



TEE INTERNATIONAL LIMITED

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

UPDATE IN RELATION TO ARBITRATION PROCEEDINGS

The Board of Directors (“**Board**”) of TEE International Limited (“**Company**”, and together with its subsidiaries, “**Group**”) refers to its announcement dated 19 September 2020 in relation to the ongoing arbitration proceedings commenced by MDIS (Malaysia) Sdn Bhd (“**Claimant**”) in respect of disputes between the Claimant and TEE E&C (Malaysia) Sdn Bhd, a wholly-owned subsidiary of the Company (“**TEE Malaysia**”) arising out of and/or in connection with a construction contract dated 30 June 2014 (“**Construction Contract**”). The arbitration proceedings comprise (i) arbitration proceedings against TEE Malaysia in Malaysia (the “**Malaysia Arbitration**”); and (ii) arbitration proceedings against the Company in Singapore (the “**Singapore Arbitration**”) (collectively, “**Arbitration Proceedings**”). All capitalised terms, unless otherwise defined, shall have the meanings ascribed in the aforesaid announcement.

The Board would like to update shareholders that:

(a) **Adjudication Determination**

Prior to the initiation of the Arbitration Proceedings by the Claimant, TEE Malaysia had filed an adjudication application in Malaysia on 26 September 2019 against the Claimant under the Construction Industry Payment and Adjudication Act 2012 for outstanding payments of RM5.50 million for the value of work done but unpaid (“**Adjudication Application**”). Under the Adjudication Application, the Claimant claimed set-off / deduction of a total of RM34.58 million for (a) liquidated damages; (b) costs of rectification of alleged defects; and (c) direct payments to TEE Malaysia's sub-contractors.

On 16 March 2020, the Adjudication Determination was issued to both parties, under which the adjudicator had (a) rejected the Claimant's claims on liquidated damages; (b) awarded RM3.76 million to the Claimant for rectification of alleged defects out of the Claimant's claim of RM24.77 million; (c) awarded RM2.97 million to the Claimant for direct payments to TEE Malaysia's sub-contractors; and (d) awarded RM5.50 million to TEE Malaysia for work done but unpaid.

The Claimant refused to agree to a settlement as proposed by TEE Malaysia based on the results of the Adjudication Determination.

(b) **Malaysian Arbitration**

The arbitrator in respect of the Malaysian Arbitration has accepted his appointment on 11 September 2020. A preliminary meeting has been fixed for 20 October 2020.

(c) **Singapore Arbitration**

The Company is a party to the Singapore Arbitration as it is a guarantor of TEE Malaysia pursuant to the deed of guarantee dated 11 August 2014 entered into by the Company in connection with the Construction Contract which substantive dispute is in Malaysia.

The Claimants had made claims of up to RM55.99 million in respect of: (a) liquidated damages; (b) costs of rectification of alleged defects; (c) loss of profits due to delay; (d) additional costs and expenses; and (e) direct payments to TEE Malaysia's sub-contractors, which the Group has disputed in entirety, save for the sum of RM2.97 million paid by the Claimant directly to TEE Malaysia's sub-contractors and RM3.76 million for rectification of alleged defects. The Group had also filed its defence to the Claimant's claims and made counterclaims against the Claimant for up to approximately RM12.14 million in respect of: (a) losses and expenses; (b) unpaid amounts for work done and certified; and (c) retention sums. The Claimant has filed its statement of reply and defence to counterclaim in the Singapore Arbitration.

The Company has further made preliminary applications for an order that the tribunal has no jurisdiction to hear the Singapore Arbitration (or in the alternative, the Singapore Arbitration be stayed pending resolution of the Malaysia Arbitration) ("**Preliminary Applications**"). The tribunal in the Singapore Arbitration has also heard the Preliminary Applications, which applications are currently pending the tribunal's decision which is in turn expected to be issued sometime in November 2020.

(d) **Management's Assessment**

The Executive Directors have evaluated the claims made under the Arbitration Proceedings and are of the view that the amount claimed by the Claimant are excessive and without merit. Accordingly, no provision for claim has been made in its audited financial statements for the financial year ended 31 May 2020 for the Claimant's claims for (1) liquidated damages, (2) loss of profits due to delay, and (3) additional costs and expenses. The costs and billings of RM3.76 million for rectification and alleged defects and RM2.97 million for direct payments to TEE Malaysia's sub-contractors awarded to the Claimant under the Adjudication Determination and RM5.50 million in respect of work done but unpaid, which were awarded to TEE Malaysia under the Adjudication Determination, have been recognised in the Group's audited financial statements for the financial year ended 31 May 2020 and details of which are set out in Note 53 to the Group's audited financial statements for the financial year ended 31 May 2020 (as announced by the Company on 12 October 2020).

As previously announced, the Group continues to work closely with its legal counsels on the Arbitration Proceedings and intends to vigorously pursue its defence and counterclaim against the Claimant. The Group will also continue to provide updates at the appropriate juncture if and when there are material developments in relation to the Arbitration Proceedings.

Shareholders, securityholders, and investors should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take or when dealing with their shares or securities of the Company.

By Order of the Board

Saw Chin Choo
Executive Director
13 October 2020