



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 FOURTH QUARTER / FY2020 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 20 August 2020 in relation to the Company’s Fourth Quarter / FY2020 financial results announcement for the period ended 31 May 2020, dated on 30 July 2020.

Query No 1

Cost of sales increased by 43.2% over the last financial year due mainly to “additional costs incurred on completed engineering contracts in a Malaysian subsidiary due to writing off of certain costs which are no longer recoverable from customers who had become insolvent” and “unavoidable costs incurred during the Circuit Breaker period even though construction have been suspended on most engineering contracts”.

- a. Please quantify the amount which were unrecoverable from customers who had become insolvent and disclose whether these are major customers of the Group.
- b. Please provide a breakdown of the Cost of sales and to elaborate on the nature of “unavoidable costs” incurred during the Circuit Breaker period.

Company’s Response

- a. This customer was the main contractor of a government housing project in Malaysia. One of our subsidiaries in Malaysia, TEE E&C (Malaysia) Sdn. Bhd. (“TEE E&C”), was the sub-contractor for this main contractor. This customer became insolvent and the project was terminated. Hence, certain costs, which were no longer recoverable from this customer amounting to S\$1.8m, were written off. This customer is not a major customer of the Group in view of the smaller size of the contract sum.

The higher cost of sales was also due to TEE E&C’s additional cost provided for the defect period of S\$2.0 million and additional costs incurred upon completion of certain projects amounting to S\$1.3 million.

b. The breakdown of the cost of sales is as follows:

	The Group (S\$'000)	
	FY2020	FY2019
Engineering & Construction (Singapore)	285,279	180,319
Engineering & Construction (Overseas)	11,938	8,512
Infrastructure	34,250	42,476
Corporate & Others	251	351
Total	331,718	231,658

Included in Engineering & Construction (Singapore) cost of sales is an amount of S\$3.9 million (FY2019: S\$Nil) which related to unavoidable costs incurred during Circuit Breaker period. The unavoidable costs principally refer to fixed overhead costs that the Group still has to bear despite most of the construction projects have been suspended during Circuit Breaker period and additional costs incurred for the implementation of safety measures during this period. These costs mainly consist of payroll and its related costs, rental of offices and equipment etc.

Query No 2

The Company incurred impairment loss on property, plant and equipment (PPE) amounting to S\$1.588 million for full year ended 31 May 2020. Please provide further information on the PPE impaired, disclose if any valuation was conducted and to explain the basis for the impairment.

Company's Response

The breakdown of the impairment loss on property, plant and equipment (PPE) is as follows:

Subsidiary's name	Note	Impairment loss
		S\$'000
TEEGreen Agriculture Pte Ltd	(a)	98
TEE Environmental Pte Ltd	(b)	112
TEE Recycling Pte Ltd	(c)	1,378
Total		1,588

Note :

- (a) Upon completion Proof of Concept Phase, Management has reviewed the overall business proposal of this business and its market environment, and has decided to exit this business line. Accordingly, assets related to this business were impaired.

- (b) The asset impaired is in respect of an accounting software no longer in use.
- (c) The machineries, equipment and assets in a Tuas plant are fully impaired due to the following reasons:
 - The assets are left idle and not generating revenue, mainly affected by the global recycling crisis as China banned the import of recyclables.
 - Management decided to close down the plant upon expiry of its lease in September 2020.
 - As these are customised machines, it is not easy to find buyers.

By Order of the Board

Saw Chin Choo
Executive Director
21 August 2020