

**Issuer:** TEHO International Inc Ltd.

**Security:** TEHO International Inc Ltd.

**Meeting details:**

Date: 30 October 2017

Time: 3.00 p.m.

Venue: Novotel Singapore Clarke Quay, Paprika Room, Level 5, 177A River Valley Road, Singapore 179031

**Company Description**

TEHO International Inc Ltd., an investment holding company, supplies and trades in rigging and mooring equipment to the marine, offshore oil and gas, and real estate industries in Singapore, rest of Asia, and internationally. The company operates through Marine and Offshore; and Property Development segments. It is also involved in the design and fabrication of rope and chain products; and provision of tensile testing, rope analysis and optimization, and wire rope pressure lubrication treatment, as well as environmentally safe grease and anti-corrosion products. In addition, the company provides fiber and wire ropes; and electrical and mechanical engineering equipment, such as heating equipment, as well as 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; develops real estate properties focusing primarily on residential properties; and 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. The company was founded in 1986 and is headquartered in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=50Q](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=50Q))

**Q1.** Some of the key highlights as presented in the Chairman’s Statement (pages 2-3 of the annual report) include:

- TEHO achieved higher revenue at \$58.1 million, an increase of \$0.7 million from \$57.4 million
- Marine & Offshore Segment achieved higher gross profit margin of 33.4% ... a result of better sales mix for the mooring and rigging business.
- In June 2016, a new stock point was established in Algeciras, Spain, followed less than six months later, by another in Colon, Panama... generating encouraging results
- TEHO Ropes & Supplies was awarded the Business Excellence (“BE”) certification by Spring Singapore in January 2017.
- Awarded the “MPA Sustainability Reporting Co-Funding Scheme” by the Maritime Port Authority of Singapore

While shareholders appreciate the hard work and the achievements by the group, it would be good for the company to address the less positive issues that are weighing on the investor’s mind upfront in a transparent manner. Several issues such as an update on the development project in Cambodia and the Writs of Summons filed in the High Court of Singapore could possibly be addressed upfront so that shareholders get an update and be assured of the company’s efforts in dealing with them.

- a) **For future commentary, would the Chairman consider providing an even more balanced and candid view in his message to shareholders to highlight both the opportunities and the challenges faced by the group?**
- b) **For the benefit of shareholders, can the company explain how they are proceeding with the development project in Cambodia and with the court cases?**

**Q2.** As seen in Note 27 (page 93 – Operating segments), the Marine and Offshore segment nearly broke even in the financial year. Segment revenue dropped from \$52.3 million in 2016 to \$48.0 million in 2017. Shareholders would like to ask for better clarity on the Marine and Offshore operations and on the growth plans. Specifically:

- a) **High-performance mooring lines: In the collaboration with Teijin Aramid to develop Twaron-based rope, what is the group’s contribution, in terms of R&D expertise, financial resources and/or client network? What is the group’s total investment into this new product development? Can management also give shareholders a sense of the potential of the new high-performance mooring line?**
- b) **New stock points: In the financial year, new stock points in Algeciras, Spain and Colon, Panama were established. Can management clarify if stock points are self-managed or third-party operated? What is the group’s investment for each new stock point?**
- c) **New geographical locations: What are the group’s expansion plans in terms of the number of geographical locations? What is the group’s market entry strategy when it establishes a new site? What is the expected/estimated gestation period?**
- d) **Houston: Can management let shareholders know if the group’s North America’s business was affected by the recent hurricane? Going forward, have the operations and the market demand return to normal?**

**Q3.** For clarity on the potential of the group’s assets and the financial position of the group, can management advise on the following:

- a) **Urban Heritage: Can the group confirm that it has sold all units of the freehold development along Balestier Road and has recognised all revenue in the financial year?**
- b) **Elite Drive: When is the expected Temporary Occupation Permit for the freehold project at Elite Terrace? Of the five units that are sold, can the revenue be recognised in the financial year ending 30 June 2018?**

In addition, as shown in Note 5 (page 73 – Intangible assets), the estimated selling price has been reduced from \$1,044 psf to \$675 psf.

- c) **What are management’s plans to maximise the value of the remaining unsold units given the current market conditions?**

Following the appointment of a new managing director for the Property Development Segment, **can management update shareholders on its plans for the real estate business given that there are recent indications that the real estate market sentiment is improving? Going forward, how does management intend to capitalise on the opportunities?**

A copy of the questions for the Annual Report for the financial year ended 30 June 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=TEHO%20International%20Inc%20Ltd>

The company’s response could be found here:

[https://sias.org.sg/media/qareport/company\\_response/1497930431\\_Teho\\_Responses\\_2016.pdf](https://sias.org.sg/media/qareport/company_response/1497930431_Teho_Responses_2016.pdf)