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

DISCLAIMER OF OPINION BY INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS

Pursuant to Rule 704(5) of the SGX-ST Listing Manual, the Board of Directors (the "**Board**" or the "**Directors**") of TEE International Limited (the "Company", and together with its subsidiaries, the "**Group**") wishes to announce that the independent external auditors of the Company, Foo Kon Tan LLP (the "**Auditors**"), have, in their Independent Auditors' report dated 12 October 2020 ("**Independent Auditors' Report**"), issued a disclaimer of opinion in respect of the audited financial statements of the Company and consolidated financial statements of the Group for the financial year ended 31 May 2020 ("**FY2020**").

The nature and contents of the disclaimer of opinion are contained in the Independent Auditors' Report, as attached in the Appendix hereto, for the Shareholders' information.

Shareholders of the Company are advised to read the audited financial statements of the Group for FY2020 in the Company's Annual Report, which will be made available on SGXNET and the Company's website http://www.teeintl.com in due course.

Shareholders are advised to exercise caution in trading their Shares. The Company will make further announcements as appropriate or when there are further developments. Shareholders are advised to read this announcement and any further developments by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

By Order of the Board

Saw Chin Choo
Executive Director
12 October 2020

INDEPENDENT AUDITOR'S REPORT

to the Members of TEE International Limited

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of TEE International Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 May 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Unauthorised Remittances

Unauthorised Remittances totalling $6.55 million were made in the previous financial year. These Unauthorised Remittances have been repaid to the Group, of which $3.55 million was repaid in the previous financial year and $3 million in the current financial year.

The internal auditors and external investigators appointed to investigate the facts and circumstances surrounding the Unauthorised Remittances and assess the impact on the financial statements of the Group have concluded their work. However, the Commercial Affairs Department of the Singapore Police Force ("CAD") has started an investigation and has requested further information from the Company. As at the date of this report, there has been no further update on the CAD investigation. The outcome of the CAD investigation could provide other information or findings that may have an impact on the financial statements. Accordingly, we are unable to determine any adjustments arising thereon that may be required, and whether there will then be an impact on the accompanying financial statements. As a result, we are unable to obtain sufficient appropriate audit evidence or satisfy ourselves through alternative means to conclude if there is any further impact to the financial statements.

Opening Balances

We were appointed as auditor of the Company for the current financial year. The auditor for the previous financial year ended 31 May 2019 disclaimed their opinion on 8 November 2019. The basis of disclaimer was the Unauthorised Remittances stated above. In addition, during the year, the Company disposed of its subsidiary, TEE Land Limited (Note 50). We are not auditors of TEE Land Limited. Consequently, we have not been able to obtain sufficient appropriate audit evidence on the statements of financial position as at 1 June 2019, as well as the components making up TEE Land Limited's contribution of $30.8 million to loss for the year (Note 46). As the opening balances as at 1 June 2019 form the basis for determining the financial performance, changes in equity and cash flows of the Group for the financial year ended 31 May 2020, we are unable to determine whether adjustments are required to the financial statements for the financial year ended 31 May 2020.

Contingent Liabilities (Note 53)

Various claims have been made against the Company and the Group in the Engineering segment for liquidated damages, defects, and/or under guarantees for the performance of contracts.

The outcome of the claims, and counterclaims, cannot be determined with reasonable certainty. We are unable to obtain sufficient appropriate audit evidence on the amount of any liability arising, or to quantify if the provision for defects liability, contract assets and cost of sales are appropriately stated in the accompanying financial statements, and consequently, whether the going concern basis of preparation of financial statements is appropriate.

Because of the significance of the above matters, we are unable to provide a basis for an audit opinion on these accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

to the Members of TEE International Limited

Report on the Audit of the Financial Statements (cont'd)

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s)"), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the consolidated financial statements of the Group and the statement of financial position of the Company in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Other Matter

The financial statements for the year ended 31 May 2019 were audited by another firm of auditors whose report dated 8 November 2019 expressed a disclaimer of opinion on those financial statements.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the Basis for Disclaimer of Opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr Kon Yin Tong.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore,

12 October 2020

NOTES TO THE FINANCIAL STATEMENTS
31 May 2020

5 RELATED PARTY TRANSACTIONS (cont'd)

(g) Advance (payable to)/receivable from related parties

	Group	
	31 May 2020	31 May 2019
	$'000	$'000
Advance receivable from Oscar (Note 9)	**–**	3,000

(i) A sum of $10.0 million representing the advance payable to the former Group Chief Executive ("Former GCE") of the Company was granted by the Former GCE to a subsidiary, TEE Land Limited ("TEE Land") in September 2017 pursuant to a loan agreement entered between the Former GCE and TEE Land on 31 August 2017, and was fully repaid by TEE Land to the Former GCE on 28 February 2019. The advance bore interest rate of 11.5% per annum and was unsecured. Interest expense and commitment fee expense recognised in the profit or loss for 2019 amounted to $616,000.

According to the Former GCE, based on the relevant supporting documents that the Former GCE has provided to the predecessor external auditors, the internal auditors and the External Investigator, (a) the shares in a subsidiary, TEE Resources Sdn. Bhd ("TEE Resources") (Note 18), were pledged by TEE Land in September 2017 as a security to a third-party lender (the "Lender") which had agreed to provide a credit facility of US$15.0 million to a related party, Oscar Investment Private Limited, ("Oscar") that is wholly-owned and controlled by the Former GCE; (b) this credit facility also bore interest at 11.5% per annum and was also supported by a personal guarantee given by the Former GCE. The purpose of the loan as stated in the loan facility agreement was to enable Oscar to apply all amounts borrowed to make intercompany loans to TEE Resources, as a back-to-back lending arrangement, to fund a certain development project; (c) out of the loan drawdown of US$10.0 million by Oscar from the Lender, Oscar had advanced certain amount of the loan proceeds to the Former GCE, who in turn advanced $10.0 million to TEE Land to fund a certain development project undertaken by Tee Resources; and (d) the pledge of the shares in TEE Resources was fully discharged by the Lender in September 2019.

NOTES TO THE FINANCIAL STATEMENTS
31 May 2020

5 RELATED PARTY TRANSACTIONS (cont'd)

(g) Advance (payable to)/receivable from related parties (cont'd)

(ii) The advance receivable from Oscar of $3.0 million as at prior year end was unsecured, interest-free and had no fixed terms of repayment. The advance was granted by two subsidiaries of the Company to Oscar. According to the Former GCE, based on the relevant supporting documents that the Former GCE has provided to the predecessor external auditors, the internal auditors and the External Investigator, $2.5 million of this advance was utilised by Oscar to repay its loan payable to the Lender as described in the preceding paragraph, while the balance of $0.5 million was utilised by the Former GCE. The advance was fully repaid by the Former GCE and Oscar to the Group in August 2019.

(iii) The following interest-free advances that were made during prior financial year have been fully repaid during prior financial year:

	Group	
	31 May 2020	31 May 2019
	$'000	$'000
Advance received from Oscar	**-**	(2,800)
Advance paid to Former GCE	**-**	500
Advance paid to Oscar	**-**	250

(iv) As disclosed in the Company's SGX announcement dated 13 September 2019, the Company had appointed an External Investigator to review, among other things, certain remittances paid to Oscar/the Former GCE amounting to $3.75 million and remittances received from Oscar amounting to $2.8 million that were referred to above. 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.

NOTES TO THE FINANCIAL STATEMENTS
31 May 2020

46 LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS

(i) On 3 February 2020, the Group disposed of its entire 63.28% stake in subsidiary, TEE Land Limited in its Real Estate segment in order to realise valuable cash proceeds which may be applied to expand the engineering and infrastructure businesses of the Group and reduce the indebtedness of the Group.

The results of the discontinued operations and re-measurement of the respective disposal group is as follows:

	TEE Land	
	2020	2019
	$'000	$'000
Revenue	**47,877**	113,963
Cost of sales	**(39,253)**	(100,827)
Gross profit	**8,624**	13,136
Other operating income	**1,228**	1,323
Selling and distribution expenses	**(3,777)**	(7,584)
Administrative expenses	**(6,609)**	(13,186)
Other expenses	**(24,998)**	(6,976)
Impairment loss on financial assets	**–**	(1,509)
Impairment loss on contract assets written back	**–**	658
Share of results of associates	**(602)**	(794)
Finance costs	**(4,715)**	(8,104)
Loss before tax	**(30,849)**	(23,036)
Income tax expense	**9**	(718)
Loss for the period	**(30,840)**	(23,754)

Other operating expenses of TEE Land comprised mainly of additional buyer's stamp duty for a development project of $4,680,000 and impairment of $20,309,000 recognised based on net estimated fair value in accordance with SFRS(I)5 – *Non-Current Assets Held-for-sale and Discontinued Operation*. TEE Land's discontinued operations financial results are for eight months ended 31 January 2020, being effective date of disposal for accounting purpose.

NOTES TO THE FINANCIAL STATEMENTS
31 May 2020

46 LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS (cont'd)

The cashflows attributable to TEE Land are set out below:

	2020	2019
	$'000	$'000
Net cash from operating activities	**33,304**	10,198
Net cash from investing activities	**242**	5,470
Net cash used in financing activities	**(35,122)**	(19,763)
Net cash outflows	**(1,576)**	(4,095)

The fair value of identifiable assets and liabilities of TEE Land at date of disposal are disclosed in Note 50.

NOTES TO THE FINANCIAL STATEMENTS
31 May 2020

50 DISPOSAL OF SUBSIDIARY

As disclosed in Note 46, the Group disposed of its entire 63.28% stake in TEE Land Limited. The fair value of identifiable assets and liabilities disposed of were as follows:

	As at 31 Jan 2020 $'000
Effects on disposal	
Cash and bank balances	**23,442**
Trade receivables and other receivables	**14,763**
Contract assets and contract costs	**39,240**
Loans receivables	**10,632**
Inventories	**45**
Development properties	**132,798**
Completed properties and land for sale	**60,843**
Investment in associates	**4,854**
Property, plant and equipment	**56,749**
Right-of-use assets	**2,049**
Investment properties	**9,318**
Deferred tax assets	**4,426**
Bank loans and overdraft	**(1,165)**
Trade payables and other payables	**(38,517)**
Contract liabilities	**(9,205)**
Long-term borrowings	**(190,292)**
Financial guarantee liabilities	**(140)**
Income tax payable	**(409)**
Lease liabilities	**(2,042)**
Deferred tax liabilities	**(417)**
Net assets in a subsidiary	**116,972**
Less: Non-controlling interest in disposal group	**(48,536)**
Add: Foreign currency translation in disposal group	**389**
Net	**68,825**
Impairment recognised based on TEE Land Limited's net estimated fair value	**(20,309)**
Consideration, net of transaction costs (Note A)	**48,516**
Cash and short-term deposits disposed of	**(23,442)**
Net cash inflow from the disposal of a subsidiary	**25,074**
Note A	
Consideration	**50,617**
Transaction costs	**(2,101)**
Net consideration	**48,516**

NOTES TO THE FINANCIAL STATEMENTS
31 May 2020

1 GENERAL

(a) The Company (Registration No. 200007107D) is incorporated in Singapore with its principal place of business and registered office at 25 Bukit Batok Street 22, TEE Building, Singapore 659591. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

(b) The principal activities of the Company are investment holding and property investment and development. The principal activities of its associates, joint venture and subsidiaries are disclosed in Notes 17 and 18 respectively.

(c) As at 31 May 2020, the Group and the Company's current liabilities exceeded its current assets by $4,949,000 ("Group's Net Current Liabilities") and $39,820,000, respectively. At the Company level, the net current liabilities is due mainly to inter-company payables to certain subsidiaries. Subsequent to the financial year-end,

i. A subsidiary has obtained confirmations from all of its shareholders on 5 October 2020, not to demand for repayment of their respective proportionate shareholders' loans for a period of 13 months. The proportionate of non-controlling shareholders' loans amounted to $8,184,000.

ii. The Company's controlling shareholder, Tramore Global Limited ("TGL") had provided an interest-free short-term advance amounting to $750,000 to the Company in September 2020.

iii. TGL has further undertaken to provide financial support to cover the Group's Net Current Liabilities for the financial year ending 31 May 2021, so that the Group's current liabilities can be met as they fall due.

iv. The Group is the process of obtaining waivers for the breach of various bank covenants in respect of outstanding loans amounting to $57.5 million (Note 31). To date, the Group has not received any demand for immediate repayment for these loans.

v. The Company is exploring various options to strengthen its capital base.

In view of the above, the Directors and Management of the Company are of the view that it is appropriate to continue to adopt the going concern assumption in the preparation of the accompanying financial statements.

(d) The consolidated financial statements of the Group for the year ended 31 May 2020 and statement of financial position of the Company as at 31 May 2020 were authorised for issue by the Board of Directors on the date of the directors' statement.

NOTES TO THE FINANCIAL STATEMENTS
31 May 2020

53 CONTINGENT LIABILITIES

Arbitration Proceedings

The Company released an announcement on 19 September 2020 that a Malaysian client ("Claimant") has on 6 March 2020 commenced two sets of arbitration proceedings, as follows: (a) Arbitration proceedings against TEE E&C (Malaysia) Sdn Bhd ("TEE E&C (M)"), a wholly-owned subsidiary of the Company in Malaysia (the "Malaysia Arbitration"); and (b) Arbitration proceedings against the Company in Singapore (the "Singapore Arbitration"), (collectively, the "Arbitration Proceedings"). The Arbitration Proceedings are in respect of disputes between the Claimant and TEE E&C (M) arising out of and/or in connection with a construction contract dated 30 June 2014. The Company is the Corporate Guarantor of TEE E&C (M) under the construction contract.

The Claimant is claiming for a total of RM55.99 million ($18.45 million) comprising of the following items: (a) liquidated damages; (b) costs of rectification of alleged defects; (c) loss of profits due to delay; (d) additional costs and expenses; and (e) direct payments to TEE E&C (M)'s sub-contractors.

In view of the Adjudication Application as described below, the Company has filed an application to stay the Singapore Arbitration pending the resolution of the Malaysia Arbitration, supported by the Company's undertaking be bound by the outcome of the Malaysia Arbitration.

Adjudication Application

Prior to the initiation of the above Arbitration Proceedings by the Claimant, TEE E&C (M) filed an Adjudication Application in Malaysia on 26 September 2019 against the Claimant under the Construction Industry Payment and Adjudication Act 2012 Malaysia for outstanding payments. On 16 March 2020, the Adjudication Determination for the Adjudication Application was issued to both parties.

Under the Adjudication Application, the Claimant claimed a total of RM34.58 million ($11.39 million) for (a) liquidated damages; (b) costs of rectification of alleged defects; and (c) direct payments to TEE E&C (M)'s sub-contractors, while TEE E&C (M) claimed for RM5.50 million ($1.81 million) for value of work done but unpaid.

Under the Adjudication Determination, the Adjudicator (a) rejected the Claimant's claims on liquidated damages; (b) awarded RM3.76 million ($1.24 million) to the Claimant for rectification of alleged defects out of the Claimant's claim of RM24.77 million ($8.16 million); (c) awarded RM2.97 million ($0.98 million) to the Claimant for direct payments to TEE E&C (M)'s sub-contractors; and awarded fully RM5.50 million ($1.81 million) to TEE E&C (M) for unpaid work. The above Adjudication Determination result in a net payable of RM1.23 million ($0.41 million) to the Claimant. These costs and billings awarded by the Adjudicator has been recognised in the financial statements for the current financial year.

Thereafter, TEE E&C (M) proposed a settlement with the Claimant based on the conditions set out in the Adjudication Determination. The Claimant however, rejected TEE E&C (M)'s proposed settlement.

Management's assessment

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 (a), (c) and (d) under the Arbitration proceedings have been made in the financial statements for the current financial year ended 31 May 2020. In respect of item (b) and (e) under the Arbitration proceedings, the costs and the billings awarded by the Adjudicator have been recognised in the financial statements for the current financial year ended 31 May 2020.

The Group has sought further legal advice and intends to vigorously pursue its defence against the Claimant.