TEHO INTERNATIONAL INC LTD.
(Incorporated in the Republic of Singapore on 10 June 2008)
(Company Registration Number: 200811433K)

RESPONSES TO QUERIES RECEIVED FROM SHAREHOLDERS AND SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ON ANNUAL REPORT 2021

The Board of Directors ("**Board**") of TEHO International Inc Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the queries raised by the shareholders of the Company ("**Shareholders**") and the Securities Investors Association (Singapore) ("**SIAS**") in relation to the Company's Annual Report 2021 and appends the replies as follows:

A. Shareholders' Queries

Question 1:

It is extremely pleasing to see that the group clocks in a Profit after Tax of S$3.2 million which is equivalent to an Earnings Per Share (EPS) of approximately 1.37 cents for the latest financial year.

(i) What would be the capex for FY2022?

(ii) With such a wonderful EPS, why does the board opine that after "Considering cash flow requirements" it is not being prudent to distribute any dividends to reward shareholders for their unwavering support in the last few difficult years? Are the earnings mostly non cash related?

Hopefully the directors can enlighten shareholders on this issue.

Company's Response:

(i) The Group's subsidiary in the United States had completed and announced the acquisition of a logistics facility in Houston, Texas on 1 September 2021 to expand its marine and offshore business in the United States and vicinity regions. Barring any unforeseen circumstances, the Group does not expect any major capital expenditure ("**CAPEX**") for the financial year ending 30 June 2022 ("**FY2022**"). With this acquisition in Houston, the Group has expanded its global reach of having logistics facilities in major global port hubs of the world, such as Singapore, Rotterdam and Houston.

(ii) Due to the heightened uncertainties of the pandemic and the continuing stress on the supply chain resulting in increasing supply costs, the Board is of the view that it is in the best interest for the Company to remain prudent and to conserve its cash reserves. The Company wishes to thank Shareholders for their unwavering support and plan to reward Shareholders when the situation improves and stabilises. As reflected on page 66 of the Company's Annual Report 2021, most of the Group's earnings are cash related.

Question 2:

What is the board's view on the group's gearing ratio? Is it prudent to maintain the gearing ratio or will the board look to bring it down in the next financial year?

Company's Response:

The Board is of the view that the Group's current gearing ratio is healthy. As stated on page 20 of the Company's Annual Report 2021, the Group's Net Debt-to-Equity Ratio has improved significantly from 2.64 in FY2020 to 1.40 in FY2021.

Question 3:

How much profit does the group's property development in Singapore contribute to the current financial year. Will the group look to expand this section of the group further or streamline it?

Company's Response:

The Group's gross profit from the sale of its landed development is $0.2 million. The Group is constantly looking for opportunities to expand its property development division but remains cautious in view of the current rising development costs brought about by the pandemic.

Question 4:

With the group's low trading liquidity, is the board looking at any corporate actions to address it in the next financial year?

Company's Response:

The Group would always consider corporate actions and other opportunities as necessary to grow and expand its business.

Question 5:

With regards to the announcement dated 17 Jan 2021 "HIGH COURT SUIT"

(i) Can the board elaborate and explain to shareholders more on what Mr Alvin Chee Siong did that had negatively affected the company?

(ii) Any updates on the above suit?

(iii) How long does the company assess that the suit will drag on as precious time and resources are often needed in a legal suit.

Company's Response:

(i) Due to the on-going nature of the legal suit, the Company is unable to disclose specifics in this commentary other than what had already been announced on 17 January 2021.

(ii) The Company wishes to update Shareholders that both parties are currently at the discovery stage.

(iii) The Company has been advised by its legal counsel that the legal suit may continue into mid-2022.

Question 6:

What would be the future directions for the group at least for the next financial year? (Eg. Expanding the group's current business/exploring new business opportunity/maintaining status quo or streamline its current business.)

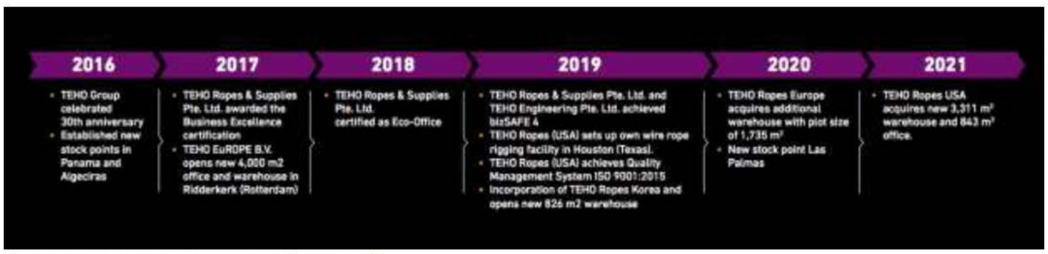
Company's Response:

Taking into account the Group's logistics facilities at the major global port hubs, the Company will focus on global connectivity for the Group's customers who are mostly ship-owners and managers, and grow the Group's current level of business. The Group has started to embark on several digitalisation initiatives and the necessary platforms to further underpin and bolster its operational capability and capacity.

B. SIAS' Queries

Question 1:

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?

Company's Response:

To note: The wire rope rigging and warehousing activities in Houston, Texas in 2019 were conducted in leased premises. In August 2021, the Group's USA subsidiary acquired its own facility to house all its activities in one location to achieve better cost effectiveness, efficiency and expanding business requirements.

(i) The Company wishes to direct Shareholders' attention to the following website: https://tehoropes.com.sg/teho-ropes/products/, to better understand the range of products the Group offers and its applications.

- Rigging systems in the marine and offshore sector include systems of ropes lines such as wire rope and other lifting equipment used at ports, vessels and containers.

- Mooring systems in the marine and offshore sector are equipment that hold vessels at ports, anchors to the seabed and other various purposes.

(ii) The typical customers are ship owners, ship chandlers and port authorities. The key factors that drive the demand for rigging and mooring products/services are vessels traffic, port and trade activities.

(iii) Please refer to the Group's website https://tehoropes.com.sg/ropes/services/mechanical-splicing/ for the value-add by the Group. Ropes splicing is essentially the formation of a knot between two parts of the same rope or between two separate ropes by separating and unravelling the strands and interweaving the threads together to produce a strong joint.

(iv) A significant portion of the 235,635 square feet facility space which spreads over 3 global port hubs in Singapore, Rotterdam and Houston also includes sections for rigging and production works and holding of components, parts and inventory, leaving reasonable space for expansion. Though the inventory days (which is mainly a composite figure of the marine and offshore segment) had increased, the value of inventories had decreased by approximately S$1.1 million in tandem with revenue.

(v) The core business of the Group has been in rigging and mooring since 1978. Its reputation as a reliable vendor and the quality of its product and service brand has grown significantly over the years. For example, PSA has been one of the Group's strong customers since late 1980s. Busan has been added to our Group's customer locations because the Group has noted that its existing customers have increased vessels building in Busan shipyards.

(vi) In aggregate, TEHO Engineering Pte. Ltd. and TEHO Water & Envirotec Pte. Ltd. contributed about 5% to the Group's Marine & Offshore Segment's revenue.

Question 2:

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?

Company's Response:

(i)/(ii) The Group has experience in mid-size scale developments (namely, Heritage Centre and Elite Terraces) in Singapore. Since 2019, large scale developments faced increasing development costs and keen competition from more mid-sized and established developers. This is further compounded by the impact of the current pandemic on development costs. Small scale landed property development is still in demand but the development costs and market have become more competitive. The Group's competitive advantage is in mid-size development and it is always on the lookout for such opportunities.

(iii) The current size of the real estate team is small in view of the small-scale development and managed by a separate management team.

(iv) With the right market opportunity, the Group believes the necessary financial resources can be secured.

(v) The Board is of the view that the real estate business is more dependent on the local economic conditions in Singapore whereas the Group's core marine and offshore business is more global by nature. Both could provide the Group with their own strategic values and are factored into the Group's future business plans.

Question 3:

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?

Company's Response:

The Group had outsourced its internal audit function as one of its IPO initiatives. The Board and management deem the outsourcing to be beneficial for the Group and has continued with it. Enterprise risk management review was subsequently included to complement the internal controls review.

(i) The change of internal auditors was to bring in a fresh perspective on the Group's internal controls.

(ii) The selection was based on experience of the internal audit team and proposed fees.

(iii) Despite TRS being engaged by the Group to carry out the ERM review, this does not affect their internal audit independence as the ERM review engagement is only to facilitate key members of management in carrying out its risk management function, review the adequacy of our risk management process and engage us to brainstorm and discuss the key risks faced by the Group. The Board and management are responsible for overseeing and implementing the applicable risk management policies and practices respectively.

(iv) The scope for phase 2 of the internal audit which will be carried out in FY2022 covers the following areas:

(a) Procurement to Payment
(b) Fixed Asset Management
(c) Human Resource and Payroll

The scope is determined by internal auditors based on their assessment of recent past audit findings and the recommendations of the Audit Committee and the Board in view of the growth and expansion of the Group's organisation and business.

(v) Key findings by internal auditors with management responses are presented to and discussed with the Audit Committee who will submit its findings and recommendations to the Board. The recommendations will also serve as further inputs for the next cycle of internal audit and enterprise risk management reviews. Pursuant to Rule 1204(10) of the Catalist Rules, which requires the disclosure of any material weaknesses identified by the Board or Audit Committee in the annual report, the Board has not identified any material weakness based on the findings by the internal auditors for the Group's FY2021 internal audit.

BY ORDER OF THE BOARD

Lim See Hoe
Executive Chairman and Chief Executive Officer
26 October 2021

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.

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