



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 THE SECOND QUARTER / HALF YEAR FY2021 FINANCIAL RESULTS ANNOUNCEMENT

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 15 January 2021 in relation to the Company’s Second Quarter / Half Year FY2021 financial results announcement for the period ended 30 November 2020, dated on 12 January 2021.

Query No 1

Please explain why has the Group accounted for Arrow Waste Management Pte. Ltd. (“**AWM**”) as discontinued operations if the proposed disposal has been terminated by the purchaser? Please also elaborate on the reason for the termination of proposed disposal of AWM and whether the purchaser had committed any deposit which is to be retained by the Company.

Company’s Response

As at 30 November 2020, the Company had entered into early-stage discussions with two potential buyers. Should the discussions with the two potential buyers become inconclusive, the Company will consider winding up AWM after realising the assets individually and settling all liabilities. Accordingly, the Company accounted for Arrow Waste Management Pte. Ltd. (“**AWM**”) as discontinued operations due to AWM meeting the conditions for an asset to be classified as held for sale in accordance with **paragraph 6 to 8** of *SFRS(I) 5 Non-Current Assets Held for Sale*.

The purchaser had paid a refundable deposit of S\$1.0 million to the Company. Pursuant to the settlement agreement dated 18 December 2020, it was agreed that the Company retained deposit of S\$0.2 million as rebate from purchaser.

Previous announcements on 30 June 2020 and 28 December 2020

On 30 June 2020, the Company announced that TEE Infrastructure had received notices of termination of the Conditional Sales and Purchase Agreement on various grounds, which the Company was unable to disclose due to commercial sensitivity and confidential nature of the termination notices.

As disclosed in the Company’s announcement dated 28 December 2020, 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.

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

The Group's trade receivables in 2QFY2021 amounted to S\$29.6 million, please provide the aging schedule of these trade receivables in bands of 3 months (with upper limit of the longest due debt specified in bands of 3 months).

Company's Response

The aging analysis of the Group's trade receivables in 2QFY2021 is as follows:

	S\$'000
<u>Trade receivables</u>	
Not past due	21,182
Past due	
- Past due 0 to 3 months	7,617
- Past due 4 to 6 months	727
- Past due 7 to 9 months	119
- Past due 10 to 12 months	1
- Past due over 12 months	2
Total	<u>29,648</u>

Query No 3

The Group's other receivables in 2QFY2021 amounted to S\$7.0 million, please provide a breakdown of these other receivables and to disclose the nature of the underlying items. To also provide the aging schedule of these other receivables in bands of 3 months (with upper limit of the longest due debt specified in bands of 3 months).

Company's Response

The breakdown of the Group's other receivables in 2QFY2021 is as follows:

	S\$'000
Deposits ^(a)	3,947
Expenses paid on behalf of suppliers ^(b)	1,437
Prepayments ^(c)	1,232
Advances to employees	200
Accrued for rental income	91
Deferred commission expenses	73
Others	35
Total	<u>7,015</u>

- (a) The deposits of S\$3.9 million, due mainly to security deposits are placed for on-going business projects and rental deposits.
- (b) The expenses paid on behalf of suppliers of S\$1.4 million, due mainly to the expenses paid to a waste management supplier, which would be offset against the related payables to the supplier under the supply contract.
- (c) The prepayments of S\$1.2 million, due mainly to prepayments of insurance related expenses and banking facilities fees for on-going business projects.

Query No 3 (Continued)

Company's Response

The normal credit term upon the issue of invoice is 14 to 45 days. The aging analysis of the Group's other receivables in 2QFY2021 is as follows:

	S\$'000
<u>Other receivables</u>	
Not past due	6,000
Past due ^(d)	
- Past due 0 to 3 months	401
- Past due 4 to 6 months	568
- Past due 7 to 9 months	44
- Past due over 12 months	2
Total	<u>7,015</u>

(d) Other receivables past due of S\$1.0 million, due mainly to the expenses paid on behalf of suppliers.

Query No 4

The Company's cash balance stands at S\$21.2 million as at 30 November 2020. Please elaborate on the Company's ability to fulfil its borrowing obligations of approximately S\$44.0 million as it comes due within one year or less.

Company's Response

The Group's cash balance stands at S\$21.2 million as at 30 November 2020.

The S\$39.7 million secured borrowings related to project financing for the Group's ongoing engineering projects, which would be repayable from the project's cash collection, i.e., trade receivables of S\$29.6 million and contract assets of S\$128.0 million respectively.

The S\$4.3 million unsecured borrowings are general financing lines that are used mainly for general working capital.

Despite the lower revenue, the Group recorded a profit after tax of S\$1.8 million for Half Year ("HY") FY2021 as compare to a loss after tax of S\$41.1 million for HYFY2020. The profits due mainly to the Group has implemented several cost-cutting initiatives and results in decreased in administrative expenses and finance costs decreased due mainly to repayment of borrowings and notes payable in prior year.

The Group's outstanding order book as at 30 November 2020 amounted to S\$251.2 million.

In view of the above, the Company will be able to meet with its debt obligations as and when they fall due.

Query No 5

The Company reported that revenue decreased by S\$51.0 million in the quarter mainly due to the substantial completion of a major project in the previous financial year. Please provide a brief description of the major project that was completed in the previous financial year and provide details of its current order book.

Company's Response

As disclosed in the Company's announcement dated 22 January 2019, the Group secured new engineering contracts include Fit-Out works for a data centre, as well as Mechanical and Electrical engineering works for an institution building in Singapore ("**this Project**"). This Project contributed S\$57.9 million revenue in 2QFY2020 as compared to S\$2.2 million in 2QFY2021. The current outstanding order book for this Project is approximately S\$1.2 million. The Group's outstanding order book as at 30 November 2020 amounted to S\$251.2 million.

Query No 6

The Company has reallocated the net proceeds raised from rights issue in 2018. Please provide details and breakdown of the amount utilized for general working capital (S\$8.0 million) as well as the finance of business expansion and new acquisitions and investments (S\$6.3 million).

Company's Response

The details and breakdown of the amount for general working capital and the finance of business expansion and new acquisitions and investment are as follows:

	Amount after re-Allocation S\$'000	Utilised amount S\$'000
<u>General working capital</u>		
Staff salaries and related expenses	2,384	
Trade payments	5,590	7,974
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<u>Finance expansion and new acquisitions and investment</u>		
Performance bonds placement for new projects	2,886	
Acquisition of 4 plots of lands and related expenses for AWM	3,453	6,339
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Total		<hr/> 14,313 <hr/>

By Order of the Board
TEE International Limited

Saw Chin Choo
Executive Director
19 January 2021