**TEHO INTERNATIONAL INC LTD.**
(Incorporated in the Republic of Singapore on 10 June 2008)
(Company Registration No:200811433K)

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**(A) PROPOSED EXPANSION OF CORE BUSINESS OF THE GROUP TO INCLUDE THE EXPANDED PROPERTY BUSINESS**

**(B) PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF ECG PROPERTY SERVICES PTE. LTD.**

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## (A) PROPOSED EXPANSION OF CORE BUSINESS OF THE GROUP TO INCLUDE THE EXPANDED PROPERTY BUSINESS

### 1. INTRODUCTION

On 6 May 2014, the Company held an extraordinary general meeting pursuant to which the shareholders of the Company approved, *inter alia*, the diversification of core business of the Group to include the property development and investment business, with focus on the markets in Singapore, Malaysia, Thailand, the Philippines, Japan, Australia and the United Kingdom ("**Approved Diversification**") as mentioned in the circular dated 21 April 2014 ("**Diversification Circular**").

The Board of Directors (the "**Board**") of TEHO INTERNATIONAL INC LTD. (the "**Company**" together with its subsidiaries, the "**Group**") wishes to announce that the Company is proposing to expand the Group's business to include the Expanded Property Business (as defined below) ("**Proposed Business Expansion**").

As the scope and markets which the Approved Diversification covers are narrower than the scope and markets which the Proposed Business Expansion intends to cover, the Directors will convene an extraordinary general meeting to seek the approval of the shareholders for the Proposed Business Expansion, notice of which will be announced in due course.

### 2. THE EXPANDED PROPERTY BUSINESS

The Company intends to expand the Group's business to carry on the following activities, as and when appropriate opportunities arise:

(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 real estate and facilities management services (such as the services of a managing agent in relation to real estate development projects) and to trade in properties including buying and selling of Property Related Assets with reasonable yield and/or capital growth potential; and

(iii) to provide property-related services including 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,

(collectively, the "**Expanded Property Business**").

## 3. RATIONALE FOR THE PROPOSED BUSINESS EXPANSION

The Group intends to diversify its business to include the Expanded Property Business, which complements the existing property development and investment business, so as to allow the Group to tap the full potential of the property markets, whether locally or overseas, as well as to grow and strengthen the existing property development and investment business by providing the Group with access to new opportunities. The Group believes that the inclusion of the Expanded Property Business will enable the Group to be vertically integrated in its property business, where marketing of its properties can be conducted by its own personnel.

The Proposed Business Expansion would also allow the Group to participate in overseas markets other than those which are part of the Approved Diversification as and when the appropriate opportunities arise, which would allow the Group to broaden its sources of revenue and have better prospects of profitability.

In connection with the Proposed Business Expansion, the Group has announced on 25 September 2014 (the "**LOI Announcement**") that it has entered into a non-binding letter of intent for the proposed acquisition of the entire issued and paid-up share capital of ECG Property Services Pte. Ltd. ("**ECG**"), which undertakes, amongst others, property-related services. Please see Section B of this announcement for further details on the proposed acquisition of ECG. In addition, as announced on 14 August 2014, the Group has also entered into a non-binding memorandum of understanding for the proposed joint venture in Cambodia to engage in real estate development and investment in Cambodia (the "**Cambodian JV**").

## (B) PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF ECG PROPERTY SERVICES PTE. LTD.

## 1. INTRODUCTION

Further to the LOI Announcement, the Board wishes to announce that its wholly-owned subsidiary, TEHO Development Pte. Ltd. ("**TEHO Development**" or "**Purchaser**"), has, on 10 October 2014, entered into a conditional sale and purchase agreement ("**Agreement**") with Cheng Lye Meng Eric (Zheng Laiming Eric) ("**Eric Cheng**"), Teo Hock Hoe, Loy Chee Yong and Liu Yining (collectively, the "**Vendors**" and each a "**Vendor**") for the proposed acquisition of the entire issued and paid-up share capital of ECG (the "**Proposed Acquisition**").

## 2. INFORMATION ON ECG AND THE VENDORS

ECG currently holds 100% of ECG Consultancy Pte. Ltd. and ECG Property Pte. Ltd. as well as 35% beneficial ownership of ECG Affirm Holdings Sdn Bhd ("**ECG Affirm**") (collectively the "**ECG Group**"). ECG Affirm is a company incorporated in Malaysia which is 35% owned by Eric Cheng (who holds his share on trust for ECG) and 65% owned by independent and unrelated third parties. Pursuant to the Proposed Acquisition, Eric Cheng will transfer his shareholding interest in ECG Affirm to ECG within 6 months from the Completion Date.

The ECG Group is principally engaged in the business of real estate, consultancy, management, real estate agencies, valuation services and real estate activities including business and management consultancy services ("**ECG Business**"). The ECG Group currently markets properties of the Company and has in place a service fee agreement with the Company for the marketing of properties. For further information, please refer to the Diversification Circular in relation to, *inter alia*, the proposed acquisition of the entire issued and paid-up share capital of TIEC Holdings Pte. Ltd. (the "**TIEC Acquisition**"). The TIEC Acquisition was completed on 26 May 2014.

The shareholding of each of the Vendors in ECG is as follows: Eric Cheng (67%), Teo Hock Hoe (15%), Liu Yining (15%) and Loy Chee Yong (3%). Eric Cheng is a shareholder of the Company holding 6.56% shareholding interest in the Company and is the managing director of TEHO Development and TIEC Holdings Pte. Ltd., both wholly-owned subsidiaries of the Company. Teo Hock Hoe, Loy Chee Yong and Liu Yining are independent and unrelated third parties of the Company and its Directors. None of the Vendors are related to one another.

## 3. RATIONALE FOR THE PROPOSED ACQUISITION

The Board is of the view that the Proposed Acquisition is in the best interest of the Group as the Proposed Acquisition would allow the Group to gain a foothold in the Expanded Property Business as well as strengthen the existing property development and investment business. In addition, the completion of the Proposed Acquisition would provide the Group with a fuller range of property services in order to undertake the Cambodian JV.

## 4. SALIENT TERMS OF THE PROPOSED ACQUISITION

### 4.1 Consideration

The consideration payable for the Proposed Acquisition amounting to S$17,000,000 ("**Purchase Consideration**") would be satisfied by way of a combination of cash ("**Cash Consideration**") and the allotment and issue of ordinary shares in the capital of the Company ("**Consideration Shares**") in proportion to each of the Vendor's shareholding in ECG as follows:

(a) Cash Consideration in the aggregate amount of S$5,000,000, payable in two tranches. The first tranche amounting to S$3,000,000 shall be payable on the date of completion of the Proposed Acquisition ("**Completion Date**"), while the second tranche amounting to the balance of S$2,000,000 shall be payable within 12 months from the Completion Date.

The Cash Consideration will be funded using existing cash resources, bank borrowings, and/or the issue of new equity and/or debt instruments, as the Board shall consider suitable. The Board is still considering the various funding options as are available and has not determined any specific mode of financing.

(b) Allotment and issue of S$12,000,000 in aggregate value of ordinary shares in the capital of the Company comprising 42,857,143 ordinary shares at S$0.28 per share on Completion Date.

Following the allotment and issue of Consideration Shares, the total number of issued ordinary shares of the Company ("**Shares**") will increase from 190,467,471 Shares to 233,324,614 Shares.

The Purchase Consideration was determined at arm's length and on a "willing-buyer-willing-seller" basis after taking into account and consideration of the following factors:

(i) the unaudited proforma consolidated net tangible asset value as at 31 July 2014 of the ECG Group of approximately S$1.7 million;

(ii) the business prospect of the ECG Group; and

(iii) the rationale for the Proposed Acquisition as set out in paragraph 3 above.

Although no independent valuation has been conducted, the Board is of the view that the Purchase Consideration is fair taking into account the factors stated above.

### 4.2 Conditions

The completion of the Proposed Acquisition ("**Completion**") is conditional upon, *inter alia*, the following:

(i) completion, on or before the Completion Date, of legal and financial due diligence exercise on the ECG Group by the Purchaser, and the results of such due diligence exercise being satisfactory to the Purchaser in its sole and absolute discretion;

(ii) the requisite approval of the shareholders of the Company at an extraordinary general meeting having been obtained for the transactions contemplated in the Agreement (including the Proposed Acquisition and the allotment and issue of Consideration Shares);

(iii) listing and quotation notice being issued by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing of and quotation for the Consideration Shares on Catalist;

(iv) the signing of a joint venture agreement in relation to the Cambodian JV;

(v) no material adverse change (as reasonably determined by TEHO Development in its sole and absolute discretion) in the prospects, operations or financial conditions of the ECG Group occurring on or before the Completion Date and such change not being one arising from an event (other than an event constituting or giving rise to a breach of any of the warranties) affecting or likely to affect generally all companies carrying on similar businesses in Singapore;

(vi) the service agreements being duly executed by (a) Eric Cheng that he will remain as the managing director of the Purchaser and TIEC Holdings Pte. Ltd. for a period of not less than 3 years from Completion Date and (b) Teo Hock Hoe that he will remain as a director of ECG for a period of not less than 3 years from Completion Date, in form and substance satisfactory to the Purchaser, and Eric Cheng and Teo Hock Hoe (as the case may be) ("**Service Agreements**");

(vii) all consents, approvals 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 being granted or obtained and being in full force and effect and not having been withdrawn, suspended, amended or revoked, and if such consents or approvals are granted or obtained subject to any conditions, such conditions being reasonably acceptable to the parties to the Agreement; and

(viii) all representations, undertakings and warranties of the Vendors under the Agreement being compiled with, true, accurate and correct as at the Completion Date.

The Vendors undertake to procure that Eric Cheng transfers his shares in ECG Affirm, representing 35% of the issued and fully-paid up share capital in ECG Affirm, to ECG within 6 months from the Completion Date (or such later date as agreed to in writing by TEHO Development).

### 4.3 Completion

Completion is expected to occur no later than by the date falling two (2) months from the date of the Agreement, 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 Agreement shall be terminated if Completion does not take place on or before 31 December 2014.

### 4.3 Non-Compete

The Vendors have furnished or will be furnishing the following non-compete undertakings to the Company in respect of the following prohibited periods ("**Prohibited Periods**"):

(i) in relation to Eric Cheng and Teo Hock Hoe, during the term of their respective Service Agreements and for the period of two years commencing from the Completion Date or cessation of the Service Agreements, whichever is the later; and

(ii) in relation to Liu Yining and Loy Chee Yong, two years commencing on from the Completion Date.

During their respective Prohibited Period, the Vendors will not, and will procure that none of their affiliates will, amongst others:

(a) in each of Singapore and any other territory which the Group (in the case of Eric Cheng and Teo Hock Hoe) or the ECG Group (in the case of Liu Yining and Loy Chee Yong) has carried on business ("**Prohibited Territories**"), be directly or indirectly employed or engaged in any business which is of the same or similar type to the business of the Group (in the case of Eric Cheng and Teo Hock Hoe) or the ECG Business (in the case of Liu Yining and Loy Chee Yong) ("**Business**") or is likely to be in competition with the Business;

(b) directly or indirectly carry on in each of the Prohibited Territories for its own account either alone or in partnership any business which is of the same or similar type to the Business or is likely to be in competition with the Business or be concerned or interested in the Prohibited Territories in any such business save for the holding of or trading in less than 5 per cent. (5%) of the outstanding share capital of a corporation, the shares of which are listed on any stock exchange;

(c) directly or indirectly assist with technical advice or in any other way any person, firm or company engaged in each of the Prohibited Territories in any business which is of the same or similar type to the Business or is likely to be in competition with the Business; and

(d) use, in its name, or in connection with their respective businesses, the word "Teho" or "ECG" or any colourable imitation thereof or any trademark of the ECG Group or allow, permit or assist any person or entity to do the foregoing, subject to the following:

    (i) the Vendors' affiliates shall cease using in its name, or in connection with their respective businesses, the word "Teho" or "ECG" or any colourable imitation thereof or any trademark of the Group Companies within three (3) months from the date of the Agreement, save for the use of the word "ECG" by ECG Holdings Pte Ltd in its name; and

    (ii) ECG Holdings Pte Ltd shall cease using the word "ECG" in its name within twelve (12) months from the date of the Agreement.

## 5 APPLICATION OF CHAPTER 10 OF THE CATALIST RULES

For the purposes of Chapter 10 of the Catalist Rules, and in particular Rule 1005 of the Catalist Rules, under which separate transactions completed within the last twelve (12) months may be required to be aggregated and treated as if they were one transaction, the relative figures for the Proposed Acquisition, as well as the Proposed Acquisition and the TIEC Acquisition on an aggregated basis, computed on the bases set out in Rule 1006 (a) to (e) of the Catalist Rules, are as follows:

| **Rule 1006** | **Basis** | **Proposed Acquisition** | **Proposed Acquisition and TIEC Acquisition** |
|---|---|---|---|
| Rule 1006(a) | The net asset value of the assets to be disposed of, compared with the Group's net asset value | Not Applicable | Not Applicable |
| Rule 1006(b) | The aggregate net profits attributable to the assets acquired(1) compared with the Group's net profits(2) | 78.0% | 95.9% |
| Rule 1006(c) | The aggregate value of the consideration given(3) compared with the market capitalisation of the Company(4) | 47.7% | 82.2% |
| Rule 1006(d) | The number of equity securities to be issued by the Company as consideration for an acquisition, compared with the number of shares previously in issue(5) | 22.5% | 35.6% |
| Rules 1006(e) | The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves | Not Applicable | Not Applicable |

**Notes:**

(1) In respect of the Proposed Acquisition, the unaudited proforma net profit before tax, minority interest and extraordinary items attributable to the ECG Group for the financial year ended 31 July 2014 is approximately S$2.6 million. In respect of the TIEC Acquisition, 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 2014 is approximately S$3.4 million.

(3) In respect of the Proposed Acquisition, the aggregate value of the consideration is equivalent to the Purchase Consideration being S$17,000,000. In respect of the TIEC Acquisition, the aggregate value of the consideration was S$12,278,844.

(4) The market capitalisation of the Company as at 9 October 2014 (being the last market day preceding the date of the Agreement during which trades were conducted) is S$35,617,417.

(5) In respect of the Proposed Acquisition, the number of equity securities to be issued is the aggregate number of Consideration Shares which is 42,857,143. In respect of the TIEC Acquisition, the number of equity securities issued was 25,000,000 ordinary shares.

As the relative figures computed on the bases set out in Rule 1006(b) to (c) of the Catalist Rules in the table above exceeds 75% but is less than 100%, the Proposed Acquisition would constitute a major transaction under Rule 1014 of the Catalist Rules. Accordingly, the Proposed Acquisition is subject to the approval of the shareholders of the Company.

## 6. PROPOSED ISSUANCE OF CONSIDERATION SHARES

### 6.1 Shareholders Approval pursuant to Chapter 8 of the Catalist Rules

Rule 805(1) of the Catalist Rules requires the approval of shareholders in a general meeting to be obtained for the issue of shares or convertible securities or the grant of options carrying rights to subscribe for shares of the issuer. Accordingly, the Company will seek shareholders' approval for the issue of the Consideration Shares, pursuant to Rule 805(1) of the Catalist Rules.

As Eric Cheng currently holds 6.56% of the issued share capital of the Company and following the allotment and issue of Consideration Shares, his shareholding will increase to approximately 17.66% of the enlarged share capital of the Company, the proposed issuance of Consideration Shares to Eric Cheng would constitute a transfer of controlling interest in the Company. Accordingly, the Company will seek shareholders approval pursuant to Rule 803 of the Catalist Rules.

Rule 812 of the Catalist Rules provides that an issue of securities must not be placed to, *inter alia*, an issuer's substantial shareholders unless specific shareholder approval for such placement has been obtained, with such substantial shareholders and their associates abstaining from voting on the shareholders' resolution to approve such placement. As the Consideration Shares will be allotted and issued to Eric Cheng, who is a substantial shareholder, the Company will seek shareholders' approval for the proposed issuance of Consideration Shares to Eric Cheng.

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 Catalist of the SGX-ST. An appropriate announcement will be made via the SGXNET 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.

### 6.2 Moratorium

The Consideration Shares shall be subject to a moratorium for six months from the date of issuance of the Consideration Shares ("**Initial Moratorium**"). Upon expiry of the Initial Moratorium, a further moratorium period of another six months shall be imposed on 50% of the Consideration Shares held by each Vendor.

## 7. FINANCIAL EFFECTS

Purely for illustrative purposes, the financial effects of the Group as set out below are prepared based on the audited consolidated financial statements of the Group for the financial year ended 30 June 2014 ("**FY2014**") and the unaudited proforma financial statements of the ECG Group for the financial year ended 31 July 2014.

### 7.1 Net asset value ("NAV") per Share

Assuming that the Proposed Acquisition had been completed on 30 June 2014, the financial effects of the Proposed Acquisition on the NAV per share of the Group as at 30 June 2014 would have been as follows:

| | Before the Proposed Acquisition | After completion of the Proposed Acquisition |
|---|---|---|
| **NAV as at 30 June 2014 (S$'000)** | 60,107 | 73,774 |
| **No. of Shares as at 30 June 2014 ('000)** | 190,467 | 233,325 |
| **NAV per Share as at 30 June 2014 (S$ cents)** | 31.56 | 31.62 |

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

Assuming that the Proposed Acquisition had been completed on 30 June 2014, the financial effects of the Proposed Acquisition on the NTA per share of the Group as at 30 June 2014 would have been as follows:

| | Before the Proposed Acquisition | After completion of the Proposed Acquisition |
|---|---|---|
| **NTA as at 30 June 2014 (S$'000)** | 49,496 | 47,829 |
| **No. of Shares as at 30 June 2014 ('000)** | 190,467 | 233,325 |
| **NTA per Share as at 30 June 2014 (S$ cents)** | 25.99 | 20.50 |

**7.3 Earnings per Share ("EPS")**

Assuming that the Proposed Acquisition had been completed on 1 July 2013, the financial effects of the Proposed Acquisition on the EPS of the Group for FY2014 would have been as follows:

| | Before the Proposed Acquisition | After the Proposed Acquisition |
|---|---|---|
| **Net profit after tax for FY2014 (S$'000)** | 3,392 | 5,547 |
| **No. of Shares as at 30 June 2014 ('000) (Based on the weighted average number of Shares)** | 150,353 | 233,325 |
| **EPS for FY2014 (S$ cents)** | 2.26 | 2.38 |

**8. EXTRAORDINARY GENERAL MEETING**

The circular to shareholders of the Company setting out information on the Proposed Business Expansion and the Proposed Acquisition together with a notice of the extraordinary general meeting to be convened will be despatched to shareholders of the Company in due course.

## 9. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors and controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition other than through their shareholdings 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. 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
10 October 2014

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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 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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