

THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF SEANLY TECHNICAL SINGAPORE PTE LTD (“SEANLY”)

1. THE PROPOSED ACQUISITION OF SEANLY

The board of directors (the “**Board**”) of Teho International Inc Ltd. (the “**Company**”) is pleased to announce that the Company has on 13 April 2013 entered into a sale and purchase agreement (the “**Agreement**”) with Alvin Chee Siong (the “**Vendor**”) in relation to the proposed acquisition of the entire issued and paid-up capital of Seanly (the “**Proposed Acquisition**”). The Vendor and Seanly are not related to any of the controlling shareholders, directors, chief executive officer of the Company or their associates.

2. INFORMATION ON SEANLY

Seanly is a company incorporated in Singapore on 2 May 2008 with an issued and paid-up share capital of \$50,000 comprising 50,000 ordinary shares as at the date of this announcement.

Seanly specialises in the trading of reverse osmosis desalination products and other water related equipment for use in ships and other marine vessels.

The unaudited profit after tax of Seanly for the financial year ended 31 December 2012 was \$711,656 and the unaudited net asset value and net tangible asset value of Seanly as at 31 December 2012 were \$662,368.

Seanly owns a 49% shareholding in STS Seanly Marine Sdn Bhd (“**STS**”), a company incorporated in Malaysia on 1 January 2011 with an issued and paid-up share capital of RM50,000 comprising 50,000 ordinary shares as at the date of this announcement.

STS specialises in providing marine and engineering services and is also engaged in the trading of related marine and engineering hardware and accessories.

3. THE PURCHASE PRICE

3.1 Details of the Purchase Price

The aggregate consideration for the Proposed Acquisition is S\$2,500,000 (the “**Purchase Price**”), payable by the Purchaser to the Vendor in the following manner:

- (a) \$1,250,000 to be paid in cash on the Completion Date as defined below in paragraph 4.2 below;
- (b) \$500,000 to be satisfied by the allotment and issuance by the Company to the Vendor of 2,500,000 new ordinary shares in the capital of the Company at the issue price of S\$0.20 per share (the “**Consideration Shares**”) within 30 business days from the Completion Date, subject to the moratorium provided in paragraph 3.4.1 below; and
- (c) a sum of S\$750,000 (the “**Retention Sum**”) to be withheld by the Company on completion of the Proposed Acquisition, and to be released to the Vendor according to the terms described in paragraph 3.2 below.

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

3.2 The Retention Sum

The Retention Sum will be applied in the following manner:

3.2.1 The Retention Sum may be utilised by the Company to offset against the following items (if any):

- (i) any account receivables of Seanly being sums due or accruing due to it which are not collectible or are outstanding for six (6) months or more as at the Completion Date;
- (ii) any shortfall from the net tangible assets of Seanly from the sum of S\$750,000 as at the Completion Date;
- (iii) any shortfall from the cash or cash equivalent from the sum of S\$75,000 as at the Completion Date; and
- (iv) any loss suffered by the Company due to or as a result of the breach of the representations, warranties and undertakings on the part of the Vendor under the Agreement or indemnity provided in the Agreement.

3.2.2 The Retention Sum less any amounts applied by the Company according to paragraph 3.2.1 above (the "**Net Retention Sum**") shall be paid in cash to the Vendor in the following manner:

- (i) an amount equal to 35% of the net profit after tax of Seanly, excluding non-recurring or extraordinary items of revenue or gain (the "**NPAT**"), achieved for the financial period from 1 January 2013 to 30 June 2014 as ascertained from the audited accounts of Seanly for the relevant period, at the end of 30 days after the issue of the audited accounts for the relevant period; and
- (ii) an amount equal to 25% of the NPAT achieved for the financial year ending 30 June 2015 as ascertained from the audited accounts of Seanly, at the end of 30 days after the issue of the audited accounts for the financial year

Provided that (a) the total amounts to be paid under this paragraph during the relevant financial periods shall not exceed the Net Retention Sum and shall cease to be operative once the Net Retention Sum in aggregate is reached and (b) in the event the actual amount paid out to the Vendor after the issuance of the audited accounts of Seanly for the relevant periods in accordance with paragraph 3.2.2(i) and (ii) is less than the Net Retention Sum, the differences of such amounts shall be forfeited by the Company absolutely and the Vendor agrees that he shall have no claims or rights whatsoever against the Company for the balance amount of the Net Retention Sum which has not been paid to him.

3.2.3 For the avoidance of doubt, the sum referred to in paragraph 3.2.2 (i) and (ii) above shall only be paid provided the Vendor is employed by Seanly for the respective entire financial period or year stated in the said paragraph. The Purchase Price shall be automatically reduced by such amount of the Net Retention Sum which are not paid to the Vendor in the event the Vendor ceases to be employed by Seanly due to termination of the Service Agreement (as defined in paragraph 4.1(f) below) or termination for any reason whatsoever. In such event, the Vendor shall have no claims or rights whatsoever against the Company for the balance amount of the Net Retention Sum which has not been paid to him.

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 9 April 2013, the Company and its subsidiaries (the “**Teho Group**”) has cash or cash equivalent of approximately \$3,680,000 and unutilised and uncommitted bank facilities amounting to \$38,500,000 to fund the Purchase Price if necessary.

3.4 Consideration Shares

- 3.4.1 The Consideration Shares shall be credited as fully paid-up within 30 business days from the Completion Date and shall be deposited with the share registrar of the Company and shall be placed under moratorium for 3 years from the Completion Date (“**Initial Moratorium**”). Upon expiry of the Initial Moratorium, a further moratorium of no more than 2 years may be imposed by the Company at its absolute discretion.
- 3.4.2 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 and issuance.
- 3.4.3 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 Catalist Board (the “**Catalist**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). An appropriate announcement will be made by the Company upon receipt of the listing and quotation notice from the SGX-ST for the listing of and quotation for the Consideration Shares on Catalist.

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 Seanly and its subsidiaries and/or associated companies;
 - (b) the listing and quotation notice being issued 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) no material adverse change in the operations, assets, business, or financial condition of Seanly and no material claims has been made against Seanly (whether due to breach of warranties or other terms of contract or otherwise) on or before the Completion Date;
 - (e) all representations, warranties and undertakings provided by the Company and the Vendor (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;
 - (f) a service agreement to be entered into between the Vendor and Seanly for a period of 3 years from the Completion Date, with an option to renew for a further term on terms to be mutually agreed between parties, and shall contain a non-competition and non-solicitation restrictive covenant for a period of 2 years commencing from the cessation of the service agreement to be entered into between the Vendor and Seanly (the “**Service Agreement**”);

- (g) a deed of assignment duly executed by the Vendor in favour of Seanly assigning and transferring the intellectual property which are owned by the Vendor and used by Seanly in connection with the business of Seanly, and other satisfactory documentary evidence confirming that all rights, title and interest in intellectual property rights that are or have been used by and/or created for Seanly that are necessary or desirable for the conduct of the business of Seanly (apart from those rights that have been licensed to Seanly by third parties of which Vendor has specifically disclosed to the Purchaser) have been fully vested in Seanly legally and beneficially free of all encumbrances; and
- (h) Seanly showing that there is at least bank balances of at least S\$75,000 on the Completion Date.

4.2 Completion

The completion of the Proposed Acquisition is expected to occur on or before 30 April 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 (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 30 April 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 thereunder shall survive the termination of the Agreement.

5. RATIONALE FOR THE PROPOSED ACQUISITION

The current core business of 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 and gas industries. In the financial year ended 30 June 2012, the Teho Group's sales to the (i) marine, (ii) offshore oil and gas and (iii) others (which includes customers in construction, defence, logistics and other industries including trading) sectors accounted for approximately 74.7%, 7.2% and 18.1% respectively of its total group sales.

Seanly specialises in the trading of reverse osmosis desalination products and other water related equipment for use in ships and other marine vessels.

The Proposed Acquisition is part of the Teho Group's strategy to complement and enhance its capability in the offshore oil and gas industry segment 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 offers opportunities for growth through cross-selling of solutions within the enlarged entity.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

Solely for illustrative purposes, the financial effects of the Proposed Acquisition on the Teho Group, as set out below are prepared based on the audited financial statements of Teho Group for the financial year ended 30 June 2012 and the **unaudited financial statements of Seanly for the financial year ended 31 December 2012** and assuming that:

- (i) the completion of the Proposed Acquisition took place, in respect of profit and loss statements of the Teho Group on 1 July 2011, and in respect of balance sheets of the Group on 30 June 2012;

- (ii) the goodwill arising from the Proposed Acquisition is estimated to be approximately S\$1,838,000 before any business valuation being undertaken and there is no impairment of goodwill;
- (iii) the aggregate cash component of the Purchase Price amounts to S\$2,000,000, and will be financed using the Teho Group's internal funds and bank borrowings; and
- (iv) the property owned by Seanly at 1 Bukit Batok Crescent #03-20 WCEGA Plaza Singapore 658064 in May 2012 is at its net book value of approximately S\$751,000 as at 31 December 2012.

6.1 Share capital

	Before the Proposed Acquisition		After the Proposed Acquisition	
	No. of Shares ('000)	\$ ('000)	No. of Shares ('000)	\$ ('000)
Issued share capital as at the date of this announcement	115,691	16,081	118,191	16,581

6.2 Net tangible assets ("NTA")

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA as at 30 June 2012 (\$'000)	22,694	21,356
No. of Shares as at 30 June 2012 ('000)	115,691	118,191
NTA per Share as at 30 June 2012 (cents)	19.6	18.1

6.3 Earnings per Share ("EPS")

	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit after tax for FY2012 (\$'000)	2,239	2,951
Weighted average no. of Shares for FY2012 ('000)	112,449	114,949
EPS for FY2012 (cents)	1.99	2.57

6.4 Gearing

	Before the Proposed Acquisition	After the Proposed Acquisition
Net borrowings as at 30 June 2012 (\$'000)	6,903	9,418
NTA as at 30 June 2012 (\$'000)	22,694	21,356
Net gearing as at 30 June 2012 (times)	0.30	0.44

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 (the “**Catalist Rules**”) are as follows:

Rule 1006	Basis	Proposed Acquisition
Rule 1006(a)	The net asset value of the assets to be disposed of, compared with Teho Group’s net asset value	Not applicable to an acquisition
Rule 1006(b)	The aggregate net profits attributable to Seanyl compared with the Group’s net profits (Note 1)	26.5%
Rule 1006(c)	The aggregate value of the consideration for the Proposed Acquisition, compared with the market capitalisation of the Company (Note 2)	12.7%
Rule 1006(d)	The number of Consideration Shares to be issued by the Company, compared with the number of shares previously in issue (Note 3)	2.2%
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 unaudited net profit before tax of Seanyl of S\$771,656 for the financial year ended 31 December 2012 and the audited net profit before tax of the Teho Group of S\$2,909,562 for the financial year ended 30 June 2012.
- (2) Pursuant to Rule 1003(3) of the Catalist Rules, the value of the consideration with respect to the Consideration Shares, shall be determined by reference to the market value of the Company’s shares (the “**Shares**”) or the net asset value of the Shares, whichever is higher. In this regard and solely for the purpose of the computation for Rule 1006(c) of the Catalist Rules, the deemed aggregate consideration for the Proposed Acquisition is S\$2,610,000. This has been computed based on the net asset value of S\$0.244 per Share multiplied by 2,500,000 Consideration Shares, and the maximum total cash consideration is S\$2,000,000.

The market capitalisation of the Teho Group of S\$20,593,007 is determined by multiplying 115,691,051 Shares in issue as at the date of this announcement by the volume weighted average price of the Shares of approximately S\$0.1780 on 8 April 2013 (being the last market day where there were trades of the Shares preceding the date of the signing of the Agreement).

- (3) Computed based on 2,500,000 Consideration Shares to be issued and 115,691,051 Shares in issue as at the date 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 Rule 1010 of the Catalist Rules where the approval of Shareholders for the Proposed Acquisition will not be required.

8. DIRECTOR’S SERVICE CONTRACTS

There are no directors who are proposed to be appointed to the Board of the Company in connection with the Proposed Acquisition.

9. 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 Catalyst Rules) has any interest, direct or indirect, in the Proposed Acquisition (other than by reason of their shareholding interest in the Company).

10. 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 3 months from the date of this announcement.

11. 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
13 April 2013

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Canaccord Genuity Singapore Pte. Ltd for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (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.

The contact person for the Sponsor is Mr Alex Tan, Managing Director, Corporate Finance, Canaccord Genuity Singapore Pte. Ltd at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854 6160.