired effective from 8 July 2018, was the Projects Director. They are siblings of the CEO and COO of the Company. Ms Lim Siew Choo and Mr Lim See Heng are also substantial shareholders of the Company. Save as disclosed above, no employee of the Group whose remuneration exceeded \$50,000 for FY2019, was an immediate family member of the directors or the CEO.

Following the retirement of Mr Lim See Heng as the Projects Director, he has taken on an advisory role with the Group. The Company will comply with the relevant requirements of the Catalist Rules on transactions with interested persons arising from this advisory role in FY2020.

The RC has reviewed and approved the remuneration packages of the executive directors and key management personnel, having regard to their contributions as well as the financial performance and commercial needs of the Group and has ensured that the executive directors and key management personnel are adequately but not excessively remunerated.

REPORT OF CORPORATE GOVERNANCE

The Board is of the opinion that the information as disclosed above would be sufficient for shareholders to have an adequate appreciation of the Group's compensation policies and practices and therefore does not intend to issue a separate remuneration report, the contents of which would be largely similar.

There are no termination, retirement and post-employment benefits that may be granted to directors, CEO and key management personnel of the Group.

ACCOUNTABILITY AND AUDIT

Accountability

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

For the financial performance reporting via the SGXNET to the SGX-ST, and the annual report to the shareholders, the Board has a responsibility to present a balanced and understandable assessment of the Group's performance, financial position and prospects to the public, including interim and other price sensitive public reports and reports to regulators (if required).

The Board ensures that the management maintains a sound system of internal controls to safeguard the shareholders' investments and the Group's assets. The Board keeps itself abreast and is kept informed by the management of legislative and regulatory requirements. It is also guided by the Company's Catalyst Sponsor of legislative and regulatory changes to the Catalyst Rules, if any.

The management will provide all members of the Board with half-yearly management accounts of the Group's performance, with explanatory details on its operations, and as the Board may require from time to time to make balanced and informed assessments of the Group's performance, position and prospects. Board papers are given prior to any Board meeting to facilitate effective discussion and decision-making.

The Board also announces the Group's half-year and full year results and performance review via the SGXNET within the legally prescribed periods for the benefit of its shareholders.

Risk Management and Internal Controls

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

The Company does not have a Risk Management Committee as the Board collectively oversees the risk management of the Group. In addition, the executive directors and the management regularly review 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 management reviews significant control policies and procedures, and highlights the significant matters to the Board and the AC. Furthermore, on the AC's recommendation, the Board had appointed Nexia TS Risk Advisory Pte. Ltd. (the "**Internal Auditors**") to undertake an Internal Audit Review of the Group annually and an Enterprise Risk Management Update Review on a biennial basis.

The Board is responsible for governance of risk management, and determining the Company's levels of risk tolerance and risk policies. It is also responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets, and to manage risks.

On the recommendation of the AC, the CFO takes on the additional duties of a compliance officer, and co-ordinates and oversees the works of the Company's professional service providers.

Enterprise Risk Management

The AC had engaged the Internal Auditors to undertake an Enterprise Risk Management Update Review of the Group, which commenced in March 2018, to enable the Board and the management to understand the inherent industry, financial, operational, compliance and information technology risks of the Group.

As part of the Enterprise Risk Management Update Review, the Internal Auditors engaged key members of management including the AC members and the CEO to carry out the following:

REPORT OF CORPORATE GOVERNANCE

- (a) Understand the organisational structure and current internal and external operating environment of the various business units of the Group;
- (b) Identify events, assess risk, evaluate risk responses and control activities in place;
- (c) Determine the impact and likelihood of the identified risks;
- (d) Identify improvement opportunities for control gaps; and
- (e) Prioritise and rank the identified risks.

The Enterprise Risk Management Update Review is part of the Group's efforts to periodically review its Enterprise Risk Management framework on a biennial basis and enhance such framework in response to changes in the external environment and business processes. The Group will continue to proactively evaluate the risks faced by the Group and ensure appropriate risk treatment.

The next Enterprise Risk Management Update Review of the Group is scheduled to take place in November 2019.

Internal controls

On 9 February 2018, the Board, based on the AC's recommendation, selected and appointed the Internal Auditors to review, recommend, and carry out subsequent follow-up review on the Group's internal control systems. The first full cycle internal controls review carried out by the Internal Auditors spanned over FY2019 and FY2020 which covered the following major areas of operations of the Group under two phases:

Phase 1 (conducted in FY2019):

- (a) Fabrication and commissioning management (for the Marine & Offshore Segment);
- (b) Development and construction management (for the Property Development Segment);
- (c) Sales, marketing and collection; and
- (d) Treasury and cash management.

Phase 2 (conducted in FY2020):

- (a) Procurement, sub-contracting, payables and payment;
- (b) Inventory management (for the Marine & Offshore Segment);

- (c) Human resource and payroll management; and
- (d) Operating expenses (for the Property Development Segment).

Phase 1 of the aforementioned review was completed and the Internal Auditors issued two reports to the AC, one in relation to the Marine & Offshore Segment dated 3 January 2019 and one in relation to the Property Development Segment dated 3 April 2019. The reports, which included recommendations and areas for improvements, were also disseminated to the key members of management for follow-up actions. Based on the remedial actions taken by the Group on the Internal Auditor's recommendations, and the on-going review of and the continuing efforts at enhancing internal controls and processes, the Board, with the concurrence of the AC, is satisfied that in the absence of any evidence to the contrary, the system of internal controls in place is adequate and effective in meeting the needs of the Group in its current business environment.

In the audit of the Company's financial statements for FY2019, KPMG LLP, the external auditors of the Company, informed the Board that it did not notice any significant deficiency or major lapses in the internal controls that would warrant highlighting to the management, the AC and the Board.

Annual review of the Group's risk management and internal control systems

With the assistance of the AC, the Board has undertaken an annual assessment on the adequacy and effectiveness of the Group's risk management and internal control systems over financial, operational, compliance and information technology risks. The assessment considered issues dealt with in reports reviewed by the AC and the Board during the financial year together with any additional information necessary to ensure that the Board has taken into account all significant aspects of risks and internal controls of the Group for FY2019. The reports reviewed by the AC and the Board during the financial year include (a) the External Auditors' Salient Features Memorandum in relation to the FY2019 external audit, and (b) the Internal Auditors' internal audit report for FY2019.

The Board's annual assessment in particular considered:

- (a) The changes since the last annual assessment in the nature and extent of key risks; and the Group's ability to respond to changes in its business and external environment;
- (b) The scope and quality of management's ongoing monitoring of risks and of the system of internal controls, and the work of the Internal Auditors and other providers of assurance; and
- (c) The incidence of significant internal control weaknesses that were identified during the financial year.

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In order to obtain assurance that the Group's risks are managed adequately and effectively, the Board had reviewed the key risks which the Group is exposed to, as well as an understanding of the counter-measures and internal controls that are in place to manage those risks.

The Board has received assurance from the CEO and the CFO (a) that the financial records have been properly maintained and the financial statements for FY2019 give a true and fair view of the Group's operations and finances; and (b) that the Group has put in place and will continue to maintain a reasonably adequate and effective system of risk management and internal controls.

Opinion on adequacy of Group's internal controls

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 and the Board, the Board with the concurrence of the AC, is of the opinion that the risk management systems and internal control systems maintained by the Group, addressing the financial, operational, compliance and information technology risks of the Group, are adequate and effective as at 30 June 2019. The Board and the AC note that all internal control systems contain inherent limitations and no system of internal controls can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

Audit Committee

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

The AC comprises:

| | |
|--------------------------|--|
| Mr Kwah Thiam Hock | Chairman and Lead Independent Director |
| Ms Joanne Khoo Su Nee | Member and Independent Director |
| Mr Oo Cheong Kwan Kelyvn | Member and Independent Director |

The AC comprises entirely independent directors and it has written terms of reference clearly setting out its authority and duties.

Two members of the AC (including the Chairman) have accounting and related financial management expertise. The Board is of the view that the AC has the necessary experience and expertise required to discharge its duties.

No former partner of the Company's existing audit firms is a member of the AC.

The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by the management and full discretion to invite any director or key management personnel to attend its meetings, and reasonable resources, including access to external consultants and auditors, to enable it to discharge its functions properly.

The AC shall meet periodically to perform, *inter alia*, the following functions:

- (a) To review with the external auditors the audit plan, their evaluation of the system of internal controls, the audit report, the management letter and the management's response;
- (b) To review with the internal auditors the internal audit plan and their evaluation of the adequacy of the internal controls and accounting system before submission of the results of such review to the Board for approval prior to the incorporation of such results in the annual report;
- (c) To review the financial statements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;
- (d) To review the internal controls and procedures and ensure co-ordination between the external auditors and the management, reviewing the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the management where necessary);
- (e) To review and discuss with external and internal auditors (if any), any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;
- (f) To review the Group's key financial risk areas (including but not limited to, the Group's cash management policies and cash position, collection of debts, hedging policies and transactions, speculative trading policies and positions and off-balance sheet items);

REPORT OF CORPORATE GOVERNANCE

- (g) To consider the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the auditors;
- (h) To review transactions falling within the scope of Chapter 9 of the Catalist Rules;
- (i) To review any potential conflicts of interest;
- (j) To undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- (k) Generally to undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

Apart from the above functions, the AC is given the task to commission and review the findings of investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation, which has or is likely to have a material impact on the Company's operating results or financial position.

The AC had discussed with the management the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements. The following key audit matter was discussed with the management and the External Auditors, and reviewed by the AC in respect of FY2019:

| Matter considered | Audit Committee's comments |
|------------------------|--|
| Valuation of inventory | <p>The AC considered the approach and methodology applied to the allowances for inventory obsolescence. In addition, the AC discussed the above with the External Auditors. The AC was satisfied with management's assessment.</p> <p>The External Auditors have included this item as a key audit matter in the audit report for FY2019. Please refer to Page 47 of this annual report.</p> |

The AC had met with the External Auditors, without the presence of management, to review the adequacy of audit arrangements, with emphasis on the scope and quality of their audit, and the independence, objectivity and observations of the External Auditors.

The AC reviews the independence of the External Auditors on an annual basis. The AC confirms that it has undertaken a review of all non-audit services provided by the External Auditors and that such non-audit services would not, in the AC's opinion, affect the independence of the External Auditors. In the AC's opinion, KPMG LLP is suitable for re-appointment and it has accordingly recommended to the Board that KPMG LLP be nominated for re-appointment as auditors of the Company at the forthcoming AGM. KPMG LLP is registered with the Accounting and Corporate Regulatory Authority of Singapore. A breakdown of the fees paid or payable to the External Auditors for audit and non-audit services for FY2019 is provided in the "Audit and Non-Audit Fees" section of this Report.

The Company has complied with Rules 712 and 715 of the Catalist Rules in appointing the audit firms for the Group.

It is the Company's practice for the External Auditors to present to the AC their audit plan together with updates relating to any changes in accounting standards impacting the financial statements. During the AC meetings in FY2019, the External Auditors briefed the AC on the changes in accounting standards.

The Board has, on the recommendation of the AC, implemented a whistle blowing policy for the Group with the objective of providing an avenue for staff, suppliers and customers to raise in confidence concerns about possible improprieties in matters of financial reporting or other matters which they become aware. A copy of the whistle blowing policy has been posted on the Company's website for the information of its stakeholders. There were no incidents pertaining to whistle blowing for FY2019.

For more information on the Group's whistle blowing policy, please refer to: https://investor.teho.com.sg/whistle_blowing_arrangement.html.

Internal Audit

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

The AC, in consultation with the management, approves the hiring, removal, evaluation and compensation of the internal auditors. As the size of the operations of the Group does not warrant the Group having an in-house internal audit function, the Group outsourced its internal audit function

REPORT OF CORPORATE GOVERNANCE

to the Internal Auditors as mentioned in Principle 11. The Internal Auditors consult and report directly to the AC and administratively to the Board, and has unrestricted access to the documents, records, properties and personnel of the Group.

Nexia TS Risk Advisory Pte. Ltd. is a corporate member of The Institute of Internal Auditors (“IIA”). The internal audit work carried out is guided by the International Standards for the Professional Practice of Internal Auditing set by IIA.

As part of the internal audit process, the Internal Auditors carry out the following:

- (a) Evaluate the Group’s control design effectiveness and adequacy;
- (b) Develop and execute control testing programmes to determine compliance of internal controls;
- (c) Highlight areas where control weaknesses and lapses exist;
- (d) Analyse root causes of audit findings where possible and identify improvement opportunities;
- (e) Summarise issues, improvement opportunities and recommendations; and
- (f) Prepare an Internal Audit Report outlining the Internal Auditors’ findings and recommendations for improvements noted in the processes and procedures. A risk rating will be assigned to each finding.

During FY2019, the Internal Auditors had reviewed key internal controls in the major operational areas of the Group as detailed in the internal audit plan submitted to and approved by the AC as mentioned in Principle 11. Findings and the Internal Auditors’ recommendations on areas of improvement were reported to the AC and for management’s implementation and were also made available to the External Auditors for review.

The AC had met with the Internal Auditors without the presence of management to discuss their findings on the Company’s observance of internal control measures that are in place.

Having reviewed the qualifications, experience, resource, independence and reporting structure of the Internal Auditors, the AC is satisfied that the Company’s internal audit function is staffed by suitably qualified and experienced professionals with the relevant qualifications and experience.

The AC reviews the adequacy of the internal audit function on an annual basis and is satisfied that it is adequately resourced and has appropriate standing within the Group to perform its duties effectively.

Based on the reviews on the internal audit function and activities performed, the AC is satisfied that the internal audit function is adequate and effective.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

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

The Group’s corporate governance practices promote fair and equitable treatment of all shareholders. To facilitate shareholders’ ownership rights, the Group ensures that all material information that would likely materially affect the price or value of the Company’s shares is disclosed on a comprehensive, accurate and timely basis via SGXNET. The Group recognises that the release of timely and relevant information is central to good corporate governance and enables shareholders to make informed decisions in respect of their investments in the Company.

All shareholders are entitled to attend the general meetings of the Company and are afforded the opportunity to participate effectively at such meetings. All shareholders are entitled to vote in accordance with the established voting rules and procedures. The Company conducted poll voting for all resolutions tabled at the general meetings. The rules, including the voting procedures, will be clearly explained by the scrutineers at such general meetings.

Communication with Shareholders

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

The Company is committed to maintaining and improving its level of corporate transparency of financial results and other pertinent information. In line with the continuous disclosure obligations of the Company pursuant to the Catalist Rules and the Companies Act, it is the Board’s policy to ensure that all shareholders are informed on a timely basis of every significant development that has an impact on the Group via announcements on SGXNET.

REPORT OF CORPORATE GOVERNANCE

The Company does not practise selective disclosure. Results and annual reports are announced or issued within the mandatory period.

The Company conducts its investor relations on the following principles:

- (a) Information deemed to be price-sensitive is disseminated without delay via announcements on SGXNET;
- (b) Endeavour to provide comprehensive information in financial results announcements to help shareholders and potential investors make informed decisions; and
- (c) Operate an open policy with regard to investors' enquiries.

The Company has engaged Sino-Lion Communications Pte. Ltd. to address any queries that the investors, analysts, press or public might have on the Company's affairs. The investor relations team can be reached at ir@teho.com.sg.

The Company does not have a definite dividend policy as the form, frequency and amount of dividends declared each year will take into consideration the Group's retained earnings and expected future earnings, cash flow, capital requirements and general financing condition, as well as general business conditions and other factors as the Board may deem appropriate. After considering the cash flow requirements of the Group and to be prudent, no dividend was paid or proposed for FY2019. Any dividend payments will be clearly communicated to shareholders via announcements on SGXNET.

Conduct of Shareholder Meetings

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

All shareholders will receive the Company's annual report and notice of general meetings. Shareholders will be given the opportunity and time to voice their views and ask directors or the management questions regarding the Company at the forthcoming AGM.

The Company takes note that there should be separate resolutions at general meetings on each substantially separate issue and to avoid bundling resolutions.

The Chairman of the Board, as well as the respective Chairman of each Board Committee is required to be present to address questions at the AGM. The External Auditors are also present at such meeting to assist the directors to address shareholders' queries, if necessary.

The company secretaries prepare minutes of the general meetings, which capture the essence of the comments or queries from shareholders and responses from the Board and the management. These minutes are available to shareholders upon their request. Commencing from the general meeting held in 2018, the minutes are also made available on the Company's website.

The Company's Constitution allows a shareholder to appoint not more than two proxies to attend and vote in the shareholder's place at the general meetings. In line with the amendments to the Companies Act, corporate shareholders of the Company who provide nominee or custodial services are entitled to appoint more than two proxies to attend and vote on their behalf at the general meetings provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such corporate shareholders. As the authentication of shareholders' identity information and other related integrity issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail or electronic means.

The Board adheres to the requirements of the Catalist Rules where all resolutions are to be voted by poll for general meetings held on or after 1 August 2015 and the Company will announce the detailed results, showing the number of votes cast for and against each resolution and the respective percentages, to the shareholders and the public.

ADDITIONAL INFORMATION

Dealing in Securities

The Company has devised and adopted policies in line with the requirements of Rule 1204(19) of the Catalist Rules on dealings in the Company's securities by its directors and officers.

The Company and its officers are prohibited from dealing in the Company's shares on short-term considerations or at any time when they are in possession of unpublished price-sensitive information. They are not allowed to deal in the Company's shares during the period commencing one month before the date of the announcement of the Company's half year and full year results, and ending on the date of the announcement of the relevant results.

REPORT OF CORPORATE GOVERNANCE

In addition, directors and key executives are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

The Company issues half yearly circulars to its directors and officers informing them that they must not deal in the Company's securities before the release of results and at any time they are in possession of unpublished material price-sensitive information.

Interested Person Transaction

The Company has adopted an internal policy in respect of any transaction with an interested person, which sets out the procedures for review and approval of such transaction.

All interested person transactions will be documented and submitted periodically to the AC for its review to ensure that such transactions are carried out on an arm's length basis and on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

Details of the interested person transaction entered into by the Group for FY2019 as required to be disclosed pursuant to Rule 1204(17) of the Catalist Rules are set out below:

| Name of interested person | Aggregate value of all interested person transactions (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) | |
|---|--|-----------|---|--------|
| | FY2019 | FY2018 | FY2019 | FY2018 |
| Asdev Investments Pte. Ltd. - Rental of office space ⁽¹⁾ | \$314,112 | \$314,112 | - | - |

Note:

⁽¹⁾ Annual rental pursuant to the Lease Agreement dated 1 August 2016 entered into between TEHO Ropes & Supplies Pte. Ltd., a wholly owned subsidiary of the Company and Asdev Investments Pte. Ltd. (where Mr Lim See Hoe, a director and controlling shareholder of the Company, is a director and sole shareholder) for taking a lease in respect of the property located at 1 Commonwealth Lane #09-23/24/25/26 One Commonwealth Singapore 149544. The term of the aforesaid lease agreement was

three years and ended on 31 July 2019. TEHO Ropes & Supplies Pte. Ltd. had on 29 August 2019 renewed the lease with Asdev Investments Pte. Ltd. by entering into a new lease agreement for a term ending on 31 July 2021.

The Board confirms that the above interested person transaction was entered into on an arm's length basis and on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders. The Company does not have a general mandate for interested person transactions.

Audit and Non-Audit Fees

During FY2019, the aggregate amount of fees paid or payable to the External Auditors for the audit and non-audit services amounted to \$203,500 and \$15,500 respectively.

For the purposes of good governance and Rule 1204(6)(b) of the Catalist Rules, the AC has undertaken a review of the fees and expenses payable to the External Auditors for all non-audit services in FY2019. The non-audit services performed by the External Auditors for FY2019 relate to examination of Housing Development Accounts and sustainability reporting advisory services which are not services prohibited by the Catalist Rules and in the AC's opinion would not affect the objectivity and independence of the External Auditors.

Non-Sponsor Fees

With respect to Rule 1204(21) of the Catalist Rules, there was no non-sponsor fee paid to the Sponsor, SAC Capital Private Limited, for FY2019.

Material Contracts and Loans

Pursuant to Rule 1204(8) of the Catalist Rules, the Company confirms that except as disclosed in the "Interested Person Transaction" section above, the "Directors' Statement" section of this annual report, the audited financial statements and the service agreements between the Company and the executive directors, there were no other material contracts and loans of the Company and its subsidiaries involving the interests of the CEO or any director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

REPORT OF CORPORATE GOVERNANCE

Information on Directors Seeking Re-Election

Ms Lim Siew Cheng and Ms Joanne Khoo Su Nee are the directors seeking re-election at the forthcoming AGM of the Company. Pursuant to Rule 720(5) of the Catalist Rules, the information relating to Ms Lim Siew Cheng and Ms Joanne Khoo Su Nee in accordance with Appendix 7F of the Catalist Rules is set out below:

| | MS LIM SIEW CHENG | MS JOANNE KHOO SU NEE |
|---|--|---|
| Date of appointment | 15 October 2008 | 10 January 2014 |
| Date of last re-appointment (if applicable) | 30 October 2017 | 26 October 2016 |
| Age | 62 | 45 |
| Country of principal residence | Singapore | Singapore |
| The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process) | The Board, having considered the recommendation of the NC and assessed Ms Lim's overall contributions and performance, is of the view that she is suitable for re-appointment as an executive director of the Company. | The Board, having considered the recommendation of the NC and assessed Ms Khoo's overall contributions and performance, is of the view that she is suitable for re-appointment as an independent director of the Company. |
| Whether appointment is executive, and if so, the area of responsibility | Executive. As set out in Ms Lim's profile write-up at page 9 of this annual report. | Non-Executive |
| Job title (e.g. Lead ID, AC Chairman, AC Member etc.) | Executive Director and COO | Independent Director, Chairwoman of the RC and member of the AC and NC |
| Professional qualifications | Nil | 1. Certified Public Accountant, CPA Australia 2. Chartered Accountant, Malaysian Institute of Accountants |

| | MS LIM SIEW CHENG | MS JOANNE KHOO SU NEE |
|--|--|---|
| Working experience and occupation(s) during the past 10 years | As set out in Ms Lim's profile write-up at page 9 of this annual report. | As set out in Ms Khoo's profile write-up at page 9 of this annual report. |
| Shareholding interest in the listed issuer and its subsidiaries | Direct interest: 30,012,555 ordinary shares | Nil |
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries | Ms Lim is siblings with the following individuals: <ol style="list-style-type: none"> 1. Mr Lim See Hoe (Executive Chairman and CEO, and a controlling shareholder of the Company); 2. Ms Soare Siew Lian (CEO of the Group's USA Operations); 3. Ms Lim Siew Choo (General Administration Director of the Group and a substantial shareholder of the Company); and 4. Mr Lim See Heng (A substantial shareholder of the Company). | Nil |
| Conflict of interest (including any competing business) | Nil | Nil |
| Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer | Yes | Yes |

REPORT OF CORPORATE GOVERNANCE

| | MS LIM SIEW CHENG | MS JOANNE KHOO SU NEE | | MS LIM SIEW CHENG | MS JOANNE KHOO SU NEE |
|---|---|--|---|-------------------|-----------------------|
| Other principal commitments including directorships | <p><u>Past (for the last 5 years)</u> Executive Director of: TEHO Development (Cambodia) Pte. Ltd.</p> <p><u>Present</u> Executive Director of: 1. TEHO Development Pte. Ltd. 2. TEHO Engineering Pte. Ltd. 3. TEHO Offshore Pte. Ltd. 4. TEHO Property Consultants Pte. Ltd. 5. TEHO Property Network Pte. Ltd. 6. TEHO Property Services Pte. Ltd. 7. TEHO Ropes & Supplies Pte. Ltd. 8. TEHO Water & Envirotec Pte. Ltd. 9. TI Development Pte. Ltd. 10. TIEC Holdings Pte. Ltd.</p> | <p><u>Past (for the last 5 years)</u> Independent Director of: Kitchen Culture Holdings Ltd.</p> <p><u>Present</u> Independent Director of: 1. Excelpoint Technology Ltd. 2. Netccentric Limited Founder/Executive Director of: Bowmen Capital Private Limited</p> | (b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No | No |
| | | | (c) Whether there is any unsatisfied judgment against him? | No | No |
| | | | (d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? | No | No |
| <p>Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.</p> | | | | | |
| (a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? | No | No | | | |

REPORT OF CORPORATE GOVERNANCE

| | MS LIM SIEW CHENG | MS JOANNE KHOO SU NEE |
|--|-------------------|--------------------------|
| (e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? | No | No |
| (f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | No | No |
| (g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | No | No |

| | MS LIM SIEW CHENG | MS JOANNE KHOO SU NEE |
|--|-------------------|--------------------------|
| (h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? | No | No |
| (i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? | No | No |

REPORT OF CORPORATE GOVERNANCE

| | MS LIM SIEW CHENG | MS JOANNE KHOO SU NEE | | MS LIM SIEW CHENG | MS JOANNE KHOO SU NEE |
|---|-------------------|-----------------------|---|-------------------|-----------------------|
| (j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of: | No | No | (k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | No | No |
| (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or | | | | | |
| (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or | | | | | |
| (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or | | | | | |
| (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? | | | | | |
| | | | Disclosure applicable to the appointment of Director only | | |
| | | | Any prior experience as a director of an issuer listed on the SGX-ST? | Not applicable | Not applicable |
| | | | If yes, please provide details of prior experience. | | |
| | | | If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST. | | |
| | | | Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the SGX-ST (if applicable). | | |

DIRECTORS' STATEMENT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 30 June 2019.

In our opinion:

- (a) the financial statements set out on pages 50 to 123 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Companies Act, Chapter 50 of Singapore and Singapore Financial Reporting Standards (International); and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

DIRECTORS

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

Lim See Hoe
 Lim Siew Cheng
 Kwah Thiam Hock
 Joanne Khoo Su Nee
 Oo Cheong Kwan Kelvyn

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 of Singapore (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

| Name of director and corporation in which interests are held | Holdings at beginning of the year | Holdings at end of the year |
|--|-----------------------------------|-----------------------------|
| The Company | | |
| Ordinary shares fully paid | | |
| Lim See Hoe | 57,247,578 | 82,788,818 |
| Lim Siew Cheng | 23,100,155 | 30,012,555 |

By virtue of Section 7 of the Act, Mr Lim See Hoe is deemed to have an interest in all the subsidiaries of the Company at the beginning and at the end of the financial year.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

The directors' interests as at 21 July 2019 were the same as those at the end of the financial year.

Neither at the end of the financial year nor at any time during the financial year, was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

PERFORMANCE SHARE PLAN

The Company's performance share plan, TEHO Performance Share Plan (the "PSP"), was approved and adopted by the shareholders at the Company's extraordinary general meeting held on 25 November 2011. The PSP is administered by the Remuneration Committee ("RC") with such discretion, powers and duties as are conferred on it by the Board of Directors. The members of the RC are Ms Joanne Khoo Su Nee, Mr Kwah Thiam Hock and Mr Oo Cheong Kwan Kelvyn.

The PSP contemplates the award of fully-paid shares in the capital of the Company to participants after certain pre-determined benchmarks have been met. The Company believes that the PSP will be more effective and rewarding than pure cash bonuses in motivating employees to work towards pre-determined goals of the Company.

The PSP shall continue to be in force at the discretion of the RC, subject to a maximum period of 10 years commencing from its adoption by the shareholders and may continue beyond the stipulated period with the approval of the shareholders by an ordinary resolution in general meeting and of any relevant authorities which may then be required.

Under the rules of the PSP and at the absolute discretion of the RC, confirmed full-time employees of the group who are of the age of 18 years and above, and directors of the Group who have contributed or will contribute to the success and the development of the Group are eligible to participate in the PSP. However, participation in the PSP by the directors who are also controlling shareholders and their associates are subject to the approval by independent shareholders of the Company at general meeting.

The total number of shares that may be issued or are issuable pursuant to the granting of the awards under the PSP, when added to the aggregate number of shares that are issued or are issuable in respect of such other share-based incentive schemes of the Company (if any), shall not exceed 15% (or such other percentage as may be prescribed or permitted from time to time by the SGX-ST) of the total number of issued ordinary shares of the Company on the day immediately preceding the relevant grant date.

Since the inception of the PSP until the end of the financial year:

- No shares have been granted to the directors of the Company, the controlling shareholders of the Company and their associates, or directors and employees of the parent company and its subsidiaries.

- No participants other than the two employees mentioned below has received 5% or more of the total shares available under the PSP.
- No shares have been granted at a discount. The shares granted under the PSP were free of charge.

Details of the share awards granted under the PSP are set out below:

| Name of participant | Shares granted during financial year | Aggregate shares granted since commencement of PSP to end of financial year | Aggregate shares issued/ vested since commencement of PSP to end of financial year | Aggregate unissued shares outstanding as at end of financial year |
|---------------------|--------------------------------------|---|--|---|
| Phua Sian Chin | – | 1,400,000 | (700,000) | 700,000 |
| Jan-Kees Noordhoek | – | 700,000 | (350,000) | 350,000 |

The vesting conditions of the share awards granted under the PSP are disclosed in Note 32.

SHARE OPTIONS

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

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.

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

AUDIT COMMITTEE

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

| | | |
|-----------------------|---|---|
| Kwah Thiam Hock | – | Chairman of Audit Committee and Lead Independent Director |
| Joanne Khoo Su Nee | – | Independent Director |
| Oo Cheong Kwan Kelvyn | – | Independent Director |

DIRECTORS' STATEMENT

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

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

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

The Audit Committee is satisfied with the independence and objectivity of the External Auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company and subsidiaries, we have complied with Catalist Rules 712 and 715 of the SGX Listing Manual.

AUDITORS

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Lim See Hoe

Director

Lim Siew Cheng

Director

27 September 2019

INDEPENDENT AUDITORS' REPORT

Members of the Company
TEHO International Inc Ltd.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of TEHO International Inc Ltd. (the "**Company**") and its subsidiaries (the "**Group**"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2019, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 50 to 123.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "**Act**") and Singapore Financial Reporting Standards (International) ("**SFRS(I)s**") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the

context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of inventories

(Refer to Note 11 to the financial statements)

The key audit matter

As at 30 June 2019, the Group holds inventories of \$20.3 million, of which \$0.7 million is held at net realisable value. The inventories, which mainly comprise wire and fibre ropes, are typically held for a period of up to 36 months to complement the Group's product range and to maintain the Group's competitive advantage.

Cost of inventories may not be recoverable fully if the inventories become obsolete.

Management estimates the allowance for inventory obsolescence taking into consideration the age of the inventories, the prevailing market conditions of the offshore oil & gas industry and historical provisioning experience which involves judgement.

Other Information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditor's report.

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

How the matter was addressed in our audit

Our response:

We assessed the appropriateness of the Group's policies used in estimating inventory obsolescence in the context of our understanding of the Group's business and taking into consideration the nature and ageing of the inventories.

We assessed the reasonableness of the Group's allowance for inventory obsolescence by considering the historical sale trends of the inventories.

Our findings:

We found management's estimate of allowance for inventory obsolescence to be supportable.

INDEPENDENT AUDITORS' REPORT

Members of the Company
TEHO International Inc Ltd.

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

Members of the Company
TEHO International Inc Ltd.

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

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

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

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Lau Kam Yuen.

KPMG LLP

Public Accountants and
Chartered Accountants

Singapore

27 September 2019

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2019

| | Note | 2019 \$ | Group 2018 \$ Restated | 1 July 2017 \$ Restated | 2019 \$ | Company 2018 \$ | 1 July 2017 \$ |
|---|------|-------------------|---------------------------------|-------------------------------|---------------------|-----------------------|---------------------|
| Assets | | | | | | | |
| Property, plant and equipment | 4 | 6,704,140 | 6,803,142 | 10,794,022 | 984 | 41,798 | 84,579 |
| Intangible assets | 5 | – | – | – | – | – | – |
| Investment property | 6 | 3,441,552 | 3,569,387 | – | – | – | – |
| Investment in subsidiaries | 7 | – | – | – | 16,088,856 | 15,261,706 | 18,831,877 |
| Investment in associates | 8 | – | – | – | – | – | – |
| Investment in joint venture | 9 | 12,500 | – | – | – | – | – |
| Deferred tax assets | 10 | 277,597 | 218,596 | 218,596 | – | – | – |
| Non-current assets | | <u>10,435,789</u> | <u>10,591,125</u> | <u>11,012,618</u> | <u>16,089,840</u> | <u>15,303,504</u> | <u>18,916,456</u> |
| Inventories | 11 | 20,317,476 | 22,102,605 | 21,780,022 | – | – | – |
| Development properties | 12 | 9,575,445 | – | 37,000,173 | – | – | – |
| Current tax assets | | 118,437 | – | – | – | – | – |
| Trade and other receivables | 13 | 11,425,954 | 13,172,211 | 11,951,363 | 2,909,776 | 2,595,504 | 4,720,831 |
| Contract assets | 14 | 444,631 | 4,039,644 | 3,817,735 | – | – | – |
| Cash and cash equivalents | 15 | 4,621,904 | 4,468,143 | 7,781,629 | 92,081 | 84,298 | 88,127 |
| Assets held for sale | 33 | – | 21,920,253 | – | – | – | – |
| Current assets | | <u>46,503,847</u> | <u>65,702,856</u> | <u>82,330,922</u> | <u>3,001,857</u> | <u>2,679,802</u> | <u>4,808,958</u> |
| Total assets | | <u>56,939,636</u> | <u>76,293,981</u> | <u>93,343,540</u> | <u>19,091,697</u> | <u>17,983,306</u> | <u>23,725,414</u> |
| Equity | | | | | | | |
| Share capital | 16 | 32,978,808 | 32,922,108 | 32,922,108 | 32,978,808 | 32,922,108 | 32,922,108 |
| Other reserves | 17 | 55,238 | (1,606,098) | 161,556 | 47,250 | (1,715,871) | – |
| Accumulated losses | | (19,352,571) | (17,072,042) | (14,883,481) | (55,881,862) | (53,142,224) | (46,653,923) |
| Equity attributable to owners of the Company | | <u>13,681,475</u> | <u>14,243,968</u> | <u>18,200,183</u> | <u>(22,855,804)</u> | <u>(21,935,987)</u> | <u>(13,731,815)</u> |
| Non-controlling interests | 18 | – | 21,881,198 | 22,065,764 | – | – | – |
| Total equity | | <u>13,681,475</u> | <u>36,125,166</u> | <u>40,265,947</u> | <u>(22,855,804)</u> | <u>(21,935,987)</u> | <u>(13,731,815)</u> |
| Liabilities | | | | | | | |
| Loans and borrowings | 19 | 14,130,856 | 12,662,998 | 27,732,409 | – | – | – |
| Deferred tax liabilities | 10 | 83,386 | 12,647 | 12,702 | – | – | – |
| Non-current liabilities | | <u>14,214,242</u> | <u>12,675,645</u> | <u>27,745,111</u> | <u>–</u> | <u>–</u> | <u>–</u> |
| Loans and borrowings | 19 | 23,033,078 | 18,962,255 | 16,665,130 | – | – | – |
| Trade and other payables | 20 | 5,493,451 | 8,111,616 | 7,794,166 | 41,947,501 | 39,912,153 | 37,447,028 |
| Contract liabilities | 14 | 344,824 | 157,730 | 165,028 | – | – | – |
| Current tax liabilities | | 172,566 | 221,653 | 708,158 | – | 7,140 | 10,201 |
| | | <u>29,043,919</u> | <u>27,453,254</u> | <u>25,332,482</u> | <u>41,947,501</u> | <u>39,919,293</u> | <u>37,457,229</u> |
| Liabilities directly associated with the assets held for sale | 33 | – | 39,916 | – | – | – | – |
| Current liabilities | | <u>29,043,919</u> | <u>27,493,170</u> | <u>25,332,482</u> | <u>41,947,501</u> | <u>39,919,293</u> | <u>37,457,229</u> |
| Total liabilities | | <u>43,258,161</u> | <u>40,168,815</u> | <u>53,077,593</u> | <u>41,947,501</u> | <u>39,919,293</u> | <u>37,457,229</u> |
| Total equity and liabilities | | <u>56,939,636</u> | <u>76,293,981</u> | <u>93,343,540</u> | <u>19,091,697</u> | <u>17,983,306</u> | <u>23,725,414</u> |

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 30 June 2019

| | Note | Group | |
|--|------|--------------|------------------------|
| | | 2019 \$ | 2018 \$ Restated |
| Revenue | 21 | 54,383,476 | 64,428,269 |
| Cost of sales | | (35,617,671) | (48,037,272) |
| Gross profit | | 18,765,805 | 16,390,997 |
| Other income | | 541,893 | 3,465,811 |
| Distribution expenses | | (1,593,122) | (2,019,849) |
| Administrative expenses | | (12,338,990) | (12,726,798) |
| Other operating expenses | | (4,389,377) | (6,589,311) |
| (Impairment loss)/Reversal of impairment loss on trade and other receivables and contract assets | 29 | (82,849) | 626,837 |
| Results from operating activities | | 903,360 | (852,313) |
| Finance income | 22 | 7,201 | 3,731 |
| Finance costs | 22 | (1,209,260) | (1,494,789) |
| Net finance costs | | (1,202,059) | (1,491,058) |
| Loss before tax | 23 | (298,699) | (2,343,371) |
| Tax (expense)/credit | 24 | (161,154) | 154,810 |
| Loss for the year | | (459,853) | (2,188,561) |
| Loss attributable to: | | | |
| Owners of the Company | | (459,853) | (2,188,561) |
| Non-controlling interests | | – | – |
| Loss for the year | | (459,853) | (2,188,561) |
| Loss per share | | | |
| Basic (cents) | 25 | 0.20 | 0.94 |
| Diluted (cents) | 25 | 0.20 | 0.93 |

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2019

| | Group | |
|---|------------|------------------------|
| | 2019 \$ | 2018 \$ Restated |
| Loss for the year | (459,853) | (2,188,561) |
| Items that are or may be reclassified subsequently to profit or loss: | | |
| Foreign currency translation differences, net of tax | 96,055 | (236,349) |
| Foreign currency translation differences reclassified to profit or loss upon disposal of subsidiaries | (157,130) | – |
| Other comprehensive income for the year, net of tax | (61,075) | (236,349) |
| Total comprehensive income for the year | (520,928) | (2,424,910) |
| Total comprehensive income attributable to: | | |
| Owners of the Company | (561,638) | (2,240,344) |
| Non-controlling interests | 40,710 | (184,566) |
| Total comprehensive income for the year | (520,928) | (2,424,910) |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2019

| | Note | Attributable to owners of the Company | | | | | Total | Non-controlling interests | Total equity | |
|--|------|---------------------------------------|-----------------|--------------------------------------|---------------------|----------------------------------|--------------|---------------------------|--------------|--------------------|
| | | Share capital | Capital reserve | Foreign currency translation reserve | Revaluation reserve | Share-based compensation reserve | | | | Accumulated losses |
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| Group | | | | | | | | | | |
| At 1 July 2017 | | 32,922,108 | – | 161,556 | 12,192,793 | – | (14,473,130) | 30,803,327 | 22,065,764 | 52,869,091 |
| Adjustment on initial application of SFRS(I) 1 (net of tax) | 34 | – | – | – | (12,192,793) | – | – | (12,192,793) | – | (12,192,793) |
| Adjustment on initial application of SFRS(I) 15 (net of tax) | 34 | – | – | – | – | – | (410,351) | (410,351) | – | (410,351) |
| Adjusted balance at 1 July 2017 | | 32,922,108 | – | 161,556 | – | – | (14,883,481) | 18,200,183 | 22,065,764 | 40,265,947 |
| Total comprehensive income for the year | | | | | | | | | | |
| Loss for the year | | – | – | – | – | – | (2,527,647) | (2,527,647) | – | (2,527,647) |
| Adjustment on initial application of SFRS(I) 1 (net of tax) | | – | – | – | – | – | 417,729 | 417,729 | – | 417,729 |
| Adjustment on initial application of SFRS(I) 15 (net of tax) | | – | – | – | – | – | (78,643) | (78,643) | – | (78,643) |
| As restated | | – | – | – | – | – | (2,188,561) | (2,188,561) | – | (2,188,561) |
| Other comprehensive income | | | | | | | | | | |
| Foreign currency translation differences | | – | – | (51,783) | – | – | – | (51,783) | (184,566) | (236,349) |
| Total comprehensive income for the year | | – | – | (51,783) | – | – | (2,188,561) | (2,240,344) | (184,566) | (2,424,910) |
| Transactions with owners, recognised directly in equity | | | | | | | | | | |
| Contributions by and distributions to owners | | | | | | | | | | |
| Share-based payment transactions | 17 | – | – | – | – | 56,700 | – | 56,700 | – | 56,700 |
| Total contributions by and distributions to owners | | – | – | – | – | 56,700 | – | 56,700 | – | 56,700 |
| Others | | | | | | | | | | |
| Fair value of shares of the Company surrendered under a settlement agreement | | – | (1,772,571) | – | – | – | – | (1,772,571) | – | (1,772,571) |
| Total others | | – | (1,772,571) | – | – | – | – | (1,772,571) | – | (1,772,571) |
| Adjusted balance at 30 June 2018 | | 32,922,108 | (1,772,571) | 109,773 | – | 56,700 | (17,072,042) | 14,243,968 | 21,881,198 | 36,125,166 |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

Year ended 30 June 2019

| | Note | Attributable to owners of the Company | | | | | Total | Non-controlling interests | Total equity |
|---|------|---------------------------------------|-----------------|--------------------------------------|----------------------------------|--------------------|------------|---------------------------|--------------|
| | | Share capital | Capital reserve | Foreign currency translation reserve | Share-based compensation reserve | Accumulated losses | | | |
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| Group | | | | | | | | | |
| At 1 July 2018 | | 32,922,108 | (1,772,571) | 109,773 | 56,700 | (17,072,042) | 14,243,968 | 21,881,198 | 36,125,166 |
| Adjustment on initial application of SFRS(I) 9 (net of tax) | 34 | – | – | – | – | (48,105) | (48,105) | – | (48,105) |
| Adjusted balance at 1 July 2018 | | 32,922,108 | (1,772,571) | 109,773 | 56,700 | (17,120,147) | 14,195,863 | 21,881,198 | 36,077,061 |
| Total comprehensive income for the year | | | | | | | | | |
| Loss for the year | | – | – | – | – | (459,853) | (459,853) | – | (459,853) |
| Other comprehensive income | | | | | | | | | |
| Foreign currency translation differences | | – | – | 55,345 | – | – | 55,345 | 40,710 | 96,055 |
| Foreign currency translation differences reclassified to profit or loss upon disposal of subsidiaries | 7 | – | – | (157,130) | – | – | (157,130) | – | (157,130) |
| Total other comprehensive income | | – | – | (101,785) | – | – | (101,785) | 40,710 | (61,075) |
| Total comprehensive income for the year | | – | – | (101,785) | – | (459,853) | (561,638) | 40,710 | (520,928) |
| Transactions with owners, recognised directly in equity | | | | | | | | | |
| Contributions by and distributions to owners | | | | | | | | | |
| Issuance of ordinary shares under the Performance Share Plan | 16 | 56,700 | – | – | (56,700) | – | – | – | – |
| Share-based payment transactions | 17 | – | – | – | 47,250 | – | 47,250 | – | 47,250 |
| Distribution of shares of the Company surrendered under a settlement agreement | 17 | – | 1,772,571 | – | – | (1,772,571) | – | – | – |
| Total contributions and distributions to owners | | 56,700 | 1,772,571 | – | (9,450) | (1,772,571) | 47,250 | – | 47,250 |
| Changes in ownership interest in subsidiaries | | | | | | | | | |
| Disposal of subsidiaries with non-controlling interests | 7 | – | – | – | – | – | – | (21,921,908) | (21,921,908) |
| Total changes in ownership interest in subsidiaries | | – | – | – | – | – | – | (21,921,908) | (21,921,908) |
| At 30 June 2019 | | 32,978,808 | – | 7,988 | 47,250 | (19,352,571) | 13,681,475 | – | 13,681,475 |

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2019

| | Note | Group | |
|--|------|--------------------|------------------------|
| | | 2019 \$ | 2018 \$ Restated |
| Cash flows from operating activities | | | |
| Loss before tax | | (298,699) | (2,343,371) |
| Adjustments for: | | | |
| Impairment loss/(Reversal of impairment loss) on trade and other receivables and contract assets | | 82,849 | (626,837) |
| Bad debts written off | | 53,545 | 193,697 |
| Contract assets written off | | 77,289 | – |
| Depreciation of investment property | | 127,835 | 43,376 |
| Depreciation of property, plant and equipment | | 756,544 | 1,015,755 |
| Equity-settled share-based payment transactions | | 47,250 | 56,700 |
| Fair value gain on derivatives | | – | (40,764) |
| Fair value of shares of the Company surrendered under a settlement agreement | | – | (1,772,571) |
| Impairment loss on development properties | | – | 1,914,180 |
| Loss on disposal of plant and equipment | | 4,084 | 14,201 |
| Loss on disposal of subsidiaries | | 90,688 | – |
| Net finance costs | | 1,202,059 | 1,491,058 |
| Reversal of allowance for foreseeable loss on development properties | | – | (2,814,488) |
| Operating cash flows before changes in working capital | | 2,143,444 | (2,869,064) |
| Changes in: | | | |
| - Inventories | | 1,801,410 | (347,163) |
| - Development properties | | (9,722,217) | 15,911,599 |
| - Trade and other receivables | | 1,539,084 | (868,529) |
| - Contract assets | | 3,508,417 | (221,909) |
| - Trade and other payables | | (2,594,183) | 361,522 |
| - Contract liabilities | | 187,420 | (7,299) |
| Cash (used in)/generated from operations | | (3,136,625) | 11,959,157 |
| Tax paid | | (254,196) | (331,750) |
| Net cash (used in)/from operating activities | | (3,390,821) | 11,627,407 |
| Cash flows from investing activities | | | |
| Acquisition of property, plant and equipment | 4 | (768,250) | (690,167) |
| Cash outflows from disposal of subsidiaries | 7 | (11,063) | – |
| Formation of equity-accounted joint venture | | (12,500) | – |
| Interest received | | 7,201 | 3,731 |
| Proceeds from disposal of plant and equipment | | 30,874 | 46,375 |
| Net cash used in investing activities | | (753,738) | (640,061) |

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

| | Note | Group | |
|---|------|------------------|------------------------|
| | | 2019 \$ | 2018 \$ Restated |
| Cash flows from financing activities | | | |
| Interest paid | | (1,339,691) | (1,494,789) |
| Payment of finance lease liabilities | | (18,223) | (17,460) |
| Proceeds from loans and borrowings | | 28,025,395 | 22,804,615 |
| Repayment of loans and borrowings | | (22,430,501) | (35,559,441) |
| Net cash from/(used in) financing activities | | 4,236,980 | (14,267,075) |
| Net increase/(decrease) in cash and cash equivalents | | | |
| Cash and cash equivalents at beginning of the year | | 92,421 | (3,279,729) |
| Cash and cash equivalents at end of the year | | 4,492,213 | 7,781,629 |
| Effect of exchange rate fluctuations on cash held | | 37,270 | (9,687) |
| Cash and cash equivalents at end of the year | 15 | 4,621,904 | 4,492,213 |

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 27 September 2019.

1. DOMICILE AND ACTIVITIES

TEHO International Inc Ltd. (the “**Company**”) is a company incorporated in Singapore with limited liability. The address of the Company’s registered office is 1 Commonwealth Lane, #0923, One Commonwealth, Singapore 149544.

The financial statements of the Group as at and for the year ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the “**Group**” and individually as “**Group entities**”) and the Group’s interest in associates.

The Company is an investment holding company. The principal activities of the subsidiaries are described in Note 7.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“**SFRS(I)**”). These are the Group’s first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied.

In the previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards in Singapore (“**FRS**”). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position, financial performance and cash flows is provided in Note 34.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2. BASIS OF PREPARATION (CONT’D)

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company’s functional currency.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS(I)s requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following note:

- Note 7 Consolidation: whether the Group has de facto control over an investee.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 7 Assumptions of recoverable amounts relating to investment in subsidiaries;
- Note 11 Measurement of realisable amounts of inventories;
- Note 12 Measurement of realisable amounts of development properties; and
- Note 29 Measurement of ECL allowance for contract assets and trade and other receivables: Key assumption in determining the weighted-average loss rate.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

2. BASIS OF PREPARATION (CONT'D)

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 6 Investment property; and
- Note 29 Financial instruments.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position at 1 July 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated.

The accounting policies have been applied consistently by Group entities.

3.1 Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

Acquisitions from 1 July 2017

For acquisitions from 1 July 2017, the Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests ("NCI") in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

Over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(i) *Business combinations (cont'd)*

Acquisitions from 1 July 2017 (cont'd)

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (“**replacement awards**”) are exchanged for awards held by the acquiree’s employees (“**acquiree’s awards**”) and relate to past services, then all or a portion of the amount of the acquirer’s replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree’s awards and the extent to which the replacement awards relate to past and/or future service.

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree’s net assets in the event of liquidation are measured either at fair value or at the NCI’s proportionate share of the recognised amounts of the acquiree’s identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

Costs related to the acquisition, other than those associated with the issue of debt or equity investments, that the Group incurs in connection with a business combination are expensed as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(i) *Business combinations (cont'd)*

Acquisitions from 1 July 2017 (cont'd)

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Acquisitions before 1 July 2017

As part of transition to SFRS(I), the Group elected not to restate those business combinations that occurred before the date of transition to SFRS(I), i.e. 1 July 2017. Goodwill arising from acquisitions before 1 July 2017 has been carried forward from the previous FRS framework as at the date of transition.

(ii) *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(iii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Investments in associates and joint ventures (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, where by the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its investment in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vi) Subsidiaries, associates and joint ventures in the separate financial statements

Investments in subsidiaries, associates and joint ventures are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currency (cont'd)

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI. Since 1 July 2017, the Group's date of transition to SFRS(I), such differences have been recognised in the foreign currency translation reserve ("**translation reserve**") in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in OCI, and are presented in the translation reserve in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables and debt investments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets – Policy applicable from 1 July 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("**FVOCI**") – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets: Business model assessment – Policy applicable from 1 July 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Financial assets: Business model assessment – Policy applicable from 1 July 2018 (cont'd)

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 July 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

(ii) *Classification and subsequent measurement (cont'd)*

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest – Policy applicable from 1 July 2018 (cont'd)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable from 1 July 2018

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial assets – Policy applicable before 1 July 2018

The Group classifies non-derivative financial assets into the following categories: financial assets at FVTPL, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

(ii) *Classification and subsequent measurement (cont'd)*

Non-derivative financial assets: Subsequent measurement and gains and losses – Policy applicable before 1 July 2018

Loans and receivables

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprised cash and cash equivalents, and trade and other receivables (excluding prepayments).

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

Other financial liabilities comprised loans and borrowings, and trade and other payables.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

(vi) Derivative financial instruments

Derivative financial instruments – Policy applicable from 1 July 2018

The Group holds derivative financial instruments to hedge its foreign currency exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Derivative financial instruments – Policy applicable before 1 July 2018

The policy applied in the comparative information presented for 2018 is similar to that applied for 2019. However, embedded derivatives are not separated from host contracts that are financial assets in the scope of FRS 109.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

(vii) *Share capital*

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(viii) *Intra-group financial guarantees in the separate financial statements*

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value and the initial fair value is amortised over the life of the guarantees. Subsequent to initial measurement, the financial guarantees are measured at the higher of the amortised amount and the amount of loss allowance.

ECLs are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

Loss allowances for ECLs for financial guarantees issued are presented in the Company's statement of financial position as 'loans and borrowings'.

Intra-group financial guarantees in the separate financial statements – Policy applicable before 1 July 2018

The policy applied in the comparative information presented for 2018 is similar to that applied for 2019. However, for subsequent measurement, the financial guarantees were measured at the higher of the amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Property, plant and equipment

(i) *Recognition and measurement*

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses. The Group previously measured its freehold land and building and leasehold buildings at revalued amounts. At 1 July 2017, the Group's date of transition to SFRS(I), the Group measures these freehold land and building and leasehold buildings at cost.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) *Subsequent costs*

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Property, plant and equipment (cont'd)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

| | | |
|---------------------|---|---|
| Freehold building | – | 30 years |
| Leasehold buildings | – | Over the terms of lease that are 37 to 52 years |
| Plant and machinery | – | 3 to 10 years |
| Motor vehicles | – | 5 years |

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

(iv) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is reclassified accordingly at the carrying amount of the property. The revaluation reserve for the property carried at fair value are not reversed when the property is transferred to investment property.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Intangible assets and goodwill

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see Note 3.1(i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the associates and joint ventures.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditures

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows:

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Intangible assets and goodwill (cont'd)

(iv) Amortisation (cont'd)

| | | |
|------------------------|---|--------------------------------------|
| Customer relationships | – | 5 years |
| Orderbook | – | Based on fulfilment of actual orders |

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.6 Investment property

Investment property is property held to earn rental income, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is stated at cost less accumulated depreciation and any accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

The estimated useful life of leasehold building for the current year is over the terms of lease of 52 years. The estimated useful life and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

3.7 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

3.9 Development properties

Development property is measured at the lower of cost and net realisable value. Cost includes acquisition costs, development expenditure, capitalised borrowing costs (applicable to construction of a development for which revenue is to be recognised at a point in time) and other directly attributable to the development activities.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. The write-down to net realisable value is presented as allowance for foreseeable losses.

3.10 Contract costs

Incremental costs of obtaining a contract for the sale of a development property are capitalised as contract costs only if (a) these costs relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue on the contract. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Contract assets and liabilities

Contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. Contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customer.

Contract liabilities primarily relate to:

- advance consideration received from customers; and
- progress billings issued in excess of the Group's rights to the consideration.

3.12 Impairment

(i) *Non-derivative financial assets and contract assets*

Policy applicable from 1 July 2018

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised costs;
- contract assets (as defined in SFRS(I) 15); and
- intra-group financial guarantee contracts ("**FGC**").

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Impairment (cont'd)

(i) *Non-derivative financial assets and contract assets (cont'd)*

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments and FGCs. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Impairment (cont'd)

(i) *Non-derivative financial assets and contract assets (cont'd)*

General approach (cont'd)

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The Company considers a FGC to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Company in full, without recourse by the Company to actions such as realising security (if any is held). The Company only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Impairment (cont'd)

(i) *Non-derivative financial assets and contract assets (cont'd)*

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Loss allowances for FGC are recognised as a financial liability to the extent that they exceed the initial carrying amount of the FGC less the cumulated income recognised.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Impairment (cont'd)

(i) *Non-derivative financial assets and contract assets (cont'd)*

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before 1 July 2018

A financial asset not carried at FVTPL, including an interest in an associate and joint venture, was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets (including equity investments) were impaired included default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer would enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Impairment (cont'd)

(i) *Non-derivative financial assets and contract assets (cont'd)*

Loans and receivables and contract assets

The Group considered evidence of impairment for loans and receivables and contract assets at both an individual asset and collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

(ii) *Associates and joint venture*

An impairment loss in respect of an associate or joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Impairment (cont'd)

(iii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories, contract assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combinations.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Impairment (cont'd)

(iii) Non-financial assets (cont'd)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment losses in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3.13 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are highly probable to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, the assets, or disposal group, classified as held for sale are generally measured at the lower of their carrying amount and fair value less costs to sell.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Non-current assets held for sale (cont'd)

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets and deferred tax assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of associates and joint ventures ceases once classified as held for sale.

3.14 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Employee benefits (cont'd)

(iii) Share-based payment transactions

The grant date fair value of equity-settled share-based payment awards granted to employee is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the fair value of the liability are recognised as employee benefits expense in profit or loss.

3.15 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

A provision for levies is recognised when the condition that triggers the payment of the levy as specified in the relevant legislation is met.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Revenue

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as 'other income' on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as 'other income' on a systematic basis in the same periods in which the expenses are recognised.

3.18 Lease

As lessee

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the lease asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense; and
- dividend income.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 Tax (cont'd)

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.21 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprises outstanding share awards granted to employees.

3.22 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO (the chief operating decision maker) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and investment property.

3.23 New standards, amendments to standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in Note 35.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

4. PROPERTY, PLANT AND EQUIPMENT

| | Note | Freehold land and building \$ | Leasehold buildings \$ | Plant and machinery \$ | Motor vehicles \$ | Total \$ |
|--|------|--|------------------------------|------------------------------|-------------------------|-------------|
| Group | | | | | | |
| Cost | | | | | | |
| At 1 July 2017 (Restated) | | 2,232,179 | 9,285,713 | 6,320,300 | 898,976 | 18,737,168 |
| Additions | | – | – | 525,768 | 164,399 | 690,167 |
| Disposals/Written off | | – | – | (514,202) | (181,453) | (695,655) |
| Reclassification to investment property | 6 | – | (3,800,200) | (282,282) | – | (4,082,482) |
| Reclassification to assets held for sale | 33 | – | – | (27,255) | – | (27,255) |
| Effects of movements in exchange rates | | 7,359 | – | 1,429 | – | 8,788 |
| At 30 June 2018 (Restated) | | 2,239,538 | 5,485,513 | 6,023,758 | 881,922 | 14,630,731 |
| Additions | | – | – | 694,325 | 73,925 | 768,250 |
| Disposals/Written off | | – | – | (267,040) | – | (267,040) |
| Disposal of a subsidiary | | – | – | (18,186) | – | (18,186) |
| Effects of movements in exchange rates | | (61,133) | – | (27,094) | 193 | (88,034) |
| At 30 June 2019 | | 2,178,405 | 5,485,513 | 6,405,763 | 956,040 | 15,025,721 |

| | Note | Freehold land and building \$ | Leasehold buildings \$ | Plant and machinery \$ | Motor vehicles \$ | Total \$ |
|---|------|--|------------------------------|------------------------------|-------------------------|-------------|
| Group | | | | | | |
| Accumulated depreciation and impairment loss | | | | | | |
| At 1 July 2017 (Restated) | | 25,324 | 2,786,620 | 4,471,015 | 660,187 | 7,943,146 |
| Depreciation (Restated) | | 34,278 | 133,153 | 719,813 | 128,511 | 1,015,755 |
| Disposals/Written off | | – | – | (453,626) | (181,453) | (635,079) |
| Reclassification to investment property | 6 | – | (318,734) | (150,985) | – | (469,719) |
| Reclassification to assets held for sale | 33 | – | – | (25,615) | – | (25,615) |
| Effects of movements in exchange rates | | (315) | – | (584) | – | (899) |
| At 30 June 2018 (Restated) | | 59,287 | 2,601,039 | 4,560,018 | 607,245 | 7,827,589 |
| Depreciation | | 33,699 | 84,040 | 511,176 | 127,629 | 756,544 |
| Disposals/Written off | | – | – | (232,082) | – | (232,082) |
| Disposal of a subsidiary | | – | – | (18,186) | – | (18,186) |
| Effects of movements in exchange rates | | (2,001) | – | (10,251) | (32) | (12,284) |
| At 30 June 2019 | | 90,985 | 2,685,079 | 4,810,675 | 734,842 | 8,321,581 |
| Carrying amounts | | | | | | |
| At 1 July 2017 (Restated) | | 2,206,855 | 6,499,093 | 1,849,285 | 238,789 | 10,794,022 |
| At 30 June 2018 (Restated) | | 2,180,251 | 2,884,474 | 1,463,740 | 274,677 | 6,803,142 |
| At 30 June 2019 | | 2,087,420 | 2,800,434 | 1,595,088 | 221,198 | 6,704,140 |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | Plant and equipment \$ | Motor vehicles \$ | Total \$ |
|----------------------------------|------------------------------|-------------------------|-------------|
| Company | | | |
| Cost | | | |
| At 1 July 2017 | 28,266 | 188,348 | 216,614 |
| Additions | 1,455 | – | 1,455 |
| At 30 June 2018 and 30 June 2019 | 29,721 | 188,348 | 218,069 |
| Accumulated depreciation | | | |
| At 1 July 2017 | 19,027 | 113,008 | 132,035 |
| Depreciation | 6,566 | 37,670 | 44,236 |
| At 30 June 2018 | 25,593 | 150,678 | 176,271 |
| Depreciation | 3,144 | 37,670 | 40,814 |
| At 30 June 2019 | 28,737 | 188,348 | 217,085 |
| Carrying amounts | | | |
| At 1 July 2017 | 9,239 | 75,340 | 84,579 |
| At 30 June 2018 | 4,128 | 37,670 | 41,798 |
| At 30 June 2019 | 984 | – | 984 |

The freehold land and building and leasehold buildings are pledged as security for banking facilities (Note 19).

The depreciation expense is charged to profit or loss and included in other operating expenses.

In 2018, two leasehold buildings were transferred to investment property, because they were no longer used by the Group and were leased to a third party (Note 6).

5. INTANGIBLE ASSETS

| | Goodwill \$ | Customer relationships \$ | Orderbook \$ | Total \$ |
|---|----------------|---------------------------------|-----------------|--------------|
| Group | | | | |
| Cost | | | | |
| At 1 July 2017 | 20,852,293 | 2,605,000 | 705,000 | 24,162,293 |
| Written off | (20,852,293) | (2,605,000) | (705,000) | (24,162,293) |
| At 30 June 2018 and 30 June 2019 | – | – | – | – |
| Accumulated amortisation and impairment losses | | | | |
| At 1 July 2017 | 20,852,293 | 2,605,000 | 705,000 | 24,162,293 |
| Written off | (20,852,293) | (2,605,000) | (705,000) | (24,162,293) |
| At 30 June 2018 and 30 June 2019 | – | – | – | – |
| Carrying amounts | | | | |
| At 1 July 2017 | – | – | – | – |
| At 30 June 2018 | – | – | – | – |
| At 30 June 2019 | – | – | – | – |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

6. INVESTMENT PROPERTY

| | Note | Group \$ |
|---|------|------------------|
| Cost | | |
| At 1 July 2017 | | – |
| Reclassification from property, plant and equipment At 30 June 2018 and 30 June 2019 | 4 | 4,082,482 |
| | | <u>4,082,482</u> |
| Accumulated depreciation and impairment loss | | |
| At 1 July 2017 | | – |
| Reclassification from property, plant and equipment Depreciation At 30 June 2018 | 4 | 469,719 |
| | | <u>43,376</u> |
| Depreciation At 30 June 2019 | | 513,095 |
| | | <u>127,835</u> |
| | | <u>640,930</u> |
| Carrying amounts | | |
| At 1 July 2017 | | – |
| At 30 June 2018 | | <u>3,569,387</u> |
| At 30 June 2019 | | <u>3,441,552</u> |
| Fair value | | |
| At 1 July 2017 | | – |
| At 30 June 2018 | | <u>3,600,000</u> |
| At 30 June 2019 | | <u>3,600,000</u> |

In 2018, two leasehold buildings were no longer used by the Group and were leased to a third party to earn rental income. Accordingly, the said leasehold buildings were transferred from property, plant and equipment (Note 4).

These leasehold buildings are pledged as security for banking facilities (Note 19).

6. INVESTMENT PROPERTY (CONT'D)

Measurement of fair value

As at 30 June 2019, the fair value of the investment property is \$3,600,000 (2018: \$3,600,000) and was determined based on valuations carried out by an independent external valuer.

(i) Fair value hierarchy

The fair value measurement for the leasehold buildings has been categorised as Level 3 fair value based on the inputs to the valuation techniques used (see Note 2.4).

(ii) Level 3 fair value

A description of the valuation technique and the significant other unobservable inputs used in the fair value measurement are as follows:

| Valuation technique | Significant unobservable inputs | Sensitivity on management's estimates with 10% variation from estimate |
|--|---|---|
| Market comparison approach for leasehold buildings | Expected price of \$591 psf (2018: \$591) | Increase/(Decrease) in price psf will increase/(decrease) equity, net of tax by \$298,800 (2018: \$298,800) |

7. INVESTMENTS IN SUBSIDIARIES

| | 2019 \$ | Company 2018 \$ | 1 July 2017 \$ |
|----------------------------|-------------------|-----------------------|-------------------|
| Equity investments at cost | 36,268,854 | 35,441,704 | 35,397,659 |
| Impairment loss | (20,179,998) | (20,179,998) | (16,565,782) |
| | <u>16,088,856</u> | <u>15,261,706</u> | <u>18,831,877</u> |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

During the year, the Company assessed the carrying amount of its investments in subsidiaries for indications of impairment. Based on the assessment, the Company recognised an impairment loss of \$Nil (2018: \$3,614,216) on its investments in subsidiaries. The recoverable amount of the investments has been determined based on value in use. The impairment loss was included in other operating expenses.

The value in use was estimated using discounted cash flows by the management. The key assumptions for the value in use calculations are as follows:

| | TEHO Engineering Pte. Ltd. | | TEHO Water & Envirotec Pte. Ltd. | |
|---|----------------------------|-------------|----------------------------------|-------------|
| | 2018 | 1 July 2017 | 2018 | 1 July 2017 |
| Estimated discount rate using post-tax rates that reflect current market assessment at the risks specific to the CGUs | 12.2% | 12.2% | 13.7% | 13.7% |

Details of the significant subsidiaries are as follows:

| Name of subsidiary | Principal activity | Principal place of business/ Country of incorporation | Ownership interest | | |
|---------------------------------|---|---|--------------------|--------|---------------|
| | | | 2019 % | 2018 % | 1 July 2017 % |
| TEHO Ropes & Supplies Pte. Ltd. | Supply of rigging and mooring equipment as well as related services to customers mainly in the marine & offshore industries | Singapore | 100 | 100 | 100 |

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

| Name of subsidiary | Principal activity | Principal place of business/ Country of incorporation | Ownership interest | | |
|----------------------------------|--|---|--------------------|--------|---------------|
| | | | 2019 % | 2018 % | 1 July 2017 % |
| TEHO International (USA), LLC | Trading in rigging and mooring equipment as well as related services to customers mainly in the marine & offshore industries | United States of America | 100 | 100 | 100 |
| TEHO (Shanghai) Co., Ltd. | Supply of rigging and mooring equipment as well as related services to customers mainly in the marine & offshore industries | People's Republic of China | 100 | 100 | 100 |
| TEHO Engineering Pte. Ltd. | Supply of offshore oil and gas equipment to offshore oil and gas industries | Singapore | 100 | 100 | 100 |
| TEHO EUROPE B.V. | Supply of rigging and mooring equipment as well as related services to customers mainly in the marine & offshore industries | The Netherlands | 100 | 100 | 100 |
| TEHO Water & Envirotec Pte. Ltd. | Supply of marine and engineering services and trading in related marine and engineering hardware and accessories | Singapore | 100 | 100 | 100 |
| TIEC Holdings Pte. Ltd. | Real estate development specialising in residential properties | Singapore | 100 | 100 | 100 |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

| Name of subsidiary | Principal activity | Principal place of business/ Country of incorporation | Ownership interest | | |
|---|--|--|--------------------|------|-------------|
| | | | 2019 | 2018 | 1 July 2017 |
| | | | % | % | % |
| TEHO Development Pte. Ltd. | Investment holding company and real estate developer | Singapore | 100 | 100 | 100 |
| TEHO Property Services Pte. Ltd. | Investment holding company and real estate business | Singapore | 100 | 100 | 100 |
| TEHO Property Network Pte. Ltd. | Real estate agency | Singapore | 100 | 100 | 100 |
| TEHO Property Consultants Pte. Ltd. | Provision of real estate valuation services | Singapore | 100 | 100 | 100 |
| TEHO Development (Cambodia) Pte. Ltd. ^ | Investment holding company and real estate developer | Singapore | – | 100 | 100 |
| TEHO-SBG Development Co., Ltd. # ^ | Real estate development and investment | Cambodia | – | 49 | 49 |
| TI Development Pte. Ltd. | Real estate development specialising in residential properties | Singapore | 100 | 100 | – |

Although the Group owns less than half of the voting power of the investee, management has determined that the Group has control over the investee as it has the right to appoint two out of three board members and holds the decision-making power over the relevant activities of the investee.

^ These subsidiaries were part of the disposal group held for sale at 30 June 2018 as disclosed in Note 33. The Group completed the disposal of these subsidiaries during the year.

7. INVESTMENTS IN SUBSIDIARIES (CONT'D)

KPMG LLP is the auditor of all Singapore-incorporated subsidiaries. Other member firms of KPMG International are auditors of significant foreign-incorporated subsidiaries. For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if the Group's share of its net tangible assets represents 20% or more of the Group's consolidated net tangible assets, or if the Group's share of its pre-tax profits accounts for 20% or more of the Group's consolidated pre-tax profits.

Disposal of subsidiaries

On 8 November 2018 and 8 April 2019, the Group completed the disposal of its subsidiaries, TEHO Development (Cambodia) Pte. Ltd. and ECG (Cambodia) Co., Ltd. for a total consideration of \$1,386 and \$8,000 respectively.

Effect of disposal

Analysis of assets and liabilities of the subsidiaries disposed was as follows:

| | Group \$ |
|---|-------------------|
| Property, plant and equipment | 1,386 |
| Development properties | 22,200,477 |
| Trade and other receivables | 707 |
| Cash and cash equivalents | 20,449 |
| Trade and other payables | (43,907) |
| Foreign currency translation reserve | (157,130) |
| | <u>22,021,982</u> |
| Non-controlling interests | (21,921,908) |
| Identified net assets | 100,074 |
| Loss on disposal of subsidiaries | (90,688) |
| Total consideration received | <u>9,386</u> |
| Net cash outflows arising from the disposal of subsidiaries | |
| - Consideration received | 9,386 |
| - Cash and cash equivalents disposed off | (20,449) |
| - Net cash outflows from disposal of subsidiaries | <u>(11,063)</u> |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

8. INVESTMENTS IN ASSOCIATES

| | 2019 | Group 2018 | 1 July 2017 |
|---------------------------|------|---------------|-------------|
| | \$ | \$ | \$ |
| Equity investment at cost | – | 167,279 | 167,279 |
| Impairment loss | – | (167,279) | (167,279) |
| | – | – | – |

The Group's investments in associates are immaterial and have been fully impaired in prior years.

9. INVESTMENT IN JOINT VENTURE

| | 2019 | Group 2018 | 1 July 2017 |
|---------------------------|--------|---------------|-------------|
| | \$ | \$ | \$ |
| Equity investment at cost | 12,500 | – | – |

The Group's investment in joint venture is immaterial.

10. DEFERRED TAX ASSETS/(LIABILITIES)

Movements in deferred tax assets and liabilities of the Group (prior to offsetting of balances) during the year are as follows:

| | At 1 July 2017 | Recognised in profit or loss (Note 24) | At 30 June 2018 | Adjustment on initial application of SFRS(I) 9 | At 1 July 2018 | Recognised in profit or loss (Note 24) | At 30 June 2019 |
|---------------------------------|----------------------|---|-----------------------|---|----------------------|---|-----------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Group | Restated | | Restated | | | | |
| Deferred tax assets | | | | | | | |
| Trade and other receivables | – | – | – | 62,000 | 62,000 | 15,749 | 77,749 |
| Unutilised capital allowance | 225,001 | – | 225,001 | – | 225,001 | – | 225,001 |
| Unutilised tax losses | – | – | – | – | – | 29,271 | 29,271 |
| | 225,001 | – | 225,001 | 62,000 | 287,001 | 45,020 | 332,021 |
| Deferred tax liabilities | | | | | | | |
| Property, plant and equipment | (19,107) | 55 | (19,052) | – | (19,052) | (118,758) | (137,810) |
| | (19,107) | 55 | (19,052) | – | (19,052) | (118,758) | (137,810) |
| Total | 205,894 | 55 | 205,949 | 62,000 | 267,949 | (73,738) | 194,211 |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

10. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts, determined after appropriate offsetting, are as follows:

| | 2019 \$ | Group 2018 \$ | 1 July 2017 \$ |
|--------------------------|----------------|---------------------|-------------------|
| Deferred tax assets | 277,597 | 218,596 | 218,596 |
| Deferred tax liabilities | (83,386) | (12,647) | (12,702) |
| | <u>194,211</u> | <u>205,949</u> | <u>205,894</u> |

Unrecognised deferred tax liabilities

As at 30 June 2019, deferred tax liabilities of \$350,480 (2018: \$296,070) for temporary differences of \$1,272,158 (2018: \$1,074,663) related to investments in subsidiaries were not recognised because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom:

| | 2019 \$ | Group 2018 \$ |
|------------|------------------|---------------------|
| Tax losses | <u>6,175,665</u> | <u>7,206,647</u> |

During the year, the Group disposed off its subsidiaries with unutilised tax losses of \$1,156,202.

The deductible temporary differences and tax losses do not expire under current local tax legislation. The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate.

11. INVENTORIES

| | 2019 \$ | Group 2018 \$ | 1 July 2017 \$ |
|---------------------------|-------------------|---------------------|-------------------|
| Goods held for resale | | | |
| - At cost | 19,655,000 | 21,483,669 | 21,121,791 |
| - At net realisable value | 662,476 | 618,936 | 658,231 |
| | <u>20,317,476</u> | <u>22,102,605</u> | <u>21,780,022</u> |

Inventories are stated after allowance for inventory obsolescence.

The change in allowance for inventory obsolescence during the year is as follows:

| | 2019 \$ | Group 2018 \$ |
|--------------------------|----------------|---------------------|
| At beginning of the year | 921,768 | 686,353 |
| (Reversal)/Addition | (242,804) | 235,415 |
| At end of the year | <u>678,964</u> | <u>921,768</u> |

In 2019, inventories and changes in finished goods included as cost of sales amounted to \$34,655,620 (2018: \$30,446,761).

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

12. DEVELOPMENT PROPERTIES

| | 2019 \$ | Group 2018 \$ | 1 July 2017 \$ Restated |
|--|------------------|---------------------|-------------------------------|
| Development properties in the course of development | | | |
| Unsold units | | | |
| - Aggregate costs incurred | 6,049,052 | – | 13,753,467 |
| - Allowance for foreseeable losses | – | – | (2,182,372) |
| | <u>6,049,052</u> | <u>–</u> | <u>11,571,095</u> |
| Fulfilment costs of sold units | | | |
| - Fulfilment costs incurred | – | – | 2,052,956 |
| - Allowance for foreseeable losses | – | – | (632,116) |
| | <u>–</u> | <u>–</u> | <u>1,420,840</u> |
| Total development properties in the course of development | 6,049,052 | – | 12,991,935 |
| Properties for development representing mainly land cost | 3,526,393 | – | 24,008,238 |
| | <u>9,575,445</u> | <u>–</u> | <u>37,000,173</u> |

Securities

At 30 June 2019, development properties of the Group with carrying amounts of \$9,575,445 (2018: \$Nil; 1 July 2017: \$12,991,935) were pledged as securities for banking facilities (see Note 19).

Disposal group held for sale

As at 30 June 2018, the carrying amount of development properties of \$21,893,845 was classified as part of the disposal group held for sale as disclosed in Note 33.

12. DEVELOPMENT PROPERTIES (CONT'D)

Fulfilment costs of sold units

Costs that are attributable to the sold units are capitalised as fulfilment costs. These costs are expected to be recoverable and are amortised to profit or loss as cost of sales when the related revenue are recognised.

| | 2019 \$ | Group 2018 \$ Restated |
|--|------------|---------------------------------|
| At beginning of the year | – | 1,420,840 |
| Reclassified from unsold units | – | 11,571,095 |
| Additions | – | 1,838,351 |
| Amortised to cost of sales | – | (17,644,774) |
| Reversal of allowance for foreseeable losses | – | 2,814,488 |
| At end of the year | <u>–</u> | <u>–</u> |

Estimation of allowance for foreseeable losses for development properties

Development properties are measured at the lower of cost and net realisable value. The Group makes allowances for foreseeable losses on development properties when the aggregate costs incurred on the development properties and attributable profits exceed the net realisable value. Net realisable value of development properties is the estimated selling price in the ordinary course of business, based on market prices at the financial year end and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

At 1 July 2017, management obtained independent professional valuations of gross development values of development properties to estimate the selling prices in the ordinary course of business. The gross development values of the development properties were estimated using the market comparison approach. Construction costs were estimated based on contracted amounts and in respect of amounts not contracted for, management's estimates of the amounts to be incurred.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

12. DEVELOPMENT PROPERTIES (CONT'D)

Estimation of allowance for foreseeable losses for development properties (cont'd)

At 1 July 2017, independent professional valuations were undertaken to obtain estimates of the fair value of land which was included within development properties. Where such valuations were undertaken, the valuations were based on the market comparison approach.

The movement of allowance for foreseeable losses on development properties during the year is as follows:

| | Group | |
|--|-------|-------------|
| | 2019 | 2018 |
| | \$ | \$ |
| At beginning of the year | - | 2,814,488 |
| Reversal of allowance for foreseeable losses | - | (2,814,488) |
| At end of the year | - | - |

13. TRADE AND OTHER RECEIVABLES

| | 2019 | Group | 1 July 2017 | 2019 | Company | 1 July 2017 |
|--------------------------------|------------|------------|-------------|------|---------|-------------|
| | \$ | 2018 | \$ | \$ | 2018 | \$ |
| | | Restated | Restated | | | |
| Trade receivables | 10,537,388 | 11,333,356 | 10,736,180 | - | - | - |
| Less: Impairment losses | (301,807) | (222,987) | (520,743) | - | - | - |
| | 10,235,581 | 11,110,369 | 10,215,437 | - | - | - |
| Other receivables and deposits | 845,298 | 368,950 | 608,855 | - | 30,428 | 11,166 |

13. TRADE AND OTHER RECEIVABLES (CONT'D)

| | 2019 | Group | 1 July 2017 | 2019 | Company | 1 July 2017 |
|---|------------|------------|-------------|--------------|--------------|--------------|
| | \$ | 2018 | \$ | \$ | 2018 | \$ |
| | | Restated | Restated | | | |
| Amounts due from subsidiaries (non-trade) | - | - | - | 41,543,923 | 41,098,460 | 39,147,285 |
| Amount due from former shareholders of a subsidiary | - | - | 1,104,566 | - | - | - |
| | 845,298 | 368,950 | 1,713,421 | 41,543,923 | 41,128,888 | 39,158,451 |
| Less: Impairment losses | (7,860) | - | (654,566) | (38,660,715) | (38,609,314) | (34,513,594) |
| | 837,438 | 368,950 | 1,058,855 | 2,883,208 | 2,519,574 | 4,644,857 |
| | 11,073,019 | 11,479,319 | 11,274,292 | 2,883,208 | 2,519,574 | 4,644,857 |
| Prepayments and advances to suppliers | 352,935 | 1,692,892 | 677,071 | 26,568 | 75,930 | 75,974 |
| | 11,425,954 | 13,172,211 | 11,951,363 | 2,909,776 | 2,595,504 | 4,720,831 |

The non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

Amount due from former shareholders of a subsidiary arose from provisions in the sale and purchase agreement relating to the acquisition of a subsidiary, TIEC Holdings Pte. Ltd. ("TIEC") that give rights to the Group to recover certain project costs that exceeded the agreed budgets from the former shareholders ("Vendors"). These amounts were fully recovered in 2018.

As at 30 June 2019, the prepayment includes an amount of \$Nil (2018: \$1,066,298; 1 July 2017: \$Nil) relating to the purchase of a landed residential property for redevelopment.

The Group's exposure to credit risk and impairment losses related to trade and other receivables is disclosed in Note 29.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

14. CONTRACT ASSETS/(LIABILITIES)

| | 2019 \$ | Group 2018 \$ Restated | 1 July 2017 \$ Restated |
|-------------------------|------------------|---------------------------------|-------------------------------|
| Contract assets | 453,938 | 4,039,644 | 3,817,735 |
| Less: Impairment losses | (9,307) | – | – |
| | <u>444,631</u> | <u>4,039,644</u> | <u>3,817,735</u> |
| Contract liabilities | <u>(344,824)</u> | <u>(157,730)</u> | <u>(165,028)</u> |

(a) Contract assets

The contract assets primary related to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customers.

The significant changes in the contract assets during the year are as follows:

| | 2019 \$ | Group 2018 \$ |
|--|-------------|---------------------|
| Contract assets reclassified to trade receivables that was included in the contract asset balance at the beginning of the year | (4,039,644) | (3,817,735) |
| Revenue recognised but not billed, excluding amounts reclassified to trade receivables during the year | 453,938 | 4,039,644 |
| Adjustment on initial application of SFRS(I) 9 | (19,286) | – |
| Reversal of impairment loss | 9,979 | – |

(b) Contract liabilities

The contract liabilities primarily relate to the advance consideration received from customers at the reporting date. The contract liabilities are recognised as revenue when the Group fulfils its performance obligations under the contract with the customers.

14. CONTRACT ASSETS/(LIABILITIES)

(b) Contract liabilities (cont'd)

The significant changes in the contract liabilities during the year are as follows:

| | 2019 \$ | Group 2018 \$ |
|---|------------------|---------------------|
| Revenue recognised that was included in the contract liability balance at the beginning of the year | 157,730 | 165,028 |
| Increases due to cash received and billings issued, excluding amounts recognised as revenue during the year | <u>(344,824)</u> | <u>(157,730)</u> |

15. CASH AND CASH EQUIVALENTS

| | 2019 \$ | Group 2018 \$ | 1 July 2017 \$ | 2019 \$ | Company 2018 \$ | 1 July 2017 \$ |
|---|------------------|---------------------|-------------------|---------------|-----------------------|-------------------|
| Cash at banks and in hand | 4,508,926 | 3,879,045 | 5,346,458 | 92,081 | 84,298 | 88,127 |
| Project accounts (a) | <u>112,978</u> | <u>589,098</u> | <u>2,435,171</u> | – | – | – |
| Cash and cash equivalents in the statements of financial position | 4,621,904 | 4,468,143 | 7,781,629 | <u>92,081</u> | <u>84,298</u> | <u>88,127</u> |
| Cash included in assets held for sale (b) | <u>–</u> | <u>24,070</u> | <u>–</u> | | | |
| Cash and cash equivalents in the statement of cash flows | <u>4,621,904</u> | <u>4,492,213</u> | <u>7,781,629</u> | | | |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

15. CASH AND CASH EQUIVALENTS (CONT'D)

- (a) The amounts in project accounts are bank balances held under Housing Developers (Project Account) (Amendment) Rules 1997, the use of which is subject to restrictions imposed by the aforementioned rules.
- (b) These are cash and cash equivalents included within the carrying amount of assets held for sale (see Note 33).

16. SHARE CAPITAL

| | Company | | Company | |
|--|------------------|------------------|------------|------------|
| | 2019 | 2018 | 2019 | 2018 |
| | Number of shares | Number of shares | Amount \$ | Amount \$ |
| Issued and fully paid ordinary share capital with no par value: | | | | |
| At beginning of the year | 233,324,614 | 233,324,614 | 32,922,108 | 32,922,108 |
| Issuance of ordinary shares under the Performance Share Plan | 1,050,000 | – | 56,700 | – |
| At end of the year | 234,374,614 | 233,324,614 | 32,978,808 | 32,922,108 |

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. All issued shares are fully paid, with no par value.

Issuance of ordinary shares

During the financial year, 1,050,000 share awards under the Performance Share Plan (the "PSP") were converted into 1,050,000 ordinary shares.

16. SHARE CAPITAL (CONT'D)

Capital management

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. Management sets the amount of capital to meet its requirements and the risk taken.

Management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt.

Management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt/adjusted capital. Net debt is calculated as total borrowings less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, other reserves, accumulated losses and non-controlling interests).

| | 2019 \$ | Group 2018 \$ Restated | 1 July 2017 \$ Restated |
|---|-------------|---------------------------------|-------------------------------|
| Net debt: | | | |
| All current and non-current borrowings including finance leases | 37,163,934 | 31,625,253 | 44,397,539 |
| Less: Cash and cash equivalents | (4,621,904) | (4,468,143) | (7,781,629) |
| Net debt | 32,542,030 | 27,157,110 | 36,615,910 |
| Total equity | 13,681,475 | 36,125,166 | 40,265,947 |
| Debt-to-adjusted capital ratio | 237.9% | 75.2% | 90.9% |

There were no changes in the approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

17. OTHER RESERVES

| | Group | | | Company | | |
|--------------------------------------|------------|------------------------|----------------------------------|------------|-------------|----------------------|
| | 2019 \$ | 2018 \$ Restated | 1 July 2017 \$ Restated | 2019 \$ | 2018 \$ | 1 July 2017 \$ |
| Capital reserve | – | (1,772,571) | – | – | (1,772,571) | – |
| Foreign currency translation reserve | 7,988 | 109,773 | 161,556 | – | – | – |
| Share-based compensation reserve | 47,250 | 56,700 | – | 47,250 | 56,700 | – |
| | 55,238 | (1,606,098) | 161,556 | 47,250 | (1,715,871) | – |

Capital reserve

In 2018, the capital reserve represented the fair value of 53,714,286 shares of the Company surrendered, which formed part of the global settlement in January 2018 between the Group and the two vendors of TIEC Holdings Pte. Ltd., a wholly-owned subsidiary of the Company.

During the financial year, the Company completed the distribution of 53,714,286 ordinary shares of the Company held by the two vendors of TIEC Holdings Pte. Ltd. to the other existing shareholders of the Company on a pro-rata basis.

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Share-based compensation reserve

Share-based compensation reserve consists of equity-settled share options and awards granted to employees under the PSP, that is made up of the cumulative value of services received from employees recorded on grant of equity-settled share awards. Further information about the plan is set out in Note 32.

18. NON-CONTROLLING INTERESTS

The following subsidiary has material non-controlling interests.

| Name of subsidiary | Principal places of business/ Country of incorporation | Operating segment | Ownership interests held by non-controlling interests | | |
|---|---|----------------------|---|-----------|------------------|
| | | | 2019 % | 2018 % | 1 July 2017 % |
| TEHO-SBG Development Co., Ltd. ("TEHO-SBG") | Cambodia | Property development | – | 51.0 | 51.0 |

The following summarised financial information for the above subsidiary are prepared in accordance with International Financial Reporting Standards. The financial information presented below represents the amounts before any inter-company eliminations with other companies in the Group.

| | 2019 \$ | 2018 \$ |
|-----------------------------------|-----------------|-----------------|
| Revenue | – | – |
| Loss after tax | (10,527) | (14,468) |
| Other comprehensive income | – | – |
| Total comprehensive income | (10,527) | (14,468) |

Attributable to non-controlling interests:

| | | |
|-------------------------------------|----------|----------|
| - Loss | – | – |
| - Other comprehensive income | – | – |
| - Total comprehensive income | – | – |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

18. NON-CONTROLLING INTERESTS (CONT'D)

| | 2019 \$ | 2018 \$ | 1 July 2017 \$ |
|---|------------|-------------------|-------------------|
| Non-current assets | – | 1,640 | 5,346 |
| Current assets | – | 38,991,466 | 41,297,131 |
| Current liabilities | – | (2,019,878) | (2,073,588) |
| Net assets | – | 36,973,228 | 39,228,889 |
| Net assets attributable to non-controlling interests | – | 21,881,198 | 22,065,764 |
| | | 2019 \$ | 2018 \$ |
| Cash flows used in operating activities | | (4,152) | (49,000) |
| Cash flows from investing activities | | – | 4 |
| Cash flows from financing activities | | – | – |
| Net decrease in cash and cash equivalents | | (4,152) | (48,996) |

As at 30 June 2018, the above non-controlling interests are related to the disposal group held for sale as disclosed in Note 33.

19. LOANS AND BORROWINGS

| | 2019 \$ | Group 2018 \$ | 1 July 2017 \$ |
|---------------------------|-------------------|---------------------|-------------------|
| Non-current: | | | |
| Secured bank loans | 14,130,856 | 12,658,335 | 27,709,522 |
| Finance lease liabilities | – | 4,663 | 22,887 |
| | 14,130,856 | 12,662,998 | 27,732,409 |
| Current: | | | |
| Secured bank loans | 14,832,447 | 11,819,437 | 9,532,025 |
| Finance lease liabilities | 4,663 | 18,223 | 17,459 |
| Trust receipts (secured) | 8,195,968 | 7,124,595 | 7,115,646 |
| | 23,033,078 | 18,962,255 | 16,665,130 |
| Total | 37,163,934 | 31,625,253 | 44,397,539 |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

19. LOANS AND BORROWINGS (CONT'D)

Terms and debt repayment schedule

Terms and conditions of outstanding secured bank loans are as follows:

| | Currency | Nominal interest rate % | Year of maturity | 2019 | | 2018 | | 1 July 2017 | |
|-----------------------------|----------|-------------------------------|------------------|---------------------|--------------------------|---------------------|--------------------------|---------------------|--------------------------|
| | | | | Face value \$ | Carrying amount \$ | Face value \$ | Carrying amount \$ | Face value \$ | Carrying amount \$ |
| Group | | | | | | | | | |
| Term loans U | SGD | 4.73% to 5.25% | 2020 to 2023 | 8,104,226 | 8,104,226 | 10,248,041 | 10,248,041 | 11,198,941 | 11,198,941 |
| Term loan E | SGD | 6.00% | 2020 | 262,594 | 262,594 | 693,906 | 693,906 | 1,101,776 | 1,101,776 |
| Revolving credit facilities | SGD | 2.90% to 4.40% | 2019 | 9,450,000 | 9,450,000 | 9,000,000 | 9,000,000 | 7,000,000 | 7,000,000 |
| Property development loans | SGD | 3.00% to 3.78% | 2020 to 2022 | 6,884,874 | 6,884,874 | – | – | 13,187,436 | 13,187,436 |
| Property term loans H | SGD | 2.33% to 2.90% | 2035 to 2037 | 2,962,820 | 2,962,820 | 3,104,835 | 3,104,835 | 3,231,667 | 3,231,667 |
| Property term loans I | EUR | 2.69% to 4.23% | 2022 to 2026 | 1,298,789 | 1,298,789 | 1,430,990 | 1,430,990 | 1,521,727 | 1,521,727 |
| | | | | <u>28,963,303</u> | <u>28,963,303</u> | <u>24,477,772</u> | <u>24,477,772</u> | <u>37,241,547</u> | <u>37,241,547</u> |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

19. LOANS AND BORROWINGS (CONT'D)

The details of the guarantees and securities charged over the secured bank loans are as follows:

| | | |
|-----------------------------|---|--|
| Term loans U | - | The loans are covered by a corporate guarantee by the Company and secured by legal charges over a leasehold building of a subsidiary. |
| Term loan E | - | The loan is covered by a corporate guarantee by the Company. |
| Revolving credit facilities | - | The facilities are covered by corporate guarantees by the Company. In addition, revolving credit facilities amounting to \$7,500,000 are secured by legal charges over a leasehold building of a subsidiary. |
| Property development loans | - | The loans were secured by legal mortgages on the development properties of subsidiaries, and sales proceeds from these development properties. |
| Property term loans H | - | The loans are covered by a corporate guarantee by the Company and secured by legal charges over the leasehold buildings of certain subsidiaries. |
| Property term loans I | - | The loans are secured by legal charges over a freehold land and building and other assets of a subsidiary. |

Finance lease liabilities

Finance leases are payable as follows:

| | Future minimum lease payments \$ | Interest \$ | Present value of minimum lease payments \$ |
|---------------------|--|----------------|--|
| Group | | | |
| 30 June 2019 | | | |
| Within 1 year | 4,695 | (32) | 4,663 |

19. LOANS AND BORROWINGS (CONT'D)

Finance lease liabilities (cont'd)

Finance leases are payable as follows: (cont'd)

| | Future minimum lease payments \$ | Interest \$ | Present value of minimum lease payments \$ |
|-----------------------|--|----------------|--|
| 30 June 2018 | | | |
| Within 1 year | 18,828 | (605) | 18,223 |
| Between 1 and 5 years | 4,695 | (32) | 4,663 |
| | <u>23,523</u> | <u>(637)</u> | <u>22,886</u> |
| 1 July 2017 | | | |
| Within 1 year | 18,828 | (1,369) | 17,459 |
| Between 1 and 5 years | 23,523 | (636) | 22,887 |
| | <u>42,351</u> | <u>(2,005)</u> | <u>40,346</u> |

As at 30 June 2019, the carrying amount of plant and equipment under finance leases is \$3,021 (2018: \$21,146; 1 July 2017: \$39,272).

There are leased assets under finance leases. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligations under finance leases are secured by the lessor's charge over the leased assets.

Other details are as follows:

| | 2019 | Group 2018 | 1 July 2017 |
|--|-------|---------------|-------------|
| Average lease term, in years | 5.0 | 5.0 | 5.0 |
| Average effective interest rate per year | 4.50% | 4.50% | 4.50% |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

19. LOANS AND BORROWINGS (CONT'D)

Trust receipts

Group

The trust receipts are covered by a corporate guarantee by the Company and secured by legal charges over a leasehold building of a subsidiary. The trust receipts bear interest at rates ranging from 1.11% to 4.41% (2018: 1.25% to 4.12%; 1 July 2017: 1.25% to 3.42%) per annum.

Reconciliation of movements of liabilities to cash flows arising from financing activities

| | Note | Liabilities | | | Total |
|--|------|--------------------|---------------------------|----------------|--------------|
| | | Secured bank loans | Finance lease liabilities | Trust receipts | |
| | | \$ | \$ | \$ | \$ |
| At 1 July 2017 | | 37,241,547 | 40,346 | 7,115,646 | 44,397,539 |
| Changes from financing cash flows | | | | | |
| Interest paid | | (1,275,055) | (1,368) | (218,366) | (1,494,789) |
| Payment of finance lease liabilities | | – | (17,460) | – | (17,460) |
| Proceeds from loans and borrowings | | 4,327,014 | – | 18,477,601 | 22,804,615 |
| Repayment of loans and borrowings | | (17,090,789) | – | (18,468,652) | (35,559,441) |
| Total changes from financing cash flows | | (14,038,830) | (18,828) | (209,417) | (14,267,075) |
| Other changes | | | | | |
| Interest expense | 22 | 1,275,055 | 1,368 | 218,366 | 1,494,789 |
| Total other changes | | 1,275,055 | 1,368 | 218,366 | 1,494,789 |
| At 30 June 2018 | | 24,477,772 | 22,886 | 7,124,595 | 31,625,253 |

19. LOANS AND BORROWINGS (CONT'D)

| | Note | Liabilities | | | Total |
|--|------|--------------------|---------------------------|----------------|--------------|
| | | Secured bank loans | Finance lease liabilities | Trust receipts | |
| | | \$ | \$ | \$ | \$ |
| At 1 July 2018 | | 24,477,772 | 22,886 | 7,124,595 | 31,625,253 |
| Changes from financing cash flows | | | | | |
| Interest paid | | (1,045,229) | (605) | (293,857) | (1,339,691) |
| Payment of finance lease liabilities | | – | (18,223) | – | (18,223) |
| Proceeds from loans and borrowings | | 7,384,873 | – | 20,640,522 | 28,025,395 |
| Repayment of loans and borrowings | | (2,861,352) | – | (19,569,149) | (22,430,501) |
| Total changes from financing cash flows | | 3,478,292 | (18,828) | 777,516 | 4,236,980 |
| Effect of changes in foreign exchange rates | | (37,990) | – | – | (37,990) |
| Other changes | | | | | |
| Capitalised borrowing costs | | 130,431 | – | – | 130,431 |
| Interest expense | 22 | 914,798 | 605 | 293,857 | 1,209,260 |
| Total other changes | | 1,045,229 | 605 | 293,857 | 1,339,691 |
| At 30 June 2019 | | 28,963,303 | 4,663 | 8,195,968 | 37,163,934 |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

20. TRADE AND OTHER PAYABLES

| | 2019 | Group | 1 July 2017 | 2019 | Company | 1 July 2017 |
|---|------------------|------------------|------------------|-------------------|-------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| | | Restated | Restated | | | |
| Trade payables | 3,381,684 | 5,005,357 | 4,707,422 | – | – | – |
| Retention payable | – | 285,377 | 250,000 | – | – | – |
| Other payables | 524,666 | 803,918 | 1,401,264 | 13,839 | 88,196 | 61,390 |
| Accrued expenses | 1,587,101 | 2,016,964 | 1,394,716 | 173,251 | 310,121 | 146,571 |
| Amounts due to subsidiaries (non-trade) | – | – | – | 41,760,411 | 39,513,836 | 37,239,067 |
| Derivative financial liabilities | – | – | 40,764 | – | – | – |
| | <u>5,493,451</u> | <u>8,111,616</u> | <u>7,794,166</u> | <u>41,947,501</u> | <u>39,912,153</u> | <u>37,447,028</u> |

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

Derivatives

This includes the gross amount of all notional values for contracts that have not yet been settled or cancelled. The amount of notional value outstanding is not necessarily a measure or indication of market risk, as the exposure of certain contracts may be offset by that of other contracts.

| | Contract notional amount | Fair value liabilities |
|---------------------------------|--------------------------|------------------------|
| | \$ | \$ |
| Group | | |
| 1 July 2017 | | |
| Structured currency instruments | <u>404,400</u> | <u>40,764</u> |

20. TRADE AND OTHER PAYABLES (CONT'D)

Derivatives (cont'd)

The purpose of these instruments is to mitigate the fluctuations of expected purchases (forecast transactions) denominated in United States Dollar.

The fair value gains on derivatives of \$Nil (2018: \$40,764) are credited to profit or loss and included in other income.

21. REVENUE

| | 2019 | Group |
|-----------------------------------|-------------------|-------------------|
| | \$ | 2018 |
| | | \$ |
| | | Restated |
| Sale of goods | 53,621,573 | 47,378,659 |
| Sale of development properties | – | 14,988,108 |
| Provision of real estate services | 761,903 | 2,061,502 |
| | <u>54,383,476</u> | <u>64,428,269</u> |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

21. REVENUE (CONT'D)

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and related revenue recognition policies:

Sales of goods

| | |
|---|---|
| Nature of goods or services | The Group supplies rigging and mooring equipment, offshore oil and gas equipment, and marine and engineering hardware and accessories to its customers. The Group also provides related services to customers in the marine and offshore industries. |
| When revenue is recognised | Revenue is recognised when goods are delivered to the customers and all criteria for acceptance have been satisfied. |
| Significant payment terms | Invoices are issued to the customers in accordance with agreed billing milestones and are payable within credit terms granted by the Group to the customers. |
| Variable considerations – volume rebates | The Group grants volume rebates to the customers who meet certain sales volumes. Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue will not occur. Therefore, the amount of revenue is adjusted for expected volume rebates, which are estimated based on historical rebates granted and experiences with the recurring customers. The Group recognises such estimated volume rebates liabilities as “trade and other payables”. The Group also reviews its estimates of expected discount at the end of each reporting date and updates the amounts of revenue recognised and liabilities accordingly. |

21. REVENUE (CONT'D)

Sale of development properties

| | |
|------------------------------------|--|
| Nature of goods or services | The Group develops residential development properties in Singapore. |
| When revenue is recognised | The Group assesses whether the Group transfers control of the residential project over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date. Where a development property has no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment for performance completed to date arising from the contractual terms, revenue is recognised over time by reference to the Group's progress towards completing the construction of the development property. The measure of progress is determined based on the stage of completion of construction certified by quantity surveyors. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred. In respect of contracts where the Group does not have an enforceable right to payment for performance completed to date, revenue is recognised only when the completed property is delivered to the customer and the customer has accepted it in accordance with the sales contract. |
| Significant payment terms | Progress billings issued to the customers are based on a payment schedule in the contract that is dependent on the achievement of specified construction milestones. |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

21. REVENUE (CONT'D)

Real estate services

| | |
|------------------------------------|---|
| Nature of goods or services | The Group's revenue from rendering services mainly relate to those provision of real estate agency and provision of real estate valuation services. |
| When revenue is recognised | These revenue are recognised when the services are delivered to the customers and all criteria for acceptance have been satisfied. |
| Significant payment terms | Invoices are issued to customers upon services rendered are payable within certain credit terms granted by the Group to its customers. |

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by timing of revenue recognition.

| | Group | |
|---|------------|------------|
| | 2019 | 2018 |
| | \$ | \$ |
| | Restated | |
| Timing of revenue recognition | | |
| Goods and services transferred at a point in time | | |
| - Sale of goods | 53,621,573 | 47,378,659 |
| - Provision for real estate services | 761,903 | 2,061,502 |
| Goods transferred over time | | |
| - Sale of development properties | - | 14,988,108 |
| | 54,383,476 | 64,428,269 |

The revenue from contracts with customers disaggregated by primary geographic markets, major products and service lines are disclosed in Note 28.

21. REVENUE (CONT'D)

Transaction price allocated to the remaining performance obligations

At the reporting dates, the Group does not have any performance obligations that are unsatisfied (or partially satisfied) in relation to the sale of development properties where its revenue is recognised over time.

22. FINANCE INCOME AND FINANCE COSTS

| | Group | |
|---|-----------|-----------|
| | 2019 | 2018 |
| | \$ | \$ |
| | Restated | |
| Finance income: | | |
| Interest income | (7,201) | (3,731) |
| Finance costs: | | |
| Interest expense | 1,339,691 | 1,494,789 |
| Less: Interest expense capitalised in development properties* | (130,431) | - |
| | 1,209,260 | 1,494,789 |
| Net finance costs | 1,202,059 | 1,491,058 |

* Relates to development properties for which revenue is recognised at a point in time. Borrowing costs on development properties where revenue is recognised over time is charged to profit or loss, as incurred.

During the year, net finance costs of the Group have been capitalised at rates ranging from 3.00% to 3.78% per annum for development properties.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

23. LOSS BEFORE TAX

The following items have been included in arriving at loss before tax:

| | Note | Group | |
|--|------|------------|------------------------|
| | | 2019 \$ | 2018 \$ Restated |
| Audit fees paid to: | | | |
| - auditors of the Company | | 203,500 | 217,000 |
| - other auditors | | 36,943 | 47,794 |
| Non-audit fees paid to: | | | |
| - auditors of the Company | | 15,500 | 1,500 |
| - other auditors | | – | 23,904 |
| Bad debts written off | | 53,545 | 193,697 |
| Contract assets written off | | 77,289 | – |
| Depreciation of investment property | 6 | 127,835 | 43,376 |
| Depreciation of property, plant and equipment | 4 | 756,544 | 1,015,755 |
| Fair value gain on derivatives | 20 | – | (40,764) |
| Foreign exchange loss/(gain), net | | 28,288 | (6,792) |
| Impairment loss on development properties | 33 | – | 1,914,180 |
| Land rental | | 174,256 | 164,945 |
| Loss on disposal of property, plant and equipment | | 4,084 | 14,201 |
| Loss on disposal of subsidiaries | 7 | 90,688 | – |
| Operating lease expenses | | 1,266,514 | 1,374,066 |
| Other income arising from a settlement agreement | | – | (2,668,005) |
| Reversal of allowance for foreseeable loss on development properties | 12 | – | (2,814,488) |

23. LOSS BEFORE TAX (CONT'D)

Employee benefits expense

| | Group | |
|---|-------------------|------------------|
| | 2019 \$ | 2018 \$ |
| Salaries, bonuses and other costs | 9,657,157 | 9,155,184 |
| Contributions to defined contribution plans | 619,470 | 681,814 |
| Share-based payment expense | 47,250 | 56,700 |
| | <u>10,323,877</u> | <u>9,893,698</u> |

24. TAX EXPENSE/(CREDIT)

| | Group | |
|---|----------------|------------------------|
| | 2019 \$ | 2018 \$ Restated |
| Current tax expense/(credit) | | |
| Current year | 253,145 | 311,987 |
| Adjustment for prior periods | (165,729) | (466,742) |
| | <u>87,416</u> | <u>(154,755)</u> |
| Deferred tax expense/(credit) | | |
| Origination and reversal of temporary differences | 73,738 | (55) |
| | <u>73,738</u> | <u>(55)</u> |
| Total tax expense/(credit) | <u>161,154</u> | <u>(154,810)</u> |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

24. TAX EXPENSE/(CREDIT) (CONT'D)

Reconciliation of effective tax rate

| | Group | |
|---|------------|------------------------|
| | 2019 \$ | 2018 \$ Restated |
| Loss before tax | (298,699) | (2,343,371) |
| Tax using the Singapore tax rate of 17% (2018: 17%) | (50,779) | (398,373) |
| Effect of tax rates in foreign jurisdictions | 89,727 | 121,722 |
| Non-deductible expenses | 322,990 | 919,125 |
| Non-taxable income | (91,461) | (533,170) |
| Tax incentives | (15,403) | (6,024) |
| Corporate tax rebate | (512) | (15,372) |
| Tax exempt income | (23,787) | (42,735) |
| Deferred tax asset not recognised | 41,611 | 211,059 |
| Utilisation of deferred tax asset previously not recognised | (20,324) | (57,645) |
| Tax effect of losses not allowed to be set off against future taxable profits | 83,238 | 132,906 |
| Others | (8,417) | (19,561) |
| Adjustments for prior periods | (165,729) | (466,742) |
| Total tax expense/(credit) | 161,154 | (154,810) |

25. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share at 30 June 2019 was based on the loss attributable to ordinary shareholders of \$459,853 (2018: \$2,188,561), and a weighted-average number of ordinary shares outstanding of 234,003,518 (2018: 233,324,614).

25. LOSS PER SHARE (CONT'D)

Basic loss per share (cont'd)

| | 2019 Number of shares | 2018 Number of shares |
|--|-----------------------------|-----------------------------|
| Issued ordinary shares at beginning of the year | 233,324,614 | 233,324,614 |
| Effect of issuance of ordinary shares under the Performance Share Plan | 678,904 | – |
| Weighted-average number of ordinary shares used in the calculation of basic loss per share | 234,003,518 | 233,324,614 |

Diluted loss per share

The calculation of diluted loss per share at 30 June 2019 was based on the loss attributable to ordinary shareholders of \$459,853 (2018: \$2,188,561), and a weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 235,424,614 (2018: 234,724,614).

| | 2019 Number of shares | 2018 Number of shares |
|--|-----------------------------|-----------------------------|
| Weighted-average number of ordinary shares in issue | 234,003,518 | 233,324,614 |
| Effect of outstanding share awards | 1,421,096 | 1,400,000 |
| Weighted-average number of ordinary shares used in the calculation of diluted loss per share | 235,424,614 | 234,724,614 |

26. DIVIDENDS

No dividends were declared by the Group and the Company for the financial years ended 30 June 2019 and 2018.

After the respective reporting dates, no one-tier tax exempt dividends were proposed by the directors.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

27. RELATED PARTIES

Other related party transactions

Other than as disclosed elsewhere in the financial statements, the transactions with related parties based on terms agreed between the parties are as follows:

| | Group | |
|---|-----------|-----------|
| | 2019 | 2018 |
| | \$ | \$ |
| Rental expenses paid to related parties | (314,112) | (314,112) |

The related parties are companies in which a director has a significant controlling interest and a substantial shareholder has a controlling interest.

Transactions with key management personnel

Key management personnel of the Group are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel compensation and transactions comprised:

| | Group | |
|---|------------------|------------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Key management personnel compensation | | |
| Salaries and other short-term employee benefits | 1,211,706 | 1,175,028 |
| Post-employment benefits, including employer's contribution to Central Provident Fund | 33,829 | 33,653 |
| Fees to directors of the Company | 180,000 | 180,000 |
| Share-based payment expense | 31,500 | 37,800 |
| | <u>1,457,035</u> | <u>1,426,481</u> |

27. RELATED PARTIES (CONT'D)

Transactions with key management personnel (cont'd)

PSP share awards granted to the key management personnel are as follows:

| | Number of PSP share awards | |
|--|----------------------------|------------------|
| | 2019 | 2018 |
| At beginning of the year | 1,400,000 | – |
| Granted to key management personnel on 1 November 2017 | – | 1,400,000 |
| Vested by key management personnel on 7 November 2018 | (700,000) | – |
| At end of the year | <u>700,000</u> | <u>1,400,000</u> |

Commitments and contingencies

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries. These bank borrowings amount to \$35,865,145 (2018: \$30,194,263) at the reporting date.

28. OPERATING SEGMENTS

Information about reportable segment profit or loss, assets and liabilities

For management purposes, the reporting entity is organised into the following major strategic operating segments that offer different products and services:

- Marine & Offshore: This segment sells rigging and mooring equipment, offshore oil and gas equipment, and related marine and engineering hardware and accessories; and
- Property Development: This segment develops, markets and sells real estate properties, and provides real estate services.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

28. OPERATING SEGMENTS (CONT'D)

The management reporting system evaluates performances based on a number of factors. However, the primary profitability measurement to evaluate segment's operating performance is segment profit before tax because management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

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

Information about reportable segments

| | Marine & offshore | Property development | Total for reportable segments | Unallocated | Total |
|---|-------------------|----------------------|-------------------------------|-------------|-------------|
| | \$ | \$ | \$ | \$ | \$ |
| Group 2019 | | | | | |
| External revenue | 53,621,573 | 761,903 | 54,383,476 | – | 54,383,476 |
| Interest income | 557 | 6,644 | 7,201 | – | 7,201 |
| Interest expense | (1,137,390) | (71,870) | (1,209,260) | – | (1,209,260) |
| Depreciation | (671,727) | (171,838) | (843,565) | (40,814) | (884,379) |
| Reportable segment profit/(loss) before tax | 2,101,510 | (1,614,945) | 486,565 | – | 486,565 |
| Other unallocated expenses | – | – | – | (785,264) | (785,264) |
| Consolidated loss before tax from continuing operations | | | | | (298,699) |

28. OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

| | Marine & offshore | Property development | Total for reportable segments | Unallocated | Total |
|---|-------------------|----------------------|-------------------------------|-------------|------------|
| | \$ | \$ | \$ | \$ | \$ |
| Group 2019 | | | | | |
| Reportable segment assets | 42,478,236 | 14,336,812 | 56,815,048 | 124,588 | 56,939,636 |
| Capital expenditure | 749,141 | 19,109 | 768,250 | – | 768,250 |
| Reportable segment liabilities | 33,077,465 | 10,046,439 | 43,123,904 | 134,257 | 43,258,161 |
| Other material non-cash items | | | | | |
| Reversal of allowance for inventory obsolescence | (242,804) | – | (242,804) | – | (242,804) |
| Impairment loss/ (Reversal of allowance) on trade and other receivables and contract assets | 88,900 | (6,051) | 82,849 | – | 82,849 |
| Bad debts written off | 398 | 53,147 | 53,545 | – | 53,545 |
| Contract assets written off | 77,289 | – | 77,289 | – | 77,289 |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

28. OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

| | Marine & offshore \$ | Property development \$ | Total for reportable segments \$ | Unallocated \$ | Total \$ |
|--|-------------------------|----------------------------|-------------------------------------|-------------------|-------------|
| Group 2018 | | | | | |
| External revenue (Restated) | 47,378,659 | 17,049,610 | 64,428,269 | – | 64,428,269 |
| Interest income | 791 | 2,940 | 3,731 | – | 3,731 |
| Interest expense (Restated) | (1,088,336) | (406,453) | (1,494,789) | – | (1,494,789) |
| Depreciation (Restated) | (831,515) | (183,380) | (1,014,895) | (44,236) | (1,059,131) |
| Reportable segment profit/ (loss) before tax (Restated) | 1,247,278 | (2,543,244) | (1,295,966) | – | (1,295,966) |
| Other unallocated expenses | – | – | – | (1,047,405) | (1,047,405) |
| Consolidated loss before tax from continuing operations (Restated) | | | | | (2,343,371) |
| Reportable segment assets (Restated) | 41,760,124 | 34,301,403 | 76,061,527 | 232,454 | 76,293,981 |
| Capital expenditure | 598,473 | 90,239 | 688,712 | 1,455 | 690,167 |
| Reportable segment liabilities (Restated) | 34,918,685 | 4,844,673 | 39,763,358 | 405,457 | 40,168,815 |

28. OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

| | Marine & offshore \$ | Property development \$ | Total for reportable segments \$ | Unallocated \$ | Total \$ |
|--|-------------------------|----------------------------|-------------------------------------|-------------------|-------------|
| Other material non-cash items | | | | | |
| Reversal of allowance for foreseeable losses on development properties | – | (2,814,488) | (2,814,488) | – | (2,814,488) |
| Allowance for inventory obsolescence | 235,415 | – | 235,415 | – | 235,415 |
| Other income arising from a settlement agreement | – | (2,668,005) | (2,668,005) | – | (2,668,005) |
| Impairment loss/ (Reversal of allowance) on | – | | | | |
| - development properties | – | 1,914,180 | 1,914,180 | – | 1,914,180 |
| - trade and other receivables | (1,973) | (624,864) | (626,837) | – | (626,837) |
| Bad debts written off | 2,441 | 191,256 | 193,697 | – | 193,697 |

Other unallocated expenses are mainly distribution, administrative and other operating expenses which are centralised and not segmented as these items are not directly attributable to the reportable segments.

The unallocated assets and liabilities cannot be selectively segmented when they are being deployed and/or incurred, as these items are not directly attributable to the reportable segments.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

28. OPERATING SEGMENTS (CONT'D)

Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers, irrespective of the origin of the goods and services, and segment assets are based on the geographical location of the assets.

| | 2019 | | | 2018 | | |
|--------------------------|-------------------------|----------------------------|-------------------|-------------------------|----------------------------|-------------------|
| | Marine & offshore \$ | Property development \$ | Total \$ | Marine & offshore \$ | Property development \$ | Total \$ |
| | | | | Restated | Restated | Restated |
| Revenue | | | | | | |
| Singapore | 28,786,472 | 761,903 | 29,548,375 | 24,491,629 | 17,049,610 | 41,541,239 |
| Malaysia | 3,130,684 | – | 3,130,684 | 2,048,798 | – | 2,048,798 |
| Philippines | 2,469,908 | – | 2,469,908 | 2,238,278 | – | 2,238,278 |
| The Netherlands | 1,815,678 | – | 1,815,678 | 1,708,796 | – | 1,708,796 |
| United States of America | 1,716,365 | – | 1,716,365 | 1,759,830 | – | 1,759,830 |
| Germany | 1,530,290 | – | 1,530,290 | 1,232,770 | – | 1,232,770 |
| Denmark | 1,516,688 | – | 1,516,688 | 1,488,620 | – | 1,488,620 |
| United Kingdom | 1,354,793 | – | 1,354,793 | 1,541,237 | – | 1,541,237 |
| Greece | 1,347,041 | – | 1,347,041 | 1,088,421 | – | 1,088,421 |
| Hong Kong | 1,345,106 | – | 1,345,106 | 1,300,699 | – | 1,300,699 |
| Cyprus | 1,132,232 | – | 1,132,232 | 952,606 | – | 952,606 |
| Indonesia | 889,142 | – | 889,142 | 1,016,093 | – | 1,016,093 |
| United Arab Emirates | 535,854 | – | 535,854 | 482,786 | – | 482,786 |
| China | 534,809 | – | 534,809 | 467,997 | – | 467,997 |
| France | 491,887 | – | 491,887 | 411,932 | – | 411,932 |
| Spain | 491,559 | – | 491,559 | 827,439 | – | 827,439 |
| Other countries | 4,533,065 | – | 4,533,065 | 4,320,728 | – | 4,320,728 |
| Total revenue | 53,621,573 | 761,903 | 54,383,476 | 47,378,659 | 17,049,610 | 64,428,269 |

28. OPERATING SEGMENTS (CONT'D)

Geographical information (cont'd)

| | Group | |
|---------------------------|-------------------|-------------------|
| | 2019 \$ | 2018 \$ |
| | | Restated |
| Non-current assets | | |
| Singapore | 7,096,124 | 7,658,200 |
| Other countries | 3,339,665 | 2,932,925 |
| | <u>10,435,789</u> | <u>10,591,125</u> |

Non-current assets presented consist of property, plant and equipment, investment property investment in joint venture and deferred tax assets.

Revenue from major customers

| | Group | |
|-----------------|------------------|------------------|
| | 2019 \$ | 2018 \$ |
| Top 1 customer | 4,487,485 | 3,066,348 |
| Top 2 customers | 6,540,038 | 5,129,659 |
| Top 3 customers | <u>8,042,051</u> | <u>6,478,343</u> |

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. The main risks arising from the entity's financial instruments are credit risk, liquidity risk and market risk comprising interest rate and currency risk exposures. The management has certain practices for the management of financial risks. The guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks. The guidelines include the following:

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Financial risk management (cont'd)

1. Minimise interest rate, currency, credit and market risks for all kinds of transactions.
2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.
3. All financial risk management activities are carried out and monitored by senior management staff.
4. All financial risk management activities are carried out following good market practices.
5. When appropriate consideration is given to investing in shares or similar instruments.
6. When appropriate consideration is given to entering into derivatives or any other similar instruments solely for hedging purposes.

With regard to derivatives, the policies include the following:

1. The management documents carefully all derivatives including the relationship between them and the hedged items at inception and throughout their life.
2. Ineffectiveness is recognised in profit or loss as soon as it arises.
3. Effectiveness is assessed at the inception of the hedge and at each end of the financial year ensuring that SFRS(I) 9 criteria are met.
4. Only financial institutions with acceptable credit ratings are used as counterparties for derivatives.

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Credit risk on financial assets

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

Cash and cash equivalents balances as disclosed in Note 15 represent cash at bank.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 30 to 90 days (2018: 30 to 90 days). However, some customers take a longer period to settle the amounts.

Exposure to credit risk

The maximum exposure to credit risk for contract assets and trade and other receivables (excluding prepayments and advances to suppliers) at the reporting date by business segment is set out below.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Credit risk on financial assets (cont'd)

Exposure to credit risk (cont'd)

| | Group | | | Company | | |
|----------------------|-------------------|-------------------|-------------------|------------------|------------------|------------------|
| | 2019 | 2018 | 1 July 2017 | 2019 | 2018 | 1 July 2017 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| | Restated | | | | | |
| Marine & offshore | 10,598,413 | 10,678,568 | 10,149,451 | 2,883,208 | 2,519,574 | 2,379,505 |
| Property development | 919,237 | 4,840,395 | 4,942,576 | – | – | 2,265,352 |
| | <u>11,517,650</u> | <u>15,518,963</u> | <u>15,092,027</u> | <u>2,883,208</u> | <u>2,519,574</u> | <u>4,644,857</u> |

The concentration to trade receivables by top 3 significant customers as at the end of financial year is as follows:

| | 2019 | Group | 1 July 2017 |
|-----------------|------------------|------------------|------------------|
| | \$ | \$ | \$ |
| Top 1 customer | 526,498 | 1,381,680 | 426,960 |
| Top 2 customers | 910,357 | 1,972,432 | 839,390 |
| Top 3 customers | <u>1,231,065</u> | <u>2,434,807</u> | <u>1,192,685</u> |

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Credit risk on financial assets (cont'd)

Exposure to credit risk (cont'd)

A summary of the Group's and the Company's exposures to credit risk for contract assets and trade and other receivables (excluding prepayments and advances to suppliers) is as follows:

| | Group | | | Company | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2019 | 2018 | 1 July 2017 | 2019 | 2018 | 1 July 2017 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| | Restated | | | Restated | | |
| Contract assets | 453,938 | 4,039,644 | 3,817,735 | – | – | – |
| Trade receivables | 10,537,388 | 11,333,356 | 10,736,180 | – | – | – |
| Other receivables and deposits | 845,298 | 368,950 | 608,855 | – | 30,428 | 11,166 |
| Amount due from subsidiaries (non-trade) | – | – | – | 41,543,923 | 41,098,460 | 39,147,285 |
| Amount due from former shareholders of a subsidiary | – | – | 1,104,566 | – | – | – |
| Total gross carrying amount | <u>11,836,624</u> | <u>15,741,950</u> | <u>16,267,336</u> | <u>41,543,923</u> | <u>41,128,888</u> | <u>39,158,451</u> |
| Loss allowance | (318,974) | (222,987) | (1,175,309) | (38,660,715) | (38,609,314) | (34,513,594) |
| | <u>11,517,650</u> | <u>15,518,963</u> | <u>15,092,027</u> | <u>2,883,208</u> | <u>2,519,574</u> | <u>4,644,857</u> |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Credit risk on financial assets (cont'd)

Comparative information under FRS 39

Analysis of the credit quality of contract assets and trade and other receivables is as follows:

| | Group | | | |
|--|-----------------------|---------------------------|-----------------------|---------------------------|
| | 2018 | | 1 July 2017 | |
| | Gross carrying amount | Impairment loss allowance | Gross carrying amount | Impairment loss Allowance |
| | \$ | \$ | \$ | \$ |
| | Restated | | Restated | |
| Contract assets | | | | |
| - Not past due | 4,039,644 | - | 3,817,735 | - |
| Trade receivables | | | | |
| - Not past due | 6,263,891 | - | 5,472,950 | - |
| - Past due 1 to 60 days | 2,995,880 | - | 2,662,980 | - |
| - Past due 61 to 90 days | 886,572 | - | 1,212,020 | - |
| - Past due over 90 days | 1,187,013 | (222,987) | 1,388,230 | (520,743) |
| Other receivables and deposits | | | | |
| - Not past due | 368,950 | - | 608,855 | - |
| Amount due from former shareholders of a subsidiary | | | | |
| - Not past due | - | - | 1,104,566 | (654,566) |
| | 15,741,950 | (222,987) | 16,267,336 | (1,175,309) |

Amount due from former shareholders of a subsidiary

A sale and purchase agreement dated 20 March 2014 in relation to the acquisition of a subsidiary, TIEC Holdings Pte. Ltd., and a deed of indemnity were entered in relation thereto, contained provisions that give rights to the Group to recover certain project costs that exceeded the agreed budgets from the Vendors.

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Amount due from former shareholders of a subsidiary (cont'd)

The Vendors refused to fulfil their contractual obligations under the aforementioned sale and purchase agreement and deed of indemnity by settling these project costs payable to the Group. As a result, the Group had on January 2017 filed a Writ of Summons in the High Court of Singapore against the Vendors.

As at 1 July 2017, management, after the consultation with its solicitor, believed that the Group had valid claims against the Vendors and intended to pursue the claims aggressively to recover the costs and damages. However, in view of the inherent uncertainty of the litigation and other relevant factors, management estimated the recoverable amount to be \$450,000. Accordingly, the Group provided an allowance of impairment loss of \$654,566 on amount due from former shareholders of a subsidiary as at 1 July 2017.

During the financial year ended 30 June 2018, the amount due from former shareholders of a subsidiary of \$1,104,566 was fully recovered. Accordingly, the allowance for impairment loss was reversed.

| | Company | | | |
|---|-----------------------|---------------------------|-----------------------|---------------------------|
| | 2018 | | 1 July 2017 | |
| | Gross carrying amount | Impairment loss allowance | Gross carrying amount | Impairment loss Allowance |
| | \$ | \$ | \$ | \$ |
| Amount due from subsidiaries (non-trade) | | | | |
| - Not past due | 41,098,460 | (38,609,314) | 39,147,285 | (34,513,594) |
| Other receivables and deposits | | | | |
| - Not past due | 30,428 | - | 11,166 | - |
| | 41,128,888 | (38,609,314) | 39,158,451 | (34,513,594) |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Expected credit loss assessment for contract assets and trade receivables as at 1 July 2018 and 30 June 2019

The Group uses an allowance matrix to measure the ECLs of contract assets and trade receivables, which comprise a very large number of individual corporate customers.

Loss rates are calculated using a "roll rate" method based on the probability of a trade receivable progressing through individual balance which are overdue more than 90 days. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship and type of product purchased.

The following table provides information about the exposure to credit risk and ECLs for contract assets and trade receivables as at 30 June 2019.

| | Weighted average loss rate % | Gross carrying amount \$ | Group 2019 Impairment loss allowance | | |
|--------------------------|------------------------------|--------------------------|--------------------------------------|--------------------|------------------|
| | | | Not credit-impaired \$ | Credit-impaired \$ | Total \$ |
| Contract assets | | | | | |
| - Not past due | 2.1 | 453,938 | (9,307) | – | (9,307) |
| Trade receivables | | | | | |
| - Not past due | 0.4 | 6,078,331 | (24,479) | – | (24,479) |
| - Past due 1 to 60 days | 0.4 | 3,292,233 | (12,989) | – | (12,989) |
| - Past due 61 to 90 days | 8.0 | 477,700 | (11,043) | (27,172) | (38,215) |
| - Past due over 90 days | 32.8 | 689,124 | (38,015) | (188,109) | (226,124) |
| | | <u>10,537,388</u> | <u>(86,526)</u> | <u>(215,281)</u> | <u>(301,807)</u> |

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Loss rates are based on actual credit loss experience over the past 4 years. These rates are adjusted by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. These scalar factors are calculated using statistical models that determine numeric co-relation of loss rates with relevant economic variables.

Expected credit loss assessment for other receivables and deposits as at 1 July 2018 and 30 June 2019

The Group and the Company assessed the credit exposure of other receivables and deposits is insignificant based on the historical collection trends as well as these receivables have insignificant default rate in the past. The Group applied the ECL rate based on the published independent default rate. The Group monitors changes in the default rate by tracking to the published independent research report.

| | Weighted average loss rate % | Group 2019 Gross carrying amount \$ | Impairment loss allowance \$ | Weighted average loss rate % | Company 2019 | |
|---------------------------------------|------------------------------|-------------------------------------|------------------------------|------------------------------|--------------------------|------------------------------|
| | | | | | Gross carrying amount \$ | Impairment loss allowance \$ |
| Other receivables and deposits | | | | | | |
| - Not past due | 0.9 | <u>845,298</u> | <u>(7,860)</u> | 0.0 | – | – |

Expected credit loss assessment for amount due from subsidiaries (non-trade) as at 1 July 2018 and 30 June 2019

The Company assessed the credit exposure of these receivables is insignificant based on the historical default rates and measured the impairment losses based on 12-month expected loss basis, except for amount of \$38,569,511, which was measured at an amount equal to lifetime ECLs.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

| | Weighted average loss rate % | Company 2019 Gross carrying amount \$ | Impairment loss allowance \$ |
|---|---------------------------------------|--|---------------------------------------|
| Amount due from subsidiaries (non-trade) | | | |
| - Not past due | 93.1 | 41,543,923 | (38,660,715) |

Movement in the allowance for impairment in respect of contract assets and trade and other receivables during the year was as follows:

| | Group \$ | Company \$ |
|--|-------------|---------------|
| At 1 July 2017 per FRS 39 | 1,175,309 | 34,513,594 |
| Impairment loss recognised | 27,729 | 4,095,720 |
| Reversal of impairment loss | (654,566) | - |
| Amounts written off | (325,485) | - |
| At 30 June 2018 per FRS 39 | 222,987 | 38,609,314 |
| At 1 July 2018 per FRS 39 | 222,987 | 38,609,314 |
| Adjustment on initial application of SFRS(I) 9 | 110,105 | 51,401 |
| At 1 July 2018 per SFRS(I) 9 | 333,092 | 38,660,715 |
| Impairment loss recognised | 149,858 | 534,011 |
| Reversal of impairment loss | (67,009) | (534,011) |
| Amounts written off | (96,527) | - |
| Effects of movements in exchange rates | (440) | - |
| At 30 June 2019 per SFRS(I) 9 | 318,974 | 38,660,715 |

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Cash and cash equivalents

The Group and the Company held cash and cash equivalents. The cash and cash equivalents are held with bank and financial institution counterparties, which are regulated.

The Group and the Company assessed the impairment on cash and cash equivalents based on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group and the Company consider that their cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. Based on the assessment, the Group and the Company considered that the amount of the allowance on cash and cash equivalents was negligible.

Liquidity risk

Liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance its operations. The Group finances liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

| | 2019 \$ | Group 2018 \$ | 1 July 2017 \$ |
|------------------------------|------------|---------------------|-------------------|
| Undrawn borrowing facilities | 6,775,976 | 10,977,355 | 8,990,580 |

The undrawn borrowing facilities are available for operating activities and to settle other commitments. Borrowing facilities are maintained to ensure funds are available for the Group's operations.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Liquidity risk (cont'd)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

| Group | Carrying amount \$ | Contractual cash flows \$ | Less than 1 year \$ | 1 – 5 years \$ | Over 5 years \$ |
|---|-----------------------|------------------------------|------------------------|---------------------|--------------------|
| Non-derivative financial liabilities | | | | | |
| 30 June 2019 | | | | | |
| Secured bank loans | 28,963,303 | (30,831,866) | (15,468,059) | (11,903,217) | (3,460,590) |
| Finance lease liabilities | 4,663 | (4,695) | (4,695) | – | – |
| Trust receipts | 8,195,968 | (8,195,968) | (8,195,968) | – | – |
| Trade and other payables | 5,493,451 | (5,493,451) | (5,493,451) | – | – |
| | <u>42,657,385</u> | <u>(44,525,980)</u> | <u>(29,162,173)</u> | <u>(11,903,217)</u> | <u>(3,460,590)</u> |
| 30 June 2018 (Restated) | | | | | |
| Secured bank loans | 24,477,772 | (26,502,639) | (12,440,372) | (10,223,305) | (3,838,962) |
| Finance lease liabilities | 22,886 | (23,523) | (18,828) | (4,695) | – |
| Trust receipts | 7,124,595 | (7,124,595) | (7,124,595) | – | – |
| Trade and other payables | 8,111,616 | (8,111,616) | (8,111,616) | – | – |
| | <u>39,736,869</u> | <u>(41,762,373)</u> | <u>(27,695,411)</u> | <u>(10,228,000)</u> | <u>(3,838,962)</u> |
| 1 July 2017 (Restated) | | | | | |
| Secured bank loans | 37,241,547 | (40,173,357) | (23,582,845) | (12,299,877) | (4,290,635) |
| Finance lease liabilities | 40,346 | (42,351) | (18,828) | (23,523) | – |
| Trust receipts | 7,115,646 | (7,115,646) | (7,115,646) | – | – |
| Trade and other payables* | 7,794,166 | (7,794,166) | (7,794,166) | – | – |
| | <u>52,191,705</u> | <u>(55,125,520)</u> | <u>(38,511,485)</u> | <u>(12,323,400)</u> | <u>(4,290,635)</u> |

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Liquidity risk (cont'd)

| Group | Carrying amount \$ | Contractual cash flows \$ | Less than 1 year \$ | 1 – 5 years \$ | Over 5 years \$ |
|---|-----------------------|------------------------------|------------------------|-------------------|--------------------|
| Derivative financial liabilities | | | | | |
| 1 July 2017 | | | | | |
| Net settled: | | | | | |
| Structured currency instruments | 40,764 | (40,764) | (40,764) | – | – |
| Company | | | | | |
| Non-derivative financial liabilities | | | | | |
| 30 June 2019 | | | | | |
| Trade and other payables | 41,947,501 | (41,947,501) | (41,947,501) | – | – |
| 30 June 2018 | | | | | |
| Trade and other payables | 39,912,153 | (39,912,153) | (39,912,153) | – | – |
| 1 July 2017 | | | | | |
| Trade and other payables | 37,447,028 | (37,447,028) | (37,447,028) | – | – |

* Excludes derivatives (shown separately).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Liquidity risk (cont'd)

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the carrying amounts included in the statement of financial position. The undiscounted amounts on the borrowings with variable interest rates are determined by reference to the conditions existing at the reporting date. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

It is expected that all the liabilities will be settled at their contractual maturity. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

Financial guarantee contracts

For financial guarantee contracts the maximum earliest period in which the guarantee would be called is used. At the reporting date, no claims on the financial guarantees are expected. The following table shows the maturity analysis of the financial guarantees.

| | Less than 1 year \$ |
|--|---------------------------|
| Company | |
| 30 June 2019 | |
| Corporate guarantees in favour of subsidiaries | 35,865,145 |
| 30 June 2018 | |
| Corporate guarantees in favour of subsidiaries | 30,194,263 |
| 1 July 2017 | |
| Corporate guarantees in favour of subsidiaries | 29,688,376 |

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's and the Company's exposures to interest rate risk relates primarily to the Group's interest-bearing assets and liabilities. The Group do not enter into interest rate swaps to manage its interest rate risk. These exposures are managed partly using natural hedges that arise from offsetting interest rate sensitive assets and liabilities.

Exposure to interest rate risk

The table below sets out the Group's and the Company's exposure to interest rate risks:

| | 2019 \$ | Group 2018 \$ | 1 July 2017 \$ | 2019 \$ | Company 2018 \$ | 1 July 2017 \$ |
|----------------------------------|--------------|---------------------|-------------------|------------|-----------------------|-------------------|
| Fixed rate instruments | | | | | | |
| Financial liabilities | (8,559,560) | (11,253,941) | (12,724,660) | - | - | - |
| | (8,559,560) | (11,253,941) | (12,724,660) | - | - | - |
| Variable rate instruments | | | | | | |
| Financial assets | 4,611,692 | 4,459,763 | 7,773,055 | 91,776 | 84,279 | 87,913 |
| Financial liabilities | (28,604,374) | (20,371,312) | (31,672,879) | - | - | - |
| | (23,992,682) | (15,911,549) | (23,899,824) | 91,776 | 84,279 | 87,913 |

Sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Interest rate risk (cont'd)

Sensitivity analysis for variable rate instruments

The variable rate debt obligations are with interest rates that are re-set regularly at one, three or six month intervals. A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and loss before tax by the amounts shown below. There is no impact on other components of equity. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

| | Group | | Company | |
|---------------------------|-----------------|-----------------|-----------------|-----------------|
| | Loss before tax | | Loss before tax | |
| | 100 bp increase | 100 bp decrease | 100 bp increase | 100 bp decrease |
| | \$ | \$ | \$ | \$ |
| 30 June 2019 | | | | |
| Variable rate instruments | (239,927) | 239,927 | 918 | (918) |
| 30 June 2018 | | | | |
| Variable rate instruments | (159,115) | 159,115 | 843 | (843) |
| 1 July 2017 | | | | |
| Variable rate instruments | (238,998) | 238,998 | 879 | (879) |

Foreign currency risk

Foreign currency risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are the Singapore dollar ("SGD"), United States dollar ("USD") and Euro ("EUR").

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Foreign currency risk (cont'd)

Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily SGD, but also USD and EUR. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

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.

Exposure to foreign currency risk

The summary of quantitative data about the Group's exposure to foreign currency risk is as follows:

| | USD | EUR | Others | Total |
|-----------------------------|-----------|-----------|--------|-----------|
| | \$ | \$ | \$ | \$ |
| Group | | | | |
| At 30 June 2019 | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 603,806 | 815,424 | 78,988 | 1,498,218 |
| Trade and other receivables | 2,476,759 | 1,568,700 | 17,061 | 4,062,520 |
| Total financial assets | 3,080,565 | 2,384,124 | 96,049 | 5,560,738 |

NOTES TO THE FINANCIAL STATEMENTS

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29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Foreign currency risk (cont'd)

Exposure to foreign currency risk (cont'd)

| | USD \$ | EUR \$ | Others \$ | Total \$ |
|--|--------------------|--------------------|------------------|--------------------|
| Group | | | | |
| At 30 June 2019 | | | | |
| Financial liabilities | | | | |
| Secured bank loans | – | (1,298,789) | – | (1,298,789) |
| Trade and other payables | (2,058,687) | (626,403) | (206,095) | (2,891,185) |
| Total financial liabilities | (2,058,687) | (1,925,192) | (206,095) | (4,189,974) |
| Net financial assets/(liabilities) at end of the year | | | | |
| | 1,021,878 | 458,932 | (110,046) | 1,370,764 |
| At 30 June 2018 | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 946,858 | 423,864 | 86,247 | 1,456,969 |
| Trade and other receivables | 1,895,757 | 1,898,179 | 65,703 | 3,859,639 |
| Total financial assets | 2,842,615 | 2,322,043 | 151,950 | 5,316,608 |
| Financial liabilities | | | | |
| Secured bank loans | – | (1,430,990) | – | (1,430,990) |
| Trade and other payables | (2,277,925) | (1,016,550) | (24,893) | (3,319,368) |
| Total financial liabilities | (2,277,925) | (2,447,540) | (24,893) | (4,750,358) |
| Net financial assets/(liabilities) at end of the year | | | | |
| | 564,690 | (125,497) | 127,057 | 566,250 |

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Foreign currency risk (cont'd)

Exposure to foreign currency risk (cont'd)

| | USD \$ | EUR \$ | Others \$ | Total \$ |
|--|--------------------|--------------------|------------------|--------------------|
| Group | | | | |
| At 1 July 2017 | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 1,258,105 | 699,346 | 58,065 | 2,015,516 |
| Trade and other receivables | 1,341,659 | 1,551,338 | 104,537 | 2,997,534 |
| Total financial assets | 2,599,764 | 2,250,684 | 162,602 | 5,013,050 |
| Financial liabilities | | | | |
| Secured bank loans | – | (1,521,727) | – | (1,521,727) |
| Trade and other payables | (2,049,394) | (785,724) | (212,115) | (3,047,233) |
| Total financial liabilities | (2,049,394) | (2,307,451) | (212,115) | (4,568,960) |
| Net financial assets/(liabilities) at end of the year | | | | |
| | 550,370 | (56,767) | (49,513) | 444,090 |

The Company's exposure to foreign currency risk is not significant.

Sensitivity analysis

A reasonably possible strengthening/(weakening) of the Singapore dollar, as indicated below, against the USD and EUR at the reporting date would have increased (decreased) loss before tax and other comprehensive income by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

| | Group Loss before tax | |
|---------------------|----------------------------|------------------------|
| | 10% strengthening \$ | 10% weakening \$ |
| 30 June 2019 | | |
| USD | 102,188 | (102,188) |
| EUR | 45,893 | (45,893) |
| 30 June 2018 | | |
| USD | 56,469 | (56,469) |
| EUR | (12,550) | 12,550 |
| 1 July 2017 | | |
| USD | 55,037 | (55,037) |
| EUR | (5,677) | 5,677 |

Classification of financial assets and liabilities and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

| | At amortised costs \$ | Designated at fair value \$ | Other financial liabilities at amortised cost \$ | Total \$ | Level 2 \$ |
|--|--------------------------------|-----------------------------------|---|-------------|---------------|
| Group | | | | | |
| 30 June 2019 | | | | | |
| Financial assets not measured at fair value | | | | | |
| Trade and other receivables* | 11,073,019 | – | – | 11,073,019 | |
| Cash and cash equivalents | 4,621,904 | – | – | 4,621,904 | |
| | 15,694,923 | – | – | 15,694,923 | |

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Classification of financial assets and liabilities and fair values (cont'd)

| | At amortised costs \$ | Designated at fair value \$ | Other financial liabilities at amortised cost \$ | Total \$ | Level 2 \$ |
|---|--------------------------------|-----------------------------------|---|-------------|---------------|
| Group | | | | | |
| 30 June 2019 | | | | | |
| Financial liabilities not measured at fair value | | | | | |
| Fixed rate loans | – | – | 8,559,560 | 8,559,560 | 8,349,102 |
| Other loans and borrowings | – | – | 28,604,374 | 28,604,374 | |
| Trade and other payables^ | – | – | 5,493,451 | 5,493,451 | |
| | – | – | 42,657,385 | 42,657,385 | |
| Company | | | | | |
| 30 June 2019 | | | | | |
| Financial assets not measured at fair value | | | | | |
| Trade and other receivables* | 2,883,208 | – | – | 2,883,208 | |
| Cash and cash equivalents | 92,081 | – | – | 92,081 | |
| | 2,975,289 | – | – | 2,975,289 | |
| Financial liabilities not measured at fair value | | | | | |
| Trade and other payables | – | – | 41,947,501 | 41,947,501 | |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Classification of financial assets and liabilities and fair values (cont'd)

| | Loans and receivables \$ | Designated at fair value \$ | Other financial liabilities at amortised cost \$ | Total \$ | Level 2 \$ |
|--|--------------------------------|-----------------------------------|---|-------------------|---------------|
| Group | | | | | |
| 30 June 2018 (Restated) | | | | | |
| Financial assets not measured at fair value | | | | | |
| Trade and other receivables* | 11,479,319 | – | – | 11,479,319 | |
| Cash and cash equivalents | 4,468,143 | – | – | 4,468,143 | |
| Assets held for sale | 24,768 | – | – | 24,768 | |
| | <u>15,972,230</u> | <u>–</u> | <u>–</u> | <u>15,972,230</u> | |
| Financial liabilities not measured at fair value | | | | | |
| Fixed rate loans | – | – | 11,253,941 | 11,253,941 | 10,830,499 |
| Other loans and borrowings | – | – | 20,371,312 | 20,371,312 | |
| Trade and other payables | – | – | 8,111,616 | 8,111,616 | |
| Liabilities directly associated with the assets held for sale | – | – | 39,916 | 39,916 | |
| | <u>–</u> | <u>–</u> | <u>39,776,785</u> | <u>39,776,785</u> | |

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Classification of financial assets and liabilities and fair values (cont'd)

| | Loans and receivables \$ | Designated at fair value \$ | Other financial liabilities at amortised cost \$ | Total \$ | Level 2 \$ |
|---|--------------------------------|-----------------------------------|---|-------------------|---------------|
| Company | | | | | |
| 30 June 2018 | | | | | |
| Financial assets not measured at fair value | | | | | |
| Trade and other receivables* | 2,519,574 | – | – | 2,519,574 | |
| Cash and cash equivalents | 84,298 | – | – | 84,298 | |
| | <u>2,603,872</u> | <u>–</u> | <u>–</u> | <u>2,603,872</u> | |
| Financial liabilities not measured at fair value | | | | | |
| Trade and other payables | – | – | 39,912,153 | 39,912,153 | |
| | <u>–</u> | <u>–</u> | <u>39,912,153</u> | <u>39,912,153</u> | |
| Group | | | | | |
| 1 July 2017 (Restated) | | | | | |
| Financial assets not measured at fair value | | | | | |
| Trade and other receivables* | 11,274,292 | – | – | 11,274,292 | |
| Cash and cash equivalents | 7,781,629 | – | – | 7,781,629 | |
| | <u>19,055,921</u> | <u>–</u> | <u>–</u> | <u>19,055,921</u> | |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Classification of financial assets and liabilities and fair values (cont'd)

| | Loans and receivables \$ | Designated at fair value \$ | Other financial liabilities at amortised cost \$ | Total \$ | Level 2 \$ |
|---|--------------------------------|-----------------------------------|---|-------------|---------------|
| Group | | | | | |
| 1 July 2017 | | | | | |
| Financial liabilities measured at fair value | | | | | |
| Derivatives financial liabilities | – | 40,764 | – | 40,764 | 40,764 |
| | – | 40,764 | – | 40,764 | |
| Financial liabilities not measured at fair value | | | | | |
| Fixed rate loans | – | – | 12,724,660 | 12,724,660 | 12,335,384 |
| Other loans and borrowings | – | – | 31,672,879 | 31,672,879 | |
| Trade and other payables [^] | – | – | 7,794,166 | 7,794,166 | |
| | – | – | 52,191,705 | 52,191,705 | |
| Company | | | | | |
| Financial assets not measured at fair value | | | | | |
| Trade and other receivables* | 4,644,857 | – | – | 4,644,857 | |
| Cash and cash equivalents | 88,127 | – | – | 88,127 | |
| | 4,732,984 | – | – | 4,732,984 | |

29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Classification of financial assets and liabilities and fair values (cont'd)

| | Loans and receivables \$ | Designated at fair value \$ | Other financial liabilities at amortised cost \$ | Total \$ | Level 2 \$ |
|---|--------------------------------|-----------------------------------|---|-------------|---------------|
| Company | | | | | |
| 1 July 2017 | | | | | |
| Financial liabilities not measured at fair value | | | | | |
| Trade and other payables | – | – | 37,447,028 | 37,447,028 | |
| | – | – | 37,447,028 | 37,447,028 | |

* Excludes prepayments and advances to suppliers

[^] Excludes derivatives (shown separately)

A description of the valuation techniques and the significant other observable inputs used in the fair value measurement are as follows:

Financial instruments measured at fair value

| Type | Valuation technique |
|----------------------------------|---|
| Derivative financial liabilities | The fair values are based on broker quotes. |

Financial instruments not measured at fair value

| Type | Valuation technique |
|------------------|-----------------------|
| Fixed rate loans | Discounted cash flows |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

30. COMMITMENTS

The Group has the following commitments as at the reporting date:

| | Group | |
|--|----------------|------------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Development expenditure contracted for development properties but not provided for in the financial statements | | |
| - landed residential property | – | 3,400,000 |
| - other development expenditures | 311,314 | 93,600 |
| | <u>311,314</u> | <u>3,493,600</u> |

As at 30 June 2018, a wholly-owned subsidiary of the Group had committed to a remaining payment of \$3,400,000 for the completion of the purchase of a landed residential property. This payment was made on 2 July 2018 and was funded by bank borrowings.

31. OPERATING LEASES

Leases as lessee

The Group has a number of office, warehouse and factory facilities under operating leases. The lease rental terms are negotiated for an average term of 2 to 30 years and rentals are subject to an escalation clause but the amount of rent increase is not to exceed a certain percentage.

As at 30 June 2019, the total of future minimum lease payment commitments under non-cancellable operating leases are as follows:

| | Group | |
|--|------------------|------------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Not later than 1 year | 921,595 | 1,052,303 |
| Later than 1 year and not later than 5 years | 1,157,744 | 1,011,565 |
| Later than 5 years | 4,951,362 | 4,859,103 |
| | <u>7,030,701</u> | <u>6,922,971</u> |
| Rental expense for the year | <u>1,440,770</u> | <u>1,539,011</u> |

31. OPERATING LEASES (CONT'D)

Leases as lessor

The Group leases out its investment property (see Note 6). The future minimum lease payments under non-cancellable leases are receivable as follows:

| | Group | |
|--|----------------|----------------|
| | 2019 | 2018 |
| | \$ | \$ |
| Not later than 1 year | 192,000 | 192,000 |
| Later than 1 year and not later than 5 years | 120,000 | 320,000 |
| | <u>312,000</u> | <u>512,000</u> |
| Rental income for the year | <u>192,000</u> | <u>64,000</u> |

During the year, repairs and maintenance expense incurred in respect of the investment property was not significant.

32. PERFORMANCE SHARE PLAN

The Company's performance share plan, TEHO Performance Share Plan (the "PSP"), was approved and adopted by the shareholders at the Company's Extraordinary General Meeting held on 25 November 2011. The PSP is administered by the Remuneration Committee ("RC") with such discretion, powers and duties as are conferred on it by the Board of Directors.

The PSP contemplates the award of fully-paid shares in the capital of the Company to participants after certain pre-determined benchmarks have been met. The Company believes that the PSP will be more effective and rewarding than pure cash bonuses in motivating employees to work towards pre-determined goals of the Company.

The PSP shall continue to be in force at the discretion of the RC, subject to a maximum period of 10 years commencing from its adoption by the shareholders and may continue beyond the stipulated period with the approval of the shareholders by an ordinary resolution in general meeting and of any relevant authorities which may then be required.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

32. PERFORMANCE SHARE PLAN (CONT'D)

Under the rules of the PSP and at the absolute discretion of the RC, confirmed full-time employees of the group who are of the age of 18 years and above, and directors of the group who have contributed or will contribute to the success and the development of the group are eligible to participate in the PSP. However, participation in the PSP by the directors who are also controlling shareholders and their associates are subject to the approval by independent shareholders of the Company at general meeting.

The total number of shares that may be issued or are issuable pursuant to the granting of the awards under the PSP, when added to the aggregate number of shares that are issued or are issuable in respect of such other share-based incentive schemes of the Company (if any), shall not exceed 15% (or such other percentage as may be prescribed or permitted from time to time by the SGX-ST) of the total number of issued ordinary shares of the Company on the day immediately preceding the relevant grant date.

At the reporting date, the Group has the following share-based payment arrangements:

Share-based incentive plans (equity-settled)

Key terms and conditions related to the share awards granted under the PSP are as follows:

| Plan | Number of share awards | Vesting conditions | Performance conditions |
|------------------|------------------------|----------------------------------|------------------------|
| PSP share awards | 1,050,000 | 1 year services from grant date | None |
| | 1,050,000 | 2 years services from grant date | |
| | <u>2,100,000</u> | | |

32. PERFORMANCE SHARE PLAN (CONT'D)

Share-based incentive plans (equity-settled) (cont'd)

Movement of PSP share awards during the year is as follows:

| Group and Company | Number of PSP share awards | |
|----------------------------|----------------------------|------------------|
| | 2019 | 2018 |
| At beginning of the year | 2,100,000 | – |
| Granted on 1 November 2017 | – | 2,100,000 |
| Vested on 7 November 2018 | (1,050,000) | – |
| At end of the year | <u>1,050,000</u> | <u>2,100,000</u> |

Measurement of fair values

The fair value of the equity instruments granted was determined by reference to the market prices of the share price of the Company at date of grant.

33. DISPOSAL GROUP HELD FOR SALE

Having considered the market conditions in Phnom Penh and other factors, the Group decided to terminate the joint venture agreement relating to the Group's "The Bay" project and to transfer the Group's entire shareholding interest in TEHO Development (Cambodia) Pte. Ltd. ("TDCPL") to the joint venture partner's designated transferees. On 7 August 2018, the Group entered into agreements with the joint venture partner to implement the termination and share transfer for a disposal consideration of USD1,000.

Impairment losses relating to the disposal group

At 30 June 2018, impairment losses of \$1,914,180 for write-downs of the disposal group to the lower of its carrying amount and its fair value less costs to sell had been included in 'other operating expenses' for the year ended 30 June 2018. The impairment losses had been applied to reduce the carrying amount of development properties within the disposal group.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

33. DISPOSAL GROUP HELD FOR SALE

Assets and liabilities of disposal group held for sale

At 30 June 2018, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities:

| | \$ |
|---|-------------------|
| Property, plant and equipment | 1,640 |
| Development properties | 21,893,845 |
| Other receivables | 698 |
| Cash and cash equivalents | 24,070 |
| Assets held for sale | <u>21,920,253</u> |
| Trade and other payables | 39,916 |
| Liabilities directly associated with the assets held for sale | <u>39,916</u> |

Fair value of the disposal group was estimated based on the disposal consideration of USD1,000 contracted in the agreements.

Non-controlling interests

At 30 June 2018, the non-controlling interests related to the disposal group held for sale was \$21,881,198.

Cumulative income or expenses recognised in other comprehensive income

At 30 June 2018, the cumulative expense in relation to the foreign currency translation differences of the disposal group was approximately \$60,739.

34. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) AND ADOPTION OF NEW STANDARDS

In December 2017, the Accounting Standards Council (“ASC”) issued the Singapore Financial Reporting Standards (International) (“SFRS(I)”). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) at 31 December 2017, that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

As stated in Note 2.1, these are the first financial statements of the Group and of the Company prepared in accordance with SFRS(I).

The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended 30 June 2019, the comparative information presented in these financial statements for the year ended 30 June 2018 and in the preparation of the opening SFRS(I) statement of financial position at 1 July 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In preparing the opening SFRS(I) statement of financial position, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous FRS.

In addition to the adoption of the new framework, the Group also concurrently applied the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes amendments arising from IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 – *Classification and measurement of share-based payment transactions* issued by the IASB in June 2016;

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

34. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) AND ADOPTION OF NEW STANDARDS (CONT'D)

- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 – *Transfers of investment property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS(I) – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investments in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value issued by the IASB* in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The application of the above standards and interpretations do not have material effect on the financial statements, except for SFRS(I) 1, SFRS(I) 15 and SFRS(I) 9.

An explanation of how the transition from previous FRS to SFRS(I) and the adoption of SFRS(I) 9 and SFRS(I) 15 have affected the Group's financial position, financial performance and cash flows, and the Company's financial position is set out under the summary of quantitative impact and the accompanying notes.

The following reconciliations summarise the impacts on initial application of SFRS(I) 1, SFRS(I) 15 and SFRS(I) 9 on the Group's and the Company's financial position as at 1 July 2017, 30 June 2018 and 1 July 2018 and the Group's profit or loss and other comprehensive income for the year ended 30 June 2018. There were no material adjustments to the Group's statement of cash flows for the year ended 30 June 2018 arising on transition to SFRS(I).

34. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) AND ADOPTION OF NEW STANDARDS (CONT'D)

Summary of quantitative impact

Consolidated statement of financial position

| | Note | As at 30 June 2018 | | | As at 1 July 2018 | | |
|---|------------|--------------------|---------------------|------------------|-------------------|------------------|-------------------|
| | | FRS framework | SFRS(I) 1 | SFRS(I) 15 | SFRS(I) framework | SFRS(I) 9 | SFRS(I) framework |
| | | \$ | \$ | \$ | \$ | \$ | \$ |
| Assets | | | | | | | |
| Property, plant and equipment | (i) | 21,075,525 | (14,272,383) | – | 6,803,142 | – | 6,803,142 |
| Investment property | | 3,569,387 | – | – | 3,569,387 | – | 3,569,387 |
| Deferred tax assets | (i),(iii) | – | 218,596 | – | 218,596 | 62,000 | 280,596 |
| Non-current assets | | <u>24,644,912</u> | <u>(14,053,787)</u> | <u>–</u> | <u>10,591,125</u> | <u>62,000</u> | <u>10,653,125</u> |
| Inventories | | 22,102,605 | – | – | 22,102,605 | – | 22,102,605 |
| Trade and other receivables | (ii),(iii) | 17,211,855 | – | (4,039,644) | 13,172,211 | (90,819) | 13,081,392 |
| Contract assets | (ii),(iii) | – | – | 4,039,644 | 4,039,644 | (19,286) | 4,020,358 |
| Cash and cash equivalents | | 4,468,143 | – | – | 4,468,143 | – | 4,468,143 |
| | | <u>43,782,603</u> | <u>–</u> | <u>–</u> | <u>43,782,603</u> | <u>(110,105)</u> | <u>43,672,498</u> |
| Assets held for sale | | 21,920,253 | – | – | 21,920,253 | – | 21,920,253 |
| Current assets | | <u>65,702,856</u> | <u>–</u> | <u>–</u> | <u>65,702,856</u> | <u>(110,105)</u> | <u>65,592,751</u> |
| Total assets | | <u>90,347,768</u> | <u>(14,053,787)</u> | <u>–</u> | <u>76,293,981</u> | <u>(48,105)</u> | <u>76,245,876</u> |
| Equity | | | | | | | |
| Share capital | | 32,922,108 | – | – | 32,922,108 | – | 32,922,108 |
| Other reserves | (i) | 10,239,980 | (11,846,078) | – | (1,606,098) | – | (1,606,098) |
| Accumulated losses | (ii),(iii) | (16,583,048) | – | (488,994) | (17,072,042) | (48,105) | (17,120,147) |
| Equity attributable to owners of the Company | | <u>26,579,040</u> | <u>(11,846,078)</u> | <u>(488,994)</u> | <u>14,243,968</u> | <u>(48,105)</u> | <u>14,195,863</u> |
| Non-controlling interests | | 21,881,198 | – | – | 21,881,198 | – | 21,881,198 |
| Total equity | | <u>48,460,238</u> | <u>(11,846,078)</u> | <u>(488,994)</u> | <u>36,125,166</u> | <u>(48,105)</u> | <u>36,077,061</u> |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

34. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) AND ADOPTION OF NEW STANDARDS (CONT'D)

Summary of quantitative impact (cont'd)

Consolidated statement of financial position (cont'd)

| | Note | As at 30 June 2018 | | | As at 1 July 2018 | | |
|---|------|------------------------|-----------------|------------------|----------------------------|-----------------|----------------------------|
| | | FRS framework \$ | SFRS(I) 1 \$ | SFRS(I) 15 \$ | SFRS(I) framework \$ | SFRS(I) 9 \$ | SFRS(I) framework \$ |
| Liabilities | | | | | | | |
| Loans and borrowings | | 12,662,998 | – | – | 12,662,998 | – | 12,662,998 |
| Deferred tax liabilities | (i) | 2,220,356 | (2,207,709) | – | 12,647 | – | 12,647 |
| Non-current liabilities | | 14,883,354 | (2,207,709) | – | 12,675,645 | – | 12,675,645 |
| Loans and borrowings | | 18,962,255 | – | – | 18,962,255 | – | 18,962,255 |
| Trade and other payables | (ii) | 7,780,352 | – | 331,264 | 8,111,616 | – | 8,111,616 |
| Contract liabilities | (ii) | – | – | 157,730 | 157,730 | – | 157,730 |
| Current tax liabilities | | 221,653 | – | – | 221,653 | – | 221,653 |
| | | 26,964,260 | – | 488,994 | 27,453,254 | – | 27,453,254 |
| Liabilities directly associated with the assets held for sale | | 39,916 | – | – | 39,916 | – | 39,916 |
| Current liabilities | | 27,004,176 | – | 488,994 | 27,493,170 | – | 27,493,170 |
| Total liabilities | | 41,887,530 | (2,207,709) | 488,994 | 40,168,815 | – | 40,168,815 |
| Total equity and liabilities | | 90,347,768 | (14,053,787) | – | 76,293,981 | (48,105) | 76,245,876 |

34. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) AND ADOPTION OF NEW STANDARDS (CONT'D)

Summary of quantitative impact (cont'd)

Consolidated statement of financial position (cont'd)

| | Note | As at 1 July 2017 | | | |
|---|------|------------------------|-----------------|------------------|----------------------------|
| | | FRS framework \$ | SFRS(I) 1 \$ | SFRS(I) 15 \$ | SFRS(I) framework \$ |
| Assets | | | | | |
| Property, plant and equipment | (i) | 25,484,134 | (14,690,112) | – | 10,794,022 |
| Deferred tax assets | (i) | – | 218,596 | – | 218,596 |
| Non-current assets | | 25,484,134 | (14,471,516) | – | 11,012,618 |
| Inventories | | 21,780,022 | – | – | 21,780,022 |
| Development properties | (ii) | 40,188,525 | – | (3,188,352) | 37,000,173 |
| Trade and other receivables | (ii) | 12,580,746 | – | (629,383) | 11,951,363 |
| Contract assets | (ii) | – | – | 3,817,735 | 3,817,735 |
| Cash and cash equivalents | | 7,781,629 | – | – | 7,781,629 |
| Current assets | | 82,330,922 | – | – | 82,330,922 |
| Total assets | | 107,815,056 | (14,471,516) | – | 93,343,540 |
| Equity | | | | | |
| Share capital | | 32,922,108 | – | – | 32,922,108 |
| Other reserves | (i) | 12,354,349 | (12,192,793) | – | 161,556 |
| Accumulated losses | (ii) | (14,473,130) | – | (410,351) | (14,883,481) |
| Equity attributable to owners of the Company | | 30,803,327 | (12,192,793) | (410,351) | 18,200,183 |
| Non-controlling interests | | 22,065,764 | – | – | 22,065,764 |
| Total equity | | 52,869,091 | (12,192,793) | (410,351) | 40,265,947 |
| Liabilities | | | | | |
| Loans and borrowings | | 27,732,409 | – | – | 27,732,409 |
| Deferred tax liabilities | (i) | 2,291,425 | (2,278,723) | – | 12,702 |
| Non-current liabilities | | 30,023,834 | (2,278,723) | – | 27,745,111 |
| Loans and borrowings | | 16,665,130 | – | – | 16,665,130 |
| Trade and other payables | (ii) | 7,548,843 | – | 245,323 | 7,794,166 |
| Contract liabilities | (ii) | – | – | 165,028 | 165,028 |
| Current tax liabilities | | 708,158 | – | – | 708,158 |
| Current liabilities | | 24,922,131 | – | 410,351 | 25,332,482 |
| Total liabilities | | 54,945,965 | (2,278,723) | 410,351 | 53,077,593 |
| Total equity and liabilities | | 107,815,056 | (14,471,516) | – | 93,343,540 |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

34. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) AND ADOPTION OF NEW STANDARDS (CONT'D)

Summary of quantitative impact (cont'd)

Consolidated statement of profit or loss

| | Note | Year ended 30 June 2018 | | | | |
|--|------------|-------------------------|-----------|-----------|------------|-------------------|
| | | FRS framework | SFRS(I) 1 | SFRS(I) 9 | SFRS(I) 15 | SFRS(I) framework |
| | | \$ | \$ | \$ | \$ | \$ |
| Revenue | (ii) | 64,673,460 | – | – | (245,191) | 64,428,269 |
| Cost of sales | (ii) | (48,501,400) | – | – | 464,128 | (48,037,272) |
| Gross profit | | 16,172,060 | – | – | 218,937 | 16,390,997 |
| Other income | | 3,465,811 | – | – | – | 3,465,811 |
| Distribution expenses | | (2,019,849) | – | – | – | (2,019,849) |
| Administrative expenses | | (12,726,798) | – | – | – | (12,726,798) |
| Other operating expenses | (i), (iii) | (6,380,203) | 417,729 | (626,837) | – | (6,589,311) |
| Reversal of impairment losses on trade and other receivables and contract assets | (iii) | – | – | 626,837 | – | 626,837 |
| Results from operating activities | | (1,488,979) | 417,729 | – | 218,937 | (852,313) |
| Finance income | | 3,731 | – | – | – | 3,731 |
| Finance costs | (ii) | (1,197,209) | – | – | (297,580) | (1,494,789) |
| Net finance costs | | (1,193,478) | – | – | (297,580) | (1,491,058) |

34. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) AND ADOPTION OF NEW STANDARDS (CONT'D)

Summary of quantitative impact (cont'd)

Consolidated statement of profit or loss

| | Note | Year ended 30 June 2018 | | | | |
|------------------------------|------|-------------------------|-----------|-----------|------------|-------------------|
| | | FRS framework | SFRS(I) 1 | SFRS(I) 9 | SFRS(I) 15 | SFRS(I) framework |
| | | \$ | \$ | \$ | \$ | \$ |
| Loss before tax | | (2,682,457) | 417,729 | – | (78,643) | (2,343,371) |
| Tax credit | | 154,810 | – | – | – | 154,810 |
| Loss for the year | | (2,527,647) | 417,729 | – | (78,643) | (2,188,561) |
| Loss attributable to: | | | | | | |
| Owners of the Company | | (2,527,647) | 417,729 | – | (78,643) | (2,188,561) |
| Non-controlling interests | | – | – | – | – | – |
| Loss for the year | | (2,527,647) | 417,729 | – | (78,643) | (2,188,561) |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

34. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) AND ADOPTION OF NEW STANDARDS (CONT'D)

Summary of quantitative impact (cont'd)

Consolidated statement of comprehensive income

| | Year ended 30 June 2018 | | | | |
|--|-------------------------|-----------|-----------|------------|-------------|
| | FRS | SFRS(I) 1 | SFRS(I) 9 | SFRS(I) 15 | SFRS(I) |
| | framework | | | | framework |
| | \$ | \$ | \$ | \$ | \$ |
| Loss for the year | (2,527,647) | 417,729 | – | (78,643) | (2,188,561) |
| Items that are or may be reclassified subsequently to profit or loss: | | | | | |
| Foreign currency translation differences, net of tax | (236,349) | – | – | – | (236,349) |
| Other comprehensive income for the year, net of tax | (236,349) | – | – | – | (236,349) |
| Total comprehensive income for the year | (2,763,996) | 417,729 | – | (78,643) | (2,424,910) |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Company | (2,579,430) | 417,729 | – | (78,643) | (2,240,344) |
| Non-controlling interests | (184,566) | – | – | – | (184,566) |
| Total comprehensive income for the year | (2,763,996) | 417,729 | – | (78,643) | (2,424,910) |

34. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) AND ADOPTION OF NEW STANDARDS (CONT'D)

Summary of quantitative impact (cont'd)

Statement of financial position

| | Note | As at 30 June 2018 | | | As at 1 July 2018 | |
|-------------------------------------|-------|--------------------|-----------|--------------|-------------------|--------------|
| | | FRS | SFRS(I) 1 | SFRS(I) | SFRS(I) 9 | SFRS(I) |
| | | framework | | framework | | framework |
| | | \$ | \$ | \$ | \$ | \$ |
| Assets | | | | | | |
| Property, plant and equipment | | 41,798 | – | 41,798 | – | 41,798 |
| Investment in subsidiaries | | 15,261,706 | – | 15,261,706 | – | 15,261,706 |
| Non-current assets | | 15,303,504 | – | 15,303,504 | – | 15,303,504 |
| Trade and other receivables | (iii) | 2,595,504 | – | 2,595,504 | (51,401) | 2,544,103 |
| Cash and cash equivalents | | 84,298 | – | 84,298 | – | 84,298 |
| Current assets | | 2,679,802 | – | 2,679,802 | (51,401) | 2,628,401 |
| Total assets | | 17,983,306 | – | 17,983,306 | (51,401) | 17,931,905 |
| Equity | | | | | | |
| Share capital | | 32,922,108 | – | 32,922,108 | – | 32,922,108 |
| Other reserves | | (1,715,871) | – | (1,715,871) | – | (1,715,871) |
| Accumulated losses | (iii) | (53,142,224) | – | (53,142,224) | (51,401) | (53,193,625) |
| Total equity | | (21,935,987) | – | (21,935,987) | (51,401) | (21,987,388) |
| Liabilities | | | | | | |
| Trade and other payables | | 39,912,153 | – | 39,912,153 | – | 39,912,153 |
| Current tax liabilities | | 7,140 | – | 7,140 | – | 7,140 |
| Current liabilities | | 39,919,293 | – | 39,919,293 | – | 39,919,293 |
| Total liabilities | | 39,919,293 | – | 39,919,293 | – | 39,919,293 |
| Total equity and liabilities | | 17,983,306 | – | 17,983,306 | (51,401) | 17,931,905 |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

34. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) AND ADOPTION OF NEW STANDARDS (CONT'D)

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

In adopting SFRS(I) in 2018, the Group has applied the transition requirements in SFRS(I) 1 with 1 July 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 30 June 2019 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. Except as described below, the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements.

(i) Cost model for freehold land and building and leasehold buildings classified as property, plant and equipment

The Group previously measured its freehold land and building and leasehold buildings at revalued amounts. The Group currently measures these freehold land and building and leasehold buildings held by the Group at the date of transition to SFRS(I) 1 at cost model retrospectively in its SFRS(I) financial statements.

The impact to the financial statements is as follows:

| | 2018 \$ | 1 July 2017 \$ |
|--|----------------|-------------------|
| Consolidated statement of financial position | | |
| Decrease in property, plant and equipment | (14,272,383) | (14,690,112) |
| Increase in deferred tax assets | 218,596 | 218,596 |
| Decrease in revaluation surplus | 11,846,078 | 12,192,793 |
| Decrease in deferred tax liabilities | 2,207,709 | 2,278,723 |
| | <u>417,729</u> | |
| Consolidated statement of profit or loss | | |
| Decrease in depreciation expense of property, plant and equipment included in other operating expenses | <u>417,729</u> | |

34. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) AND ADOPTION OF NEW STANDARDS (CONT'D)

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

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group adopted SFRS(I) 15 in its financial statements using the retrospective approach. All requirements of SFRS(I) 15 have been applied retrospectively, except for the application of the practical expedients as described below, and the information represented for 2018 has been restated.

The Group and the Company have applied the following practical expedients as allowed under SFRS(I) 1:

- For completed contracts that have variable consideration, the Group used the transaction price at the date the contract was completed to restate comparative information.

The impact upon the adoption of SFRS(I) 15, including the corresponding tax effects, are described below.

(a) Revenue from sale of goods – Volume rebates

The Group granted volume rebates to the customers who meets certain sales targets. The Group previously recognised these volume rebates as a deduction to revenue at the point of the customer meeting the sales targets.

Under SFRS(I) 15, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue will not occur. Therefore, the amount of revenue is adjusted for expected volume rebates, which are estimated based on historical rebates granted and experiences with the recurring customers. The Group recognises such estimated volume rebates liabilities as “trade and other payables”. The Group also reviews its estimates of expected discount at the end of each reporting date and updates the amounts of revenue recognised and liabilities accordingly.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

34. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) AND ADOPTION OF NEW STANDARDS (CONT'D)

(ii) SFRS(I) 15 Revenue from Contracts with Customers (cont'd)

(a) Revenue from sale of goods – Volume rebates (cont'd)

The impact to the financial statements is as follows:

| | 2018 \$ | 1 July 2017 \$ |
|--|------------------|-------------------|
| Consolidated statement of financial position | | |
| Increase in trade and other payables | 488,994 | 410,351 |
| Increase in accumulated losses | <u>(488,994)</u> | <u>(410,351)</u> |
| Consolidated statement of profit or loss | | |
| Decrease in revenue | <u>(78,643)</u> | |

The Group assessed that there is no tax effect arising from the above adoption of SFRS(I) 15 because the affected subsidiary has been utilising the tax losses of other subsidiaries within the Group under the group relief system.

(b) Revenue from sale of development properties – Liquidated damages

The Group previously recognised liquidated damages as an expense included in “cost of sales”.

Under SFRS(I) 15, revenue is measured at the transaction price agreed under the contract, net of rebates, discounts and liquidated damages.

The impact to the financial statements is as follows:

| | 2018 \$ |
|--|----------------|
| Consolidated statement of profit or loss | |
| Decrease in revenue | (166,548) |
| Decrease in cost of sales | <u>166,548</u> |

34. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) AND ADOPTION OF NEW STANDARDS (CONT'D)

(ii) SFRS(I) 15 Revenue from Contracts with Customers (cont'd)

(c) Borrowing costs

Arising from the agenda decision issued by the IFRS Interpretation Committee (“IFRIC”) in March 2019 relating to the capitalisation of borrowing costs for the construction of development properties where revenue is recognised over time, the Group has ceased capitalisation of borrowing costs on its development properties.

The Group elects to apply the optional exemption in respect of borrowing costs, whereby:

- It accounts for borrowing costs incurred on or after the chosen date of transition in accordance with SFRS(I) 1-23 *Borrowing Costs*, including those incurred on qualifying assets already under construction; and
- It does not restate the borrowing costs capitalised under previous accounting policy before the date of initial application of SFRS(I) 1-23 *Borrowing Costs*.

The impact to the financial statements is as follows:

| | 2018 \$ |
|---|------------------|
| Consolidated statement of profit or loss | |
| Decrease in cost of sales | 297,580 |
| Increase in finance costs | <u>(297,580)</u> |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

34. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) AND ADOPTION OF NEW STANDARDS (CONT'D)

(ii) SFRS(I) 15 Revenue from Contracts with Customers (cont'd)

(d) Presentation of contract assets and liabilities

On adopting SFRS(I) 15, the Group has also changed the presentation of the following amounts:

- The Group's rights to consideration for work completed but have not billed of \$3,188,352 for development properties as at 1 July 2017, which were presented as "development properties" had been reclassified to "contract assets".
- The Group's unbilled trade receivables of \$4,039,644 and \$629,383 as at 30 June 2018 and 1 July 2017, respectively, which were presented as "trade and other receivables" had been reclassified "contract assets".
- The Group's advance receipts from customers of \$157,730 and \$165,028 as at 30 June 2018 and 1 July 2017, respectively, which were presented as "trade and other payables" had been reclassified to "contract liabilities".

34. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) AND ADOPTION OF NEW STANDARDS (CONT'D)

(iii) SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 *Financial Instruments* sets out requirements for recognised and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new "expected credit loss" ("ECL") model and new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 July 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2018. Accordingly, the information presented for 2018 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in accumulated losses as at 1 July 2018.

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments*: Disclosures for the comparative period to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under SFRS(I) 7 relating to items within the scope of FRS 39 are provided for the comparative period.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 will generally be applied by the Group retrospectively, except as described below.

- The following assessments were made on the basis of facts and circumstances that existed at 1 July 2018:
 - The determination of the business model within which a financial asset is held.
 - The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

34. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) AND ADOPTION OF NEW STANDARDS (CONT'D)

(iii) SFRS(I) 9 *Financial Instruments* (cont'd)

The impact upon adoption of SFRS(I) 9, including the corresponding tax effects, are described below.

(a) Classification of financial assets and financial liabilities

SFRS(I) 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous categories under FRS 39 *Financial Instruments: Recognition and measurement* of held to maturity, loans and receivables and available for sale.

SFRS(I) 9 largely retains the existing requirements in FRS 39 for the classification and measurement of financial liabilities.

The adoption of SFRS(I) 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

The following table and the accompanying notes below explain the original measurement categories under FRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group's and the Company's financial assets as at 1 July 2018.

34. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) AND ADOPTION OF NEW STANDARDS (CONT'D)

(iii) SFRS(I) 9 *Financial Instruments* (cont'd)

(a) Classification of financial assets and financial liabilities

| | | | As at 1 July 2018 | |
|-----------------------------------|--|---|--|--|
| | Original classification under FRS 39 | New classification under SFRS(I) 9 | Original carrying amount under FRS 39 \$ | New carrying amount under SFRS(I) 9 \$ |
| Group | | | | |
| Financial assets | | | | |
| Trade and other receivables* | Loans and receivables | Amortised cost | 11,479,319 | 11,388,500 |
| Cash and cash equivalents | Loans and receivables | Amortised cost | 4,468,143 | 4,468,143 |
| Assets held for sale [^] | Loans and receivables | Amortised cost | 24,768 | 24,768 |
| Total financial assets | | | 15,972,230 | 15,881,411 |
| Company | | | | |
| Financial assets | | | | |
| Trade and other receivables* | Loans and receivables | Amortised cost | 2,519,574 | 2,468,173 |
| Cash and cash equivalents | Loans and receivables | Amortised cost | 84,298 | 84,298 |
| Total financial assets | | | 2,603,872 | 2,552,471 |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

34. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) AND ADOPTION OF NEW STANDARDS (CONT'D)

(iii) SFRS(I) 9 *Financial Instruments* (cont'd)

(a) Classification of financial assets and financial liabilities

- * Excludes prepayments and advances to suppliers
 ^ Represented other receivables and cash and cash equivalents of disposal group held for sale

Trade and other receivables that were classified as loans and receivables under FRS 39 are now classified at amortised cost. An increase of \$90,819 and \$51,401 in the allowance for impairment was recognised in opening accumulated losses of the Group and of the Company at 1 July 2018 respectively on transition to SFRS(I) 9.

(b) Impairment of financial assets

SFRS(I) 9 replaces the current 'incurred loss' model in FRS 39 with an ECL model. The new impairment model applies to financial assets measured at amortised cost and contract assets.

As a result of the adoption of SFRS(I) 9, the Group presented impairment loss related to trade and other receivables and contract assets, separately in the statement of profit or loss. As a result, the Group reclassified reversal of impairment loss amounting to \$626,837, recognised under FRS 39, from "other operating expenses" to "reversal of impairment loss on trade and other receivables and contract assets" in the consolidated statement of profit or loss for the year ended 30 June 2018.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The Group applied the simplified approach and record lifetime expected losses on all trade receivables and contract assets.

34. FULL CONVERGENCE WITH SINGAPORE FINANCIAL REPORTING STANDARDS (INTERNATIONAL) AND ADOPTION OF NEW STANDARDS (CONT'D)

(iii) SFRS(I) 9 *Financial Instruments* (cont'd)

(b) Impairment of financial assets (cont'd)

The impact to the financial statement at 1 July 2018 is as follows:

| | Group \$ | Company \$ |
|---|-------------|---------------|
| Statements of financial position | | |
| Increase in deferred tax assets | 62,000 | – |
| Decrease in trade and other receivables | (90,819) | (51,401) |
| Decrease in contract assets | (19,286) | – |
| Increase in accumulated losses | (48,105) | (51,401) |

35. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are effective for annual periods beginning after 1 July 2019:

Applicable to 2020 financial statements

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2019

35. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONT'D)

Applicable to 2022 financial statements

- SFRS(I) 17 *Insurance Contracts*

Mandatory effective data deferred

- Sale or *Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28)

The Group has assessed the estimated impact that initial application of SFRS(I) 16 will have on the financial statements. The Group's assessment of SFRS(I) 16, which is expected to have a more significant impact on the Group, is as described below.

SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group plans to apply SFRS(I) 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of accumulated losses at 1 July 2019, with no restatement of comparative information. The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply SFRS(I) 16 to all contracts entered into before 1 July 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

35. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONT'D)

The Group as lessee

The Group expects to measure lease liabilities by applying a single discount rate to their portfolio of office premises leases. Furthermore, the Group is likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 July 2019. For lease contracts that contain the option to renew, the Group is expected to use hindsight in determining the lease term.

The Group expects their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. Lease payments that are increased every three years to reflect market rentals, and those that are based on changes in local price index, are included in the measurement of lease liabilities as at date of initial application. In addition, the Group will no longer recognise provisions for operating leases that it assessed to be onerous. Instead, the Group will include the payments due under the lease in their lease liabilities.

The Group is still currently assessing and gathering data to quantify the potential impact arising from the adoption of SFRS(I) 16.

The nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

The Group as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases and to account for it using the existing operating lease accounting model.

No significant impact is expected in which the Group is a lessor.

SHAREHOLDINGS STATISTICS

As At 18 September 2019

SHARE CAPITAL

| | | | |
|---|--------------------|------------------------------------|--------------------|
| Issued and fully paid capital | – S\$38,067,372.80 | Class of shares | – Ordinary shares |
| Total number of shares in issue | – 234,374,614 | Voting rights | – 1 vote per share |
| Number of treasury shares | – Nil | Number of subsidiary holdings held | – Nil |
| % of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares in issue (excluding treasury shares and subsidiary holdings) | – Nil | | |

SUBSTANTIAL SHAREHOLDERS

| Name of Substantial Shareholders | Direct Interest | | Deemed Interest | |
|----------------------------------|------------------|-------|------------------|---|
| | Number of Shares | % | Number of Shares | % |
| Lim See Hoe ⁽¹⁾ | 82,788,818 | 35.32 | - | - |
| Lim Siew Cheng ⁽¹⁾ | 30,012,555 | 12.81 | - | - |
| Lim Siew Choo ⁽¹⁾ | 24,010,047 | 10.24 | - | - |
| Lim See Heng ⁽¹⁾ | 11,953,154 | 5.10 | - | - |

Note:

⁽¹⁾ Lim See Hoe, Lim Siew Cheng, Lim Siew Choo and Lim See Heng are siblings.

LIST OF TWENTY LARGEST SHAREHOLDERS

| S/N | Name | Number of Shares | % |
|-----|-------------------------------------|--------------------|--------------|
| 1 | Lim See Hoe | 82,788,818 | 35.32 |
| 2 | Lim Siew Cheng | 30,012,555 | 12.81 |
| 3 | Lim Siew Choo | 24,010,047 | 10.24 |
| 4 | Lim See Heng | 11,953,154 | 5.10 |
| 5 | Lin Yusheng | 11,693,125 | 4.99 |
| 6 | Ong Chuey Geok | 11,693,125 | 4.99 |
| 7 | Lim Siew Lian (Soare Siew Lian) | 10,167,821 | 4.34 |
| 8 | Liu Yining | 8,352,231 | 3.56 |
| 9 | Tan Chiun Wei | 5,472,604 | 2.33 |
| 10 | Alvin Chee Siong | 2,036,574 | 0.87 |
| 11 | Loy Chee Yong | 1,670,447 | 0.71 |
| 12 | Lim Yeow Shien (Lin Yaoxian) | 1,506,724 | 0.64 |
| 13 | Raffles Nominees (Pte.) Limited | 1,441,845 | 0.62 |
| 14 | Chan Wai Leong | 1,160,217 | 0.50 |
| 15 | Citibank Nominees Singapore Pte Ltd | 1,097,853 | 0.47 |
| 16 | Tan Eng Hong | 943,792 | 0.40 |
| 17 | DBS Nominees (Private) Limited | 922,174 | 0.39 |
| 18 | Tan Wah Yong | 909,465 | 0.39 |
| 19 | Tan Teck Chong | 903,648 | 0.39 |
| 20 | Goh Leng Heng | 867,889 | 0.37 |
| | TOTAL | 209,604,108 | 89.43 |

SHAREHOLDINGS STATISTICS

As At 18 September 2019

DISTRIBUTION OF SHAREHOLDINGS

| Size of Shareholdings | Number of Shareholders | % | Number of Shares | % |
|-----------------------|------------------------|---------------|--------------------|---------------|
| 1 - 99 | 7 | 1.88 | 170 | 0.00 |
| 100 - 1,000 | 7 | 1.88 | 1,818 | 0.00 |
| 1,001 - 10,000 | 66 | 17.74 | 218,047 | 0.09 |
| 10,001 - 1,000,000 | 277 | 74.47 | 29,097,439 | 12.42 |
| 1,000,001 and above | 15 | 4.03 | 205,057,140 | 87.49 |
| TOTAL | 372 | 100.00 | 234,374,614 | 100.00 |

Based on the information available to the Company and to the best knowledge of the directors, approximately 19% of the issued ordinary shares of the Company were held in the hands of the public as at 18 September 2019 and therefore, Rule 723 of the Catalist Rules is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“**AGM**”) of **TEHO INTERNATIONAL INC LTD.** (the “**Company**”) will be held at Grand Copthorne Waterfront Hotel Singapore, Pelican Room, 392 Havelock Road, Singapore 169663 on Thursday, 24 October 2019 at 3.00 p.m., for the following purposes:

AS ORDINARY BUSINESS:

1. To receive and adopt the Directors’ Statement and Audited Financial Statements for the financial year ended 30 June 2019 together with the Independent Auditor’s Report thereon. **(Resolution 1)**
2. To approve the payment of Directors’ fees of \$180,000 for the financial year ending 30 June 2020, to be paid quarterly in arrears (FY2019: \$180,000). **(Resolution 2)**
3. To re-elect Ms Lim Siew Cheng, a Director retiring pursuant to Regulation 107 of the Company’s Constitution. **(Resolution 3)**
4. To re-elect Ms Joanne Khoo Su Nee, a Director retiring pursuant to Regulation 107 of the Company’s Constitution. *(see explanatory note 1)* **(Resolution 4)**
5. To re-appoint KPMG LLP as auditor of the Company and to authorise the Directors to fix its remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following resolution (with or without amendments) as Ordinary Resolution:

6. Ordinary Resolution: Authority to Allot and Issue Shares and Convertible Securities

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (“**Companies Act**”) and Rule 806 of the Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Directors be authorised and empowered to:

- (a) (i) allot and issue shares in the capital of 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 may at 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 Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution does not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued other than on a *pro rata* basis to existing members of the Company does not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:
 - (a) new Shares arising from the conversion or exercise of convertible securities;

NOTICE OF ANNUAL GENERAL MEETING

- (b) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; 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 Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), the Companies Act and the Company's Constitution for the time being; and
- (4) (unless revoked or varied by the Company in a general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law and the Catalist Rules to be held, whichever is earlier.

(see explanatory note 2)

(Resolution 6)

7. Proposed Adoption of Share Buy-back Mandate

That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, the Directors be authorised to exercise all the powers of the Company to purchase or otherwise acquire from time to time Shares (whether by way of market purchases or off-market purchases on an equal access scheme) of up to a maximum of 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the passing of this Resolution at any price which the Directors may determine at their discretion, up to but not exceeding the Maximum Price (as defined below), and such purchases and acquisitions of the Shares may be by way of:
 - (i) Market Purchases (as defined below); and/or

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

and otherwise in accordance with all other provisions of the Companies Act and the Catalist Rules as may for the time being be applicable (the "**Share Buy-back Mandate**");

- (b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buy-back Mandate shall, at the discretion of the Directors, either be cancelled or held in treasury and dealt with in accordance with the Companies Act;
- (c) unless varied or revoked by the Company at general meeting, the authority conferred on the Directors pursuant to the Share Buy-back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:
 - (i) the date on which the next AGM of the Company is held or is required by law to be held;
 - (ii) the date on which purchases and acquisitions of Shares pursuant to the Share Buy-back Mandate are carried out to the full extent mandated; or
 - (iii) the date on which the authority contained in the Share Buy-back Mandate is varied or revoked;
- (d) for purposes of this Resolution:

"**Market Purchases**" means on-market purchases, transacted on the SGX-ST through the ready market or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose of the share buy-back, and

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

NOTICE OF ANNUAL GENERAL MEETING

- (i) in the case of a Market Purchase, 105% of the Average Closing Price; and
- (ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price, where:

“**Average Closing Price**” means the average of the closing market prices of a Share over the last five market days, on which transactions in the Shares were recorded, before the day on which the Market Purchase was made, or as the case may be, the day of making of the offer for an Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five-day period;

“**day of making of the offer**” means the day on which the Company makes an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

“**market day**” means a day on which the SGX-ST is open for trading in securities, and

- (e) any of the Directors be authorised to complete and do all such acts and things (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this Resolution.

(see explanatory note 3)

(Resolution 7)

- 8. To transact any other business that may be properly transacted at an AGM.

BY ORDER OF THE BOARD

Phua Sian Chin
Wee Woon Hong
 Company Secretaries

9 October 2019

Explanatory Notes:

1. Ms Joanne Khoo Su Nee will, upon re-election as a Director, remain as the Chairwoman of the Remuneration Committee and a member of the Audit and Nominating Committees of the Company. She is considered independent for the purposes of Rule 704(7) of the Catalist Rules.
2. Resolution 6 proposed in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law and the Catalist Rules to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earliest, 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, 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), of which up to 50% may be issued other than on a *pro rata* basis to existing members of the Company.
3. Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company, from the date of the AGM until the date the next AGM is to be held or is required by law to be held, the date on which the share buy-back is carried out to the full extent mandated, or the date on which the authority contained in the Share Buy-back Mandate is varied or revoked, whichever is the earliest, to make purchases or acquisitions (whether by way of Market Purchases or Off-Market Purchases on an equal access scheme) from time to time of up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at prices up to but not exceeding the Maximum Price. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buy-back Mandate are set out in greater detail in the Appendix accompanying this notice.

Notes:

- (i) (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote at the AGM. Where such member appoints two proxies, the proportion of his shareholding to be represented by each proxy shall be specified in the instrument of proxy.

NOTICE OF ANNUAL GENERAL MEETING

- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than one proxy, the number of Shares in relation to which each proxy has been appointed shall be specified in the instrument of proxy.
- “relevant intermediary” has the meaning ascribed to it in Section 181(6) of the Companies Act.
- (ii) A proxy need not be a member of the Company.
- (iii) The instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 1 Commonwealth Lane, #09-23 One Commonwealth, Singapore 149544 not less than 48 hours before the time appointed for holding the AGM.
- (iv) The instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised.
- (v) A Depositor’s name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time appointed for holding the AGM in order for the Depositor to be entitled to attend and vote at the AGM.

Personal Data Privacy:

“**Personal data**” in this notice of AGM has the same meaning as “personal data” in the Personal Data Protection Act 2012, which includes the member’s name and its proxy’s and/or representative’s name, address and NRIC/Passport number. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM of the Company and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member’s and its proxy(ies)’s or representative(s)’s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM of the Company (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “**Purposes**”); (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior express consent

of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; (iii) undertakes that the member will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iv) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty. The member’s personal data and its proxy’s and/or representative’s personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company’s verification and record purposes. Photographic, sound and/or video recordings of the AGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the AGM. Accordingly, the personal data of a member of the Company (such as his name, his presence at the AGM and any questions he may raise or motions he proposes/seconds) may be recorded by the Company for such purpose.

This notice has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, SAC Capital Private Limited (the “**Sponsor**”).

This notice has not been examined or approved by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and the SGX-ST assumes no responsibility for the contents of this notice, including the correctness of any of the statements or opinions made, or reports contained in this notice.

The contact person for the Sponsor is Mr David Yeong (Tel: (65) 6232 3210), at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

APPENDIX

Dated 9 October 2019

THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the contents herein or the course of action you should take, you should consult your bank manager, stockbroker, solicitor, accountant, tax adviser or other professional adviser immediately.

This Appendix is circulated to the Shareholders (as defined herein) of TEHO International Inc Ltd. (the “**Company**”) together with the Company’s annual report for the financial year ended 30 June 2019 (the “**Annual Report**”). Its purpose is to explain to Shareholders the rationale and provide information relating to, and to seek Shareholders’ approval for, the proposed adoption of the Share Buy-back Mandate (as defined herein) to be tabled at the AGM (as defined herein) of the Company to be held on Thursday, 24 October 2019 at 3.00 p.m. at Grand Copthorne Waterfront Hotel Singapore, Pelican Room, 392 Havelock Road, Singapore 169663.

The notice of AGM and the proxy form are enclosed with the Annual Report.

If you have sold or transferred all your shares in the capital of the Company held through The Central Depository (Pte) Limited (“**CDP**”), you need not forward this Appendix to the purchaser or transferee as arrangements will be made by CDP for a separate Appendix with the notice of AGM and the accompanying proxy form to be sent to the purchaser or transferee. If you have sold or transferred all your shares in the capital of the Company represented by physical share certificate(s), you should immediately forward this Appendix, together with the Annual Report, the notice of AGM and the accompanying proxy form, to the purchaser or transferee, or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Appendix has been prepared by the Company and its contents have been reviewed by the Company’s Sponsor, SAC Capital Private Limited (the “**Sponsor**”). This Appendix has not been examined or approved by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and the SGX-ST assumes no responsibility for the contents of this Appendix, including the correctness of any of the statements or opinions made or reports contained in this Appendix. The contact person for the Sponsor is Mr David Yeong (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.



TEHO INTERNATIONAL INC LTD.

(Company Registration Number 200811433K)

(Incorporated in the Republic of Singapore on 10 June 2008)

APPENDIX IN RELATION TO

THE PROPOSED ADOPTION OF THE SHARE BUY-BACK MANDATE

APPENDIX

Dated 9 October 2019

DEFINITIONS

In this Appendix, the following definitions apply throughout except where the context otherwise requires:

| | |
|-------------|--|
| “ACRA” | : The Accounting and Corporate Regulatory Authority of Singapore |
| “AGM” | : The Annual General Meeting of the Company |
| “Appendix” | : This Appendix to Shareholders dated 9 October 2019 in relation to the proposed adoption of the Share Buy-back Mandate |
| “Associate” | : (a) in relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means: <ul style="list-style-type: none"> (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; or (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any company which is its subsidiary or holding company or is a subsidiary of any such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more, <p>or such other definition as the Catalist Rules may from time to time prescribe</p> |

| | |
|---------------------------|---|
| “associated company” | : A company in which at least 20% but not more than 50% of its shares are held by the Company or the Group |
| “Board” | : The board of Directors of the Company for the time being |
| “Catalist” | : The SGX-ST sponsor-supervised listing platform |
| “Catalist Rules” | : The Listing Manual Section B: Rules of Catalist of the SGX-ST, as amended, modified or supplemented from time to time |
| “CDP” | : The Central Depository (Pte) Limited |
| “Companies Act” | : The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time |
| “Company” | : TEHO International Inc Ltd. |
| “Constitution” | : The constitution of the Company, as amended, modified or supplemented from time to time |
| “Control” | : The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company |
| “Controlling Shareholder” | : A person (including a corporation) who: <ul style="list-style-type: none"> (a) holds directly or indirectly 15% or more of the total voting Shares. The SGX-ST may determine that a person who satisfies this paragraph is not a Controlling Shareholder; or (b) in fact exercises Control over the Company |
| “Directors” | : The directors of the Company (whether executive or non-executive) for the time being |
| “EPS” | : Earnings per Share |

APPENDIX

Dated 9 October 2019

| | |
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| <p>“FY” : Financial year of the Company ended or ending 30 June (as the case may be)</p> <p>“Group” : The Company and its subsidiaries</p> <p>“Latest Practicable Date” : 26 September 2019, being the latest practicable date prior to the printing of this Appendix</p> <p>“Market Day” : A day on which the SGX-ST is open for trading in securities</p> <p>“NAV” : Net asset value</p> <p>“Ordinary Resolution” : A resolution passed by a simple majority of the Shareholders present and voting in person or by proxy at a general meeting of the Company</p> <p>“Relevant Period” : The period commencing from the date on which the ordinary resolution relating to the proposed adoption of the Share Buy-back Mandate is passed in a general meeting and expiring on the earliest of (i) the date on which the next AGM is held or is required by law to be held, (ii) the date on which the Share Buy-back are carried out to the full extent of the Share Buy-back Mandate, or (iii) the date the Share Buy-back Mandate is revoked or varied by the Company in a general meeting</p> <p>“Securities Account” : The securities account maintained by a Depositor with CDP (but does not include a securities sub-account maintained with a Depository Agent)</p> <p>“SFA” : The Securities and Futures Act (Chapter 289) of Singapore, as amended, modified or supplemented from time to time</p> <p>“SGX-ST” : Singapore Exchange Securities Trading Limited</p> <p>“Share Buy-back(s)” : The purchase or acquisition by the Company of its own issued and fully paid-up Shares</p> | <p>“Share Buy-back Mandate” : A general and unconditional mandate given by the Shareholders to authorise the Directors to purchase or otherwise acquire, on behalf of the Company, Shares in accordance with the terms set out in this Appendix and in compliance with the rules and regulations set forth in the Companies Act and the Catalyst Rules</p> <p>“Shareholders” : The registered holders of the Shares in the register of members of the Company, except where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context so admits, mean the Depositors whose Securities Accounts are credited with such Shares</p> <p>“Shares” : Ordinary shares in the issued share capital of the Company</p> <p>“Substantial Shareholder” : A person (including a corporation) who holds directly or indirectly 5% or more of the total voting Shares</p> <p>“Take-over Code” : The Singapore Code on Take-overs and Mergers, as amended, modified or supplemented from time to time</p> <p>“\$” and “cents” : Singapore dollars and cents respectively, being the lawful currency of the Republic of Singapore</p> <p>“%” or “per cent.” : Percentage or per centum</p> <p>The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the same meanings ascribed to them, respectively, in Section 81SF of the SFA or any statutory modification thereof, as the case may be.</p> <p>The term “subsidiary” shall have the same meaning ascribed to it in Section 5 of the Companies Act. The term “treasury shares” shall have the same meaning ascribed to it in Section 4 of the Companies Act. The term “subsidiary holdings” is defined in the Catalyst Rules to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act.</p> <p>Words importing the singular shall, where applicable, include the plural and <i>vice versa</i>, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and <i>vice versa</i>. References to persons shall include corporations.</p> |
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APPENDIX

Dated 9 October 2019

Any reference in this Appendix to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted. Any word or term defined under the Companies Act, the SFA, the Catalist Rules or any statutory modification thereof and used in this Appendix shall, where applicable, have the same meaning ascribed to it under the Companies Act, the SFA, the Catalist Rules or any statutory modification thereof, as the case may be, unless otherwise provided.

Any reference to a time of day and to dates in this Appendix shall be a reference to Singapore time and dates, respectively, unless otherwise stated.

Any discrepancies in this Appendix between the sum of the figures stated and the total thereof are due to rounding. Accordingly, figures shown as totals in this Appendix may not be an arithmetic aggregation of the figures which precede them.

LETTER TO SHAREHOLDERS

TEHO INTERNATIONAL INC LTD.

(Company Registration Number 200811433K)

(Incorporated in the Republic of Singapore on 10 June 2008)

Directors

Lim See Hoe (*Executive Chairman and Chief Executive Officer*)
 Lim Siew Cheng (*Executive Director and Chief Operating Officer*)
 Kwah Thiam Hock (*Lead Independent Director*)
 Joanne Khoo Su Nee (*Independent Director*)
 Oo Cheong Kwan Kelvyn (*Independent Director*)

Registered Office

1 Commonwealth Lane
 #09-23
 One Commonwealth
 Singapore 149544

9 October 2019

To: The Shareholders of TEHO International Inc Ltd.

Dear Sir/Madam

THE PROPOSED ADOPTION OF THE SHARE BUY-BACK MANDATE

1. INTRODUCTION

- 1.1 The Directors propose to seek the approval of Shareholders at the forthcoming AGM to be held on Thursday, 24 October 2019 at 3.00 p.m. at Grand Copthorne Waterfront Hotel Singapore, Pelican Room, 392 Havelock Road, Singapore 169663 for the proposed adoption of the Share Buy-back Mandate.
- 1.2 The purpose of this Appendix is to provide Shareholders with the relevant information relating to, and to explain the rationale for, the proposed adoption of the Share Buy-back Mandate.
- 1.3 This Appendix has been prepared solely for the purpose set out herein and may not be relied upon by any persons (other than Shareholders) or for any other purpose.
- 1.4 The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Appendix.

2. THE PROPOSED ADOPTION OF THE SHARE BUY-BACK MANDATE

2.1 Background

It is a requirement under the Companies Act and the Catalist Rules that a company which wishes to purchase or otherwise acquire its own shares has to obtain the approval of its shareholders to do so at a general meeting of its shareholders. In this regard, the approval of Shareholders is being sought at the forthcoming AGM for the adoption of the Share Buy-back Mandate.

An Ordinary Resolution will be proposed, pursuant to which the Share Buy-back Mandate will be given to the Directors to exercise all powers of the Company to purchase or otherwise acquire its Shares on the terms of the Share Buy-back Mandate.

If approved by Shareholders at the AGM, the authority conferred by the Share Buy-back Mandate will continue to be in force until the conclusion of the next AGM or the date by which such an AGM is required to be held (whereupon it will lapse, unless renewed at such meeting) or the date on which the purchases or acquisitions of Shares have been carried out to the full extent mandated or until it is varied or revoked by the Company at a general meeting (if so varied or revoked prior to the next AGM), whichever is the earliest.

APPENDIX

Dated 9 October 2019

2.2 Rationale for the Share Buy-back Mandate

The rationale for the Company to undertake the purchase or acquisition of its Shares is as follows:

- (a) The purchase or acquisition of Shares under the Share Buy-back Mandate will help mitigate short-term share price volatility (by way of stabilising the supply and demand of Shares) and offset the effects of short-term share price speculation, supporting the fundamental value of the Shares, thereby bolstering Shareholders' confidence and employees' morale.
- (b) The Share Buy-back Mandate would provide the Company with the flexibility to purchase or acquire its Shares if and when circumstances permit, during the period when the Share Buy-back Mandate is in force. It is an expedient, effective and cost-efficient way for the Company to return surplus cash/funds over and above its ordinary capital requirements, if any, which are in excess of its financial requirements, taking into account its growth and expansion plans, to its Shareholders. In addition, the Share Buy-back Mandate will allow the Company to have greater flexibility over, *inter alia*, the Company's share capital structure and its dividend policy.
- (c) In managing the business of the Group, the management team strives to increase Shareholders' value by improving, *inter alia*, the return on equity of the Group. In addition to growth and expansion of the business, Share Buy-backs may be considered as one of the ways through which the return on equity of the Group may be enhanced.
- (d) Repurchased Shares which are held in treasury may be transferred for the purposes of or pursuant to employees' share schemes implemented by the Company.

While the Share Buy-back Mandate would authorise a purchase or acquisition of Shares up to the 10% limit described in Section 2.3.1 below during the period referred to in Section 2.3.2 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buy-back Mandate may not be carried out to the full 10% limit as authorised and the purchases or acquisitions of Shares pursuant to the Share Buy-back Mandate will be made only as and when the Directors consider it to be in the best interests of the Company and/or the Shareholders and in circumstances which they believe will not result in any material adverse effect on the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST. The Directors will use their best efforts to ensure that after

a purchase or acquisition of Shares pursuant to the Share Buy-back Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

2.3 Authority and limits of the Share Buy-back Mandate

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the Share Buy-back Mandate are summarised below:

2.3.1 Maximum number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company.

The total number of Shares that may be purchased or acquired pursuant to the Share Buy-back Mandate is limited to that number of Shares representing not more than 10% of the total number of issued Shares of the Company as at the date of the AGM at which the proposed adoption of the Share Buy-back Mandate is approved, unless the Company has, at any time during the Relevant Period, effected a reduction of its share capital in accordance with the applicable provisions of the Companies Act, in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered. Any Shares which are held as treasury shares and subsidiary holdings will be disregarded for the purposes of computing the 10% limit.

For illustrative purposes, on the basis of 234,374,614 Shares in issue as at the Latest Practicable Date, and assuming that no further Shares are issued on or prior to the forthcoming AGM, not more than 23,437,461 Shares (representing 10% of the total number of issued Shares as at that date) may be purchased or acquired by the Company pursuant to the Share Buy-back Mandate.

2.3.2 Duration of authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the AGM at which the Share Buy-back Mandate is approved, up to the earliest of:

- (a) the date on which the next AGM is held or required by law to be held;

APPENDIX

Dated 9 October 2019

- (b) the date on which the purchases or acquisitions of Shares pursuant to the Share Buy-back Mandate are carried out to the full extent mandated; or
- (c) the date on which the authority conferred by the Share Buy-back Mandate is revoked or varied by the Shareholders at a general meeting.

The Share Buy-back Mandate may be renewed at each AGM or other general meetings of the Company.

2.3.3 Manner of purchase or acquisition of Shares

Purchases or acquisitions of Shares can be effected by the Company by way of:

- (a) on-market purchases, transacted on the SGX-ST through the ready market or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose of the Share Buy-back ("**Market Purchases**"); and/or
- (b) off-market purchases ("**Off-Market Purchase**") effected otherwise than on the SGX-ST pursuant to an equal access scheme.

For Off-Market Purchase, the Directors may impose such terms and conditions, which are consistent with the Share Buy-back Mandate, the Companies Act, the Catalist Rules and the Constitution, as they consider fit in the interests of the Company in connection with or in relation to an equal access scheme or schemes. Under the Companies Act, an equal access scheme must satisfy all the following conditions:

- (a) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (b) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made to them; and
- (c) the terms of all the offers shall be the same, except that there shall be disregarded, where applicable:

- (i) differences in consideration attributable to the fact that the offers may relate to Shares with different accrued dividend entitlements;
- (ii) differences in consideration attributable to the fact that the offers may relate to Shares with different amounts remaining unpaid; and
- (iii) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, Rule 870 of the Catalist Rules provides that, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, the Company must, as required by the Catalist Rules, issue an offer document to all Shareholders containing at least the following information:

- (a) the terms and conditions of the offer;
- (b) the period and procedures for acceptances;
- (c) the reasons for the proposed purchase or acquisition of Shares;
- (d) the consequences, if any, of the purchases or acquisitions of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (e) whether the purchases or acquisitions of Shares, if made, would have any effect on the listing of the Shares on the SGX-ST;
- (f) details of any purchases or acquisitions of Shares made by the Company in the previous 12 months (whether by way of Market Purchases or Off-Market Purchases), giving the total number of Shares purchased or acquired, the purchase price per Share or the highest and lowest prices paid for the purchases or acquisitions of Shares, where relevant, and the total consideration paid for such purchases or acquisitions; and
- (g) whether the Shares purchased or acquired by the Company will be cancelled or kept as treasury shares.

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2.3.4 Maximum price to be paid for the Shares

The purchase price (excluding applicable brokerage, stamp duties, commission, goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors or a committee of Directors that may be constituted for the purposes of effecting purchases or acquisitions of Shares by the Company under the Share Buy-back Mandate. However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares must not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined below); and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price (as defined below),

in either case, excluding related expenses of the Share Buy-back (the “**Maximum Price**”).

For the above purposes:

“**Average Closing Price**” means the average of the closing market prices of the Shares over the last five Market Days, on which transactions in the Shares were recorded, before the day on which the Market Purchase was made, or as the case may be, the day of making of the offer for an Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five Market Days period; and

“**day of making of the offer**” means the day on which the Company makes an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.4 Sources of funds

In purchasing Shares under the Share Buy-back Mandate, the Company may only apply funds legally available for the purchase or acquisition of its Shares as provided in the Constitution and in accordance with the applicable laws in Singapore. The Company may not purchase or acquire its Shares for a consideration other than in cash or, in the case of a Market Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

Under the Companies Act, the Company may purchase or acquire its Shares out of capital or profits so long as the Company is solvent.

Under the Companies Act, Share Buy-backs may be made out of the Company’s distributable profits or capital so long as the Company is solvent. In determining whether the Company is solvent, the Directors must have regard to the most recently audited financial statements, other relevant circumstances, and may rely on valuations or estimation of assets or liabilities. In determining the value of contingent liabilities, the Directors may take into account the likelihood of the contingency occurring, as well as any counter-claims by the Company.

Pursuant to Section 76F(4) of the Companies Act, a company is “solvent” if, at the date of payment for the relevant Share Buy-back, the following conditions are satisfied:

- (a) there is no ground on which the company could be found to be unable to pay its debts;
- (b) if,
 - (i) it is intended to commence the winding up of the company within the period of 12 months immediately after the date of payment, the company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or
 - (ii) it is not intended so to commence winding up, the company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of the payment; and
- (c) the value of the company’s assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the purchase or acquisition of Shares, become less than the value of its liabilities (including contingent liabilities).

The Company intends to use internal sources of funds or borrowings or a combination of both to finance the Company’s purchase or acquisition of Shares pursuant to the Share Buy-back Mandate. In purchasing or acquiring Shares pursuant to the Share Buy-back Mandate, the Directors will principally consider the availability of internal resources. In addition, the Directors will consider the availability of external financing. However, in considering the option of external

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financing, the Directors will also consider the financial position of the Group, particularly the prevailing gearing level of the Group and the costs of such financing.

The Directors will only make purchases or acquisitions of Shares pursuant to the Share Buy-back Mandate in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group.

2.5 Status of purchased or acquired Shares

Shares purchased or acquired by the Company, unless held as Treasury Shares to the extent permitted under the Companies Act, are deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to those Shares will expire on such cancellation). The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

Shares purchased or acquired by the Company and cancelled will be automatically de-listed by the SGX-ST. Certificates in respect thereof will be cancelled by the Company as soon as reasonably practicable following settlement of any such Share Buy-back.

At the time of each purchase or acquisition of Shares by the Company, the Directors will decide whether the Shares purchased or acquired will be cancelled or kept as treasury shares, or partly cancelled and partly kept as treasury shares, depending on the needs of the Company and as the Directors deem fit in the interest of the Company at that time.

2.6 Treasury shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

2.6.1 Maximum holdings

The total aggregate number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares. Any Shares in excess of this limit shall be disposed of or cancelled in accordance with Section 76K of the Companies Act within six months or such further periods as ACRA may allow.

2.6.2 Voting and other rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at general meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury share into treasury shares of a greater or smaller number is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

2.6.3 Disposal and cancellation

Where Shares are held as treasury shares, the Company may at any time but subject always to the Take-over Code:

- (i) sell the treasury shares (or any of them) for cash;
- (ii) transfer the treasury shares (or any of them) for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons;
- (iii) transfer the treasury shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancel the treasury shares (or any of them); or
- (v) sell, transfer or otherwise use the treasury shares for such other purposes as the Minister for Finance may by order prescribe.

Shares purchased or acquired under the Share Buy-back Mandate will be held as treasury shares or cancelled by the Company taking into consideration the then prevailing circumstances and requirements of the Company at the relevant time.

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2.7 Reporting requirements

2.7.1 Notification to the ACRA

Within 30 days of the passing of a Shareholders' resolution to approve the proposed adoption of the Share Buy-back Mandate, the Company shall lodge a copy of such resolution with the ACRA.

The Company shall also lodge with ACRA a notice of purchase or acquisition of Shares within 30 days of such purchase or acquisition. Such notification shall include the date of purchase or acquisition, the number of Shares purchased or acquired, the number of Shares cancelled or held as treasury shares, the Company's issued share capital before and after the purchase or acquisition, the amount of consideration paid for the purchase or acquisition and whether such consideration is paid out of profits or capital of the Company, and such other information as may be prescribed from time to time.

In addition, within 30 days of the cancellation or disposal of treasury shares in accordance with the provisions of the Companies Act, the Company shall lodge with ACRA a notice of cancellation or disposal of treasury shares with such information as may be prescribed from time to time.

2.7.2 Notification to the SGX-ST

Rule 871 of the Catalist Rules specifies that a listed company must make an announcement on SGXNET of all purchases or acquisitions of its shares no later than 9.00 a.m.:

- (a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made, and
- (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptance of the offer.

Such announcement shall include the number of Shares authorised for purchase or acquisition, the date of purchase or acquisition, the number of Shares purchased or acquired, the purchase price per Share or (in the case of Market Purchases) the purchase price per Share or the highest price and lowest price per Share, the total consideration paid for the Shares, the number of issued Shares after purchase or acquisition and such other information as may be prescribed from time to time.

In addition, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, the "**usage**"). Such announcement must include the date of usage, the purpose of usage, the number of treasury shares comprised in the usage, the number of treasury shares before and after the usage, the percentage of the number of treasury shares comprised in the usage against the total number of issued Shares before and after the usage, the value of the treasury shares comprised in the usage and such other information as may be prescribed from time to time.

2.8 Financial effects

It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions of Shares that may be made pursuant to the Share Buy-back Mandate on the NAV and EPS of the Company and the Group as the resultant effect would depend on, *inter alia*, the aggregate number of Shares purchased or acquired, whether the purchase or acquisition is made out of capital or profits, the purchase prices paid for such Shares, the amount (if any) borrowed by the Company to fund such purchases or acquisitions and whether the Shares purchased or acquired are cancelled or held as treasury shares.

The repurchased Shares may be cancelled or held as treasury shares. Any Share Buy-back will:

- (a) reduce the amount of the Company's share capital where the Shares were purchased or acquired out of the capital of the Company;
- (b) reduce the amount of the Company's profits where the Shares were purchased or acquired out of the profits of the Company; or
- (c) reduce the amount of the Company's share capital and profits proportionately where the Shares were purchased or acquired out of both the capital and the profits of the Company,

by the total amount of the purchase price paid by the Company for such Shares.

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such

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consideration will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

The Directors do not propose to exercise the Share Buy-back Mandate to such an extent that it would have a material adverse effect on the liquidity, working capital and overall financial position of the Group. The purchase or acquisition of Shares will only be effected after considering relevant factors such as the working capital requirements, the availability of financial resources, the expansion and investment plans of the Group and the prevailing market conditions. The Share Buy-back Mandate will be exercised with a view to enhancing the EPS and/or the NAV per Share of the Group.

The financial effects presented below are based on the following assumptions:

(a) *Information as at the Latest Practicable Date*

As at the Latest Practicable Date, the Company has 234,374,614 issued Shares.

(b) *Illustrative Financial Effects*

Purely for illustrative purposes, on the basis of 234,374,614 Shares in issue as at the Latest Practicable Date and having taken into consideration the Group's financial position as at 30 June 2019, the purchase or acquisition by the Company of 10% of its Shares will result in the purchase of 23,437,461 Shares.

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 23,437,461 Shares at the Maximum Price of \$0.014 for each Share (being the price equivalent to 105% of the Average Closing Price of the Shares for the five (5) consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 23,437,461 Shares is approximately \$328,125.

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 23,437,461 Shares at the Maximum Price of \$0.016 for each

Share (being the price equivalent to 120% of the Average Closing Price of the Shares for the five (5) consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 23,437,461 Shares is approximately \$375,000.

For illustrative purposes only and on the basis of the assumptions set out above as well as the following:

- (i) the Share Buy-back Mandate had been effective on 1 July 2018; and
- (ii) such Share purchases or acquisitions are funded solely by internal resources,

the financial effects of the Share Buy-back on the audited consolidated financial statements of the Company and the Group for FY2019 are set out below:

(i) **PURCHASES MADE ENTIRELY OUT OF CAPITAL AND HELD AS TREASURY SHARES**

(a) **Market Purchases**

| As at 30 June 2019 | Before Share Buy-back | After Share Buy-back | Before Share Buy-back | After Share Buy-back |
|--------------------------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|
| | Group | Group | Company | Company |
| | (\$) | (\$) | (\$) | (\$) |
| Shareholders' Funds | 13,681,475 | 13,353,350 | (22,855,804) | (23,183,929) |
| NAV ⁽¹⁾ | 13,681,475 | 13,353,350 | (22,855,804) | (23,183,929) |
| Current Assets | 46,503,847 | 46,175,722 | 3,001,857 | 3,001,857 |
| Current Liabilities | 29,043,919 | 29,043,919 | 41,947,501 | 42,275,626 |
| Number of Shares | 234,374,614 | 210,937,153 | 234,374,614 | 210,937,153 |
| Financial Ratios | | | | |
| NAV per Share (cents) ⁽²⁾ | 5.84 | 6.33 | (9.75) | (10.99) |
| Current Ratio (times) ⁽³⁾ | 1.60 | 1.59 | 0.07 | 0.07 |
| Basic EPS (cents) | (0.20) | (0.22) | n.a. | n.a. |

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(b) Off-Market Purchases

| <u>As at 30 June 2019</u> | <u>Group</u> | | <u>Company</u> | |
|--------------------------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|
| | <u>Before Share Buy-back</u> | <u>After Share Buy-back</u> | <u>Before Share Buy-back</u> | <u>After Share Buy-back</u> |
| | <u>(\$)</u> | <u>(\$)</u> | <u>(\$)</u> | <u>(\$)</u> |
| Shareholders' Funds | 13,681,475 | 13,306,475 | (22,855,804) | (23,230,804) |
| NAV ⁽¹⁾ | 13,681,475 | 13,306,475 | (22,855,804) | (23,230,804) |
| Current Assets | 46,503,847 | 46,128,847 | 3,001,857 | 3,001,857 |
| Current Liabilities | 29,043,919 | 29,043,919 | 41,947,501 | 42,322,501 |
| Number of Shares | 234,374,614 | 210,937,153 | 234,374,614 | 210,937,153 |
| Financial Ratios | | | | |
| NAV per Share (cents) ⁽²⁾ | 5.84 | 6.31 | (9.75) | (11.01) |
| Current Ratio (times) ⁽³⁾ | 1.60 | 1.59 | 0.07 | 0.07 |
| Basic EPS (cents) | (0.20) | (0.22) | n.a. | n.a. |

(ii) PURCHASES MADE OUT OF CAPITAL AND CANCELLED

(a) Market Purchases

| <u>As at 30 June 2019</u> | <u>Group</u> | | <u>Company</u> | |
|--------------------------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|
| | <u>Before Share Buy-back</u> | <u>After Share Buy-back</u> | <u>Before Share Buy-back</u> | <u>After Share Buy-back</u> |
| | <u>(\$)</u> | <u>(\$)</u> | <u>(\$)</u> | <u>(\$)</u> |
| Shareholders' Funds | 13,681,475 | 13,353,350 | (22,855,804) | (23,183,929) |
| NAV ⁽¹⁾ | 13,681,475 | 13,353,350 | (22,855,804) | (23,183,929) |
| Current Assets | 46,503,847 | 46,175,722 | 3,001,857 | 3,001,857 |
| Current Liabilities | 29,043,919 | 29,043,919 | 41,947,501 | 42,275,626 |
| Number of Shares | 234,374,614 | 210,937,153 | 234,374,614 | 210,937,153 |
| Financial Ratios | | | | |
| NAV per Share (cents) ⁽²⁾ | 5.84 | 6.33 | (9.75) | (10.99) |
| Current Ratio (times) ⁽³⁾ | 1.60 | 1.59 | 0.07 | 0.07 |
| Basic EPS (cents) | (0.20) | (0.22) | n.a. | n.a. |

(b) Off-Market Purchases

| <u>As at 30 June 2019</u> | <u>Group</u> | | <u>Company</u> | |
|--------------------------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|
| | <u>Before Share Buy-back</u> | <u>After Share Buy-back</u> | <u>Before Share Buy-back</u> | <u>After Share Buy-back</u> |
| | <u>(\$)</u> | <u>(\$)</u> | <u>(\$)</u> | <u>(\$)</u> |
| Shareholders' Funds | 13,681,475 | 13,306,475 | (22,855,804) | (23,230,804) |
| NAV ⁽¹⁾ | 13,681,475 | 13,306,475 | (22,855,804) | (23,230,804) |
| Current Assets | 46,503,847 | 46,128,847 | 3,001,857 | 3,001,857 |
| Current Liabilities | 29,043,919 | 29,043,919 | 41,947,501 | 42,322,501 |
| Number of Shares | 234,374,614 | 210,937,153 | 234,374,614 | 210,937,153 |
| Financial Ratios | | | | |
| NAV per Share (cents) ⁽²⁾ | 5.84 | 6.31 | (9.75) | (11.01) |
| Current Ratio (times) ⁽³⁾ | 1.60 | 1.59 | 0.07 | 0.07 |
| Basic EPS (cents) | (0.20) | (0.22) | n.a. | n.a. |

Notes:

- ⁽¹⁾ NAV represents total assets less total liabilities.
- ⁽²⁾ NAV per Share is calculated based on NAV and 234,374,614 Shares in issue as at 30 June 2019.
- ⁽³⁾ Current ratio equals current assets divided by current liabilities.

Shareholders should note that the financial effects illustrated above are based on certain assumptions and purely for illustrative purposes only. In particular, it is important to note that the above analysis is based on the audited consolidated financial statements of the Company and the Group for FY2019, and is not necessarily representative of the future financial performance of the Company or the Group.

The Company will take into account both financial and non-financial factors (for example, stock market conditions and the performance of the Shares) in assessing the relative impact of a Share Buy-back before execution. Although the Share Buy-back Mandate would authorise the Company to purchase or acquire up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), the

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Company may not necessarily purchase or be able to purchase the entire 10% of the total number of its issued Shares. In addition, the Company may cancel all or part of the Shares purchased or hold all or part of the Shares purchased in treasury.

2.9 Take-over Code implications

Appendix 2 of the Take-over Code contains the Share Buy-back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

2.9.1 Obligations to make a take-over offer

If, as a result of any purchase or acquisition by the Company of the Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make a mandatory take-over offer under Rule 14 of the Take-over Code, unless the conditions for exemption pursuant to paragraph 3(a) of Appendix 2 of the Take-over Code are satisfied.

2.9.2 Persons acting in concert

Under the Take-over Code, persons acting in concert ("**concert parties**") comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of the company.

Unless the contrary is established, the Take-over Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert with each other:

- (a) a company with its parent company, its subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any companies whose associated companies include any of the foregoing companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;

- (b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and persons controlling, controlled by or under the same control as the adviser, and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;
- (f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) an individual, his close relatives, his related trusts, any person who is accustomed to act in accordance to his instructions, companies controlled by any of the foregoing persons, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons and/or entities for the purchase of voting rights.

For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders (including Directors) and persons acting in concert with each of them, will incur an obligation to make a mandatory take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

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2.9.3 Effect of Rule 14 and Appendix 2 of the Take-over Code

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted pursuant to paragraph 3(a) of Appendix 2 of the Take-over Code, a Shareholder and his concert parties will incur an obligation to make a mandatory take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder and his concert parties would increase to 30% or more, or in the event that such Shareholder and his concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Shareholder and his concert parties would increase by more than 1% in any period of six months. In calculating the percentages of voting rights of such Shareholder and his concert parties, treasury shares shall be excluded.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a mandatory take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the resolution authorising the proposed adoption of the Share Buy-back Mandate.

Based on the information in the Company's register of members as at the Latest Practicable Date, none of the Directors or Substantial Shareholders are obliged to make a mandatory take-over offer under Rule 14 of the Take-over Code as a result of any purchase or acquisition of Shares by the Company pursuant to the Share Buy-back Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the Singapore Securities Industry Council and/ or their professional advisers at the earliest opportunity.

2.10 Tax implications

Shareholders who are in doubt as to their respective tax positions or the tax implications of purchase or acquisition of Shares by the Company or who may be subject to tax, whether in or outside Singapore, should consult their professional advisers.

2.11 Catalyst Rules

2.11.1 While the Catalyst Rules do not expressly prohibit any purchase or acquisition of shares by a listed company during any particular time, because the listed company would be regarded as an "insider" in relation to any purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of consideration and/or a decision of the Board until such price-sensitive information has been publicly announced. Further, in line with the best practices on dealing with securities stipulated in the Catalyst Rules, the Company will not purchase or acquire any Shares through Market Purchases or Off Market Purchases during the period commencing one month immediately preceding the announcement of the Company's half-year or full-year results.

2.11.2 The Company does not have any individual shareholding limit or foreign shareholding limit. Rule 723 of the the Catalyst Rules requires a listed company to ensure that at least 10% of the total number of issued shares (excluding preference shares, convertible equity securities and treasury shares) in a class that is listed must be held by public Shareholders. Where such percentage falls below 10%, the SGX-ST may at any time suspend trading of the shares of the listed company. The term "**public**", as defined under the Catalyst Rules, are persons other than (i) the Directors, chief executive officer, Substantial Shareholders or Controlling Shareholder of the Company and its subsidiaries; and (ii) Associates of the persons in (i).

As at the Latest Practicable Date, approximately 45,182,312 Shares, representing 19.28% of the total number of issued Shares are held by public Shareholders. **For illustrative purposes only**, assuming the Company exercises the Share Buy-back Mandate in full and purchases 10% of the total number of issued Shares through Market Purchases from the public, the public float would be reduced to approximately 21,744,851 Shares, representing approximately 10.31% of the total number of issued Shares.

The Directors will use their best efforts to ensure that the Company does not effect a purchase or acquisition of Shares if the purchase or acquisition of Shares would result in the number of issued Shares remaining in the hands of the public falling below 10% of the total number of issued Shares, thereby affecting the listing status of the Company. Before deciding to effect a purchase or acquisition of Shares, the Directors will ensure that, notwithstanding such purchase or acquisition, a sufficient float in the hands of the public will be maintained to provide for an orderly market for trading in the Shares.

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2.12 Share Buy-backs in the previous 12 months

The Company has not purchased or acquired any Shares during the 12-month period immediately preceding the Latest Practicable Date.

3. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of the Directors and the Substantial Shareholders in the issued share capital of the Company, as recorded in the register of Directors' shareholdings and the register of Substantial Shareholders of the Company respectively, as at the Latest Practicable Date, are as follows:

| | Direct Interest | | Deemed Interest | |
|---------------------------------|------------------|------------------|------------------|------------------|
| | Number of Shares | % ⁽¹⁾ | Number of Shares | % ⁽¹⁾ |
| Directors | | | | |
| Lim See Hoe | 82,788,818 | 35.32 | - | - |
| Lim Siew Cheng | 30,012,555 | 12.81 | - | - |
| Kwah Thiam Hock | - | - | - | - |
| Joanne Khoo Su Nee | - | - | - | - |
| Oo Cheong Kwan Kelvyn | - | - | - | - |
| Substantial Shareholders | | | | |
| Lim Siew Choo | 24,010,047 | 10.24 | - | - |
| Lim See Heng | 11,953,154 | 5.10 | - | - |

Note:

⁽¹⁾ Based on the issued share capital of the Company of 234,374,614 Shares as at the Latest Practicable Date.

Save for their respective shareholding interests in the Company, none of the Directors and to the best of the Directors' knowledge, none of the Substantial Shareholders has any direct or indirect interest in the proposed adoption of the Share Buy-back Mandate.

4. DIRECTORS' RECOMMENDATION

After having considered the rationale and the information relating to the proposed adoption of the Share Buy-back Mandate, the Directors are of the opinion that the proposed adoption of the Share Buy-back Mandate is in the best interests of the Company, and accordingly, recommend that Shareholders vote in favour of the Ordinary Resolution in respect of the proposed adoption of the Share Buy-back Mandate as set out in the notice of AGM.

5. ACTION TO BE TAKEN BY SHAREHOLDERS

A Shareholder who is unable to attend the AGM and wish to appoint a proxy to attend and vote at the AGM on his behalf must complete, sign and return the proxy form attached to the Company's annual report for FY2019 in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the Company's registered office at 1 Commonwealth Lane, #09-23 One Commonwealth, Singapore 149544, not less than 48 hours before the time appointed for holding the AGM. The completion and return of a proxy form by a Shareholder does not preclude him from attending and voting in person at the AGM should he subsequently decide to do so, although the appointment of the proxy shall be deemed to be revoked by such attendance.

A Depositor shall not be regarded as a Shareholder entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register at least 72 hours before the time appointed for holding the AGM.

6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed adoption of the Share Buy-back Mandate and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

APPENDIX

Dated 9 October 2019

7. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at 1 Commonwealth Lane, #09-23 One Commonwealth, Singapore 149544, during normal business hours from the date of this Appendix up to and including the date of the AGM:

- (a) the Company's Constitution; and
- (b) the annual report of the Company for FY2019.

Yours faithfully

For and on behalf of the Board of Directors of
TEHO International Inc Ltd.

LIM SEE HOE

Executive Chairman and Chief Executive Officer

TEHO INTERNATIONAL INC LTD.

(Company Registration Number 200811433K)

(Incorporated in the Republic of Singapore)

PROXY FORM ANNUAL GENERAL MEETING

I/We, _____ (Name)

(NRIC/Passport/Registration Number _____) of

_____ (Address)

being a member/members* of **TEHO INTERNATIONAL INC LTD.** (the "**Company**") hereby appoint:

| Name | Address | NRIC/Passport Number | Proportion of Shareholding | |
|------|---------|----------------------|----------------------------|---|
| | | | Number of Shares | % |
| | | | | |

and/or (delete as appropriate)

| Name | Address | NRIC/Passport Number | Proportion of Shareholding | |
|------|---------|----------------------|----------------------------|---|
| | | | Number of Shares | % |
| | | | | |

or failing him, the Chairman of the Annual General Meeting ("**AGM**") of the Company as my/our* proxy/proxies* to attend and vote for me/us* on my/our* behalf at the AGM of the Company to be held at Grand Copthorne Waterfront Hotel Singapore, Pelican Room, 392 Havelock Road, Singapore 169663 on Thursday, 24 October 2019 at 3.00 p.m. and at any adjournment thereof.

I/We* direct my/our* proxy/proxies* to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies* will vote or abstain from voting at his/their* discretion, as he/they* will on any other matter arising at the AGM and at any adjournment thereof.

If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick [√] within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please insert the relevant number of shares in the boxes provided.

IMPORTANT

- Investors who hold shares under the Supplementary Retirement Scheme ("**SRS Investors**") may attend and vote at the AGM in person. SRS Investors who are unable to attend the AGM but would like to vote, may inform their SRS Approved Nominees to appoint the Chairman of the AGM to act as their proxy, in which case, such SRS Investors shall be precluded from attending the AGM.
- This instrument of proxy is not valid for use by the SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

| NO. | RESOLUTIONS | FOR | AGAINST |
|--------------------------|---|-----|---------|
| ORDINARY BUSINESS | | | |
| 1. | To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 30 June 2019 together with the Independent Auditor's Report thereon | | |
| 2. | To approve the payment of Directors' fees of \$180,000 for the financial year ending 30 June 2020, to be paid quarterly in arrears | | |
| 3. | To re-elect Ms Lim Siew Cheng as a Director of the Company | | |
| 4. | To re-elect Ms Joanne Khoo Su Nee as a Director of the Company | | |
| 5. | To re-appoint KPMG LLP as auditor of the Company and to authorise the Directors to fix its remuneration | | |
| SPECIAL BUSINESS | | | |
| 6. | To authorise the Directors to allot and issue shares and convertible securities | | |
| 7. | To approve the proposed adoption of Share Buy-back Mandate | | |

* Delete accordingly

Dated this _____ day of _____ 2019

Signature(s) of shareholder(s) and Common Seal of corporate shareholder

| Total number of Shares in | Number of Shares |
|---------------------------|------------------|
| (a) Depository Register | |
| (b) Register of Members | |

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. If the member has shares entered against his name in the Depository Register, he should insert that number of shares. If the member has shares registered in his name in the Register of Members, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this instrument of proxy will be deemed to relate to all the shares held by the member.
2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend and vote at the AGM. Where such member appoints two (2) proxies, the proportion of his shareholding to be represented by each proxy shall be specified in this instrument of proxy. If the proportion of his shareholding is not specified, the first named proxy shall be deemed to represent 100% of his shareholding and the second named proxy shall be deemed to be an alternate to the first named.

(b) A member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than one (1) proxy, the number of shares in relation to which each proxy has been appointed shall be specified in this instrument of proxy.

“relevant intermediary” has the meaning ascribed to it in Section 181(6) of the Companies Act, Chapter 50 of Singapore.

3. A proxy need not be a member of the Company.
4. This instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 1 Commonwealth Lane, #09-23 One Commonwealth, Singapore 149544 not less than 48 hours before the time appointed for holding the AGM. The appointment of a proxy or proxies shall not preclude a member from attending and voting in person at the AGM. If a member attends the AGM in person, the appointment of a proxy or proxies shall be deemed to be revoked, and the Company reserves the right to refuse to admit such proxy or proxies to the AGM.
5. This instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised.

6. Where this instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney or a notarially certified copy thereof (failing previous registration with the Company) must be lodged with this instrument of proxy, failing which this instrument of proxy may be treated as invalid.
7. A corporation which is a member may authorise by a resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
8. The Company shall be entitled to reject this instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting this instrument appointing a proxy(ies) and/or representative(s), the member is deemed to have accepted and agreed to the personal data privacy terms set out in the notice of AGM of the Company dated 9 October 2019.

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TEHO INTERNATIONAL INC LTD.

Registration number 200811433K

1 Commonwealth Lane #09-23

One Commonwealth, Singapore 149544

