

**TEHO INTERNATIONAL INC LTD.**  
**Registration No. 200811433K**  
**Incorporated in Singapore**

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**THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF FINESSCO SYSTEMS PTE LTD (“FINESSCO”)**

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**1. THE PROPOSED ACQUISITION OF FINESSCO**

Further to the announcement released on 23 November 2011, the board of directors (the “**Board**”) of Teho International Inc Ltd. (the “**Company**”) is pleased to announce that the Company has on 2 May 2012 entered into a sale and purchase agreement (the “**Agreement**”) with Goh Gek Liang, Tong Chwee Hwa and Tan Chiun Wei (collectively the “**Vendors**”) in relation to the proposed acquisition of the entire issued and paid-up capital of Finessco (the “**Proposed Acquisition**”). The Vendors and Finessco are not related to any of the controlling and substantial shareholders, directors or officers of the Company

**2. INFORMATION ON FINESSCO**

Finessco is a company incorporated in Singapore on 24 July 2006 with an issued and paid-up share capital of \$75,000 comprising 75,000 ordinary shares as at the date of this announcement.

Finessco specialises in supplying, servicing and trading of the following equipment to the marine and offshore oil and gas industries:-

- (i) electric heating and associated control systems and accessories in Singapore;
- (ii) marine and offshore oil and gas fire/shut off dampers, storm louvers and galley hoods in Singapore;
- (iii) marine water heaters in Singapore, Malaysia, Indonesia, Vietnam and China;

Finessco is also an exclusive distributor for certain third party brands for the supply of mechanical products and systems mainly to the offshore oil & gas industry in Singapore and the South East Asian region.

The audited profit after tax for the financial year ended 31 December 2011 and the net tangible asset value as at 31 December 2011 of Finessco were approximately S\$1,330,000 and S\$1,500,000 respectively.

### 3. THE PURCHASE PRICE

#### 3.1 Details of the Purchase Price

The aggregate consideration for the Proposed Acquisition is S\$6,400,000 (the “**Purchase Price**”), payable to the Vendors in their agreed proportion in the following manner:

- (a) 10% of the Purchase Price (being S\$640,000) to be paid in cash as a deposit upon signing of the Agreement which shall be refunded in full in the event the Proposed Acquisition is terminated or not completed for whatever reasons;
- (b) S\$4,020,000 to be paid in cash on Completion Date (as defined below);
- (c) 10% of the Purchase Price (being S\$640,000) to be paid in cash on Completion Date if the audited financial statements of Finessco for the financial period ended 31 December 2011 indicates that Finessco has achieved an audited net profit after tax of more than S\$1,300,000;
- (d) the balance of S\$600,000 to be satisfied by the allotment and issuance by the Company to Tan Chiun Wei (the “**Participating Vendor**”) of new ordinary shares in the capital of the Company (the “**Consideration Shares**”); and
- (e) a retention sum of S\$500,000 (the “**Retention Sum**”) to be withheld by the Purchaser for up to 30 June or 31 October 2012 in the event that the requirements in relation to the target net profit before tax in paragraph 3.2.1(a) below is met. In event that the requirements in paragraph 3.2.1(a) is not met, the Retention Sum will not be released in full but will be partially released based on the formula in Clause 3.2.1(b) as set out below.

The Purchase Price was arrived at pursuant to arm’s length negotiations between the Company and the Vendors on a willing-buyer willing-seller basis, after taking into consideration, *inter alia*, the business prospect of Finessco, its profitability and the rationale for the Proposed Acquisition (as further described in paragraph 5 below).

#### 3.2 Adjustments to the Retention Sum

3.2.1(a) The Retention Sum of S\$500,000 indicated in paragraph 3.1(e) shall be released by the Vendors’ solicitors to the Vendors on the earlier of:

- (i) Finessco having achieved a net profit before tax **of at least S\$500,000** for the financial period from 1 November 2011 to 30 June 2012 as ascertained from the unaudited management financial statements of Finessco for the relevant period. In such event, the Retention Sum will be released 30 days after 30 June 2012; or
- (ii) Finessco having achieved a net profit before tax **of at least S\$500,000** for the financial period from 1 November 2011 to 31 October 2012 as ascertained from the unaudited management financial statements of Finessco for the relevant period. In such event, the Retention Sum will be released 30 days after 31 October 2012.

3.2.1(b) In the event Finessco does not achieve a net profit before tax of at least S\$500,000 for the financial period from 1 November 2011 to 31 October 2012, the Retention Sum will not be released in full. Instead:

$$\text{The amount to be released} = \text{S\$500,000} - (\text{Shortfall} \times \frac{\text{S\$6,400,000}}{\text{S\$1,300,000}})$$

For the purpose of this paragraph 3.2.1, “**shortfall**” shall mean the target net profit before tax of S\$500,000 less the net profit before tax achieved for the financial period from 1 November 2011 to 31 October 2012.

### 3.3 Funding

It is the intention of the Company to fund the cash component of the Purchase Price using existing cash resources and/or bank borrowings. As at the date of this announcement, the Company has cash or cash equivalent of approximately S\$7,994,000 and unutilised bank facilities amounting to approximately S\$37,735,000 to fund the Purchase Price.

### 3.4 Consideration Shares

3.4.1 The issue price for each of the Consideration Shares (the “**Issue Price**”) is determined based on the volume weighted average price of the Company’s shares listed on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the five (5) trading days on which shares of the Company are traded preceding the completion of the Proposed Acquisition. The Consideration Shares at the Issue Price shall be credited as fully paid-up, within thirty (30) business days from the Completion Date. The Consideration Shares shall be deposited with the share registrar of the Company and shall be placed under moratorium for three (3) years from the Completion Date (the “**Initial Moratorium**”). Upon expiry of the Initial Moratorium, a further moratorium of not more than two (2) years may be imposed by the Company at its absolute discretion.

3.4.2 An application will be made through the Company’s sponsor, Canaccord Genuity Singapore Pte. Ltd. (the “**Sponsor**”), for the listing of and quotation for the Consideration Shares on the Official List of the Catalist Board (the “**Catalist**”) of the SGX-ST. An appropriate announcement will be made by the Company upon receipt of the in-principle approval from the SGX-ST for the listing of and quotation for the Consideration Shares on the Catalist. The Consideration Shares when allotted and issued, shall rank *pari passu* in all respects with the then existing issued Shares as at their respective date of allotment on issuance.

## 4. MATERIAL CONDITIONS OF THE AGREEMENT

4.1 The Agreement is conditional upon, *inter alia*, the following:

(a) completion of a legal, financial and tax due diligence exercise by the Company and its advisers on Finessco;

- (b) approval in-principle being granted by the SGX-ST for the listing of and quotation for the Consideration Shares on Catalist;
- (c) all approvals, consents and/or waivers as may be necessary from any third party, governmental or regulatory body or relevant competent authority having jurisdiction over the transactions contemplated under the Agreement having been obtained and being in full force and effect;
- (d) Finessco achieving an audited profit after tax of more than S\$1,300,000 for the financial year ended 31 December 2011;
- (e) the audited total shareholders' equity of Finessco for the financial year ended 31 December 2011 shall be more than S\$1,400,000;
- (f) no material adverse change in the operations or financial conditions of Finessco occurring on or before the completion of the Proposed Acquisition;
- (g) all representations, warranties and undertakings provided by the Company and the Vendors (as the case may be) under the Agreement being complied with, true, accurate and correct as at the date of the Agreement and each day up to and including the Completion Date;
- (h) the Participating Vendor entering into a new 2-year service agreement with Finessco with an option to renew for a further term on terms to be mutually agreed between the Participating Vendor and the Company; and
- (i) the Vendors entering into non-competition and non-solicitation restrictive covenants for a period of two (2) years commencing from the Completion Date or the cessation of the new service agreement to be entered into between the Participating Vendor and Finessco pursuant to paragraph 4.1(h).

As at the date of this announcement, conditions (d) and (e) have been fulfilled.

## **4.2 Completion**

The completion of the Proposed Acquisition is expected to occur on 7 May 2012 upon satisfaction of all the conditions precedent set out in the Agreement (unless waived by the relevant Party) or such other date as the Parties may mutually agree but no later than 15 May 2012, (unless otherwise agreed between the Parties) (the "**Completion Date**").

## **4.3 Effect of Non-Fulfillment of Conditions Precedent**

In the event that any of the conditions precedent set out in the Agreement is not fulfilled by the relevant party or is not waived by the other party by 31 May 2012, the Agreement shall *ipso facto* cease and determine and none of the parties shall have any claim against the other for costs, damages, compensation or otherwise, save for any claim by a party against the other arising from antecedent breaches of the terms hereof and save that the parties' obligation in relation to confidentiality under Clause 10 and the provisions under Clause 12.5 of the Agreement shall survive the termination of the Agreement.

## **5. RATIONALE FOR THE PROPOSED ACQUISITION**

The current core business of the Company and its subsidiaries (the “**Teho Group**”) is the supply of rigging and mooring equipment as well as related services to customers mainly in the marine and offshore oil & gas industries. In the financial year ended 30 June 2011, Teho Group’s sales to the marine, offshore oil & gas and others (which includes customers in construction, defence, logistics and other industries including trading) sectors accounted for approximately 75%, 5% and 20% respectively of its total group sales.

Finessco specialises in supplying, servicing and trading of mechanical products and systems mainly to the offshore oil & gas industry in Singapore and the South East Asian region.

The Proposed Acquisition is part of Teho Group’s strategy to expand its core business into complementary business segments in order to enhance its capability in the offshore oil and gas industry so as to present its customers with an enlarged value proposition. The Proposed Acquisition will also expand the client base of the Teho Group and offer opportunities for growth through cross-selling of solutions within the enlarged entity.

## **6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION**

Purely for illustrative purposes, the financial effects of the Proposed Acquisition on Teho Group, as set out below are prepared based on the audited financial statements of Teho Group for the financial year 2011 ended 30 June 2011 and the audited financial statements of Finessco for the financial year ended 31 December 2011 and assuming that:

- (i) the completion of the Proposed Acquisition took place, in respect of profit and loss statements on 1 July 2010, and in respect of balance sheets on 30 June 2011;
- (ii) the amount of goodwill arising from the Proposed Acquisition is estimated to be approximately \$4,900,000 before any business valuation being undertaken and there is no impairment for this goodwill;
- (iii) the cash component of the Purchase Price of S\$5,800,000 in aggregate will be financed using Teho Group’s internal funds and bank borrowings ; and
- (iv) all the 3,891,051 Consideration Shares are issued to the Participating Vendor at the Issue Price of S\$0.1542 per Consideration Share as determined under paragraph 3.4 above on 1 July 2010, in respect of profit and loss statements, and on 30 June 2011 in respect of balance sheets.

## 6.1 Share capital

	Before the Proposed Acquisition		After the Proposed Acquisition	
	No. of Shares ('000)	S\$ ('000)	No. of Shares ('000)	S\$ ('000)
Issued share capital as at 30 June 2011	111,800	15,481	115,691	16,081

## 6.2 Net tangible assets ("NTA")

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA as at 30 June 2011 (S\$'000)	25,408	21,107
No. of Shares as at 30 June 2011 ('000)	111,800	115,691
NTA per Share as at 30 June 2011 (cents)	22.7	18.2

## 6.3 Earnings per Share ("EPS")

	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit after tax for FY2011 (S\$'000)	2,204	3,535
No. of Shares as at 30 June 2011 ('000)	111,800	115,691
EPS for FY2011 (cents)	1.97	3.06

## 6.4 Gearing

	Before the Proposed Acquisition	After the Proposed Acquisition
Net borrowings as at 30 June 2011 (S\$'000)	4,068	8,057
Shareholders' equity as at 30 June 2011 (S\$'000)	25,408	21,107
Net gearing as at 30 June 2011 (times)	0.16	0.38

## 7. CHAPTER 10 OF THE CATALIST RULES

The relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 (a) to (e) of the SGX-ST Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”) are as follows:

<b>Rule 1006</b>	<b>Basis</b>	<b>Proposed Acquisition</b>
Rule 1006(a)	The net asset value of the assets to be disposed of, compared with Teho Group’s net asset value	Not Applicable
Rule 1006(b)	The aggregate net profits attributable to Finessco compared with the net profits of the Teho Group (Note 1)	59.93%
Rule 1006(c)	The aggregate value of the consideration for the Proposed Acquisition, compared with the market capitalisation of the Teho Group (Note 2)	36.93%
Rule 1006(d)	The number of Consideration Shares to be issued by the Company, compared with the number of Shares previously issued (Note 3)	3.48%
Rules 1006(e)	The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Teho Group’s proven and probable reserves	Not Applicable

### Notes:

(1) Computed based on the audited net profit before tax of Finessco of approximately S\$1,568,000 for the financial year ended 31 December 2011 and the consolidated audited net profit before tax of Teho Group of approximately S\$2,616,000 for FY2011.

(2) The market capitalisation of the Company of approximately S\$17,329,000 is determined by multiplying the 111,800,000 Shares in issue as at the date of this announcement by the volume weighted average price of the Shares of approximately S\$0.1550 on 2 March 2012 (being the last market day where there were trades of the Company’s shares preceding the date of signing of the Agreement).

(3) It is assumed that a total of 3,891,051 Consideration Shares would be issued to the Participating Vendor at the Issue Price of \$0.1542 per Consideration Share as set out under Paragraph 3.1 of this announcement.

As shown in the table above, as the relative figures computed on the basis set out in Rule 1006(a) to (e) of the Catalist Rules exceeds 5% but is less than 75%, the Proposed Acquisition would constitute a discloseable transaction under Chapter 10 Rule 1010 of the Catalist Rules. Accordingly, the approval of Shareholders for the Proposed Acquisition will not be required.

## 8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the date of this announcement, none of the directors of the Company (the “**Directors**”) has any interest, direct or indirect, in the Proposed Acquisition (other than by reason only of being a Director). In addition, as far as the Directors are aware, none of the Company’s Controlling Shareholders (as defined in the Catalist Rules) has any interest, direct or indirect, in the Proposed Acquisition (other than by reason of their shareholding interest in the Company).

## **9. DOCUMENTS FOR INSPECTION**

A copy of the Agreement is available for inspection at the Company's registered office at 1 Commonwealth Lane, #09-23 One Commonwealth, Singapore 149544, for a period of three (3) months from the date of this announcement.

## **10. TRADING CAUTION**

Shareholders are advised to exercise caution in trading their shares as there is no certainty or assurance as at the date of this announcement that the Proposed Acquisition will be completed. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

### **BY ORDER OF THE BOARD**

Lim See Hoe  
Executive Chairman and CEO  
3 May 2012

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Canaccord Genuity Singapore Pte. Ltd. (formerly known as Collins Stewart Pte Limited) for compliance with the relevant rules of the SGX-ST. Canaccord Genuity Singapore Pte. Ltd. has not independently verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.*

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