

- (A) **INCORPORATION OF NEW WHOLLY-OWNED SUBSIDIARY**
 - (B) **TEHO ENTERS INTO A JOINT VENTURE AGREEMENT TO ENGAGE IN THE PRINCIPAL BUSINESS OF REAL ESTATE DEVELOPMENT AND INVESTMENT IN CAMBODIA**
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(A) **INCORPORATION OF NEW WHOLLY-OWNED SUBSIDIARY**

The Board of Directors (the “**Board**”) of TEHO INTERNATIONAL INC LTD. (the “**Company**”) wishes to announce the incorporation of a new wholly-owned subsidiary in Singapore, known as Teho Development (Cambodia) Pte Ltd (“**TEHO Cambodia**”) on 4 November 2014. TEHO Cambodia has an initial issued and paid-up share capital of S\$1 comprising 1 share. The principal activities of TEHO Cambodia are real estate development and investment holding.

The above incorporation was funded through internal resources and is not expected to have any material financial impact on the earnings per share or the net tangible assets per share of the Company and its subsidiaries (“**Group**”) for the current financial year ending 30 June 2015.

- (B) **TEHO ENTERS INTO A JOINT VENTURE AGREEMENT TO ENGAGE IN THE PRINCIPAL BUSINESS OF REAL ESTATE DEVELOPMENT AND INVESTMENT IN CAMBODIA**

1. **INTRODUCTION**

Further to the announcement on 14 August 2014, the Board wishes to announce that its new wholly-owned subsidiary, TEHO Cambodia, has today entered into a joint venture agreement (“**JVA**”) with Mr Okhna Sok Bun (“**Sok Bun**”), an independent and unrelated third party, for the proposed establishment of a company in Cambodia, Teho SBG Development Co., Ltd (“**JV Co**”), to engage in the principal business of real estate development in Cambodia (“**Proposed JV**”). Under the terms of the JVA, the JV Co shall be incorporated by Sok Bun and TEHO Cambodia shall purchase 49% of the total issued share capital from Sok Bun on the date upon which the Conditions Precedent (as defined in paragraph 2.1 below) are satisfied (“**Effective Date**”).

The JVA sets out the respective rights and obligations of TEHO Cambodia and Sok Bun and the process for the future operation, funding and management of the JV Co as well as the construction, development, marketing and sale of properties on land, which is currently owned by Sok Bun (“**Land**”), by the JV Co (“**Project**”). The Land is located at Phum 2, Sangkat Chroy Changva, Khan Chroy Changvar (Khan Russey Keo as stated on the certificates of title No. PP19793 dated 23 December 2013), Phnom Penh, Cambodia and has a total size of 18,871 square metres. Pursuant to the JVA, it is contemplated that Sok Bun will, *inter alia*, transfer the land to the JV Co for the purposes of the Project whilst TEHO Cambodia will carry out its obligations as described under paragraph 2.5 below.

2. SALIENT TERMS OF THE PROPOSED JV

2.1 Conditions Precedent

The JVA shall not come into effect until the fulfilment or waiver of, *inter alia*, the following conditions (“**Conditions Precedent**”):

- (i) the incorporation and registration of the JV Co with the Ministry of Commerce of Cambodia (“**MOC**”) by Sok Bun at the sole expense of Teho Cambodia;
- (ii) the transfer of the Land from Sok Bun to the JV Co free of all encumbrances at the sole expense of TEHO Cambodia;
- (iii) the legal due diligence on the Land and the JV Co, the result of which shall be satisfactory in all respects to TEHO Cambodia;
- (iv) the appointment of a reputable, experienced and licensed architect by TEHO Cambodia, the preparation and finalisation of the architectural drawings and plans for the Project by the duly appointed architect (“**Architectural Plans**”) and payment by TEHO Cambodia of all fees, costs, prepayments and disbursements incurred with respect to the appointment of the duly appointed architect to prepare the Architectural Plans, all in a manner and form satisfactory in all respects to Sok Bun;
- (v) the preparation and finalisation of the plan with respect to the implementation of the Project by TEHO Cambodia (“**Project Plan**”) in a manner and form satisfactory in all respects to Sok Bun;
- (vi) the due registration with the MOC of the transfer of such number of shares representing 49% of the issued share capital of the JV Co by Sok Bun to TEHO Cambodia and the conversion of the JV Co to a private liability company at the sole expense of TEHO Cambodia; and
- (vii) the incorporation and registration of TEHO Cambodia with the competent authorities being completed and TEHO Cambodia issuing a valid and binding resolution ratifying the entering into and submission of TEHO Cambodia under the JVA.

2.2 Shareholding Structure

On and from the Effective Date, the shareholding structure of the JVA will be as follows:

Shareholder	Number of Shares	Percentage
Sok Bun	510	51%
TEHO Cambodia	490	49%
TOTAL	1,000	100%

The JV Co shall have a registered share capital of 4,000,000 Khmer Riel (equivalent to approximately 1,000 US Dollars), divided into 1,000 shares of 4,000 Khmer Riel par value per share (equivalent to approximately USD1 par value per share). The purchase consideration of 49% of the total number of shares in the JV Co by TEHO Cambodia from Sok Bun amounting to 1,960,000 Khmer Riel (equivalent to approximately USD490) (“**Purchase Consideration**”), being 4,000 Khmer Riel per share (equivalent to approximately USD1 per share), was arrived at based on the registered share capital of the JV Co.

2.3 Long-Stop Date

In the event that any of the Conditions Precedent are not fulfilled or waived (as the case may be) on or before sixty (60) calendar days from the date of the JVA, either party may terminate the JVA immediately upon written notice to the other party.

2.4 Term

The term of the Proposed JV shall take effect upon the Effective Date and will continue for a period for 4 years thereafter, unless terminated earlier in accordance with the terms of the JVA.

2.5 Key Obligations

The key obligations of Sok Bun under the JVA include, *inter alia*, the following:

- (i) assist the JV Co to apply to the applicable regulatory authorities for construction related approvals required to develop the Project and a developer licence authorising the JV Co to finance the Project by collecting financial deposits from customers before completion of the Project as well as liaise with the applicable regulatory authorities in relation to the maintenance of such permits, licences and authorisations;
- (ii) assist the JV Co to sub-divide the Land to give effect to the Architectural Plans and the Project Plan;
- (iii) procure a site in a prominent location in Phnom Penh, Cambodia, agreeable to the parties for temporary use by the JV Co as a showroom to advertise the Project; and
- (iv) upon TEHO Cambodia's written request, introduce TEHO Cambodia and the JV Co to potential suppliers and service providers in Cambodia.

The key obligations of TEHO Cambodia under the JVA include, *inter alia*, the following:

- (a) be solely responsible for all costs relating to or in any way connected with the design, planning, project management, supervision, conduct, launch, marketing and promotion of the Project and the operation of the JV Co, other than costs to be borne by the JV Co ("**JV Co Costs**") under the JVA which includes construction costs, sales agency commission and the developer charge imposed by the Ministry of Economy and Finance of Cambodia;
- (b) be solely responsible for all design, planning, supervision, project management, promotional, marketing and sales activities (including the management, monitoring and supervision of all construction activities) in relation to the Project and the operation of the day-to-day management of the JV Co in strict accordance with the Project Plan and with all applicable Cambodian law;
- (c) be solely responsible for the provision of all technical advice necessary for the conduct of the Project in strict accordance with the Project Plan;
- (d) in the event of a deficiency in the funds and prepayments received by the JV Co from the sale of Project units to third party purchasers to cover the JV Co Costs, ensure that sufficient debt funding is provided or made available to the JV Co to cover such deficiency ("**Construction Financing**") subject to the conditions that:

- (aa) the principal of any such funding will be repaid to the lender by the JV Co when the board of directors of the JV Co resolves that it is financially prudent to do so; and
- (bb) any interest that accrues and all costs and expenses related to such funding shall be paid or absorbed by TEHO Cambodia;
- (e) provide any required undertaking, security and/or guarantee requested in connection with the provision of the Construction Financing, provided that where required the parties shall cause the JV Co to make available any and all assets of the JV Co, including the Land, to use as security for the purpose of obtaining the Construction Financing;
- (f) liaise with various financial institutions in Cambodia and other countries to make financing available for prospective buyers of the Project units; and
- (g) construct a sales facility and showroom on the property identified by Sok Bun pursuant to paragraph 2.5(iii) above and operate such property (including, payment of any applicable rent) in strict accordance with the Project Plan.

2.6 Non-Compete

Each of TEHO Cambodia and Sok Bun undertakes that it will not (and it will procure that its affiliates will not) at any time during the period commencing from the Effective Date and ending 24 months later (“**Restraint Period**”), engage in or have any ownership interests or other affiliation in any real estate project of a similar size in a 5 kilometre radius of the Land, which is competitive with the Project, other than with the prior written consent of the other party.

Should TEHO Cambodia or Sok Bun wish to engage in or have any ownership interest or other affiliation in any other real estate development business of a similar size in Cambodia during the Restraint Period, it shall first offer the other party the right to participate in such other business by providing written notice, provided that should the other party reject such offer or not respond in the affirmative within 7 business days of receiving such notice, neither party will be able to engage in such project during the Restraint Period.

3. RATIONALE

The Proposed JV is in line with the business expansion of the Group to include, amongst others, property development and investment activities and provision of property-related services such as property agency services, property marketing services, property consultancy services, which include property and asset valuation and management, as well as building, construction and design services (“**Business Expansion**”). The Business Expansion was approved at the extraordinary general meeting dated 31 October 2014. Please refer to the circular dated 16 October 2014 for more information on the Business Expansion.

The Proposed JV will also enable the Group to participate in the growth prospects of property development in Cambodia and provide the Group with access to new opportunities in the property market in Cambodia and the South East Asia region.

4. FINANCIAL EFFECT

The Purchase Consideration will be funded through internal resources and is not expected to have any material impact on the earnings per share and net tangible assets per share of the Company and the Group for the current financial year ending 30 June 2015.

5. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors and controlling shareholders of the Company has any interest, direct or indirect, in the incorporation of TEHO Cambodia and the Proposed JV other than through their shareholdings in the Company.

6. DOCUMENTS FOR INSPECTION

A copy of the JVA 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.

7. ANNOUNCEMENT PURSUANT TO RULE 704(16)(c)

This announcement is made pursuant to Rule 704(16)(c) of the Listing Manual – Section B: Rules of Catalist.

8. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution when dealing with the shares of the Company in relation to this announcement.

BY ORDER OF THE BOARD

Lim See Hoe
Executive Chairman and Chief Executive Officer
5 November 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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