Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: TEHO International Inc Ltd.

Stock code: 5OQ

Meeting details:
Date: 27 October 2021
Time: 3.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. On the profile page, the company refers to itself as a multi-faceted solutions provider for the marine & offshore sector. Despite the challenges in the sector, the group made significant progress in the past years - setting up an office and warehouse in Ridderkerk, Rotterdam in 2017, a wire rope rigging facility in Houston, Texas in 2019 and more recently, in August 2021, acquiring an additional warehouse in Houston, Texas.

(Source: company annual report)

(i) **For the benefit of new and long-standing shareholders, can management elaborate further on the uses and applications of rigging and mooring systems/products in the marine and offshore sector?**

(ii) **Who are the typical customers and how does the group acquire new customers? What are the key factors that drive the demand for rigging and mooring products/services?**

(iii) **What is the value-add by the group, if any?**

(iv) **Of the 235,635 square feet in inventory space (page 14), how much of the space is being utilised currently?** It was also disclosed that inventory turnover days for the Marine & Offshore segment increased to 236 days in FY2021 from 210 days in FY2020. **How is management looking to better manage its working capital?**

As seen in the financial highlights (page 20; reproduced below), revenue from marine and offshore segment has been steady and showed an upward trend in the past 5 years.

	FY2017	FY2018	FY2019	FY2020	FY2021
REVENUE BY OPERATING SEGMENTS					
Marine & Offshore ($'000)	48,012	47,378	53,621	58,317	54,231

(Adapted from the company annual report)

(v) **What is the group's competitive advantage? How does the group compete against the incumbents when it enters a new market, such as in Busan, Korea which the group entered in 2019?**

(vi) **What is the revenue contribution by TEHO Engineering and by TEHO Water?**

Q2. The group has diversified into the real estate business since 2014 with mixed results. TEHO Development (Cambodia) Pte. Ltd. was disposed in FY2019 for just US$1,000, resulting in a decrease in shareholders' equity of $(21.9) million in FY2019.

The property segment remains small and there appears to be no economies of scale. In the past three years, revenue from property development amounted to $7.58 million in FY2021, $948,000 in FY2020 and $762,000 in FY2019.

The increase in revenue in FY2021 can be attributed to the sale of 88 Farleigh Avenue, a 2-storey detached dwelling house with an attic and a swimming pool. Currently, the group is trying to sell 16 Lorong Salleh which has been rebuilt into a 3-storey semi-detached dwelling house with an attic.

(i) **Can the board/management elaborate further on the growth strategy in the property segment? Are there plans to scale up beyond the piecemeal development of single unit houses? If so, what experience does the group have in carrying out larger scale development?**

(ii) **What is the competitive advantage of the group in property development?**

(iii) **What is the size of the current real estate team? Does the segment take away a lot of management time from the offshore and marine core business?**

(iv) **Does the group have the necessary financial resources to carry out larger scale development?** The group's net debt-to-equity ratio was as high as 2.64x in FY2020 and stood at 1.4x at the end of the reporting period.

(v) **With 7-8 years of experience in real estate under the belt, would it be timely for the board to carry out a strategic review to see if the property business fits into the group's long-term strategic growth plans? Is it in the best interest of the group to focus its resources and management time on the core marine and offshore business?**

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Q3. Previously, the group had outsourced its internal audit function to the Nexia TS Risk Advisory Pte Ltd. In FY2020, the board, on the audit committee's recommendation, appointed TRS Forensics Pte Ltd as the internal auditors to carry out the internal audit review annually as well as an enterprise risk management review on a biennial basis.

(i) **What were the reasons for the change in internal auditor?**

(ii) **How was the internal auditor selected?**

(iii) The internal auditors have also been engaged to carry out an enterprise risk management review (scheduled for November 2021). **Did the AC consider the risk to the internal auditor's independence?**

The group had a two-year internal audit cycle in FY2019 and FY2020 as follows:

Phase 1 (conducted in FY2019)	Phase 2 (conducted in FY2020)
Fabrication and commissioning management (for the Marine & Offshore Segment);	Procurement, sub-contracting, payables and payment;
Development and construction management (for the Property Development Segment);	Inventory management (for the Marine & Offshore Segment);
Sales, marketing and collection; and	Human resource and payroll management; and
Treasury and cash management	Operating expenses (for the Property Development Segment).

(Source: company annual report)

A new cycle of internal audit (conducted in FY2021) consists of revenue to collection; fabrication and commissioning management (for the Marine & Offshore Segment); and IT controls and cybersecurity.

(iv) **What is the scope for phase 2 of the internal audit which will be carried out in FY2022? How is the scope determined?**

(v) **What are the key findings by the internal auditor in FY2021?**

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^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)