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

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE REGULATION IN RELATION TO THE COMPANY'S ANNOUNCEMENT DATED 29 NOVEMBER 2021 ON THE COMPANY'S FULL YEARLY RESULTS

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 3 December 2021 in relation to the Company's announcement dated 29 November 2021 on the Company's Full Yearly Results (the "**Announcement**").

Query No 1

The Company explained that other Operating expenses increased significantly by S$69.5 million to S$76.5 million mainly due to change in fair value of investment properties, impairment of property, plant and equipment, allowance for doubtful debts of trade and other receivables, contract assets written off and provision of claims from contract counterparties made. Please disclose detailed breakdown of the Other operating expenses amounting to S$76.5 million and elaborate the reasons for the large variance from corresponding reporting period for each material items. To disclose the identities of debtors which the Company had made provision for, whether they are related/interested parties and reasons for the significant provisions.

Company's Response

Breakdown of other operating expenses are as follows:

	Note	16 months Ended 30-Sep-21 S$' million	12 months Ended 31-May-20 S$' million
Allowance for doubtful trade receivables	(a)	7.1	-
Impairment loss on property, plant and equipment		2.4	2.5
Contract assets written off	(b)	55.7	0.9
Trade receivables written off	(a)	2.1	1.0
Other receivables written off	(c)	2.1	-
Changes in fair value of investment properties	(d)	4.3	1.2
Loss on disposal of an associate	(e)	1.3	-
Others	(f)	1.5	1.3
Total		**76.5**	**6.9**

(a) The significant increase in allowance for doubtful trade receivables and trade receivables written off as compared to prior financial year is mainly arising from the Engineering and Construction segment. With respect to the debtors for which the Company has made provision for, whether such debtors are related/interested parties and the reasons for the provision:

Allowance for doubtful trade receivables

	Job no.	Contract value (S$' mil)	Projected completion date	Allowance amount (S$' mil)	Whether related/ interested parties	Reason for provision
Debtor 1	J6212	11.7	NA	0.1	No	Project termination
Debtor 2	J3908 & J6202	228.0	NA	4.6	No	Project stoppage
Debtor 3	J3309	148.7	March 2018	2.0	No	Long aged outstanding amounts more than 3 years with disputes
Debtor 4	J3903	13.5	August 2019	0.2	No	Long aged outstanding amounts more than 2 years with disputes
Total				**6.9**		

The other S$0.2 million with respect to allowance for doubtful trade receivables is arising from the Infrastructure segment. The provision was for a non-related/interested party and the reason for the provision was long aged outstanding amounts more than 2 years with disputes.

Trade receivables written off

	Job no.	Contract value (S$' mil)	Projected completion date	Allowance amount (S$' mil)	Whether related/ interested parties	Reason for write off
Debtor 5	P3602	54.4	June 2020	2.0	No	Long aged outstanding amounts more than 1 year with unresolved disputes
Debtor 6	P3301	14.4	Oct 2013	0.1	No	Long aged outstanding amounts more than 8 years with unresolved disputes
Total				**2.1**		

Due to confidentiality reasons, the Company is unable to disclose the identities of the specific debtors

(b) Contact assets written off – please refer to the Company's response to Query No. 6 below.

(c) Other receivables written off pertain to outstanding loans extended by the Company to TEE Hong Kong Limited ("**TEE HK**"). The Company has agreed that the said loan would be waived in full, thus, it was fully impaired. Please refer to the Company's announcement on 18 May 2021 with regards to response to the queries on the disposal of TEE HK for more information.

(d) Changes in fair value of investment properties – please refer to Company's response to Query No. 5 below.

(e) Loss on disposal of 44% equity stake in Global Environmental Technology Company Limited, Thailand.

(f) Others mainly comprise amortisation of intangible asset, net foreign exchange (gain)/loss, warranty expenses, and others.

In conjunction with the restructuring exercises, the Group continues to assess the adequacy of the provision for liabilities as well as the recoverability and realisation of certain assets. The overall increase in other operating expenses mainly caused by the insolvency of Trans Equatorial Engineering Pte Ltd ("**Trans Equatorial**") and were made principally in view of the project stoppage and termination, novation of projects and various disputes on long aged outstanding amounts. Trans Equatorial is likely to undergo a voluntary liquidation in the coming few months.

Query No 2

Group revenue for 16 months ended 30 September 2021 experienced a 56.8% while Cost of sales only reduced by 22.7%. Please elaborate on the reasons for the disproportionate decline in Revenue and Cost of sales for the period reported.

Company's Response

The reasons for the disproportionate decline in revenue and cost of sales are as follows:

a) The significant decline in Group's revenue by S$187.4 million or 56.8% was principally driven by:

   i) Lower revenue recognised for a major data centre project by S$156.9m as compared to prior year as this project has been substantially completed during the current financial period; and
   ii) The remaining drop in revenue was caused by the severe impact from COVID-19 pandemic. The progress of the projects was significantly dragged down by the challenging business environment in particular, the engineering and construction businesses.

b) Nonetheless, the cost of sales reduced not in tandem (at a slower pace) by S$75.0 million or 22.7%, which largely resulted from the cost overrun for certain projects as these projects have been severely impacted by the predicament of the COVID-19 pandemic, which resulted in rising operating costs due to the labour crunch, delay of delivery lead time, supply value chain disruption, and implementation of stringent safety management measures.

The above factors have resulted the decrease of revenue outpacing the decline in cost of sales.

Query No 3

Please explain the reason for the increase of S$3.2 million in restated accounts for Administrative expenses to S$19.2 million.

Company's Response

As disclosed in the Announcement, Arrow Waste Management Pte. Ltd. ("**AWM**") has been reclassified as continuing operations in the current financial year as a result of the termination of the proposed disposal. As such, the comparatives are re-presented in conformity with the change. The increase of S$3.2 million in the restated accounts for administrative expenses is solely from AWM.

Query No 4

Cash and cash equivalents reduced by S$43.0 million mainly due to settlements of amount owing to creditors, borrowings and bills payable for the period. Please disclose a breakdown of the cash utilisation of the S$43.0 million and disclose the identities of the creditors which the Company had made payment to and the remaining amount still owing to the creditors to-date.

Company's Response

Cash utilisation can be explained as follows:

	16 months Ended 30-Sep-21
	S$ 'million
Net cash used in operating activities	(5.6)
Net cash generated from investing activities	4.4
Net cash used in financing activities	(42.4)
Net decrease in cash and cash equivalents	**(43.6)**
Cash and cash equivalents at beginning of period	50.6
Cash and cash equivalents at end of period	7.0

During the financial period, there is net cash used in operating activities of S$5.6 million. In addition, there are repayment of bank loans, long-term borrowings, bills payables, finance leases and loan from non-controlling interest of S$78.0 million in aggregate, offset by total drawdowns of S$35.6 million.

The overall decrease in cash and cash equivalents also offset by net cash generated from investing activities of S$4.4 million, mainly due to proceeds from disposal of investment in an associate of S$3.5 million and disposal of other investment of S$0.6 million.

Due to confidentiality reasons, the Company is unable to disclose the identities of the specific creditors. As at the date of this announcement, the aggregate sum still owing to the creditors amounts to about S$216.8 million.

Query No 5

The value of Investment properties fell significantly from $34.9m to $9.4 million due to the reclassification to "assets held for sale" for the building at 33 Changi North Crescent. Please elaborate on the reasons for the decline in property's fair value of S$20.2 million after being reclassified to assets held for sale as indicated on item 16 of the announcement and disclose the valuation methodology adopted for FY2020 and FY2021 and the major changes in assumptions which caused the value of assets to decline so significantly.

Company's Response

	30-Sep-21 Unaudited	31-May-20 Re-presented
At fair value:	**S$ '000**	**S$ '000**
At beginning of the period	34,926	31,440
Effects on disposal of TEE Land	-	(9,318)
Adoption of *SFRS(1) 16*	-	2,562
Additions	-	11,552
Changes in fair value included in profit or loss	(4,332)	(1,189)
Reclassified to assets held for sale	(20,205)	-
Foreign currency exchange adjustments	(994)	(123)
At end of the period	**9,395**	**34,926**

As at 30 September 2021 and 31 May 2020, the Group and the Company's investment properties are stated at estimated fair value based on valuation carried out by independent professional appraisers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being appraised.

In determining the market value of the investment properties, the appraisers have considered valuation techniques (including income capitalization method, discounted cashflow method and direct comparison method) in arriving at the open market value as at the end of the reporting period.

There is no major change in the assumption. The decline in valuation of S$4.3 million is purely due to the current market condition. The 33 Changi North Crescent property is reclassified only after taken into consideration of the fair value change.

Query No 6

Please disclose the reason for the significant impairment of contract asset amounting to S$55.7 million and disclose the projects that these impairments relate to. Please also disclose the status of these assets and their projected completion dates.

Company's Response

In conjunction to the response to the queries from SGX Regco dated 26 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 and the Group's corporate restructuring exercises, the updated details of the impairment on contract assets are as follows:

(i) Long aged outstanding amounts with unresolved disputes, contract assets become not billable

Job no.	Contract value (S$' million)	Projected completion date	Impairment of contract assets (S$' million)	Status and reason(s) for impairment
1) P3602	54.4	June 2020	1.7	Long overdue by more than 1 year
2) P3207	11.7	September 2013	0.3	Long overdue by more than 8 years
3) P3809	1.8	March 2018	0.2	Long overdue by more than 3 years
4) J3309	148.7	March 2018	15.8	Long overdue by more than 3 years
5) J3705	5.6	April 2017	1.0	Long overdue by more than 4 years
6) J3903	13.5	August 2019	0.4	Long overdue by more than 2 years
7) J3910	14.9	November 2019	1.0	Long overdue by more than 2 years
Total			**20.4**	

(ii) Project stoppage/ termination

Job no.	Contract value (S$' million)	Projected completion date	Impairment of contract assets (S$' million)
1) J3806	34.5	Project stoppage	5.8
2) J3807	26.2	Project stoppage	11.1
3) J3909	9.5	Project stoppage	1.4
4) J6207	71.8	Project stoppage	1.7
5) J6212	11.7	Project stoppage	0.4
6) J3908	190.1	Project stoppage	4.5
7) J6202	37.9	Project stoppage	4.9
Total			**29.8**

(c) Novation of projects

Job no.	Contract value (S$' million)	Projected completion date	Impairment of contract assets (S$' million)
1) J3706	32.8	Project Novation	3.9
2) J3707	13.2	Project Novation	1.4
3) J3809	4.7	Project Novation	0.2
Total			**5.5**

As explained in response to Query No.1 above, the Group continues to assess the adequacy of the provision for liabilities as well as the recoverability and realisation of certain assets in view of the overall

restructuring exercise. Impairment of contract assets is mainly caused by the insolvency of Trans Equatorial and were made principally in view of the project stoppage and termination, novation of projects and various disputes on long aged outstanding amounts. Trans Equatorial is likely to undergo a voluntary liquidation in the coming few months.

By Order of the Board
TEE International Limited

Ong Beng Hong
Company Secretary
7 December 2021