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 5 SEPTEMBER 2021 ON THE LETTER FROM ACRA IN RELATION TO COMPLIANCE WITH ACCOUNTING STANDARDS UNDER SECTION 201(5) OF THE COMPANIES ACT, CAP. 50 OF SINGAPORE

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 8 October 2021 in relation to the Company's announcement dated 5 October 2021 ("**Previous Announcement**").

Unless otherwise defined, all capitalised terms used in this announcement shall bear the same meaning in the Previous Announcement.

Introduction and Background

Since June 2020, ACRA and the Company have been corresponding on the Company's compliance with the applicable accounting standards for the FY2019 FS as well as the limitations and challenges faced by the Company in light of the proposal made by ACRA in respect of a revision exercise.

As a follow up to the Letter, the Board wrote a reply letter to ACRA on 11 October 2021. The salient points in the reply letter are set out below as follows:

In addition to the reasons as previously discussed with ACRA including the financial difficulties faced by the Group and difficulties in undertaking and completing the revision to the Company's audited financial statements for the financial years ended 31 May 2019 ("**FY2019**") and 31 May 2020 ("**FY2020**") ("**Revision**") by the original deadline stipulated by ACRA (being 27 January 2022) for the following reasons:

1. there have been significant turnover and changes to the Company's Board, Management and officers since the financial year ended 31 May 2019 ("**FY2019**"). In particular, it is noted that:

    a. a majority of the current Board members have only been on the Board for approximately one (1) year. The independent directors on the current Board were appointed in February 2020, December 2020 and January 2021, respectively, whilst the non-independent non-executive director was appointed in September 2020. Additionally, two of the existing executive directors have tendered their resignations and will cease to be on the Board and Management in October 2021 and December 2021, respectively;

    b. there have been numerous changes to key Management personnel positions, including that of Group Chief Executive and Managing Director and the Group Chief Financial Officer. To this end, it is further noted that the current Group Chief Executive and Managing Director was appointed on 1 September 2021 whilst the current Group Chief Financial Officer was appointed on 1 October 2021. There have also been various changes to the

finance team since FY2019, including resignations of certain personnel who have not been replaced;

c. the current company secretaries were appointed on 5 March 2021; and

d. the current external auditors of the Company, Messrs Foo Kon Tan LLP ("**FKT**"), were appointed on 13 July 2020 to replace the previous external auditors, Messrs Deloitte & Touche LLP ("**DT**"), who had retired at the Company's annual general meeting held on 29 November 2019 and did not seek re-appointment (the "**Change in Auditors**").

In view of the above, it is noted that the current Board, current Management and working team may not have full clarity on and/or access to all of the background details and other information in connection with the FY2019 FS and FY2020 FS. As such, it is likely that significant time and resources will have to be spent in connection with the Revision as a result of, *inter alia*, having to familiarise themselves with the background details and locating the required information from past records that may lead to delays in the completion of the Revision;

2. the Change in Auditors poses a big challenge to the Company's ability to complete the Revision. The Company's previous auditors, DT, were the auditors of the Company who conducted the audit on the Group (comprising the Company and its subsidiaries during the relevant period) for FY2019 and signed off on the FY2019 FS. The Company's current auditors, FKT, therefore do not have possession of or access to the relevant working papers in connection with the FY2019 FS. In the event that FKT is required to conduct a full re-audit for purposes of the Revision, significant costs will have to be incurred. The amount of time required for such full re-audit is also expected to be significant. Additionally, the Company is unable to access the financial records of Amcorp Global Limited, the purchaser of the Company's previous subsidiary, TEE Land Limited ("**TEE Land**"), for purposes of the Revision; and

3. as announced on SGXNet previously, the Company and its subsidiaries PBT Engineering Pte Ltd, Trans Equatorial Engineering Pte Ltd, TEE Infrastructure Private Limited and TEE E&C (Malaysia) Sdn Bhd, have filed applications for moratoria under Sections 64 and 65 of the Companies Act, Cap. 50 of Singapore, in support of the Company's and the Group's proposed restructuring exercise (the "**Restructuring**"). It is noted that the Restructuring process is currently in the early stages and the time and resources required from the Board and Management for purposes of the Restructuring are likely to drastically increase as the Restructuring process progresses. Due to the Company's limited resources and the need to focus the time and resources of the working team on the requirements of the Restructuring especially to meet the various timelines, the Company anticipates that there may be further delays in relation to the Revision.

In view the above, the Company had also in the reply letter to ACRA requested for a meeting with ACRA together with the Company's auditors, FKT, to discuss and clarify the issues faced in relation to the Revision and the concerns of the Company regarding completion of the same.

The Company notes that ACRA's findings pursuant to its review of the FY2019 FS under the Financial Reporting Surveillance Programme arose from ACRA's interpretation of the relevant accounting standards which differed from the approach taken by the then-Management in respect of the FY2019 FS. For completeness and the avoidance of doubt, the Company wishes to note that DT, who were the auditors who conducted the audit on the Group for FY2019, did not, in their audit opinion for the FY2019 FS, include any emphasis of matter or otherwise highlight any issues relating to, *inter alia*, the methodology or interpretation of the relevant accounting standards in respect of the matters raised by ACRA.

Query No 1

Please quantify the financial impact of the material items required to be reinstated by ACRA in respect of the Company's audited financial statements for the financial year ended 31 May 2019. To also disclose the financial impact on the Group arising from the reinstatement in all the respective financial years, where applicable.

Company's Response

From ACRA's findings, the two (2) relevant items in the consolidated statement of cash flows are:

(a) the presentation of the portion of the sales proceeds amounting to S$9,967,000 from the disposal of 239,119,300 ordinary shares of Chewathai Public Company Limited as cash flows from operating activities instead of investing activities; and

(b) the presentation of the advance made to other parties of S$3,000,000 as cash flows from operating activities instead of investing activities.

Accordingly, the Group's consolidated cash flows generated from operating activities for FY2019 was overstated by approximately 32%, while the Group's consolidated cash inflows from investing activities for FY2019 was understated by approximately 119%.

In respect of the revenue recognition for the commercial units in its Third Avenue mixed-use development project in Malaysia, ACRA's view is that the Group should have recognised revenue over time (progressively) rather than at a point in time (on completion). Further details on this issue are set out in the Company's response to Query 2 below.

As a result, the Group's loss before tax for FY2019 would have increased by approximately 17%.

ACRA's view is that the Group did not present its 63.3% equity interest in TEE Land as "held for sale" at 31 May 2019 when the said 282,777,678 shares were available for immediate sale in its present condition and the sale was highly probable then. Further details on this issue are set out in the Company's response to Query 3 below.

Accordingly, the Group's loss for FY2019 would have increased by 108% and the Group's loss for FY2020 would have reduced by 50%.

Query No 2

The Company disclosed that one of the items raised is that "the correct revenue recognition method should be used in respect of a project in Malaysia". Please provide specific details of the relevant project in Malaysia and explain whether this incorrect revenue recognition was similarly adopted across all other projects. If so, please also quantify the financial impact of these other restatements. If none, please explain the deviation in accounting standards applied by the Company for the project in Malaysia.

Company's Response

As mentioned above, ACRA's view is that the Group should have recognised revenue over time (progressively) rather than at a point in time (on completion) for the commercial units in its Third Avenue mixed-use development project in Malaysia under the real estate segment of the Group.

The Group recognised revenue when it transferred control of a product or service to a customer for the Shop Lot Units at a point in time (that is, "**Completed Contract Method**" or "**COC**"). This is because the past Management had during the relevant period in prior years assessed, in consultation with the Company's previous Auditors, that:

(a) there was no substance to determine the progressive transfer of control and related risks and rewards associated with the ownership of the Shop Lot Units, and

(b) that the Sales and Purchase ("**S&P**") Agreement failed to demonstrate that the Shop Lot Units is the same as the residential unit covered under the Housing Development (Control and Licensing) Act 1966 in Malaysia which provides for such progressive transfer.

It is noted that the Group had only one Malaysia project with commercial units. Therefore, there is no impact on any other projects.

Query No 3

The Company also disclosed that "the Group's then 63.3% equity interest in TEE Land Limited should be presented as "held for sale". Please explain the rationale why the Company had not accounted for its then 63.3% equity interest in TEE Land Limited as "held for sale" as required under the accounting standards.

Company's Response

The Company continued to account for its investment in TEE Land as a subsidiary in the financial statements of the Company and the consolidated financial statements of the Group on the basis that the sale is not "highly probable" as defined in SFRS(I) 5.

On 6 May 2019, the shareholders of the Company had granted the mandate to the Company to dispose of its investment in TEE Land at a minimum price of $0.179 per share (the "**Minimum Approved Price**"). Since the date of the shareholders' mandate to-date, the Company has entered into negotiations with various parties, however, the Management is of the view that, as at the date hereof, there is no certainty that any sale can be transacted or completed at the Minimum Approved Price. Accordingly, the Company continues to account for its investment in TEE Land as a subsidiary in the financial statements of the Company and the consolidated financial statements of the Group, instead of accounting for the same separately as "disposal group held for sale" because its sale is not highly probable in the judgement of the past Management and past Board.

Query No 4

Please disclose when the Company will be able to announce the restated financial statements and whether it will be in line with the timeline imposed by ACRA.

Company's Response

As mentioned above, the Company had submitted a reply letter to ACRA and requested for a meeting with ACRA to clarify and discuss the various issued faced in relation to the Revision and the concerns of the Company regarding completion of the same. The Company will make the necessary announcement(s) to update the shareholders once it has clarity on the foregoing and/or when there are any material developments regarding the Revision.

The Company and its current Board and current Management members are committed to ensuring that the Company fully complies with all relevant accounting standards, laws and the Listing Rules. The Directors and Management would like to assure that they will continue to be vigilant and diligent in the discharge of their functions as Directors and/or executive officers of the Company.

By Order of the Board
TEE International Limited

Ong Beng Hong
Company Secretary
15 October 2021