

Issuer: TEE Land Limited

Security: TEE Land Limited

Meeting details:

Date: 29 September 2017

Time: 3.00 p.m.

Venue: Orchid Country Club, Emerald Suite, Golf Clubhouse, Level 2, 1 Orchid Club Road, Singapore 769162

Company Description

TEE Land Limited, an investment holding company, operates as a real estate developer and investor in Singapore, Malaysia, Thailand, Australia, and New Zealand. The company engages in identifying, acquiring, designing, developing, launching, and offering various properties to consumers and businesses. It undertakes residential, commercial, and industrial property development projects; invests in properties, such as hotels in Australia; and provides short-term accommodation in New Zealand. The company was incorporated in 2012 and is based in Singapore. TEE Land Limited operates as a subsidiary of TEE International Limited.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=S9B)

Q1. Revenue for the financial year ended 31 May 2017 increased by 138% due to higher progressive revenue recognised for development projects, particularly Third Avenue in Malaysia, Hilbre28 and a new development project, 183 Longhaus in Singapore (page 10 of the annual report). This increase was also due to the change in accounting policy of the revenue recognition policy from completed contract method to percentage of completion method for the retail units in the Malaysian development.

As disclosed in Note 46 (pages 120-121), the restatement led to an increase in revenue recognised of \$4.9 million and an increase in net profit of \$1.1million for FY2016.

For FY2017, while the group reported \$94.7 million in revenue, profit/(loss) attributable to owners of the company slipped to \$(1.05) million in 2017.

To help shareholders better understand the performance of the group, please elaborate further on the following items in the financial statements:

- a) **Revenue (Note 4 – page 79):** \$73.0 million of revenue is attributed to revenue recognised from development properties based on percentage of completion method. **How much of this \$73.0 arose due to the change in accounting policy of the revenue from the retail units in the development in Malaysia?**
- b) **Other operating income (Note 5 – page 79):** A gain of \$5.3 million was recognised following the disposal of Quality Hotel CKS Sydney Airport. **From the acquisition in August 2014 to the disposal in May 2017, can management disclose the return on investment for this asset?**
- c) **Other operating expenses (Note 6 – page 79):** The group also recognised a \$2.9 million write-down in the carrying value of completed properties and land held in 2017. **Can management provide a breakdown to show the write-down individually for The Peak @ Cairnhill I and Peach Garden?**
- d) **160 Changi:** **Can management confirm that the completed property at 160 Changi Road is Hexacube?** As reported by the partners, the percentage sold was 60% in May 2016 and 61.6% in May 2017. **What are management’s plans for this completed asset?**

| COMMERCIAL | | | | | | |
|-----------------------|-----------------|-----------------|----------|--|---------------------------------|----------------------------|
| Name of Property | Location | Land Area (sqm) | Tenure | No. of Units | Estimated Completion / TOP Date | Group’s Effective Interest |
| Completed (Singapore) | | | | | | |
| Hexacube | 160 Changi Road | 1,670 | Freehold | 32 Retail 4 Restaurant 37 Office | Mar-17 | 30% |

(Source: Company annual report)

Q2. The valuation of development properties and completed properties and land held for sale is highlighted as one of the key audit matters in the Independent Auditor’s Report (pages 49-50). As disclosed in Notes 3, 15 and 16 to the financial statements, the development properties and completed properties and land held for sale (collectively “development projects”) are stated at the lower of cost and net realisable value.

In Note 2 (page 69 - Summary of significant accounting policies: Development properties), it was disclosed that “development properties are stated at cost plus attributable profits less progress billings if their revenue is recognised based on percentage of completion”.

In Note 15 (page 86 - Development properties), it was also stated that, as at 31 May 2017, the aggregate amount of costs incurred and attributable profits to-date relating to revenue from sale of development properties recognised using percentage of completion method amounted to \$57,815,000 (2016: \$23,167,000) and \$19,898,000 (2016: \$7,592,000) respectively.

- a) Can the audit committee confirm that development properties are stated at the lower of cost and net realisable value?
- b) Can the audit committee and the independent auditors confirm that company's disclosures in Note 2 and Note 15 on development properties being stated at cost plus attributable profits less progress billings do not contradict with the auditor's statement in the description of key audit matter (i.e., development properties and completed properties and land held for sale are stated at the lower of cost and net realisable value)?
- c) To help shareholders better understand the accounting treatment of the valuation of the development properties, can the audit committee explain, using layman's terms, what the \$19,898,000 recognised as "attributable profits to-date relating to revenue from sale of development properties recognised using percentage of completion method" in Note 15 refers to? Does the audit committee consider this a prudent way to value the group's development properties?

Q3. In the annual report for the financial year ended 31 May 2016, the group had stated, as one of its competitive strengths, that the group would grow beyond Singapore by investing "in hotels in Australia and short-term accommodation in New Zealand, which contribute recurring income streams".

In the annual report for the financial year ended 31 May 2017, the group has simply stated that it would "invests in income-generating assets".

With the sale of Quality Hotel CKS Sydney Airport and the intention to sell Larmont Hotel, would the board provide shareholders with better clarity on the strategy of the group? Is the group still focused on building up a recurring income base? Is there still a focus on the Australian and New Zealand markets?

Or has the group shifted its strategic direction to re-focus on the core business of property development/re-development?