

TEE INTERNATIONAL LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 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, Deloitte & Touche LLP (the “**Auditors**”), have, in their Independent Auditors’ report dated 8 November 2019 (“**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 2019 (“**FY2019**”).

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 FY2019 in the Company’s Annual Report, which will be despatched to Shareholders 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 announcements 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
TEE International Limited

Saw Chin Choo (Ms)
Executive Director
8 November 2019

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 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 May 31, 2019, 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 and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 10 to 125.

We do not express an opinion on the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company. 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

During the course of our audit, we noted certain transactions totalling \$3,750,000 ("Remittances") paid to the former Group Chief Executive and Managing Director ("Former GCE") and Oscar Investment Private Limited ("Oscar"), a private company incorporated in British Virgin Islands, wholly-owned and controlled by the GCE (collectively "Former GCE and his company"), of which \$3,000,000 remained outstanding as at May 31, 2019 ("Advance"). The Former GCE was relieved of his role and duties as Group Chief Executive and Managing Director in September 2019 but remained as a director of the Company.

The Former GCE had previously informed us during the course of our audit that the Advance of \$3,000,000 was to pay for expenses to secure new projects for the engineering business of the Group. This is inconsistent from the statement made by the Former GCE as disclosed in Note 5(g)(ii) that \$2,500,000 of the Advance was utilised to repay a loan obtained by Oscar from a third party lender (see below), and the balance of \$500,000 was utilised by the Former GCE. No explanation has been provided for this subsequent change.

According to the Former GCE, as disclosed in Note 5(g)(i), all the shares in TEE Land Limited ("TEE Land")'s subsidiary, TEE Resources Sdn. Bhd. ("TEE Resources"), had been pledged in September 2017 as a security to the third party lender in relation to a credit facility of US\$15 million to Oscar ("Credit Facility"). The purpose of the Credit Facility as stated in the loan facility agreement was to enable Oscar to apply all amounts borrowed to make loans to TEE Resources to fund a project.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
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It is also disclosed that, out of the loan drawdown of US\$10 million by Oscar from the third party lender, Oscar had advanced certain amount of the loan proceeds to the Former GCE, who in turn advanced \$10 million to TEE Land to finance a certain development project undertaken by TEE Resources.

Although the above matter had been disclosed in Note 5(g) to the current year's financial statements, there were no disclosures relating to this pledge in the prior year's financial statements and we were not informed until recently of the pledging of shares. In addition, we have requested from the Former GCE but were unable to obtain additional information and documents of Oscar on the flow and usage of funds arising from the Credit Facility from the third party lender to Oscar or the Former GCE and eventually TEE Land or TEE Resources and vice versa.

It was also disclosed in the Company's announcements on September 4, 2019 and September 8, 2019, that the Advances were made under the instruction of the Former GCE and the Audit Committee had come to the view that the Advances were payments that were more properly classified as unauthorised remittances to Oscar.

Whilst management provided certain responses to our inquiries, the inconsistency in information and explanations provided (described above) were not explained. We communicated the absence of explanation and our matters of concern to the Board of Directors. Noting that the above matters involved the Former GCE who was a key member of senior management and in a position to influence a) key executive and financial decision-making, as well as b) the reporting of any such decisions, across the wider organisation, we are uncertain without further details, about whether there may be other issues and whether these issues could materially impact the financial statements of the Group. We were also not able to determine whether there were other instances of management override of controls by the Former GCE affecting the internal control over financial reporting designed to enable the Group to prevent and detect unauthorised transactions and ensure compliance with laws and regulations.

Further, on September 13, 2019, the Board of Directors announced the appointment of an External Investigator to investigate the facts and circumstances surrounding the Remittances and assess the impact, if any, on the financial statements of the Group as well as to determine whether there had been other similar remittances for the period from June 1, 2017 to August 31, 2019.

As at the date of this report, the External Investigator's work is still ongoing and has not been concluded. The outcome of the External Investigator's work could provide new information or findings that may have an impact on the financial statements. Accordingly, we are unable to determine whether any findings may be reported by the External Investigators or any adjustments arising thereon 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 on the matters of concern highlighted above and determine if there is any further impact on the financial statements. Consequently, 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

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 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 and statement of changes in equity 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.



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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 subsidiary corporations 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. Kee Cheng Kong, Michael.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

November 8, 2019

Notes to Financial Statements on Related Party Transactions**5(g) Advance payable to / receivable from related parties**

	Group	
	2019 \$'000	2018 \$'000
Advance payable to Former GCE (Note 27)	-	(10,000)
Advance receivable from Oscar (Note 9)	3,000	-

- i) A sum of \$10 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 in September 2017 pursuant to a loan agreement entered between the Former GCE and TEE Land Limited on 31 August 2017, and was fully repaid by TEE Land Limited to the former GCE on February 28, 2019. The advance bore interest rate of 11.5% per annum and was unsecured. Interest expense and commitment fee expense recognised in the profit and loss amounted to \$616,000 (2018: \$969,000).

According to the Former GCE, based on the relevant supporting documents that the Former GCE has provided to the external auditors, the internal auditors and the External Investigator, (a) the shares in a subsidiary, TEE Resources Sdn. Bhd ("TEE Resources") (Note 19), were pledged by TEE Land Limited in September 2017 as a security to a third-party lender (the "Lender") which had agreed to provide a credit facility of US\$15 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 million by Oscar from the Lender, Oscar had advanced certain amount of the loan proceeds to the Former GCE, who in turn advanced \$10 million to TEE Land Limited to fund a certain development project undertaken by TEE Resources; and (d) subsequent to the financial year-end, the pledge of the shares in TEE Resources was fully discharged by the Lender in September 2019.

- ii) The advance receivable from Oscar of \$3 million (2018: \$NIL) was unsecured, interest free and had no fixed terms of repayment. During the financial year, 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 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. Subsequent to the financial year-end, the advance was fully repaid by the Former GCE and Oscar to the Group in August 2019.
- iii) In addition, the following interest-free advances that were made during the financial year have been fully repaid during the financial year:

	Group	
	2019 \$'000	2018 \$'000
Advance received from Oscar	(2,800)	-
Advance paid to Former GCE	500	-
Advance paid to Oscar	250	-

According to the Former GCE, (a) the \$2.8 million advance received by a subsidiary from Oscar were used to deposit into a fixed deposit account to activate a banking credit line granted to the subsidiary, and (b) the advances totalling \$750,000 paid by a subsidiary to the Former GCE/Oscar were utilised by him/Oscar. These advances were fully repaid during the financial year.

- (iv) As disclosed in the Company's SGX announcement dated 13 September 2019, the Company has 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. As of the date of the issue of the financial statements, the investigation of the External Investigator is still on-going.