

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 2019**

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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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 2019

	Group		Change
	Half Year Ended		
	31 Dec 2019	31 Dec 2018	
	Unaudited	Unaudited	
	\$	\$	%
Revenue	28,968,704	25,631,656	13.0
Cost of sales	(18,761,379)	(17,156,977)	9.4
Gross profit	10,207,325	8,474,679	20.4
Other income	161,177	351,872	(54.2)
Distribution expenses	(720,043)	(740,826)	(2.8)
Administrative expenses	(6,563,949)	(5,957,655)	10.2
Other operating expenses	(1,842,720)	(2,172,963)	(15.2)
Reversal of impairment loss on trade and other receivables *	51,036	19,258	165.0
Results from operating activities	1,292,826	(25,635)	n.m.
Finance income	399	6,945	(94.3)
Finance costs	(799,911)	(669,967)	19.4
Net finance costs	(799,512)	(663,022)	20.6
Profit/(Loss) before tax	493,314	(688,657)	n.m.
Tax (expense)/credit	(317,764)	107,095	n.m.
Profit/(Loss) for the period	175,550	(581,562)	n.m.
Profit/(Loss) attributable to:			
Owners of the Company	175,550	(581,562)	n.m.
Non-controlling interests	-	-	-
Profit/(Loss) for the period	175,550	(581,562)	n.m.
Profit/(Loss) per share			
Basic (cents)	0.07	(0.25)	n.m.
Diluted (cents)	0.07	(0.25)	n.m.

n.m.: not meaningful.

* In the adoption of the SFRS(I) 9, the Group presented reversal of impairment loss related to trade and other receivables, separately in the statement of profit or loss. As a result, the Group reclassified reversal of impairment loss amounting to \$19,258, recognised under FRS 39, from "other operating expenses" to "reversal of impairment loss on trade and other receivables" in the consolidated statement of profit or loss for the half year ended 31 December 2018.

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 2019**

	Group		Change
	31 Dec 2019	31 Dec 2018	
	Unaudited	Unaudited	
	\$	\$	%
Profit/(Loss) for the period	175,550	(581,562)	n.m.
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	(71,062)	164,163	n.m.
Other comprehensive (loss)/income for the period, net of tax	(71,062)	12,040	n.m.
Total comprehensive income/(loss) for the period	104,488	(569,522)	n.m.
Total comprehensive income/(loss) attributable to:			
Owners of the Company	104,488	(610,232)	n.m.
Non-controlling interests	–	40,710	n.m.
Total comprehensive income/(loss) for the period	104,488	(569,522)	n.m.

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

	Group		Change
	31 Dec 2019	31 Dec 2018	
	Unaudited	Unaudited	
	\$	\$	%
Bad debts written off	(272)	(76,771)	(99.6)
Depreciation of investment property	(61,951)	(63,918)	(3.1)
Depreciation of property, plant and equipment	(846,351)	(391,549)	116.2
Equity-settled share-based payment transactions	(9,450)	(33,075)	(71.4)
Foreign exchange (loss)/gain, net	(18,313)	23,096	(179.3)
Gain on disposal of property, plant and equipment	1,500	–	n.m.
Interest income	399	6,945	(94.3)
Interest expense	(799,911)	(669,967)	19.4
Loss on disposal of subsidiaries	–	(105,650)	n.m.
(Under)/Over provision of tax in respect of prior years	(12,132)	107,095	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 2019**

	Group		Company	
	31 Dec 2019	30 June 2019	31 Dec 2019	30 June 2019
	Unaudited \$	Audited \$	Unaudited \$	Audited \$
Assets				
Property, plant and equipment	12,243,396	6,704,140	752	984
Intangible assets	–	–	–	–
Investment property	3,379,601	3,441,552	–	–
Investment in subsidiaries	–	–	16,209,152	16,088,856
Investment in joint venture	12,500	12,500	–	–
Deferred tax assets	277,597	277,597	–	–
Non-current assets	15,913,094	10,435,789	16,209,904	16,089,840
Inventories	20,620,427	20,317,476	–	–
Development properties	10,357,767	9,575,445	–	–
Current tax assets	32,350	118,437	–	–
Trade and other receivables	9,649,445	11,425,954	2,798,750	2,909,776
Contract assets	299,313	444,631	–	–
Cash and cash equivalents	5,845,637	4,621,904	128,887	92,081
Current assets	46,804,939	46,503,847	2,927,637	3,001,857
Total assets	62,718,033	56,939,636	19,137,541	19,091,697
Equity				
Share capital	33,035,508	32,978,808	33,035,508	32,978,808
Other reserves	(63,074)	55,238	–	47,250
Accumulated losses	(19,348,061)	(19,352,571)	(56,466,594)	(55,881,862)
Total equity	13,624,373	13,681,475	(23,431,086)	(22,855,804)
Liabilities				
Loans and borrowings	16,266,949	14,130,856	–	–
Deferred tax liabilities	83,097	83,386	–	–
Non-current liabilities	16,350,046	14,214,242	–	–
Loans and borrowings	26,585,987	23,033,078	–	–
Trade and other payables	5,520,882	5,493,451	42,562,587	41,947,501
Contract liabilities	345,724	344,824	–	–
Current tax liabilities	291,021	172,566	6,040	–
Current liabilities	32,743,614	29,043,919	42,568,627	41,947,501
Total liabilities	49,093,660	43,258,161	42,568,627	41,947,501
Total equity and liabilities	62,718,033	56,939,636	19,137,541	19,091,697

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 2019		As at 30 Jun 2019	
Secured \$	Unsecured \$	Secured \$	Unsecured \$
25,624,906	961,081	23,033,078	–

Amount repayable after one year

As at 31 Dec 2019		As at 30 Jun 2019	
Secured \$	Unsecured \$	Secured \$	Unsecured \$
11,268,304	4,998,645	14,130,856	–

Details of collateral

As at 31 December 2019, the current bank borrowings of \$25,624,906 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.

As at 31 December 2019, the non-current bank borrowings of \$11,268,304 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.

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 2019**

	Group	
	31 Dec 2019	31 Dec 2018
	Unaudited	Unaudited
	\$	\$
<u>Cash flows from operating activities</u>		
Profit/(Loss) before tax	493,314	(688,657)
Adjustments for:		
Bad debts written off	272	76,771
Depreciation of investment property	61,951	63,918
Depreciation of property, plant and equipment	846,351	391,549
Equity-settled share-based payment transactions	9,450	33,075
Gain on disposal of plant and equipment	(1,500)	–
Loss on disposal of subsidiaries	–	105,650
Net finance costs	799,512	663,022
Reversal of impairment loss on trade and other receivables	(51,036)	(19,258)
Operating cash flows before changes in working capital	<u>2,158,314</u>	<u>626,070</u>
Changes in:		
- Inventories	(329,998)	(166,969)
- Development properties	(747,182)	(5,098,420)
- Trade and other receivables	1,811,587	2,280,644
- Contract assets	145,318	538,399
- Trade and other payables	(225)	(707,800)
- Contract liabilities	227	(369,206)
Cash generated from/(used in) operations	<u>3,038,041</u>	<u>(2,897,282)</u>
Tax paid	(113,222)	(32,503)
Net cash from/(used in) operating activities	<u>2,924,819</u>	<u>(2,929,785)</u>
<u>Cash flows from investing activities</u>		
Acquisition of property, plant and equipment	(198,509)	(54,371)
Cash outflows from disposal of subsidiaries ^(Note 1)	–	(15,574)
Proceeds from disposal of plant and equipment	1,500	–
Interest received	399	6,945
Net cash used in investing activities	<u>(196,610)</u>	<u>(63,000)</u>
<u>Cash flows from financing activities</u>		
Payment of lease liabilities	(607,348)	(9,015)
Proceeds from loans and borrowings	13,813,402	14,279,127
Repayment of loans and borrowings	(14,079,463)	(11,440,319)
Interest paid	(683,811)	(754,749)
Net cash (used in)/from financing activities	<u>(1,557,220)</u>	<u>2,075,044</u>

Consolidated Statement of Cash Flows (continued)
Half Year ended 31 December 2019

	31 Dec 2019	Group
	Unaudited	31 Dec 2018
	\$	Unaudited
		\$
Net increase/(decrease) in cash and cash equivalents	1,170,989	(917,741)
Cash and cash equivalents at 1 Jul	4,621,904	4,492,213
Effect of exchange rate fluctuations on cash held	52,744	33,769
Cash and cash equivalents at 31 Dec	<u>5,845,637</u>	<u>3,608,241</u>

Note 1

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

	31 Dec 2019	Group
	Unaudited	31 Dec 2018
	\$	Unaudited
		\$
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>–</u>	<u>22,028,944</u>
Non-controlling interests	–	(21,921,908)
Identified net assets	–	107,036
Loss on disposal of subsidiaries	–	(105,650)
Selling proceeds	–	1,386
	<u>–</u>	<u>1,386</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>–</u>	<u>(15,574)</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 equity \$
		Share capital \$	Capital reserve	Foreign currency translation reserve \$	Share-based compensation reserve \$	Accumulated losses \$	
At 1 July 2019		32,978,808	–	7,988	47,250	(19,352,571)	13,681,475
Adjustment on initial application of SFRS(I) 16 (net of tax)	5	–	–	–	–	(171,040)	(171,040)
Adjusted balance at 1 July 2019		32,978,808	–	7,988	47,250	(19,523,611)	13,510,435
Total comprehensive income for the period							
Profit for the period		–	–	–	–	175,550	175,550
Foreign currency translation differences		–	–	(71,062)	–	–	(71,062)
Total comprehensive income for the period		–	–	(71,062)	–	175,550	104,488
Transactions with owners, recognised directly in equity							
Contributions by and distributions to owners							
Share-based payment transactions		–	–	–	9,450	–	9,450
Issuance of ordinary shares under the Performance Share Plan		56,700	–	–	(56,700)	–	–
Total contributions and distributions to owners		56,700	–	–	(47,250)	–	9,450
At 31 December 2019		33,035,508	–	(63,074)	–	(19,348,061)	13,624,373

Statement of changes in equity

Group	Attributable to owners of the Company							Total equity
	Share capital	Capital reserve	Foreign currency translation reserve	Share-based compensation reserve	Accumulated losses	Total	Non-controlling interests	
	\$		\$	\$	\$	\$	\$	
At 1 July 2018	32,922,108	(1,772,571)	109,773	56,700	(17,120,147)	14,195,863	21,881,198	36,077,061
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								
Share-based payment transactions	–	–	–	33,075	–	33,075	–	33,075
Issuance of ordinary shares under the Performance Share Plan	56,700	–	–	(56,700)	–	–	–	–
Total contributions and distributions to owners	56,700	–	–	(23,625)	–	33,075	–	33,075
Changes in ownership interests in subsidiaries								
Disposal of subsidiaries with non-controlling interests	–	–	–	–	–	–	(21,921,908)	(21,921,908)
Total changes in ownership interest in subsidiaries	–	–	–	–	–	–	(21,921,908)	(21,921,908)
At 31 December 2018	32,978,808	(1,772,571)	81,103	33,075	(17,701,709)	13,618,706	–	13,618,706

Statement of changes in equity

Company	Note	Share capital \$	Capital reserve \$	Share-based compensation reserve \$	Accumulated losses \$	Total equity \$
At 1 July 2019		32,978,808	–	47,250	(55,881,862)	(22,855,804)
Total comprehensive loss for the period		–	–	–	(584,732)	(584,732)
Share-based payment transactions		–	–	9,450	–	9,450
Issue of ordinary shares		56,700	–	(56,700)	–	–
At 31 December 2019		<u>33,035,508</u>	<u>–</u>	<u>–</u>	<u>(56,466,594)</u>	<u>(23,431,086)</u>
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		<u>32,978,808</u>	<u>(1,772,571)</u>	<u>33,075</u>	<u>(53,832,472)</u>	<u>(22,593,160)</u>

1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 2019, the share capital of the Company comprised 234,374,614 ordinary shares. On 1 November 2019, 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 2019, the share capital of the Company increased to 235,424,614 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. Of the 2,100,000 share awards granted, 1,050,000 shares were vested on 5 November 2018 and 1,050,000 shares were vested on 5 November 2019.

A reconciliation of outstanding share awards from 1 July 2019 to 31 December 2019 is as follows:

Outstanding Share Awards	Number of Shares
At 1 July 2019	1,050,000
Forfeited during the period	–
Vested during the period	(1,050,000)
Granted during the period	–
At 31 December 2019	<u>–</u>

As at 31 December 2019 and 31 December 2018, 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 2019	As at 30 Jun 2019
Total number of issued shares (excluding treasury shares)	235,424,614	234,374,614

The Company did not have any treasury shares as at 31 December 2019 and 30 June 2019.

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 any 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.

SFRS(I) 16 Leases

SFRS(I) 16 introduced a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (ROU) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group has applied SFRS(I) 16 on 1 July 2019, using the modified retrospective approach. The cumulative effect of adopting SFRS(I) 16 had been recognised as an adjustment to the opening balance of accumulated losses at 1 July 2019, with no restatement of comparative information. The Group had applied the practical expedient to grandfather the definition of a lease on transition. This means that the Group applied SFRS(I) 16 to all contracts entered into before 1 July 2019 and identified as leases in accordance with SFRS(I) 1-17 and SFRS(I) INT 4.

On transition to SFRS(I) 16 on 1 July 2019, the impact to the Group are summarised as per below.

	\$
Right-of-use assets – property, plant and equipment	6,132,459
Lease liabilities – loans and borrowings (non-current)	5,421,684
Lease liabilities – loans and borrowings (current)	881,815
Accumulated losses	<u>171,040</u>

The nature of expenses related to those leases had changed as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

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 2019 Unaudited	Half Year ended 31 Dec 2018 Unaudited
Earnings (\$) (Profit/(Loss) attributable to owners of the parent, net of tax)	175,550	(581,562)
(i) Based on weighted average number of ordinary shares in issue (cents)	0.07	(0.25)
Weighted average number of ordinary shares	234,699,886	233,638,473
(ii) On a fully diluted basis in issue (cents)	0.07	(0.25)
Weighted average number of ordinary shares	235,424,614	235,424,614

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 2019 Unaudited	30 Jun 2019 Unaudited	31 Dec 2019 Unaudited	30 Jun 2019 Unaudited
Net asset value (\$)	13,624,373	13,681,475	(23,431,086)	(22,855,804)
Net asset value per ordinary share (cents)	5.79	5.84	(9.95)	(9.75)
	235,424,614	234,374,614	235,424,614	234,374,614

Number of shares in issue				
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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 increased by \$3.3 million or 13.0% to \$29.0 million for the financial period ended 31 December 2019 ("**HY2020**") from \$25.6 million for the financial period ended 31 December 2018 ("**HY2019**").

- Marine & Offshore Segment revenue in HY2020 increased by 12.9% or \$3.2 million as compared to HY2019. The increase was mainly attributable to increased revenue contribution from the mooring and rigging business.
- Revenue contribution from property consultancy increased by 0.1% or \$0.1 million.

Gross profit

The Group's gross profit of \$10.2 million in HY2020 increased by \$1.7 million or 20.4% from \$8.5 million in HY2019. The Group's gross profit margin increased to 35.2% in HY2020 as compared to 33.1% in HY2019.

- Marine & Offshore Segment contributed gross profit of \$9.8 million to the Group in HY2020 as compared to \$8.1 million in HY2019. The gross profit margin increased to 34.3% in HY2020 from 32.1% in HY2019.
- Property Development Segment contributed gross profit of \$0.4 million to the Group in HY2020, primarily arising from the property consultancy business.

Other income

Other income decreased by \$191,000 or 54.2% to \$161,000 in HY2020 from \$352,000 in HY2019. The decrease was mainly due to the absence of compensation from a supplier of \$130,000 recorded in HY2019.

Distribution expenses

Distribution expenses decreased by \$21,000 or 2.8% to \$720,000 in HY2020 from \$741,000 in HY2019. The distribution expenses comprising mainly handling charges and carriage outwards.

Administrative expenses

Administrative expenses increased by \$0.6 million or 10.2% to \$6.6 million in HY2020 from \$6.0 million in HY2019. The increase was mainly due to:

- Employee benefits expenses and related staff costs increased by \$0.4 million due to an increase in overall staff costs as a result of setting up wire rope rigging facility at Houston (Texas) and TEHO Ropes Korea Co., Ltd. ("**TEHO Korea**").
- Insurance expenses increased by \$0.1 million as a result of the increase in number of staffs and equipment in the overseas mooring and rigging business.
- Legal and professional fees increased by \$0.1 million as a result of the legal and professional fees incurred in HY2020 in relation setting up of TEHO Korea.

Other operating expenses

Other operating expenses decreased by \$0.3 million in HY2020. The decrease was mainly due to:

- Absence of loss on disposal of investment of \$107,000 and bad debt written off of \$77,000 recorded in HY2019.
- Adoption of *SFRS(I) 16 - Leases* which resulted in the decrease in rental expenses by \$0.6 million and these were offset by increases in depreciation of right of use asset by \$0.5 million.

Finance income

The decrease in the Group's finance income, comprising mainly interest income, remained insignificant for HY2020.

Finance costs

The increase in the Group's finance costs in HY2020 was mainly due to the adoption of *SFRS(I) – Leases* which resulted in an increase of interest on lease liabilities by \$0.1 million.

Income tax expense

In HY2020, the Group incurred an income tax expense of \$0.3 million as compared to income tax credits of \$0.1 million in HY2019. The tax expenses of \$0.3 million was mainly due to higher tax rate in The Netherlands on profit contributed by TEHO Europe B.V..

Profit for the period

Combining the profit before tax of \$1.7 million for the Marine & Offshore Segment, loss before tax of \$0.6 million for the Property Development Segment and the unallocated head office expenses of \$0.6 million, the Group's profit before tax is \$0.5 million in HY2020 as compared to a loss before tax of \$0.7 million in HY2019, representing a 171.6% improvement. After accounting for income tax of \$0.3 million, the Group's profit for HY2020 is \$0.2 million as compared to a loss of \$0.6 million in HY2019, representing a 130.2% improvement.

Total comprehensive (loss) / income for the period

After accounting for foreign currency translation differences, the total comprehensive profit for HY2020 is \$0.1 million, compared to a total comprehensive loss of \$0.6 million in HY2019.

Balance Sheet Review

Non-current assets

Non-current assets increased to \$15.9 million as at 31 December 2019 from \$10.4 million as at 30 June 2019. This increase was mainly due to the following:

- Adoption of *SFRS(I) – Leases* which resulted in an increase of right of use asset by \$5.7 million
- Depreciation of investment property, and depreciation of property, plant and equipment of \$0.5 million and acquisition of property, plant and equipment of \$0.3 million.

Current assets

Current assets increased by \$0.3 million or 0.6% to \$46.8 million as at 31 December 2019 from \$46.5 million as at 30 June 2019. The increase was due to the following:

- Inventories increased marginally by \$0.3 million. Inventory turnover days in HY2020 decreased to 201 days from 218 days in FY2019.
- Development properties increased by \$0.8 million arising from the redevelopment of a landed residential property located at Lorong Salleh. The Group has completed construction of its Farleigh Avenue project in FY2019 and has begun marketing the property.
- Cash and cash equivalents increased by \$1.2 million. Please refer to the “Cash Flows Review” section below for details.

The increase mentioned above was offset by:

- Trade and other receivables decreased by \$1.8 million, of which \$0.4 million relates to outstanding receivables collected following the issuance of Elite Terrace development’s strata titles to its buyers. Trade and other receivables turnover days for the Marine & Offshore Segment decreased by 7 days from 70 days in FY2019 to 63 days in HY2020.
- Contract assets decreased by \$0.2 million as a result of conversion into billings to customers by the electrical and mechanical engineering systems business.

Non-current liabilities

Non-current liabilities increased by \$2.1 million or 15.0% to \$16.3 million as at 31 December 2019 from \$14.2 million as at 30 June 2019. The increase was due to the following:

- Adoption of *SFRS(I) – Leases* which resulted in an increase of non-current lease liabilities by \$5.0 million.

The increase above was offset by:

- Non-current portion of loans and borrowings decreased by \$2.9 million, due to classification of land and construction loans of \$4.3 million to current portion as the Group completed construction of its development at 88 Farleigh Avenue and repayment of term loans of \$1.0 million. These decreases were offset by a \$2.4 million increase due to extension of term loan tenure.

Current liabilities

Current liabilities increased by \$3.7 million or 12.7% to \$32.7 million as at 31 December 2019 from \$29.0 million as at 30 June 2019. The increase was due to the following:

- Adoption of *SFRS(I) – Leases* which resulted in an increase of current lease liabilities by \$1.0 million.
- Current portion of loans and borrowings increased by \$2.6 million, due to transfer of land and construction loans of \$4.3 million to current portion as the Group completed construction of its development at 88 Farleigh Avenue and increase in utilisation of trade facilities by \$2.3 million. The increases were offset by \$4.0 million decrease due to repayment of term loan and extension of term loan tenure.
- Current tax liabilities increased by \$0.1 million.

Shareholders’ equity

Shareholders’ equity decreased by \$0.1 million or 0.4% to \$13.6 million as at 31 December 2019 from \$13.7 million as at 30 June 2019. The decrease was mainly due to the following:

- Adjustment on initial application of SFRS (I) 16 resulted in a decrease of \$0.2 million in shareholders’ equity.
- Foreign currency translation loss of \$0.1 million

The decrease above was offset by:

- Profit for HY2019 amounted to \$0.2 million.

Cash Flows Review

Cash flows from operating activities

Operating cash inflows before changes in working capital was \$2.2 million in HY2020. Net cash inflow from working capital was \$0.9 million due to the following (the amounts below do not add up due to rounding):

- Cash outflows arising from an increase in inventories of \$0.3 million;
- Cash outflows arising from an increase in development properties of \$0.7 million;
- Cash inflows arising from a decrease in trade and other receivables of \$1.8 million;
- Cash inflows arising from a decrease in contract assets of \$0.1 million;

After deducting income taxes paid of \$113,000, net cash from operating activities in HY2020 was \$2.9 million.

Cash flows used in investing activities

Net cash used in investing activities in HY2020 was \$0.2 million which was mainly attributable to the purchase of property, plant and equipment by the Marine & Offshore Segment.

Cash flows used in financing activities

Net cash flows used in financing activities in HY2020 was \$1.6 million, attributable to the following:

- Interest paid of \$0.7 million;
- Repayment of bank borrowings and finance lease liabilities totalling \$14.7 million; and
- Proceeds from bank borrowings amounting to \$13.8 million.

As a result of the above, cash and cash equivalents increased by \$1.2 million during HY2020. Cash and cash equivalents as at 31 December 2019 were \$5.8 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

Despite the US-China trade tensions, the Marine & Offshore Segment has maintained double-digit growth in its revenue. The growth in the Segment's mooring and rigging business in HY2020 extends the improvement experienced in FY2019.

In September 2019, the Group has incorporated TEHO Korea. The incorporation of TEHO Korea will further strengthen TEHO's rigging facilities and distribution points around the world.

We will continue to expand on our mooring and rigging business, manage our costs prudently and align cash flows with business volume and potential opportunities.

Property Development Segment

Singapore's property market has been resilient in 2019, despite the challenging economic outlook for Singapore. The residential property sales has strengthened in the second half compared to first half of 2019¹.

The Group has completed construction of its Farleigh Avenue project and has begun marketing the property. Revenue in respect of this property has not been recognised. The Group has commenced construction for redevelopment at Lorong Salleh and expects completion of construction by end of 2020.

In relation to the current COVID-19 epidemic, we are of the view that it is too early to assess the impacts on TEHO Group. Notwithstanding the epidemic, our Group's operations continues as per normal and we are closely monitoring the situation.

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.

(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 2019.

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.

¹ Source: *Singapore property market expected to hold steady in 2020*, The Business Times, 21 December 2019.

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 2019 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 2020