

TEHO INTERNATIONAL INC LTD.

(Company Registration No: 200811433K)
(Incorporated in the Republic of Singapore)

**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018**

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST").

The Company's Sponsor has not independently verified the contents of this announcement. This announcement has not been examined or approved by 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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Following the adoption of the new Singapore Financial Reporting Standards International ("**SFRS(I)**") on 1 July 2018, in particular SFRS(I) 1, SFRS(I) 9 and SFRS(I) 15, TEHO International Inc Ltd. (the "**Company**") and together with its subsidiaries, the "**Group**") has restated its comparative financial figures. Please refer to section 5 of this announcement for more details on the changes required under the accounting standards.

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a)(i) A consolidated statement of comprehensive income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

**Consolidated statement of profit or loss
Half Year ended 31 December 2018**

	Group		Change
	Half Year Ended		
	31 Dec 2018	31 Dec 2017	
	Unaudited	Unaudited	
	(Restated)	(Restated)	
	\$	\$	%
Revenue	25,631,656	25,737,093	(0.4)
Cost of sales	(17,156,977)	(17,910,947)	(4.2)
Gross profit	8,474,679	7,826,146	8.3
Other income	351,872	392,756	(10.4)
Distribution expenses	(740,826)	(1,259,718)	(41.2)
Administrative expenses	(5,957,655)	(6,760,883)	(11.9)
Other operating expenses	(2,153,705)	(2,190,365)	(1.7)
Results from operating activities	(25,635)	(1,992,064)	(98.7)
Finance income	6,945	373	1,761.9
Finance costs	(669,967)	(550,631)	21.7
Net finance costs	(663,022)	(550,258)	20.5
Loss before tax	(688,657)	(2,542,322)	(72.9)
Tax credit	107,095	400,302	(73.2)
Loss for the period	(581,562)	(2,142,020)	(72.8)
Loss attributable to:			
Owners of the Company	(581,562)	(2,142,020)	(72.8)
Non-controlling interests	-	-	-
Loss for the period	(581,562)	(2,142,020)	(72.8)
Loss per share			
Basic (cents)	(0.25)	(0.92)	(72.8)
Diluted (cents)	(0.25)	(0.92)	(72.8)

n.m.: not meaningful.

1(a)(i) A consolidated statement of comprehensive income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

**Consolidated statement of comprehensive income
Half Year ended 31 December 2018**

	Group		Change
	31 Dec 2018	31 Dec 2017	
	Unaudited	Unaudited (Restated)	
	\$	\$	%
Loss for the period	(581,562)	(2,142,020)	(72.8)
Other comprehensive income / (loss)			
Items that are or may be reclassified to profit or loss:			
Foreign currency translation differences reclassified to profit or loss upon disposal of subsidiaries	(152,123)	–	n.m.
Foreign currency translation differences, net of tax	164,163	(720,579)	n.m.
Other comprehensive income / (loss) for the period, net of tax	12,040	(720,579)	n.m.
Total comprehensive loss for the period	(569,522)	(2,862,599)	(80.1)
Total comprehensive loss attributable to:			
Owners of the Company	(610,232)	(2,206,882)	(72.3)
Non-controlling interests	40,710	(655,717)	n.m.
Total comprehensive loss for the period	(569,522)	(2,862,599)	(80.1)

1(a)(ii) Notes to the consolidated statement of comprehensive income

	Group		Change
	31 Dec 2018	31 Dec 2017	
	Unaudited	Unaudited (Restated)	
	\$	\$	%
Bad debts written off	(76,771)	(1,756)	4,271.9
Depreciation of investment property	(63,918)	–	n.m.
Depreciation of property, plant and equipment	(391,549)	(527,418)	(25.8)
Equity-settled share-based payment transactions	(33,075)	(14,175)	133.3
Fair value gain on derivatives	–	40,764	n.m.
Foreign exchange gain / (loss), net	23,096	(29,128)	n.m.
Interest income	6,945	373	1,761.9
Interest expense	(669,967)	(550,631)	21.7%
Gain on disposal of plant and equipment	–	7,890	n.m.
Loss on disposal of subsidiaries	(105,650)	–	n.m.
Over provision of tax in respect of prior years	107,095	467,162	(77.1)
Reversal of allowance for foreseeable loss on development properties	–	181,366	n.m.

1(b)(i) A statement of financial position (for the Issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

**Statements of financial position
As at 31 December 2018**

	Note	Group			Company		
		31 Dec 2018 Unaudited	30 June 2018 Unaudited (Restated)	1 July 2017 Unaudited (Restated)	31 Dec 2018 Unaudited	30 June 2018 Audited	1 July 2017 Unaudited
		\$	\$	\$	\$	\$	
Assets							
Property, plant and equipment	4	6,432,449	6,803,142	10,794,022	20,360	41,798	84,579
Intangible assets		–	–	–	–	–	–
Investment property		3,505,469	3,569,387	–	–	–	–
Investment in subsidiaries		–	–	–	15,272,731	15,261,706	18,831,877
Investment in associates		–	–	–	–	–	–
Deferred tax assets	4	218,596	218,596	218,596	–	–	–
Non-current assets		10,156,514	10,591,125	11,012,618	15,293,091	15,303,504	18,916,456
Inventories		22,298,498	22,102,605	21,780,022	–	–	–
Development properties		4,927,361	–	40,188,525	–	–	–
Trade and other receivables		10,883,758	13,172,211	11,951,363	3,006,845	2,595,504	4,720,831
Contract assets		3,501,245	4,039,644	629,383	–	–	–
Cash and cash equivalents		3,608,241	4,468,143	7,781,629	52,194	84,298	88,127
		45,219,103	43,782,603	82,330,922	3,059,039	2,679,802	4,808,958
Assets held for sale		–	21,920,253	–	–	–	–
Current assets		45,219,103	65,702,856	82,330,922	3,059,039	2,679,802	4,808,958
Total assets		55,375,617	76,293,981	93,343,540	18,352,130	17,983,306	23,725,414
Equity							
Share capital		32,978,808	32,922,108	32,922,108	32,978,808	32,922,108	32,922,108
Other reserves	4	(1,658,393)	(1,606,098)	161,556	(1,739,496)	(1,715,871)	–
Accumulated losses		(17,488,180)	(16,583,048)	(14,473,130)	(53,832,472)	(53,142,224)	(46,653,923)
Equity attributable to owners of the Company		13,832,235	14,732,962	18,610,534	(22,593,160)	(21,935,987)	(13,731,815)
Non-controlling interests		–	21,881,198	22,065,764	–	–	–
Total equity		13,832,235	36,614,160	40,676,298	(22,593,160)	(21,935,987)	(13,731,815)
Liabilities							
Loans and borrowings		14,655,758	12,662,998	27,732,409	–	–	–
Deferred tax liabilities	4	12,647	12,647	12,702	–	–	–
Non-current liabilities		14,668,405	12,675,645	27,745,111	–	–	–
Loans and borrowings		19,799,289	18,962,255	16,665,130	–	–	–
Current tax liabilities		82,055	221,653	708,158	–	7,140	10,201
Trade and other payables		6,733,456	7,622,622	7,383,815	40,945,290	39,912,153	37,447,028
Contract liabilities		260,177	157,730	165,028	–	–	–
		26,874,977	26,964,260	24,922,131	40,945,290	39,919,293	37,457,229
Liabilities directly associated with the assets held for sale		–	39,916	–	–	–	–
Current liabilities		26,874,977	27,004,176	24,922,131	40,945,290	39,919,293	37,457,229
Total liabilities		41,543,382	39,679,821	52,667,242	40,945,290	39,919,293	37,457,229
Total equity and liabilities		55,375,617	76,293,981	93,343,540	18,352,130	17,983,306	23,725,414

1(b)(ii) In relation to the aggregate amount of the Group's borrowings and debt securities, specify the following at the end of the financial period reported on with comparative figures at the end of the immediately preceding financial year:

Amount repayable in one year or less, or on demand

As at 31 Dec 2018		As at 30 Jun 2018	
Secured \$	Unsecured \$	Secured \$	Unsecured \$
19,799,289	–	18,962,255	–

Amount repayable after one year

As at 31 Dec 2018		As at 30 Jun 2018	
Secured \$	Unsecured \$	Secured \$	Unsecured \$
14,655,758	–	12,662,998	–

Details of collateral

The bank borrowings are secured by corporate guarantee by the Company, first charge on the Group's leasehold land and buildings, and legal mortgages on the Group's development properties. Finance leases are secured by charge over the leased assets.

1(c) A statement of cash flow (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Cash Flows
Half Year ended 31 December 2018

	Group	
	31 Dec 2018	31 Dec 2017
	Unaudited	Unaudited
	\$	(Restated)
	\$	\$
<u>Cash flows from operating activities</u>		
Loss before tax	(688,657)	(2,542,322)
Adjustments for:		
Bad debts written off	76,771	1,756
Depreciation of investment property	63,918	–
Depreciation of property, plant and equipment	391,549	527,418
Equity-settled share-based payment transactions	33,075	14,175
Fair value gain on derivatives	–	(40,764)
Gain on disposal of plant and equipment	–	(7,890)
Loss on disposal of subsidiaries	105,650	–
Net finance costs	663,022	550,258
Reversal of allowance for foreseeable loss on development properties	–	(181,366)
Operating cash flows before changes in working capital	<u>645,328</u>	<u>(1,678,735)</u>
Changes in:		
- Inventories	(166,969)	(514,188)
- Development properties	(5,098,420)	2,127,203
- Trade and other receivables	2,261,386	4,721,680
- Contract assets	538,399	(3,410,261)
- Trade and other payables	(707,800)	(1,156,964)
- Contract liabilities	<u>(369,206)</u>	<u>(7,299)</u>
Cash generated (used in) / from operations	(2,897,282)	81,436
Tax paid	<u>(32,503)</u>	<u>(248,185)</u>
Net cash used in operating activities	<u>(2,929,785)</u>	<u>(166,749)</u>
<u>Cash flows from investing activities</u>		
Acquisition of property, plant and equipment	(54,371)	(344,653)
Cash outflows from disposal of subsidiaries ^(Note 1)	(15,574)	–
Proceeds from disposal of plant and equipment	–	7,890
Interest received	6,945	373
Net cash used in investing activities	<u>(63,000)</u>	<u>(336,390)</u>
<u>Cash flows from financing activities</u>		
Payment of finance lease liabilities	(9,015)	(8,634)
Proceeds from loans and borrowings	14,279,127	11,050,288
Repayment of loans and borrowings	(11,440,319)	(11,163,778)
Interest paid	(754,749)	(720,818)
Net cash from / (used in) financing activities	<u>2,075,044</u>	<u>(842,942)</u>

Consolidated Statement of Cash Flows (continued)
Half Year ended 31 December 2018

	31 Dec 2018	Group
	Unaudited	31 Dec 2017
	\$	Unaudited
		(Restated)
		\$
Net decrease in cash and cash equivalents	(917,741)	(1,346,081)
Cash and cash equivalents at 1 Jul	4,492,213	7,781,629
Effect of exchange rate fluctuations on cash held	33,769	(37,647)
Cash and cash equivalents at 31 Dec	<u>3,608,241</u>	<u>6,397,901</u>

Note 1

Analysis of assets and liabilities of subsidiaries disposed was as follows:

Property, plant and equipment	1,386	–
Development properties	22,200,477	–
Trade and other receivables	707	–
Cash and cash equivalents	16,960	–
Trade and other payables	(38,463)	–
Foreign currency translation reserve	(152,123)	–
	<u>22,028,944</u>	<u>–</u>
Non-controlling interests	(21,921,908)	–
Identified net assets	107,036	–
Loss on disposal of subsidiaries	(105,650)	–
Selling proceeds	<u>1,386</u>	<u>–</u>
Net cash outflows arising from the disposal of subsidiaries		
Cash received from selling proceeds	1,386	–
Cash and cash equivalents disposed off	(16,960)	–
Net cash outflows from disposal of subsidiaries	<u>(15,574)</u>	<u>–</u>

1(d)(i) A statement (for the Issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of changes in equity

Group	Note	Attributable to owners of the Company						Total	Non-controlling interests	Total equity
		Share capital	Capital reserve	Foreign currency translation reserve	Revaluation reserve	Share-based compensation reserve	Accumulated losses			
		\$		\$	\$	\$	\$	\$	\$	
At 1 July 2018		32,922,108	(1,772,571)	109,773	11,846,078	56,700	(16,583,048)	26,579,040	21,881,198	48,460,238
Adjustment on initial application of SFRS(I) 1 (net of tax)	4	–	–	–	(11,846,078)	–	–	(11,846,078)	–	(11,846,078)
As restated		32,922,108	(1,772,571)	109,773	–	56,700	(16,583,048)	14,732,962	21,881,198	36,614,160
Adjustment on initial application of SFRS(I) 15 (net of tax)	4	–	–	–	–	–	(323,570)	(323,570)	–	(323,570)
Adjusted balance at 1 July 2018		32,922,108	(1,772,571)	109,773	(11,846,078)	56,700	(16,906,618)	14,409,392	21,881,198	36,290,590
Total comprehensive loss for the period										
Loss for the period		–	–	–	–	–	(581,562)	(581,562)	–	(581,562)
Foreign currency translation differences reclassified to profit or loss upon disposal of subsidiaries		–	–	(152,123)	–	–	–	(152,123)	–	(152,123)
Foreign currency translation differences		–	–	123,453	–	–	–	123,453	40,710	164,163
Total comprehensive loss for the period		–	–	(28,670)	–	–	(581,562)	(610,232)	40,710	(569,522)
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Equity-settled share-based payment transactions		–	–	–	–	33,075	–	33,075	–	33,075
Issue of ordinary shares in relation to vesting of share awards under the TEHO Performance Share Plan		56,700	–	–	–	(56,700)	–	–	–	–
Changes in ownership interests in subsidiaries										
Disposal of subsidiaries with non-controlling interests		–	–	–	–	–	–	–	(21,921,908)	(21,921,908)
At 31 December 2018		32,978,808	(1,772,571)	81,103	–	33,075	(17,488,180)	13,832,235	–	13,832,235

Statement of changes in equity

Group		Attributable to owners of the Company							Non-controlling interests	Total equity
		Note	Share capital	Foreign currency translation reserve	Revaluation reserve	Share-based compensation reserve	Accumulated losses	Total		
			\$	\$	\$	\$	\$	\$		
At 1 July 2017			32,922,108	161,556	12,192,793	–	(14,473,130)	30,803,327	22,065,764	52,869,091
Adjustment on initial application of SFRS(I) 1 (net of tax)		4	–	–	(12,192,793)	–	–	(12,192,793)	–	(12,192,793)
As restated			32,922,108	161,556	–	–	(14,473,130)	18,610,534	22,065,764	40,676,298
Total comprehensive income for the period										
Loss for the period			–	–	–	–	(2,350,884)	(2,350,884)	–	(2,350,884)
Adjustment on initial application of SFRS(I) 1 (net of tax)		4	–	–	–	–	208,864	208,864	–	208,864
As restated			–	–	–	–	(2,142,020)	(2,142,020)	–	(2,142,020)
Foreign currency translation differences			–	(64,862)	–	–	–	(64,862)	(655,717)	(720,579)
Total comprehensive income for the period			–	(64,862)	–	–	(2,142,020)	(2,206,882)	(655,717)	(2,862,599)
Transactions with owners, recognised directly in equity										
Contributions by and distributions to owners										
Equity-settled share-based payment transactions			–	–	–	14,175	–	14,175	–	14,175
Others										
Transfer to accumulated losses		4	–	–	(173,357)	–	173,357	–	–	–
Adjustment on initial application of SFRS(I) 1 (net of tax)		4	–	–	173,357	–	(173,357)	–	–	–
As restated			–	–	–	–	–	–	–	–
Deferred tax income credited directly to equity			–	–	–	–	35,507	35,507	–	35,507
Adjustment on initial application of SFRS(I) 1 (net of tax)		4	–	–	–	–	(35,507)	(35,507)	–	(35,507)
As restated			–	–	–	–	–	–	–	–
Total others			–	–	–	–	–	–	–	–
At 31 December 2017			32,922,108	96,694	–	14,175	(16,615,150)	16,417,827	21,410,047	37,827,874

Statement of changes in equity

Company	Note	Share capital \$	Capital reserve \$	Share-based compensation reserve \$	Accumulated losses \$	Total equity \$
At 1 July 2018		32,922,108	(1,772,571)	56,700	(53,142,224)	(21,935,987)
Total comprehensive loss for the period		–	–	–	(690,248)	(690,248)
Share-based payment transactions		–	–	33,075	–	33,075
Issue of ordinary shares		56,700	–	(56,700)	–	–
At 31 December 2018		32,978,808	(1,772,571)	33,075	(53,832,472)	(22,593,160)
At 1 July 2017		32,922,108	–	–	(46,653,923)	(13,731,815)
Total comprehensive loss for the period		–	–	–	(1,205,337)	(1,205,337)
Share-based payment transactions		–	–	14,175	–	14,175
At 31 December 2017		32,922,108	–	14,175	(47,859,260)	(14,922,977)

1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

As at 30 June 2018, the share capital of the Company comprised 233,324,614 ordinary shares. On 1 November 2018, the Company allotted and issued 1,050,000 ordinary shares in the capital of the Company to the eligible employees, pursuant to the vesting of the share awards under the TEHO Performance Share Plan. As a result, as at 31 December 2018, the share capital of the Company increased to 234,374,614 ordinary shares.

Share Awards

At the extraordinary general meeting of the Company held on 25 October 2011, the shareholders of the Company approved the adoption of the TEHO Performance Share Plan. On 1 November 2017, the Company granted 2,100,000 share awards to its employees which will vest accordingly based on the prescribed timelines set by the Remuneration Committee of the Company.

A reconciliation of outstanding share awards from 1 July 2018 to 31 December 2018 is as follows:

Outstanding Share Awards	Number of Shares
At 1 July 2018	2,100,000
Forfeited during the period	-
Vested during the period	(1,050,000)
Granted during the period	-
At 31 December 2018	<u>1,050,000</u>

As at 31 December 2018, the 1,050,000 outstanding share awards in issue are convertible into 1,050,000 ordinary shares in the share capital of the Company (31 December 2017: 2,100,000).

As at 31 December 2018 and 31 December 2017, save as disclosed above, the Company had no outstanding convertibles, treasury shares or subsidiary holdings.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	As at 31 Dec 2018	As at 30 Jun 2018
Total number of issued shares (excluding treasury shares)	234,374,614	233,324,614

The Company did not have treasury shares as at 31 December 2018 and 30 June 2018.

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. The Company did not have treasury shares during the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. The Company did not have any subsidiary holdings during the current financial period reported on.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Save as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of these financial statements.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

In December 2017, the Accounting Standards Council ("ASC") issued the Singapore Financial Reporting Standards (International) ("SFRS(I)"). SFRS(I) comprises standards and interpretations that are equivalent to International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") at 31 December 2017 that are applicable for annual period beginning on 1 January 2018. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I) with effect from annual periods beginning on or after 1 January 2018.

In previous financial years, the financial statements were prepared in accordance with Financial Reporting Standards ("FRS"). These are the Group's first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied for the period ended 31 December 2018, the comparative information presented in these financial statements for the year ended 30 June 2018 and in the preparation of the opening SFRS(I) statement of financial position at 1 July 2017 (the Group's date of transition), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

In preparing the opening SFRS(I) statement of financial position, the Group has adjusted amounts reported previously in the financial statements prepared in accordance with previous FRS.

In addition to the adoption of the new framework, the Group also concurrently applied the following SFRS(I)s, interpretations of SFRS(I)s and requirements of SFRS(I)s which are mandatorily effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* which includes the clarifications to IFRS 15 *Revenue from Contracts with Customers* issued by the IASB in April 2016;
- SFRS(I) 9 *Financial Instruments* which includes the amendments to IFRS 4 *Insurance Contracts* issued by the IASB in September 2016;
- requirements in SFRS(I) 2 *Share-based Payment* arising from the amendments to IFRS 2 - *Classification and Measurement of Share-based Payment Transactions* issued by the IASB in June 2016;
- requirements in SFRS(I) 1-40 *Investment Property* arising from the amendments to IAS 40 - *Transfers of Investment Property* issued by the IASB in December 2016;
- requirements in SFRS(I) 1 arising from the amendments to IFRS 1 – *Deletion of short-term exemptions for first-time adopters* issued by the IASB in December 2016;
- requirements in SFRS(I) 1-28 *Investment in Associates and Joint Ventures* arising from the amendments to IAS 28 – *Measuring an associate or joint venture at fair value* issued by the IASB in December 2016; and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

The application of the above standards and interpretations do not have a material effect on the financial statements, except for SFRS(I) 1 and SFRS(I) 15.

An explanation of how the transition from previous FRS to SFRS(I) and the adoption of SFRS(I) 1, SFRS(I) 9 and SFRS(I) 15 have affected the Group's financial position, financial performance and cash flows, and the Company's financial position is set out below.

SFRS(I) 1

Cost model for freehold land and building and leasehold buildings classified as property, plant and equipment

The Group previously measured its freehold land and building and leasehold buildings at revalued amounts. The Group currently measures these freehold land and building and leasehold buildings held by the Group at the date of transition to SFRS(I) 1 at cost model retrospectively in its SFRS(I) financial statements.

	<u>At 30 June 2018</u>			<u>At 1 July 2017</u>		
	As previously reported	Restatement	As restated	As previously reported	Restatement	As restated
	\$	\$	\$	\$	\$	\$
Consolidated statement of financial position						
Property, plant and equipment	21,075,525	(14,272,383)	6,803,142	25,484,134	(14,690,112)	10,794,022
Deferred tax assets	–	218,596	218,596	–	218,596	218,596
Deferred tax liabilities	(2,220,356)	2,207,709	(12,647)	(2,291,425)	2,278,723	(12,702)
Revaluation surplus	(11,846,078)	11,846,078	–	(12,192,793)	12,192,793	–

	<u>Half year ended 31 December 2018</u>		
	As previously reported	Restatement	As restated
	\$	\$	\$
Consolidated statement of profit or loss			
Other operating expenses	(2,399,229)	208,864	(2,190,365)
Loss before tax	(2,751,186)	208,864	(2,542,322)
Loss for the period			
Owners of the Company	(2,350,884)	208,864	(2,142,020)
Non-controlling interests	–	–	–
	<u>(2,350,884)</u>	<u>208,864</u>	<u>(2,142,020)</u>

SFRS(I) 9

SFRS(I) 9 *Financial Instruments* sets out new requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new “expected credit loss” (ECL) model and a new general hedge accounting model. The Group adopted SFRS(I) from 1 July 2018.

In accordance with the exemption in SFRS(I) 1, the Group elected not to restate information for 2018. Accordingly, the information presented for 2018 is presented, as previously reported, under FRS 39 *Financial Instruments: Recognition and Measurement*. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in retained earnings as at 1 July 2018.

The impact upon adoption of SFRS(I) 9 are described below.

Impairment

The Group’s financial assets consist of loans and receivables that are expected to continue to be accounted for using amortised cost model under SFRS(I) 9.

SFRS(I) 9 replaces the current ‘incurred loss’ model in FRS 39 with an “expected credit loss” (“ECL”) model. The new impairment model applies to financial assets measured at amortised cost, contract assets, debt investments at FVOCI and intra-group financial guarantee contracts, but not to equity investments.

The Group applied the simplified approach and record lifetime ECL on all trade receivables. For the non-trade receivables, the Group applied the general approach and record 12-month ECL on non-trade receivables.

Based on the assessment, there is no significant impact on the Group’s financial statements for the current financial period reported on arising from SFRS(I) 9.

SFRS(I) 15

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group adopted SFRS(I) 15 in its financial statements, using cumulative approach by recognising the effect of SFRS(I) 15 as an adjustment to the opening balance of retained earnings at the date of initial application on 1 July 2018.

The impact upon adoption of SFRS(I) 15 are described below.

Revenue from sale of goods

The Group previously recognised its revenue from sale of goods when significant risks and rewards of ownership have been transferred to the customer. Based on the assessment, there is no significant impact on the Group's financial statements for the current financial period reported on arising from SFRS(I) 15 because the Group satisfies the performance obligation and the goods are transferred to the customers when the goods are delivered.

The Group's contracts for sale of goods may include variable considerations such as trade discounts, volume rebates or other similar items. Under SFRS(I) 15, the Group is required to estimate the amount of consideration to which it expects to be entitled and variable amounts are included in revenue to the extent it is highly probable that there will be no significant reversal when the uncertainty is resolved.

Based on the assessment on the variable considerations, the Group has recognised an additional estimated volume rebates of \$323,570 on the Group's financial position as at 1 July 2018 as illustrated below.

	As at 30 June 2018	Effect of SFRS(I) 15	As at 1 July 2018
	\$	\$	\$
Consolidated statement of financial position			
Trade and other payables	7,622,622	323,570	7,946,192
Accumulated losses	(16,583,048)	(323,570)	(16,906,618)

6. Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:

Earnings per ordinary share for the period based on profit attributable to owners of the parent, net of tax:

	Group	
	Half Year ended 31 Dec 2018 Unaudited	Half Year ended 31 Dec 2017 Unaudited (Restated)
Earnings (\$) (Profit/(Loss) attributable to owners of the parent, net of tax)	(581,562)	(2,142,020)
(i) Based on weighted average number of ordinary shares in issue (cents)	(0.25)	(0.92)
Weighted average number of ordinary shares	233,638,473	233,326,614
(ii) On a fully diluted basis in issue (cents)	(0.25)	(0.92)
Weighted average number of ordinary shares	235,424,614	234,024,614

7. **Net asset value (for the Issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.**

	Group As at		Company As at	
	31 Dec 2018 Unaudited	30 Jun 2018 Unaudited (Restated)	31 Dec 2018 Unaudited	30 Jun 2018 Unaudited
Net asset value (\$)	13,832,235	14,732,962	(22,593,160)	(21,935,987)
Net asset value per ordinary share (cents)	5.90	6.31	(9.64)	(9.40)
Number of shares in issue	234,374,614	233,324,614	234,374,614	233,324,614

8. **A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following: (a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.**

Financial Performance Review

Revenue

Revenue decreased marginally by \$0.1 million or 0.4% to \$25.6 million for the financial period ended 31 December 2018 ("HY2019") from \$25.7 million for the financial period ended 31 December 2017 ("HY2018").

- Marine & Offshore Segment revenue in HY2019 increased by 14.1% or \$3.1 million as compared to HY2018. The increase was mainly attributable to increased revenue contribution from the mooring and rigging business.

However, the increase in revenue from the Marine & Offshore Segment was offset by the following:

- Revenue from the Property Development Segment in HY2019 decreased by \$3.2 million as compared to HY2018, mainly due to the absence of revenue contribution of \$2.3 million in HY2018 from the sale of units of the Elite Terrace development project which was fully sold in HY2018.
- In addition, revenue contribution from the property agency and property consultancy decreased by \$0.8 million and \$0.1 million respectively.

Gross profit

The Group's gross profit of \$8.5 million in HY2019 increased by \$0.7 million or 8.3% from \$7.8 million in HY2018. The Group's gross profit margin in HY2019 increased to 33.1% in HY2019 as compared to 30.4% in HY2018.

- Marine & Offshore Segment contributed gross profit of \$8.1 million to the Group in HY2019 as compared to \$7.4 million in HY2018. The gross profit margin decreased to 32.1% in HY2019 from 33.6% in HY2018.
- Property Development Segment contributed gross profit of \$0.4 million to the Group in HY2019, primarily arising from the property consultancy business. The gross profit margin improved to 97.3% mainly due to the absence of the gross loss of \$0.2 million contributed by the Elite Terrace development project in HY2018.

Other income

Other income decreased by \$41,000 or 10.4% to \$352,000 in HY2019 from \$393,000 in HY2018. The decrease was mainly due to the following:

- Absence of fair value gain on derivatives of \$41,000 recorded in HY2018.

Distribution expenses

Distribution expenses decreased by \$0.6 million or 41.2% to \$0.7 million in HY2019 from \$1.3 million in HY2018. This was mainly due to the absence of commission expense incurred on the sale of units of the Elite Terrace development project in HY2018.

Administrative expenses

Administrative expenses decreased by \$0.8 million or 11.9% to \$6.0 million in HY2019 from \$6.8 million in HY2018. The decrease was mainly due to the following:

- Legal and professional fees decreased by \$0.6 million as a result of the absence of legal and professional fees incurred in HY2018 in relation to the proceedings announced on 24 January 2017, 4 April 2017, 16 May 2017 and 22 May 2017.
- Employee benefits expenses and related staff costs decreased by \$0.2 million due to a decrease in overall staff costs in the Marine & Offshore Segment and a decrease in headcount in the Property Development Segment.

Other operating expenses

Other operating expenses remained stable at \$2.2 million in HY2019. Other operating expenses include the following:

- Loss on disposal of subsidiaries of \$0.1 million in HY2019.
- Bad debts written-off of \$77,000 (HY2018: \$2,000), representing an increase of \$75,000. These were mainly attributable to the Marine & Offshore Segment's retention amounts written-off in HY2019.

The increases mentioned above were offset by:

- Reduction in entertainment and transport expenses by \$0.1 million in HY2019.
- Depreciation charges for investment property and property, plant and equipment decreased by \$72,000, mainly attributable to more equipment becoming fully depreciated in the Marine & Offshore Segment.

Finance income

The increase in the Group's finance income, comprising mainly interest income, remained insignificant for HY2019.

Finance costs

In HY2019, the Marine & Offshore Segment increased its usage of credit facilities. This resulted in an increase in finance costs in HY2019 of approximately \$0.1 million as compared to HY2018. The loans and borrowings of the Property Development Segment did not have a significant impact to the Group's finance costs during HY2019 because most of the segment's finance costs are capitalised and included in the carrying amount of development properties.

Income tax expense

There was an income tax credit of \$0.1 million in HY2019 as compared to an income tax credit of \$0.4 million in HY2018. The over provision of income tax was mainly due to the utilisation of group relief in respect of prior year's taxes.

Loss for the period

Combining the profit before tax of \$0.6 million for the Marine & Offshore Segment, loss before tax of \$1.1 million for the Property Development Segment and the unallocated head office expenses of \$0.2 million, the Group's loss before tax is \$0.7 million in HY2019 as compared to a loss before tax of \$2.5 million in HY2018, representing a 72.9% reduction in losses. After accounting for income tax credits of \$0.1 million, the Group's loss for HY2019 is \$0.6 million as compared to a loss of \$2.1 million in HY2018, representing a 72.8% reduction in losses.

Total comprehensive (loss) / income for the period

After accounting for foreign currency translation differences, the total comprehensive loss for HY2019 is \$0.6 million, compared to a total comprehensive loss of \$2.9 million in HY2018.

Balance Sheet Review

Non-current assets

Non-current assets decreased to \$10.2 million as at 31 December 2018 from \$10.6 million as at 30 June 2018. This decrease was mainly due to the following:

- Depreciation of investment property, and depreciation of property, plant and equipment of \$0.5 million. Acquisition of property, plant and equipment was insignificant.

Current assets

Current assets decreased by \$20.5 million or 31.2% to \$45.2 million as at 31 December 2018 from \$65.7 million as at 30 June 2018. The decrease was due to the following:

- Trade and other receivables decreased by \$2.3 million, of which \$1.4 million relates to outstanding receivables collected following the sale completion of the Elite Terrace development project in HY2018. \$1.1 million of the decrease was due to utilisation of prepayments relating to the acquisition of a residential property for redevelopment. The decrease aforementioned is offset by a \$0.2 million increase in trade receivables attributable to the Marine & Offshore Segment. Trade and other receivables turnover days for the Marine & Offshore Segment decreased by 4 days from 79 days in FY2018 to 75 days in HY2019.
- Contract assets decreased by \$0.5 million as a result of conversion into billings to customers by the electrical and mechanical engineering systems business.
- Cash and cash equivalents decreased by \$0.9 million. Please refer to the "Cash Flows Review" section below for details.
- Assets held for sale reduced by \$21.9 million, following the completion of the disposal of TEHO Development (Cambodia) Pte. Ltd. and TEHO-SBG Development Co., Ltd. in November 2018.

The decrease mentioned above was offset by:

- Inventories increased marginally by \$0.2 million. Inventory turnover days in HY2019 decreased to 236 days from 254 days in FY2018.
- Development properties increased by \$4.9 million arising from the redevelopment of a landed residential property located at 88 Farleigh Avenue for sale.

Non-current liabilities

Non-current liabilities increased by \$2.0 million or 15.7% to \$14.7 million as at 31 December 2018 from \$12.7 million as at 30 June 2018. The increase was due to the following:

- Drawdown of a land loan of \$3.4 million by the Property Development Segment to fund the purchase of a landed residential property with the intention to re-develop the property for sale.

The increase above was offset by:

- Repayment of long-term loans and borrowings of \$1.4 million.

Current liabilities

Current liabilities decreased by \$0.1 million or 0.4% to \$26.9 million as at 31 December 2018 from \$27.0 million as at 30 June 2018. The decrease was due to the following:

- Current tax liabilities decreased by \$0.1 million as settlements were made throughout the financial period.
- Trade and other payables decreased by \$0.9 million. Trade and other payables attributable to the Property Development Segment decreased by \$1.2 million, mainly a result of the completion of the Elite Terrace development project in HY2018. A further \$0.1 million of the decrease related to the head office. The decreases were offset by an increase of \$0.4 million attributable to the Marine & Offshore Segment. Turnover days for the Group's trade and other payables increased from 58 days in FY2018 to 70 days in HY2019, mainly attributable to the Property Development Segment.

The increase above was offset by the following:

- Loans and borrowings (current portion) increased by \$0.8 million due to an increase in utilisation of short-term trade facilities.
- Contract liabilities increased marginally by \$0.1 million, mainly attributable to an increase in advances received from customers in the Marine & Offshore Segment.

Shareholders' equity

Shareholders' equity decreased by \$0.9 million or 6.1% to \$13.8 million as at 31 December 2018 from \$14.7 million as at 30 June 2018. The decrease was mainly due to the following:

- Adjustment on initial application of SFRS (I) 15 resulted in a decrease of \$0.3 million in shareholders' equity.
- Total comprehensive loss for HY2019 amounted to \$0.6 million.

Cash Flows Review

Cash flows used in operating activities

Operating cash inflows before changes in working capital was \$0.6 million in HY2019. Net cash outflow from working capital was \$3.5 million due to the following (the amounts below do not add up due to rounding):

- Cash outflows arising from an increase in inventories of \$0.2 million;
- Cash outflows arising from an increase in development properties of \$5.1 million;
- Cash inflows arising from a decrease in trade and other receivables of \$2.3 million;
- Cash inflows arising from a decrease in contract assets of \$0.5 million;
- Cash outflows arising from a decrease in trade and other payables of \$0.7 million; and
- Cash outflows arising from a decrease in contract liabilities of \$0.4 million

After deducting income taxes paid of \$33,000, net cash used in operating activities in HY2019 was \$2.9 million.

Cash flows used in investing activities

Net cash used in investing activities in HY2019 was \$63,000 which was mainly attributable to the purchase of property, plant and equipment and the net cash outflow from the disposal of subsidiaries of S\$16,000 which arose from the completion of the disposal of TEHO Development (Cambodia) Pte. Ltd and TEHO-SBG Development CO., Ltd in November 2018.

Cash flows from financing activities

Net cash flows from financing activities in HY2019 was \$2.1 million, attributable to the following:

- Interest paid of \$0.8 million;
- Repayment of bank borrowings and finance lease liabilities totalling \$11.4 million; and
- Proceeds from bank borrowings amounting to \$14.3 million.

As a result of the above, cash and cash equivalents decreased by \$0.9 million during HY2019. Cash and cash equivalents as at 31 December 2018 were \$3.6 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement had been previously disclosed.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

Marine & Offshore Segment

The Marine & Offshore Segment's order book remains encouraging. The Group will continue to focus on executing projects well, delivering quality products and services, harnessing technology to create products and services that meet market needs, and exploring new markets and business opportunities in this sector. We will continue to manage our costs prudently and align cash flows with business volume and potential opportunities.

Property Development Segment

Although growth in private home prices stalled in the second half of 2018 after new cooling measures were announced in July 2018, home prices are forecasted to show modest growth in 2019, underpinned by healthy demand and improving supply¹. Barring unforeseen circumstances, the Group expects to complete the construction of its Farleigh Avenue project, by the end of 2019. The Group will continue to look for property development opportunities in Singapore.

11. If a decision regarding dividend has been made:

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

No.

(b)(i) Amount per share (cents)

Not applicable.

(b)(ii) Previous corresponding period

No dividends were declared or recommended in the previous corresponding period.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of the shareholders, this must be stated).

Not applicable.

¹ Source: *Outlook for Singapore property expected to improve in 2019*, The Business Times, 8 February 2019.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

After considering the cash flow needs of the group and to be prudent, no dividend has been declared or recommended for the half year ended 31 December 2018.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group did not obtain a general mandate from shareholders for Interested Person Transactions.

14. Confirmation by the Board Pursuant to Rule 705(5)

We, Lim See Hoe and Lim Siew Cheng, being two Directors of the Company, do hereby confirm on behalf of the Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements for half year ended 31 December 2018 to be false or misleading in any material aspect.

15. Confirmation that the issuer has procured undertakings from all of its directors and executive officers (in the format set out in Appendix 7H) under rule 720(1)

The Company confirms that it has procured undertakings from all of its directors and executive officers in the format set out in Appendix 7H of the Listing Manual.

On behalf of the Board of Directors

Lim See Hoe
Executive Chairman and Chief Executive Officer

Lim Siew Cheng
Executive Director and Chief Operating Officer

13 February 2019