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

RESPONSE TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON THE FY2020 ANNUAL REPORT

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 questions from Securities Investors Association (Singapore) on the Company's FY2020 annual report ended 31 May 2020.

The Company's responses are as follow:

Corporate Strategy

1. **Can management elaborate on scope of strategic review of potential divestment of non-core assets? How will the review be carried out and when will it conclude? What are the non-core assets that have been identified for disposal?**

   The strategic review, covering the non-core business activities of the Group, was to identify poorly-performing or unsustainable businesses for divestment or closure. The Group has identified certain assets for divestment or closure, such as Arrow Waste Management Pte. Ltd. and a minority stake in a Philippines power plant.

   Management will appoint external professional firms to assist in any divestment exercise. Management is also mindful that such divestments are not forced-sale situations and will seek the best possible valuation for the Group.

2. **Will the board engage with its new controlling shareholder to finetune its growth objectives and business strategies?**

   The new controlling shareholder has representation on the Board, which collectively sets the strategic direction of the Group. With Mr. Teo Yi-Dar and Mr. Gary Ng joining the Board, the engagement process has already started.

Business Operations

3. **Management to explain the competitive strengths of the group in the E&C segment? How to strike a balance on need to maintain/increase its profit margin and the need to be competitive to win contracts?**

   The Group has been established for almost three decades. As a one-stop integrated E&C solutions provider and a mission critical specialist, the E&C business segment has built a strong track record and maintained an excellent safety record. The Group will continue its focus in enhancing its profit margin by targeting projects that the Group has built competence, such as Asset Enhancement Initiatives, Transportation Infrastructures and Data Centres.

4. What are key learnings from DfMA and how cost savings can be expected from leveraging on such technologies?

Design for Manufacturing and Assembly ("DfMA") is an effort to improve efficiencies in construction projects which involves construction being designed for manufacturing off-site in a controlled environment, before being assembled on-site. The Company has been able to reduce on-site construction time and improve safety standards.

The Company is the pioneer in implementing DfMA for high-rise building in Singapore. Besides DfMA, The E&C team has also adopted innovative engineering solutions such as Building Information Modelling, digital construction, integrated facilities management, as well as working with the Building Construction Authority on the various latest technologies. These technologies will result in cost savings in the long run and, more importantly, it reduces the reliance on physical labour and manpower, which is the new norm for construction projects to restart amidst the COVID-19 pandemic.

5. How does management intend to compete profitably against more established public waste collection competitors?

Management believes that the public waste collection business will be synergistic to its existing waste management business. Public waste collection contracts have a reasonably long tenure to allow operators to operate profitably. Nonetheless, Management believes that by adopting a nimble and service-oriented strategy, its competitiveness in such business will be enhanced.

6. Management to help shareholders understand level of due diligence carried out prior investments and is the Group venturing outside its circle of competence. Will the Board be reviewing how it can improve the company's process in making acquisition and joint ventures?

Management had, as a standard practice, conducted due diligence, both internally and with external help, prior to making any investment decisions. However, some investments do turn bad due to factors such as differences in joint venture partners' expectations. In such instances it is better to dispose of, rather than hold on to, the investments.

The investment and approval process has been transparent and effective. Going forward, the Company will exercise greater prudence in making acquisitions and/or participating in joint ventures.

Financials and Internal Controls

7. Would the Board help shareholders understand if the financial statements give a true and fair view after the independent auditors' Disclaimer of Opinion?

Unauthorised Remittances

Of the total unauthorised remittances of $3.75 million, $0.75 million were repaid during the previous financial year ended 31 May 2019, while the remaining $3.0 million were fully repaid during the current financial year ended 31 May 2020 (page 115). Another $2.8 million of unauthorised remittances related to repayment of advance received from Oscar.

The investigation of the External Investigator was completed and the External Investigator's report was released through the Company's SGX announcement on 3 March 2020. The external investigation did not reveal findings on any other unauthorised remittances.

As at the date of this report, there has been no further update on the CAD investigation on these Unauthorised Remittances which started on 4 March 2020.

In addition, the Board was not aware of any information that the CAD investigation could provide any other findings that may have any material impact on the financial statements.

Given the above, the Board is of the view that the on-going CAD investigation is not likely to result in any material effect on the financial statements.

Opening Balances

The opening balances of TEE Land Limited as at 31 May 2019 were audited by TEE Land's auditors, whose audit workings were reviewed by the Company's former auditors in their audit for the previous financial year ended 31 May 2019.

The Company's auditors were unable to test the two components of the $30,840,000 loss from discontinued operations of TEE Land comprising (a) financial results for the eight-month period from 1 June 2019 to 31 January 2020, and (b) the impairment loss of $20,309,000 disposal of TEE Land. The auditor's inability to test these two components only affects the disclosure of the breakdown of item (a) and item (b), and did not affect the amount of the total loss from discontinued operations of $30,840,000, as fully realised and disclosed in Note 46 (page 161).

Given the above, the total loss from the discontinued operations of TEE Land has been fully recognised in the financial statements for the financial year ended 31 May 2020.

Contingent Liabilities

As disclosed in Note 53 to the financial statements (page 175), the Executive Directors have evaluated these claims and are of the view that the amount claimed by the Claimant are excessive and without merit. Accordingly, no provision for claim items under the Arbitration proceedings have been made in the financial statements, except for the amounts awarded by the Adjudicator. The Group has sought further legal advice and intends to vigorously pursue its defence against the Claimant. Full details and the amount of the claims under the Arbitration and the claims under the adjudication have been disclosed in Note 53 in accordance with the relevant accounting standard.

Based on the above, the Management and the Board are of the view that there are valid grounds to defend these claims which have not been provided for in the financial statements.

In addition, the Management and the Board has assessed that the Company and the Group is able to operate as a going concern, and pay its debts as and when fall due, and has considered the various factors stated in Note 1 to the financial statements (Page 77) and has concluded that the going concern basis of preparation of financial statements is appropriate.

Given the above, the financial effects of this contingent liability have been recognised and/or disclosed in the financial statements.

Directors' statement

Therefore, taken as a whole, the directors' statement (page 65) had stated that*, "In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position of the Company 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 31 May 2020, and the financial performance, changes in equity and cash flows of the Group for the financial year then ended and at the date of this statement, having regard to information as disclosed in Note 1 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due."*

8. How AC members have contributed to effectiveness and guided the company in management of risks and in the oversight and monitoring of the group's internal controls?

The Audit Committee has reviewed reports submitted by the internal and external auditors relating to the effectiveness of the Group's internal controls including the adequacy and effectiveness of the Group's financial, human resources, operational, compliance and relevant communications (page 41).

The follow-up actions taken by the Company to investigate into the unauthorised remittances were summarised on pages 45 & 46 of the previous year's annual report for financial year ended 31 May 2019.

The additional follow-up actions taken by the Company following the release of the external investigator's report (the "**PWC**" report) on 3 March 2020 were summarised on page 41 of the latest annual report for the financial year ended 31 May 2020.

In response to the PWC report, the Company had on 15 March 2020, announced the update on the matters raised in the findings of the External Investigator as follows:

a) The External Investigator had found, inter alia, that the cheques for the Remittances were signed without supporting documents, despite the presence of established policies and procedures in place. The Remittances were made on the basis of verbal instructions and management override of internal controls; and

b) The measures implemented by the Company in relation to the findings of the External Investigator.

Under the internal Audit Performed in FY2020 as part of 3-year Internal Audit Plan, the internal audit tests on payments and IPT during FY2020 did not show any non-compliance to the enhanced internal controls. (See announcement made on 26 October 2020 on Query No. 6 from the SGX.)

As members of the Audit Committee, Mr. Gn Hiang Meng and Mr. Aric Loh, along with the other Audit Committee member, played an active role to provide guidance and recommendations to the Board of directors in the areas of risk management and internal controls.

9. Board to elaborate on the improvements made to the group's internal controls?

Please see our response to Question 8 above.

By Order of the Board

Saw Chin Choo
Executive Director
29 October 2020