

(A) PROPOSED DIVERSIFICATION OF CORE BUSINESS OF THE GROUP TO INCLUDE PROPERTY INVESTMENT AND DEVELOPMENT

(B) PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF TIEC HOLDINGS PTE. LTD.

(A) PROPOSED DIVERSIFICATION OF CORE BUSINESS OF THE GROUP TO INCLUDE PROPERTY INVESTMENT AND DEVELOPMENT (“PROPOSED DIVERSIFICATION”)

1. INTRODUCTION

Further to the announcement dated 13 October 2013, the board of directors (the “**Board**”) of Teho International Inc Ltd. (the “**Company**”) wishes to announce that the Company is proposing to diversify its business (“**Proposed Diversification**”) to include property investment and development (“**Proposed New Business**”).

2. THE PROPOSED NEW BUSINESS

For the Proposed New Business, the Board proposes to carry on the following activities, as and when an appropriate opportunity arises:

- (i) to undertake property development activities including acquisition, development and/or sales of residential, hospitality, commercial (retail and office), industrial and any other suitable types of properties including mixed development properties (“**Property Related Assets**”);
- (ii) to acquire and hold investments in Property Related Assets including development of Property Related Assets and holding the same for long term investment for the collection of rent, capital growth potential and/or provision of property related services and facilities; and
- (iii) to trade in properties including buying and selling of Property Related Assets with reasonable yield and/or capital growth potential.

The Group does not plan to restrict the Proposed New Business to any specific geographical markets as each project and investment would be evaluated and assessed by the Board on its own merits. Nevertheless, in the initial stage of the Proposed New Business, the Group will focus on the markets in the United Kingdom, Australia, Asia and specifically in Singapore, Malaysia, Thailand and Japan. The Group may also explore joint ventures and/or strategic alliances to carry out the Proposed New Business as and when the opportunity arises.

3. RATIONALE FOR THE PROPOSED NEW BUSINESS

The Group notes that the property market is cyclical in nature but over a longer term, it can still be a sustainable value proposition due to the rising income levels, and the trend of rapid urbanisation being one of the key engines driving the world’s economic growth.

In view of the positive outlook for the growth of the property market, the Group believes that the Proposed New Business will provide the following benefits to the Group:

- (i) the Proposed New Business would reduce the Group's reliance on its existing business, which remains competitive and challenging;
- (ii) the Proposed New Business would provide the Group with diversified returns and would contribute an additional stream of revenue and earnings for the Group; and
- (iii) the Proposed New Business would allow the Group to participate in the growth prospects of the property development.

In order to better position the Company to achieve long-term sustainable growth across diverse economic conditions, the Company is seeking to explore opportunities in other areas of businesses with good prospects for growth in the long run, and to adopt a diversification approach in its long-term growth strategy, with the priority of sustaining and enhancing Shareholders' value and returns.

(B) PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF TIEC HOLDINGS PTE. LTD. ("PROPOSED ACQUISITION")

1. INFORMATION ON TIEC HOLDINGS PTE. LTD. ("TIEC")

In order to gain a foothold in the Proposed New Business, the Board after careful consideration, would like to propose for the Company to undertake the Proposed Acquisition, and is of the view that the Proposed Acquisition is in line with the Group's strategic plans and on-going efforts to pursue suitable new investment opportunities. The Proposed Acquisition will give the Group further exposure to the property sector, and will provide an additional source of revenue for the Group and is thus in the best interest of the Group.

In this regard, the Company has on 20 March 2014 entered into a conditional sale and purchase agreement (the "**Agreement**") with Mr Cheng Lye Meng Eric (Zheng Laiming Eric) and Ms Thanuja d/o Thiagarajah (collectively the "**Vendors**" and individually a "**Vendor**") in relation to the Proposed Acquisition to acquire 1,000,000 ordinary shares being the entire issued and paid-up share capital of TIEC ("**Sale Shares**") from the Vendors.

In relation to the Proposed New Business, the Company intends to undertake the Proposed Acquisition of TIEC, which is a company incorporated in Singapore on 26 April 2010 with an issued and paid-up share capital of S\$1,000,000 comprising 1,000,000 ordinary shares as at the date of this announcement. The Vendors are the registered shareholders of the entire issued and paid-up share capital of TIEC and are not related to the Company, its controlling shareholders or its directors.

TIEC is in the business of a real estate developer specialising in residential properties and is currently developing the projects at (i) Elite Residence at 52 Elite Terrace Singapore comprising 8 units of 3-storey strata landed terrace with basement and attic, (ii) Urban Heritage at 238-242 Balestier Road Singapore comprising 3 retail units, 3 office units and 15 (1-2 bedroom) residential units, (iii) 7 Berwick Drive Singapore comprising a pair of semi-detached units; and (iv) 61 Conway Grove Singapore comprising one semi-detached unit (collectively the "**Projects**"). As of the date of this announcement, TIEC has no subsidiaries which are being acquired by the Company as a result of the Proposed Acquisition.

Based on the latest available valuation reports dated 7 January 2014 ("**Valuation Reports**") prepared by an independent real estate valuer and commissioned by the Company for the unsold units and the contracted selling prices of the sold units of the Projects for the purposes of the Proposed Acquisition, the total value is approximately S\$60.8 million. The market comparison method was adopted in formulating the valuation and took into cognizance transactions of comparable properties, prevailing market conditions and underlying economic factors which may be of influence to the trend of market prices.

The audited profit after tax for the financial year ended 31 March 2013 and the net tangible asset value as at 31 March 2013 of TIEC were approximately S\$0.5 million and S\$1.6 million respectively.

2. THE PURCHASE PRICE

2.1 Details of the Purchase Price

The aggregate consideration for the Proposed Acquisition is S\$12,278,844 (the “**Purchase Price**”), payable by the Company to the Vendors in the following manner:

- (i) S\$7,278,844 to be paid in cash on the Completion Date as defined below in paragraph 3.2 below; and
- (ii) the remaining Purchase Price shall be paid to the Vendors by the Company by way of the issuance of S\$5 million in value of new ordinary shares of the Company (“**Consideration Shares**”), on Completion Date at:
 - (a) the issue price of S\$0.20 per Consideration Share, or
 - (b) at an issue price per Consideration Share equivalent to 10% discount to the weighted average price per ordinary share of the Company for trades done on the SGX-ST for the full market day immediately preceding the date of the Agreement,

(whichever is higher) subject to the moratorium provided in paragraph 2.3.1 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 net tangible asset, the discounted net realisable value of the Projects, the business prospect of TIEC, and the rationale for the Proposed Acquisition as disclosed in paragraph 3 above.

Following the completion of the Proposed Acquisition, the Company being the sole shareholder of TIEC, will have to assume liability as guarantor (in place of the personal guarantees given by the Vendors) for the existing loan facilities of approximately S\$36.1 million granted by financial institutions to TIEC to finance its purchase and development of the Projects, further details of which are set out in paragraph 3.6 below.

In addition, TIEC and the Vendors have agreed that the outstanding loan of approximately S\$4.5 million extended by the Vendors to TIEC will bear no interest and the loan has no fixed repayment period and shall only be repayable subject to the availability of cash and the working capital liquidity of TIEC, further details of which are set out in paragraph 3.5 below.

2.2 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.

2.3 Consideration Shares

2.3.1 The Consideration Shares shall be deposited with the share registrar of the Company and shall be placed under moratorium for six (6) months from the date of issuance of the Consideration Shares (“**Initial Moratorium**”). Upon expiry of the Initial Moratorium, a further moratorium of another six (6) months shall be imposed on 50% of the Consideration Shares.

2.3.2 An application will be made through the Company’s sponsor, SAC Capital Private Limited (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 listing and quotation notice 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.

3. MATERIAL CONDITIONS OF THE AGREEMENT

3.1 The Agreement is conditional upon, *inter alia*, the following being fulfilled before or on Completion (as defined below):

- (a) completion of a legal, financial and tax due diligence exercise by the Company and its advisers on TIEC and its subsidiaries and/or associated companies;
- (b) 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 TIEC and no material claims has been made against TIEC (whether due to breach of warranties or other terms of contract or otherwise) on or before the Completion Date;
- (e) all consents, approvals and authorisations of the SLA Land Dealings (Approval) Unit having jurisdiction over the conversion of TIEC into a converted foreign company and to be authorised to retain its residential property under Section 26 of the Residential Property Act (Cap. 274 of Singapore) (“**RPA**”) and the URA in relation to the provisional permission/grant of written permission issued by the URA in respect of any Project and property which is to be retained for development by the Company; (collectively the “**Conversion Conditions**”), and being in full force and effect and not having been withdrawn, suspended, amended or revoked, and if subject to conditions, on such conditions acceptable to the Company and provided that (I) there are no additional costs to be incurred by TIEC or the Company (save for banker’s guarantees to be provided to the relevant authorities pursuant to the Conversion Conditions); and (II) such Conversion Conditions are not adverse or any less favourable than the current conditions imposed on TIEC pursuant to the RPA (save that as a converted foreign company, TIEC would be required to sell all units in a residential development within two (2) years from the time the residential development receives its temporary occupation permit), and such consents, approvals and authorisation remaining in full force and effect and not being revoked prior to the Completion Date;
- (f) the Company receiving approval from its shareholders at an extraordinary general meeting to be convened for *inter alia*: the proposed diversification of the Company’s business, the purchase of the Sale Shares by the Company from the Vendors; and the issuance of the Consideration Shares (if required);
- (g) no material contract, lease, licence or other similar commercial arrangement would be terminated or adversely affected arising from the sale of the Sale Shares and change in ownership and/or control of the Company;
- (h) a satisfactory review by the Company of all service agreements that had been entered into by the Company with directors and key management staff of TIEC;

- (i) duly executed service agreement to be entered into between TIEC and Mr Cheng Lye Meng Eric (Zheng Laiming Eric) and a service fee agreement to be entered into between TIEC and ECG Holdings Pte. Ltd. in relation to the provision of services to TIEC by ECG Holdings Pte. Ltd. which will include amongst others the preparation of feasibility studies, advise on design and layout to maximise gross development value, guidance in relation to legal and regulatory issues and general project timelines relating to real estate developers, introduction of financiers and financial institutions to TIEC for the purchase of land; and advising TIEC on the choice of professionals for real estate development; and
- (j) duly executed indemnity by each of the Vendors in favour of the Company to fully indemnify the Company and TIEC for any excess in construction costs (which will include tendered construction costs, variation costs, financing costs and development costs) for the uncompleted Projects.

3.2 Completion

The completion of the Proposed Acquisition ("**Completion**") is expected to occur 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**").

3.3 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 three (3) months from the date of the Agreement, 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 shall survive the termination of the Agreement.

3.4 Non-compete

The Vendors have furnished a non-compete undertaking to the Company that in respect of the following prohibited periods for each of Mr Cheng Lye Meng Eric (Zheng Laiming Eric) and Ms Thanuja d/o Thiagarajah ("**Prohibited Period**"):

- (i) two (2) years commencing on the day immediately following the Completion Date or cessation of the service agreement between Mr Cheng Lye Meng Eric (Zheng Laiming Eric) and TIEC, whichever is the later, for Mr Cheng Lye Meng Eric (Zheng Laiming Eric); and
- (ii) two (2) years commencing on the day immediately following the Completion Date for Ms Thanuja d/o Thiagarajah,

as only Mr Cheng Lye Meng Eric (Zheng Laiming Eric) will be entering into a service agreement with TIEC. During the Prohibited Period, neither of them shall amongst others:

- (i) be employed or engaged in each of Singapore and any other territory which the Company has carried out the business, be employed or engaged in any business which is of the same or similar type to the business of a real estate developer specialising in residential properties at the commencement of the Prohibited Period ("**Prohibited Territories**");
- (ii) carry out for its own account any business which is similar to the business of a real estate developer specialising in residential properties or is likely to compete with the business of a real estate developer specialising in residential properties; and
- (iii) assist with technical advice in any other way engaged in each of the Prohibited Territories.

The Company has been informed by Mr Cheng Lye Meng Eric (Zheng Laiming Eric) of the development plans by Mr Cheng Lye Meng Eric (Zheng Laiming Eric) for each of the land plots at (i) 59 Ceylon Road, (ii) 31A Woo Mun Chew Road and (iii) 32 Jalan Novena Barat ("**New Developments**") currently owned, directly or indirectly by Mr Cheng Lye Meng Eric (Zheng Laiming Eric). Mr Cheng Lye Meng Eric (Zheng Laiming Eric) has undertaken to completely divest his interests (held directly or indirectly) in each of these New Developments within three (3) years from the Completion Date.

3.5 Directors Loan

As at the date of this announcement, the Vendors who are also the directors of TIEC ("**TIEC Directors**") had extended a loan of which S\$4,519,385 remains outstanding to TIEC ("**Directors' Loan**"). On or before Completion Date, TIEC shall enter into a loan repayment agreement with the TIEC Directors to agree that the Directors' Loan shall be interest free with no fixed repayment period subject to the availability of cash and the working capital liquidity of TIEC.

3.6 Corporate Guarantees

As at the date of this announcement, TIEC has entered into facility arrangements with each of Hong Leong Finance Limited and Sing Investments and Finance Limited ("**Financial Institutions**") to finance the purchase, construction and development of the Projects. The loan facilities from Hong Leong Finance Limited of an aggregate of S\$21,148,000 and the loan facilities from Sing Investments and Finance Limited of an aggregate of S\$14,920,000 have been guaranteed by personal guarantees extended by the Vendors who are the sole shareholders of TIEC ("**Personal Guarantees**"). Subsequent to Completion, the Company may be required by the Financial Institutions to extend corporate guarantees in place of the Personal Guarantees.

4. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

Purely for illustrative purposes, the financial effects of the Proposed Acquisition on the Company and its subsidiaries (the "**Teho Group**"), as set out below are prepared based on the audited financial statements of the Teho Group for the financial year ended 30 June 2013 and the audited financial statements of TIEC for the financial year ended 31 March 2013.

4.1 Net tangible assets ("**NTA**") per Share

Assuming that the Proposed Acquisition had been completed on 30 June 2013, the financial effects of the Proposed Acquisition on the NTA per share of the Group as at 30 June 2013 would have been as follows:

	Before the Proposed Acquisition ⁽¹⁾	After completion of the Proposed Acquisition ⁽²⁾
NTA as at 30 June 2013 (S\$'000)	27,131	23,141
No. of Shares as at 30 June 2013 ('000)	165,467	190,467
NTA per Share as at 30 June 2013 (S\$ cents)	16.4	12.1

Note (1):

Adjusted for the net proceeds of approximately S\$4,004,878 to be raised from the Renounceable Non-Underwritten Rights Issue of 47,276,420 new ordinary shares (the "**Rights Shares**") in the capital of the Company at an issue price of \$0.09 for each Rights Share (the "**Issue Price**"), on the basis of two (2) Rights Shares for every five (5) ordinary Shares in the capital of the Company held by entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded (the "**Rights Issue**") (as defined in the Offer Information Statement dated 28 February 2014).

Note (2):

- (a) The difference between the Purchase paid by the Company and the NTA of TIEC is wholly goodwill, and
- (b) The Consideration Shares are issued at the issue price of S\$0.20 per Consideration Share and accordingly, 25,000,000 ordinary shares of the Company are issued.

4.2 Earnings per Share ("EPS")

Assuming that the Proposed Acquisition had been completed on 1 July 2012, the financial effects of the Proposed Acquisition on the EPS of the Group for the financial year ended 30 June 2013 ("FY2013") would have been as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit after tax for FY2013 (\$'000)	2,374	2,898
No. of Shares as at 30 June 2013 ('000)(Note 1) (Based on the weighted average number of Shares)	165,467	190,467
EPS for FY2013 (S\$ cents)	1.43	1.52

Note (1):

- (a) Adjusted for the issuance of the Rights Shares, and
- (b) The difference between the Purchase Price paid by the Company and the NTA of TIEC is wholly goodwill, and assuming that the Consideration Shares are issued at the issue price of S\$0.20 per Consideration Share and accordingly, 25,000,000 ordinary shares of the Company are issued.

5. 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:

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
Rule 1006(b)	The aggregate net profits attributable to TIEC ⁽¹⁾ compared with Teho Group’s net profits ⁽²⁾	22.10%
Rule 1006(c) ⁽⁵⁾	The aggregate value of the consideration given for the Proposed Acquisition ⁽⁴⁾ , compared with the market capitalisation of the Company ⁽³⁾	69.26%
Rule 1006(d) ⁽⁵⁾	The number of Consideration Shares to be issued by the Company, compared with the number of shares previously in issue	21.15%
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) The audited net profit before tax, minority interest and extraordinary items attributable to TIEC for the financial year ended 31 March 2013 is approximately S\$0.6 million.
- (2) The audited net profit before tax, minority interest and extraordinary items attributable to the Group for the financial year ended 30 June 2013 is approximately S\$2.7 million.
- (3) The market capitalisation of the Company as at 19 March 2014 (being the last market day preceding the date of the Agreement during which trades were conducted) is S\$17,728,658, and if were adjusted for the Rights Shares, the market capitalisation of the Company would have been S\$24,820,121.
- (4) On the basis that the aggregate value of the consideration for the Proposed Acquisition is equivalent to the Purchase Price being S\$12,278,844. This excludes the working capital loan of S\$4,519,385 extended by the Vendors to TIEC, further details of which are set out in paragraph 3.5 above, and the assumption of financial liabilities with each of Hong Leong Finance Limited and Sing Investments and Finance Limited, further details of which are set out in paragraph 3.6 above.
- (5) No adjustments were made for the issuance of the Rights Shares. If the Rights Shares were included, the percentages under Rule 1006(c) and Rule 1006(d) would have been 49.47% and 15.11% respectively.

As shown in the table above, the relative figures computed on the bases set out in Rule 1006(b) to (d) 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. However, as the Proposed Acquisition is undertaken on condition that the Proposed Diversification is approved by Shareholders, the approval of Shareholders for the Proposed Acquisition will be sought by the Company as well.

As of the date of this announcement, no individuals will be appointed to the Company connection with the Proposed Acquisition.

6. 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 TIEC and/or 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).

7. DOCUMENTS FOR INSPECTION

A copy of the Valuation Reports and the Agreement are 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.

(C) GENERAL

1. 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 Diversification or 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.

2. EXTRAORDINARY GENERAL MEETING (THE “EGM”)

The Proposed New Business will involve a new business area which is substantially different from the Group’s existing core business, namely, the supply of rigging equipment (comprising steel wire rope, synthetic fibre sling and chain) and mooring equipment (as well as related services to customers mainly in the marine and offshore oil and gas industries) and related services which comprise mainly load testing, installation and certification of rigging equipment for further use. The Proposed New Business may in future form part of the core business of the Group, and it is envisaged that the Proposed New Business will change the existing risk profile of the Group.

Accordingly, an EGM will be convened by the Company to seek the shareholders’ approval to approve such expansion together with the Proposed Acquisition, notice of which will be announced in due course. Shareholders’ approval of the Proposed Diversification will allow the Group, in its ordinary course of business, to enter into major transactions relating to the Proposed New Business and which will not compromise the risk profile of the Group, in an efficient and timely manner without the need to convene separate general meetings from time to time to seek shareholders’ approval as and when potential major transactions relating to the Proposed New Business arise.

The EGM will allow the shareholders the opportunity to communicate their views on the Proposed New Business and the Proposed Acquisition, and consider, if thought fit, to approve the Proposed New Business and the Proposed Acquisition. A circular in relation to the details of the Proposed New Business and the Proposed Acquisition, together with a notice of the EGM to be convened, will be dispatched to the shareholders in due course.

Further announcements in relation to the Proposed New Business and the Proposed Acquisition will be made as and when appropriate.

BY ORDER OF THE BOARD

Lim See Hoe
Executive Chairman and CEO
20 March 2014

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited, for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Company's Sponsor 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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