



TEHO INTERNATIONAL INC LTD.
(Incorporated in the Republic of Singapore on 10 June 2008)
(Company Registration Number: 200811433K)

RESPONSES TO QUERIES RECEIVED FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON ANNUAL REPORT 2024

The Board of Directors (“**Board**”) of TEHO International Inc Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce the following responses to the queries received from the Securities Investors Association (Singapore) (“**SIAS**”) on 21 October 2024 in relation to the Company’s Annual General Meeting (“**AGM**”). The Company has not received any questions from shareholders as at the deadline for submission of questions in advance of the AGM.

Unless otherwise defined, all capitalised terms used herein shall bear the same meanings as ascribed to them in the Annual Report.

1. SIAS’s Query:

Would the board/management provide shareholders greater clarity on the following operational and financial matters? Specifically:

- (i) **Revenue:** For the financial year ended 30 June 2024, revenue from the marine & segment decreased from \$63.7 million to \$59.3 million. Over the past decade, revenue in this segment has been relatively flat, except for a strong performance in FY2023.

	Revenue from marine & offshore segment
FY2015	\$55.6 million
FY2016	\$52.3 million
FY2017	\$48.0 million
FY2018	\$47.4 million
FY2019	\$53.6 million
FY2020	\$58.3 million
FY2021	\$54.2 million
FY2022	\$55.8 million
FY2023	\$63.7 million
FY2024	\$59.3 million

(Compiled from company annual reports)

What drove the stronger performance in FY2023, and can management elaborate on the group’s growth achievements in the marine mooring and rigging business over the past decade? Has the group been able to scale its business significantly? Are there any upcoming opportunities or strategic initiatives that could help drive (and sustain) annual revenue in this segment to \$80-100 million?

- (ii) **Korea:** On 2 October 2024, the company announced the proposed acquisition of factory in Busan which the group intends to use as a warehouse facility. **Can management provide**

additional insights into the group's operations in Korea? Does this acquisition indicate that management is laying the groundwork for significant near-term growth?

- (iii) Property consultancy business (TEHO Property Consultants Pte Ltd): Can management clarify the value proposition of the property consultancy business? In a highly competitive market with larger, more established global players, how does the consultancy arm itself and compete effectively?**
- (iv) Gearing:** If the proposed acquisition in Korea is completed, the group's gearing ratio will increase to 0.90 times. Historically, the group's net debt-to-equity ratio has been as high as 2.64 times in recent years (FY2020). **Has the board set any specific limits for the group's gearing, and what are the guiding principles behind those limits?**
- (v) Working capital management:** The group holds significant cash and cash equivalents (\$6.6 million) which generated only \$419 in interest income, while total loans and borrowings of \$24.8 million incurred interest expenses of \$1.27 million. **What guidance has the board given to management to improve cash and working capital management, and how does it plan to minimise financing costs more effectively?**

Company's Response:

- (i) The stronger performance in FY2023 was driven by increased demand for marine mooring and rigging solutions, with revenue rising by \$7.2 million compared to FY2022, due to high-value contracts secured during this period.

Over the past decade, our mooring and rigging business has remained steady despite market challenges and greater competition. We have thus worked to streamline operations and improve customer service, leading to gradual growth. Revenue from the marine mooring and rigging business has increased from \$41.8 million in FY2015 to \$56.5 million in FY2024.

The management is focused on driving further growth through initiatives like acquiring a new warehouse in Korea to expand operations, strategically growing our market presence worldwide, investing in new technologies and exploring partnerships.

- (ii) The purchase of the warehouse in Korea is part of the Group's strategy for business expansion in the Marine & Offshore segment. The Group intends to use the property as a warehousing facility, which will expand its inventory storage capacity in Korea and provide enhanced supply chain and logistics support to related companies worldwide.

In addition, most of our key suppliers are based in Korea, which is a key factor in our decision to expand operations in the region. With this acquisition, we are also laying the groundwork for future expansion.

- (iii) TEHO Property Consultants Pte. Ltd. has established itself as a trusted partner in the real estate consultancy sector with a highly experienced team of valuers. We are on the panels of several banks and also among the appointed valuers for the Housing & Development Board (HDB) in Singapore.

We offer tailored property consultancy services, leveraging our deep market knowledge and strong client relationships to respond quickly to client needs. With a focus on niche markets, we are able to deliver successful outcomes while continuously improving our capabilities. We emphasize operational efficiency and strategic partnerships to expand our services and remain competitive in a challenging market.

- (iv) The Board has not set a specific limit for the Group's gearing, but it constantly monitors the gearing ratio to ensure it is maintained at a healthy level. We remain committed to balancing our growth initiatives with prudent financial management to ensure long-term sustainability. Our gearing has improved significantly from 2.64 in FY2020 to 0.77 in FY2024.

In FY2020, the group's gearing reached a high of 2.64, primarily due to high borrowings by the property development segment, which is the industry norm. As of 30 June 2020, the outstanding loans related to the property development segment represented approximately 28% of the group's total loans and borrowings.

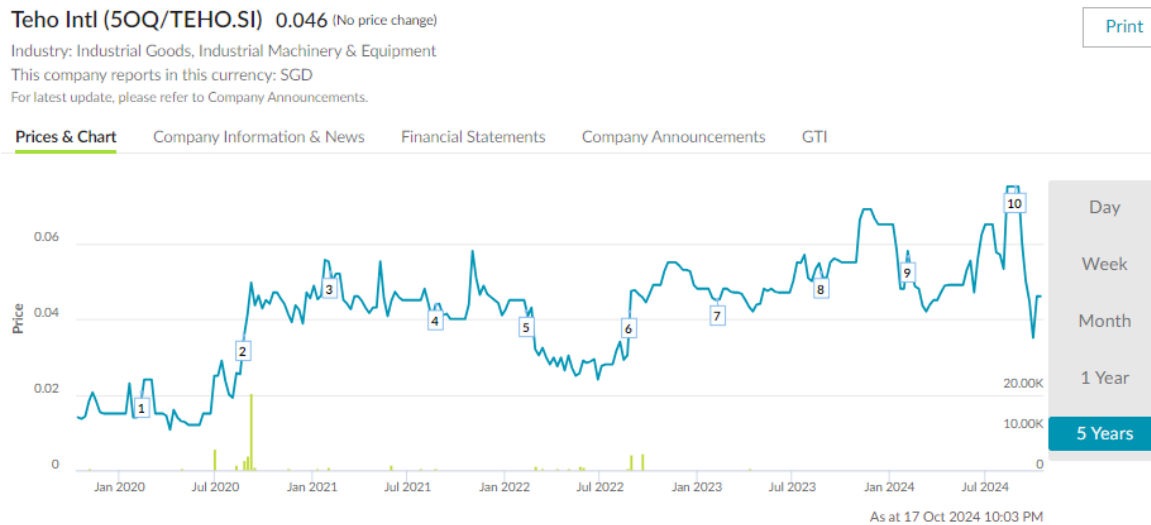
- (v) The Board regularly reviews the Group's cash and liquidity to ensure efficient use of resources. In FY2024, despite higher interest rates, through prudent management the Group was able to maintain interest expenses at \$1.27 million, close to FY2023's \$1.21 million. We reduced our bank loans and borrowings from \$22.9 million in FY2023 to \$19.9 million in FY2024.

The management is also exploring ways to reduce financing costs, including refinancing existing loans and borrowings at lower interest rates.

2. SIAS's Query:

Based on SGX StockFacts, the company trades at a price-to-book value of 0.46 times and has a market capitalisation of \$10.8 million.

If shareholders approve the proposed dividend resolution at the annual general meeting (AGM) on 30 October 2024, the company will have paid an annual dividend of 0.1 Singapore cent per share for three consecutive years.



Consensus ?

No data to display

Overview	<u>Valuation</u>	Financials	Dividends	Ownership
Price/Book Value ?	0.459	Enterprise Value	29.06M	
Price/Sales ?	0.179	Price/CF ?	3.756	
Dividend Yield ?	2.17	P/E Ratio ?	12.04	
Dividend Yield 5-yr avg ?	-	Net Debt ?	18.23M	



SGX StockFacts is a collaboration between SGX and Refinitiv. Use of this information is subject to [terms and conditions](#).

(Source: <https://investors.sgx.com/securities/stocks?security=5OQ>)

- (i) **What is management's estimate of the cost of capital? Can the board outline how this metric is integrated into management's decision-making processes? What steps are taken to ensure that returns consistently exceed the cost of capital?**
- (ii) **Can the board, particularly the independent directors, elaborate on the group's initiatives to enhance corporate value and optimise capital efficiency?**

Stock exchanges and regulators, including Tokyo Stock Exchange and Korea's Financial Services Commission, have started to ask companies to set up and disclose valuation boosting plans. These corporate value-boosting initiatives are needed as it is recognised that "corporate values" of listed companies have to improve and that the main driver in enhancing corporate value is the company itself. Efforts have been targeted at companies that trade below a price-to-book ratio of below 1. The plans focused on increasing awareness and literacy of the cost of capital, capital efficiency and stock prices of listed companies.

Specifically, Tokyo Stock Exchange has required companies with price-to-book consistently below 1x to disclose their policies and specific initiatives to improve their valuations.

- (iii) Apart from acknowledging that there are many external factors influencing the share price, would the board consider disclosing and implementing targeted strategies to narrow the discount gap, thereby creating value for shareholders?**
- (iv) In particular, what is the board's position on share buybacks as a means of enhancing shareholder value? Has any analysis been conducted on the potential impact of buybacks on the company's financial health, liquidity and market valuation?**

Company's Response:

- (i) The Company's estimated cost of capital is around 5%, reflecting the impact of rising interest rates. In addition to ensuring that returns consistently exceed the cost of capital, the Board assesses the Group's cash flow requirements and future plans to ensure that investment decisions align with long-term objectives.

All significant investments and capital expenditures undergo thorough evaluation, including financial modeling and return-on-investment analysis, to ensure that expected returns justify the associated costs. The Board provides oversight to ensure that transactions proposed by the management are aligned with the Group's financial objectives, safeguarding shareholder value.

- (ii) The Board, including its independent directors, is focused on increasing corporate value and improving capital efficiency. This includes balancing debt and equity, using capital strategically for growth, and enhancing operational efficiency to boost cash flow.

The Board continuously looks for opportunities to improve the Group's capital structure, such as refinancing debt at better rates, while keeping financial flexibility for growth.

The independent directors work with the management to ensure these efforts align with long-term shareholder interests and support sustainable value.

- (iii) We acknowledge that many external factors influence the Company's share price, but our focus remains on delivering stronger financial results. We believe that improving our financial performance is the most effective way to create long-term value for shareholders. While market conditions may fluctuate, consistent financial improvements will help to narrow the discount gap and enhance shareholder returns.
- (iv) While the Board recognizes share buybacks as a potential means of enhancing shareholder value, the company is not considering implementing a share buyback program at this juncture due to its focus of resources on expansion plans.

That said, we remain focused on other strategies to improve the Company's financial health, liquidity, and overall market valuation.

3. **SIAS Query:**

In the corporate governance report, the board emphasised its commitment to maintaining high standards of corporate governance across the company and its subsidiaries to ensure greater transparency and protect shareholder interests.

It was noted that Mr Kwah Thiam Hock and Ms Joanne Khoo Su Nee, who were appointed to the board on 5 May 2009 and 10 January 2014 respectively, will no longer be deemed independent following the AGM on 30 October 2024.

Ms Joanne Khoo Su Nee is due for re-election at the upcoming AGM. If re-elected, Ms Joanne Khoo Su Nee will be re-designated as a non-independent non-executive director of the company.

- (i) **Given that SGX RegCo has given a transition period of more than 20 months, what were the challenges, if any, in the progressive renewal of the board? Were there difficulties in identifying and appointing new independent directors before the AGM?**
- (ii) **Will the proposed re-election of Ms Joanne Khoo Su Nee, and her subsequent re-designation as a non-independent director, affect the pace or direction of board renewal? How does this align with the company's long-term governance goals?**
- (iii) **What are the justifications by the NC/board on the continued appointment of Ms Joanne Khoo Su Nee despite her long tenure and redesignation as non-independent director? What specific expertise does she bring that makes her indispensable to the board?**
- (iv) **Given Mr Kwah Thiam Hock's pending retirement and Ms Joanne Khoo Su Nee's re-designation, how will the board ensure compliance with Provision 2.2 of the Code of Corporate Governance 2018?**

Company's Response:

- (i) The Board has been actively working to ensure a smooth and progressive renewal process. Identifying independent directors with the right expertise, industry knowledge, and alignment with our long-term vision has been a careful and deliberate process. Our priority is to bring in candidates who can add significant value to the Board and contribute meaningfully to both corporate governance and business strategy.
- (ii) Ms. Joanne Khoo Su Nee's re-election and her re-designation as a non-independent, non-executive director ("**NINED**") will not impact the Company's commitment to board renewal. The nominating committee ("**NC**") is actively searching for new independent directors to retain the element of independence in the Board while maintaining continuity in governance. This step is part of our long-term governance strategy, which balances the need for fresh perspectives with the retention of experienced members. Ms. Joanne Khoo Su Nee's continued involvement as NINED is in the best interests of the Company to ensure a smooth transition in our board renewal process.
- (iii) Ms. Joanne Khoo Su Nee's continued appointment is based on her expertise as further described in the annual report and deep understanding of the Company's operations and governance practices. Her contributions over the years have been invaluable, and the Board believes that her continued involvement would be beneficial for the Company and its shareholders, by providing continuity, valuable insight, and expertise that supports the Company's long-term strategy and governance.
- (iv) The Board remains committed to strengthening its composition and renewal in line with this provision of the Code of Corporate Governance 2018, which highlights the critical role of

independent directors. With Mr. Kwah Thiam Hock's retirement and Ms. Joanne Khoo Su Nee's re-designation, we are focused on bringing in new independent directors to fill these roles to ensure there is an element of independence within the Board, with at least half of the Board to comprise of independent directors. In this regard, the potential candidates have been identified and they are undergoing the necessary due diligence and nomination process.

BY ORDER OF THE BOARD

Lim See Hoe
Executive Chairman and Chief Executive Officer
28 October 2024

This announcement has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor"). This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (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 Ms Audrey Mok (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.