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

COMPLETION OF SALE OF 282,777,678 SHARES IN TEE LAND LIMITED AND ENTRY INTO ANCILLARY AGREEMENTS

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1. INTRODUCTION

The Board of Directors ("**Board**") of TEE International Limited ("**Company**", and together with its subsidiaries, "**Group**") refers to its announcement dated 13 January 2020 in relation to the Proposed Disposal ("**Previous Announcement**"). All capitalised terms, unless otherwise defined, shall have the meanings ascribed in the Previous Announcement.

2. COMPLETION OF PROPOSED DISPOSAL

The Board is pleased to announce that the Proposed Disposal and the Proposed PCK Disposal have been completed on 3 February 2020.

Following Completion, TEE Land has ceased to be a subsidiary of the Company.

3. COMMERCIAL ARRANGEMENTS AND ANCILLARY AGREEMENTS

In conjunction with the Completion, the Company has entered or will enter (as the case may be) into the following ancillary agreements with TEE Land and TEE Industrial Pte. Ltd. ("**TEE Industrial**"), a wholly owned subsidiary of TEE Land:

(a) **TEE Industrial SPA**

The Company has entered into the TEE Industrial SPA with TEE Land for the purchase of the entire issued and paid-up share capital of TEE Industrial ("**Sale Share**") from TEE Land.

TEE Industrial currently owns a 6-storey industrial property with an aggregate gross floor area of 5,164 square meters located at 25 Bukit Batok Street 22, Singapore 659591, which is known as TEE Building. Other than ownership and leasing of TEE Building, TEE Industrial does not have any other business. Based on the valuation report by Jones Lang LaSalle Property Consultants Pte. Ltd. ("**JLL**") that was commissioned by TEE Land dated 11 December 2019, the market value of TEE Building as at 30 November 2019 was S$21.50 million ("**TEE Building Valuation**"). The TEE Building Valuation was made using the direct comparison method and income capitalisation method.

Based on the management accounts, as at 30 November 2019 and after taking into account, *inter alia*, the TEE Building Valuation, an outstanding mortgage loan of approximately S$15.78 million ("**Mortgage Loan**") and outstanding payables of approximately S$9.23 million owing to TEE Land, TEE Industrial is currently in a negative net asset position of approximately S$0.88 million. There is no available open market value of the Sale Share as TEE Industrial is a wholly-owned subsidiary of TEE Land.

In view of TEE Industrial's negative net asset position, the Company will purchase the Sale Share from TEE Land for a nominal amount of S$1. In addition, pursuant to the TEE Industrial SPA, on completion of the TEE Industrial Acquisition ("**Acquisition Completion**"), the Company will repay or procure the repayment of all outstanding payables owing by TEE Industrial to TEE Land as at Acquisition Completion less the negative net asset value of TEE

Industrial, based on its latest management accounts immediately prior to the Acquisition Completion (taking into account, *inter alia*, the TEE Building Valuation). The extent of the amount to be deducted from the negative net asset value shall not exceed S$1.0 million. The TEE Industrial Acquisition will be funded by the Company through a combination of internal resources and bank borrowings.

TEE Industrial Acquisition is conditional on, *inter alia*: (a) approval of shareholders of the Company and TEE Land (if required); (b) discharge by the Company (whether by refinancing or full repayment of all outstanding amounts) of the Mortgage Loan; and (c) the independent financial adviser ("**IFA**") appointed by TEE Land for the purposes of the Offer opining that the terms of TEE Industrial Acquisition are fair and reasonable pursuant to Rule 10 of the Singapore Code on Takeovers and Mergers ("**Code**"). Acquisition Completion is expected to take place within five business days after the date on which all conditions are fulfilled.

The Directors believe that the TEE Industrial Acquisition is beneficial to the Company as the company and its subsidiaries are currently the main tenants of the building and have been conducting their business operations out of TEE Building since construction of the same. TEE Building is intended to be held as a long-term investment to enhance the fixed asset base of the Company and would also provide a hedge against rental increases in the property market. In addition, the existing lease for TEE Building is entered into by TEE Industrial with JTC Corporation as the head lessor of the land on which TEE Building is located, the terms of which includes a condition that the Company is required to hold not less than 51% interest in TEE Industrial. Following Completion, the Company will cease to hold any shares in TEE Land and accordingly, TEE Industrial has sought and JTC Corporation has provided TEE Industrial a grace period of up to 30 July 2020 to complete the TEE Industrial Acquisition. The Company has also provided an irrevocable undertaking to the Offeror and TEE Land that it will comply with all of the obligations of TEE Industrial specified by JTC Corporation in connection with the Proposed Disposal and the TEE Industrial Acquisition.

The relative figures computed pursuant to Rule 1006 of the Listing Manual in respect of the TEE Industrial Acquisition are set out below:

	Bases in Rule 1006	**Size of Relative Figure**
(a)	Net asset value of the Sale Share, compared with the Group's net asset value as at 30 November 2019	N.A.[(1)]
(b)	Net loss[(2)] of S$0.18 million attributable to the Sale Share, compared with the Group's net loss[(2)] for the six months ended 30 November 2019 of S$40.31 million	0.4%
(c)	Aggregate consideration of S$24.13 million[(3)] as compared with the Group's market capitalisation of S$31.70 million[(4)]	76.1%
(d)	Number of equity securities issued by the Company as consideration for the TEE Industrial Acquisition, compared with the number of equity securities previously in the issue	N.A.[(5)]
(e)	Aggregate volume of proved and probable reserves to be disposed of compared with the Group's proved and probable reserves	N.A.[(6)]

Notes:

(1) This is not applicable as the Company is not disposing of any assets pursuant to the TEE Industrial Acquisition.

(2) "Net loss" means loss before income tax, minority interests and extraordinary items.

(3) For the purpose of Rule 1006(c), the aggregate consideration is S$24.13 million comprising S$1 for the Sale Share, settlement of outstanding payables of approximately S$9.23 million and the Mortgage Loan of S$15.78 million, less the negative net asset position of TEE Industrial of approximately S$0.88 million based on the management accounts of TEE Land as at 30 November 2019.

(4) The Company's market capitalisation is determined by multiplying the number of ordinary shares in the capital of the Company ("**Shares**") in issue (being 646,882,476 Shares (excluding 1,270,400 treasury shares)) by the volume-weighted average price of the Shares (being S$0.049 transacted on 29 January 2020 (being the last Market Day on which Shares were traded preceding the date of the TEE Industrial SPA).

(5) This is not applicable as the TEE Industrial Acquisition does not involve any issuance of consideration shares.

(6) This is not applicable as the Company is not a mineral, oil and gas company.

As one or more of the relative figures above are more than 20%, the TEE Industrial Acquisition is considered a major transaction under Chapter 10 of the Listing Manual and will be subject to, amongst others, the approval of Shareholders at an extraordinary general meeting of the Company to be convened.

A circular containing further details of, *inter alia*, the TEE Industrial Acquisition ("**Circular**"), together with a notice of the extraordinary general meeting of the Company will be despatched to Shareholders in due course.

The following pro forma financial effects of the Proposed Disposal and TEE Industrial Acquisition are for illustrative purposes only and have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 May 2019 ("**FY2019**"), being the most recently completed financial year, and on the following key bases and assumptions:

(i) for the purposes of illustrating the financial effects of the Proposed Disposal and TEE Industrial Acquisition on the net tangible assets ("**NTA**") per Share of the Group, it is assumed that the Proposed Disposal and TEE Industrial Acquisition had been completed on 31 May 2019;

(ii) for the purposes of illustrating the financial effects of the Proposed Disposal and TEE Industrial Acquistion on the Loss per Share ("**LPS**") of the Group, it is assumed that the Proposed Disposal and TEE Industrial Acquisition had been completed on 1 June 2018;

(iii) the NTA per Share is computed based on the 646,882,476 Shares (excluding 1,270,400 treasury shares) in issue as at 31 May 2019, and the LPS of the Group is computed based on the weighted average number of 554,077,058 Shares (excluding 1,270,400 treasury shares) Shares in issue for FY2019; and

(iv) transaction costs in relation to the Proposed Disposal amount to approximately S$2.35 million and transaction costs to be incurred by the Company in relation to the TEE Industrial Acquisition amount to approximately S$0.09 million.

For the avoidance of doubt, save as set out above, these pro forma financial effects do not take into account (i) any corporate actions announced and undertaken by the Group; and (ii) any issuance of new Shares, on or after 1 June 2019.

NTA

	Before the Proposed Disposal and TEE Industrial Acquisition	**After the Proposed Disposal but before the TEE Industrial Acquisition**	**After the Proposed Disposal and TEE Industrial Acquisition**
NTA attributable to the Shareholders (S$ million)	80.87	56.43	56.43[(1)]
NTA per Share (cents)	12.5	8.7	8.7

LPS

	Before the Proposed Disposal and TEE Industrial Acquisition	**After the Proposed Disposal but before the TEE Industrial Acquisition**	**After the Proposed Disposal and TEE Industrial Acquisition**
Loss attributable to the Shareholders (S$ million)	18.17	52.73	53.16[(1)]
LPS (cents)	3.28	9.52	9.59

Note:

(1) Does not take into account the fair value loss of S$0.50 million which was recorded by TEE Industrial for the six months ended 30 November 2019.

(b) **Lease Extensions and New Lease**

Subject to and on completion of the TEE Industrial Acquisition, TEE Industrial and TEE Land will also enter into the New Lease for an area of approximately 8,052.8 square feet in TEE Building for the rental amount of S$17,716.16 per month ("**Rental Rate**"). The Rental Rate was derived from the market rental of S$2.20 per square foot per month as concluded in the rental valuation report by Suntec Real Estate Consultants Pte Ltd ("**SREC**") dated 27 December 2019 commissioned by TEE Land. In arriving at its opinion, SREC had taken into consideration the rental rates of similar properties in the vicinity and made the necessary comparison and adjustments before arriving at the Rental Rate. The New Lease will have an initial term of six months with an option to renew for a further term of six months. The New Lease is subject to the IFA opining that the terms are fair and reasonable pursuant to Rule 10 of the Code.

Pending the New Lease coming into effect, the Lease Extensions which will expire on 29 February 2020, will continue to be extended up to and including the date of the Acquisition Completion.

(c) **Transitional Services Agreement**

The Company has further entered into the Transitional Services Agreement with TEE Land pursuant to which the Company will provide certain transitional services, to minimise immediate disruptions to TEE Land's operations subsequent to Completion.

These services include, inter alia, (a) IT/technology services such as server storage, networks/Internet/emails, software support (including for accounting/payroll), trouble shootings, IT miscellaneous support, (b) human resources services such as payroll, recruitment, consultancy, personal data protection, (c) general administration services such as cleaning, reception, courier services, telephone system administration, and (d) migration services through the development and implementation of a plan to transition the foregoing transition services from being provided by the Company to TEE Land (or as the Company may arrange) including providing resources, sharing of information/technical know-how as well as testing of IT systems and troubleshooting.

The services rendered under the Transitional Services Agreement will be charged at cost and the Transitional Services Agreement is for an initial period of six months, with an option to extend for a further six months, and is conditional on the IFA opining that the terms are fair and reasonable pursuant to Rule 10 of the Code.

4. IRREVOCABLE UNDERTAKING

Mr. Phua Chian Kin, a controlling shareholder of the Company, has provided an irrevocable undertaking to the Offeror and TEE Land in respect of the 293,822,746 ordinary shares in the capital of the Company held legally and/or beneficially by him ("**PCK's TI Shares**"), representing approximately 45.42% of the total number of issued and paid-up ordinary shares in the capital of the Company, to, amongst others, vote, or procure the voting of, all the PCK's TI Shares in favour of the TEE Industrial Acquisition at the extraordinary general meeting of the Company to be convened to seek the approval of Shareholders for the TEE Industrial Acquisition ("**PCK Undertaking**").

5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors and their respective associates has any interest, direct or indirect, in the TEE Industrial Acquisition, New Lease, Lease Extensions and Transitional Services Agreement (other than through their respective shareholding interests in the Company, if any).

The Directors have not received any notification of interest in the aforesaid transactions from any controlling Shareholders of the Company and their respective associates, and are not aware of any controlling Shareholders of the Company and their respective associates which has any interests,

direct or indirect, in the TEE Industrial Acquisition, New Lease, Lease Extensions and Transitional Services Agreement (other than through their respective shareholding interests in the Company).

6. SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the TEE Industrial Acquisition, the Transitional Services Agreement, the Lease Extensions and/or the New Lease. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

7. DOCUMENTS FOR INSPECTION

Copies of the TEE Industrial SPA, New Lease, Lease Extensions, Transitional Services Agreement, valuation report by JLL in relation to TEE Building dated 11 December 2019, valuation report by SREC in relation to the Rental Rate dated 27 December 2019 and PCK Undertaking are available for inspection at the Company's registered office at 25 Bukit Batok Street 22, TEE Building, Singapore 659591 for a period of three months from the date of this announcement.

8. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including any who may have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this announcement are fair and accurate and, where appropriate, no material facts have been omitted, the omission of which would make any statement in this announcement misleading and they hereby collectively and individually accept full responsibility.

Where any information in this announcement has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure through reasonable enquiries that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

By Order of the Board

Yeo Ai Mei
Company Secretary
3 February 2020