

Flash Note: TEE International Limited

Date: 6 August 2019

TEE announced FY2019 results

TEE International Limited (“**TEE**”, the “**Company**”, and together with its subsidiaries, the “**Group**”) reported its unaudited full year financial results for FY19. For FY19, the Group adopted the Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) as its new accounting standards. In particular, the changes include 1) borrowing costs are now expensed when incurred instead of capitalised, 2) revenue is recognised when a customer obtains control of a good or services instead of reference to the stage of completion, and 3) quoted debts instruments are classified as financial asset measure at amortised costs and fair value through profit or loss instead of held-to-maturity financial asset and held for trading investment.

Following the adoption of SFRS(I), TEE reported a revenue of S\$420.5 million for FY19, which was a S\$152.0 million or 56.6% increase as compared to the restated revenue for FY18. The increase was mainly due to higher contribution of progressive revenue from on-going engineering projects and inclusion of revenue from waste management and recycling subsidiaries. Correspondingly, cost of sales increased by S\$158.0 million to S\$389.7 million.

Overall, the Group recorded a loss after tax of S\$29.2 million for FY19, which was mainly attributed to changes in revenue, cost and interest expense recognition resulting from the adoption of SFRS(I), as well as other cash and non-cash items. On a whole, the total impact caused by the adoption of SFRS(I) was S\$31.1 million, of which S\$24.9 million was attributable to TEE Land. Excluding expenses attributed by the changes in accounting standard requirements, significant cash and non-cash items for operation use, the Group would have reported a net profit after tax of S\$1.9 million.

Recent Contract Wins

TEE was awarded waste management contracts by Changi Airport Group. TEE announced that its wholly-owned subsidiary TEE Infrastructure Private Limited (“**TEE Infrastructure**”), through its majority-owned subsidiary, TEE Environmental Pte. Ltd. (“**TEE Environmental**”), was awarded four waste management contracts by Changi Airport Group (Singapore) Pte. Ltd. (“**Changi Airport Group**”). The contracts involve the provision of refuse removal service by TEE Environmental at Terminal 1, 2, 3 and 4 of Singapore Changi Airport for a period of three years with effect from 1 April 2019. The contracts also include an option to extend for a period of two years. According to the Management, these contracts further strengthen TEE Environmental’s clientele base, which mainly comprises industrial and commercial clients.

TEE also announced that TEE Infrastructure had appointed industry veteran Mr Lim Chin Khuang, previously a senior vice president at SembWaste, as Executive Director to take charge of the environmental division as it strategically pivots its focus towards recycling and closing the waste loop. Mr Lim will oversee the implementation of various strategies and initiatives for TEE Infrastructure’s environmental business.

TEE secured new engineering contracts worth S\$22 million. The new contracts awarded to TEE’s wholly-owned subsidiaries include a contract for the Fit-Out works of a data centre, as well as addition & alteration works to industrial buildings for a repeat client. The new contracts brought the group’s order book to S\$506 million as of March 2019.

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Recent Corporate Development

Proposed spin-off and separate listing of infrastructure business. TEE announced that it intends to undertake a proposed spin-off of its infrastructure business to be listed on the Catalist Board of the Singapore Exchange.

Currently, the Spin-Off Group comprises of:

- (a) A 50.1% stake in G3 Environmental Private Limited, which offers a full suite of waste management solutions, including on-site and off-site waste management, collection and transport of waste, and processing of recyclables such as paper and plastics;
- (b) A 21.05% stake in PowerSource Philippines Distributed Power Holdings, Inc., which owns a 25-megawatt green-field thermal hybrid power plant in the Philippines, and seeks to expand its power business by exploring opportunities in the renewable energy segment; and
- (c) A 49% stake in Global Environmental Technology Co., Ltd., one of Thailand's largest waste water treatment companies, with a total capacity of 350 million litres per day, serving commercial, industrial, business and residential communities, which currently operates two wastewater treatment plants in Thailand including Bangkok's first underground waste water treatment plant in Bang Sue.

TEE intends to maintain controlling interest in the Spin-Off Group. If successful, the Spin-off Group will be able to independently raise new funds from the capital market, enabling the Spin-Off Group to fund its business expansion independently. This allows TEE to re-deploy its financial and other resources to grow its other businesses.

Entry into MOU with Euro Properties. TEE had entered into a memorandum of understanding ("MOU") with Euro Properties Holding Inc. ("Euro Properties") for a potential strategic investment by Euro Properties into TEE Land Limited and/or acquisition of TEE Land Limited shares. This includes the possible injection of properties into TEE Land Limited in consideration for issuance of new TEE Land Limited shares. TEE granted exclusivity to Euro Properties for a period of 8 weeks to undertake its due diligence.

Euro Properties is a Hong Kong based company and a member of Euro Group International Inc.. It specialises in the investment, development and marketing of prime residential and mixed-use projects with a focus on exceptional design and first-class execution for over 30 years through its suite of related companies. Euro Properties' current portfolio of projects locates around Glasgow, Hong Kong, London, New York, Saipan, Singapore and Sydney.

Prior to this, TEE was in discussion with Top Capital Securities Pte. Ltd. for the sale of shares of TEE Land Limited. The discussion has since been ceased.

About TEE International Limited

TEE International Limited has grown from a general electrical contractor to an established Integrated Engineering, Real Estate and Infrastructure Group. With its operations spanning across Singapore, Thailand, Malaysia, Hong Kong, Australia and New Zealand, TEE continues to focus on its core Engineering specialisation to grow its Infrastructure business alongside its complementary Real Estate business. .

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