

Issuer: TEHO International Inc Limited

Security: TEHO International Inc Limited

Meeting details:

Date: 26 Oct 2016

Time: 15:00PM

Venue: Mercure Singapore Bugis, Marshall Junction, Level 3, 122 Middle Road, Singapore 188973

Company Description

TEHO International Inc Ltd, an investment holding company, supplies and trades in rigging and mooring equipment to the marine, and offshore oil and gas industries in Singapore, rest of Asia, and internationally. The company operates through Marine, Offshore Oil & Gas; and Property Development segments. It is also involved in the design and fabrication of rope and chain products; and provision of environmentally safe grease and anti-corrosion products; and tensile testing, rope analysis and optimization, and wire rope pressure lubrication treatment activities. In addition, the company provides fiber and wire ropes; and electrical and mechanical engineering equipment, such as heating equipment and HVAC products, including fire dampers and duct systems, galley equipment, water calorifiers, and blast and fire resistant doors and walls. Further, it designs and engineers STS reverse osmosis water makers, and STS hydrophore and hot water calorifier systems for workboats and supply vessels; and CAT pumps products, marine sewage treatment plants, and other consumable components. Additionally, the company invests in, develops, markets, manages, and sells various real estate properties primarily focuses on residential properties, as well as offers real estate agency and valuation services. It also supplies offshore oil and gas equipment; and trades in related marine and engineering hardware and accessories. TEHO International Inc Ltd was founded in 1986 and is headquartered in Singapore.

(Source: http://sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=50Q)

1. The “Marine & Offshore” segment reported a 6% drop in revenue to \$52.3 million and eked out a segmental profit before tax of \$ 18,320. This is credible given that the marine and offshore sector has been facing severe headwinds. **Can management advise shareholders on which of the sub-segments of (i) Rigging, Mooring, Lifting & Safety Systems, (ii) Electrical & Mechanical Engineering Systems, and (iii) Water & Environmental Solutions are performing relatively better? Is the resilience likely to persist in the new financial year?** Based on the geographical information (page 89), revenue from European countries and “Other countries” have increased. **Can management provide further elaboration on the group’s business in Europe? What constitutes “Other countries”?**

2. The group has made several acquisitions in the past years to grow the core business and to expand into property development. Some of the acquisitions included substantial amount of goodwill. The table below shows the recent acquisitions and the impairment on goodwill in the past two years.

Subsidiary	Acquisition Date	Consideration Transferred (\$)	Goodwill (\$)	Impairment (\$)
TIEC Holdings Pte. Ltd.	May 2014	11,053,844	5,597,614	FY2016 – 2,211,110 FY2015 – 2,209,048
ECG Property Services Pte. Ltd.	November 2014	13,570,000	12,475,753	FY2016 – 12,475,753
TEHO Engineering Pte. Ltd.	May 2012	6,382,000	2,515,562 (Additional \$2,353,000 for intangibles)	FY2016 – \$1,400,000
TEHO Water & Envirotec Pte. Ltd.	April 2013	2,369,000	844,364 (Additional \$957,000 for intangibles)	FY2016 – 844,364

(Source: TEHO International Inc Ltd Annual Reports)

i) What guidance does the board give management for its acquisitions in terms of being prudent and not to overpay to preserve shareholders’ value?

(ii) Can the board give shareholders assurance that they will be more pro-active in guarding against aggressive acquisitions based on overly-optimistic assumptions?

As new shares were often used in the acquisitions at a price below the net asset value (“NAV”) per share, and coupled with the impairments and losses, the NAV per ordinary share has dropped from 31.5c in FY2014 to 17.36c in FY2016.

(iii) Issuing shares at a price below NAV to fund acquisition is dilutive to existing shareholders and makes the acquisitions even more costly. **Would the company consider not issuing any more new shares at prices below NAV?**

3. The change in the Joint venture partner of TEHO-SBG Development Co., Ltd was announced by the company on SGXNET on 23 February 2016 but it was not mentioned in the annual report.

(i) **Can the company give shareholders an update on how the change in the JV will affect/has affected the plans?**

The hotel management agreement was signed with Hotel Okura Co., Ltd in February 2016.

(ii) **What is the progress of the construction of the hotel? When would the hotel be completed and when would Okura be ready to welcome guests?**

In addition, during the official launch in August 2015, it was said that “The Bay comprises condominiums, retail space and a luxurious 250-room hotel”. In the Chairman’s statement (page 2), it was disclosed that “In reviewing the condominium sector in Phnom Penh, Cambodia, where The Bay development is based, the Group has decided to put on hold this residential project due to a heightened risk of oversupply of condominiums in Phnom Penh, possibly stretching to 2018”.

(iii) **Please provide shareholders with more detail of the plans for the condominium towers and the retail space.**