



TEE INTERNATIONAL LIMITED

(Incorporated in Singapore with limited liability)
(Company registration number 200007107D)

RESPONSE TO THE QUERIES FROM THE SINGAPORE EXCHANGE REGULATION IN RELATION TO THE COMPANY'S ANNOUNCEMENT DATED 15 JULY 2021 ON THE UNAUDITED FOURTH QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MAY 2021

The Board of Directors (the "**Board**" or the "**Directors**") of TEE International Limited (the "**Company**", and together with its subsidiaries, the "**Group**") would like to respond to the following queries raised by Singapore Exchange Regulation ("**SGX RegCo**") on 22 July 2021 in relation to the Company's announcement dated 15 July 2021 on the Unaudited Fourth Quarter Financial Statements and Dividend Announcement for the Period Ended 31 May 2021 ("**4Q FY2021**").

Query No 1

On page 2 of the Company's Full Year FY2021 results, the Company disclosed that "the expected completion date of the disposal of Arrow Waste Management Pte. Ltd. ("**AWM**") was on 29 May 2020." Please provide details of the performance of Arrow Waste Management Pte Ltd in view that it was loss making of S\$4.5 million in FY2020.

Company's Response

As announced on 30 June 2020, the expected completion date of the disposal of Arrow Waste Management Pte. Ltd. ("**AWM**") was on 29 May 2020. However, subsequent to that, the Company and its subsidiary, TEE Infrastructure Private Limited ("**TEE Infra**") had received notices of termination of the proposed disposal from the Purchaser. The Company, TEE Infra, AWM and the Purchaser and the Purchaser's holding company Nutara Investment Pte. Ltd. have subsequently on 18 December 2020 entered into a settlement agreement and TEE Infra and the Purchaser did not proceed with the Proposed Disposal. The Group has accounted for the discontinued operations and recognised a S\$50,000 rebate from the Purchaser up to the second quarter ended 30 November 2020. As at 4Q FY2021, AWM has reinstatement and returned all 4 plots of leasehold lands that it owns to Jurong Town Corporation ("**JTC**") for zero consideration due to early termination of the lease term with JTC. AWM is currently dormant. Please also refer the Company's announcement dated 28 December 2020 in response to the queries from the SGX-ST on proposed disposal of a subsidiary for more information.

Query No 2

On page 3 of the Company's Full Year FY2021 results, the Company disclosed Allowance for contract assets amounting to S\$17.6 million. Please disclose the reason for the significant allowance of S\$17.6 million and the value of this contract. Please disclose when the contract(s) are expected to be completed.

Company's Response

The details of the allowance for contract assets are as follows:

Job no.	Contract value (S\$' million)	Completion date	Allowance for contract assets (S\$' million)	Reason(s) for allowance
J3309	148.7	March 2018	15.0	Long overdue by more than three years and the Company is working to recover the outstanding sum
J3705	5.6	April 2017	1.0	Long overdue by more than four years and the Company is working to recover the outstanding sum
P3602	56.0	June 2020	1.6	Long overdue by more than a year and the Company is working to recover the outstanding sum
Total			17.6	

Query No 3

On page 3 of the Company's Full Year FY2021 results, the Company disclosed Provision of performance bonds/claims from a contract counterparty amounting to S\$17.9million. Please provide details of these claims and the entity where the performance bond was issued. Please disclose the reasons for the claims/provision of the significant amount for \$17.9 million and what is the contract value relating to these claims/allowance. Please also disclose when the relevant contracts are expected to be completed.

Company's Response

The following, are the details of the provision of performance bonds or claims under Trans Equatorial Engineering Pte Ltd ("Trans Equatorial"):

Job no.	Contract value (S\$' million)	Expected completion date	Provision of performance bonds/claims (S\$' million)	Reason
A) Calling of Performance Bonds				
J3905	19.7	September 2021	1.8	The performance bond was called by client
J3909	9.5	June 2021	0.5	The performance bond was called by client
J3806	35.0	October 2021	3.3	The performance bond was called by client
J3807	28.0	October 2021	2.4	The performance bond was called by client
			8.0	
B) Claims from a contract counterparty for corporate guarantee given to Trans Equatorial				
Claims from a contract counterparty for the corporate guarantee given by the Company, for the excess of direct payments on behalf of the contract counterparty to the sub-contractors as compared to the progress billings (for Job no. J3806 and J3807)			9.9	Project terminated
Total			17.9	

Query No 4

In view of the Company's losses from continuing operations of S\$(119,061,000) for FY2021, working capital deficit of S\$(152,734,000) and net capital deficit of S\$(100,015,000) as at 31 May 2021. Please provide:

- i. the Board's opinion if the Company will be able to operate as going concern and basis for the Board's view.
- ii. the Board's confirmation that all material disclosures have been announced.

Company's Response

The Company has appointed RSM Corporate Advisory Pte. Ltd. ("**RSM**") as financial consultant in June 2021, to, *inter alia*, undertake a review of the Group's businesses and assist to formulate restructuring plans to improve the financial position and/or performance of the Group. To-date, RSM is in the process of reviewing the Group's operations and working with the Company and is expected to formulate and finalise its plans by end of July 2021. [Based on information made available from the management and RSM to-date, in view of the losses incurred by the Group, the Board notes preliminarily that a cash or equity injection and/or a debt restructuring exercise may be required in order for the Group to continue as a going concern. Nonetheless, the Board would like to strongly emphasise that the current situation is highly uncertain and it would only be able to form a final opinion when (1) RSM completes its review and advice on the eventual outcome of such review; (2) the outcome of discussions with key customers, creditors and banks is known and (3) the restructuring plans and its impact, whether financial or non-financial on the Company and/or its respective subsidiaries, have been finalised. Accordingly, as emphasised in the 4Q FY2021 announcement on 15 July 2021, the Company may have to make material adjustments to its financial performance and financial position for the financial period ended 31 May 2021. An appropriate announcement will be made accordingly.

To the best of the Board's knowledge, information and belief, pending the finalisation of the abovementioned matters, the Board confirms that all material disclosures as required pursuant to the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") have been announced. The Company will make further announcements as and when there are any material developments on this matter.

Query No 5

Please disclose the current order book of the Group.

Company's Response

As at 31 May 2021, the Group's engineering and construction order book stood at S\$212.9 million. Nonetheless, given the limited amount of financial resources in the Group, as part of its on-going restructuring exercise, the Group is in the midst of negotiating to novate or terminate certain projects amounting in aggregate of approximately S\$121.2 million. If these projects subject to potential novation or termination are disregarded, the order book would be reduced to S\$91.7 million.

Query No 6

On page 17 of the Company's Full Year FY2021 results, the Company disclosed that S\$6.339 million from the net proceeds of the renounceable non-underwritten rights issue announced on 29 November 2018 was utilised to finance the expansion and growth of existing businesses, acquisitions and new investments. Please provide details of these businesses and acquisitions where the proceeds from the placement was utilised.

Company's Response

The details and breakdown of the amount for the finance of business expansion and new acquisitions and investment are as follows:

	Amount after re-allocation S\$'000	Utilised amount S\$'000
<u>Finance expansion and new acquisitions and investment</u>		
Six performance bonds placement for new projects, three each for Trans Equatorial and PBT from June 2019 to May 2020	2,886	
Acquisition of AWM and its related expenses incurred for the construction of four plots of lands for hazardous waste management business	<u>3,453</u>	
Total		<u><u>6,339</u></u>

As disclosed in the Company's annual report for the financial year ended 31 May 2020, S\$2.886 million was utilised for supporting the new Engineering projects in terms of procuring Banker's Guarantees and Insurance Bonds; S\$3.453 million was utilised for the acquisition of AWM and its related expenses.

By Order of the Board
TEE International Limited

Ong Beng Hong
Company Secretary
26 July 2021