



Regulatory Announcement

17 February 2022

SGX RegCo investigates and reports Tee International Limited's late disclosure of claims to authorities

Singapore Exchange Regulation (SGX RegCo) refers to Tee International's announcements of 19 June 2021 and 29 June 2021 on the receipt of letters of demand and claims for overdue trade-related payables (Overdue Claims) by the company and its principal subsidiaries.

The announcements revealed that Tee International and its principal subsidiaries had received a total of 121 letters of demand and Overdue Claims from various creditors between July 2020 and June 2021. These claims amounted to approximately S\$38.8 million. The company explained that these claims were not announced earlier as it was in active negotiations with the creditors and the amount claimed by each creditor was not material.

Mainboard Listing Rule 703(1) states that an issuer must announce any information known to the issuer concerning it or any of its subsidiaries or associated companies which:

- (a) is necessary to avoid the establishment of a false market in the issuer's securities, or
- (b) would be likely to materially affect the price or value of its securities.

Paragraph 8(l) of Appendix 7.1, Corporate Disclosure Policy states that the occurrence of an event of default under debt or other securities or financing or sale agreements is likely to require immediate disclosure.

Paragraph 4.9 of Practice Note 7.1, Continuing Disclosure further illustrates that the service or receipt of a letter of demand or the commencement of a lawsuit may require disclosure if the amount or action claimed otherwise has a material impact. This is notwithstanding that negotiations on the letter of demand may be ongoing or the outcome of the lawsuit is not yet known.

The aggregated claims of Tee International and its principal subsidiaries accounted for more than, or equal to, 10% of the group's net asset value and cash and cash equivalent balances, and were therefore material information that would potentially impact the Group's ability to operate as a going concern. Such information ought to be disclosed promptly pursuant to Mainboard Listing Rule 703(1) as stated above.

SGX RegCo has commenced investigations into the potential listing rule breaches and concurrently reported the matter to the relevant authorities for potential offences under the Securities and Futures Act.

We expect SGX-listed issuers to put in place proper procedures to monitor the claims received from creditors, escalate to the Board when the claims are material to the issuer and make the appropriate announcements.

As a guiding principle, the claims (on an individual or aggregated basis at any point of time) can be considered to be material to the listed group when they account for more than, or equal to, 10% of the listed group's net asset value and cash and cash equivalent balances. Any subsequent claim (or claims on an aggregated basis) that meet the next 10% threshold and thereon should similarly be announced at the respective intervals. However, if the affected issuer is under bankruptcy protection, it may no longer be meaningful to announce the subsequent claims received as there is already a recognition that the issuer is unable to pay its debts.

Notwithstanding that Practice Note 7.1 provides that a disclosure may not be necessary if the claim or action could reasonably be characterised as bound to fail, we wish to emphasize that mere optimism of an impending settlement of the claim or legal advice obtained on the likely success of winning the case are not sufficient to meet the high bar of 'bound to fail'. The fact that the issuer has defaulted on its debt repayment and received a demand letter of material quantum to the listed group would suggest that the claim was meritorious, and the event of default had occurred. Disclosure would therefore be required under the Rules.

The Exchange regards disclosure as fundamentally important to the operation of a fair and efficient market and will not hesitate to take enforcement actions against errant parties.

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