



TEE INTERNATIONAL LIMITED

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

RESPONSE TO THE QUERIES FROM THE SINGAPORE STOCK EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”) ON PROPOSED DISPOSAL OF A SUBSIDIARY

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 SGX-ST on 23 December 2020 in relation to the Company’s announcement dated 18 December 2020.

Unless specifically defined herein, all capitalised terms used in this announcement shall bear the meaning ascribed to them in the Company’s announcements dated 30 April 2020, 6 May 2020, 30 June 2020 and 18 December 2020.

Query No 1

Please provide further details on the settlement agreement, whether there have been any damages sought from the Purchaser. If not, please explain how is the settlement not prejudicial to the Company’s shareholders.

Company’s Response

In separate and earlier transactions related to the CSPA, (“**Nutara**”), the holding company of the Purchaser, had paid a refundable deposit of S\$1,000,000 to TEE Infra. In addition, Nutara had provided a loan of S\$600,000 to AWM.

Pursuant to the settlement agreement dated 18 December 2020 (“**Settlement Agreement**”), it was agreed that in full and final settlement of all Disputed Issues and all claims howsoever arising from *inter alia* the termination of the CSPA and the above refundable deposit and loan payable, the Company, TEE Infra and AWM shall jointly and severally pay to Nutara the aggregate sum of S\$1,050,000 (“**Settlement Sum**”) in instalments.

The net gain of S\$546,000 on the termination and settlement are accounted as follows:

- a) S\$496,000 had been recognised during the previous FY ended 31 May 2020 in view of the settlement proposal received from the Purchaser in July 2020, subject to legal execution of the Settlement Agreement. This was recognised under i) Rebate from purchaser of S\$296,000 under Discontinued Operations and ii) S\$200,000 as other income under Continuing Operations; and
- b) the remaining S\$50,000 had been recognised during the 2nd quarter ended 30 November 2020 in view of the final execution of the Settlement Agreement.

The S\$546,000 gain arising from the difference between the (a) the above refundable deposit and loan payable from AWM and (b) the Settlement Sum, represented about 43% of the Sale Assets

Consideration attributable to the Sale Shares of S\$1,285,000. The Settlement Sum is the result of several rounds of negotiations between the management of the Company and the Purchaser to achieve the best settlement amount for the Group.

The management of the Company is also mindful that settlement of this matter would avoid any further unnecessary litigation cost and management's time being incurred to pursue this matter and would allow the Company to continue to look at other ways to realise the said assets. TEE Infra has not sought any damages from the Purchaser.

The Board is of the view that the settlement is in the best interests of the Company based on current circumstances and is not prejudicial to the Company's shareholders, in view that the settlement will enable the Company to avoid spending further time and cost in pursuance of this matter, especially as there is no guarantee that the Company will be able to successfully seek damages from the Purchaser.

Query No 2

Please disclose what was the rationale for the proposed disposal, the intended use of proceeds, whether are there existing lawsuits faced by the disposal entity and how does it affect the Group given that the proposed disposal is now terminated.

Company's Response

The non-completion of the Proposed Disposal means that the intended use of proceeds as stated below will not materialise. Nevertheless, this is not expected to have a material impact on the operations of the Group and the Group will continue to operate AWM with a view to eventual realisation of its assets and settlement of its liabilities. AWM is not involved in any existing lawsuits.

Previous announcements

As disclosed in the Company's announcement dated 30 April 2020, AWM's principal activities are the treatment and disposal of waste and the rationale for the Proposed Disposal was to allow the Company to redistribute its resources to enable TEE Infra to concentrate on developing its general waste business, and to help TEE Infra to strategically move up the value chain and further expand its material recovery and recycling business.

As further elaborated in the Company's announcement dated 6 May 2020 on its responses to the queries from SGX, TEE Infra acquired AWM with the intention to further expand its existing infrastructure waste management business from general waste to also provide hazardous waste management in Singapore with a joint venture partner, and AWM was granted certain licences by JTC to develop 4 plots of land for this purpose. As the joint venture partnership did not materialise, TEE Infra decided to exit from the hazardous waste management business by disposing of AWM to focus on developing its general waste and recycling business.

In relation to the intended use of proceeds, as stated in the Company's announcement dated 6 May 2020, it was intended that the proceeds from the Proposed Disposal would be used for general working capital, to enable TEE Infra to improve the operating processes of its existing waste management business, including implementing process automation and stepping up manpower productivity in the areas of waste collection, material recovery and recycling.

Query No 3

Please elaborate what are the Company's plans for Arrow Waste Management Pte. Ltd given that the proposed disposal is now terminated.

Company's Response

The Company has no further plans for AWM in near future and will consider winding up AWM after realising the assets and settling all liabilities.

Query No 4

Please illustrate the financial effects of the proposed disposal and to explain how the non-completion of proposed disposal is not expected to have any material financial impact on the Group's financial results.

Company's Response

Further to the Company's announcement dated 30 April 2020 and for illustrative purposes, the financial effects of the Proposed Disposal on the Loss from discontinued operations of the Group are summarised as follows:

Financial Effects of Proposed Disposal		
On Financial Period	9M ended 29 February 2020*	FY ended 31 May 2020
	As announced on 30 April 2020	Assuming the Proposed Disposal was completed on 29 May 2020**
	S\$'000	S\$'000
Loss from discontinued operations for the period (A)	(1,700)	(4,525)
Losses of AWM recognised till end of reporting period reversed upon disposal	2,340	4,984
Additional funding to AWM from the Group written off	(1,713)	(1,849)
Proceeds from Sale Shares	1,285	1,285
Transaction costs	(311)	(311)
Gain on termination of CSPA (See Response to Query 1 above)	-	296
Gain on disposal – net (B)	1,601	4,405
Net loss attributable to discontinued operations (A) + (B)	(99)	(120)

**Previous Announcement*

***As announced on 30 April 2020, the completion date of the proposed disposal was expected to take place on or about 29 May 2020.*

As previously announced, it was expected that there would be a gain on the disposal of the Sales Assets of S\$1,601,000 for the 9-month period ended 29 February 2020.

Please refer to the Response to Query 1 above for an explanation as to how the non-completion of the Proposed Disposal is not expected to have any material financial impact on the Group's financial results for the financial year ending 31 May 2021.

By Order of the Board
TEE International Limited

Saw Chin Choo
Executive Director
28 December 2020