



**TEE INTERNATIONAL LIMITED**

(Incorporated in Singapore with limited liability)

(Company registration number 200007107D)

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**DISCLAIMER OF OPINION BY INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS**

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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 13 January 2022 (“**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 16-month financial period ended 30 September 2021 (“**FP2021**”).

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 FP2021 in the Company’s Annual Report, which is available on SGXNET and the Company’s website <http://www.teeintl.com>

Shareholders and potential investors of the Company are advised to read this announcement and any further announcements made by the Company carefully. Shareholders and potential investors of the Company are advised to refrain from taking any action with respect to their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. Shareholders and potential investors of the Company should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD  
**TEE INTERNATIONAL LIMITED**

Ong Beng Hong  
Company Secretary  
13 January 2022

# 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 30 September 2021, 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 period from 1 June 2020 to 30 September 2021, 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

#### A. Opening balances

We expressed a disclaimer of opinion in our independent auditors' report dated 12 October 2020 in respect of the financial statements for the financial year ended 31 May 2020 ("FY2020"). Consequently, our opinion on the current period financial statements for the period from 1 June 2020 to 30 September 2021 ("FP2021") is modified because of the possible effect of the comparability of the current period's figures and the corresponding figures, as well as the impact on the FP2021 financial statements.

We reproduce the matters arising from the audit qualification in FY2020 and provide an update on these matters as follows:

#### (i) Unauthorised remittances

##### *FY2020 report*

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.

##### *Update for FP2021*

There are no further updates on the CAD investigation that could provide new information or findings to conclude on this.

# INDEPENDENT AUDITOR'S REPORT

to the Members of TEE International Limited

## Report on the Audit of the Financial Statements (Cont'd)

### Basis for Disclaimer of Opinion (Cont'd)

#### A. Opening balances (Cont'd)

##### (ii) Opening balances

###### *FY2020 report*

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. 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. 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.

###### *Update for FP2021*

The opening balances as at 1 June 2019 formed 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 still unable to obtain sufficient appropriate audit evidence on the above items.

The consolidated statement of financial position as at 31 May 2020 excludes the financial information of TEE Land Limited which was disposed of on 3 February 2020. However, because of the above, we are unable to determine if the comparative figures in current period's financial statements in respect of FY2020 consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow are appropriately stated, and whether adjustments are required to FY2020 financial statements in respect of these components.

In addition, the Company will be revising its FY2020 financial statements in respect of the below non-compliance with accounting standards under Section 201(5) of the Companies Act as identified by the Accounting and Corporate Regulatory Authority contained in its financial statements for the financial year ended 31 May 2019 ("FY2019"):

- Classification of portion of the sale proceeds from the disposal of shares in Chewathai Public Company Limited and advances made to other parties as operating instead of investing activities;
- Recognition of revenue from sale of shop lot units at a point in time instead of over time; and
- Not accounting for TEE Land Limited as "Held-for-sale" and making the necessary provisions in FY2019.

##### (iii) Contingent liabilities

###### *FY2020 report*

Various claims have been made against the Company and the Group in the Engineering and Construction 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.

# INDEPENDENT AUDITOR'S REPORT

to the Members of TEE International Limited

## Report on the Audit of the Financial Statements (Cont'd)

### Basis for Disclaimer of Opinion (Cont'd)

#### A. Opening balances (Cont'd)

##### (iii) Contingent liabilities (cont'd)

##### *Update for FP2021*

This remains valid for FP2021 as further claims have been made against the Company and the Group in the Engineering and Construction 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 completeness of the liabilities and contingent liabilities arising from these claims, or to quantify if the various provisions including provisions for defects liability, contract assets and cost of sales are appropriately stated in the accompanying financial statements.

#### B. Appropriateness of going concern assumption

The factors below indicate the existence of material uncertainties which may cast significant doubt about the Company and the Group's ability to continue as going concerns.

- The Group incurred a net loss of \$199,057,000 from continuing operations for FP2021.
- The Group's and the Company's total liabilities exceeded their total assets by \$181,277,000 and \$109,164,000, respectively, as at 30 September 2021. The Group's and the Company's current liabilities exceeded their current assets by \$200,352,000 and \$120,654,000, respectively, as at 30 September 2021.
- The Company had on 6 August 2021 filed an application for a moratorium under Section 64 of the Insolvency, Restructuring and Dissolution Act 2018 (No. 40 of 2018) [the "IRDA"]. Certain subsidiaries, namely, PBT Engineering Pte Ltd ("PBT Engineering"), Trans Equatorial Engineering Pte Ltd ("Trans Equatorial"), TEE Infrastructure Private Limited ("TEE Infra") and TEE E&C (Malaysia) Sdn Bhd ("TEE E&C (M)") have filed applications under Section 65 of the IRDA in support of the Company's proposed restructuring.

On 26 November 2021, save for Trans Equatorial, the Court has granted an extension of moratoria relief for the Company, PBT Engineering, TEE Infra and TEE E&C (M) up to 31 March 2022.

- Trans Equatorial has subsequently been placed in liquidation.
- The Company will be working with its appointed Monitoring Accountants as approved by the Court, on its restructuring plan which includes disposal of non-core assets, restructuring of debts under PBT Engineering and the Company, and Trans Equatorial's liquidation.
- The Company had defaulted on loan repayment to a bank which was due on 19 February 2021. On 9 September 2021, the bank gave notice, via their solicitors, to the Company that they will be exercising their rights to take possession of the mortgaged property situated at 33 Changi North Crescent, Singapore 499640 (the "33CNC Property").

Notwithstanding the moratorium granted to the Company, the Court granted leave to the said bank to take all necessary steps to enforce its security over the 33CNC Property. As at 30 September 2021, the bank borrowings of the Company amounted to \$12,797,000.

# INDEPENDENT AUDITOR'S REPORT

to the Members of TEE International Limited

## Report on the Audit of the Financial Statements (Cont'd)

### Basis for Disclaimer of Opinion (Cont'd)

#### B. Appropriateness of going concern assumption (Cont'd)

- The bank facility agreements of two subsidiaries include financial covenants which require the subsidiaries to meet certain key financial ratios. During the financial period, these subsidiaries did not fulfil the minimum threshold required for the consolidated net worth and the debt to equity ratio. Due to the breaches, the banks are contractually entitled to request for immediate repayments the outstanding loans amounted to \$10,000,000 as at 30 September 2021.
- Numerous claims have been made against the Group and the Company, the outcome of which cannot be determined with reasonable certainty. Refer to "Contingent liabilities" above.

The Group's and the Company's ability to continue as going concerns is dependent mainly on the successful implementation of the restructuring plan, the ability to secure financing as and when required, the profitability of future operations, and the continuing support of banks, suppliers, and other parties, and/or an injection of capital by a white knight.

Given the multiple uncertainties above, we are not able to determine if the going concern basis of preparation of these financial statements is appropriate. We are also unable to determine the adjustments that may be necessary because of these uncertainties as highlighted above.

#### C. Insufficient information to complete the audit of the consolidated financial statements of the Group

The financial statements for FP2021 of a significant subsidiary, Trans Equatorial Engineering Pte Ltd, are not audited as the said subsidiary is insolvent and has been placed in liquidation. Accordingly, we are unable to perform and complete our procedures to obtain sufficient and appropriate audit evidence over the financial statements of the Group and the accompanying disclosures for FP2021. As such, we are not able to determine whether any adjustments might be necessary to the amounts and disclosures shown in FP2021 financial statements.

### 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.

# INDEPENDENT AUDITOR'S REPORT

to the Members of TEE International Limited

## Report on the Audit of the Financial Statements (Cont'd)

### 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.

### 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, 13 January 2022