SET SAIL FOR SUSTAINED GROWTH

TEHO INTERNATIONAL INC LTD.

DISTRIBUTION NETWORK

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**

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"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "Exchange"). The Sponsor has not independently verified the contents of this Annual Report.

This Annual Report has not been examined or approved by the Exchange and the Exchange 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 Ong Hwee Li (Tel: (65) 6532 3829) at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542.

ABOUT TEHO GROUP

The TEHO Group – Multi-faceted Solutions Provider for the Marine & 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 & 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, operating in the areas of property development, agency and consultancy. Our markets are Singapore and the surrounding countries.

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.

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CHAIRMAN'S STATEMENT

We have made commendable progress over the past year. Despite continued challenges, I am encouraged that our Marine & Offshore Segment remains competitive and resilient. In the months ahead, we will work to further strengthen our relationships with customers and augment our value proposition.

Likewise, our Property Development Segment is on track with its turnaround efforts. Amidst tentative signs of a recovery in Singapore's real estate sector, we will continue to approach this business with a long-term view in mind.

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 2017 ("FY2017").

FY2017 continued to be a challenging year for us. The global shipping industry still treads in uncertain waters; cargo rates have remained volatile, reflecting the imbalance in capacity demand and supply. While crude oil prices have largely stabilised, albeit at lower historical price ranges, the offshore sector had and continues to face headwinds.

For the property sector in Singapore, overall sentiment has improved with budding signs of recovery. Residential home transactions have been active in recent months and new property launches are witnessing keen interest from buyers. The increase in private home transactions in the first half of 2017 compared to the same period a year ago (Source: "Singapore property at a turning point?", The Business Times, July 22 – 23, 2017) points to a property market that is regaining confidence.

2017 Financial Review

In FY2017, TEHO achieved higher revenue at $58.1 million, an increase of $0.7 million from $57.4 million for the financial year ended 30 June 2016 ("FY2016"). Nonetheless, gross profit was reduced from $17.9 million in FY2016 to $13.4 million in FY2017.

Revenue in the Marine & Offshore Segment declined by $4.3 million to $48.0 million compared to $52.3 million in FY2016. This was mainly due to keen competition in the marine industry and adverse impact of depressed crude oil prices on customers in the offshore oil & gas industry. The lower revenue led to a smaller gross profit of $16.0 million in FY2017 versus $17.0 million in FY2016.

Nonetheless, the Marine & Offshore Segment achieved higher gross profit margin of 33.4% in FY2017 as compared to 32.4% in FY2016, a result of better sales mix for the mooring and rigging business. This was offset by impairment charges on goodwill and intangible assets amounting to $1.3 million, an effect of the prolonged weakness in oil prices. In addition, there were amortisation charges of $0.5 million. Excluding these charges, the Marine & Offshore Segment would have made an underlying profit of $1.7 million in FY2017.

Revenue from the Property Development Segment rose by $5.0 million to $10.1 million in FY2017. The improvement was mainly due to revenue contribution from the sale of the remaining completed units of the Urban Heritage development project and the sale of units of the Elite Terrace development project, which is recognised on a percentage-of-completion basis.

The Property Development Segment also took impairment charges on goodwill and allowance for foreseeable losses on development properties totaling $3.1 million, attributable to the 17% valuation loss for the Elite Terrace development project. Without these charges, the Property Development Segment would have an underlying loss of $5.6 million in FY2017.

On a consolidated basis, TEHO recorded net loss after tax of $9.8 million in FY2017, significantly lower than the net loss of $23.8 million in FY2016.

Collaborating for growth

To stay ahead in the competitive landscape of the Marine and Offshore industry, one of our key focus areas is to seek out high value and high-performance product offerings. We believe this will differentiate us, and help sustain our competitive edge.

To this end, our Marine division collaborated with Teijin Aramid of Japan's Teijin conglomerate, and together, developed high-performance mooring lines made of Twaron fiber. These lines meet the technical challenges and demand for operational reliability by the shipping industry, which has high volumes and is moving towards larger and larger vessels for economies of scale. Twaron-based rope has virtually no creep and offers good heat resistance. These are significant advantages over other lightweight ropes currently available in the market. A sea trial is underway and results so far have been very positive.

The Twaron mooring lines also align with the industry's and our sustainability goals, as the discarded rope can be recycled. With ship owners and operators gravitating towards products that can stay in service longer with lower environmental impact, we expect adoption of the Twaron technology to be widespread, and a good income stream for the future.

TEHO also seeks to maintain our competitive edge by having products in close proximity to where customers need them. In June 2016, a new stock point was established in Algeciras, Spain, followed less than six months later, by another in Colon, Panama. The new distribution locations are generating encouraging results, and we will be increasing the range and level of products stocked there. The Group plans to identify new geographical locations to stock our mooring and rigging products and serve the marine vessels calling at these ports.

Staying on steady footing

Following the appointment of a new managing director for the Property Development Segment in the first half of FY2017, TEHO Property is seeing progress in its turnaround efforts.

In January 2017, TEHO Property completed the sale of Urban Heritage, a mixed-use freehold development along Balestier Road with commercial, residential and office units.

Another freehold project, Elite Terrace, which consists of eight units of 3-storey strata title terrace homes along Elite Terrace, saw a total of five units taken up to date. Construction is progressing well and, barring unforeseen circumstances, the project is slated for completion by 2018.

Going for excellence

I am pleased to report that after a thorough assessment based on international benchmarks, TEHO Ropes & Supplies was awarded the Business Excellence ("BE") certification by Spring Singapore in January 2017. The BE framework assessment tools measured our organisational performance from external perspectives, enabled us to identify our strengths and areas for improvement, and develop a systematic approach to achieve excellence. The BE certification is a feather in our collective cap, as it reflects the feedback of our suppliers, customers and the general public to the TEHO brand.

In addition, the Group has embarked on the Sustainability Reporting journey this year, in line with reporting requirements set out by the Singapore Exchange. Sustainability Reporting provides us an important platform to communicate to our stakeholders the initiatives, efforts and corporate activities that are carried out with sustainability priorities in consideration. The process also encourages us to evaluate ways to achieve growth in a more sustainable manner, from protecting the environment, contributing to the community to adopting best-in-class governance practices.

The Group was awarded the "MPA Sustainability Reporting Co-Funding Scheme" by the Maritime Port Authority of Singapore ("MPA"), having participated in MPA's efforts to create a Community of Best Practices aimed at elevating the quality of sustainability reporting in the maritime sector.

No area merits more importance in our striving for excellence than the relationship with our customers. We are proud to have customers that have been with us for many years, through thick and thin. Our customers worldwide trust us to deliver quality products and services, and we have built strong ties with them working through issues and developing solutions together. We will continue to cement these relationships and build new ones by our intense focus on customer service and harnessing technology to create products and services that meet needs known and unacknowledged.

Setting sail for sustained growth

I am deeply encouraged by the many strengths that we, as a Group, can leverage to build sustainable growth. Despite the storms buffeting some sectors, teamwork, diligence and unwavering pursuit of excellence in our execution will keep us on an even keel and allow us to set our sails for growth.

Appreciation

I would like to take this opportunity to thank my fellow Board of Directors for their invaluable counsel throughout the year. On behalf of the Board and Management, I sincerely thank our business partners, customers and employees for all your support. I am confident that TEHO is on course to deliver growth and enhance shareholder value.

Lim See Hoe
Executive Chairman & CEO

POWERING OUR STRENGTHS

Our fundamentals are strong, our strengths are many and our expertise spans marine, engineering, environment and real estate domains. With disciplined and astute management, we will synergise our strengths and enhance the power of our growth engine.

200,000
Square Feet
of inventory space

BOARD OF DIRECTORS

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 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 was appointed to be our Lead Independent Director on 5 May 2009 and is the Chairman of the Audit Committee. In addition, he serves as an Independent Director of Excelpoint Technology Ltd, IFS Capital Limited, and Wilmar International Limited, companies listed on the Singapore Exchange Securities Trading Limited ("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 degree in Bachelor of Accountancy 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 was appointed to be our Independent Director on 10 January 2014 and is the Chairman 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 Kitchen Culture Holdings Ltd and Excelpoint Technology Ltd, companies listed on the SGX-ST. In addition, she serves as an Independent Non-Executive Director of Netccentric Limited, a company listed on the Australian Securities Exchange Ltd. She has more than 20 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. She 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.

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 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, Kelvyn 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.

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

CORPORATE PROFILE

MARINE & OFFSHORE

- **Rigging, Mooring, Lifting & Safety Systems**
- **Electrical & Mechanical Engineering Systems**
- **Water & Environmental Treatment Systems**

The following subsidiaries serve the Marine & Offshore industry:

TEHO Ropes & Supplies Pte Ltd ("TEHO Ropes")

The oldest company in the Group, TEHO Ropes has over 30 years of experience fulfilling the mooring and rigging needs of the Marine & Offshore and Construction Industries in Southeast Asia. Our robust inventory of ropes, chains, synthetic slings and related fittings ensures availability and a quick turnaround time. We also provide rope testing and DNV GL certification services. TEHO Ropes is a ISO-9001 company. In 2017, we also earned the Business Excellence certification awarded by Spring Singapore.

TEHO EuROPE B.V. ("TEHO EuROPE")

Founded in 2013 and based in Rotterdam, TEHO EuROPE was the launchpad to service our customers based in the major Northern European ports of Rotterdam, Hamburg, Bremen and Antwerp. In recent years, following the establishment of stock points in Dubai (United Arab Emirates), and Algeciras (south of Spain), we have expanded our distribution to other parts of Europe, the Middle East and North Africa. Currently, TEHO EuROPE is also active in India and West Africa. Our core products are fibre rope and wire rope, with ancillary rigging, testing and certification services. Equipped with technical expertise and knowledge of the latest industry regulations, TEHO EuROPE has become a name that is synonymous with quality and reliability. TEHO EuROPE is ISO-9001 certified.

TEHO International (USA), LLC ("TEHO USA")

TEHO USA anchors the Group's international presence in the Americas. From inventory locations in Houston and Panama, TEHO USA ships products throughout the region, allowing the Group's customers, when their vessels call there, to enjoy the same quality products and exceptional service that is the hallmark of the TEHO brand. TEHO USA also creates awareness and cultivates new markets for the Group, which now include Panama, Mexico, Peru, Colombia and Chile.

TEHO (Shanghai) Co., Ltd ("TEHO Shanghai")

TEHO Shanghai office facilitates the Group's sale and marketing activities in China, and is also the sourcing and logistical arm for supply to vessels calling on Chinese ports. With our inventory located centrally in Shanghai, we can ensure a timely delivery to vessels calling on any ports in mainland China.

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.

Our range of products and services include HVAC, Outfitting, Water & Automation systems. We are the authorised distributor and installer of these products under well-renowned brands like Halton, OSO, Chromalox, InterDam, Helkama, 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 marine, offshore oil & gas, industrial, hotels and the government sectors. We have a solid history of prompt delivery of premium quality products accompanied by excellent service.

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 trouble-free performance. Over the span of 10 years, we have delivered our water makers to more than 250 workboats and supply vessels throughout Asia. 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 service centre for CAT Pumps in Southeast Asia.

REAL ESTATE

Property Development & Services

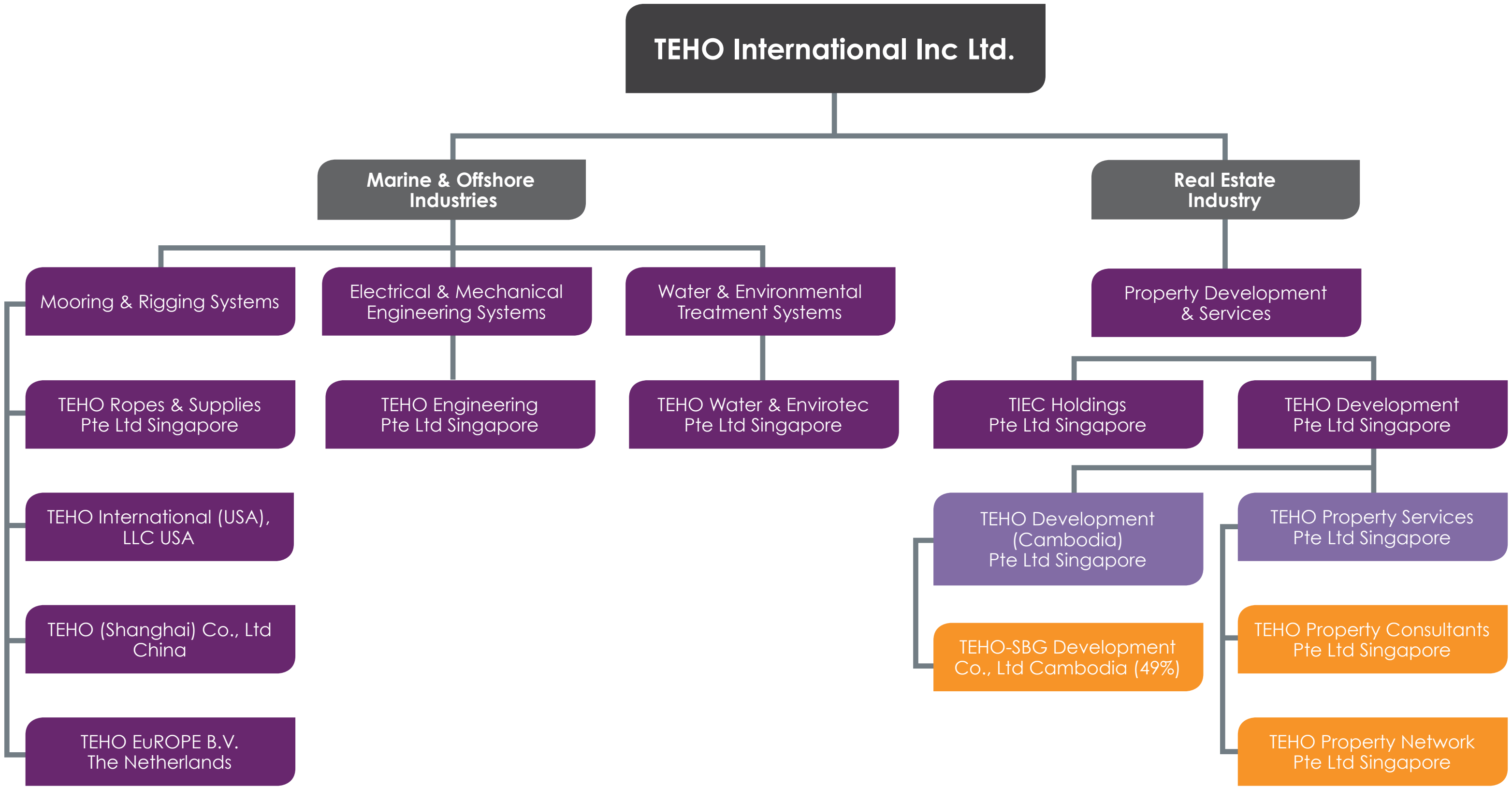
TEHO Development Pte Ltd ("TEHO Development")

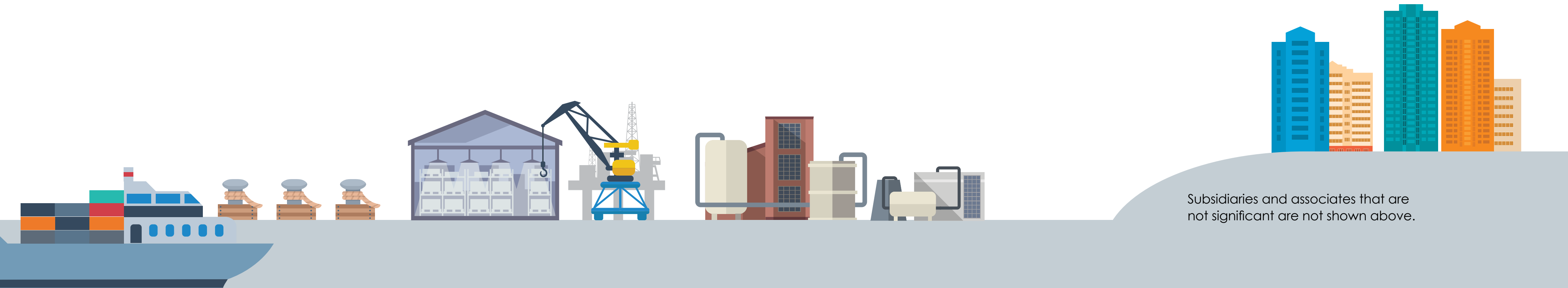
TEHO Development, together with a group of subsidiaries, form the real estate arm of the TEHO Group. Our core business encompasses property development and real estate services. We develop residential, commercial and mixed-use projects and we provide services ranging from purchase and sale agency, and to real estate consultancy.

GROUP MANAGEMENT STRUCTURE

- **BOARD OF DIRECTORS**
  - **LIM SEE HOE** Executive Chairman and CEO
    - **LIM SIEW CHENG** Executive Director and COO
    - **LIM SEE HENG** Projects Director
    - **PHUA SIAN CHIN** CFO
    - **LIM SIEW CHOO** General Administration Director
    - **PHILIP TAN CHIUN WEI** Managing Director of TEHO Engineering
    - **SOARE SIEW LIAN** CEO of USA Operations
    - **ALVIN CHEE SIONG** Managing Director of TEHO Water
    - **JAN-KEES NOORDHOEK** Managing Director of TEHO EuROPE
    - **EDWIN SOON CHUAN TIAH** Managing Director of TEHO Property Development Segment

GROUP STRUCTURE





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

BROADENING OUR VISION

The world is our market. Our strategy to establish an external wing to our business has been successful. We will continue to look beyond the horizon, cast our vision further and wider to explore business and partnership opportunities which can expand our customer base and broaden our global footprint.

4,000

Meter Square

new office and warehouse in Ridderkerk, Rotterdam

EXECUTIVE OFFICERS

LIM SEE HENG is our Projects Director and is currently responsible for project work, which normally involves open tendering of projects and complex tenders such as restricted, competitive or negotiated tendering. Lim See Heng joined TEHO in 1986 as the Managing Director where he was responsible for sales, operations, tenders and business development. He relinquished his post as a Managing Director in 2000 to concentrate on his current portfolio. Prior to joining TEHO, he was the Managing Director of Teck Hoe & Company (Private) Limited from 1978 to 1985. He attained a GCE Advanced Level certification in 1973.

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 degree in Bachelor of Business Administration 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

Benjamin Ng is our Financial Controller. He has 10 years of finance experience in audit and financial advisory in transaction-related services including valuations, financial modelling and financial due diligence. He graduated from the National University of Singapore with an Honours degree in Bachelor of Computing majoring in Information Systems. He also completed the Association of Chartered Certified Accountants (ACCA) and Chartered Financial Analyst (CFA) examinations.

TEHO Ropes

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 has over 19 years of experience in the marine and shipping industry. Prior to this appointment, Anthony 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 & 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, 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 delivery 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 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 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 Shanghai

Anthony Tok is our Project Executive, responsible for expanding the business in the China market. Anthony 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 started off as an Electrical Engineer and accumulated more than 22 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 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 most lately, served as a managing director of Oliveira. Actively involved in Eurocord and OCIMF, Jan-Kees has harnessed a wealth of knowledge in all aspects of synthetic rope production, marketing and applications, especially of the newer high performance rope.

TEHO Water

Alvin Chee Siong is our Managing Director of TEHO Water & Envirotec Pte Ltd. He graduated from the Technological University of Malaysia in 2002 with a degree in Bachelor of Engineering (Hons) major in Chemical Engineering. Alvin and his partner founded the STS Reverse Osmosis brand in 2003 and has been developing their own reverse osmosis water maker for the past decade. Today, STS Reverse Osmosis is one of the most prominent brands in Southeast Asia, renowned for its quality and after-sales service. With his inception into the Group, TEHO's water related product line will be further enhanced.

TEHO Property 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 led various teams in achieving record-breaking sales, and spearheaded successful overseas property launches that have set trends in the local market and beyond.

Phua Cheng Boon, our Operations Director, oversees the whole operations of the real estate business. He joined the Group in December 2010 as Financial Controller and was responsible for the operational finance and accounting functions of the Group. Cheng Boon 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.

OPERATIONS & BUSINESS REVIEW

Financial Performance Review

Revenue

The Group's revenue of $58.1 million for the financial year ended 30 June 2017 ("FY2017") increased by $0.7 million or 1.2%, from $57.4 million for the financial year ended 30 June 2016 ("FY2016").

Revenue contribution from the Marine & Offshore Segment declined by $4.3 million to $48.0 million in FY2017 compared to $52.3 million in FY2016. The decline was mainly due to competition in the marine industry and negative impact of crude oil prices on customers in the offshore oil & gas industry.

Revenue contribution from the Property Development Segment increased by $5.0 million or 98.0%, from $5.1 million in FY2016 to $10.1 million in FY2017. The increase was mainly due to revenue contribution from the sale of the remaining completed units of the Urban Heritage development project and the sale of units of the Elite Terrace development project, which is recognised on a percentage-of-completion basis.

Revenue from the Singapore Segment remained the highest geographical segment, at 65.6% of the Group's revenue in FY2017, which is comparable to 65.8% in FY2016.

Gross profit

The Group's gross profit of $13.4 million in FY2017 decreased by $4.5 million or 25.4% from $17.9 million in FY2016. The Group's gross profit margin in FY2017 decreased by 8.2 percentage points to 23.0% as compared to 31.2% in FY2016.

- The Marine & Offshore Segment contributed gross profit of $16.0 million to the Group in FY2017 as compared to $17.0 million in FY2016. The gross profit margin in FY2017 was 33.4%, slightly higher than the gross profit margin of 32.4% in FY2016. The improved gross profit margin was attributable to better sales mix for the mooring and rigging business in FY2017.

- The Property Development Segment contributed gross loss of $2.7 million to the Group in FY2017 as compared to a gross profit of $0.9 million in FY2016. At the end of FY2017, the valuation of the Elite Terrace development project declined by 17.4% compared to the valuation at the end of FY2016. Therefore, an allowance for foreseeable loss on the Elite Terrace development project was recognised, contributing to the Property Development Segment's gross loss.

OPERATIONS & BUSINESS REVIEW

Other income

Other income of $1.2 million in FY2017 decreased by $1.8 million or 58.5% from $3.0 million in FY2016 mainly due to the following:

- In FY2016, the Group recorded a gain on disposal of property, plant and equipment of $1.5 million, arising from the disposal of one of the Marine & Offshore Segment's property in Singapore at 47 Tuas Avenue 9.

- Fair value gain on derivatives decreased by $0.3 million as the Group did not employ the use of derivatives in FY2017.

- Land rent of $0.2 million in FY2017 decreased by $0.3 million from $0.5 million in FY2016. The decrease reflects reduced land rent following the disposal of the property in Singapore at 47 Tuas Avenue 9 and the cessation of the rent of a parcel of land in Cambodia used for a show flat for "The Bay" project.

- Foreign exchange losses and entertainment expense in FY2017 decreased by $0.2 million and $0.1 million respectively.

Other items of expense

Distribution expenses of $1.9 million in FY2017 decreased by $1.4 million or 40.7% from $3.3 million in FY2016 due to the following:

- The Marine & Offshore Segment's distribution expenses reduced by $0.6 million in FY2017 mainly as a result of a decrease in travelling costs and commission expenses.

- The Property Development Segment's distribution expenses reduced by $0.8 million in FY2017 mainly due to decrease in advertisement expenses and travelling costs.

Administrative expenses of $13.1 million in FY2017 decreased by $1.0 million or 7.5% from $14.1 million in FY2016 mainly attributable to the decrease in staff remuneration in the Property Development Segment as a result of a reduction in headcount and average salaries in FY2017.

Other operating expenses of $8.3 million in FY2017 decreased by $17.5 million or 67.9% from $25.8 million in FY2016. The Property Development Segment attributed to the decrease in other operating expenses by $16.3 million mainly due to the following:

- Decrease of $14.1 million impairment loss in FY2017 compared to FY2016. In FY2016, an impairment loss of $14.7 million was incurred in relation to the goodwill attributable to TEHO Property Services Pte. Ltd. and property development projects in Singapore. In FY2017, the Property Development Segment incurred an impairment loss on the remaining goodwill of $0.6 million brought forward from FY2016, attributable to property development projects in Singapore. As at 30 June 2017, the intangible assets for the Property Development Segment have been fully impaired.

- Absence of $1.6 million impairment loss in FY2017 in respect of the full impairment of "The Bay", investment property in Cambodia in FY2016. The impairment loss was due to the show flat for "The Bay" project being made obsolete due to the cessation of the rented land parcel used for the show flat.

OPERATIONS & BUSINESS REVIEW

The Marine & Offshore Segment attributed to the decrease in other operating expenses by $1.2 million mainly due to the following:

- Impairment loss decreased by $1.0 million. In FY2016, impairment loss in respect of goodwill and investment in associate attributable to the Marine & Offshore Segment's subsidiaries in Singapore amounted to $2.3 million. In FY2017, the Marine & Offshore Segment incurred an impairment loss on the remaining goodwill and intangible assets of $1.3 million. As of 30 June 2017, the intangible assets of the Marine & Offshore Segment has been fully impaired.
- Allowance for impairment on trade receivables reduced by $0.2 million.

Finance costs of $1.0 million in FY2017 decreased by $0.3 million from $1.3 million in FY2016. In March 2016, the Group redeemed loans with outstanding amounts totalling $10.5 million as at 30 June 2015, following the Group's disposal of its leasehold property in Singapore at 47 Tuas Avenue 9. The effect of reduction in finance costs arising from the redemption of these loans was partially offset by the increased short-term interest expenses from the Group's trust receipts and short-term revolving credit facilities.

Income tax expense

In FY2017, the Group recorded an income tax expense of $0.1 million, marginally lower than the income tax expense of $0.2 million incurred in FY2016.

Loss for the year

Combining the loss before tax of $0.1 million for the Marine & Offshore Segment, loss before tax of $8.7 million for the Property Development Segment, and the unallocated head office expenses of $0.9 million, the loss before tax of the Group was $9.7 million. After incurring income tax expense of $0.1 million, the Group's loss after tax in FY2017 was $9.8 million as compared to a loss of $23.8 million incurred in FY2016.

i. The Marine & Offshore Segment incurred a loss before tax of $0.1 million. Due to the prolonged weakness in oil prices and its impact on the industry, the Group incurred impairment charges on goodwill and intangible assets amounting to $1.3 million and amortisation charges of $0.5 million. Excluding the effects of these impairment charges and amortisation charges, the Marine & Offshore Segment would have an underlying profit of $1.7 million; and

ii. The Property Development Segment incurred a loss before tax of $8.7 million. Due to the decline in the valuation of the Elite Terrace development project, the Group incurred impairment charges on goodwill amounting to $0.6 million and allowance for foreseeable losses on development properties of $2.5 million. Excluding the effects of these impairment charges and allowance for foreseeable losses on development properties, the Property Development Segment would have an underlying loss of $5.6 million.

OPERATIONS & BUSINESS REVIEW

Balance Sheet Review

Non-current assets

Non-current assets decreased by $1.1 million or 4.1% to $25.5 million as at 30 June 2017 from $26.6 million as at 30 June 2016. The decrease was mainly due to the following:

- Intangible assets decreased by $2.3 million due to amortisation and impairment charges in FY2017.

- Property, plant and equipment increased by $1.2 million, mainly due to the acquisition of the Group's property located at Nikkelstraat 19 in Ridderkerk (2984 AM), The Netherlands, which had a carrying amount of $2.2 million as at 30 June 2017.

Current assets

Current assets of $82.3 million as at 30 June 2017 decreased by $9.0 million or 9.9% from $91.3 million as at 30 June 2016. The decrease was mainly due to the following:

- Inventories decreased marginally by $0.3 million.

- Development properties reduced by $5.0 million due to the the sale of the remaining completed units of the Urban Heritage development project and the sale of units of the Elite Terrace development project, which are under construction as at 30 June 2017.

- Trade and other receivables declined by $3.7 million. Turnover days for the Group's trade and other receivables decreased from 104 days in FY2016 to 79 days in FY2017. The decline was mainly attributable to the Property Development Segment's trade and other receivables turnover days which reduced from 341 days in FY2016 to 65 days in FY2017. The Property Development Segment's trade receivables reduced by $1.7 million due to a reduction in accrued receivables, representing balances of sales consideration for development properties which have not been billed as at 30 June 2016 but were subsequently billed and collected during FY2017. The Property Development Segment's other receivables reduced by $1.0 million, of which $0.7 million was as a result of impairment charges. The turnover days for the Marine & Offshore Segment's trade and other receivables remained stable at 81 days.

- Cash and cash equivalents, including the effect of exchange rate fluctuations on cash held, remained stable at $7.8 million. Please refer to the "Cash Flows Review" section below for details.

Non-current liabilities

Non-current liabilities increased by $6.2 million or 26.1% to $30.0 million as at 30 June 2017 from $23.8 million as at 30 June 2016. The increase was due to the following:

- Non-current portion of loans and borrowings increased by $6.5 million. The Marine & Offshore Segment refinanced $5.0 million of short-term revolving credit facilities with term loans. In addition, the Marine & Offshore Segment obtained a term loan to finance its acquisition of the property located at Nikkelstraat 19 in Ridderkerk (2984 AM), The Netherlands. In aggregate, the Marine & Offshore Segment contributed $5.9 million of the increase in non-current portion of loans and borrowings. The remaining $0.6 million increase was attributable to the Property Development Segment's drawdown of construction loan for the Elite Terrace development project.

- Deferred tax liabilities decreased by $0.3 million.

Current liabilities

Current liabilities decreased by $7.1 million or 22.2% to $24.9 million as at 30 June 2017 from $32.0 million as at 30 June 2016. The decrease was due to the following (the following do not add up due to rounding):

OPERATIONS & BUSINESS REVIEW

- Current portion of loans and borrowings decreased by $5.8 million, of which $2.1 million was attributable to the Marine & Offshore Segment and $3.7 million was attributable to the Property Development Segment. The Marine & Offshore Segment repaid $5.0 million of short-term revolving credit facilities and replaced them with term loans which had current portions of $1.4 million. In addition, the Marine & Offshore Segment's trust receipts financing increased by $1.5 million. The Property Development Segment's repaid working capital loans amounting to $3.7 million, resulting in the decline in the segment's current portion of loan and borrowings. The working capital loans were repaid as they related to the remaining completed units of the Urban Heritage development project, which were sold during FY2017.

- Current tax liabilities decreased by $0.2 million.

- Trade and other payables decreased by $1.0 million. Turnover days for the Group's trade and other payables decreased from 79 days in FY2016 to 62 days in FY2017. The decline was attributable to the Property Development Segment's trade and other payables turnover days which reduced from 418 days in FY2016 to 77 days in FY2017. The Property Development Segment's trade and other payables reduced by $2.1 million mainly due to the refund of deposits to buyers of units of "The Bay" project in Cambodia which was completed during FY2017. This was partially offset by an increase in turnover days for the Marine & Offshore Segment's trade and other payables from 37 days in FY2016 to 53 days in FY2017. The Marine & Offshore Segment's trade and other payables increased by $1.1 million mainly due to increases in accrued expenses, deferred income and advance receipts from customers.

Shareholders' equity

Shareholders' equity of $52.9 million as at 30 June 2017 decreased by $9.2 million or 14.8% from $62.1 million as at 30 June 2016. The decrease was due to the following:

- Loss for FY2017 amounting to $9.8 million;

- Foreign currency translation gain of $0.6 million; and

- Deferred tax income credited directly to equity amounting to $0.1 million.

Cash Flows Review

Cash flows from operating activities

Operating cash outflows before changes in working capital was $1.4 million in FY2017. Net cash inflow from working capital was $5.6 million due to the following (the amounts below do not add up due to rounding):

- Cash inflows arising from a decrease in inventories of $0.3 million;

- Cash inflows arising from a decrease in development properties of $3.0 million;

- Cash inflows arising from a decrease in trade and other receivables of $3.1 million; and

- Cash outflows arising from a decrease in trade and other payables of $0.9 million.

After deducting income taxes paid of $0.6 million, net cash generated from operating activities in FY2017 was $3.6 million.

Cash flows used in investing activities

Net cash used in investing activities in FY2017 was $1.3 million which was mainly attributable to the purchase of property, plant and equipment.

Cash flows used in financing activities

Net cash used in financing activities in FY2017 was $2.2 million, mainly attributable to the following:

- Interest paid of $1.4 million;

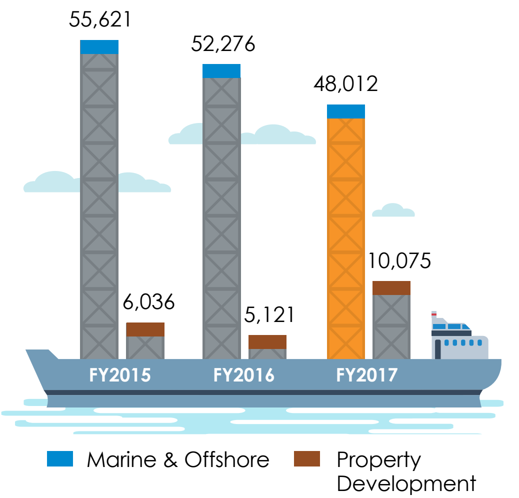
- Repayment of bank borrowings and finance lease liabilities totalling $24.9 million; and

- Proceeds from bank borrowings amounting to $24.1 million.

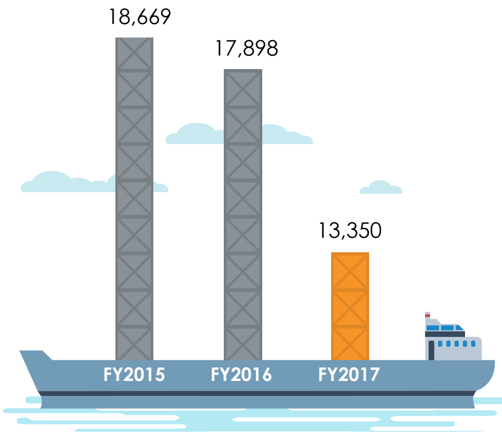
As a result of the above, cash and cash equivalents increased by $0.1 million during FY2017. Cash and cash equivalents as at 30 June 2017 was $7.8 million.

FINANCIAL HIGHLIGHTS

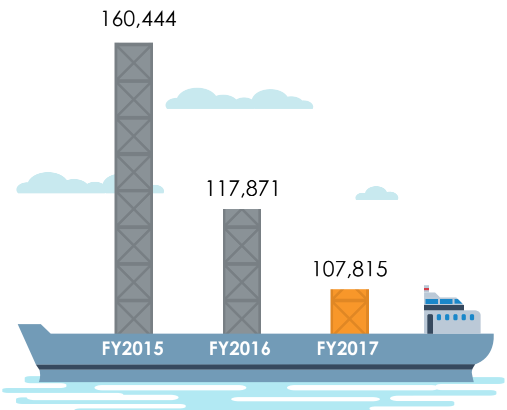
Revenue ($'000)



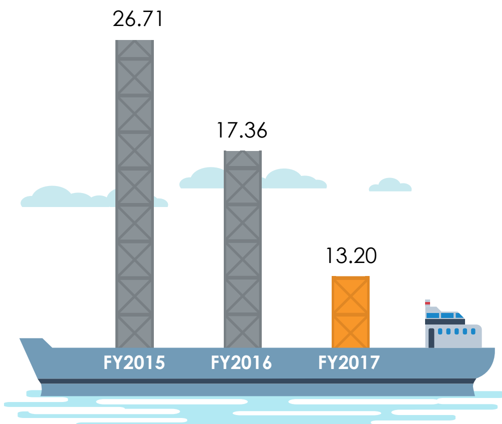
Gross Profit ($'000)



Total Assets ($'000)



NAV Per Ordinary Share (Cents)



	FY2015	FY2016	FY2017
Revenue			
By Operating Segments			
Marine & Offshore (S$'000)	55,621	52,276	48,012
Property Development (S$'000)	6,036	5,121	10,075
Total	61,657	57,397	58,087
By Geographical Areas			
Singapore (S$'000)	42,530	37,777	38,106
Rest of Asia (S$'000)	8,784	6,192	8,121
Rest of the World (S$'000)	10,343	13,428	11,860
Total	61,657	57,397	58,087
Operating Results			
Gross Profit (S$'000)	18,669	17,898	13,350
EBITDA (S$'000)	(4,507)	(20,102)	(6,642)
Loss Before Tax (S$'000)	(7,456)	(23,662)	(9,731)
Loss After Tax (S$'000)	(7,689)	(23,830)	(9,845)
Gross Profit Margin (%)	30.3	31.2	23.0
Return on Sales (%)	-12.5	-41.5	-16.9
Return on Assets (%)	-4.8	-20.2	-9.1
Return on Equity (%)	-9.2	-38.4	-18.6
Earnings Per Ordinary Share (Cents)	-3.54	-10.21	-4.22
Financial Position			
Total Assets (S$'000)	160,444	117,871	107,815
Total Liabilities (S$'000)	76,659	55,792	54,946
Shareholders' Equity (S$'000)	62,313	40,513	30,803
NAV Per Ordinary Share (Cents)	26.71	17.36	13.20

MAJOR PROPERTIES

As at 30 June 2017

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 2017

Approximate Area						
Project Name/Location/ Description	Tenure	Approx. Land Area (sqm)	Approx. Gross Floor Area (sqm)	Percentage of Completion at 30 June 2017 (%)	Interest held by the Group (%)	Expected Completion Date
52 Elite Drive, Singapore 559896 8 units of 3-storey strata terrace dwelling houses with basement, attic, roof terrace and swimming pool each	Freehold	13,390	19,697	70% (2016: 69%)	100%	2018
Kulalom Street, Chroy Changva District, Phnom Penh, Kingdom of Cambodia Mixed-use development comprising: 1) 5-star hotel; 2) 53-storey condominium tower with 688 residential units; 3) 53-storey condominium tower with 1,200 residential units; and 4) 48-storey block with 20 villas	Freehold	18,771	318,644	Has not commenced construction	49%	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
Chairman

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.
9 Raffles Place #29-01
Republic Plaza Tower 1
Singapore 048619

Sponsor
SAC Capital Private Limited
1 Robinson Road
#21-02 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

FINANCIAL CONTENTS

REPORT OF CORPORATE GOVERNANCE

The Board of Directors (the "Board") of TEHO International Inc Ltd. (the "Company") 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.

The Company has put in place various policies and practices that will safeguard the interests of shareholders and enhance shareholders' value as part of its efforts to maintain high standards of corporate governance. This report outlines the main corporate governance practices and procedures adopted by the Company with specific reference to the Code of Corporate Governance 2012 (the "Code").

STATEMENT OF COMPLIANCE

The Board confirms that for the financial year ended 30 June 2017 ("FY2017"), the Company has generally adhered to the principles and guidelines set out in the Code save as otherwise explained below.

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 executive directors and three independent directors, who have the right core competencies and diversity of experience to enable them, in their collective wisdom, to contribute effectively. 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:

- corporate strategy and business plans;
- investment and divestment proposals;
- funding decisions of the Group;
- nominations of directors for appointment to the Board and appointment of key personnel;
- announcement of half-year and full-year results, annual report and financial statements;
- material acquisitions and disposal of assets;
- sustainability issues as part of its strategic formulation;
- all matters of strategic importance;
- management performance; and
- corporate governance.

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

- Audit Committee (the "AC");
- Nominating Committee (the "NC"); and
- Remuneration Committee (the "RC").

Each of these committees is being 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 will provide further safeguards to prevent an uneven concentration of power, authority and decision-making in a single individual.

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

Ad hoc meetings involving the Board and management are held regularly 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.

REPORT OF CORPORATE GOVERNANCE

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 FY2017 are disclosed below:

Types of Meetings	Board	Audit Committee	Nominating Committee	Remuneration Committee
Name of directors				
Total held for FY2017	**3**	**4**	**1**	**2**
Mr Lim See Hoe	2#	3*	1*	2*
Ms Lim Siew Cheng	3	4*	1*	2*
Mr Kwah Thiam Hock	3	4#	1	2
Ms Joanne Khoo Su Nee	3	4	1	2#
Mr Oo Cheong Kwan Kelvyn	3	4	1#	2

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 Company.

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 Company's operations and the roles and responsibilities of a director of a listed company in Singapore. They will also be provided with a formal letter setting out their duties and obligations. Where appropriate, the Company will also arrange for them to attend training courses organised by the Singapore Institute of Directors or other professional training institutions so as to equip them to discharge their duties effectively. No new director was appointed in FY2017.

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 through reading relevant literature and attending appropriate seminars and courses conducted by bodies such as the Singapore Exchange Securities Trading Limited ("SGX-ST") and Singapore Institute of Directors. During the AC meetings, KPMG LLP (the "External Auditors"), the external auditors of the Company, briefed the directors on the changes in accounting standards as well as key audit matters. The directors were also briefed by KPMG Services Pte. Ltd. and its Catalist Sponsor on SGX-ST's requirements on Sustainability Reporting.

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.*

The Board currently comprises the following directors:

<u>Executive Directors</u>

Mr Lim See Hoe	Executive Chairman and Chief Executive Officer ("CEO")
Ms Lim Siew Cheng	Executive Director and Chief Operating Officer ("COO")

<u>Non-Executive Directors</u>

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 non-executive directors constructively participate in developing and setting proposals on business strategies for the Company and review the performance of the management.

REPORT OF CORPORATE GOVERNANCE

The independence of each independent director is reviewed annually by the NC. The NC adopts the definition in the 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. 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.

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.

In view that more than half of the Board is made up of independent directors, the NC is satisfied that the Board has a strong independent element to ensure that objective judgment is exercised on corporate affairs.

The Board through the NC has examined its size and composition and is of the view that it is 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. The Board comprises two female directors in recognition of the value of gender diversity.

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.

As at the date of this annual report, there is no independent director who has served on the Board beyond nine years from the date of his or her appointment.

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

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. He 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 operation of the Group. Ms Lim is responsible for the Group's sales administration, operations and strategic planning. Mr Lim See Hoe and Ms Lim Siew Cheng are siblings.

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 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. Furthermore, the Board is of the view that as more than half of the Board is made up of independent directors with the establishment of the three Board committees which are chaired by and comprise independent directors, there are adequate safeguards in place to prevent an uneven concentration of power, authority and decision-making in a single individual.

REPORT OF CORPORATE GOVERNANCE

Where necessary, the independent directors may meet without the presence of the other 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.*

The NC comprises entirely independent directors, namely Mr Oo Cheong Kwan Kelvyn, Mr Kwah Thiam Hock and Ms Joanne Khoo Su Nee. The Chairman of the NC is Mr Oo Cheong Kwan Kelvyn. The NC is guided by written terms of reference that describe the responsibilities of its members.

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 the 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, its Board committees and 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 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 own re-election. The NC has recommended the re-election of two retiring directors, namely Ms Lim Siew Cheng and Mr Kwah Thiam Hock at the forthcoming annual general meeting (the "AGM"). The Board has accepted the NC's recommendations and Ms Lim Siew Cheng and Mr Kwah Thiam Hock will be offering themselves for re-election at the forthcoming AGM.

Mr Lim See Hoe and Ms Lim Siew Cheng are siblings. Save for the foregoing, there are no material relationships between the retiring directors and the other directors of the Company, the Company and its 10% shareholders.

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 carried of listed company board representations which directors may hold until such need arises.

REPORT OF CORPORATE GOVERNANCE

Key information regarding the directors is set out below:

Name of director	Date of first appointment	Date of last re-election	Directorships in other listed companies	
			Present	Past (Last three years)
Mr Lim See Hoe	10 June 2008	26 October 2016	Nil	Nil
Ms Lim Siew Cheng	15 October 2008	26 October 2015	Nil	Nil
Mr Kwah Thiam Hock	5 May 2009	26 October 2015	1. Excelpoint Technology Ltd. 2. IFS Capital Limited 3. Wilmar International Limited	Select Group Limited
Ms Joanne Khoo Su Nee	10 January 2014	26 October 2016	1. Kitchen Culture Holdings Ltd. 2. Excelpoint Technology Ltd. 3. Netccentric Limited	Nil
Mr Oo Cheong Kwan Kelvyn	1 January 2015	26 October 2015	New Silkroutes Group Limited	Nil

The academic and professional qualifications, as well as the principal commitments 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.

Currently, there is no alternate director on the Board.

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. The Board has also implemented a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and the Board committees, and for assessing the contribution by each individual director to the effectiveness of the Board. Assessment checklists which include 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, are disseminated to each director for completion and the assessment results are 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 performance or re-nomination as director. No external facilitator had been engaged by the Board in FY2017 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

REPORT OF CORPORATE GOVERNANCE

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. 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, Chapter 50 (the "Companies Act"), and the provisions in Section B: Rules of Catalist of the SGX-ST Listing Manual ("Catalist Rules") are complied with. Directors have separate and independent access to the company secretaries. The appointment and removal of the company secretaries is a matter for 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 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 entirely independent directors, namely Ms Joanne Khoo Su Nee, Mr Kwah Thiam Hock and Mr Oo Cheong Kwan Kelvyn. The Chairman 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 will also ensure that any relationship between the appointed remuneration consultant and any of the directors or Company will not affect the independence and objectivity of the remuneration consultant.

The RC will continue to review the Company's obligations arising in the event of termination 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 and variable components are in the form of a base salary and a variable bonus respectively, which takes into account the performance of the Company and their 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.

REPORT OF CORPORATE GOVERNANCE

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 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 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 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 achievement and retain talents within the Group. The TEHO PSP is administrated by the RC. Please refer to the "Directors' Statement" section of this annual report for more information on the TEHO PSP. No award was granted pursuant to the TEHO PSP during FY2017.

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 FY2017 is as follows:

Remuneration band and name of director	Fee	Salary	Bonus	Benefits	Total
$500,000 to below $650,000	**%**	**%**	**%**	**%**	**%**
Mr Lim See Hoe	1.6	81.1	–	17.3	100
$350,000 to below $500,000	**%**	**%**	**%**	**%**	**%**
Ms Lim Siew Cheng	2.8	91.5	–	5.7	100
Below $200,000	**%**	**%**	**%**	**%**	**%**
Mr Kwah Thiam Hock	100.0	–	–	–	100
Ms Joanne Khoo Su Nee	100.0	–	–	–	100
Mr Oo Cheong Kwan Kelvyn	100.0	–	–	–	100

The Code recommends the Company to name and disclose the remuneration of at least the top 5 key management personnel, who are not Directors or CEO of the Company. For FY2017, 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) is as follows:

REPORT OF CORPORATE GOVERNANCE

Name of key management personnel	Salary	Bonus	Benefits	Total
	%	%	%	$ '000
Mr Phua Sian Chin	78.8	6.6	14.6	209

A breakdown, showing the FY2017 remuneration level and mix of each employee who is an immediate family member of a director or the CEO is as follows:

Remuneration band and name of employee	Salary	Bonus	Benefits	Total
$250,000 to below $300,000	%	%	%	%
Ms Soare Siew Lian	84.7	5.8	9.5	100
$200,000 to below $250,000	%	%	%	%
Ms Lim Siew Choo	93.9	–	6.1	100
$100,000 to below $150,000	%	%	%	%
Mr Lim See Heng	85.9	–	14.1	100

Ms Soare Siew Lian is the CEO of USA Operations; Ms Lim Siew Choo is the General Administration Director; and Mr Lim See Heng is the Projects Director. They are siblings of the CEO and COO of the Company. Ms Lim Siew Choo is also a substantial shareholder of the Company. Save as disclosed above, no employee of the Group whose remuneration exceeded $50,000 for FY2017, was an immediate family member of the directors or the CEO.

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.

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 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 Catalist Sponsor on legislative and regulatory changes to the Catalist Rules.

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. 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.

REPORT OF CORPORATE GOVERNANCE

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. However, the executive directors and 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. 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 Enterprise Risk Management Update Review and Internal Audit Review of the Group.

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 Chief Financial Officer takes on the additional duties of a compliance officer and to co-ordinate and oversee the works of the Company's professional service providers.

<u>Enterprise Risk Management</u>

The AC had engaged the Internal Auditors to undertake an Enterprise Risk Management Update Review of the Group, which commenced in January 2017, to enable the Board and 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:

(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.

<u>Internal controls</u>

On 18 January 2017, the Board, 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 span over / will span over FY2017 and FY2018 which covers the following major areas of operations of the Group under two phases:

Phase 1 (conducted in FY2017):

(a) Sales, marketing and collection;
(b) Development and construction management (for the Property Development Segment);
(c) Financial close and reporting;
(d) Treasury and cash management; and
(e) Human resource and payroll management.

Phase 2 (scheduled to be conducted in FY2018):

(a) Sales, marketing and collection (for the Property Development Segment);
(b) Development and construction management (for the Property Development Segment);
(c) Information technology general controls;
(d) Procurement through payment; and
(e) Inventory management.

REPORT OF CORPORATE GOVERNANCE

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 17 July 2017 and one in relation to the Property Development Segment dated 9 June 2017. The reports, which included recommendations and areas for improvements, were also disseminated to the key members of management for follow-up action. Based on the actions taken by the Group on the recommendations made by the Internal Auditors, 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 in meeting the needs of the Group in its current business environment.

In the audit of the Company's financial statements for FY2017, 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, 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 for the Group for FY2017. 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 FY2017 external audit, (b) the Internal Auditors' internal audit reports for FY2017 and (c) the Enterprise Risk Management Update Review report.

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.

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 countermeasures and internal controls that are in place to manage those risks.

The Board has received assurance from the CEO and the Chief Financial Officer (a) that the financial records have been properly maintained and the financial statements for FY2017 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 appointed 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 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 2017. 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.*

REPORT OF CORPORATE GOVERNANCE

The AC comprises entirely independent directors, namely Mr Kwah Thiam Hock, Ms Joanne Khoo Su Nee and Mr Oo Cheong Kwan Kelvyn. The Chairman of the AC is Mr Kwah Thiam Hock. The AC 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 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, review 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);

(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.

REPORT OF CORPORATE GOVERNANCE

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 significant matters were discussed with the management and the External Auditors and reviewed by the AC in respect of FY2017:

Matters considered	Audit Committee's comments
Impairment assessment of goodwill	The AC reviewed the outcomes of the goodwill impairment process and discussed the details of the review with management, focusing on the key assumptions applied in the determination of the recoverable amount of the cash generating units (CGUs). In addition, the AC considered the findings of the External Auditors. The AC was satisfied with the reasonableness of management's key assumptions and assessment.
Valuation of freehold and leasehold buildings	The AC considered the valuation approach adopted and key assumptions used. In addition, the AC considered the findings of the External Auditors. The AC was satisfied with the appropriateness of the valuation approach and the reasonableness of the key assumptions applied.
Valuation of development properties	The AC considered the valuation approach adopted and key assumptions used in relation to the development properties under construction in Singapore and the land held for development in Cambodia. The AC also considered the findings of the External Auditors. The AC was satisfied with the appropriateness of the valuation approach and the reasonableness of the key assumptions applied.
Valuation of inventory	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 the management's assessment.

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. Breakdown of the External Auditors' fees paid for audit and non-audit services for the financial year is provided in the "Audit and Non-Audit Fees" section of this Report of Corporate Governance.

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 and with updates relating to any change in accounting standards impacting the financial statements. During the AC meetings in FY2017, 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 FY2017.

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 auditor. As the size of the operations of the Group does not warrant the Group having an in-house internal audit function, the Group outsourced

REPORT OF CORPORATE GOVERNANCE

its internal audit function 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;
(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 FY2017, 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.

The AC is satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant 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.

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.

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.

REPORT OF CORPORATE GOVERNANCE

Communication with Shareholders

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

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.

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 RHT Communications & Investor Relations 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. No dividend was paid or proposed for FY2017 as the Board feels it is prudent to retain cash resources so that the Company has the flexibility to execute its business plans effectively. 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 each Board committee is required to be present to address questions at the AGM. 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 management. These minutes are available to shareholders upon their request.

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.

REPORT OF CORPORATE GOVERNANCE

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 the Catalist Rules on dealings in the Company's securities.

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.

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 FY2017 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)	
	FY2017	**FY2016**	**FY2017**	**FY2016**
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 2013 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 2016. TEHO Ropes & Supplies Pte. Ltd. had on 1 August 2016 renewed the lease with Asdev Investments Pte. Ltd. by entering into a new lease agreement.

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.

REPORT OF CORPORATE GOVERNANCE

Audit and Non-Audit Fees

During FY2017, the aggregate amount of fees paid or payable to the External Auditors for the audit and non-audit services amounted to $238,500 and $39,750 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 FY2017. The non-audit services performed by the External Auditors for FY2017 relate to indirect tax advisory services 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 FY2017.

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 and the audited financial statements, 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.

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 2017.

In our opinion:

(a) the financial statements set out on pages FS46 to FS106 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 2017 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 Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; 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 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant 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	57,247,578
Lim Siew Cheng	23,100,155	23,100,155

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 2017 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 or debentures in 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 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 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 award date.

There were no awards granted under the PSP by the Company or any corporation in the group since its inception and during the financial year.

There were no shares issued during the financial year by virtue of the exercise of awards to take up unissued shares of the Company or any corporation in the group.

There were no unissued shares under the PSP in the Company or any corporation in the group as at the end of the financial year.

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 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 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

28 September 2017

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 statements of financial position of the Group and the Company as at 30 June 2017, 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 FS46 to FS106.

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 Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2017 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.

Impairment of goodwill
(Refer to Note 5 to the financial statements)

The key audit matter

As at 30 June 2017, the Group carried a goodwill on consolidation of $1.7 million relating to its acquisition of Teho Engineering Pte Ltd ("TEPL") and TIEC Holdings Pte Ltd ("TIEC") in prior years.

Each of TEPL and TIEC is considered a separate cash generating unit ("CGU"). Management has assessed the recoverable amounts of the CGUs using the value-in-use approach which was determined using the discounted cash flow method.

Management made judgements over certain key assumptions in the discounted cash flows of TEPL, which includes discount rate, revenue growth rates, gross margins and terminal growth rate, whereas the discounted cash flows of TIEC involves making estimates of the future selling prices and total construction costs of the development properties under construction.

The Group engaged an independent external valuer to estimate the future selling prices of the development properties under construction of TIEC. The independent external valuer adopted the market comparison method by comparing the recent transacted sales prices of comparable properties. The Group estimated its budgeted construction costs of development properties under construction based on its design plan and progress status of the property development project.

Any shortfall of the recoverable amounts against the carrying amounts would be recognised as impairment losses. Based on the assessment carried out, the carrying amounts of the CGUs exceeded their estimated recoverable amounts and the goodwill of $1.7 million was fully impaired during the year.

How the matter was addressed in our audit

Our response:
We evaluated the key assumptions used in deriving the discounted cash flows of TEPL which included a comparison of the revenue growth rates, gross margins and terminal growth rate against the historical results achieved, economic condition and industry forecasts. We also evaluated the discount rate applied on the future cash flows by comparing to the weighted average cost of capital for TEPL.

For development properties under construction of TIEC, we evaluated the objectivity and competency of the independent external valuer. We held discussions with the independent external valuer to understand the valuation methodology adopted and assessed the appropriateness of the key assumptions used, by comparing to recent transacted sale prices of comparable properties. We also assessed the reasonableness of the budgeted construction costs by comparing them with the actual construction costs incurred to-date, taking into consideration any significant deviation in design plans, potential delays or cost overrun that may require revision in the budgeted construction costs.

Our findings:
We found the key assumptions used by the Group in estimating the recoverable amounts of TEPL to be reasonable.

For development properties under construction of TIEC, we found no matters of concern regarding the objectivity and competency of the independent external valuer. The valuation method used by the independent external valuer was comparable to the method used for similar property types. We found the key assumptions used by the independent external valuer and the Group's estimates of its budgeted construction costs of development properties under construction to be supportable and balanced.

Valuation of freehold and leasehold buildings
(Refer to Note 4 to the financial statements)

The key audit matter

The Group's freehold and leasehold buildings included in property, plant and equipment are stated at their revalued amounts. The Group engaged independent external valuers to determine the fair values of the freehold and leasehold buildings at the reporting date.

In determining the fair values of leasehold buildings, the independent external valuers adopted the market comparison method, taking into consideration transacted sale prices of comparable properties. For freehold building, the independent external valuer adopted the income capitalisation approach, taking into consideration estimates of future rental rates of comparable properties and applying a capitalisation rate.

The estimation of the fair values of the freehold and leasehold buildings is sensitive to the key assumptions by the independent external valuers. On this basis, valuation of freehold and leasehold buildings is a key area on which our audit focused on.

How the matter was addressed in our audit

Our response:
We evaluated the objectivity and competency of the independent external valuers. We held discussions with the independent external valuers to understand the valuation methods adopted and assessed the appropriateness of the key assumptions used, by comparing to recent transacted sale prices and rental rates of comparable properties. We also assessed the capitalisation rate used in the valuation by comparing to historical rates and industry data.

Our findings:
We found no matters of concern regarding the objectivity and competency of the independent external valuers. The valuation methods used by the independent external valuers were comparable to the methods used for similar property types. The key assumptions used by the independent external valuers were supportable and within the range of industry data.

Valuation of development properties
(Refer to Note 10 to the financial statements)

The key audit matter

As at 30 June 2017, the Group recorded development properties of $40.2 million, which comprise development properties under construction in Singapore and land held for development in Cambodia.

Development properties are stated at the lower of their cost and their net realisable values. The estimation of the net realisable values of development properties under construction in Singapore involves making estimates of the future selling prices and total construction costs of the development properties, while the estimation of the net realisable values of development properties in Cambodia involve making estimates of the fair value of the land.

Where the net realisable value of the Group's development properties fall below their carrying amounts, an allowance for foreseeable losses would have to be recognised to write down the properties to their estimated net realisable values.

The Group engaged independent external valuers to estimate the future selling prices of the development properties under construction in Singapore and the fair value of the land in Cambodia. The independent external valuers adopted the market comparison method by comparing the recent transacted sales prices of comparable properties and adjusting for attributes such as size and locations specific to the properties being valued. The Group estimates its budgeted construction costs of development properties under construction based on its design plan and progress status of the property development project.

How the matter was addressed in our audit

Our response:
We evaluated the objectivity and competency of the independent external valuers. We held discussions with the independent external valuers to understand the valuation methodology adopted and assessed the appropriateness of the key assumptions used by comparing to recent transacted sale prices of comparable properties.

For development properties under construction in Singapore, we assessed the reasonableness of the budgeted construction costs by comparing them with the actual construction costs incurred to-date, taking into consideration any significant deviation in design plans, potential delays or cost overrun that may require revision in the budgeted construction costs.

Our findings:
We found no matters of concern regarding the objectivity and competency of the independent external valuers. The valuation method used by the independent external valuers was comparable to the method used for similar property types. We found the key assumptions used by the independent external valuers and the Group's estimates of its budgeted construction costs of development properties under construction to be supportable and balanced.

Valuation of inventories
(Refer to Note 9 to the financial statements)

The key audit matter

As at 30 June 2017, the Group holds inventories of $21.8 million. The inventories which mainly comprise wire and fibre ropes that 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, or if their selling price have declined.

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

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 and the latest selling prices for these inventories.

Our findings:
We found management's estimate of allowance for inventory obsolescence to be balanced.

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 auditors' report.

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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 control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- 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.

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

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

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

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
28 September 2017

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2017

	Note	Group 2017 $	Group 2016 $	Company 2017 $	Company 2016 $
Assets					
Property, plant and equipment	4	25,484,134	24,241,153	84,579	128,548
Intangible assets	5	–	2,324,018	–	–
Investment property	6	–	–	–	–
Investment in subsidiaries	7	–	–	18,831,877	25,315,814
Investment in associates	8	–	–	–	–
Other receivables	11	–	–	–	1,205,792
Non-current assets		25,484,134	26,565,171	18,916,456	26,650,154
Inventories	9	21,780,022	22,057,845	–	–
Development properties	10	40,188,525	45,175,070	–	–
Trade and other receivables	11	12,580,746	16,278,109	4,720,831	21,336,937
Cash and cash equivalents	12	7,781,629	7,795,289	88,127	307,646
Current assets		82,330,922	91,306,313	4,808,958	21,644,583
Total assets		107,815,056	117,871,484	23,725,414	48,294,737

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

	Note	Group 2017 $	Group 2016 $	Company 2017 $	Company 2016 $
Equity					
Share capital	13	32,922,108	32,922,108	32,922,108	32,922,108
Other reserves	14	12,354,349	12,637,220	–	–
Accumulated losses		(14,473,130)	(5,046,069)	(46,653,923)	(23,569,946)
Equity attributable to owners of the Company		30,803,327	40,513,259	(13,731,815)	9,352,162
Non-controlling interests	15	22,065,764	21,566,389	–	–
Total equity		52,869,091	62,079,648	(13,731,815)	9,352,162
Liabilities					
Loans and borrowings	16	27,732,409	21,226,900	–	–
Other payables	17	–	–	–	1,205,792
Deferred tax liabilities	19	2,291,425	2,599,208	–	–
Non-current liabilities		30,023,834	23,826,108	–	1,205,792
Loans and borrowings	16	16,665,130	22,473,816	–	–
Current tax liabilities		708,158	939,663	10,201	5,607
Trade and other payables	17	7,548,843	8,552,249	37,447,028	37,731,176
Current liabilities		24,922,131	31,965,728	37,457,229	37,736,783
Total liabilities		54,945,965	55,791,836	37,457,229	38,942,575
Total equity and liabilities		107,815,056	117,871,484	23,725,414	48,294,737

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 30 June 2017

	Note	Group 2017 $	Group 2016 $
Revenue	20	58,087,374	57,396,769
Cost of sales		(44,737,153)	(39,499,040)
Gross profit		13,350,221	17,897,729
Other income		1,239,465	2,986,628
Distribution expenses		(1,930,405)	(3,254,445)
Administrative expenses		(13,072,553)	(14,137,287)
Other operating expenses		(8,298,292)	(25,839,585)
Results from operating activities		(8,711,564)	(22,346,960)
Finance income	21	2,549	7,038
Finance costs	21	(1,022,146)	(1,321,650)
Net finance costs		(1,019,597)	(1,314,612)
Loss before tax		(9,731,161)	(23,661,572)
Tax expense	23	(113,629)	(168,085)
Loss for the year	22	(9,844,790)	(23,829,657)
Loss attributable to:			
Owners of the Company		(9,844,790)	(23,815,199)
Non-controlling interests		–	(14,458)
Loss for the year		(9,844,790)	(23,829,657)
Loss per share			
Basic and diluted (cents)	24	(4.22)	(10.21)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2017

	Group 2017 $	Group 2016 $
Loss for the year	(9,844,790)	(23,829,657)
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences, net of tax	563,219	137,779
Other comprehensive income for the year, net of tax	563,219	137,779
Total comprehensive income for the year	(9,281,571)	(23,691,878)
Total comprehensive income attributable to:		
Owners of the Company	(9,780,946)	(23,888,471)
Non-controlling interests	499,375	196,593
Total comprehensive income for the year	(9,281,571)	(23,691,878)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2017

	Attributable to owners of the Company						
	Share capital $	Foreign currency translation reserve $	Revaluation reserve $	Accumulated losses $	Total equity $	Non-controlling interests $	Total equity $
Group							
At 1 July 2015	32,922,108	170,984	22,735,731	6,484,524	62,313,347	21,471,659	83,785,006
Total comprehensive income for the year							
Loss for the year	–	–	–	(23,815,199)	(23,815,199)	(14,458)	(23,829,657)
Other comprehensive income							
Disposal of property, plant and equipment	–	–	(9,734,979)	9,734,979	–	–	–
Foreign currency translation differences	–	(73,272)	–	–	(73,272)	211,051	137,779
Total comprehensive income for the year	–	(73,272)	(9,734,979)	(14,080,220)	(23,888,471)	196,593	(23,691,878)
Others							
Transfer to retained earnings	–	–	(461,244)	461,244	–	–	–
Deferred tax income credited directly to equity	–	–	–	2,088,383	2,088,383	–	2,088,383
Total others	–	–	(461,244)	2,549,627	2,088,383	–	2,088,383
Changes in ownership interests in subsidiaries							
Acquisition of non-controlling interests without a change in control	–	–	–	–	–	(101,863)	(101,863)
At 30 June 2016	32,922,108	97,712	12,539,508	(5,046,069)	40,513,259	21,566,389	62,079,648

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2017

	Attributable to owners of the Company						
	Share capital $	Foreign currency translation reserve $	Revaluation reserve $	Accumulated losses $	Total equity $	Non-controlling interests $	Total equity $
Group							
At 1 July 2016	32,922,108	97,712	12,539,508	(5,046,069)	40,513,259	21,566,389	62,079,648
Total comprehensive income for the year							
Loss for the year	–	–	–	(9,844,790)	(9,844,790)	–	(9,844,790)
Other comprehensive income							
Foreign currency translation differences	–	63,844	–	–	63,844	499,375	563,219
Total comprehensive income for the year	–	63,844	–	(9,844,790)	(9,780,946)	499,375	(9,281,571)
Others							
Transfer to retained earnings	–	–	(346,715)	346,715	–	–	–
Deferred tax income credited directly to equity	–	–	–	71,014	71,014	–	71,014
Total others	–	–	(346,715)	417,729	71,014	–	71,014
At 30 June 2017	32,922,108	161,556	12,192,793	(14,473,130)	30,803,327	22,065,764	52,869,091

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2017

	Note	Group 2017 $	Group 2016 $
Cash flows from operating activities			
Loss before tax		(9,731,161)	(23,661,572)
Adjustments for:			
Allowance for impairment on trade and other receivables		705,198	228,246
Allowance for foreseeable loss on development properties		2,543,188	74,300
Amortisation of intangible assets		464,000	521,000
Bad debts written off		35,919	213,836
Depreciation of property, plant and equipment		1,603,195	1,716,870
Fair value gain on derivatives		–	(319,477)
Impairment loss on investment in associates		–	113,654
Impairment loss on goodwill and intangible assets		1,860,018	16,931,227
Impairment loss on investment property		–	1,637,368
Loss/(Gain) on disposal of plant and equipment		3,307	(1,449,790)
Net finance costs		1,019,597	1,314,612
Revaluation loss on leasehold buildings		110,000	–
Operating cash flows before changes in working capital		(1,386,739)	(2,679,726)
Changes in:			
- Inventories		325,588	1,436,965
- Development properties		3,004,385	2,126,386
- Trade and other receivables		3,148,408	838,676
- Trade and other payables		(910,685)	2,817,249
Cash generated from operations		4,180,957	4,539,550
Tax paid		(581,903)	(507,601)
Net cash from operating activities		3,599,054	4,031,949

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

	Note	Group 2017 $	Group 2016 $
Cash flows from investing activities			
Acquisition of property, plant and equipment	12	(1,279,450)	(2,026,339)
Payment of contingent consideration		–	(78,924)
Payment of deferred consideration		–	(2,000,000)
Interest received		2,549	7,038
Proceeds from disposal of plant and equipment		6,433	14,642,463
Net cash (used in)/from investing activities		(1,270,468)	10,544,238
Cash flows from financing activities			
Acquisition of non-controlling interests		–	(101,863)
Cash pledged		13,000	–
Interest paid		(1,352,603)	(1,603,450)
Payment of finance lease liabilities		(16,695)	(140,414)
Proceeds from loans and borrowings		24,080,985	20,910,176
Repayment of loans and borrowings		(24,944,867)	(39,602,450)
Net cash used in financing activities		(2,220,180)	(20,538,001)
Net increase/(decrease) in cash and cash equivalents		108,406	(5,961,814)
Cash and cash equivalents at beginning of the year		7,782,289	13,731,705
Effect of exchange rate fluctuations on cash held		(109,066)	12,398
Cash and cash equivalents at end of the year	12	7,781,629	7,782,289

* See Note 12 for disclosure on significant non-cash transaction

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 28 September 2017.

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, #09-23, One Commonwealth, Singapore 149544.

The financial statements of the Group as at and for the year ended 30 June 2017 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 ("FRS").

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs 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 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 4 Valuation of freehold and leasehold buildings;
- Note 5 Assumptions of recoverable amounts relating to goodwill and other intangible assets;
- Note 7 Assumptions of recoverable amounts relating to investment in subsidiaries;
- Note 9 Measurement of realisable amounts of inventories;
- Note 10 Measurement of realisable amounts of development properties;
- Note 11 Assessment of the recoverability of trade and other receivables; and
- Note 20 Measurement of profit attributable to properties under development.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

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 market observable 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 might be categorised in 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 4 Property, plant and equipment; and
- Note 28 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 have been applied consistently by Group entities.

3.1 Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 Business Combination as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity in 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 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(i) Business combinations (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 is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, 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.

Non-controlling interests 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 non-controlling interests' 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 non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, 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)

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 non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(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 non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(iii) Investments in associates (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 between 20% or more of the voting power of another entity.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

(iii) Investments in associates (equity-accounted investees) (cont'd)

Investments in associates 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 of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest 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.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group 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.

(v) Subsidiaries and associates in the separate financial statements

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 retranslated 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 retranslated 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 retranslation are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, excluding 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. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the exchange rate at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currency (cont'd)

(ii) Foreign operations (cont'd)

Foreign currency differences are recognised in other comprehensive income and presented 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 non-controlling interests. When a foreign operation is disposed of such that control or significant influence 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.

3.3 Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

(i) Non-derivative financial assets (cont'd)

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

The Group classifies non-derivative financial assets into the following categories: loans and receivables.

Loans and receivables

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the acquisition date 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, pledged deposits are excluded whilst 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. Financial liabilities for contingent consideration payable in a business combination are recognised at the acquisition date. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial liabilities for contingent consideration payable in a business combination are initially measured at fair value. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

(iii) 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.

(iv) Derivative financial instruments

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, the derivative is recognised initially at fair value and any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, all changes in its fair value are recognised immediately in profit or loss.

(v) 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 are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantee is transferred to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

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 less accumulated depreciation and accumulated impairment losses except for leasehold buildings which are stated at their revalued amounts. The revalued amount is the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are carried out by independent professional valuers regularly such that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the reporting date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

Any increase in the revaluation amount is credited to the other comprehensive income and shown as revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to the profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the profit or loss, and depreciation based on the asset's original cost is transferred from revaluation reserve to retained earnings.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Property, plant and equipment (cont'd)

(i) Recognition and measurement (cont'd)

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

Upon disposal of leasehold buildings, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal.

(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.

(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. Assets under construction are not depreciated.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Property, plant and equipment (cont'd)

(iii) Depreciation (cont'd)

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 44 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.

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, 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Intangible assets and goodwill (cont'd)

(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 expenditure

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:

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

Depreciation is charged so as to write off the cost of the leasehold building over the term of lease of 5 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 properties are properties being constructed or developed for sale. The cost of properties under development comprises specifically identified costs, including land acquisition costs, development expenditure, borrowing costs and other expenditure directly attributable to the development activities. Borrowing costs payable on loans funding a development property are capitalised, on a specific identification basis, as part of the cost of the development property until the completion of development.

Development properties are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

The development properties in progress have operating cycles longer than one year. Thus, the Group includes within current assets amounts relating to the development properties in progress realisable over a period in excess of one year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Development properties (cont'd)

(i) Properties under development, the sales of which are recognised using stage of completion method

The aggregated costs incurred together with attributable profits and net of progress billings are presented as development properties in the statement of financial position. If progress billings exceed costs incurred plus recognised profits, the balance is presented as deferred income.

3.10 Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss, including an interest in an associate, is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include 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 will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

Associates

An impairment loss in respect of an associate is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 3.10(ii). 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.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than development properties and inventories, 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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Impairment (cont'd)

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

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 combination.

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.

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 loss 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Impairment (cont'd)

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

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.

3.11 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)

3.11 Employee benefits (cont'd)

(iii) Share-based payment transactions

The grant date fair value of equity-settled share-based payment awards granted to employees 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.

3.12 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Provisions (cont'd)

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

3.13 Revenue

(i) Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

(ii) Revenue from development properties

Revenue from sales of properties under development is recognised by reference to the stage of completion using the percentage of completion method when the Group determines that (a) control and the significant risks and rewards of ownership of the work-in-progress transfer to the buyer in its current state as construction progresses, (b) the sales price is fixed and collectible, (c) the percentage of completion can be measured reliably, (d) there is no significant uncertainty as to the ability of the Group to complete the development, and (e) costs incurred or to be incurred can be measured reliably.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Revenue (cont'd)

(ii) Revenue from development properties (cont'd)

The percentage of completion is measured by reference to the work performed, based on the stage of completion as certified by the independent architects for the individual units sold. Profits are recognised only in respect of finalised sales contracts to the extent that such profits relate to the progress of the construction work. An expected loss on a contract is recognised immediately in profit or loss.

(iii) Revenue from provision of real estate services

Revenue from provision of real estate services is recognised when services are rendered.

3.14 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.

3.15 Lease payments

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Lease payments (cont'd)

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.

3.16 Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings. 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.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.17 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 other comprehensive income.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Tax (cont'd)

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 and associates 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.

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.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Tax (cont'd)

be available against which they can be utilised. 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.

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.

3.18 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.

3.19 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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Segment reporting (cont'd)

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 intangible assets other than goodwill.

3.20 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2016 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these statements. The Group is currently assessing the potential impact of adopting these new standards and interpretations, on the financial statements of the Group and the Company.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Group and the Company in future financial periods, the Group is assessing the transition options and the potential impact on its financial statements. The Group does not plan to adopt these standards early.

Below is the summary of the requirements for new standards and their potential impact on the financial statements based on an initial assessment undertaken by the Group.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 New standards and interpretations not adopted (cont'd)

FRS 115 *Revenue from Contracts with Customers*

FRS 115 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.

When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 Revenue, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

FRS 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. FRS 115 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2019 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.

Potential impact on the financial statements

The Group has commenced its initial assessment of the impact of the Group's financial statements. Based on the initial assessment, the Group does not expect a significant impact on its net assets and net profit.

Identification of performance obligations

Under FRS 115, the Group is required to identify performance obligations within each contract and account for each performance obligation separately if they are distinct; or the contract to continue to be accounted for as one performance

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 New standards and interpretations not adopted (cont'd)

Identification of performance obligations (cont'd)

obligation if it can be demonstrated that the Group provides a significant integrated service, or the goods and services within the contract are highly dependent on or integrated with other goods or services. The Group is in the process of evaluating the criteria required for contracts with multiple performance obligations and is in the process of determining the extent and necessary processes to monitor, assess and track the recognition of revenue for each performance obligation.

Variable consideration

The Group's contracts for sale of goods may include variable considerations such as trade discounts, volume rebates or other similar terms. Under FRS 115, the Group is required to estimate the amount of consideration to which it expects to be entitled and variable amounts are included in revenue to the extent it is highly probable that there will be no significant reversal when the uncertainty is resolved.

Transition

The Group plans to adopt the standard when it becomes effective for the Group on 1 July 2018 using the full retrospective approach. The Group is currently performing a detailed analysis under FRS 115 to determine its election of the practical expedients and to quantify the transition adjustments on its financial statements.

FRS 109 *Financial Instruments*

FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 New standards and interpretations not adopted (cont'd)

FRS 109 *Financial Instruments (cont'd)*

FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If the Group does not restate comparative information, the cumulative effect is recorded in its opening equity as at 1 July 2018.

Potential impact on the financial statements

The Group has commenced its initial assessment of the impact on the Group's financial statements. Based on the initial assessment, the Group does not expect a significant impact on its net assets and net profit.

Classification and measurement

The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109.

Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109.

Impairment

The Group plans to apply the simplified approach and record lifetime expected impairment losses on all trade receivables and any contract assets arising from the application of FRS 115. On adoption of FRS 109, the Group expects an increase in the impairment loss allowance as it does not require collateral in respect of its loans and receivables. The Group is currently refining its impairment loss estimation methodology to quantify the impact on its financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 New standards and interpretations not adopted (cont'd)

Transition

The Group plans to adopt the standard when it becomes effective for the Group on 1 July 2018 without restating comparative information; and is gathering data to quantify the potential impact arising from the adoption.

FRS 116 *Leases*

FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor.

When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*; INT FRS 15 *Operating Leases-Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.20 New standards and interpretations not adopted (cont'd)

Potential impact on the financial statements

The Group has performed a preliminary high-level assessment of the new standard on its existing operating lease arrangements as a lessee. Based on the preliminary assessment, the Group expects these operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard. As at 30 June 2017, the operating lease commitments on an undiscounted basis amount to $7,924,446 (Note 30). Assuming no additional new operating leases in future years until the effective date, the Group expects the amount of ROU asset and lease liability to be lower due to discounting and as the lease terms run down.

Transition

The Group plans to adopt the standard when it becomes effective for the Group on 1 July 2019. The Group will perform a detailed analysis of the standard, including the transition options and practical expedients for the financial year ending 30 June 2018.

Convergence with International Financial Reporting Standards (IFRS)

In addition, the Accounting Standards Council ("ASC") announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange ("SGX") will apply a new financial reporting framework identical to the International Financial Reporting Standards (referred to as SG-IFRS in these financial statements) for the financial year ending 31 December 2018 onwards.

The Group has performed a preliminary assessment of the impact of SG-IFRS 1 First-time adoption of International Financial Reporting Standards for the transition to the new reporting framework. Based on the Group's preliminary assessment, the Group expects that the impact on adoption of SG-IFRS 15 Revenue from Contracts with Customers and SG-IFRS 9 Financial Instruments will be similar to adopting FRS 115 and FRS 109 as described above.

The Group is currently performing a detailed analysis of the available policy choices, transitional optional exemptions and transitional mandatory exceptions under SG-IFRS 1 and the preliminary assessment may be subject to changes arising from the detailed analyses.

4 PROPERTY, PLANT AND EQUIPMENT

	Note	Freehold and Leasehold buildings $	Plant and machinery $	Motor vehicles $	Asset under construction $	Total $
Group						
Cost:						
At 1 July 2015		35,723,482	5,906,938	1,001,029	275,983	42,907,432
Additions		–	636,987	27,967	1,361,385	2,026,339
Disposals/ Written off		(13,200,000)	(939,834)	(130,020)	–	(14,269,854)
Reclassification to investment property	6	–	–	–	(1,637,368)	(1,637,368)
Effects of movements in exchange rates		–	(7,601)	–	–	(7,601)
At 30 June 2016		22,523,482	5,596,490	898,976	–	29,018,948
Additions		2,153,782	703,068	–	–	2,856,850
Disposals/ Written off		–	(21,985)	–	–	(21,985)
Effects of movements in exchange rates		78,397	42,727	–	–	121,124
At 30 June 2017		24,755,661	6,320,300	898,976	–	31,974,937

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Note	Freehold and Leasehold buildings $	Plant and machinery $	Motor vehicles $	Asset under construction $	Total $
Group						
Accumulated depreciation and impairment loss:						
At 1 July 2015		71,537	3,634,118	427,654	–	4,133,309
Depreciation		718,593	857,468	140,809	–	1,716,870
Disposals/ Written off		(153,488)	(890,117)	(33,576)	–	(1,077,181)
Effects of movements in exchange rates		–	4,797	–	–	4,797
At 30 June 2016		636,642	3,606,266	534,887	–	4,777,795
Depreciation		612,069	865,826	125,300	–	1,603,195
Revaluation loss on leasehold properties		110,000	–	–	–	110,000
Disposals/ Written off		–	(12,245)	–	–	(12,245)
Effects of movements in exchange rates		890	11,168	–	–	12,058
At 30 June 2017		1,359,601	4,471,015	660,187	–	6,490,803
Net book value:						
At 1 July 2015		35,651,945	2,272,820	573,375	275,983	38,774,123
At 30 June 2016		21,886,840	1,990,224	364,089	–	24,241,153
At 30 June 2017		23,396,060	1,849,285	238,789	–	25,484,134

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The freehold and leasehold buildings are pledged as security for banking facilities (Note 16).

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

For each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been carried under the cost model is as follows:

	Group 2017 $	Group 2016 $
Freehold and leasehold buildings:		
Cost	11,517,892	9,285,713
Accumulated depreciation	(2,811,944)	(2,506,714)
Net book value	8,705,948	6,778,999

As at 30 June 2016 and 2017, the fair values of the freehold and leasehold buildings were determined based on valuations carried out by independent external valuers.

Measurement of fair values

(i) Fair value hierarchy

The fair value measurement for the freehold and leasehold buildings has been categorised as Level 2 fair value based on the inputs to the valuation techniques used (see Note 2.4).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Measurement of fair values (cont'd)

(ii) Level 2 fair value

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

Valuation technique	Significant observable inputs	Sensitivity on management's estimates with 10% variation from estimate
Income capitalisation approach for freehold building	• Expected rental rate of $6.63 per square foot (psf) per annum. • Capitalisation rate of 10.4%.	• Increase/(Decrease) in expected rental rate psf will increase/(decrease) equity, net of tax by $183,294 • (Decrease)/Increase in capitalisation rate will increase/(decrease) equity, net of tax by $209,479/ ($157,109).
Market comparison approach for leasehold buildings	• Price ranging from $271 to $578 psf (2016: $271 to $640 psf) with weighted average price of $322 psf (2016: $340 psf)	• Increase/(Decrease) in price psf will increase/(decrease) equity, net of tax by $1,782,010 (2016: $1,834,300).

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Measurement of fair values (cont'd)

	Plant and equipment $	Motor vehicles $	Total $
Company			
Cost:			
At 1 July 2015	23,416	188,348	211,764
Additions	4,850	–	4,850
At 30 June 2016 and 30 June 2017	28,266	188,348	216,614
Accumulated depreciation:			
At 1 July 2015	7,370	37,669	45,039
Depreciation	5,358	37,669	43,027
At 30 June 2016	12,728	75,338	88,066
Depreciation	6,299	37,670	43,969
At 30 June 2017	19,027	113,008	132,035
Net book value:			
At 1 July 2015	16,046	150,679	166,725
At 30 June 2016	15,538	113,010	128,548
At 30 June 2017	9,239	75,340	84,579

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

5 INTANGIBLE ASSETS

	Goodwill $	Customer relationships $	Orderbook $	Total $
Group				
Cost				
At 1 July 2015, 30 June 2016 and 30 June 2017	20,852,293	2,605,000	705,000	24,162,293
Accumulated amortisation and impairment losses				
At 1 July 2015	2,209,048	1,472,000	705,000	4,386,048
Amortisation	–	521,000	–	521,000
Impairment loss	16,931,227	–	–	16,931,227
At 30 June 2016	19,140,275	1,993,000	705,000	21,838,275
Amortisation	–	464,000	–	464,000
Impairment loss	1,712,018	148,000	–	1,860,018
At 30 June 2017	20,852,293	2,605,000	705,000	24,162,293
Carrying amounts				
At 1 July 2015	18,643,245	1,133,000	–	19,776,245
At 30 June 2016	1,712,018	612,000	–	2,324,018
At 30 June 2017	–	–	–	–

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

Impairment test

The goodwill arose from acquisitions of certain subsidiaries (see below). The value of the goodwill is determined through purchase price allocation valuations carried out by the management and independent professional valuers, as appropriate, for separate acquisitions of subsidiaries.

An assessment is made annually whether goodwill has suffered any impairment loss. The assessment process is complex and highly judgmental and is based on assumptions that are affected by expected future market or economic conditions. Judgement is required in identifying the cash generating units ("CGU") and the use of estimates.

Goodwill is allocated to CGUs for the purpose of impairment testing. This CGU represents the Group's investment in the following subsidiaries. The goodwill is allocated to the segments as follows:

	2017			2016		
	Marine & Offshore Segment $	Property Development Segment $	Total $	Marine & Offshore Segment $	Property Development Segment $	Total $
Group						
Name of subsidiaries:						
TEHO Engineering Pte. Ltd.	–	–	–	1,115,562	–	1,115,562
TIEC Holdings Pte. Ltd.	–	–	–	–	596,456	596,456
	–	–	–	1,115,562	596,456	1,712,018

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

5 INTANGIBLE ASSETS (CONT'D)

Impairment test (cont'd)

The goodwill was tested for impairment at the end of the reporting period. An impairment loss is the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal or its value in use. The recoverable amounts of CGUs have been measured based on the value in use method as appropriate for the separate CGUs.

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

(i) TEHO Engineering Pte. Ltd.

	2017	2016
Estimated discount rate using post-tax rates that reflect current market assessments at the risks specific to the CGUs	12.2%	12.2%
Revenue growth rates estimated based on past performance and expectations of market developments	0.0% to 4.6%	0.0% to 25.8%
Gross margins estimated based on past performance and expectations of market developments	31.6%	32.0%
Terminal growth rate based on industry growth forecasts and not exceeding the average long-term growth rate for the relevant markets	2.8%	2.8%
Cash flow forecasts derived from the most recent financial budgets and plans approved by management	5 years	5 years

5 INTANGIBLE ASSETS (CONT'D)

Impairment test (cont'd)

(i) TEHO Engineering Pte. Ltd. (cont'd)

The recoverable amount for this subsidiary was based on its value in use, determined by discounting the future cash flows to be generated from the business of the subsidiary. In 2017, as a result of the impact of fluctuations in crude oil prices on the outlook of the offshore oil & gas industry, the carrying amount of the subsidiary was determined to be higher than its recoverable amount of $2,558,732 (2016: $4,646,074) and an impairment loss on the goodwill of $1,115,562 (2016: $1,400,000) was recognised. The impairment loss was included in other operating expenses.

(ii) TEHO Water & Envirotec Pte. Ltd.

	2017	2016
Estimated discount rate using post-tax rates that reflect current market assessments at the risks specific to the CGUs	–	13.7%
Revenue growth rates estimated based on past performance and expectations of market developments	–	0.0% to 5.0%
Gross margins estimated based on past performance and expectations of market developments	–	31.9% to 33.9%
Terminal growth rate based on industry growth forecasts and not exceeding the average long-term growth rate for the relevant markets	–	2.8%
Cash flow forecasts derived from the most recent financial budgets and plans approved by management	–	5 years

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

5 INTANGIBLE ASSETS (CONT'D)

Impairment test (cont'd)

(ii) TEHO Water & Envirotec Pte. Ltd. (cont'd)

The recoverable amount for this subsidiary was based on its value in use, determined by discounting the future cash flows to be generated from the business of the subsidiary. In 2016, as a result of the impact of fluctuations in crude oil prices on the outlook of the offshore oil & gas industry, the carrying amount of the subsidiary was determined to be higher than its recoverable amount of $1,876,373 and an impairment loss on the goodwill of $844,364 was recognised. The impairment loss was included in other operating expenses.

(iii) TIEC Holdings Pte. Ltd.

	2017	2016
Estimated discount rates using post-tax rates that reflect current market assessments at the risks specific to the CGUs	n.a.	6.4%
Estimated selling price	$675 psf	$1,044 psf
Cash flow forecasts derived from the most recent financial budgets and plans approved by management	1.0 year	1.5 years

The recoverable amount for this subsidiary was based on its value in use, determined by discounting the future cash flows to be generated from the development projects of the subsidiary. In 2017, as a result of the cooling measures implemented by the Singapore government, the property market in Singapore continued to soften, the carrying amount of the subsidiary was determined to be higher than its recoverable amount of $Nil (2016: $4,859,137) and an impairment loss on the goodwill of $596,456 (2016: $2,211,110) was recognised. The impairment loss was included in other operating expenses.

The cash flow forecasts were based on the subsidiary's remaining property development projects which were expected to be completed within the following year (2016: 1.5 years). Revenue was based on the gross development value estimated by an independent professional valuer.

(iv) TEHO Property Services Pte. Ltd. and its subsidiaries

The acquisition of TEHO Property Services Pte. Ltd. ("TEHO Property Services") had given rise to goodwill due to the synergies expected from the acquired business and the Group's property development project "The Bay" in Cambodia. In this respect, the Group had attributed the goodwill arising from the acquisition of TEHO Property Services to "The Bay" project as part of the impairment assessment.

"The Bay" project was faced with unfavourable macro-economic outlook in the condominium sector in Phnom Penh. Management believed there is heightened risk of oversupply of condominiums as condominium supply is expected to increase significantly through to 2018. In the best interests of the Group's "The Bay" project, and having considered the market conditions in Phnom Penh and other factors in 2016, the Group and its joint venture partner had decided to put on hold the residential development phase of the project. As a result, the recoverable amount of TEHO Property Services was estimated to be $Nil and an impairment loss on the goodwill of $12,475,753 was recognised in 2016. The impairment loss was included in other operating expenses.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

5 INTANGIBLE ASSETS (CONT'D)

Impairment test (cont'd)

(iv) <u>TEHO Property Services Pte. Ltd. and its subsidiaries</u> (cont'd)

Management is currently working together with its joint venture partner in assessing the market changes and considering alternative plans for repositioning the development project.

6 INVESTMENT PROPERTY

		Group $
Cost:		
At 1 July 2015		–
Reclassification from property, plant and equipment	4	1,637,368
At 30 June 2016		1,637,368
Written off		(1,637,368)
At 30 June 2017		–
Accumulated depreciation and impairment loss:		
At 1 July 2015		–
Impairment loss		(1,637,368)
At 30 June 2016 and		(1,637,368)
Written off		1,637,368
At 30 June 2017		–
Net book value:		
At 1 July 2015		–
At 30 June 2016		–
At 30 June 2017		–

6 INVESTMENT PROPERTY (CONT'D)

Investment property comprises a number of show flats constructed on a leased land for 5 years and were intended to be used to market "The Bay" project in Cambodia.

In 2016, there was a change in business plan as the Group intended to hold the property to earn rental income. Accordingly, the property was reclassified to investment property as at 30 June 2016. In 2016, the Group recognised an impairment loss of $1,637,368 on its investment property as the property had not been generating rental income. The impairment loss was included in other operating expenses.

During the year, the Group has terminated the lease agreement and accordingly, the investment property was written off.

7 INVESTMENTS IN SUBSIDIARIES

	Company 2017 $	Company 2016 $
Equity investments at cost	35,397,659	34,222,459
Impairment loss	(16,565,782)	(8,906,645)
Cost at the end of the year	18,831,877	25,315,814

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 $7,659,137 (2016: $5,847,362) 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

7 INVESTMENTS IN SUBSIDIARIES (CONT'D)

Details of the significant subsidiaries are as follows:

Name of subsidiary	Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
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
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
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
TEHO Engineering Pte. Ltd.	Supply of offshore oil and gas equipment to offshore oil and gas industries	Singapore	100	100

7 INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiary	Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
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
TEHO Water & Envirotec Pte. Ltd.	Supply of marine and engineering services and trading in related marine and engineering hardware and accessories	Singapore	100	100
TIEC Holdings Pte. Ltd.	Real estate development specialising in residential properties	Singapore	100	100
TEHO Development Pte. Ltd.	Investment holding company and real estate developer	Singapore	100	100
TEHO Property Services Pte. Ltd.	Investment holding company and real estate business	Singapore	100	100

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

7 INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiary	Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
TEHO Property Network Pte. Ltd.	Real estate agency	Singapore	100	100
TEHO Property Consultants Pte. Ltd.	Provision of real estate valuation services	Singapore	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

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.

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.

8 INVESTMENTS IN ASSOCIATES

	Group 2017 $	Group 2016 $
Investments in associates	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 INVENTORIES

	Group 2017 $	Group 2016 $
Goods held for resale		
- At cost	21,121,791	21,740,781
- At net realisable value	658,231	317,064
	21,780,022	22,057,845

Inventories are stated after allowance for inventory obsolescence.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

9 INVENTORIES (CONT'D)

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

	Group	
	2017	2016
	$	$
At beginning of the year	564,388	362,205
Addition	121,965	202,183
At end of the year	686,353	564,388

In 2017, inventories and changes in finished goods included as cost of sales amounted to $30,935,232 (2016: $34,146,272).

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.

10 DEVELOPMENT PROPERTIES

	Group	
	2017	2016
	$	$
Unsold units of development properties under development that will be recognised on percentage of completion method:		
Aggregate costs incurred	14,014,592	22,599,466
Allowance for foreseeable losses	(2,814,488)	(862,408)
	11,200,104	21,737,058
Sold units of development properties under development recognised on percentage of completion method:		
Aggregate costs incurred and attributable profits to date	7,157,929	17,378,883
Less: Progress billings received and receivables	(2,177,746)	(17,378,883)
	4,980,183	–
Total development properties in the course of development	16,180,287	21,737,058
Properties for development representing mainly land cost	24,008,238	23,438,012
Total development properties	40,188,525	45,175,070
Interest expense capitalised during the financial year as cost of development property (Note 21)	330,457	281,800

The rate of interest capitalised during the year is 2.58% - 2.68% (2016: 2.43% - 2.58%) per annum.

In 2017, development properties recognised in cost of sales, excluding allowance for foreseeable losses, amounted to $8,456,488 (2016: $1,035,810).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

10 DEVELOPMENT PROPERTIES (CONT'D)

At 30 June 2017, development properties of the Group with carrying amounts of $16,180,287 (2016: $21,737,058) are pledged as securities for banking facilities (see Note 16).

The change in allowance for foreseeable losses in respect of development properties during the year is as follows:

	Group	
	2017	2016
	$	$
At beginning of the year	862,408	788,108
Additions	2,543,188	74,300
Written off	(591,108)	–
At end of the year	2,814,488	862,408

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.

Management obtains 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 are estimated using the market comparison approach. Construction costs are estimated based on contracted amounts and in respect of amounts not contracted for, management's estimates of the amounts to be incurred.

10 DEVELOPMENT PROPERTIES (CONT'D)

Management also assesses if any write-down of completed properties for sale is required based on their estimates of selling prices which are based on recent selling prices and the prevailing market conditions.

Independent professional valuations are undertaken to obtain estimates of the fair value of land which is included within development properties. Where such valuations are undertaken, the valuations were based on the market comparison approach.

11 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Trade receivables	10,844,820	13,049,301	–	–
Amounts due from subsidiaries (non-trade)	–	–	4,633,691	20,828,762
Amount due from former shareholders of a subsidiary	450,000	1,104,566	–	–
Loan due from a subsidiary	–	–	–	1,586,120
Deposits and other receivables	608,855	1,062,363	11,166	20,300
Prepayments and advances to suppliers	677,071	1,061,879	75,974	107,547
Total	12,580,746	16,278,109	4,720,831	22,542,729
Non-current	–	–	–	1,205,792
Current	12,580,746	16,278,109	4,720,831	21,336,937
Total	12,580,746	16,278,109	4,720,831	22,542,729

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

11 TRADE AND OTHER RECEIVABLES (CONT'D)

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").

The loan due from a subsidiary was unsecured, bore interest of 6.0% per annum and was repayable by January 2020 over 60 monthly instalments.

The non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand. At the end of the reporting period, the Company has provided an allowance for impairment loss of $34,513,594 (2016: $14,712,166) on amounts due from subsidiaries.

The trade receivables, amount due from former shareholders of a subsidiary and non-trade amounts due from subsidiaries that are impaired at the end of the reporting period and the respective movements in allowance for impairment loss during the year were as follows:

	Group	
	2017	2016
	$	$
Trade receivables		
Nominal amounts	11,365,563	13,628,338
Less: Allowance for impairment	(520,743)	(579,037)
	10,844,820	13,049,301
At beginning of the year	579,037	418,180
Impairment loss recognised	50,632	228,246
Written off	(108,926)	(67,389)
At end of the year	520,743	579,037

11 TRADE AND OTHER RECEIVABLES (CONT'D)

	Group	
	2017	2016
	$	$
Amount due from former shareholders of a subsidiary		
Nominal amounts	1,104,566	1,104,566
Less: Allowance for impairment	(654,566)	–
	450,000	1,104,566
At beginning of the year	–	–
Impairment loss recognised	654,566	–
At end of the year	654,566	–

	Company	
	2017	2016
	$	$
Amounts due from subsidiaries (non-trade)		
Nominal amounts	39,147,285	35,540,928
Less: Allowance for impairment	(34,513,594)	(14,712,166)
	4,633,691	20,828,762
At beginning of the year	14,712,166	–
Impairment loss recognised	19,801,428	14,712,166
At end of the year	34,513,594	14,712,166

The allowance for impairment loss was included in other operating expenses.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

11 TRADE AND OTHER RECEIVABLES (CONT'D)

Assessment of the recoverability of trade receivables

An allowance is made for doubtful trade receivables for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management generally analyses trade receivables and historical bad debts, customer concentrations, and customer creditworthiness when evaluating the adequacy of the allowance for doubtful trade receivables. To the extent that it is feasible, impairment and uncollectibility are determined individually for each item.

Assessment of the recoverability of 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, 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.

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.

Management, after the consultation with its solicitor, believes that the Group has valid claims against the Vendors and intends 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 has estimated the recoverable amount to be $450,000. Accordingly, the Group has provided an allowance of impairment loss of $654,566 on amount due from former shareholders of a subsidiary.

12 CASH AND CASH EQUIVALENTS

	Note	2017 $	2016 $
Group			
Cash at banks and in hand		5,346,458	6,655,846
Project accounts	(a)	2,435,171	1,139,443
Cash and cash equivalents in the statements of financial position		7,781,629	7,795,289
Cash pledged for bank facilities	(b)	–	(13,000)
Cash and cash equivalents in the statement of cash flows		7,781,629	7,782,289
Company			
Cash at banks and in hand		88,127	307,646

(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) This was in respect of amount held by bankers to cover the bank guarantees issued.

Significant non-cash transaction

Acquisition of property, plant and equipment

		Group	
	Note	2017 $	2016 $
Additions of property, plant and equipment	4	2,856,850	2,026,339
Funded by bank loans		(1,577,400)	–
Cash used in acquisition of property, plant and equipment		1,279,450	2,026,339

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

13 SHARE CAPITAL

	Company 2017 Number of shares	Company 2016 Number of shares
Issued and fully paid ordinary share capital with no par value:		
At beginning and end of the year	233,324,614	233,324,614

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.

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

13 SHARE CAPITAL (CONT'D)

as total borrowings less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, revaluation reserve, retained earnings and non-controlling interests).

	Group 2017 $	Group 2016 $
Net debt:		
All current and non-current borrowings including finance leases	44,397,539	43,700,716
Less: Cash and cash equivalents	(7,781,629)	(7,795,289)
Net debt	36,615,910	35,905,427
Total equity	52,869,091	62,079,648
Debt-to-adjusted capital ratio	69.3%	57.8%

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.

14 OTHER RESERVES

	Group 2017 $	Group 2016 $
Foreign currency translation reserve	161,556	97,712
Revaluation reserve	12,192,793	12,539,508
	12,354,349	12,637,220

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

14 OTHER RESERVES (CONT'D)

Foreign currency translation reserve

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

Revaluation reserve

	Group 2017 $	Group 2016 $
At beginning of the year	12,539,508	22,735,731
Disposal of property, plant and equipment	–	(9,734,979)
Transfer to retained earnings	(346,715)	(461,244)
At end of the year	12,192,793	12,539,508

The revaluation reserve arises from the revaluation of properties held under property, plant and equipment. It is not distributable until it is transferred to retained earnings upon the disposal of the properties.

15 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 2017 %	Ownership interests held by non-controlling interests 2016 %
TEHO-SBG Development Co., Ltd. ("TEHO-SBG")	Cambodia	Property development	51.0	51.0

15 NON-CONTROLLING INTERESTS (CONT'D)

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.

	2017 $	2016 $
Revenue	–	–
Loss after tax	(43,214)	(2,308,074)
Other comprehensive income	–	–
Total comprehensive income	(43,214)	(2,308,074)
Attributable to non-controlling interests:		
- Loss	–	–
- Other comprehensive income	–	–
- **Total comprehensive income**	–	–
Non-current assets	5,346	8,147
Current assets	41,297,131	41,488,292
Current liabilities	(2,073,588)	(3,108,925)
Net assets	39,228,889	38,387,514
Net assets attributable to non-controlling interests	22,065,764	21,566,389
Cash flows used in operating activities	(1,109,034)	(17,990,795)
Cash flows from/(used in) investing activities	322	(4,271)
Cash flows from financing activities	–	18,606,034
Net (decrease)/increase in cash and cash equivalents	(1,108,712)	610,968

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

16 LOANS AND BORROWINGS

	Group	
	2017	**2016**
	$	**$**
Non-current:		
Secured bank loans	27,709,522	21,186,554
Finance lease liabilities	22,887	40,346
	27,732,409	21,226,900
Current:		
Secured bank loans	9,532,025	16,830,964
Finance lease liabilities	17,459	16,695
Trust receipts (secured)	7,115,646	5,626,157
	16,665,130	22,473,816
Total	44,397,539	43,700,716

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

16 LOANS AND BORROWINGS (CONT'D)

Terms and debt repayment schedule

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

				2017		2016	
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
		%		$	$	$	$
Group							
Term loans U	SGD	4.73% to 5.25%	2020 to 2022	13,000,000	11,198,941	6,000,000	5,050,000
Term loan E	SGD	6.00%	2020	2,000,000	1,101,776	2,000,000	1,486,038
Revolving credit facilities	SGD	2.33% to 3.69%	2017	7,000,000	7,000,000	12,000,000	12,000,000
Property development loans	SGD	2.58% to 2.68%	2018	14,933,200	13,187,436	18,633,200	16,115,958
Property term loans H	SGD	2.00% to 4.00%	2035 to 2037	3,560,000	3,231,667	3,560,000	3,365,522
Property term loans I	EUR	2.69% to 4.23%	2022 to 2026	1,498,366	1,521,727	–	–
				41,991,566	37,241,547	42,193,200	38,017,518

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

16 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 are secured by legal mortgages on the development properties of a subsidiary, 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 building and other assets of a subsidiary.

Breach of loan covenant

The Group had a secured bank loan and short-term facilities with carrying amounts of $2,000,000 and $178,647 as at 30 June 2016 respectively.

16 LOANS AND BORROWINGS (CONT'D)

Breach of loan covenant (cont'd)

The secured bank loan contained a covenant requiring the tangible net worth of a subsidiary to be not less than $10,000,000 at all times. However, the tangible net worth of the subsidiary was less than $10,000,000 as at 30 June 2016. Accordingly, the loan was recalled and was repayable by October 2016, January 2017 and April 2017. The said outstanding loan of $2,000,000 had been classified as current liabilities as at 30 June 2016. During the year, the Group has fully settled the said bank loan.

The short-term facilities contained a covenant requiring the total liabilities of a subsidiary to be not more than 175% of its tangible net worth at all times. However, the total liabilities of the subsidiary was more than 175% of its tangible net worth as at 30 June 2016. Accordingly, the short-term facilities had been classified as current liabilities as at 30 June 2016. During the year, the Group has fully settled the said short-term facilities.

Finance lease liabilities

Finance leases are payable as follows:

	Future minimum lease payments $	Interest $	Present value of minimum lease payments $
Group			
2017			
Within 1 year	18,828	(1,369)	17,459
Between 1 and 5 years	23,523	(636)	22,887
	42,351	(2,005)	40,346

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

16 LOANS AND BORROWINGS (CONT'D)

Finance lease liabilities (cont'd)

	Future minimum lease payments $	Interest $	Present value of minimum lease payments $
2016			
Within 1 year	18,828	(2,133)	16,695
Between 1 and 5 years	42,351	(2,005)	40,346
	61,179	(4,138)	57,041

The net book value of plant and equipment under finance leases is $39,272 as at 30 June 2017 (2016: $57,398).

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:

	Group 2017	Group 2016
Average lease term, in years	5.0	5.0
Average effective interest rate per year	4.50%	4.50%

16 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 1.25% to 3.42% (2016: 2.11% to 3.04%) per annum.

17 TRADE AND OTHER PAYABLES

	Note	Group 2017 $	Group 2016 $	Company 2017 $	Company 2016 $
Trade payables		4,707,422	3,643,021	–	–
Derivative financial liabilities	18	40,764	40,764	–	–
Accrued expenses		964,257	1,357,465	146,571	114,326
Advance receipts from customers		185,136	2,540,116	–	–
Retention payable		250,000	233,760	–	–
Other payables		1,401,264	737,123	61,390	52,737
Loan due to a subsidiary		–	–	–	1,586,120
Amounts due to subsidiaries (non-trade)		–	–	37,239,067	37,183,785
Total		7,548,843	8,552,249	37,447,028	38,936,968
Non-current		–	–	–	1,205,792
Current		7,548,843	8,552,249	37,447,028	37,731,176
Total		7,548,843	8,552,249	37,447,028	38,936,968

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

17 TRADE AND OTHER PAYABLES (CONT'D)

The loan due to a subsidiary was unsecured, bore interest of 6.0% per annum and was repayable by January 2020 over 60 monthly instalments.

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

18 DERIVATIVE FINANCIAL LIABILITIES

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		
2017		
Structured currency instruments	404,400	40,764
2016		
Structured currency instruments	404,400	40,764

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 (2016: $319,477) are credited to profit or loss and included in other income.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

19 DEFERRED TAX 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 2015 $	Recognised in profit or loss (note 23) $	Credited directly to equity (note 23) $	At 30 June 2016 $	Recognised in profit or loss (note 23) $	Credited directly to equity (note 23) $	At 30 June 2017 $
Group							
Deferred tax liabilities							
Property, plant and equipment	95,642	(16,686)	–	78,956	(59,849)	–	19,107
Gain on property revaluation	4,656,716	–	(2,088,383)	2,568,333	–	(71,014)	2,497,319
Intangible assets	181,220	(77,180)	–	104,040	(104,040)	–	–
Adjustment in relation to development properties	119,000	–	–	119,000	(119,000)	–	–
Development properties based on stage of completion method	585,598	(675,571)	–	(89,973)	89,973	–	–
Profit recognised on development properties based on stage of completion method	43,853	–	–	43,853	(43,853)	–	–
	5,682,029	(769,437)	(2,088,383)	2,824,209	(236,769)	(71,014)	2,516,426
Deferred tax assets							
Unutilised capital allowance	(225,001)	–	–	(225,001)	–	–	(225,001)
Total	5,457,028	(769,437)	(2,088,383)	2,599,208	(236,769)	(71,014)	2,291,425

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

19 DEFERRED TAX 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:

	Group	
	2017	2016
	$	$
Deferred tax liabilities	2,291,425	2,599,208

Unrecognised deferred tax liabilities

As at 30 June 2017, deferred tax liabilities of $196,236 (2016: $130,201) for temporary differences of $577,164 (2016: $382,946) 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:

	Group	
	2017	2016
	$	$
Deductible temporary differences	3,417,088	-
Tax losses	6,188,039	3,451,961

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.

20 REVENUE

	Group	
	2017	2016
	$	$
Sale of goods	48,012,369	52,276,349
Revenue from property development (recognised on percentage of completion method)	6,976,098	850,000
Provision of real estate services	3,098,907	4,270,420
	58,087,374	57,396,769

Significant accounting estimates

The stage of completion method is applied on a cumulative basis in each accounting period to the current estimates of revenue and costs of development property. Changes in the estimate of revenue or costs, or the effect of a change in the estimate of the outcome of a development property could impact the amount of revenue and expenses recognised in profit or loss in the period in which the change is made and in subsequent periods. Such impact could potentially be significant. Significant judgement is required in estimating reasonable amounts of variation claims to be recognised as cost in project budgets and in determining if the Group has to make provisions for any potential liquidated damages exposure and other losses.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

21 FINANCE INCOME AND FINANCE COSTS

	Note	Group 2017 $	Group 2016 $
Finance income:			
Interest income		(2,549)	(7,038)
Finance costs:			
Interest expense		1,352,603	1,603,450
Less: Amount capitalised in development properties	10	(330,457)	(281,800)
		1,022,146	1,321,650
Net finance costs		1,019,597	1,314,612

22 LOSS FOR THE YEAR

The following items have been included in arriving at loss for the year:

	Group 2017 $	Group 2016 $
Allowance for impairment on trade and other receivables	705,198	228,246
Allowance for foreseeable loss on development properties	2,543,188	74,300
Amortisation of intangible assets	464,000	521,000
Audit fees paid to:		
- auditors of the Company	238,500	254,951
- other auditors	41,440	51,654

22 LOSS FOR THE YEAR (CONT'D)

	Group 2017 $	Group 2016 $
Non-audit fees paid to:		
- auditors of the Company	39,750	28,150
Bad debts written off	35,919	213,836
Depreciation of property, plant and equipment	1,603,195	1,716,870
Fair value gain on derivatives	–	(319,477)
Foreign exchange (gain)/losses, net	(57,392)	46,752
Impairment loss on goodwill and intangible assets	1,860,019	16,931,227
Impairment loss on investment in associates	–	113,654
Impairment loss on investment property	–	1,637,368
Land rental	220,812	451,888
Loss/(Gain) on disposal of property, plant and equipment	3,307	(1,449,790)
Operating lease expenses	1,490,618	1,226,046
Revaluation loss on leasehold properties	110,000	–

Employee benefits expense

	Group 2017 $	Group 2016 $
Salaries, bonuses and other costs	9,700,942	10,795,024
Contributions to defined contribution plans	749,582	1,021,281
	10,450,524	11,816,305

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

23 TAX EXPENSE

Tax recognised in profit or loss	Group 2017 $	Group 2016 $
Current tax expense		
Current year	503,266	949,307
Adjustment for prior periods	(152,868)	(11,785)
	350,398	937,522
Deferred tax credit		
Origination and reversal of temporary differences	(236,769)	(675,637)
Adjustment for prior periods	–	(93,800)
	(236,769)	(769,437)
Total tax expense	113,629	168,085

Deferred tax income credited directly to equity:

	Group 2017 $	Group 2016 $
Deferred tax income related to transfer of revaluation reserve to retained earnings	(71,014)	(2,088,383)

23 TAX EXPENSE (CONT'D)

Reconciliation of effective tax rate

	Group 2017 $	Group 2016 $
Loss before tax	(9,731,161)	(23,661,572)
Tax using the Singapore tax rate of 17% (2016: 17%)	(1,654,297)	(4,022,467)
Effect of tax rates in foreign jurisdictions	91,240	25,342
Non-deductible expenses	729,567	3,380,258
Tax incentives	(87,253)	(106,280)
Corporate tax rebate	(13,664)	(40,000)
Tax exempt income	(138,354)	(278,543)
Current year losses for which no deferred tax asset was recognised	489,630	601,351
Utilisation of deferred tax asset previously not recognised	(24,497)	–
Tax effect of losses not allowed to be set off against future taxable profits	299,223	306,855
Change in unrecognised temporary differences	580,905	337,076
Others	(6,003)	70,078
Adjustments for prior periods	(152,868)	(105,585)
Total tax expense	113,629	168,085

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

24 LOSS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 30 June 2017 was based on the loss attributable to ordinary shareholders of $9,844,790 (2016: $23,815,199), and a weighted-average number of ordinary shares outstanding of 233,324,614 (2016: 233,324,614).

Diluted earnings per share

There were no dilutive potential ordinary shares in existence for the financial years ended 30 June 2017 and 2016.

25 DIVIDENDS

No dividends were declared by the Group and the Company for the financial years ended 30 June 2017 and 2016.

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

26 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:

26 RELATED PARTIES (CONT'D)

Other related party transactions (cont'd)

		Group	
	Note	**2017**	**2016**
		$	**$**
Rental expenses paid to related parties	(a)	(317,845)	(321,489)
Interest expense paid to a related party	(b)	–	(32,943)
Sale of goods to an associate		–	1,280
Advertising fees paid to an associate		–	(33,045)

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

(b) The related party is an immediate family member of a director.

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	
	2017	**2016**
	$	**$**
Key management personnel compensation		
Salaries and other short-term employee benefits	1,148,730	1,153,735
Post-employment benefits, including employer's contribution to Central Provident Fund	36,146	34,760
Fees to directors of the Company	180,000	180,000
	1,364,876	1,368,495

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

26 RELATED PARTIES (CONT'D)

Commitments and contingencies

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries. These bank borrowings amount to $44,397,539 (2016: $43,700,716) at the reporting date.

27 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.

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.

27 OPERATING SEGMENTS (CONT'D)

Information about reportable segments

	Marine & offshore $	Property development $	Total for reportable segments $	Unallocated $	Total $
Group					
2017					
External revenue	48,012,369	10,075,005	58,087,374	–	58,087,374
Interest income	2,206	343	2,549	–	2,549
Interest expense	(852,062)	(170,084)	(1,022,146)	–	(1,022,146)
Depreciation and amortisation	(1,848,215)	(175,010)	(2,023,225)	(43,970)	(2,067,195)
Reportable segment loss before tax	(94,877)	(8,725,434)	(8,820,311)	–	(8,820,311)
Other unallocated expenses	–	–	–	(910,850)	(910,850)
Consolidated loss before tax from continuing operations					(9,731,161)
Reportable segment assets	58,130,995	49,424,215	107,555,210	259,846	107,815,056
Capital expenditure	2,817,954	38,896	2,856,850	–	2,856,850
Reportable segment liabilities	35,832,845	18,894,958	54,727,803	218,162	54,945,965

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

27 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Marine & offshore $	Property development $	Total for reportable segments $	Unallocated $	Total $
Group					
2017					
Other material non-cash items					
Allowance for foreseeable losses on development properties	–	2,543,188	2,543,188	–	2,543,188
Allowance for inventory obsolescence	121,965	–	121,965	–	121,965
Impairment loss on					
- goodwill and intangible assets	1,263,562	596,456	1,860,018	–	1,860,018
- trade and other receivables	4,789	665,764	670,553	34,645	705,198
Revaluation loss on leasehold properties	–	110,000	110,000	–	110,000
Bad debts written off	3,028	32,891	35,919	–	35,919

27 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Marine & offshore $	Property development $	Total for reportable segments $	Unallocated $	Total $
Group					
2016					
External revenue	52,276,349	5,120,420	57,396,769	–	57,396,769
Interest income	5,803	1,235	7,038	–	7,038
Interest expense	(1,136,182)	(185,468)	(1,321,650)	–	(1,321,650)
Depreciation and amortisation	(1,925,046)	(269,797)	(2,194,843)	(43,027)	(2,237,870)
Reportable segment profit/(loss) before tax	18,320	(22,785,000)	(22,766,680)	–	(22,766,680)
Other unallocated expenses	–	–	–	(894,892)	(894,892)
Consolidated loss before tax from continuing operations					(23,661,572)
Reportable segment assets	59,465,184	57,841,346	117,306,530	564,954	117,871,484
Capital expenditure	445,293	1,576,196	2,021,489	4,850	2,026,339
Reportable segment liabilities	31,453,220	24,165,946	55,619,166	172,670	55,791,836

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

27 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

	Marine & offshore $	Property development $	Total for reportable segments $	Unallocated $	Total $
Group					
2016					
Other material non-cash items					
Allowance for foreseeable losses on development properties	–	74,300	74,300	–	74,300
Allowance for inventory obsolescence	202,183	–	202,183	–	202,183
Impairment loss on					
- associate	41,897	71,757	113,654	–	113,654
- goodwill	2,244,364	14,686,863	16,931,227	–	16,931,227
- investment property	–	1,637,368	1,637,368	–	1,637,368
- trade and other receivables	228,246	–	228,246	–	228,246
Bad debts written off	5,984	207,852	213,836	–	213,836

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.

27 OPERATING SEGMENTS (CONT'D)

Information about reportable segments (cont'd)

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.

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.

	Group 2017 $	Group 2016 $
Revenue		
Singapore	38,105,727	37,777,061
Malaysia	2,673,767	2,279,154
Philippines	1,771,645	1,016,462
The Netherlands	1,552,504	1,448,900
Indonesia	1,281,750	960,589
United States of America	1,253,900	1,025,822
Hong Kong	1,252,799	1,828,525
Germany	1,236,909	1,637,734
Denmark	1,210,342	1,271,020
Greece	1,026,741	1,004,967
United Kingdom	914,709	1,038,893
China	798,317	1,067,736
Other countries	5,008,264	5,039,906
Total revenue	58,087,374	57,396,769

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

27 OPERATING SEGMENTS (CONT'D)

Geographical information (cont'd)

	Group	
	2017	2016
	$	$
Non-current assets		
Singapore	22,521,636	26,194,278
Other countries	2,962,498	370,893
	25,484,134	26,565,171

Non-current assets presented consist of property, plant and equipment, intangible assets and goodwill, and investment in associates.

Revenue from major customers

	Group	
	2017	2016
	$	$
Top 1 customer	4,285,412	4,330,073
Top 2 customers	5,883,166	6,647,570
Top 3 customers	7,440,029	8,746,582

28 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

28 FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Financial risk management (cont'd)

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:

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

28 FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Financial risk management (cont'd)

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 FRS 39 criteria are met.

4. Only financial institutions with acceptable credit ratings are used as counterparties for derivatives.

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.

Other than the cash restricted in use, cash and cash equivalents balances as disclosed in Note 12 represent short term deposits with a less than 90-day maturity.

28 FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Credit risk on financial assets (cont'd)

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 (2016: 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 trade and other receivables (excluding prepayments and advances to suppliers) at the reporting date by business segment is set out below.

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Marine & offshore	10,149,451	10,488,156	2,379,505	5,429,784
Property development	1,754,224	4,728,074	2,265,352	17,005,398
	11,903,675	15,216,230	4,644,857	22,435,182

The concentration of trade receivables by top 3 significant customers as at the end of financial year is as follows:

	Group	
	2017	2016
	$	$
Top 1 customer	426,960	720,180
Top 2 customers	839,390	1,110,264
Top 3 customers	1,192,685	1,468,138

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

28 FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Credit risk on financial assets (cont'd)

Exposure to credit risk (cont'd)

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

	Group	
	2017	2016
	$	$
Past due 1 to 60 days	2,662,980	3,499,013
Past due 61 to 90 days	1,212,020	502,016
Past due over 90 days	867,487	1,550,980
Total	4,742,487	5,552,009

The Group believes that the above amounts are still collectible in full, based on historic payment behaviour and extensive analyses of customer credit risk, including underlying customers' credit ratings, when available.

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

	Group	
	2017	2016
	$	$
Past due over 90 days	520,743	579,037

28 FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Credit risk on financial assets (cont'd)

Exposure to credit risk (cont'd)

The allowance which is disclosed in the Note 11 is based on individual accounts totalling $520,743 (2016: $579,037) that are determined to be impaired at the end of the financial year. These are not secured.

Other receivables are normally with no fixed terms and therefore there is no maturity.

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.

	Group	
	2017	2016
	$	$
Undrawn borrowing facilities	8,990,580	14,023,843

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.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

28 FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Liquidity risk (cont'd)

	Carrying amount $	Contractual cash flows $	Less than 1 year $	1 – 5 years $	Over 5 years $
Group					
Non-derivative financial liabilities					
30 June 2017					
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*	7,322,943	(7,322,943)	(7,322,943)	–	–
	51,720,482	(54,654,297)	(38,040,262)	(12,323,400)	(4,290,635)
30 June 2016					
Secured bank loans	38,017,518	(40,439,237)	(29,850,240)	(7,088,041)	(3,500,956)
Finance lease liabilities	57,041	(61,179)	(18,828)	(42,351)	–
Trust receipts	5,626,157	(5,626,157)	(5,626,157)	–	–
Trade and other payables*	5,971,369	(5,971,369)	(5,971,369)	–	–
	49,672,085	(52,097,942)	(41,466,594)	(7,130,392)	(3,500,956)

28 FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Liquidity risk (cont'd)

	Carrying amount $	Contractual cash flows $	Less than 1 year $	1 – 5 years $	Over 5 years $
Group					
Derivative financial liabilities					
30 June 2017					
Net settled:					
Structured currency instruments	40,764	(40,764)	(40,764)	–	–
30 June 2016					
Net settled:					
Structured currency instruments	40,764	(40,764)	(40,764)	–	–
Company					
Non-derivative financial liabilities					
30 June 2017					
Trade and other payables	37,447,028	(37,447,028)	(37,447,028)	–	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

28 FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Liquidity risk (cont'd)

	Carrying amount $	Contractual cash flows $	Less than 1 year $	1 – 5 years $	Over 5 years $
Company					
30 June 2016					
Trade and other payables	38,936,968	(39,114,181)	(37,810,848)	(1,303,333)	–

* Excludes derivatives (shown separately) and advance receipts from customers.

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. As at 30 June 2017 and 2016, no claims on the financial guarantees are expected. The following table shows the maturity analysis of the financial guarantees.

28 FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Liquidity risk (cont'd)

Financial guarantee contracts (cont'd)

	Less than 1 year $
Company	
2017	
Corporate guarantees in favour of subsidiaries	44,397,539
2016	
Corporate guarantees in favour of subsidiaries	43,700,716

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

28 FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Liquidity risk (cont'd)

Exposure to interest rate risk

The table below sets out the Group's and the Company's exposure to interest rate risks:

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Fixed rate instruments				
Financial assets	–	13,000	–	1,586,120
Financial liabilities	(12,724,660)	(6,593,079)	–	(1,586,120)
	(12,724,660)	(6,580,079)	–	–
Variable rate instruments				
Financial assets	7,773,055	7,767,233	87,913	306,921
Financial liabilities	(31,672,879)	(37,107,637)	–	–
	(23,899,824)	(29,340,404)	87,913	306,921

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.

28 FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Liquidity 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.

	Loss before tax	
	100 bp increase	100 bp decrease
	$	$
Group		
30 June 2017		
Variable rate instruments	(238,998)	238,998
30 June 2016		
Variable rate instruments	(293,404)	293,404
Company		
30 June 2017		
Variable rate instruments	879	(879)
30 June 2016		
Variable rate instruments	3,069	(3,069)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

28 FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

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").

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.

28 FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Foreign currency risk (cont'd)

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 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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

28 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 2016				
Financial assets				
Cash and cash equivalents	2,732,620	909,939	80,193	3,722,752
Trade and other receivables	1,571,749	1,328,907	230,375	3,131,031
Total financial assets	4,304,369	2,238,846	310,568	6,853,783
Financial liabilities				
Trade and other payables	(2,285,152)	(278,565)	(371,288)	(2,935,005)
Total financial liabilities	(2,285,152)	(278,565)	(371,288)	(2,935,005)
Net financial assets at end of the year	2,019,217	1,960,281	(60,720)	3,918,778

The Company's exposure to foreign currency risk is not significant.

28 FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Foreign currency risk (cont'd)

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.

	Group Loss before tax $
30 June 2017	
USD (10% strengthening)	55,037
USD (10% weakening)	(55,037)
EUR (10% strengthening)	(5,677)
EUR (10% weakening)	5,677
30 June 2016	
USD (10% strengthening)	201,922
USD (10% weakening)	(201,922)
EUR (10% strengthening)	196,028
EUR (10% weakening)	(196,028)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

28 FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

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.

	Loans and receivables $	Designated at fair value $	Other financial liabilities at amortised cost $	Total $	Level 2 $
Group					
30 June 2017					
Financial assets not measured at fair value					
Cash and cash equivalents	7,781,629	–	–	7,781,629	
Trade and other receivables*	11,903,675	–	–	11,903,675	
	19,685,304	–	–	19,685,304	
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#	–	–	7,322,943	7,322,943	
	–	–	51,720,482	51,720,482	

28 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 2016					
Financial assets not measured at fair value					
Cash and cash equivalents	7,795,289	–	–	7,795,289	
Trade and other receivables*	15,216,230	–	–	15,216,230	
	23,011,519	–	–	23,011,519	
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	–	–	6,593,079	6,593,079	6,458,697
Other loans and borrowings	–	–	37,107,637	37,107,637	
Trade and other payables#	–	–	5,971,369	5,971,369	
	–	–	49,672,085	49,672,085	

* Excludes prepayments

\# Excludes derivatives (shown separately) and advance receipts from customers

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

28 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 2017					
Financial assets not measured at fair value					
Cash and cash equivalents	88,127	–	–	88,127	
Trade and other receivables*	4,644,857	–	–	4,644,857	
	4,732,984	–	–	4,732,984	
Financial liabilities not measured at fair value					
Trade and other payables#	–	–	37,447,028	37,447,028	
	–	–	37,447,028	37,447,028	

28 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 2016					
Financial assets not measured at fair value					
Cash and cash equivalents	307,646	–	–	307,646	
Loans due from a subsidiary	1,586,120	–	–	1,586,120	1,566,801
Trade and other receivables*	20,849,062	–	–	20,849,062	
	22,742,828	–	–	22,742,828	
Financial liabilities not measured at fair value					
Loans due to a subsidiary	–	–	1,586,120	1,586,120	1,566,801
Trade and other payables#	–	–	37,350,848	37,350,848	
	–	–	38,936,968	38,936,968	

* Excludes prepayments

Excludes derivatives (shown separately) and advance receipts from customers

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

28 FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

Classification of financial assets and liabilities and fair values (cont'd)

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. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

Financial instruments not measured at fair value

Type	Valuation technique
Loans due from/(to) a subsidiary	Discounted cash flows

29 COMMITMENTS

The Group has the following commitments as at the reporting date:

	Group	
	2017	2016
	$	$
Development expenditure contracted for development properties but not provided for in the financial statements	580,831	3,872,092

29 COMMITMENTS (CONT'D)

In addition, as part of the provisions of an agreement entered into between a subsidiary and a non-controlling interest, the Group will bear all costs relating to or in any way connected with the design, planning, project management, supervision, conduct, launch, marketing and promotion of "The Bay" project and the operation of the subsidiary, other than construction costs, sales agency commission and the relevant developer charges. However, as disclosed in Note 5(iv), the Group and its joint venture partner had decided to put on hold the residential development phase of the project in 2016 after considering the market conditions in Phnom Penh and other factors.

30 OPERATING LEASES

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 3 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 2017, the total of future minimum lease payment commitments under non-cancellable operating leases are as follows:

	Group	
	2017	2016
	$	$
Not later than 1 year	1,408,763	1,846,509
Later than 1 year and not later than 5 years	1,487,532	3,192,728
Later than 5 years	5,028,151	5,685,219
	7,924,446	10,724,456
Rental expense for the year	1,711,430	1,677,934

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2017

31 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.

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.

31 PERFORMANCE SHARE PLAN (CONT'D)

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 award date.

There were no awards granted under the PSP by the Company or any corporation in the Group since its inception and during the financial year.

There were no shares issued during the financial year by virtue of the exercise of awards to take up unissued shares of the Company or any corporation in the Group.

There were no unissued shares under the PSP in the Company or any corporation in the Group as at the end of the financial year.

SHAREHOLDINGS STATISTICS

As at 22 September 2017

SHARE CAPITAL

Issued and fully paid capital	- S$38,010,672.80
Total number of shares in issue	- 233,324,614
Number of treasury shares	- Nil
Class of shares	- Ordinary shares
Voting rights	- 1 vote per share
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

	Direct Interest		Deemed Interest	
Name of Substantial Shareholders	Number of Shares	%	Number of Shares	%
Lim See Hoe[1]	57,247,578	24.54	–	–
Cheng Lye Meng Eric (Zheng Laiming Eric)	41,214,286	17.66	–	–
Lim Siew Cheng[1]	23,100,155	9.90	–	–
Lim Siew Choo[1]	18,480,126	7.92	–	–
Thanuja D/O Thiagarajah	12,500,000	5.36	–	–

Note:

[1] Lim See Hoe, Lim Siew Cheng and Lim Siew Choo are siblings.

LIST OF TWENTY LARGEST SHAREHOLDERS

S/N	Name	Number of Shares	%
1	Lim See Hoe	57,247,578	24.54
2	Cheng Lye Meng Eric (Zheng Laiming)	41,214,286	17.66
3	Lim Siew Cheng	23,100,155	9.90
4	Lim Siew Choo	18,480,126	7.92
5	Thanuja D/O Thiagarajah	12,500,000	5.36
6	Lim See Heng	9,200,140	3.94
7	Lin Yusheng	9,000,000	3.86
8	Ong Chuey Geok	9,000,000	3.86
9	Lim Siew Lian (Soare Siew Lian)	7,826,000	3.35
10	Teo Hock Hoe	6,473,571	2.77
11	Liu Yining	6,428,571	2.76
12	Tan Chiun Wei	4,312,171	1.85
13	Alvin Chee Siong	3,907,000	1.67
14	Loy Chee Yong	1,285,715	0.55
15	Lim Yeow Shien (Lin Yaoxian)	1,159,700	0.50
16	Raffles Nominees (Pte) Limited	1,111,000	0.48
17	Citibank Nominees Singapore Pte Ltd	899,000	0.39
18	Chan Wai Leong	893,000	0.38
19	Goh Leng Heng	702,000	0.30
20	Tan Wah Yong	700,000	0.30
	TOTAL	**215,440,013**	**92.34**

SHAREHOLDINGS STATISTICS

As at 22 September 2017

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 - 99	5	1.34	28	0.00
100 - 1,000	45	12.06	41,873	0.02
1,001 - 10,000	70	18.77	511,600	0.22
10,001 - 1,000,000	237	63.54	20,525,100	8.80
1,000,001 and above	16	4.29	212,246,013	90.96
TOTAL	**373**	**100.00**	**233,324,614**	**100.00**

Based on the information available to the Company and to the best knowledge of the Directors, approximately 13.2% of the issued ordinary shares of the Company were held in the hands of the public as at 22 September 2017 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 Novotel Singapore Clarke Quay, Paprika Room, Level 5, 177A River Valley Road, Singapore 179031 on Monday, 30 October 2017 at 3.00 p.m., for the following purposes:

AS ORDINARY BUSINESS:

1. To receive and adopt the Audited Financial Statements for the financial year ended 30 June 2017 together with the Directors' Statement and Independent Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of S$180,000 for the financial year ending 30 June 2018, to be paid quarterly in arrears (FY2017: S$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 Mr Kwah Thiam Hock, 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 auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following Resolution as Ordinary Resolution, with or without any modifications:

6. Ordinary Resolution: Authority to Allot and Issue Shares and Convertible Securities

   That pursuant to Section 161 of the Companies Act, Chapter 50 ("**Companies Act**") and Rule 806 of Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Catalist Rules**"), authority be and is hereby given to the Directors to:

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

(ii) make or grant offers, agreements or options 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 (collectively, "**Instruments**"),

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

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

provided that:

(1) the aggregate number of Shares or Instruments to be issued pursuant to this Ordinary Resolution (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this Ordinary Resolution) shall 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 and Instruments to be issued other than on a *pro rata* basis to shareholders of the Company (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this Ordinary Resolution) shall 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 of passing this Ordinary Resolution, after adjusting for:

NOTICE OF ANNUAL GENERAL MEETING

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

(b) new Shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time of passing this Ordinary Resolution, 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 Ordinary Resolution, the Directors 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) and the Constitution of the Company for the time being; and

(4) unless revoked or varied by the Company in general meeting, such authority conferred by this Ordinary 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. 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
Singapore
13 October 2017

Explanatory Notes:

1. Mr Kwah Thiam Hock will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees of the Company, and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

2. The Ordinary Resolution 6 proposed in item 6 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM is to be held or is required by law to be held, whichever is earlier, to allot and issue Shares and convertible securities in the capital of the Company. The aggregate number of Shares (including Shares to be made in pursuance of Instruments made or granted pursuant to this Ordinary Resolution) to be allotted and issued shall not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time of passing this Ordinary Resolution. For issue of Shares (including Shares to be made in pursuance of Instruments made or granted pursuant to this Ordinary Resolution) other than on a *pro rata* basis to all shareholders, the aggregate number of Shares (including Shares to be made in pursuance of Instruments made or granted pursuant to this Ordinary Resolution) to be allotted and issued shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time of passing this Ordinary Resolution. This authority will, unless previously revoked or varied at a general meeting, expire at the next AGM.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

(i) (a) A member of the Company entitled to attend and vote at the AGM and who is not a Relevant Intermediary may appoint not more than two proxies to attend and vote in his stead.

(b) A member of the Company entitled to attend and vote at the AGM and who is a Relevant Intermediary may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such member.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

(ii) A proxy need not be a member of the Company.

(iii) If a proxy is to be appointed, the instrument appointing a proxy must be duly deposited at the registered office of the Company at 1 Commonwealth Lane #09-23 One Commonwealth Singapore 149544 not later than 48 hours before the time appointed for the holding of the AGM.

(iv) The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney 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 fixed 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 your name and your 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. Your personal data and your 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.

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**"), for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this notice.

This notice has not been examined or approved by 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 Ong Hwee Li (Tel: (65) 6532 3829) at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542.

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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 **Shareholdings (%)**

and/or (delete as appropriate)

Name	Address	NRIC/ Passport Number	Proportion of **Shareholdings (%)**

as my/our* proxy/proxies* to attend and vote for me/us* on my/our* behalf at the Annual General Meeting ("**AGM**") of the Company to be held at Novotel Singapore Clarke Quay, Paprika Room, Level 5, 177A River Valley Road, Singapore 179031 on Monday, 30 October 2017 at 3.00 p.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions as set out in the notice of AGM. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the AGM and at any adjournment thereof.)

IMPORTANT

1. Investors who hold shares under the Supplementary Retirement Scheme ("**SRS Investors**") may attend and cast their votes 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.

2. This proxy form 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.	Adoption of Audited Financial Statements for the financial year ended 30 June 2017 together with the Directors' Statement and Independent Auditors' Report thereon		
2.	Approval of Directors' fees of S$180,000 for the financial year ending 30 June 2018, to be paid quarterly in arrears		
3.	Re-election of Ms Lim Siew Cheng as Director		
4.	Re-election of Mr Kwah Thiam Hock as Director		
5.	Re-appointment of KPMG LLP as auditors of the Company and authority to Directors to fix their remuneration		
	SPECIAL BUSINESS:		
6.	Ordinary Resolution: Authority to Directors to allot and issue shares and convertible securities		

* Delete accordingly

Dated this ________ day of ____________________ 2017

Total number of Shares in		Number of Shares
(a)	Depository Register	
(b)	Register of Members	

____
Signature(s) of Member(s) or
Common Seal of Corporate Member

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members of the Company, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. A member of the Company who is not a Relevant Intermediary (as defined below) is entitled to appoint not more than two proxies to attend and vote at the AGM of the Company. Where such member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no percentage is specified, the first named proxy shall be deemed to represent 100% of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.

3. A member of the Company who is a Relevant Intermediary is entitled to appoint more than two proxies to attend and vote at the AGM of the Company, 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 proxy form. In such event, the Relevant Intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.

   "Relevant Intermediary" means:

   (i) a banking corporation licensed under the Banking Act, Chapter 19, or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289, and who holds shares in that capacity; or

   (iii) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

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

5. 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 the AGM.

6. The instrument appointing a proxy or proxies must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or by an officer on behalf of the corporation.

7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney or other authority, the power of attorney or authority or a notarially certified copy thereof must be lodged with the instrument of proxy, failing which the instrument of proxy may be treated as invalid.

8. A corporation which is a member may authorise by 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.

9. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy 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 an 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 13 October 2017.

TEHO INTERNATIONAL INC LTD.
1 Commonwealth Lane #09-23
One Commonwealth, Singapore 149544