



TEHO INTERNATIONAL INC LTD.

(Incorporated in the Republic of Singapore on 10 June 2008)

(Company Registration Number: 200811433K)

PROPOSED DISPOSAL OF PROPERTIES LOCATED AT 33 UBI AVENUE 3, #01-14 AND #01-15, SINGAPORE 408868

1. INTRODUCTION

The Board of Directors (the "**Board**") of TEHO International Inc Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that the TEHO Development Pte. Ltd. ("**TDPL**"), a wholly-owned subsidiary of the Company, has granted options to purchase (the "**Options**") to Aikido Shinju-Kai International Pte Ltd (the "**Purchaser**") in respect of two (2) leasehold properties located at 33 Ubi Avenue 3, #01-14 and #01-15, Singapore 408868 (collectively, the "**Properties**") at an aggregate purchase consideration of S\$3.2 million (excluding goods and services tax) ("**Purchase Consideration**"), being the purchase consideration of S\$1.6 million for each Property, on the terms and subject to the conditions of the Options respectively ("**Proposed Disposal**"). The Purchaser is an independent and unrelated third party and has duly exercised the Options on 16 July 2020.

TDPL is in the business of real estate development and investment holdings and the Proposed Disposal is made in the ordinary course of business of the Group.

2. INFORMATION ON THE PROPERTIES

The Properties are leasehold properties with a leasehold tenure of 60 years commencing from 1 January 2007. The Properties comprise 2 units of industrial office, with a total floor area of 6,092 square feet. The Properties are currently rented to a tenant for rental income.

3. SALIENT TERMS OF THE OPTIONS

3.1 Purchase Consideration

The aggregate Purchase Consideration for the Properties is S\$3.2 million (excluding goods and services tax). The Purchase Consideration was arrived at on a willing buyer and willing seller basis, and was facilitated by a property agent. In deriving the Purchase Consideration, the Group had taken into account the (i) independent valuation of the Properties by Jones Lang LaSalle Property Consultants Pte Ltd to be S\$3.4 million; (ii) property market conditions; (iii) ongoing mortgage payments and potential non-fulfilment of rental income from tenant; and (iv) the current economic environment in lieu of the COVID-19 pandemic. Further details on the valuation of the Properties are set out at section 5 of this announcement.

Under each Option, the Purchase Consideration in relation to each Property, being S\$1.6 million, shall be payable by the Purchaser to TDPL in cash as follows:

- (a) the sum of S\$16,000 (excluding goods and services tax) (the “**Option Fee**”), which is equivalent to 1% of the Purchase Consideration, shall be payable upon the grant of the Option by TDPL;
- (b) the sum of S\$64,000 (the “**Balance Deposit**”), which is equivalent to 4% of the Purchase Consideration, shall be payable upon exercise of the Option by the Purchaser; and
- (c) the balance of the Purchase Consideration in relation to each Property, which is equivalent to 95% of the Purchase Consideration, shall be payable upon completion of the Proposed Disposal (“**Completion**”).

Under the terms of the Options, in the event that each Option is not exercised by the Purchaser in the stated manner on or before the expiry of the Options, the Option Fee shall be forfeited to TDPL. As at the date of this announcement, the Purchaser has made payment of S\$128,000 for the Balance Deposit.

3.2 Other salient terms under the Options

Under the terms of the Options:

- (a) The Properties will be sold subject to the existing tenancy agreement;
- (b) The completion of the Proposed Disposal will take place on 12 weeks from the exercise of Options by the Purchaser;
- (c) The Proposed Disposal is subject to, *inter alia*, receipt of satisfactory replies to the legal requisitions and interpretation plans sent by the Purchaser's solicitors to the various government departments and the Land Transport Authority of Singapore, failing which the Purchaser may opt to rescind the options and TDPL shall refund the Purchaser all monies paid by the Purchaser pursuant to the Options; and
- (d) TDPL agrees to pay the property agent a commission fee of S\$16,000 (S\$17,120 inclusive of GST) (“**Commission Fee**”) in connection with the Proposed Disposal of each Property, upon completion of such Proposed Disposal. In the event that the Option Fee or the Balance Deposit is forfeited to TDPL, TDPL shall pay the property agent either (i) half of such forfeited sum or (i) the Commission Fee, whichever is lower.

4. RATIONALE FOR THE PROPOSED DISPOSAL

The Board believes that the Proposed Disposal is in the best interests of the Group and the Shareholders, as it will enable the Group to realise the value of the Properties, which are currently held as investment properties. The Proposed Disposal will result in a positive cash inflow of S\$800,000 (post-deductions for the payment of mortgage loan and the Commission Fee), thereby improving the liquidity of the Group. This would also allow the Group to reallocate its resources to improve and optimise the utilisation of assets.

5. VALUE OF THE PROPERTIES

The fair value of the Properties are S\$3.4 million, based on the desktop valuation conducted in 30 April 2020 by Jones Lang LaSalle Property Consultants Pte Ltd, an independent professional valuer. The valuation was based on market comparison method.

Based on the unaudited adjusted carrying amount of the Property as at 30 June 2020 of approximately S\$3,168,810, and adjusted taking into account the depreciation expenses incurred up to 30 June 2020, the Proposed Disposal is expected to result in a loss on disposal of approximately S\$810.

6. USE OF PROCEEDS

The Company expects to receive a net proceed of approximately S\$3,168,000 (after deducting the Commission Fee of S\$32,000) from the Proposed Disposal. The Company intends to utilise the net proceeds to pay off a mortgage loan of S\$2,368,000 secured by the Property and for the general working capital requirements of the Group.

Pending the deployment of the unutilised proceeds for the purposes mentioned above, such proceeds may be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities, or used for any other purpose on a short-term basis, as the Directors may deem appropriate in the interests of the Group.

7. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The financial effects of the Proposed Disposal set out below are purely for illustrative purposes only and do not reflect the actual future financial position of the Company or the Group after the completion of the Proposed Disposal.

The financial effects of the Proposed Disposal were calculated based on the audited consolidated financial statements of the Group for the financial year ended 30 June 2019 (“FY2019”), being the most recently completed financial year for which financial statements are publicly available as at the date of this announcement.

7.1 Net Tangible Assets (“NTA”)

The effect of the Proposed Disposal on the NTA per share of the Group for FY2019, assuming that the Proposed Disposal had been effected as at 30 June 2019 is as follows:

As at 30 June 2019	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	13,681	13,408
Number of issued shares ⁽¹⁾	234,374,614	234,374,614
NTA per share (Cents)	5.84	5.72

Note:

(1) Based on the total number of issued ordinary shares in the capital of the Company (“Shares”) of 234,374,614 as at 30 June 2019.

7.2 Loss per Share

The effect of the Proposed Disposal on the loss per share of the Group for the financial year ended 30 June 2018 (“FY2018”), assuming that the Proposed Disposal had been effected on 1 July 2018 is as follows:

FY2018	Before the Proposed Disposal	After the Proposed Disposal
Loss after tax and non-controlling interests (S\$'000)	(2,189)	(2,452)
Number of issued shares ⁽¹⁾	233,324,614	233,324,614
Loss per Share (Cents)	(0.94)	(1.05)

Note:

- (1) Based on the total number of issued ordinary shares in the capital of the Company (“Shares”) of 233,324,614 as at 1 July 2018.

8. RELATIVE FIGURES COMPUTED BASED ON RULE 1006 OF THE CATALIST RULES

Based on the latest announced unaudited consolidated financial statements of the Group for the half year ended 31 December 2019 (“HY2019”), the relative figures for the Proposed Disposal computed on the relevant bases set out in Rule 1006 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“SGX-ST”) (the “Catalist Rules”) are set out below:

Rule	Bases	Relative Figure
1006 (a)	The net asset value of the assets to be disposed of, compared with the group’s net asset value. This basis is not applicable to an acquisition of assets.	23.3% ⁽¹⁾
1006 (b)	The net profits attributable to the assets acquired or disposed of, compared with the Group’s net profits as at 31 December 2019.	(2.4%) ⁽²⁾
1006 (c)	The aggregate value of the consideration given or received, compared with the issuer’s market capitalisation, based on the total number of issued shares excluding treasury shares.	54.15% ⁽³⁾
1006 (d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable ⁽⁴⁾
1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group’s proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil or gas company, but not to an acquisition of such assets.	Not applicable ⁽⁵⁾

Notes:

- (1) Based on the net asset value of the Group of S\$13,624,373 as at 31 December 2019 and the net asset value of the Properties of S\$3,168,810 as at 30 June 2020.
- As the relative figure under Rule 1006(a) exceeds 5% but does not exceed 50%, the Proposed Disposal constitutes a discloseable transaction within the meaning of Chapter 10 of the Catalist Rules.
- (2) Based on the net loss attributable to the Properties of S\$11,597 and the net profit before tax of the Group of S\$493,314 for HY2019.

The relative figure under Rule 1006(b) of the Catalist Rules is negative for the Proposed Disposal. Based on paragraph 4.3(e) of Practice Note 10A of the Catalist Rules, as the absolute relative figure of Rule 1006(b) is less than 5%, and the Proposed Disposal does not exceed 5% of the consolidated net profit of the Group for HY2019, the Proposed Disposal would not require Shareholders approval.

- (3) Based on the Purchase Consideration of S\$3.2 million and the Company's market capitalisation of approximately S\$5.9 million (being the issued ordinary share capital of the Company ("**Shares**") of 235,424,614 Shares (excluding treasury shares and subsidiary holdings) and the volume weighted average price of the Company's shares on of S\$0.0251 on 13 July 2020, which is the last full market day on which the Shares were traded prior to the date of exercising the Options.

Notwithstanding that the relative figure under Rule 1006(c) of the Catalist Rules exceeds 50%, the Proposed Disposal is within the Group's ordinary course of business, and therefore approval from Shareholders will not be required.

- (4) The Proposed Disposal is not an acquisition of assets.
- (5) The Company is not a mineral, oil or gas company.

9. SERVICE CONTRACT

No person will be appointed to the Board, and no service contract will be entered into by the Company, in connection with the Proposed Disposal.

10. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or controlling shareholders of the Company and their respective associates has any interest, direct or indirect, in the Proposed Disposal, other than through their respective shareholdings (if any) in the Company.

11. DOCUMENTS FOR INSPECTION

A copy of the Options and the Valuation Report are available for inspection at the registered office of the Company at 1 Commonwealth Lane, #09-23 One Commonwealth, Singapore 149544 for a period of three (3) months from the date of this announcement.

BY ORDER OF THE BOARD

Lim See Hoe
Executive Chairman and Chief Executive Officer
17 July 2020

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 Mr David Yeong (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.