

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 2012**

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Canaccord Genuity Singapore Pte. Ltd. for compliance with the relevant rules of the SGX-ST. Canaccord Genuity Singapore Pte. Ltd. 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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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 Income Statement	Group Half Year Ended \$'000		% Change
	31 Dec 2012	31 Dec 2011	
Revenue	21,838	17,485	24.9%
Cost of sales	(14,517)	(11,874)	(22.3%)
Gross profit	7,321	5,611	30.5%
<u>Other items of income</u>			
Interest	1	11	(90.9%)
Other credits	99	264	(62.5%)
<u>Other items of expense</u>			
Distribution costs	(464)	(300)	54.7%
Administrative expenses	(2,692)	(2,123)	26.8%
Other operating expenses	(1,351)	(1,087)	24.3%
Finance costs	(118)	(150)	(21.3%)
Other charges	(479)	(93)	415.1%
Share of profit from equity-accounted associate	21	-	nm
Profit before tax from continuing operations	2,338	2,133	9.6%
Income tax expenses	(526)	(412)	27.7%
Profit from continuing operations, net of tax	1,812	1,721	5.3%
Profit attributable to owners of the parent, net of tax	1,812	1,721	5.3%
	1,812	1,721	5.3%
Earnings Per Share	Cents	Cents	
Profit after tax attributable to owners of the Group	1.57	1.54	1.9%
nm - not meaningful			

Statement of Consolidated Comprehensive Income

	Group Half Year Ended \$'000		%
	31 Dec 2012	31 Dec 2011	Change
Profit from continuing operations, net of tax	1,812	1,721	5.3%
<u>Other comprehensive income:</u>			
Exchange differences on translating foreign operations, net of tax	6	1	500.0%
Total comprehensive income	<u>1,818</u>	<u>1,722</u>	<u>5.6%</u>
<u>Total comprehensive income attributable to:</u>			
Owners of parent	<u>1,818</u>	<u>1,722</u>	<u>5.6%</u>
Total comprehensive income	<u>1,818</u>	<u>1,722</u>	<u>5.6%</u>

nm - not meaningful

(ii) **Notes to the statement of comprehensive income**

	Group Half Year Ended \$'000		%
	31 Dec 2012	31 Dec 2011	Change
Amortisation of intangible assets	(411)	-	nm
Bad debts recovered - Trade	2	4	(50.0%)
Depreciation	(441)	(356)	23.9%
Foreign exchange loss	(62)	(82)	(24.4%)
Gain on disposal of plant and equipment	-	175	nm
Interest income	1	11	(90.9%)
Interest expense	(118)	(150)	(21.3%)
Net	<u>(1,029)</u>	<u>(398)</u>	<u>(158.5%)</u>
nm - not meaningful			

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.

Statement of Consolidated Financial Position

	Group As at		Company As at	
	31 Dec 2012	30 Jun 2012	31 Dec 2012	30 Jun 2012
	\$'000		\$'000	
<u>Assets</u>				
<u>Non-current assets</u>				
Property, plant and equipment	5,858	6,160	-	-
Investments in subsidiaries	-	-	19,886	19,886
Investment in associate	119	98	43	43
Intangible Assets	4,242	4,653	-	-
Total non-current assets	10,219	10,911	19,929	19,929
<u>Current assets</u>				
Inventories	20,676	20,127	-	-
Trade and other receivables	9,753	8,411	19	1,819
Other assets	125	340	39	95
Cash and cash equivalents	4,546	7,054	40	33
Total current assets	35,100	35,932	98	1,947
Total assets	45,319	46,843	20,027	21,876
<u>EQUITY AND LIABILITIES</u>				
<u>Equity</u>				
Share capital	16,081	16,081	16,081	16,081
Retained earnings	12,170	11,283	1,058	2,230
Foreign currency translation reserve	(24)	(18)	-	-
Total equity	28,227	27,346	17,139	18,311
<u>Non-current liabilities</u>				
Deferred tax liabilities	517	513	-	-
Other financial liabilities, non-current	2,640	3,032	-	-
Finance leases, non-current	365	443	-	-
Total non-current liabilities	3,522	3,988	-	-
<u>Current liabilities</u>				
Income tax payable	875	810	-	-
Trade and other payables	2,376	4,217	2,888	3,565
Other financial liabilities, current	10,165	10,330	-	-
Finance leases, current	154	152	-	-
Total current liabilities	13,570	15,509	2,888	3,565
Total liabilities	17,092	19,497	2,888	3,565
Total equity and liabilities	45,319	46,843	20,027	21,876

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 2012 (\$'000)		As at 30 Jun 2012 (\$'000)	
Secured	Unsecured	Secured	Unsecured
10,319	-	10,482	-

Amount repayable after one year

As at 31 Dec 2012 (\$'000)		As at 30 Jun 2012 (\$'000)	
Secured	Unsecured	Secured	Unsecured
3,005	-	3,475	-

Details of collateral

Total borrowings of \$13.3 million are covered by the Company's guarantee and a first legal charge on the Group's leasehold land and buildings. The \$3.0 million other financial liabilities comprises two term loans of \$1.3 million each repayable beyond one year in equal monthly instalments over 5 years with effect from April 2012 and a finance lease of \$0.4 million repayable over 4 years with effect from April 2012.

- 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

	Group Half Year Ended \$'000	
	31 Dec 2012	31 Dec 2011
<u>Cash flows from operating activities</u>		
Profit before tax	2,338	2,133
Adjustments for:		
Share of profit from equity-accounted associate	(21)	-
Depreciation of plant and equipment	441	356
Gain on disposal of plant and equipment	-	(175)
Interest expense	118	150
Interest income	(1)	(11)
Amortisation of intangible assets	411	-
Net effect of exchange rate changes in consolidating foreign entities	(6)	1
Operating cash flows before changes in working capital	3,280	2,454
Increase in inventories	(549)	(1,508)
(Increase)/Decrease in trade and other receivables	(1,342)	593
Decrease in other assets	215	130
(Decrease)/Increase in trade and other payables	(1,341)	807
Net cash flows from operations before interest and tax	263	2,476
Income taxes paid	(457)	(271)
Net cash flows (used in)/from operating activities	(194)	2,205
<u>Cash flows from investing activities</u>		
Purchase of plant and equipment	(139)	(165)
Proceeds from disposal of plant and equipment	-	175
Acquisition of subsidiary	(500)	-
Interest received	1	11
Net cash flows (used in)/from investing activities	(638)	21
<u>Cash flows from financing activities</u>		
Dividends paid to equity shareholders	(925)	(894)
Decrease in other financial liabilities	(557)	(1,396)
Decrease in finance lease	(76)	-
Interest paid	(118)	(150)
Net cash flows used in financing activities	(1,676)	(2,440)
Net decrease in cash and cash equivalents	(2,508)	(214)
Cash and cash equivalents, beginning balance	7,029	8,111
Cash and cash equivalents, ending balance	4,521	7,897
<u>Analysis of cash and cash equivalents</u>		
Cash and bank balances	4,546	7,897
Cash pledged for bank facilities	(25)	-
Cash and cash equivalents for statement of cash flows	4,521	7,897

- 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.

Statements of Changes in Equity

	Group (\$'000)			
	Share Capital	Retained Earnings	Foreign Currency Translation Reserve	Total Equity
Opening balance at 1 July 2012	16,081	11,283	(18)	27,346
<u>Movement in equity:</u>				
Total comprehensive income for the period	-	1,812	(6)	1806
Dividends paid	-	(925)	-	(925)
Closing balance at 31 December 2012	16,081	12,170	(24)	28,227
Opening balance at 1 July 2011	15,481	9,939	(12)	25,408
<u>Movement in equity:</u>				
Total comprehensive income for the period	-	1,721	1	1,722
Dividends paid	-	(894)	-	(894)
Closing balance at 31 December 2011	15,481	10,766	(11)	26,236

	Company (\$'000)			
	Share Capital	Retained Earnings	Foreign Currency Translation Reserve	Total Equity
Opening balance at 1 July 2012	16,081	2,230	-	18,311
<u>Movement in equity:</u>				
Total comprehensive income for the period	-	247	-	247
Dividends paid	-	(925)	-	(925)
Closing balance at 31 December 2012	16,081	1,058	-	17,139
Opening balance at 1 July 2011	15,481	1,835	-	17,316
<u>Movement in equity:</u>				
Total comprehensive income for the period	-	(220)	-	(220)
Dividends paid	-	(894)	-	(894)
Closing balance at 31 December 2011	15,481	721	-	16,202

- 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 also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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.**

Since 30 June 2012, there had been no changes to the Company's issued share capital.

As at 31 December 2012 and 31 December 2011, the Company had no outstanding convertibles or treasury shares.

- 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 2012	As at 30 Jun 2012
Total number of issued shares (excluding treasury shares)	115,691,051	115,691,051

- 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.**

There were no sales, transfers, disposals, cancellation and/or use of treasury shares for the half year ended 31 December 2012.

- 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.**

The Group has applied the same accounting policies and method of computations in the financial statement for the current financial period as those applied to the audited financial statements for the financial year ended 30 June 2012.

- 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.**

Not applicable.

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 2012	Half Year ended 31 Dec 2011
(i) Based on weighted average number of ordinary shares in issue (Cents) Number of ordinary shares in issue	1.57 115,691,051	1.54 111,800,000
(ii) On a fully diluted basis (Cents) Diluted number of ordinary shares in issue	1.57 115,691,051	1.54 111,800,000

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 2012	30 Jun 2012	31 Dec 2012	30 Jun 2012
Net asset value per ordinary share	24.40	23.63	14.81	15.83
Number of shares in issue	115,691,051	115,691,051	115,691,051	115,691,051

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 for HY2013 had increased by \$4.4 million or 24.9% as compared to HY2012. The increase in revenue was mainly due to the contribution by TEHO Engineering Pte Ltd (formerly known as Finessco Systems Pte Ltd) (the "Newly Acquired Subsidiary") since the completion of its acquisition by the Group in May 2012.

Gross profit

The overall gross profit in HY2013 had increased by \$1.7 million or 30.5% to \$7.3 million. The offshore oil and gas sector's gross profit showed the largest increase mainly as a result of contribution by the Newly Acquired Subsidiary. The Group's gross profit margin increased by 1.4 percentage points from 32.1% to 33.5% due to higher gross profit margin contributed by the Newly Acquired Subsidiary.

Other items of income

In HY2013, the other items of income had decreased by \$0.2 million or 63.6% as compared to HY2012 due mainly to the disposal of plant and equipment in HY2012 which did not recur in HY2013.

Other items of expense

Other items of expenses increased by \$1.3 million or 35.4%, from \$3.8 million in HY2012 to S\$5.1 million in HY2013, which were due mainly to increases in administrative expenses, other operating expenses and other charges.

Distribution costs increased by \$0.2 million or 54.7% due mainly to the increase in handling charges as a result of an increase in distribution points.

Administrative expenses had increased by \$0.6 million or 26.8% due mainly to the increased headcount, increase in salaries and related expenses of \$0.4 million.

Other operating expenses had also increased by \$0.3 million or 24.3% as a result of increase in depreciation, upkeep of properties, plant and equipment, and business development expenses. The increase in depreciation by 23.9% was due to acquisition of new plant and machinery in HY2013.

Finance costs decreased by \$0.03 million or 21.3% due to lower interest rates compared to HY2012 and refinancing of long term loans at a lower interest rates.

Other charges had increased by \$0.4 million due mainly to amortisation of intangibles from the acquisition of the Newly Acquired Subsidiary.

Profit before tax from continuing operations

Profit before tax from continuing operations for HY2013 was \$2.3 million, representing an increase of \$0.2 million or 9.6% from \$2.1 million in HY2012, of which \$1.7 million was due to higher gross profit as a result of increase in revenue and slight increase in gross profit margin mainly attributable to contribution by the Newly Acquired Subsidiary. The increase in gross profit was partially offset by the increase in other items of expenses of \$1.3 million and decrease in other items of income of \$0.2 million as elaborated above.

Balance Sheet Review

Non-current assets

Non-current assets decreased by \$0.7 million, which was mainly due to decrease in property, plant and equipment and intangible assets.

Property, plant and equipment decreased by \$0.3 million as a result of depreciation charged during the period. In HY2013, the Group acquired \$0.1 million of new plant and equipment and total depreciation charged for all of the Group's property, plant and equipment was \$0.4 million.

The decrease in intangible assets of \$0.4 million was due to amortisation of intangible assets from the Newly Acquired Subsidiary.

The investment in associate increased by 21.4% due to share of profit from associate in HY2013.

Current assets

The decrease in current assets of \$0.8 million was attributable mainly to decreases in cash and cash equivalents of \$2.5 million and other assets of \$0.2 million. These were partially offset by increases in trade and other receivables of \$1.3 million and inventories of \$0.6 million.

Trade and other receivables increased by \$1.3 million as a result of increase in revenue, however the receivables turnover days remained unchanged at 82 days in HY2013 and FY2012. Despite the increase in inventories, the inventories turnover days reduced from 280 days in FY2012 to 262 days in HY2013.

Non-current liabilities

The decrease of non-current liabilities of \$0.5 million was due to the repayment of term loans and finance leases.

Current liabilities

Current liabilities decreased by \$1.9 million due mainly to decrease in trade and other payables of \$1.8 million and financial liabilities of \$0.2 million and partially offset by the increase in income tax payable of \$0.1 million.

Trade and other payables decreased by \$1.8 million which was mainly due to lower purchases in December 2012 compared to June 2012, and prompt payment to suppliers. The payables turnover days decreased by 39 days from 59 days in FY2012 to 20 days in HY2013.

Shareholders' equity

The increase of \$0.9 million in Shareholders' equity was due mainly to the net earnings of \$1.8 million and partially offset by a dividend payment of \$0.9 million in HY2013.

Cash Flows Review

Cash flows from operating activities

Operating cash flows before changes in working capital was \$3.3 million in HY2013. Net cash flow used in working capital was \$3.0 million due mainly to an increase in inventories of \$0.6 million, increase in trade and other receivables of \$1.3 million and the decrease in trade and other payables of \$1.3 million, partially offset by the decrease in other assets of \$0.2 million. As a result of the above, net cash used in operating activities was \$0.2 million, after deducting income tax paid of \$0.5 million.

Cash flows from investing activities

Net cash used in investing activities was \$0.6 million, mainly due to the purchase of plant and equipment of \$0.1 million and the payment of the balance acquisition consideration of \$0.5 million for the Newly Acquired Subsidiary.

Cash flows from financing activities

Net cash used in financing activities was \$1.7 million, mainly attributable to the Group's dividend paid amounting to \$0.9 million, decrease in other financial liabilities of \$0.6 million and finance leases of \$0.1 million, and interest paid amounting to \$0.1 million.

As a result of the above, there was a net decrease in cash and cash equivalents of \$2.5 million for HY2013. The cash and cash equivalents as at 31 December 2012 stood at \$4.5 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.

The Group expects the outlook to be challenging with the prevailing uncertainties over the European Union's economic conditions, economic recovery in the USA and in the major emerging markets. Amidst this environment, we expect the marine, oil and gas sectors to continue to grow albeit at a much slower pace.

The Group needs to stay vigilant and to continue to consolidate our operational and financial strengths in order to stay competitive.

11. If a decision regarding dividend has been made:

(a)	Name of Dividend	Proposed Interim
(b)(i)	Dividend Rate	0.4 cent per share (tax exempt)
(b)(ii)	Previous corresponding period	Nil
(c)	Tax Rate	Tax exempt
(d)	Date of Payment	1 March 2013
(e)	Books closure date	21 February 2013

12. If no dividend has been declared (recommended), a statement to that effect.

Not applicable.

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 the 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 2012 to be false or misleading in any material aspect.

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

7 February 2013