PUSHING THROUGH ADVERSITY

TEHO INTERNATIONAL INC LTD.
ANNUAL REPORT 2021

ABOUT TEHO GROUP

The TEHO Group – Multi-faceted Solutions Provider for the Marine & Offshore and Real Estate Industries

Since our establishment in 1986, TEHO Group has grown from a small, domestic rigging and mooring company to an international marine and offshore solutions provider, and a real estate developer.

As a rigging and mooring company, our focus on customer service and continuous product and staff development generated significant growth and financial stability, and led to our listing on the Singapore Exchange in 2009 as TEHO International Inc Ltd.

Since then, reflecting a commitment to deliver greater value for our stakeholders, we acquired what are now known as TEHO Engineering Pte. Ltd. and TEHO Water & Envirotec Pte. Ltd. respectively, to supply innovative products for the Marine & Offshore Industry. At the same time, we expanded our global reach of the Group's established rope and mooring business to Europe, the Americas, China, Korea and the Middle East, through wholly-owned subsidiaries and local partnerships.

In 2014, the Group diversified its business segments into the real estate business. We now operate in the areas of property development and consultancy primarily in Singapore.

We remain committed to grow our market share and global presence in our current business segments, as well as to seek opportunities in new fields.

This Annual Report has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "**Sponsor**").

This Annual Report 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 Annual Report, including the correctness of any of the statements or opinions made or reports contained in this Annual Report.

The contact person for the Sponsor is Mr David Yeong (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

CONTENTS

YEARS

experience of fulfilling mooring and rigging needs

Thriving During Challenging Times

In these unprecedented times, we have found the fortitude to push through and fight on. We have the strength of our people, our technology, and our strong history to back us up and propel us to even greater heights. We never give up; we just get stronger and move forward.

1978
- Founded Teck Hoe & Company (Private) Limited

1986
- Established TEHO Ropes & Supplies Pte. Ltd.
- Acquired 4,000 m^2 warehouse

1999
- Acquired 7,000 m^2 warehouse

2004
- Established logistics points in Sharjah, Antwerp and Houston

2005
- Acquired 11,000 m^2 warehouse

2008
- Incorporated TEHO International (USA), LLC

CORPORATE PROFILE

MARINE & OFFSHORE
Rigging, Mooring, Lifting & Safety Systems
- TEHO Ropes & Supplies Pte. Ltd. ("TEHO Ropes Singapore")
- TEHO International (USA), LLC ("TEHO Ropes USA")
- TEHO EuROPE B.V. ("TEHO Ropes Europe")
- TEHO (Shanghai) Co., Ltd ("TEHO Ropes China")
- TEHO Ropes Korea Co., Ltd. ("TEHO Ropes Korea")

Collectively known as "TEHO Ropes"

For over three decades, TEHO Ropes has been fulfilling the mooring and rigging needs of the Marine & Offshore and construction industries in various geographical regions. The regions/countries covered are as follows:

TEHO Ropes Singapore	Southeast Asia
TEHO Ropes Europe	EMEA and India
TEHO Ropes USA	The Americas
TEHO Ropes China	China
TEHO Ropes Korea	South Korea and Japan

With these five subsidiaries, the Group is able to fulfill the mooring and rigging needs in the respective regions with our robust inventory of ropes, chains, synthetic slings and related fittings, and to ensure a quick turnaround time for our customers around the globe. Equipped with the technical expertise and knowledge of the latest industry regulations, the TEHO brand is also backed by numerous awards and certifications. TEHO has become a name that is synonymous with quality and reliability.

The Group's inventory locations around the globe enable the Group to cater to the needs of its customers, with the same quality products and exceptional services which is the hallmark of the TEHO brand. The offices in the respective regions also facilitate the Group's sales and marketing activities, and function as the sourcing and logistical arm for supplying vessels at the ports in the area.

Electrical & Mechanical Engineering Systems
TEHO Engineering Pte. Ltd. ("TEHO Engineering")
TEHO Engineering specialises in electrical and mechanical engineering systems and solutions. We target our growing range of products and services towards safety and its assurance, compliance and cost efficiency according to clients' specifications.

Our range of products and services include HVAC (Heating, Ventilation and Air Conditioning), Blast

CORPORATE PROFILE

Proof, Water & Outfitting systems. We are the authorised distributor and installer of these products under renowned brands like Halton, InterDam, OSO, Chromalox, STI, Meiko and many others. We also manage turnkey projects where we support clients with design engineering, compliance and onsite troubleshooting.

Our technical portfolio covers work in energy, marine & offshore, oil & gas, industrial and the government sectors. We have a solid history of prompt delivery of premium quality products accompanied by excellent services.

Water & Environmental Treatment Systems

TEHO Water & Envirotec Pte. Ltd. ("TEHO Water")

TEHO Water is a water treatment company specialising in reverse osmosis desalination technology and catering to the marine & offshore, resorts and other industries. We design and engineer compact and highly efficient ULTRO Reverse Osmosis Watermakers, built with quality components for lasting and trouble-free performance. Over the span of 15 years, we have delivered our water makers to more than 300 workboats and supply vessels throughout Asia and leading island resorts around the Indian Ocean. TEHO Water also delivers high performing Hydrophore and Hot Water Calorifier Systems that are durable and easy to use. In addition, we distribute CAT Pumps products, marine sewage treatment plants and other consumable components. TEHO Water is the official services centre for CAT Pumps in Southeast Asia.

Property at 16 Lorong Salleh

REAL ESTATE

Property Investment, Property Development & Services

TEHO Development Pte. Ltd. ("TEHO Development")

TEHO Development, together with a group of subsidiaries, form the real estate arm of the TEHO Group. Our core business encompasses property development and real estate services. We develop residential, commercial and mixed-use projects and we provide real estate consultancy services.

DISTRIBUTION NETWORK

We have successfully weathered the cyclical turbulence in the oil and gas industry and have emerged from the challenging times stronger, imbued with a greater focus on expanding the horizon and seeking new opportunities in the Marine & Offshore and Property Development Segments as well as in overseas markets.

Marine & Offshore Offices and Warehouses

- Houston (USA)
- Rotterdam (The Netherlands)
- Shanghai (China)
- Busan (Korea)
- Singapore (HQ)

Logistics Points and Agents

- Dubai (United Arab Emirates)
- Algeciras (Spain)
- Panama
- Las Palmas (Canary Islands, Spain)

Real Estate Offices

- Singapore

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "**Board**") of TEHO International Inc Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**"), it is my pleasure to present to you the annual report for the financial year ended 30 June 2021 ("**FY2021**").

Overview

Despite the headwinds caused by the continuation of COVID-19 in FY2021, the Group navigated the challenging circumstances very well. Our resilience propelled the Group to a $3.2 million profit after tax in FY2021 against a $1.2 million profit in the financial year ended 30 June 2020 ("**FY2020**"). This is attributable to the success of the 3-pronged strategy of cost management, liquidity improvement and strengthening of global capability that the Group adopted to mitigate the crisis at the beginning of FY2021. The Group recorded a growth in revenue by $2.5 million or 4.3% to $61.8 million in FY2021 and net profit increased as a result of cost-saving measures to reduce operating expenses. In addition, the sale of our property at Farleigh Avenue further strengthened the Group's liquidity. We are also pleased to announce that our residential property at Lorong Salleh is completed and being marketed for sale as at the date of this report. Our subsidiary in Korea that was incorporated in September 2019 has begun to contribute to the Group's revenue in FY2021.

Sailing in the new normal

Cross-border travels will remain subdued, while working from home or hybrid working arrangements will be the norm and supply chains will be diversified. Business strategies will need to be aligned with this new normal for companies to stay relevant. The Group is therefore committed to calibrate our strategies accordingly into FY2022 and beyond. In August 2021, we acquired a warehouse facility of 44,710 square feet built-up area sitting on a 2.569-acre land in Houston, Texas, USA to further expand our global operations for our Marine & Offshore Segment. We have also embarked on several digitalisation programmes to further bolster our operational capabilities.

I am extremely pleased that the Group has improved our financial performance in spite of the COVID-19 pandemic in FY2021. We have shown resilience in our core business and our global expansion is gaining momentum. I believe that we can continue to navigate through this unprecedented crisis successfully. We will carry our good work into FY2022 and I hope that this will bear fruits in FY2022.

Appreciation

I would like to take this opportunity to thank my fellow Board of Directors for the guidance and counsel throughout the year. On behalf of the Board and Management, I would like to sincerely thank our business partners, customers, bankers and most importantly, our employees for their unwavering efforts and contributions to the Group. Last but not least, I would like to express my deep appreciation for our shareholders' trust and loyal support in the Company.

Lim See Hoe
Executive Chairman and Chief Executive Officer

"

I am extremely pleased that the Group has improved our financial performance in spite of the COVID-19 pandemic in FY2021. We have shown resilience in our core business and our global expansion is gaining momentum. I believe that we can continue to navigate through this unprecedented crisis successfully. We will carry our good work into FY2022 and I hope that this will bear fruits in FY2022.

Meter Square office and warehouse in Ridderkerk, Rotterdam established since FY2017

Finding Our Strength

Bigger and stronger, our strength lies firstly in the advancement and development of service levels - gaining traction from people training, company certifications, and business incorporations. Secondly, we recognize that investing in physical infrastructure and talent will place us in a position to tackle more challenges as they come along.

2009

- Listed TEHO International Inc Ltd. on the SGX Catalist

2012

- Incorporated TEHO (Shanghai) Co., Ltd.
- Acquired a heating equipment supplier, now known as TEHO Engineering Pte. Ltd.

2013

- Incorporated TEHO EuROPE B.V.
- Acquired a water treatment equipment supplier, now known as TEHO Water & Envirotec Pte. Ltd.
- TEHO Ropes & Supplies Pte. Ltd. attained bizSAFE 3

2014

- First step into Singapore property industry
- Acquired LIHA Shipservice B.V. and Store Rijnmond B.V.

2015

- TEHO Ropes & Supplies Pte. Ltd. attained DNV GL certification
- TEHO Water & Envirotec Pte. Ltd. attained bizSAFE 3
- TEHO EuROPE B.V. and Liha Shipservice B.V. attained ISO 9001:2008

BOARD OF DIRECTORS

LIM SEE HOE
Executive Chairman and Chief Executive Officer
Date of first appointment: 10 June 2008
Date of last re-election: 27 October 2020

Lim See Hoe is our Executive Chairman and CEO and is currently responsible for the overall corporate and strategic development, business direction, expansion plan and management of our Group. Since July 2019, he has taken on the role of managing TEHO Water. He joined TEHO in 1994 as a Marketing Manager where he was in charge of our Group's sales and marketing functions. In 2000, he became TEHO's Managing Director and was responsible for TEHO's entire operations.

Prior to joining TEHO, he worked as a Senior Parts Executive with Mitsubishi Caterpillar Forklift Asia Pte Ltd, Singapore, a company dealing in the forklift business, from 1993 to 1994 where he was responsible for marketing activities and management of customer's relationship in relation to the products sold by the company. Lim See Hoe graduated with a Bachelor of Engineering (Mechanical) degree from the Nanyang Technological University, Singapore in 1993. He also obtained a Master of Business in International Marketing from the Curtin University of Technology, Australia in 2003.

LIM SIEW CHENG
Executive Director and Chief Operating Officer
Date of first appointment: 15 October 2008
Date of last re-election: 24 October 2019

Lim Siew Cheng is our Executive Director and COO and is currently responsible for our Group's sales administration, operations and strategic planning. She joined TEHO in 1986 as a Director where she was in charge of operations and has extensive experience in managing the operations of supplying rigging and mooring equipment and services. Prior to joining TEHO, she was working as a Sales Executive in Teck Hoe & Company (Private) Limited, where she was in charge of sales and general administration duties from 1978 to 1985. Lim Siew Cheng attained a GCE Advanced Level certification in 1975.

KWAH THIAM HOCK
Lead Independent Director
Date of first appointment: 5 May 2009
Date of last re-election: 27 October 2020

Kwah Thiam Hock was appointed as our Lead Independent Director on 5 May 2009 and is currently the Chairman of the Audit Committee. In addition, he serves as an Independent Director of Excelpoint Technology Ltd and Wilmar International Limited, companies listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). He was formerly an Independent Director of IFS Capital Limited, listed on the SGX-ST. He joined ECICS Holdings Ltd in 1976 as Assistant General Manager and was subsequently promoted to President and CEO in 1994. From 2003 to 2006, he was the CEO and Principal Officer of ECICS Limited, where he was responsible for its overall performance. Kwah Thiam Hock graduated from the University of Singapore (now known as National University of Singapore) with a Bachelor of Accountancy degree in 1973. He is a Fellow CPA, Australia and also a Fellow of the Institute of Singapore Chartered Accountants and ACCA (UK).

JOANNE KHOO SU NEE
Independent Director
Date of first appointment: 10 January 2014
Date of last re-election: 24 October 2019

Joanne Khoo Su Nee was appointed as our Independent Director on 10 January 2014 and is currently the Chairwoman of the Remuneration Committee. She is currently a Director of Bowmen Capital Private Limited, a company that provides business and management consultancy services. She also serves as an Independent Non-Executive Director of ES Group (Holdings) Limited and Independent Director of Excelpoint Technology Ltd, companies listed on the SGX-ST, as well as Independent Non-Executive Director of Netccentric Limited, a company listed on the Australian Securities Exchange Ltd. She was formerly an Independent Director of Kitchen Culture Holdings Ltd., listed on the SGX-ST. She was also formerly a director at PayLinks Pte Ltd, wholly owned by iPayLinks Limited. Joanne Khoo has more than 24 years of experience in corporate finance and business advisory services. From February 2008 to October 2012, she was a Director of corporate finance at Canaccord Genuity Singapore Pte. Ltd. (formerly known as Collins Stewart Pte. Limited). Prior to this, she was involved in a wide range of corporate finance activities in the employment of Phillip Securities Pte Ltd and Hong Leong Finance Limited. From 2000 to 2004, she was with Stone Forest Consulting Pte Ltd where she was involved in providing consultancy services to companies seeking public listings in Singapore. From 1997 to 2000, she was with PricewaterhouseCoopers. During that period, she was involved in both the corporate finance and recovery department as well as the audit and business advisory services department. Joanne Khoo graduated with a Bachelor of Business in Accountancy from Royal Melbourne Institute of Technology University in 1996. She was admitted as a Certified Public Accountant by the CPA Australia in 1999 and a Chartered Accountant under the Malaysian Institute of Accountants in 2000. She was also a member of the Women Corporate Directors, the world's largest membership organization and community of women corporate board directors.

CHUA KIM LENG
Independent Director
Date of first appointment: 1 January 2021

Chua Kim Leng was appointed as our Independent Director on 1 January 2021 and is currently the Chairman of the Nominating Committee. He is also an Independent Director of United Overseas Insurance Limited, an insurance company listed on the SGX-ST. In addition, he serves as a Director of the Casino Regulatory Authority, ICHX Tech (a recognised market operator in Singapore) and Sygnum Bank AG (a Swiss bank based in Zurich), and provides consultancy and training services. He stepped down from his role as Special Advisor (Financial Supervision) at the Monetary Authority of Singapore (MAS) in 2018 after 25 years of distinguished service. Prior to that, he was the Assistant Managing Director in charge of the Banking and Insurance Group where he was responsible for the licensing and supervision of banks, insurance and finance companies, and anti-money laundering supervision for the financial sector. He was also a member of MAS's Executive Committee where he was involved in policy making and the overall oversight of the authority. Chua Kim Leng graduated with a Bachelor of Business Administration (Honours) from the National University of Singapore in 1994. He was awarded the Public Administration Medal in 2014 by the President of Singapore for outstanding efficiency, competence and industry.

EXECUTIVE OFFICERS

EXECUTIVE OFFICERS
TEHO International

Phua Sian Chin is our CFO. He joined our Group in August 2008 and is responsible for the management of our Group's corporate finance, compliance and financial reporting matters. He is also an Independent Director of Oxley Holdings Ltd. Prior to joining our Group, he was, for over 8 years, the CFO of a holding company listed on the Hong Kong Stock Exchange. For over 10 years, he had worked as regional financial controller for multi-national corporations in the Asia-Pacific region. He was also the group financial head for property development groups in Singapore and Indonesia for over 6 years. Phua Sian Chin graduated with a Bachelor of Accountancy degree from the University of Singapore (now known as National University of Singapore) in 1975. He is currently a Fellow of the Institute of Singapore Chartered Accountants, a Fellow of the CPA Australia, a Fellow of the Association of Chartered Certified Accountants (UK) and a registered member of the Singapore Institute of Directors.

Lim Siew Choo is our General Administration Director and is currently responsible for day-to-day operations, statutory matters, recruitment and staff welfare of our Group. She joined TEHO in 1987 as a Manager responsible for general administration. In 2004, she was tasked to be responsible for our financial and management reporting, treasury operations, internal audit, developing corporate strategy, negotiating with financial institutions for facilities and financial budgeting. Lim Siew Choo graduated with a Bachelor degree in Management from Nagasaki Institute of Applied Science, Japan in 1987.

TEHO Ropes USA

Soare Siew Lian is our CEO of USA Operations. She joined TEHO in August 2008 and oversees the Group's activities in the Americas, presently centered in Houston and Panama. Prior to joining TEHO, she operated her own business through TEHO (USA), LLC, a company incorporated in the USA to facilitate the supply of our products in North America from 2005 to July 2008. From 2001 to 2005, she worked as Forecast Manager with Sara Lee Corporation's apparel division (now known as Hanesbrands Inc.), where she was tasked to integrate new businesses into existing forecasting and planning systems, and to provide sales forecast and analysis. From 1991 to 1995, she worked as Special Projects Manager at Catalina Lighting, Inc., a manufacturer and distributor of lighting products in Florida, USA, where she was responsible for new product development. She was subsequently promoted to Inventory Manager in 1995, to oversee inventory replenishment and purchasing. Soare Siew Lian graduated with a Bachelor of Business Administration degree from the National University of Singapore in 1981 and obtained a Master of International Management degree in 1984 from the American Graduate School of International Management (now known as Thunderbird School of Global Management under the Arizona State University system).

MANAGEMENT TEAM

TEHO International

Phua Cheng Boon is our Financial Controller. He joined the Group in December 2010 as Financial Controller and was responsible for the operational finance and accounting functions of the Group. Between July 2016 and September 2019, he took on the role of Operations Director, overseeing the whole operations of the real estate business. He began his career in public accounting firms with over 10 years of experience where he was also involved in clients' IPO and RTO exercises on the Singapore and Malaysia stock exchanges. He is a member of the Institute of Singapore Chartered Accountants.

TEHO Ropes Singapore

Anthony Tan is our General Manager for TEHO Ropes. He graduated from the Upper Iowa University in 2004 with a degree in Bachelor of Arts (Hons). Anthony Tan has over 23 years of experience in the marine and shipping industry. Prior to this appointment, he was the Group Business Development Manager. His vast pool of industrial knowledge and technical know-how acquired through the years enables him to accede to the tasks of managing and leading the departments of Sales, Operations and Quality and Factory in the Group.

Blonde Guy is our Corporate Strategy Senior Manager. Prior to joining the Group in April 2012, he was the Sales and Marketing Manager for a leading fibre ropes manufacturer in Europe where he set up a worldwide network of distributors. Equipped with almost two decades of extensive commercial and technical knowledge and experience, Blonde Guy leads the development and execution of medium and long term growth strategies of TEHO Group's rigging companies.

Chua Lay Mui is our Operations Manager. She joined the Group in 1986 and plays a significant role in managing the operations team which provides a critical supporting role to the business development team. A pioneer in the company, her accumulated experience and meticulousness to customers' requirements ensure accurate and smooth deliveries to customers.

Jamie Choo, our Business Development Manager of the Marine & Offshore Segment joined the Group in 2002. She monitors the market intelligence within the industry and leads the business development team in aligning to organizational goals and objectives. Jamie Choo completed her Bachelor in Business Studies (Hons) from Loughborough University (UK) in 2010.

Jason Tan is our Senior Supply Chain & IT Manager. He graduated from Nanyang Technological University and has been with the Group since 2004. He has attained various qualifications in Supply Chain Management, Productivity and Business Analytics and is responsible for supporting the Group's strategic plans by driving operational excellence and digital competence.

TEHO Ropes China

Anthony Tok is the Manager of TEHO Ropes China, responsible for expanding the business in the China market. He joined the Group in September 2009. He graduated from the National University of Singapore, majoring in Mechanical Engineering, in 2005. In recent years he has also been increasingly involved in the technical aspects of the business and has taken on a customer service role to assist customers with technical questions and investigations.

TEHO Ropes Europe

Jan-Kees Noordhoek is our Managing Director of TEHO EuROPE B.V.. He graduated from Fontys Hoge School Tilburg (University of Applied Science) in 1994 with a Bachelor's degree in Economics. He rose from Product Manager to Commercial Director at Lankhorst Ropes, and before joining the Group in 2013, served as a managing director of Oliveira. Actively involved in Eurocord and OCIMF, Jan-Kees Noordhoek has harnessed a wealth of knowledge in all aspects of synthetic rope production, marketing and applications, especially of the newer high performance rope.

TEHO Ropes Korea

Philip Lee Chang Ho is our Managing Director of TEHO Ropes Korea Co., Ltd.. He has a Bachelor degree in International Trade with over 26 years of experience in the fibre ropes and shipping industry. He was a Director of Overseas Sales Division of a leading fibre ropes manufacturer in Korea before he joined TEHO Ropes Korea in 2019.

TEHO Engineering

Philip Tan Chiun Wei is our Managing Director of TEHO Engineering Pte. Ltd.. He graduated from the University of Aberdeen (UK) in 1994 with an Honors degree in Bachelor of Engineering. Philip Tan started off as an Electrical Engineer and accumulated more than 26 years of experience in the Marine & Offshore Industry. He took on roles with increasing responsibilities in sales and marketing before being appointed General Manager and Company Director for electrical and mechanical engineering products. He joined the Group in 2012.

TEHO Development

Edwin Soon Chuan Tiah is the Managing Director of TEHO Development and TEHO Property Group. He brings in extensive experience in property marketing, business development and investment sales. He has previously overseen the various business divisions within the TEHO Property Group and has successfully implemented strategies for growth and profitability. With his fresh insights and in depth knowledge in the real estate industry, he has led various teams in achieving record-breaking sales, and spearheaded successful overseas property launches that have set trends in the local market and beyond.

GROUP MANAGEMENT STRUCTURE

- **BOARD OF DIRECTORS**
  - **LIM SEE HOE** – Executive Chairman and CEO
    - **LIM SIEW CHENG** – Executive Director and COO
    - **PHILIP LEE CHANG HO** – Managing Director of TEHO Ropes Korea
    - **PHUA SIAN CHIN** – CFO
    - **LIM SIEW CHOO** – General Administration Director
    - **PHILIP TAN CHIUN WEI** – Managing Director of TEHO Engineering
    - **SOARE SIEW LIAN** – CEO of USA Operations
    - **JAN-KEES NOORDHOEK** – Managing Director of TEHO Ropes Europe
    - **LIM SEE HOE** – Managing Director of TEHO Water
    - **EDWIN SOON CHUAN TIAH** – Managing Director of TEHO Development

GROUP STRUCTURE

As at 30 June 2021

- **TEHO INTERNATIONAL INC LTD.**
  - **Marine & Offshore Industries**
    - Mooring & Rigging Systems
      - TEHO Ropes & Supplies Pte.Ltd. Singapore
      - TEHO International (USA), LLC USA
      - TEHO (Shanghai) Co., Ltd China
      - TEHO EuROPE B.V. The Netherlands
      - TEHO Ropes Korea Co., Ltd Korea
    - Electrical & Mechanical Engineering Systems
      - TEHO Engineering Pte. Ltd. Singapore
    - Water & Environmental Treatment Systems
      - TEHO Water & Envirotec Pte. Ltd. Singapore
  - **Real Estate Industry**
    - Property Development & Services
      - TIEC Holdings Pte. Ltd. Singapore
      - TEHO Development Pte. Ltd. Singapore
        - TI Development Pte. Ltd. Singapore
        - TEHO Property Services Pte. Ltd. Singapore
          - TEHO Property Consultants Pte. Ltd. Singapore

(i) Subsidiaries and associates that are not significant are not shown above.
(ii) Subsidiaries shown above are all wholly owned.

235,635

Square Feet of inventory space

Our Multi-Dimensional Growth

We are growing in all directions.

Geographically, we have our stronghold in Singapore as well as global presence in Europe, the Americas, China and the Middle East. Service-wise, we have expanded our solutions from domestic rigging and mooring, to international marine and offshore solutions, and have even delved into the real estate scene. Despite any adversity, we always find our way and expand farther.

2016

- TEHO Group celebrated 30th anniversary
- Established new stock points in Panama and Algeciras

2017

- TEHO Ropes & Supplies Pte. Ltd. awarded the Business Excellence certification
- TEHO EuROPE B.V. opens new 4,000 m2 office and warehouse in Ridderkerk (Rotterdam)

2018

- TEHO Ropes & Supplies Pte. Ltd. certified as Eco-Office

2019

- TEHO Ropes & Supplies Pte. Ltd. and TEHO Engineering Pte. Ltd. achieved bizSAFE 4
- TEHO Ropes (USA) sets up own wire rope rigging facility in Houston (Texas).
- TEHO Ropes (USA) achieves Quality Management System ISO 9001:2015
- Incorporation of TEHO Ropes Korea and opens new 826 m2 warehouse

2020

- TEHO Ropes Europe acquires additional warehouse with plot size of 1,735 m^2
- New stock point Las Palmas

2021

- TEHO Ropes USA acquires new 3,311 m^2 warehouse and 843 m^2 office.

OPERATIONS & BUSINESS REVIEW

FINANCIAL PERFORMANCE REVIEW

Revenue

Revenue increased by $2.5 million or 4.3% to $61.8 million for the financial year ended 30 June 2021 ("**FY2021**") from $59.3 million for the financial year ended 30 June 2020 ("**FY2020**").

- Marine & Offshore Segment revenue in FY2021 decreased by 7.0% or $4.1 million in FY2021 as compared to FY2020. The decrease was mainly attributable to decreased revenue contribution from the mooring and rigging business. The water treatment and engineering business contributed to a decrease of $0.7 million and $0.4 million respectively.
- Revenue contribution from Property Segment increased by $6.6 million in FY2021 as compared to FY2020. The increase was attributable to the sale of a detached landed property.

Gross profit

The Group's gross profit of $21.8 million in FY2021 decreased by $0.3 million or 1.3% from $22.1 million in FY2020. The Group's gross profit margin also decreased to 35.3% in FY2021 as compared to 37.3% in FY2020.

- Marine & Offshore Segment contributed gross profit of $20.5 million to the Group in FY2021 as compared to $21.2 million in FY2020. Despite the decrease in gross profit, the gross profit margin increased to 37.8% in FY2021 from 36.3% in FY2020. The increase in gross profit margin was mainly due to change in the composition of products being sold in FY2021, with increased sales of higher-margin products.
- Property Segment contributed gross profit of $1.3 million to the Group in FY2021, of which $1.1 million was contributed by the Group's property consultancy business.

OPERATIONS & BUSINESS REVIEW

Other operating income

Other income increased by $0.6 million or 78.0% to $1.4 million in FY2021 from $0.8 million in FY2020. The increase was mainly due to the receipt of the Singapore Government's Jobs Support Scheme payouts of $0.8 million which was recognised in FY2021. The increase was offset by the absence of rental income from investment properties which were disposed of in the current year.

Distribution expenses

Distribution expenses decreased by $0.2 million or 12.1% to $1.2 million in FY2021 from $1.4 million in FY2020. The decrease was mainly due to cancellation of business travel and trade exhibition as a result of the travel bans and restrictions arising from the COVID-19 pandemic.

Administrative expenses

Administrative expenses decreased by $47,000 or 0.4% mainly due to reduction in bank charges and employee benefit expenses.

Other operating expenses

Other operating expenses decreased by $1.0 million in FY2021. The decrease was mainly due to:

- Absence of foreign exchange loss by $0.4 million due to fluctuation in United States Dollar ("**USD**") against Singapore Dollar ("**SGD**").
- Absence of fair value loss on interest rate swap of $0.2 million.
- Decrease in impairment loss on trade and other receivables and contract assets by $0.1 million.
- Absence of impairment loss on investment property of $0.1 million.
- Decrease in depreciation of property, plant and equipment and investment properties by $0.2 million, which is due mainly to the absence of depreciation on investment properties as it had been disposed of during the year.
- Decrease in bad debts written off by $37,000 to $2,000 in FY2021 from $39,000 in FY2020.

OPERATIONS & BUSINESS REVIEW

- Decrease in transportation, entertainment, telecommunication and general expenses by $16,000 as most of the employees were working from home due to the COVID-19 pandemic.

Finance income

The decrease in the Group's finance income, comprising mainly interest income from bank deposits, remained insignificant for FY2021.

Finance costs

Finance costs decreased by $0.5 million or 34.5% in FY2021 from $1.5 million in FY2020. The decrease was mainly due to lower interest rates in FY2021 and repayment of term loans.

Income tax expense

In FY2021, the Group incurred an income tax expense of $0.9 million as compared to $0.8 million in FY2020.

Profit for the year

Combining the profit before tax of $4.7 million for the Marine & Offshore Segment, loss before tax of $0.2 million for the Property Development Segment and the unallocated head office expenses and share of results of equity-accounted investees of $0.4 million, the Group's profit before tax was $4.1 million in FY2021 as compared to a profit before tax of $2.0 million

in FY2020. After accounting for income tax of $0.9 million, the Group's profit for FY2021 is $3.2 million as compared to a profit of $1.2 million in FY2020.

FINANCIAL POSITION REVIEW

Non-current assets

Non-current assets decreased to $13.3 million as at 30 June 2021 from $13.6 million as at 30 June 2020. This decrease was mainly due to the following:

- Depreciation of property, plant and equipment of $0.3 million.
- Utilisation of deferred tax assets in current year of $0.1 million.

The decrease was offset by the following:

- Investment in associates of $0.1 million, comprising of a 26.0% equity interest in Paneltec Pte. Ltd. in September 2020.

OPERATIONS & BUSINESS REVIEW

Current assets

Current assets of $43.6 million as at 30 June 2021 decreased by $9.3 million or 17.7% from $52.9 million as at 30 June 2020. The decrease was mainly due to the following:

- Assets held for sale decreased by $3.2 million following the disposal of two leasehold properties in the current year.
- Inventories decreased by $1.1 million from $22.3 million as at 30 June 2020 to $21.2 million as at 30 June 2021. The decrease in inventory is in line with the decrease in sales of Marine & Offshore Segment's revenue in FY2021. Despite the decrease in the inventory, the inventory turnover days for Marine & Offshore Segment in FY2021 increased to 236 days from 210 days in FY2020. The increase in inventory turnover days was mainly due to slowdown in sales during the year.
- Development properties decreased by $5.4 million from $10.8 million as at 30 June 2020 to $5.4 million as at 30 June 2021. The decrease was due to the sale of the Farleigh Avenue project during the period.
- Trade and other receivables decreased by $1.2 million, which is in line with the decrease in the Marine & Offshore Segment's revenue in FY2021.
- Tax recoverable decreased by $0.1 million.

The decrease stated above was offset by the increase in cash and cash equivalents by $1.7 million. Please refer to the "Cash Flows Review" section below for details.

Non-current liabilities

Non-current liabilities decreased by $3.0 million or 19.3% to $12.3 million as at 30 June 2021 from $15.3 million as at 30 June 2020. The decrease was mainly due to the following:

- Non-current portion of loans and borrowings decreased by $2.8 million, mainly due to (i) reclassification of land and construction loans of $3.3 million to current portion and (ii) repayment of term loans of $2.1 million. The decreases were offset by $2.6 million increase in term loans.
- Decrease in lease liabilities by $0.1 million as a result of payments of lease liabilities of $0.3 million and termination of lease contracts of $0.3 million. The decreases were mitigated by addition of new leases of $0.5 million.
- Fair value adjustment on derivatives financial liabilities of $0.1 million.

Current liabilities

Current liabilities decreased by $10.0 million or 27.4% to $26.4 million as at 30 June 2021 from $36.4 million as at 30 June 2020. The decrease was mainly due to the following:

- Decrease in lease liabilities of $0.3 million as a result of payments of lease liabilities of $0.6 million and termination of lease contracts of $0.2 million. The decreases were mitigated by addition of new leases of $0.5 million.
- Current portion of loans and borrowings decreased by $9.2 million, mainly due to (i) repayment of land and construction loans of $4.5 million as the Group sold its development at 88 Farleigh Avenue and (ii) repayment of term loans and trust receipts of $28.5 million. The decreases were offset by a reclassification of land and construction loans of $3.3 million from the non-current portion as well as a $20.5 million increase in term loans and trust receipts.
- Trade and other payables decreased by $0.1 million due to decrease in purchases as a result of decrease in Marine & Offshore Segment revenue in FY2021.
- Contract liabilities decreased by $0.1 million.
- Current tax liabilities decreased by $0.3 million.

Shareholders' equity

Shareholders' equity increased by $3.2 million or 21.7% to $18.1 million as at 30 June 2021 from $14.9

OPERATIONS & BUSINESS REVIEW

million as at 30 June 2020. The increase was mainly due to the net profit recorded for FY2021 amounting to $3.2 million.

CASH FLOWS REVIEW

Cash flows from operating activities

Operating cash inflows before changes in working capital was $6.7 million in FY2021. Net cash inflow used in working capital was $7.6 million due to the following:

- Cash inflows arising from a decrease in inventories of $1.2 million;
- Cash inflows arising from a decrease in development properties of $5.5 million;
- Cash outflows arising from an increase in contract costs of $0.1 million;
- Cash inflows arising from a decrease in trade and other receivables of $1.1 million;
- Cash inflows arising from a decrease in contract assets of $0.1 million;
- Cash outflows arising from an increase in trade and other payables of $0.1 million; and
- Cash outflows arising from an increase in contract liabilities of $0.1 million.

After deducting income taxes paid of $1.0 million, net cash from operating activities in FY2021 was $13.3 million.

Cash flows from investing activities

Net cash from investing activities in FY2021 was $2.4 million, attributed to the following:

- Investment in an associate company amounting to $0.1 million;
- Purchase of property, plant and equipment by the Marine & Offshore Segment totalling $0.8 million;
- Proceeds from sale of assets held for sale amounting to $3.2 million; and
- Proceeds from sale of plant and equipment amounting to $0.1 million.

Cash flows from financing activities

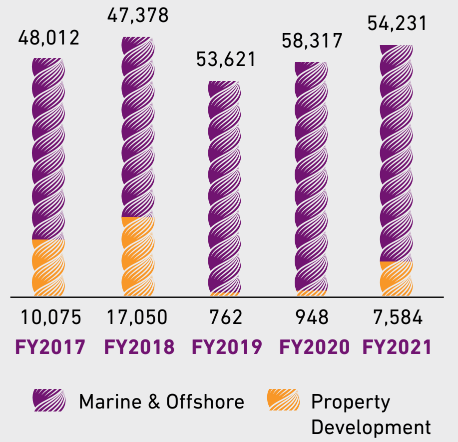
Net cash used in financing activities in FY2021 was $14.0 million, mainly attributable to the following:

- Interest paid of $1.1 million;
- Repayment of bank borrowings and lease liabilities totalling $36.0 million; and
- Proceeds from bank borrowings amounting to $23.1 million.

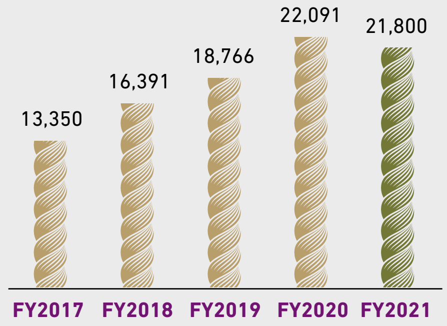
As a result of the above, cash and cash equivalents increased by approximately $1.7 million during FY2021. Cash and cash equivalents as at 30 June 2021 were $7.0 million.

FINANCIAL HIGHLIGHTS

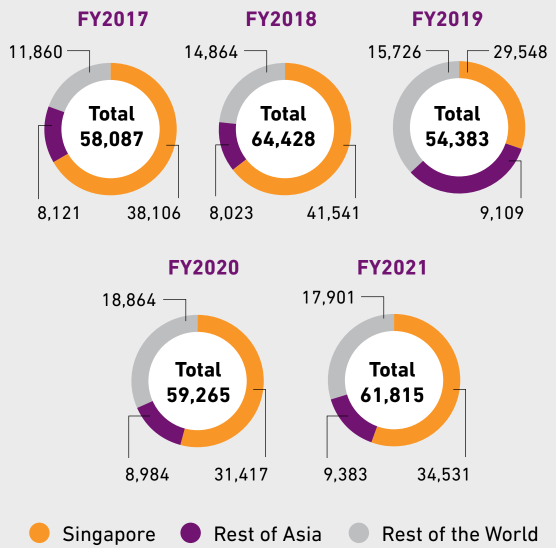
Revenue By Operating Segments ($'000)



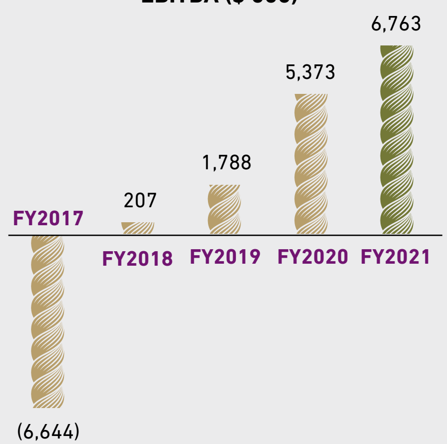
Gross Profit ($'000)



Revenue By Geographical Areas ($'000)



EBITDA ($'000)



	FY2017	FY2018	FY2019	FY2020	FY2021
REVENUE BY OPERATING SEGMENTS					
Marine & Offshore ($'000)	48,012	47,378	53,621	58,317	54,231
Property Development ($'000)	10,075	17,050	762	948	7,584
Total	58,087	64,428	54,383	59,265	61,815
REVENUE BY GEOGRAPHICAL AREAS					
Singapore ($'000)	38,106	41,541	29,548	31,417	34,531
Rest of Asia ($'000)	8,121	8,023	9,109	8,984	9,383
Rest of the World ($'000)	11,860	14,864	15,726	18,864	17,901
Total	58,087	64,428	54,383	59,265	61,815
OPERATING RESULTS					
Gross Profit ($'000)	13,350	16,391	18,766	22,091	21,800
EBITDA ($'000)	(6,644)	207	1,788	5,373	6,763
Profit/(Loss) Before Tax ($'000)	(9,313)	(2,343)	(299)	2,028	4,129
Profit/(Loss) After Tax ($'000)	(9,427)	(2,189)	(460)	1,185	3,231
Gross Profit Margin (%)	23.0	25.4	34.5	37.3	35.3
Basic Earnings/(Loss) Per Ordinary Share (Cents)	(4.04)	(0.94)	(0.20)	0.50	1.37
Diluted Earnings/(Loss) Per Ordinary Share (Cents)	(4.04)	(0.93)	(0.20)	0.50	1.37
FINANCIAL POSITION					
Total Assets ($'000)	93,344	76,294	56,940	66,564	56,856
Total Liabilities ($'000)	53,078	40,169	43,258	51,677	38,743
Total Equity ($'000)	40,266	36,125	13,682	14,887	18,113
Cash ($'000)	7,782	4,468	4,622	5,310	6,982
Borrowings ($'000)	44,398	31,625	37,164	44,674	32,321
Net Debt-to-Equity Ratio	0.91	0.75	2.38	2.64	1.40
NAV Per Ordinary Share (Cents)	7.80	6.10	5.84	6.32	7.69

MAJOR PROPERTIES

As at 30 June 2021

Location	Description	Approx. Land (sqm)	Approx. Gross Floor Area (sqm)	Tenure
1 Tuas Lane, Singapore 638610	Leasehold warehouse	10,686	5,983	30 years commencing 1 September 1992, with an option to renew for a further 30 years
1 Bukit Batok Crescent #03-20, Singapore 658064	Leasehold ramp-up factory unit for production work	240	240	60 years commencing 13 March 1997
Nikkelstraat 19, Ridderkerk (2984 AM), The Netherlands	Industrial building and warehouse	4,034	3,295	Freehold
Nikkelstraat 21, Ridderkerk (2984 AM), The Netherlands	Warehouse	1,735	988	Freehold

MAJOR PROPERTIES FOR DEVELOPMENT AND/OR SALE

As at 30 June 2021

Project Name/Location/Description	Tenure	Approx. Land (sqm)	Approx. Gross Floor Area (sqm)	Percentage of Completion at 30 June 2021 (%)	Interest held by the Group (%)	Expected Completion Date (Calendar Year)
16 Lorong Salleh Singapore 416770 3-Storey envelope control semi-detached dwelling house with an attic	Freehold	297	446	98%	100%	2021

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Lim See Hoe
Executive Chairman & Chief Executive Officer

Ms Lim Siew Cheng
Executive Director & Chief Operating Officer

Mr Kwah Thiam Hock
Lead Independent Director

Ms Joanne Khoo Su Nee
Independent Director

Mr Chua Kim Leng
Independent Director

AUDIT COMMITTEE

Mr Kwah Thiam Hock
Chairman

Ms Joanne Khoo Su Nee

Mr Chua Kim Leng

REMUNERATION COMMITTEE

Ms Joanne Khoo Su Nee
Chairwoman

Mr Kwah Thiam Hock

Mr Chua Kim Leng

NOMINATING COMMITTEE

Mr Chua Kim Leng
Chairman

Mr Kwah Thiam Hock

Ms Joanne Khoo Su Nee

COMPANY SECRETARIES

Mr Phua Sian Chin, FCA (Singapore)

Ms Wee Woon Hong, LLB (Hons)

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

In.Corp Corporate Services Pte. Ltd.
(formerly known as RHT Corporate Advisory Pte. Ltd.)
30 Cecil Street
#19-08 Prudential Tower
Singapore 049712

SPONSOR

SAC Capital Private Limited
1 Robinson Road
#21-00 AIA Tower
Singapore 048542

AUDITORS

KPMG LLP
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
Partner-in-charge: Mr Ronald Tay Ser Teck
Effective from the financial year ended 30 June 2020

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

1 Commonwealth Lane
#09-23 One Commonwealth
Singapore 149544
Tel: (65) 6744 8777
Fax: (65) 6744 8788
Email: ir@teho.com.sg
Website: www.teho.com.sg

CORPORATE DIRECTORY

Rigging, Mooring, Lifting & Safety Systems (Marine, Offshore O&G & Construction)

TEHO Ropes Singapore
TEHO Ropes & Supplies Pte. Ltd.
1 Commonwealth Lane, #09-23 One Commonwealth
Singapore 149544
Tel: (65) 6744 8777
Fax: (65) 6744 8788
Email: ropes@teho.com.sg
Website: www.tehoropes.com.sg

TEHO Ropes Europe
TEHO EuROPE B.V.
Nikkelstraat 19, 2984 AM Ridderkerk, The Netherlands
Tel: (31) (0) 180 820 995
Email: ropes@tehoeurope.nl
Website: www.tehoeurope.nl

TEHO Ropes USA
TEHO International (USA), LLC
2521 Reid Blvd, Pearland, TX77581, USA
Tel: (1) 866 737 3365
Fax: (1) 877 292 1442
Email: sales@tehoropes.com
Website: www.tehoropes.com

TEHO Ropes China
TEHO (Shanghai) Co., Ltd
Suite 2210A, 22/F Tomson Commercial Building
710 Dongfang Road, Shanghai P.R.C. 200122
Tel: (86) 186 1627 3590
Email: anthony_tok@teho.com.sg
Website: www.tehoropes.com.sg

TEHO Ropes Korea
TEHO Ropes Korea Co., Ltd.
47, Mieumgukje 4-ro, Gangseo-gu, Busan, Korea
Tel: (82) 51 831 6678
Email: mail@tehoropes.co.kr
Website: www.tehoropes.co.kr

Electrical and Mechanical Engineering Systems (Heavy Industries, Offshore Windfarm and O&G)

TEHO Engineering Pte. Ltd.
1 Bukit Batok Crescent, #03-20 WCEGA Plaza
Singapore 658064
Tel: (65) 6862 0900
Fax: (65) 6862 3955
Email: sales@tehoengineering.com.sg
Website: www.tehoengineering.com.sg

Reverse Osmosis Watermaker, Water & Environmental Solutions (Marine & Offshore O&G)

TEHO Water & Envirotec Pte. Ltd.
1 Bukit Batok Crescent, #03-20 WCEGA Plaza
Singapore 658064
Tel: (65) 6766 0397
Fax: (65) 6267 9748
Email: sales@tehowater.com.sg
Website: www.tehowater.com.sg

Property Development & Services

TEHO Development Pte. Ltd.
8 Jalan Lembah Kallang, #03-01 Min Ghee Bldg
Singapore 339564
Tel: (65) 6259 7977
Fax: (65) 6258 7977
Email: info@tehoproperty.com.sg
Website: www.tehoproperty.com.sg

FINANCIAL CONTENTS

REPORT OF CORPORATE GOVERNANCE

The Board of Directors (the "**Board**" or the "**Directors**") of TEHO International Inc Ltd. (the "**Company**" or "**TEHO**") is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the "**Group**") to ensure greater transparency and to protect the interests of the Company's shareholders.

TEHO has in place the appropriate personnel, processes and structures to direct and manage its business and affairs while safeguarding the interests of shareholders and enhancing long-term shareholders' value as part of its efforts to maintain high standards of corporate governance.

This corporate governance report (the "**Report**") describes the Group's efforts in keeping pace with the evolving corporate governance practices and complying with the Singapore Code of Corporate Governance 2018 (the "**Code**") issued by the Monetary Authority of Singapore and accompanying Practice Guidance, and where applicable, the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") (the "**Catalist Rules**") and the Companies Act, Chapter 50 of Singapore (the "**Companies Act**").

STATEMENT OF COMPLIANCE

The Board is pleased to confirm that, for the financial year ended 30 June ("**FY**") 2021, the Group has adhered as closely as possible to the principles and provisions set out in the Code except for the following guidelines where there are deviations from the Code and appropriate explanations have been provided:

(a) Provision 3.1 – Common Role of Chairman and Chief Executive Officer

(b) Provision 8.1 – Disclosure of remuneration details

(c) Provision 9.1 – Board Risk Committee

(d) Provision 11.4 – Absentia voting at general meetings of Shareholders

(e) Provision 11.6 – Dividend policy

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.

Provision 1.1 **Directors are fiduciaries who act objectively in the best interests of the company and hold Management accountable for performance. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.**

As at the date of this Report, the Board comprises five (5) directors, of whom two (2) are executive directors and three (3) are independent and non-executive directors. The directors possess the appropriate core competencies and diversity of experience needed to enable them to effectively contribute to the Group.

The Board is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group. Matters which specifically require the Board's decision or approval are those involving:

(a) Corporate strategy and business plans;

(b) Investment and divestment proposals;

(c) Funding decisions of the Group;

(d) Nominations of directors for appointment or re-appointments to the Board and appointment of key management personnel;

(e) Announcement of half-year and full-year results, annual reports and financial statements;

(f) Material acquisitions and disposals of assets;

(g) Consideration of sustainability issues as part of the Group's strategic formulation;

REPORT OF CORPORATE GOVERNANCE

(h) All matters of strategic importance;

(i) Review of management performance;

(j) Identify key stakeholder groups and recognise that their perceptions affect the Company's reputation; and

(k) Assume responsibility for corporate governance of the Group.

Directors are aware of their duties at law, which include acting in good faith and the best interests of the Company; exercising due care, skills and diligence; and avoiding conflicts of interest. All directors recognise that they have to discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. The Board is a representation of the shareholders in the Company and is accountable to them through effective governance of the business.

All directors are subject to a declaration of conflict of interests on a half-yearly basis and as soon as they are aware of circumstances giving rise to such conflict. Any director facing an actual, potential or perceived conflict of interests in relation to any matter will declare his or her interest and will recuse himself or herself from participating in discussions and abstain from making any decisions on the matter involving the issue of conflict.

Provision 1.2 **Directors understand the company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). Directors are provided with opportunities to develop and maintain their skills and knowledge at the company's expense. The induction, training and development provided to new and existing directors are disclosed in the company's annual report.**

To gain a better understanding of the Group's business, the Company adopts an open policy whereby directors are encouraged to request for further explanations, briefings or discussions on the Group's operations or business with the executive directors and the management.

Newly appointed directors are given briefings by the management on the business activities and strategic direction of the Group. There are also induction or orientation programs to familiarise them with the Group's operations and the roles and responsibilities of a director of a listed company in Singapore. They are also provided with a formal letter setting out their duties and obligations. Where appropriate and for first-time directors with no prior experience as a director of a listed company in Singapore, the Company will arrange for them to attend training courses organised by the Singapore Institute of Directors or other professional training institutions as appropriate so that they can discharge their duties effectively.

Mr Chua Kim Leng, who was appointed as an independent director of the Company in FY2021, has prior experience as a director of a public-listed company in Singapore as he is also an independent director of United Overseas Insurance Limited.

As part of training for the Board, directors are briefed either during Board and Board Committee meetings or at specially convened sessions on changes to regulations and accounting standards, as well as industry related matters. All directors are encouraged to keep themselves updated on changes to the financial, legal and regulatory requirements or framework and the business environment through reading relevant literature and attending appropriate seminars and courses conducted by bodies such as the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and Singapore Institute of Directors. The Directors are also provided with ongoing updates and/or briefings from time to time by the management of the Company, professional advisers, auditors, Sponsor and the Company Secretaries in areas such as Directors' duties and responsibilities, corporate governance practices and risk management matters. During Audit Committee ("**AC**") meetings, KPMG LLP (the"**External Auditors**") will brief the directors on the changes in accounting standards as well as key audit matters. Our Company's Continuing Sponsor, SAC Capital Pte Ltd, provides updates to the Board whenever there are changes to the listing rules or the Code of Corporate Governance.

REPORT OF CORPORATE GOVERNANCE

Provision 1.3 **The Board decides on matters that require its approval and clearly communicates this to Management in writing. Matters requiring board approval are disclosed in the company's annual report.**

Although the day-to-day management of the Company is delegated to the Executive Directors, the approval of the Board is required for matters such as corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, major corporate actions such as share issuance, the release of the Group's results and announcement to shareholders, declaration of dividends and interested person transactions.

Provision 1.4 **Board committees, including Executive Committees (if any), are formed with clear written terms of reference setting out their compositions, authorities and duties, including reporting back to the Board. The names of the committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each committee's activities, are disclosed in the company's annual report.**

To assist the Board in the execution of the Board's responsibilities, certain functions of the Board have been delegated to the following committees:

(a) Audit Committee (the "**AC**");

(b) Nominating Committee (the "**NC**"); and

(c) Remuneration Committee (the "**RC**"),

(collectively, the "**Board Committees**"). While these committees are delegated with certain responsibilities, the ultimate responsibility for the final decision lies with the entire Board.

The principle functions and roles of the Board Committees are described in subsequent sections of this Report, detailed functions and roles are described in each of the Board Committees' term of references. Each of the Board Committees is chaired by an independent director and operates within clearly defined terms of reference and functional procedures which are reviewed on a regular basis. These Board Committees provide further safeguards to prevent an uneven concentration of power, authority and decision-making in a single individual.

Provision 1.5 **Directors attend and actively participate in Board and board committee meetings. The number of such meetings and each individual director's attendances at such meetings are disclosed in the company's annual report. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company.**

The Board holds at least two (2) meetings a year at regular intervals. In addition, *ad hoc* meetings involving the Board and the management are held as and when there is a need to review, discuss and/or approve important matters such as major acquisition and divestment and related funding requirements. In between Board meetings, other important matters are also being circulated and put for the Board's approval by way of circulating resolutions in writing. The Company's Constitution provides for meetings of directors to be held by means of telephone conference or other methods of simultaneous communication by electronic or other means.

Frequency of formal Board and Board Committee meetings held and attended by each member for FY2021 are disclosed below:

Types of Meetings / Names of directors	Board	Audit Committee	Nominating Committee	Remuneration Committee
Total held for FY2021	**4**	**3**	**2**	**1**
Mr Lim See Hoe	4#	3*	2*	1*
Ms Lim Siew Cheng	4	3*	2*	1*
Mr Kwah Thiam Hock	4	3#	2	1
Ms Joanne Khoo Su Nee	4	3	2	1#
Mr Chua Kim Leng (1)	1	1	-	-
Mr Oo Cheong Kwan Kelvyn (2)	3	2	2#	1

Notes:

\# Chairman

* By invitation

(1) Mr Chua Kim Leng was appointed as an independent director, the chairman of the NC and a member of the AC and RC of the Company on 1 January 2021.

(2) Mr Oo Cheong Kwan Kelvyn ceased to be an independent director, the chairman of the NC and a member of the AC and RC of the Company on 16 October 2020.

REPORT OF CORPORATE GOVERNANCE

All directors are expected, in the course of carrying out their duties, to act in good faith to provide insights and objectively take decisions in the interest of the Group.

The NC has assessed and is of the view that the multiple board representations held presently by some directors do not impede their respective performance in carrying out their duties towards the Company. The NC has also taken into consideration the other principal commitments of the directors in deciding if the directors are able to and have adequately carried out their duties. As such, the Board does not propose to set the maximum number of listed company board representations which directors may hold until such need arises.

Provision 1.6 **Management provides directors with complete, adequate and timely information prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities.**

The Company recognises the importance of unlimited and unhindered flow of information for the Board to discharge its duties effectively. The management and the executive directors furnish the Board, and where appropriate, each director regularly with information about the Group as well as the relevant background information or explanatory information relating to the business to be discussed at Board meetings. The type of information that is provided to the Board includes facts, resources needed, financial impact, expected outcomes, conclusions and recommendations. Detailed board papers are circulated to directors in advance for each meeting to give the directors sufficient time to review the matters to be discussed.

The management also provides all members of the Board with half-yearly management accounts of the Group's performance, with explanatory details on its operations, and as the Board may require from time to time to make balanced and informed assessments of the Group's performance, position and prospects.

Provision 1.7 **Directors have separate and independent access to Management, the company secretary, and external advisers (where necessary) at the company's expense. The appointment and removal of the company secretary is a decision of the Board as a whole.**

Either one of the company secretaries attends Board and Board Committee meetings. Together with the management, the company secretaries are responsible for ensuring that appropriate procedures are followed and that the requirements of the Companies Act and the provisions in the Catalist Rules are complied with.

The company secretaries assist the Chairman of the Company in ensuring good information flow within the Board and its Board Committees and between the management and non-executive directors. The directors are also provided with the contact details of the management and company secretaries to facilitate separate and independent access. The appointment and the removal of the company secretaries is a matter for the approval of the Board as a whole.

Each director, either individually or collectively, has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil his or her duties and responsibilities as director.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Provision 2.1 **An "independent" director" is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company.**

Executive Directors

Mr Lim See Hoe	Executive Chairman and Chief Executive Officer ("**CEO**")
Ms Lim Siew Cheng	Executive Director and Chief Operating Officer ("**COO**")

Non-Executive Directors

Mr Kwah Thiam Hock	Lead Independent Director and Chairman of AC
Ms Joanne Khoo Su Nee	Independent Director and Chairman of RC
Mr Chua Kim Leng	Independent Director and Chairman of NC

REPORT OF CORPORATE GOVERNANCE

The independence of each independent director is reviewed annually by the NC based on the guidelines set forth in the Code and the Catalist Rules. The NC adopts the definition in the Code as to what constitutes an independent director in its review to ensure that the Board consists of persons who, together, will provide core competencies necessary to meet the Company's objectives.

The independent directors have confirmed that they do not have any relationship with the Company or its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the directors' independent business judgement with a view to the best interests of the Company. The NC is of the view that Mr Kwah Thiam Hock, Ms Joanne Khoo Su Nee and Mr Chua Kim Leng are independent.

The Code states that the independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. The Board is of the view that the independence of the independent directors must be based on the substance of their professionalism, integrity and objectivity, and not merely based on form such as the number of years which they have served on the Board.

After taking into account the views of the NC, the Board is satisfied that each independent director is independent in conduct, character and judgement and there are no relationships or circumstances that are likely to affect, or could affect, the director's judgement.

Mr Kwah Thiam Hock has served on the Board for more than nine years from the date of his first appointment. The Board conducted rigorous review by examining any conflicts of interest, his review and scrutiny of matters and proposals put before the Board, his exercise of independent judgment, the effectiveness of his oversight roles as a check and balance on the acts of the executive directors and the management as well as his role in enhancing and safeguarding the interests of the Company and its shareholders. Upon review, the Board considers Mr Kwah Thiam Hock to remain independent.

Pursuant to Rule 406(3)(d)(iii) of the Catalist Rules (which will come into effect on 1 January 2022), independent directors who have served beyond nine years on the Board will be subjected to a re-election via a two-tier vote to be approved by (i) all shareholders; and (ii) all shareholders excluding shareholders who also serve as directors or the CEO (and their associates). Such two-tier vote has to be carried out before 1 January 2022. Accordingly, the re-election of Mr Kwah Thiam Hock, who is due to retire at the forthcoming annual general meeting ("**AGM**"), will be subject to a two-tier shareholders' voting.

Provision 2.2 **Independent directors make up a majority of the Board where the Chairman is not independent.**

The Board currently comprises five (5) directors, of whom two (2) are executive directors and three (3) are independent and non-executive directors. As the Chairman of the Board and CEO of the Group is the same person and part of the management, more than half of the Board is made up of independent and non-executive directors. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.

Provision 2.3 **Non-executive directors make up a majority of the Board.**

The Board currently comprises two (2) executive directors and three (3) independent and non-executive directors, who have the right core competencies and diversity of experiences to enable them, in their collective wisdom, to contribute effectively for the long-term success of the Company. The independent directors make up more than half of the Board and there is a strong independent element in the Board.

Provision 2.4 **The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report.**

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The Company is committed in building a diverse and collegiate culture in the Board. As such, the Board's diversity policy provides that in examining the Board composition and succession planning, the Board will consider balancing the benefits of all aspects of diversity, including diversity of skills, experience, knowledge, gender and other relevant factors – the Board is of the view that the current composition does facilitate effective decision-making.

All director appointments are based on meritocracy with the objective of forming an effective board. In relation to gender diversity, the Board welcomes the selection of female candidates for director appointments. While the Board recognises the Singapore's Diversity Action Committee's progressive target of having at least 30% female representation on boards of Singapore listed companies, the Board's collective view is that achieving the target should not be the main selection criteria and that board appointments based on the right blend of skills, experience relevant to the Group's business and ability to contribute effectively should remain a priority. Thus far, the Company has maintained 40% female representation in its Board or two out of five directors.

The Board, through the NC, has examined its size and is of the view that it is of an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Group. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.

There is adequate relevant competence on the part of the directors, who, as a group, carry specialist backgrounds in accounting, finance, business and management and strategic planning. The profile of each of the directors is disclosed in the "**Board of Directors**" section of this annual report.

Provision 2.5 **Non-executive directors and/or independent directors, led by the independent Chairman or other independent director as appropriate, meet regularly without the presence of Management. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.**

The independent directors participate actively in developing strategies and in reviewing the performance of the Group. Where necessary, the independent directors may meet and discuss about the Group's affairs without the presence of the executive directors and the management of the Group.

The Group does not have a non-executive director on the Board who is not independent.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provision 3.1 **The Chairman and the CEO are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.**

Mr Lim See Hoe is the Chairman and CEO of the Company.

Notwithstanding that the Chairman and the CEO is the same person, the Board is of the view that it is in the best interests of the Group to adopt a single leadership structure. This is to ensure that the decision-making process of the Group would not be unnecessarily hindered.

All major proposals and decisions on the matters listed under Provision 1.1, are discussed and reviewed by the Board as a whole. The independent directors currently form more than half the composition of the Board. With the establishment of three (3) Board Committees, each committee is chaired by and comprised independent directors, there are adequate safeguards in place to ensure accountability, transparency and prevention of uneven concentration of power, authority and decision-making in a single individual. As such, the Board is of the view that it would not be necessary for the Group to effect a separation of the role of the Chairman and the CEO.

Provision 3.2 **The Board establishes and sets out in writing the division of responsibilities between the Chairman and the CEO.**

Although the Chairman and the CEO is the same person, the role of the Chairman is separate from that of the CEO and there is a clear division of the responsibilities between the Chairman and CEO.

Mr Lim See Hoe leads the Board and is responsible for the overall corporate and strategic development, business direction, expansion plan and management of the Group. Mr Lim See Hoe, in his role as the Chairman of the Board, is responsible for scheduling Board meetings as and when required, setting the agenda for the Board meetings and ensuring the quality, quantity and timeliness of the flow of information between the management, the Board and the shareholders so as to enhance working relations among

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the management, executive and non-executive directors, and to encourage constructive communication with shareholders respectively. He is also responsible for ensuring compliance with the Company's guidelines on corporate governance.

Mr Lim See Hoe is assisted by Ms Lim Siew Cheng, who is the executive director and COO of the Company, in the management of the day-to-day operations of the Group. Ms Lim Siew Cheng is responsible for the Group's sales administration, operations and strategic planning. Mr Lim See Hoe and Ms Lim Siew Cheng are siblings.

<u>**Provision 3.3**</u> **The Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. The lead independent director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.**

As Mr Lim See Hoe is the Chairman and CEO of the Company, the Board has appointed Mr Kwah Thiam Hock as the Lead Independent Director to co-ordinate and lead the independent directors to provide non-executive perspective, to avail himself to shareholders where they have concerns and for which contact through the normal channels of the Chairman and CEO or the Chief Financial Officer has failed to resolve or is inappropriate, and to act as a counter-balance in the decision-making process and contribute a balanced viewpoint to the Board.

Where necessary, the independent directors may meet without the presence of the other executive directors and the lead independent director shall provide feedback to the Chairman after such meetings.

Board Membership

Principle 4: The board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

<u>**Provision 4.1**</u> **The board establishes an NC to make recommendations to the board on relevant matters relating to:**

(a) the review of succession plans for directors, in particular the appointment and/or replacement of the chairman, the CEO and key management personnel;
(b) the process and criteria for evaluation of the performance of the board, its board committees and directors;
(c) the review of training and professional development programmes for the board and its directors; and
(d) the appointment and re-appointment of directors (including alternate directors, if any.

The NC is guided by written terms of reference that describe the responsibilities of the NC and its members.

The principal functions of the NC are as follows:

(a) To review and recommend the nomination or re-nomination of directors having regard to each director's competency, contribution and performance;

(b) To determine on an annual basis whether or not a director is independent;

(c) To assess the performance of the Board, its Board Committees and contribution of each director to the effectiveness of the Board;

(d) To review the training and professional development programmes for the Board; and

(e) To review succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel.

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Provision 4.2 **The NC comprises at least three directors, the majority of whom, including the NC Chairman, are independent. The lead independent director, if any, is a member of the NC.**

To facilitate a formal and transparent process for the appointment and re-appointment of directors to the Board, the Board has formed the NC, which comprises:

Mr Chua Kim Leng	Chairman of NC and Independent Director
Mr Kwah Thiam Hock	Member and Lead Independent Director
Ms Joanne Khoo Su Nee	Member and Independent Director

The NC comprises entirely independent directors and the Company's Lead Independent Director is a member of the NC. The Chairman of the NC is independent and not associated with any substantial shareholder of the Company. The NC holds at least one meeting in each financial year. *Ad hoc* meetings are held as and when necessary.

Provision 4.3 **The company discloses the process for the selection, appointment and re-appointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates in the company's annual report.**

In the event that a vacancy on the Board arises, the NC may identify suitable candidates for appointment as new director through the business networks of the Board. The NC will assess suitable candidates for appointment to the Board based on the requisite qualifications, expertise and experience, and recommend the most suitable candidate to the Board for appointment as director.

Under the Company's Constitution, all directors are required to submit themselves for re-nomination and re-election at least once every three years. Directors who retire are eligible to offer themselves for re-election.

The NC assesses and recommends to the Board whether retiring directors are suitable for re-election. The NC, in considering the re-appointment of a director, evaluates such director's contributions in terms of experience, business perspective and attendance at meetings of the Board and/or Board Committees and pro-activeness of participation in meetings. Each member of the NC shall abstain from recommending his or her own re-election. The NC has recommended the re-election of Mr Kwah Thiam Hock, Ms Lim Siew Cheng and Mr Chua Kim Leng at the forthcoming AGM. The Board has accepted the NC's recommendations, and the three directors will be offering themselves for re-election.

Ms Lim Siew Cheng (Executive Director and COO, and a substantial shareholder of the Company) is siblings with Mr Lim See Hoe (Executive Chairman and CEO, and a controlling shareholder of the Company) and Ms Lim Siew Choo (General Administration Director of TEHO Ropes & Supplies Pte. Ltd., a wholly-owned subsidiary of the Company, and a substantial shareholder of the Company). Save for the foregoing, there are no other relationships including immediate family relationships between the retiring directors and the other directors of the Company, the Company and its 10% shareholders.

Provision 4.4 **The NC determines annually, and as and when circumstances require, if a director is independent, having regard to the circumstances set forth in Provision 2.1. Directors disclose their relationships with the company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence, to the Board. If the Board, having taken into account the views of the NC, determines that such directors are independent notwithstanding the existence of such relationships, the company discloses the relationships and its reasons in its annual report.**

The NC is responsible for determining annually the independence of each independent director, taking into consideration the circumstances set forth in the Catalist Rules and the Code. The relevant factors are set out under Principle 2 of the Code above.

The independent directors have confirmed that they do not have any relationship with the Company or its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the directors' independent business judgement with a view to the best interests of the Company.

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Provision 4.5 **The NC ensures that new directors are aware of their duties and obligations. The NC also decides if a director is able to and has been adequately carrying out his or her duties as a director of the company. The company discloses in its annual report the listed company directorships and principal commitments of each director, and where a director holds a significant number of such directorships and commitments, it provides the NC's and Board's reasoned assessment of the ability of the director to diligently discharge his or her duties.**

Newly appointed directors are given briefings by the management on the business activities and strategic direction of the Group. There are also induction or orientation programs to familiarise them with the Group's operations and the roles and responsibilities of a director of a listed company in Singapore. They are also provided with a formal letter setting out their duties and obligations. Where appropriate and for first-time directors with no prior experience as a director of a listed company in Singapore, the Company will arrange for them to attend training courses organised by the Singapore Institute of Directors or other professional training institutions as appropriate so as to equip them to discharge their duties effectively.

Key information regarding the directors is set out below:

Name of director	Date of first appointment	Date of last re-election	Principal Commitments	Directorships in other listed companies	
				Present	Past (Last five years)
Mr Lim See Hoe	10 June 2008	27 October 2020	TEHO International Inc Ltd.	Nil	Nil
Ms Lim Siew Cheng	15 October 2008	24 October 2019	TEHO International Inc Ltd.	Nil	Nil
Mr Kwah Thiam Hock	5 May 2009	27 October 2020	1. PM Shipping Pte Ltd 2. Philip Ventures Enterprise Fund 6 Ltd.	1. Excelpoint Technology Ltd. 2. Wilmar International Limited	1. Select Group Limited 2. IFS Capital Limited
Ms Joanne Khoo Su Nee	10 January 2014	24 October 2019	Bowmen Capital Private Limited	1. Excelpoint Technology Ltd. 2. Netccentric Limited 3. ES Group (Holdings) Limited	Kitchen Culture Holdings Ltd.
Mr Chua Kim Leng	1 January 2021	-	-	United Overseas Insurance Limited	Nil

The academic and professional qualifications and the information on shareholdings in the Company held by each director are set out in the "**Board of Directors**" and "**Directors' Statement**" sections of this annual report respectively.

The NC has assessed and is of the view that the multiple board representations held presently by some directors do not impede their respective performance in carrying out their duties towards the Company. The NC has also taken into consideration the other principal commitments of the directors in deciding if the directors are able to and have adequately carried out their duties. As such, the Board does not propose to set the maximum number of listed company board representations which directors may hold until such need arises.

Currently, there is no alternate director on the Board.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Provision 5.1 **The NC recommends for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each board committee separately, as well as the contribution by the Chairman and each individual director to the Board.**

The NC decides how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the Board's approval, that addresses how the directors have enhanced long-term shareholders' value.

Provision 5.2 **The company discloses in its annual report how the assessments of the Board, its board committees and each director have been conducted, including the identity of any external facilitator and its connection, if any, with the company or any of its directors.**

In assessing the effectiveness of the Board as a whole and the different committees, the Board has implemented an assessment process which is carried out by the NC. Each director is provided an assessment checklist which includes evaluation factors such as Board composition and structure, conduct of meetings, corporate strategy and planning, risk management and internal

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control, measuring and monitoring performance, training and recruitment, compensation, financial reporting and communicating with shareholders. The results of the assessments are then discussed at the NC meeting.

The Chairman of the Company will, in consultation with the NC, act on the results of the performance evaluations and where appropriate, propose new members be appointed to the Board or seek the resignation of directors. Each member of the NC shall abstain from voting on any resolution in respect of the assessment of his or her performance or re-nomination as director.

The NC, having reviewed the overall performance of the Board as a whole, its Board Committees as well as the performance of each individual director, is satisfied with their performance for the period under review. No external facilitator had been engaged by the Board in FY2021 for this purpose.

The Board and the NC have endeavoured to ensure that directors appointed to the Board possess the background, experience, business knowledge, finance and management skills critical to the Group's business. They have also ensured that each director, with his or her special contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Provision 6.1 **The board establishes a RC to review and make recommendations to the board on:**

(a) a framework of remuneration for the board and key management personnel; and

(b) the specific remuneration packages for each director as well as for the key management personnel.

The RC was formed to recommend to the Board a framework of remuneration for the directors and key management personnel, and to determine specific remuneration packages for each executive director. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses and other benefits-in-kind are covered by the RC. In addition, the RC administers the TEHO Performance Share Plan (the "**TEHO PSP**").

No individual director shall be directly involved in recommending and deciding their own remuneration.

Provision 6.2 **The RC comprises at least three directors. All members of the RC are non-executive directors, the majority of whom, including the RC Chairman, are independent.**

The RC comprises:

Ms Joanne Khoo Su Nee	Chairwoman and Independent Director
Mr Kwah Thiam Hock	Member and Lead Independent Director
Mr Chua Kim Leng	Member and Independent Director

In adherence to the Code, the RC comprises entirely independent directors to minimise conflicts of interest and the Chairwoman of the RC is Ms Joanne Khoo Su Nee. The RC has written terms of reference that describe the responsibilities of its members.

The principal functions of the RC are as follows:

(a) Recommend to the Board a framework of remuneration for the directors and key executives, and determine specific remuneration packages for each executive director; and

(b) Review all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits-in-kind.

Provision 6.3 **The RC considers all aspects of remuneration, including termination terms, to ensure they are fair.**

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The RC reviews all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses and other benefits-in-kind.

Each member of the RC shall abstain from voting on any resolutions in respect of his or her remuneration package.

The RC will continue to review the Company's obligations arising in the event of termination of any of the executive directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

Provision 6.4 **The company discloses the engagement of any remuneration consultants and their independence in the company's annual report.**

If necessary, the RC shall seek advice from external remuneration consultants on the remuneration of all directors. The RC would also ensure that any relationship between the appointed remuneration consultant and any of the directors or the Company will not affect the independence and objectivity of the remuneration consultant.

No remuneration consultants were engaged for FY2021.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Provision 7.1 **A significant and appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the company.**

The Company has a remuneration policy for the CEO and COO, which comprises a fixed component and a variable component. The fixed component is in the form of a base salary and a fixed one-month bonus while the variable component is in the form of a variable bonus which takes into account the performance of the Company and their respective performances. The performance-related elements of remuneration are designed to align the executive directors' interest with those of the Company's shareholders and link rewards to corporate and individual performance.

In setting remuneration packages, the Company also takes into consideration the remuneration packages and employment conditions in comparable positions and within the comparable industry and companies as well as its risk policies, arising from the need for the compensation to be symmetric with the risk outcomes and the time horizon of risks.

Mr Lim See Hoe and Ms Lim Siew Cheng, being CEO and COO respectively, are remunerated based on their respective service agreements with the Company. These service agreements will be renewed for such period as the Board may decide upon expiry, on such terms and conditions as the parties may agree. The agreements provide for termination by either party upon giving not less than six months' notice in writing.

Provision 7.2 **The remuneration of non-executive directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities.**

The independent directors do not have service agreements with the Company. They are paid fixed directors' fees, which are determined by the Board appropriate to the level of their contributions, taking into account factors such as the effort and time spent and the responsibilities of each independent director. The directors' fees are subject to approval by shareholders at each AGM. The independent directors do not receive any other remuneration from the Company. The independent directors are not over-compensated to the extent that their independence may be compromised.

Provision 7.3 **Remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the company and key management personnel to successfully manage the company for the long term.**

The review of the remuneration of the key management personnel takes into consideration the performance and contributions of the staff to the Group and gives due regard to the financial and business performance of the Group. The Group seeks to offer a competitive level of remuneration to attract, motivate and retain senior management of the required competency to run the Group successfully.

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The Company has adopted a long-term employee incentive scheme known as TEHO PSP that was approved by shareholders at the extraordinary general meeting held on 25 November 2011, to align itself with and embrace local trends and best practices in employee compensation and retention. The TEHO PSP aims to promote higher performance goals, recognise exceptional achievements and retain talents within the Group. The TEHO PSP is administrated by the RC. As the duration of the TEHO PSP is subject to a maximum period of 10 years commencing from the adoption date, the TEHO PSP will accordingly expire on 25 November 2021. The Company is proposing to adopt a new long-term employee incentive scheme known as the TEHO Performance Share Plan 2021 ("**TEHO PSP 2021**") at the forthcoming extraordinary general meeting to be held on 27 October 2021. Please refer to the "**Directors' Statement**" section of this annual report and the Company's circular dated 5 October 2021 for more information on the TEHO PSP and the TEHO PSP 2021.

The Company has contractual provisions for the Company to reclaim incentive components of remuneration from its executive directors in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. With regards to the key management personnel, having reviewed and considered the variable components in the remuneration package of the key management personnel, the RC is of the view that it is not necessary to institute such contractual provisions.

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provision 8.1 **The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:**

(a) each individual director and the CEO; and

(b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel.

The Board supports and is keenly aware of the need for transparency. However, having considered the general sensitivity and confidentiality of remuneration matters, the Board adopts the disclosure of remuneration in bands that would provide a good overview and is informative of the remuneration of each director and key management personnel.

A breakdown, showing the level and mix of each director's remuneration for FY2021 is as follows:

Remuneration band and name of director	Fee	Salary	Bonus	Benefits	Total
	%	%	%	%	%
$700,000 to below $800,000					
Mr Lim See Hoe	1.3	73.4	10.5	14.8	100.0
$400,000 to below $500,000					
Ms Lim Siew Cheng	2.4	84.0	9.6	4.0	100.0
Below $100,000					
Mr Kwah Thiam Hock	100.0	–	–	–	100.0
Ms Joanne Khoo Su Nee	100.0	–	–	–	100.0
Mr Chua Kim Leng	100.0	–	–	–	100.0

The Code recommends the Company to name and disclose the remuneration of at least the top five key management personnel, who are not directors or CEO of the Company. For FY2021, the Company has three (3) key management personnel (who is not a director or CEO of the Company).

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A breakdown showing the remuneration level and mix of each of the Company's top key management personnel (who is not a director or CEO of the Company) is as follows:

Remuneration band and name of key management personnel	Position	Salary	Bonus	Benefits	Total
		%	%	%	%
$300,000 to below $350,000					
Ms Soare Siew Lian	CEO of USA Operations	75.7	5.8	18.5	100.0
$250,000 to below $300,000					
Mr Phua Sian Chin	Chief Financial Officer	74.1	13.6	12.3	100.0
Ms Lim Siew Choo	General Administration Director	86.8	8.1	5.1	100.0

The aggregate total remuneration paid to the above key management personnel (excluding the Executive Chairman and CEO, and the Executive Director and COO) amounted to approximately $857,000 for FY2021.

Provision 8.2 **The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S$100,000 during the year, in bands no wider than S$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.**

A breakdown, showing the FY2021 remuneration level and mix of each employee who is a substantial shareholder of the Company, or an immediate family member of a director, the CEO or a substantial shareholder of the Company is as follows:

Remuneration band and name of employee	Position	Fee	Salary	Bonus	Benefits	Total
		%	%	%	%	%
$700,000 to below $800,000						
Mr Lim See Hoe	Executive Chairman and CEO	1.3	73.4	10.5	14.8	100.0
$400,000 to below $500,000						
Ms Lim Siew Cheng	Executive Director and COO	2.4	84.0	9.6	4.0	100.0
$300,000 to below $350,000						
Ms Soare Siew Lian	CEO of USA Operations	–	75.7	5.8	18.5	100.0
$250,000 to below $300,000						
Ms Lim Siew Choo	General Administration Director	–	86.8	8.1	5.1	100.0

Note:

Mr Lim See Hoe, Ms Lim Siew Cheng and Ms Lim Siew Choo are substantial shareholders of the Company. Since the commencement of the Group's USA business, Ms Soare Siew Lian has been its CEO, while Ms Lim Siew Choo has been the General Administration Director of TEHO Ropes & Supplies Pte. Ltd., a wholly owned subsidiary of the Company. Ms Soare Siew Lian and Ms Lim Siew Choo are also directors of TEHO Ropes & Supplies Pte. Ltd.. Ms Soare Siew Lian and Ms Lim Siew Choo are siblings of the CEO and COO of the Company. Save as disclosed above, no employee of the Group whose remuneration exceeded $100,000 for FY2021, was a substantial shareholder, an immediate family member of a director, the CEO or a substantial shareholder.

Provision 8.3 **The company discloses in its annual report all forms of remuneration and other payments and benefits, paid by the company and its subsidiaries to directors and key management personnel of the company. It also discloses details of employee share schemes.**

The RC has reviewed and approved the remuneration packages of the executive directors and key management personnel, having regard to their contributions as well as the financial performance and commercial needs of the Group and has ensured that the executive directors and key management personnel are adequately but not excessively remunerated.

The Board is of the opinion that the information as disclosed above would be sufficient for shareholders to have an adequate appreciation of the Group's compensation policies and practices and therefore does not intend to issue a separate remuneration report, the contents of which would be largely similar.

There are no termination, retirement and post-employment benefits that may be granted to directors, CEO and key management personnel of the Group.

Please refer to the "**Directors' Statement**" section of this annual report for more information on the TEHO PSP.

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ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The board is responsible for the governance of risk and ensures that management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Provision 9.1 **The board determines the nature and extent of the significant risks which the company is willing to take in achieving its strategic objectives and value creation. The board sets up a board risk committee to specifically address this, if appropriate.**

The Board is responsible for governance of risk management, and determining the Company's levels of risk tolerance and risk policies. It is also responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets, and to manage risks.

The Board ensures that the management maintains a sound system of internal controls to safeguard the shareholders' investments and the Group's assets. The Board keeps itself abreast and is kept informed by the management of legislative and regulatory requirements. It is also guided by the Company's Catalist Sponsor of legislative and regulatory changes to the Catalist Rules, if any.

The Company does not have a Risk Management Committee as the Board collectively oversees the risk management of the Group. In addition, the executive directors and the management regularly review the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management reviews significant control policies and procedures, and highlights the significant matters to the Board and the AC. Furthermore, on the AC's recommendation, the Board had appointed TRS Forensics Pte Ltd (the "**Internal Auditors**") to undertake an Internal Audit Review of the Group annually and an Enterprise Risk Management Update Review on a biennial basis.

Having reviewed the qualifications, experience, resource, independence and reporting structure of the IA, the AC is satisfied that the Company's internal audit function is staffed by suitably qualified and experienced professionals with the relevant qualifications and experience.

The AC reviews the adequacy of the internal audit function on an annual basis and is satisfied that it is adequately resourced and has appropriate standing within the Group to perform its duties effectively.

On the recommendation of the AC, the Chief Financial Officer takes on the additional duties of a compliance officer, and co-ordinates and oversees the works of the Company's professional service providers.

Enterprise Risk Management

The AC had engaged the Internal Auditors to undertake an Enterprise Risk Management Update Review of the Group, which commenced in November 2019, to enable the Board and the management to understand the inherent industry, financial, operational, compliance and information technology risks of the Group.

As part of the Enterprise Risk Management Update Review, the Internal Auditors engaged key members of management including the AC members and the CEO to carry out the following:

(a) Understand the organisational structure and current internal and external operating environment of the various business units of the Group;

(b) Identify events, assess risk, evaluate risk responses and control activities in place;

(c) Determine the impact and likelihood of the identified risks;

(d) Identify improvement opportunities for control gaps; and

(e) Prioritise and rank the identified risks.

The Enterprise Risk Management Update Review is part of the Group's efforts to periodically review its Enterprise Risk Management framework on a biennial basis and enhance such framework in response to changes in the external environment and business processes. The Group will continue to proactively evaluate the risks faced by the Group and ensure appropriate risk treatment.

The next Enterprise Risk Management Update Review of the Group is scheduled to take place in November 2021.

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Internal controls

On 1 December 2020, the Board, based on the AC's recommendation, selected and appointed the Internal Auditors to review, recommend, and carry out subsequent follow-up review on the Group's internal control systems. The first full cycle internal audit carried out by the Internal Auditors spanned over FY2021 and FY2022 which covered the following major areas of operations of the Group under two phases:

Phase 1 (conducted in FY2021):

(a) Revenue to collection;

(b) Fabrication and commissioning management (for the Marine & Offshore Segment); and

(c) IT controls and cybersecurity.

Phase 2 (to be conducted in FY2022):

Internal Auditors shall discuss and agree on the scope of work with the AC before commencement.

Phase 1 of the aforementioned review was completed and the Internal Auditors issued two reports to the AC, one in relation to TEHO Ropes & Supplies Pte. Ltd. (a subsidiary in the Marine & Offshore Segment) dated 16 December 2020 and one in relation to TEHO Engineering Pte. Ltd., TEHO Water & Envirotec Pte. Ltd. (both are subsidiaries in the Marine & Offshore Segment) and TEHO Property Consultants Pte. Ltd. (a subsidiary in the Property Development Segment) dated 10 May 2021. The reports, which included recommendations and areas for improvements, were also disseminated to the key members of management for follow-up actions. Based on the remedial actions taken by the Group on the Internal Auditor's recommendations, and the on-going review of and the continuing efforts at enhancing internal controls and processes, the Board, with the concurrence of the AC, is satisfied that in the absence of any evidence to the contrary, the system of internal controls in place is adequate and effective in meeting the needs of the Group in its current business environment.

Annual review of the Group's risk management and internal control systems

With the assistance of the AC, the Board has undertaken an annual assessment on the adequacy and effectiveness of the Group's risk management and internal control systems over financial, operational, compliance and information technology risks. The assessment considered issues dealt with in reports reviewed by the AC and the Board during the financial year together with any additional information necessary to ensure that the Board has taken into account all significant aspects of risks and internal controls for the Group for FY2021. The reports reviewed by the AC and the Board during the financial year include (a) the External Auditor's Salient Features Memorandum in relation to the FY2021 external audit, (b) the Internal Auditor's internal audit report for FY2021, and (c) the Enterprise Risk Management Update Review report.

The Board's annual assessment in particular considered:

(i) The changes since the last annual assessment in the nature and extent of key risks; and the Group's ability to respond to changes in its business and external environment;

(ii) The scope and quality of management's ongoing monitoring of risks and of the system of internal controls, and the work of the Internal Auditors and other providers of assurance; and

(iii) The incidence of significant internal control weaknesses that were identified during the financial year.

In order to obtain assurance that the Group's risks are managed adequately and effectively, the Board had reviewed the key risks which the Group is exposed to, as well as an understanding of the countermeasures and internal controls that are in place to manage those risks.

REPORT OF CORPORATE GOVERNANCE

<u>Provision 9.2</u> **The board requires and discloses in the company's annual report that it has received assurance from:**

(a) the CEO and the Chief Financial Officer ("CFO") that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and
(b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.

The Board has received assurance from the CEO and the CFO that:

(a) the financial records have been properly maintained and the financial statements for FY2021 give a true and fair view of the Group's operations and finances; and

(b) that the Group has put in place and will continue to maintain a reasonably adequate and effective system of risk management and internal controls.

In addition, the Board has received assurance from the key management personnel (being the Executive Director and COO, General Administration Director of TEHO Ropes & Supplies Pte. Ltd. and the CEO of the Group's USA Operations) that the Group has put in place and will continue to maintain a reasonably adequate and effective system of risk management and internal controls.

<u>Opinion on adequacy of Group's internal controls</u>

Based on the internal controls established and maintained by the Group, work performed by the Internal Auditors and External Auditors, and reviews performed by the management and the Board, the Board with the concurrence of the AC, is of the opinion that the risk management systems and internal control systems maintained by the Group, addressing the financial, operational, compliance and information technology risks of the Group, are adequate and effective as at 30 June 2021. The Board and the AC note that all internal control systems contain inherent limitations and no system of internal controls can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

Audit Committee

Principle 10: The board has an AC which discharges its duties objectively.

<u>Provision 10.1</u> **The duties of the AC include:**

(a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;
(b) reviewing at least annually the adequacy and effectiveness of the company's internal controls and risk management systems;
(c) reviewing the assurance from the CEO and the CFO on the financial records and financial statements;
(d) making recommendations to the board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;
(e) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function; and
(f) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.

The AC has written terms of reference clearly setting out its authority and duties.

The AC meets periodically to perform, *inter alia*, the following functions:

(a) To review with the external auditors the audit plan, their evaluation of the system of internal controls, the audit report, the management letter and the management's response;

(b) To review with the internal auditors the internal audit plan and their evaluation of the adequacy of the internal controls and accounting system before submission of the results of such review to the Board for approval prior to the incorporation of such results in the annual report;

REPORT OF CORPORATE GOVERNANCE

(c) To review the financial statements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;

(d) To review the internal controls and procedures and ensure co-ordination between the external auditors and the management, reviewing the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the management where necessary);

(e) To review and discuss with external and internal auditors (if any), any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;

(f) To review the Group's key financial risk areas (including but not limited to, the Group's cash management policies and cash position, collection of debts, hedging policies and transactions, speculative trading policies and positions and off-balance sheet items);

(g) To consider the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the auditors as well as the remuneration and terms of engagement of the external auditors;

(h) To review transactions falling within the scope of Chapter 9 of the Catalist Rules;

(i) To review any potential conflicts of interest;

(j) To undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and

(k) Generally to undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time.

Apart from the above functions, the AC is tasked to commission and review the findings of investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation, which has or is likely to have a material impact on the Company's operating results or financial position.

The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by the management and full discretion to invite any director or key management personnel to attend its meetings, and reasonable resources, including access to external consultants and auditors, to enable it to discharge its functions properly.

It is the Company's practice for the External Auditors to present to the AC their audit plan together with updates relating to any changes in accounting standards impacting the financial statements. During the AC meetings in FY2021, the External Auditors briefed the AC on the changes in accounting standards.

The AC had discussed with the management the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements. The following key audit matters were discussed with the management and the External Auditors, and reviewed by the AC in respect of FY2021:

Matters considered	Audit Committee's comments
Valuation of development properties	The AC considered the valuation approach adopted and key assumptions used in relation to the development properties under construction in Singapore. The AC also considered the findings of the External Auditors. The AC was satisfied with the appropriateness of the valuation approach and the reasonableness of the key assumptions applied. The external auditor has included this item as a key audit matter in the audit report for FY2021. Please refer to Page 59 of this annual report.

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Matters considered	Audit Committee's comments
Valuation of inventories	The AC considered the approach and methodology applied to the allowances for inventory obsolescence. In addition, the AC discussed the above with the External Auditor. The AC was satisfied with management's assessment. The external auditor has included this item as a key audit matter in the audit report for FY2021. Please refer to Page 60 of this annual report.

The AC reviews the independence of the External Auditors on an annual basis. There was no provision of non-audit service by the External Auditors for FY2021. In the AC's opinion, KPMG LLP is suitable for re-appointment and it has accordingly recommended to the Board that KPMG LLP be nominated for re-appointment as auditors of the Company at the forthcoming AGM. KPMG LLP is registered with the Accounting and Corporate Regulatory Authority of Singapore. A breakdown of the External Auditors' fees paid for audit and non-audit services for FY2021 is provided in the "**Audit and Non-Audit Fees**" section of this Report of Corporate Governance.

The Company has complied with Rules 712 and 715 of the Catalist Rules in appointing the audit firms for the Group.

TRS Forensics Pte Ltd is a corporate member of the Institute of Internal Auditors Singapore. The internal audit work carried out is guided by International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

As part of the internal audit process, the Internal Auditors carry out the following:

(a) Evaluate the Group's control design effectiveness and adequacy;

(b) Develop and execute control testing programmes to determine compliance of internal controls;

(c) Highlight areas where control weaknesses and lapses exist;

(d) Analyse root causes of audit findings where possible and identify improvement opportunities;

(e) Summarise issues, improvement opportunities and recommendations; and

(f) Prepare an Internal Audit Report outlining the Internal Auditors' findings and recommendations for improvements noted in the processes and procedures. A risk rating will be assigned to each finding.

During FY2021, the Internal Auditors had reviewed key internal controls in the major operational areas of the Group as detailed in the internal audit plan submitted to and approved by the AC as mentioned in Principle 9. Findings and the Internal Auditors' recommendations on areas of improvement were reported to the AC and for management's implementation and were also made available to the External Auditors for review.

Whistleblowing Policy

The Board advocates the highest level of conduct and ethical standards of governance for the Group. The Company's employee handbook provides a set of guiding principles in terms of having the appropriate conduct for common ethical issues, such as conflicts of interest, bribery and corruption, confidential information and insider trading, among others. We also educate all our employees on the Company's Whistleblowing Policy, to facilitate the reporting of suspected and actual cases of improper, unethical or fraudulent conduct.

On 24 June 2021, SGX RegCo issued a news release on requiring issuers to have an updated whistleblowing policy that covers the following requirements:

(i) Keeping the identity of the whistleblower confidential;

(ii) The whistleblower is protected from reprisal; and

(iii) There is independent oversight of the whistleblowing policy and commitment to (i) and (ii).

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The aforementioned requirements have been incorporated into the Company's Whistleblowing Policy and a copy of the whistleblowing policy has been posted on the Company's website for the information of its stakeholders, which includes staff, suppliers and customers. The Company's Whistleblowing Policy can be found at https://investor.teho.com.sg/whistle_blowing_arrangement.html

In FY2021, a whistleblowing case was received and has been properly addressed with the relevant authorities. There were no cases of bribery, corruption, anti-competitive behavior, or other material non-compliance with the law during the year.

Provision 10.2 **The AC comprises at least three directors, all of whom are non-executive and the majority of whom, including the AC Chairman, are independent. At least two members, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience.**

The AC comprises:

Mr Kwah Thiam Hock	Chairman and Lead Independent Director
Mr Chua Kim Leng	Member and Independent Director
Ms Joanne Khoo Su Nee	Member and Independent Director

The AC comprises entirely independent directors and it has written terms of reference clearly setting out its authority and duties.

All members of the AC (including the Chairman) have accounting and related financial management expertise. The Board is of the view that the AC has the necessary experience and expertise required to discharge its duties.

Provision 10.3 **The AC does not comprise former partners or directors of the company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.**

No former partner of the Company's existing audit firms is a member of the AC.

Provision 10.4 **The primary reporting line of the internal audit function is to the AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the company's documents, records, properties and personnel, including the AC, and has appropriate standing within the company.**

The AC, in consultation with the management, approves the hiring, removal, evaluation and compensation of the internal auditors. As the size of the operations of the Group does not warrant the Group having an in-house internal audit function, the Group outsourced its internal audit function to the Internal Auditors, TRS Forensics Pte Ltd, as mentioned in Principle 9. The Internal Auditors consult and report directly to the AC and administratively to the Board, and has unrestricted access to the documents, records, properties and personnel of the Group.

TRS Forensics Pte Ltd is a technology-based professional service firm that specialises in the provision of risk advisory services including Internal Audit, Data Protection, Cybersecurity and Forensics Investigation. TRS Forensics Pte. Ltd. is a suitably appointed qualified firm of risk consultants (including Certified Internal Auditors), with its processes guided by the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The firm currently maintains an outsourced internal audit portfolio of about 20 companies listed on the SGX-ST, Bursa-Malaysia and The Stock Exchange of Hong Kong in construction, property development, manufacturing, healthcare, logistics, engineering services, e-commerce, trading industries, education. The Engagement Team for this engagement comprises a Director, a Manager and is supported by two internal auditors. The Director, Mr Gary Ng has more than 15 years of relevant experience and is a Certified Internal Auditor whilst the Manager has more than 10 years of relevant experience and is a Certified Internal Auditor.

Provision 10.5 **The AC meets with the external auditors, and with the internal auditors, in each case without the presence of management, at least annually.**

The AC had met with the External Auditors, without the presence of management, to review the adequacy of audit arrangements, with emphasis on the scope and quality of their audit, and the independence, objectivity and observations of the External Auditors.

REPORT OF CORPORATE GOVERNANCE

The AC had met with the Internal Auditors without the presence of management to discuss their findings on the Company's observance of internal control measures that are in place.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provision 11.1 **The company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing general meetings of shareholders.**

All shareholders will receive the Company's annual report and notice of AGM or general meetings. For the financial performance reporting via SGXNet to the SGX-ST, and the annual report to the shareholders, the Board has a responsibility to present a balanced and understandable assessment of the Group's performance, financial position and prospects to the public, including interim and other price sensitive public reports and reports to regulators (if required).

All shareholders are entitled to attend the general meetings of the Company and are afforded the opportunity to participate effectively at such meetings. All shareholders are entitled to vote in accordance with the established voting rules and procedures. The Company conducted poll voting for all resolutions tabled at the general meetings. The rules, including the voting procedures, will be clearly explained by the scrutineers at such general meetings.

In line with the safe-distancing measures and regulations imposed by the Singapore Government to curb the further spread of COVID-19, the Company strongly encourages shareholders' participation at the forthcoming AGM for FY2021 which is to be held via electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 ("**Alternative Arrangements Order**").

For the forthcoming AGM, the notice of AGM and the accompanying annual report and proxy form are made available to members solely by electronic means via publication on the Company's website and SGXNet, pursuant to the Alternative Arrangements Order. Although the AGM will be conducted by electronic means, shareholders may appoint the Chairman of the AGM as their proxy to attend and vote on their behalf at that AGM if such shareholders wish to exercise their voting rights, and may submit their questions relating to the resolutions set out in the notice of the AGM in advance.

The Company has specified in the notice of AGM the detailed information on attending the AGM by electronic means, such as instructions to shareholders on how they may (i) participate to observe and/or listen to the AGM proceedings, (ii) access the annual report and proxy form, (iii) submit their questions in advance of the AGM electronically (e.g. via email) and (iv) vote by appointing the Chairman of the AGM as proxy and indicate how he wishes to vote for or vote against (or abstain from voting on) the resolutions.

The Board adheres to the requirements of the Catalist Rules where all resolutions are to be voted by poll for general meetings held on or after 1 August 2015 and the Company will announce the detailed results, showing the number of votes cast for and against each resolution and the respective percentages, to the shareholders and the public.

Provision 11.2 **The company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the company explains the reasons and material implications in the notice of meeting.**

The Company takes note that there should be separate resolutions at general meetings on each substantially separate issue and to avoid "bundling" resolutions. In the event that there are resolutions which are interlinked, the Board will provide reasons and material implications in the annual report and related documents / notice of general meeting.

Provision 11.3 **All directors attend general meetings of shareholders, and the external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. Directors' attendance at such meetings held during the financial year is disclosed in the company's annual report.**

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The Chairman of the Board, as well as the respective Chairman of each Board Committee is required to be present to address questions at the AGM or, if necessary, any general meetings. The External Auditors are also present at such meeting to assist the directors to address shareholders' queries about the conduct of audit and the preparation and content of the auditor's report, if necessary. Please refer to Provision 1.5 for details on the Directors' attendance at general meetings held during FY2021.

Provision 11.4 **The company's constitution (or other constitutive documents) allow for absentia voting at general meetings of shareholders.**

The Company's Constitution allows a shareholder to appoint not more than two proxies to attend and vote in the shareholder's place at the general meetings through proxy forms sent in advance. In line with the amendments to the Companies Act, corporate shareholders of the Company who provide nominee or custodial services are entitled to appoint more than two proxies to attend and vote on their behalf at the general meetings provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such corporate shareholders.

In light of the Alternative Arrangements Order, shareholders who wish to vote at the forthcoming AGM for FY2021 must submit a proxy form to appoint the Chairman of the AGM as their proxy and indicate how he wishes to vote for or vote against (or abstain from voting on) the resolutions. The detailed information regarding how shareholders may vote by appointing the Chairman of the AGM as proxy and submission of questions has been specified in the notice of AGM.

As the authentication of shareholders' identity information and other related integrity issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail or electronic means.

Provision 11.5 **The company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the board and management.**

The company secretaries prepare minutes of the general meetings, which capture the essence of the comments or queries from shareholders and responses from the Board and the management. All minutes of AGM or general meetings that include substantial and relevant comments or queries from the shareholders and responses from the Board and the Management will be published on SGXNet and/or the Company's website.

Provision 11.6 **The company has a dividend policy and communicates it to shareholders.**

The Company does not have a definite dividend policy as the form, frequency and amount of dividends declared each year will take into consideration the Group's retained earnings and expected future earnings, cash flow, capital requirements and general financing condition, as well as general business conditions and other factors as the Board may deem appropriate. After considering the cash flow requirements of the Group and to be prudent, no dividend was paid or proposed for FY2021. Any dividend payments will be clearly communicated to shareholders via announcements on SGXNet.

Engagement With Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Provision 12.1 **The company provides avenues for communication between the board and all shareholders, and discloses in its annual report the steps taken to solicit and understand the views of shareholders.**

The Group's corporate governance practices promote fair and equitable treatment of all shareholders. The Company is committed to maintaining and improving its level of corporate transparency of financial results and other pertinent information. In line with the continuous disclosure obligations of the Company pursuant to the Catalist Rules and the Companies Act, it is the Board's policy to ensure that all shareholders are informed on a timely basis of every significant development that has an impact on the Group via announcements on SGXNet. The Group recognises that the release of timely and relevant information is central to good corporate governance and enables shareholders to make informed decisions in respect of their investments in the Company.

The Company does not practise selective disclosure. Results and annual reports are announced or issued within the mandatory period.

REPORT OF CORPORATE GOVERNANCE

Provision 12.2 **The company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders.**

The Company conducts its investor relations on the following principles:

(a) Information deemed to be price-sensitive and/or trade-sensitive is disseminated without delay via announcements on SGXNet;

(b) Endeavour to provide comprehensive information in financial results announcements to help shareholders and potential investors make informed decisions; and

(c) Operate an open policy with regard to investors' enquiries.

Provision 12.3 **The company's investor relations policy sets out the mechanism through which shareholders may contact the company with questions and through which the company may respond to such questions.**

The investor relations team can be reached at ir@teho.com.sg.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Provision 13.1 **The company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.**

The Company recognises the importance of close collaboration with its key stakeholders such as employees, investors and media, suppliers and service providers, customers, and etc, in order to achieve sustainable business goals. The Company has in place a process to identify its various stakeholders and understand their viewpoints as well as actively communicate with them to align the Company's expectation and goals.

Both Executive and Independent Directors meet or speak with shareholders regularly, primarily through general meetings of shareholders, to gather their views and address concerns.

Provision 13.2 **The company discloses in its annual report its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.**

The Group engages with the key stakeholders through various platforms. Details of the stakeholders engaged by the Group, areas of focus, approaches to stakeholder, including frequency of engagement by type and by stakeholder group and key feedback or issues that have been raised though stakeholder engagement and can be found in the Company's Annual Report 2021.

Provision 13.3 **The company maintains a current corporate website to communicate and engage with stakeholders.**

The Company maintains its corporate website (https://teho.com.sg/) providing information about the Company such as the Board of Directors and Management team, products or services, as well as all disclosures and announcements of the Company submitted to the SGX-ST via SGXNet. Stakeholders can also contact the Company through phone or e-mail, the details of which can be found on the Company's website.

ADDITIONAL INFORMATION

Dealing in Securities

The Company has devised and adopted policies in line with the requirements of Rule 1204(19) of the Catalist Rules on dealings in the Company's securities by its directors and officers.

The Company and its officers are prohibited from dealing in the Company's shares on short-term considerations or at any time when they are in possession of unpublished price-sensitive information. They are not allowed to deal in the Company's shares during the period commencing one month before the date of the announcement of the Company's half year and full year results, and ending on the date of the announcement of the relevant results.

In addition, directors and key executives are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

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The Company issues half yearly circulars to its directors and officers informing them that they must not deal in the Company's securities before the release of results and at any time they are in possession of unpublished material price-sensitive information.

Interested Person Transaction

The Company has adopted an internal policy in respect of any transaction with an interested person, which sets out the procedures for review and approval of such transaction.

All interested person transactions will be documented and submitted periodically to the AC for its review to ensure that such transactions are carried out on an arm's length basis and on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

Details of the interested person transaction entered into by the Group for FY2021 as required to be disclosed pursuant to Rule 1204(17) of the Catalist Rules are set out below:

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)	
		FY2021	FY2020	FY2021	FY2020
Asdev Investments Pte. Ltd. -Rental of office space [(1)]	Common director and shareholder	$287,936	$314,112	-	-

Note:

(1) Annual rental pursuant to the Lease Agreement dated 29 August 2019 entered into between TEHO Ropes & Supplies Pte. Ltd. ("**TRSPL**"), a wholly owned subsidiary of the Company and Asdev Investments Pte. Ltd. (where Mr Lim See Hoe, a director and controlling shareholder of the Company, is a director and sole shareholder) for taking a lease in respect of the property located at 1 Commonwealth Lane #09-23/24/25/26 One Commonwealth Singapore 149544. The term of the aforesaid lease agreement was two years commencing from 1 August 2019 and expiring on 31 July 2021.

TRSPL had on 29 July 2021 renewed the lease with Asdev Investments Pte. Ltd. for a period of one year commencing from 1 August 2021 and expiring on 31 July 2022.

Audit and Non-Audit Fees

During FY2021, the aggregate amount of fees paid or payable to the External Auditors for the audit services amounted to $187,500.

There was no provision of non-audit service by the External Auditors for FY2021.

Non-Sponsor Fees

With respect to Rule 1204(21) of the Catalist Rules, there was no non-sponsor fee paid to the Sponsor, SAC Capital Private Limited, for FY2021.

Material Contracts and Loans

Pursuant to Rule 1204(8) of the Catalist Rules, the Company confirms that except as disclosed in the "**Interested Person Transaction**" section above, the "**Directors' Statement**" section of this annual report, the audited financial statements and the service agreements between the Company and the executive directors, there were no other material contracts and loans of the Company and its subsidiaries involving the interests of the CEO or any director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

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Information on Directors Seeking Re-Election

Ms Lim Siew Cheng, Mr Kwah Thiam Hock and Mr Chua Kim Leng are the directors seeking re-election at the forthcoming AGM of the Company. Pursuant to Rule 720(5) of the Catalist Rules, the information relating to Ms Lim Siew Cheng, Mr Kwah Thiam Hock and Mr Chua Kim Leng in accordance with Appendix 7F of the Catalist Rules is set out below:

	MS LIM SIEW CHENG	MR KWAH THIAM HOCK	MR CHUA KIM LENG
Date of appointment	15 October 2008	5 May 2009	1 January 2021
Date of last re-appointment (if applicable)	24 October 2019	27 October 2020	-
Age	64	75	52
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board, having considered the recommendation of the NC and assessed Ms Lim's overall contributions and performance, is of the view that she is suitable for re-appointment as an executive director of the Company.	The Board, having considered the recommendation of the NC and assessed Mr Kwah's overall contributions and performance, is of the view that he is suitable for re-appointment as an independent director of the Company.	The Board, having considered the recommendation of the NC and assessed Mr Chua's overall contributions and performance, is of the view that he is suitable for re-appointment as an independent director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive. As set out in Ms Lim's profile write-up at page 9 of this annual report.	Non-Executive	Non-Executive
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director and COO	Lead Independent Director, Chairman of the AC and a member of the RC and NC of the Company	Independent Director, Chairman of the NC and a member of the AC and RC of the Company
Professional qualifications	Nil	1. Bachelor of Accountancy, University of Singapore (now known as National University of Singapore) 2. Fellow, Certified Public Accountant (CPA), Australia 3. Fellow, Institute of Singapore Chartered Accountants 4. Fellow, ACCA (UK)	Bachelor of Business Administration (Honours), National University of Singapore

REPORT OF CORPORATE GOVERNANCE

	MS LIM SIEW CHENG	MR KWAH THIAM HOCK	MR CHUA KIM LENG
Working experience and occupation(s) during the past 10 years	As set out in Ms Lim's profile write-up at page 9 of this annual report.	As set out in Mr Kwah's profile write-up at page 9 of this annual report.	As set out in Mr Chua's profile write-up at page 9 of this annual report.
Shareholding interest in the listed issuer and its subsidiaries	Direct interest: 30,012,555 ordinary shares	Nil	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Ms Lim is siblings with the following individuals: 1. Mr Lim See Hoe (Executive Chairman and CEO, and a controlling shareholder of the Company); 2. Ms Soare Siew Lian (CEO of the Group's USA Operations); 3. Ms Lim Siew Choo (General Administration Director of the Group and a substantial shareholder of the Company); and 4. Mr Lim See Heng (1) (A substantial shareholder of the Company). Note: (1) Mr Lim See Heng has passed away on 14 December 2020.	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil	Nil
Undertaking (in the format set out in Appendix 7H) under Catalist Rule 704(6) has been submitted to the listed issuer	Yes	Yes	Yes

REPORT OF CORPORATE GOVERNANCE

	MS LIM SIEW CHENG	MR KWAH THIAM HOCK	MR CHUA KIM LENG
Other principal commitments including directorships	Past (for the last 5 years) Executive Director of: 1. TEHO Development (Cambodia) Pte. Ltd. 2. TEHO Offshore Pte. Ltd. Other Principal Commitments: Nil Present Executive Director of: 1. TEHO Development Pte. Ltd. 2. TEHO Engineering Pte. Ltd. 3. TEHO Property Consultants Pte. Ltd. 4. TEHO Property Network Pte. Ltd. 5. TEHO Property Services Pte. Ltd. 6. TEHO Ropes & Supplies Pte. Ltd. 7. TEHO Water & Envirotec Pte. Ltd. 8. TI Development Pte. Ltd. 9. TIEC Holdings Pte. Ltd. Other Principal Commitments: Nil	Past (for the last 5 years) Independent Director of: 1. IFS Capital Limited 2. Select Group Limited Director of: Pivot Medical Pte. Ltd. Other Principal Commitments: Nil Present Independent Director of: 1. Excelpoint Technology Ltd 2. Wilmar International Limited Director of: 1. PM Shipping Pte Ltd 2. Philip Ventures Enterprise Fund 6 Ltd. Other Principal Commitments: Nil	Past (for the last 5 years) Directorships: 1. Ayumu Singapore Pte. Ltd. 2. Ternary Asia Master Fund Pte. Ltd. 3. Ternary PBP Capital Private Limited 4. Ternary Centennial Pte. Ltd. 5. Ternary Fund Management Private Limited 6. Sygnum Pte. Ltd. Other Principal Commitments: Monetary Authority of Singapore – Special Advisor (Financial Supervision) Present Directorships: 1. Casino Regulatory Authority 2. United Overseas Insurance Limited 3. ICHX Tech Pte. Ltd. 4. Sygnum Bank AG Other Principal Commitments: Nil
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.			
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No

REPORT OF CORPORATE GOVERNANCE

		MS LIM SIEW CHENG	MR KWAH THIAM HOCK	MR CHUA KIM LENG
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c)	Whether there is any unsatisfied judgment against him?	No	No	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No

REPORT OF CORPORATE GOVERNANCE

		MS LIM SIEW CHENG	MR KWAH THIAM HOCK	MR CHUA KIM LENG
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No

REPORT OF CORPORATE GOVERNANCE

		MS LIM SIEW CHENG	MR KWAH THIAM HOCK	MR CHUA KIM LENG
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No

REPORT OF CORPORATE GOVERNANCE

	MS LIM SIEW CHENG	MR KWAH THIAM HOCK	MR CHUA KIM LENG
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of: (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No

REPORT OF CORPORATE GOVERNANCE

	MS LIM SIEW CHENG	MR KWAH THIAM HOCK	MR CHUA KIM LENG
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?			
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No

DIRECTORS' STATEMENT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 30 June 2021.

In our opinion:

(a) the financial statements set out on pages 62 to 118 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2021 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Companies Act, Chapter 50 of Singapore and Singapore Financial Reporting Standards (International); and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors in office at the date of this statement are as follows:

Lim See Hoe	
Lim Siew Cheng	
Kwah Thiam Hock	
Joanne Khoo Su Nee	
Oo Cheong Kwan Kelvyn	(Resigned on 16 October 2020)
Chua Kim Leng	(Appointed on 1 January 2021)

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 of Singapore (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
The Company		
Ordinary shares fully paid		
Lim See Hoe	82,788,818	82,788,818
Lim Siew Cheng	30,012,555	30,012,555

By virtue of Section 7 of the Act, Mr Lim See Hoe is deemed to have an interest in all the subsidiaries of the Company at the beginning and at the end of the financial year.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

The directors' interest as at 21 July 2021 were the same as those at the end of the financial year.

Neither at the end of the financial year nor at any time during the financial year, was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

Performance share plan

The Company's performance share plan, TEHO Performance Share Plan (the "PSP"), was approved and adopted by the shareholders at the Company's extraordinary general meeting held on 25 November 2011. The PSP is administered by the Remuneration Committee ("RC") with such discretion, powers and duties as are conferred on it by the Board of Directors. The members of the RC are Ms Joanne Khoo Su Nee, Mr Kwah Thiam Hock and Mr Chua Kim Leng.

The PSP contemplates the award of fully-paid shares in the capital of the Company to participants after certain pre-determined benchmarks have been met. The Company believes that the PSP will be more effective than pure cash bonuses in motivating employees to work towards pre-determined goals and promoting the long term interest of the Company.

The PSP shall continue to be in force at the discretion of the RC, subject to a maximum period of 10 years commencing from its adoption by the shareholders and may continue beyond the stipulated period with the approval of the shareholders by an ordinary resolution in general meeting and of any relevant authorities which may then be required. The Company is proposing a new long-term employee incentive scheme known as the TEHO Performance Share Plan 2021 ("TEHO PSP 2021") at the forthcoming extraordinary general meeting to be held on 27 October 2021.

Under the rules of the PSP and at the absolute discretion of the RC, confirmed full-time employees of the group who are of the age of 18 years and above, and directors of the Group who have contributed or will contribute to the success and the development of the Group are eligible to participate in the PSP. However, participation in the PSP by the directors who are also controlling shareholders and their associates are subject to the approval by independent shareholders of the Company at general meeting.

The total number of shares that may be issued or are issuable pursuant to the granting of the awards under the PSP, when added to the aggregate number of shares that are issued or are issuable in respect of such other share-based incentive schemes of the Company (if any), shall not exceed 15% (or such other percentage as may be prescribed or permitted from time to time by the SGX-ST) of the total number of issued ordinary shares of the Company on the day immediately preceding the relevant grant date.

Since the inception of the PSP until the end of the financial year:

- No shares have been granted to the directors of the Company, the controlling shareholders of the Company and their associates, or directors and employees of the parent company and its subsidiaries.
- No participants other than the two employees mentioned below has received 5% or more of the total shares available under the PSP.
- No shares have been granted at a discount. The shares granted under the PSP were free of charge.

Details of the share awards granted under the PSP are set out below:

Name of participant	Shares granted during financial year	Aggregate shares granted since commencement of PSP to end of financial year	Aggregate shares issued/ vested since commencement of PSP to end of financial year	Aggregate unissued shares outstanding as at end of financial year
Phua Sian Chin	–	1,400,000	(1,400,000)	–
Jan-Kees Noordhoek	–	700,000	(700,000)	–

The vesting conditions of the share awards granted under the PSP are disclosed in Note 30.

Share options

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under options.

DIRECTORS' STATEMENT

Audit committee

The members of the Audit Committee at the date of this statement are as follows:

Kwah Thiam Hock	–	Chairman of Audit Committee and Lead Independent Director
Joanne Khoo Su Nee	–	Independent Director
Chua Kim Leng	–	Independent Director

The Audit Committee performs the functions specified by section 201B(5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent External Auditors their audit plan;
- Reviewed with the independent External Auditors their evaluation of the Company's internal accounting controls relevant to their statutory audit, and their report on the financial statements and the assistance given by management to them;
- Reviewed with the Internal Auditors on the scope and results of the internal audit procedures (including those relating to financial, operational, compliance and information technology controls and risk management) and the assistance given by the management to the Internal Auditors;
- Reviewed the financial statements of the Group and the Company prior to their submission to the directors of the Company for adoptions; and
- Reviewed the interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual).

Other functions performed by the Audit Committee are described in the statement on corporate governance included in the annual report. It also includes an explanation of how independent auditors' objectivity and independence are safeguarded where the independent auditors provide non-audit services.

The Audit Committee is satisfied with the independence and objectivity of the External Auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company and subsidiaries, we have complied with Catalist Rules 712 and 715 of the SGX Listing Manual.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Lim See Hoe
Director

Lim Siew Cheng
Director

30 September 2021

INDEPENDENT AUDITOR'S REPORT

Members of the Company
TEHO International Inc Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of TEHO International Inc Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2021, the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 62 to 118.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of development properties
(Refer to Note 10 to the financial statements)

The key audit matter	*How the matter was addressed in our audit*
As at 30 June 2021, the Group recorded development properties of $5.4 million (2020: $10.8 million), which comprise development properties under construction in Singapore. Development properties are stated at the lower of their cost and their net realisable values. The estimation of the net realisable values of properties under construction involves making estimates of the future selling prices and total construction costs of the properties. Where the net realisable value of the Group's development properties fall below their carrying amounts, an allowance for foreseeable losses would have to be recognised to write down the properties to their estimated net realisable values. The Group engaged an independent external valuer to estimate the future selling prices of the development properties under construction. The Group estimates its budgeted construction costs of development properties under construction based on its design plan and progress status of the property development project.	**Our response:** We evaluated the objectivity and competency of the independent external valuer. We held discussions with the independent external valuer to understand the valuation methodology adopted and assessed the appropriateness of the key assumptions used by comparing to recent transacted sale prices of comparable properties. For development properties under construction, we assessed the reasonableness of the budgeted construction costs by comparing them with the actual construction costs incurred to-date, taking into consideration any significant deviation in design plans, potential delays or cost overrun that may require revision in the budgeted construction costs. **Our findings:** We found the valuer to be objective and competent. The valuation method used by the independent external valuer was comparable to the method used for similar property types. We found the key assumptions used by the independent external valuer and the Group's estimate of budgeted construction costs of development properties under construction to be supportable.

INDEPENDENT AUDITOR'S REPORT

Members of the Company
TEHO International Inc Ltd.

Valuation of inventories
(Refer to Note 9 to the financial statements)

The key audit matter	*How the matter was addressed in our audit*
As at 30 June 2021, the Group holds inventories of $21.2 million (2020: $22.3 million). The inventories comprise mainly of wire and fibre ropes which are typically held for a period of up to 36 months to complement the Group's product range and to maintain the Group's competitive advantage. Cost of inventories may not be recoverable fully if the inventories become obsolete. Management estimates the allowance for inventory obsolescence taking into consideration the age of the inventories, the prevailing market conditions of the offshore oil & gas industry and historical provisioning experience which involves judgement.	**Our response:** We assessed the appropriateness of the Group's policies used in estimating inventory obsolescence in the context of our understanding of the Group's business and taking into consideration the nature and ageing of the inventories. We assessed the reasonableness of the Group's allowance for inventory obsolescence by considering the historical sale trends of the inventories. **Our findings:** We found management's estimate of allowance for inventory obsolescence to be supportable.

Other Information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT

Members of the Company
TEHO International Inc Ltd.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ronald Tay Ser Teck.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
30 September 2021

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2021

	Note	Group 2021 $	Group 2020 $	Company 2021 $	Company 2020 $
Assets					
Property, plant and equipment	4	13,063,262	13,391,614	303,951	4,859
Investment in subsidiaries	6	–	–	16,184,006	16,184,006
Investment in associate and joint venture	7	75,982	–	–	–
Deferred tax assets	8	163,566	256,597	–	–
Non-current assets		13,302,810	13,648,211	16,487,957	16,188,865
Inventories	9	21,195,973	22,346,376	–	–
Development properties	10	5,357,030	10,755,689	–	–
Contract costs	11	56,538	–	–	–
Tax recoverable		12,116	102,075	–	–
Trade and other receivables	12	9,635,045	10,832,479	5,782,596	4,183,803
Contract assets	13	315,003	400,714	–	–
Cash and cash equivalents	14	6,981,664	5,310,252	100,916	94,015
		43,553,369	49,747,585	5,883,512	4,277,818
Assets held for sale	31	–	3,168,810	–	–
Current assets		43,553,369	52,916,395	5,883,512	4,277,818
Total assets		56,856,179	66,564,606	22,371,469	20,466,683

	Note	Group 2021 $	Group 2020 $	Company 2021 $	Company 2020 $
Equity					
Share capital	15	33,035,508	33,035,508	33,035,508	33,035,508
Other reserves	16	185,609	190,746	–	–
Accumulated losses		(15,107,969)	(18,339,006)	(55,162,338)	(56,398,891)
Total equity		18,113,148	14,887,248	(22,126,830)	(23,363,383)
Liabilities					
Loans and borrowings	17	12,169,853	15,024,430	–	–
Trade and other payables	18	116,211	185,596	–	–
Deferred tax liabilities	8	37,312	69,272	–	–
Non-current liabilities		12,323,376	15,279,298	–	–
Loans and borrowings	17	20,150,872	29,650,009	–	–
Trade and other payables	18	5,644,389	5,774,777	44,483,936	43,817,997
Contract liabilities	13	188,974	279,764	–	–
Current tax liabilities		435,420	693,510	14,363	12,069
Current liabilities		26,419,655	36,398,060	44,498,299	43,830,066
Total liabilities		38,743,031	51,677,358	44,498,299	43,830,066
Total equity and liabilities		56,856,179	66,564,606	22,371,469	20,466,683

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 30 June 2021

	Note	Group 2021 $	Group 2020 $
Revenue	19	61,814,524	59,264,700
Cost of sales		(40,014,130)	(37,173,775)
Gross profit		21,800,394	22,090,925
Other operating income		1,389,131	780,475
Distribution expenses		(1,216,753)	(1,383,564)
Administrative expenses		(13,188,490)	(13,235,245)
Other operating expenses		(3,702,340)	(4,732,837)
Results from operating activities		5,081,942	3,519,754
Finance income	20	266	687
Finance costs	20	(969,023)	(1,479,975)
Net finance costs		(968,757)	(1,479,288)
Share of results of equity-accounted investees (net of tax)	7	15,982	(12,500)
Profit before tax	21	4,129,167	2,027,966
Tax expense	22	(898,130)	(843,361)
Profit for the year		3,231,037	1,184,605
Earnings per share			
Basic (cents)	23	1.37	0.50
Diluted (cents)	23	1.37	0.50

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2021

	Group 2021 $	Group 2020 $
Profit for the year	3,231,037	1,184,605
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences, net of tax	(5,137)	182,758
Other comprehensive income for the year, net of tax	(5,137)	182,758
Total comprehensive income for the year	3,225,900	1,367,363

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2021

	Note	Share capital $	Foreign currency translation reserve $	Share-based compensation reserve $	Accumulated losses $	Total equity $
Group						
At 1 July 2019		32,978,808	7,988	47,250	(19,523,611)	13,510,435
Total comprehensive income for the year						
Profit for the year		–	–	–	1,184,605	1,184,605
Other comprehensive income						
Foreign currency translation differences		–	182,758	–	–	182,758
Total comprehensive income for the year		–	182,758	–	1,184,605	1,367,363
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Issuance of ordinary shares under the Performance Share Plan	15	56,700	–	(56,700)	–	–
Share-based payment transactions		–	–	9,450	–	9,450
Total contributions and distributions to owners		56,700	–	(47,250)	–	9,450
At 30 June 2020		33,035,508	190,746	–	(18,339,006)	14,887,248

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2021

	Note	Share capital $	Foreign currency translation reserve $	Share-based compensation reserve $	Accumulated losses $	Total equity $
Group						
At 1 July 2020		33,035,508	190,746	–	(18,339,006)	14,887,248
Total comprehensive income for the year						
Profit for the year		–	–	–	3,231,037	3,231,037
Other comprehensive income						
Foreign currency translation differences		–	(5,137)	–	–	(5,137)
Total comprehensive income for the year		–	(5,137)	–	3,231,037	3,225,900
At 30 June 2021		33,035,508	185,609	–	(15,107,969)	18,113,148

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2021

	Note	Group 2021 $	Group 2020 $
Cash flows from operating activities			
Profit before tax		4,129,167	2,027,966
Adjustments for:			
Bad debts written off		2,142	39,089
Depreciation of investment properties		–	120,742
Depreciation of property, plant and equipment		1,665,164	1,744,740
Equity-settled share-based payment transactions		–	9,450
Fair value (gain)/loss on derivatives		(69,385)	185,596
(Gain)/Loss on disposal of plant and equipment		(59,471)	1,270
Gain on modification of lease contracts		(26,036)	–
Impairment loss on investment properties		–	152,000
Impairment loss on trade and other receivables and contract assets		111,403	265,167
Loss on disposal of assets held for sale		810	–
Net finance costs		968,757	1,479,288
Share of results of equity-accounted investees (net of tax)		(15,982)	12,500
Operating cash flows before changes in working capital		6,706,569	6,037,808
Changes in:			
- Inventories		1,148,326	(1,958,782)
- Development properties		5,505,723	(1,092,192)
- Contract costs		(56,538)	–
- Trade and other receivables		1,082,900	324,608
- Contract assets		85,711	48,532
- Trade and other payables		(132,453)	352,486
- Contract liabilities		(90,796)	(63,584)
Cash generated from operations		14,249,442	3,648,876
Tax paid		(996,418)	(301,647)
Net cash from operating activities		13,253,024	3,347,229

	Note	Group 2021 $	Group 2020 $
Cash flows from investing activities			
Acquisition of an associate		(60,000)	–
Acquisition of property, plant and equipment		(776,417)	(894,807)
Interest received		266	687
Proceeds from disposal of assets held for sale		3,168,000	–
Proceeds from disposal of plant and equipment		82,500	3,628
Net cash from/(used in) investing activities		2,414,349	(890,492)
Cash flows from financing activities			
Interest paid		(1,076,087)	(1,568,027)
Payment of lease liabilities		(869,388)	(992,862)
Proceeds from loans and borrowings		23,160,691	28,918,637
Repayment of loans and borrowings		(35,176,998)	(28,069,229)
Net cash used in financing activities		(13,961,782)	(1,711,481)
Net increase in cash and cash equivalents		1,705,591	745,256
Cash and cash equivalents at beginning of the year		5,310,252	4,621,904
Effect of exchange rate fluctuations on cash held		(34,179)	(56,908)
Cash and cash equivalents at end of the year	14	6,981,664	5,310,252

Significant non-cash transactions

During the year, the addition of property, plant and equipment of $1,803,804 (2020: $2,569,367), which comprise the following:

- acquisition of property, plant and equipment with an aggregate cost of $776,417 (2020: $2,461,607), of which $Nil (2020: $1,566,800) were financed by bank loan borrowings; and
- recognition of an addition of right-of-use assets of $1,027,387 (2020: $107,760).

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2021

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 30 September 2021.

1 Domicile and activities

TEHO International Inc Ltd. (the "Company") is a company incorporated in Singapore with limited liability. The address of the Company's registered office is 1 Commonwealth Lane, #09-23, One Commonwealth, Singapore 149544.

The financial statements of the Group as at and for the year ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in equity-accounted investees.

The Company is an investment holding company. The principal activities of the subsidiaries are described in Note 6.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)"). The changes to significant accounting policies are described in Note 2.5.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency.

2 Basis of preparation (continued)

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS(I)s requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about key judgements, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 9 Measurement of realisable amounts of inventories;
- Note 10 Measurement of realisable amounts of development properties; and
- Note 28 Measurement of ECL allowance for contract assets and trade and other receivables.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

2 Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

Further information about the assumptions made in measuring fair values is included in Note 28 – Financial instruments.

2.5 Changes in accounting policies

New standards and amendments

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 July 2020:

- *Amendments to References to Conceptual Framework in SFRS(I) Standards*
- *Definition of a Business* (Amendments to SFRS(I) 3)
- *Definition of Material* (Amendments to SFRS(I) 1-1 and SFRS(I)1- 8)
- *Interest Rate Benchmark Reform* (Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7)
- *Covid-19-Related Rent Concessions (Amendment to SFRS(I) 16)*

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in Note 2.5, which addresses changes in accounting policies.

The accounting policies have been applied consistently by the Group entities.

3 Significant accounting policies (continued)

3.1 Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see note ii). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests ("NCI") in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(i) Business combinations (continued)

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards ("replacement awards") are required to be exchanged for awards held by the acquiree's employees ("acquiree's awards") and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

Costs related to the acquisition, other than those associated with the issue of debt or equity investments, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

(iii) Loss of control

When the Group loses control over a subsidiary, it derecgonises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Investments in associates and joint ventures (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

3 **Significant accounting policies** (continued)

3.1 Basis of consolidation (continued)

(iv) Investments in associates and joint ventures (equity-accounted investees) (continued)

When the Group's share of losses exceeds its investment in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(vi) Subsidiaries, associates and joint ventures in the separate financial statements

Investments in subsidiaries, associates and joint ventures are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

3 **Significant accounting policies** (continued)

3.2 Foreign currency (continued)

(i) Foreign currency transactions (continued)

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in a joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in OCI, and are presented in the translation reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

3 Significant accounting policies (continued)

3.3 Financial instruments

(i) ***Recognition and initial measurement***

Non-derivative financial assets and financial liabilities

Trade receivables and debt investments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) ***Classification and subsequent measurement***

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

(ii) ***Classification and subsequent measurement*** (continued)

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

3 **Significant accounting policies** (continued)

3.3 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

3 **Significant accounting policies** (continued)

3.3 Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

The Group classifies non-derivative financial liabilities into the other financial liabilities' category. Such financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

Other financial liabilities comprised loans and borrowings, and trade and other payables.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

(iii) Derecognition (continued)

Financial assets (continued)

Transferred assets are not derecognised when the Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

3 Significant accounting policies (continued)

3.3 Financial instruments (continued)

(vi) Derivative financial instruments

The Group holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

(vii) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with SFRS(I) 1-12.

(viii) Intra-group financial guarantees in the separate financial statements

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequent, they are measured at the higher of the loss allowance determined in accordance with SFRS(I) 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15.

ECLs are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Liabilities arising from financial guarantees are included within 'loans and borrowings'.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

3 Significant accounting policies (continued)

3.4 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Freehold land is not depreciated.

3 Significant accounting policies (continued)

3.4 Property, plant and equipment (continued)

(iii) Depreciation (continued)

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Freehold building	–	30 years
Leasehold land and buildings	–	Over the terms of lease that are 37 to 44 years
Plant and machinery	–	3 to 10 years
Motor vehicles	–	5 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.5 Investment property

Investment property is property held to earn rental income, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is stated at cost less accumulated depreciation and any accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

The estimated useful live of leasehold building for the current year is over the terms of lease of 52 years. The estimated useful life and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

3 **Significant accounting policies** (continued)

3.6 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

3.7 Development properties

Development property is measured at the lower of cost and net realisable value. Cost includes acquisition costs, development expenditure, capitalised borrowing costs (applicable to construction of a development for which revenue is to be recognised at a point in time) and other directly attributable to the development activities.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. The write-down to net realisable value is presented as allowance for foreseeable losses.

3.8 Contract costs

Incremental costs of obtaining a contract are capitalised as contract costs only if (a) these costs relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue on the contract. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

3 **Significant accounting policies** (continued)

3.9 Contract assets and liabilities

Contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. Contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customer.

Contract liabilities primarily relate to:

- advance consideration received from customers; and
- progress billings issued in excess of the Group's rights to the consideration.

3.10 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

3 **Significant accounting policies** (continued)

3.10 Leases (continued)

(i) As a lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3 **Significant accounting policies** (continued)

3.10 Leases (continued)

(i) As a lessee (continued)

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statements of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognises lease payments received from investment property under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2021

3 **Significant accounting policies** (continued)

3.11 Impairment

(i) Non-derivative financial assets and contract assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised costs;
- contract assets (as defined in SFRS(I) 15); and
- intra-group financial guarantee contracts ("FGC").

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments and FGCs. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

3 **Significant accounting policies** (continued)

3.11 Impairment (continued)

(i) Non-derivative financial assets and contract assets (continued)

General approach (continued)

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The Company considers an FGC to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Company in full, without recourse by the Company to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

3 **Significant accounting policies** (continued)

3.11 Impairment (continued)

(i) Non-derivative financial assets and contract assets (continued)

Credit-impaired financial assets (continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Loss allowances for FGC are recognised as a financial liability to the extent that they exceed the initial carrying amount of the FGC less the cumulated income recognised.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

3 **Significant accounting policies** (continued)

3.11 Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, contract assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combinations.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

3 **Significant accounting policies** (continued)

3.11 Impairment (continued)

(ii) Non-financial assets (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate or a joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate or a joint venture is tested for impairment as a single asset when there is objective evidence that the investment in an associate or a joint venture may be impaired.

3.12 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are highly probable to be recovered primarily through sale rather through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are measured in accordance with the Group's accounting policies. Thereafter, the assets, or disposal group classified as held for sale are generally measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to financial assets and deferred tax assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment and investment properties once classified as held for sale are not depreciated. In addition, equity accounting of joint ventures ceases once classified as held for sale.

3 **Significant accounting policies** (continued)

3.13 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iii) Share-based payment transactions

The grant date fair value of equity-settled share-based payment awards granted to employee is recognised as an employee benefit expense, with a corresponding increase in equity, over the period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

3 Significant accounting policies (continued)

3.14 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

A provision for levies is recognised when the condition that triggers the payment of the levy as specified in the relevant legislation is met.

3.15 Revenue

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

3 Significant accounting policies (continued)

3.15 Revenue (continued)

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

3.16 Government grants

Government grants related to assets are initially recognised as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as 'other income' on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as 'other income' on a systematic basis in the same periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

3.17 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense; and
- dividend income.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

3 Significant accounting policies (continued)

3.17 Finance income and finance costs (continued)

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.18 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, measured using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

3 Significant accounting policies (continued)

3.18 Tax (continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

3 Significant accounting policies (continued)

3.18 Tax (continued)

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.19 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.20 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO (the chief operating decision maker) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3 Significant accounting policies (continued)

3.20 Segment reporting (continued)

Segment results that are reported to the Group's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and investment properties.

3.21 New standards, amendments to standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 July 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are not expected to have a significant impact on the Group's consolidated financial statements and the Company's statement of financial position.

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to SFRS(I) 10 and SFRS(I) 1-28)
- *Interest Rate Benchmark Reform – Phase 2* (Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4 and SFRS(I) 16)
- *Covid-19-Related Rent Concessions beyond 30 June 2021* (Amendments to SFRS(I) 16)
- *Reference to the Conceptual Framework* (Amendments to SFRS(I) 3)
- *Property, Plant and Equipment – Proceeds before Intended Use* (Amendments to SFRS(I) 16)
- *Onerous Contracts – Cost of Fulfilling a Contract* (Amendments to SFRS(I) 1-37)
- Annual Improvements to SFRS(I)s 2018-2020
- *Insurance Contracts* (SFRS(I) 17 and Amendments to SFRS(I) 17)
- *Classification of Liabilities as Current or Non-current* (Amendments to SFRS(I) 1-1)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2021

4 Property, plant and equipment

	Freehold land and building $	Leasehold buildings $	Plant and machinery $	Motor vehicles $	Right-of-use assets (Note 26) $	Total $
Group						
Cost						
At 1 July 2019	2,178,405	5,485,513	6,405,763	956,040	7,157,117	22,182,838
Additions	2,085,020	–	376,587	–	107,760	2,569,367
Disposals/Written off	–	–	(117,820)	(5,143)	(96,855)	(219,818)
Effects of movements in exchange rates	32,935	–	49,212	2,293	7,876	92,316
At 30 June 2020	4,296,360	5,485,513	6,713,742	953,190	7,175,898	24,624,703
At 1 July 2020	4,296,360	5,485,513	6,713,742	953,190	7,175,898	24,624,703
Additions	57,334	–	296,501	422,582	1,027,387	1,803,804
Disposals/Written off	–	–	(333,355)	(251,343)	(519,074)	(1,103,772)
Modification of lease contracts	–	–	–	–	(1,389,766)	(1,389,766)
Reclassification	388,797	–	(388,797)	–	–	–
Effects of movements in exchange rates	94,055	–	5,165	(2,476)	610	97,354
At 30 June 2021	4,836,546	5,485,513	6,293,256	1,121,953	6,295,055	24,032,323

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

4 Property, plant and equipment (continued)

	Freehold land and building $	Leasehold buildings $	Plant and machinery $	Motor vehicles $	Right-of-use assets (Note 26) $	Total $
Group						
Accumulated depreciation and impairment loss						
At 1 July 2019	90,985	2,685,079	4,810,675	734,842	1,354,798	9,676,379
Depreciation	37,343	84,040	494,706	70,626	1,058,025	1,744,740
Disposals/Written off	–	–	(116,951)	(1,114)	(96,855)	(214,920)
Effects of movements in exchange rates	2,432	–	21,203	274	2,981	26,890
At 30 June 2020	130,760	2,769,119	5,209,633	804,628	2,318,949	11,233,089
At 1 July 2020	130,760	2,769,119	5,209,633	804,628	2,318,949	11,233,089
Depreciation	111,716	84,040	447,140	100,748	921,520	1,665,164
Disposals/Written off	–	–	(310,326)	(251,343)	(519,074)	(1,080,743)
Modification of lease contracts	–	–	–	–	(856,348)	(856,348)
Reclassification	123,594	–	(123,594)	–	–	–
Effects of movements in exchange rates	2,627	–	6,812	(635)	(905)	7,899
At 30 June 2021	368,697	2,853,159	5,229,665	653,398	1,864,142	10,969,061
Carrying amounts						
At 1 July 2019	2,087,420	2,800,434	1,595,088	221,198	5,802,319	12,506,459
At 30 June 2020	4,165,600	2,716,394	1,504,109	148,562	4,856,949	13,391,614
At 30 June 2021	4,467,849	2,632,354	1,063,591	468,555	4,430,913	13,063,262

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

4 Property, plant and equipment (continued)

	Plant and equipment $	Motor vehicles $	Total $
Company			
Cost			
At 1 July 2019	29,721	188,348	218,069
Additions	4,640	–	4,640
At 30 June 2020	34,361	188,348	222,709
Additions	2,792	326,256	329,048
Disposals/Written off	(20,800)	(188,348)	(209,148)
At 30 June 2021	16,353	326,256	342,609
Accumulated depreciation			
At 1 July 2019	28,737	188,348	217,085
Depreciation	765	–	765
At 30 June 2020	29,502	188,348	217,850
Depreciation	2,768	27,188	29,956
Disposals/Written off	(20,800)	(188,348)	(209,148)
At 30 June 2021	11,470	27,188	38,658
Carrying amounts			
At 1 July 2019	984	–	984
At 30 June 2020	4,859	–	4,859
At 30 June 2021	4,883	299,068	303,951

The freehold land and building and leasehold buildings are pledged as security for banking facilities (Note 17).

The depreciation expense is charged to profit or loss and included in other operating expenses.

5 Investment properties

	Note	Group $
Cost		
At 1 July 2019		4,082,482
Transferred to assets held for sale	31	(4,082,482)
At 30 June 2020 and 30 June 2021		–
Accumulated depreciation and impairment loss		
At 1 July 2019		640,930
Depreciation		120,742
Impairment loss		152,000
Transferred to assets held for sale	31	(913,672)
At 30 June 2020 and 30 June 2021		–
Carrying amounts		
At 1 July 2019		3,441,552
At 30 June 2020 and 30 June 2021		–
Fair value		
At 1 July 2019		3,600,000
At 30 June 2020 and 30 June 2021		–

The investment properties comprised 2 leasehold office units which were leased to a third party to earn rental income.

The Group granted an option to a third party to purchase the Group's investment properties for a consideration of $3,200,000 during financial year ended 30 June 2020. An impairment loss of $152,000 of the investment properties was recognised and is included in 'other operating expenses' in the consolidated statement of profit or loss for the year ended 30 June 2020. Accordingly, the investment properties were reclassified to assets held sale (Note 31) as at 30 June 2020.

The investment properties were pledged as security for banking facilities (Note 17).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

6 Investments in subsidiaries

	Company 2021 $	Company 2020 $
Equity investments at cost	36,364,004	36,364,004
Impairment loss	(20,179,998)	(20,179,998)
	16,184,006	16,184,006

Recoverable amount of investment in subsidiaries

During the year, the Company assessed the carrying amount of its investments in subsidiaries for indications of impairment. Based on the assessment, no additional impairment loss is required on the investments in subsidiaries.

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2021 %	Ownership interest 2020 %
TEHO Ropes & Supplies Pte. Ltd.[1]	Supply of rigging and mooring equipment as well as related services to customers mainly in the marine & offshore industries	Singapore	100	100
TEHO International (USA), LLC [3]	Supply of rigging and mooring equipment as well as related services to customers mainly in the marine & offshore industries	United States of America	100	100

6 Investments in subsidiaries (continued)

Name of subsidiary	Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2021 %	Ownership interest 2020 %
TEHO (Shanghai) Co., Ltd. [3]	Supply of rigging and mooring equipment as well as related services to customers mainly in the marine & offshore industries	People's Republic of China	100	100
TEHO Engineering Pte. Ltd. [1]	Supply of offshore oil and gas equipment to offshore oil and gas industries	Singapore	100	100
TEHO EuROPE B.V. [2]	Supply of rigging and mooring equipment as well as related services to customers mainly in the marine & offshore industries	The Netherlands	100	100
TEHO Water & Envirotec Pte. Ltd. [1]	Manufacture and repair of water/waste water treatment equipment and provision of environmental engineering design and consultancy services (except clean energy)	Singapore	100	100
TEHO Ropes Korea Co., Ltd. [3]	Supply of rigging and mooring equipment as well as related services to customers mainly in the marine & offshore industries	Republic of Korea	100	100

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

6 Investments in subsidiaries (continued)

Name of subsidiary	Principal activity	Principal place of business/ Country of incorporation	Ownership interest 2021 %	Ownership interest 2020 %
TIEC Holdings Pte. Ltd. [1]	Real estate development	Singapore	100	100
TEHO Development Pte. Ltd. [1]	Investment holding company and real estate developer	Singapore	100	100
TEHO Property Services Pte. Ltd. [1]	Investment holding company and real estate business	Singapore	100	100
TEHO Property Network Pte. Ltd. [1]	Real estate agency	Singapore	100	100
TEHO Property Consultants Pte. Ltd.[1]	Provision of real estate valuation services	Singapore	100	100
TI Development Pte. Ltd. [1]	Real estate development	Singapore	100	100

(1) KPMG LLP is the auditor of all Singapore-incorporated subsidiaries
(2) Audited by other members of auditors, IZA Accountants B.V.
(3) Audited by other members of auditors

6 Investments in subsidiaries (continued)

In accordance to Rule 715 and 716 of the Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "Catalist Rules"), the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditor for its significant foreign-incorporated subsidiary, TEHO EuROPE B.V., would not compromise the standard and effectiveness of the audit of the Company. For this purpose, a subsidiary is considered significant as defined under the Catalist Rules if the Group's share of its net tangible assets represents 20% or more of the Group's consolidated net tangible assets, or if the Group's share of its pre-tax profits accounts for 20% or more of the Group's consolidated pre-tax profits.

7 Investment in associate and joint venture

	Group 2021 $	Group 2020 $
Interest in associate	75,982	–
Interest in joint venture	–	–
	75,982	–

Details of the associate are as follows:

Name of associate	Principal activities	Principal place of business/ Country of incorporation	Ownership interest 2021 %	Ownership interest 2020 %
Paneltec Pte. Ltd.	Technical wall panels installation services to residential and commercial clientele.	Singapore	26	–

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Year ended 30 June 2021

7 Investment in associate and joint venture (continued)

The following summarises the financial information of each of the Group's associate based on its financial statements prepared in accordance with SFRS(I).

	2021 $
Revenue	526,755
Profit for the year	61,470
Attributable to investee's shareholders	61,470
Non-current assets	–
Current assets	210,854
Non-current liabilities	–
Current liabilities	(39,817)
Net assets	171,037
Net assets attributable to investee's shareholders	171,037
Group's interest in net assets of investee at beginning of the year	–
Acquisition during the year	60,000
Group's share of profit after tax	15,982
Group's interest in net assets of investee at end of the year	75,982

Details of the joint venture are as follows:

Name of joint venture	Principal activities	Principal place of business/ Country of incorporation	Ownership interest 2021 %	Ownership interest 2020 %
Upon Design Pte. Ltd.	Building construction including major upgrading works	Singapore	50	50

7 Investment in associate and joint venture (continued)

The following summarises the financial information of each of the Group's joint venture based on its financial statements prepared in accordance with SFRS(I).

	2021 $	2020 $
Revenue	806,723	148,466
Loss for the year	(14,569)	(47,959)
Attributable to investee's shareholders	(14,569)	(47,959)
Non-current assets	–	–
Current assets	9,264	126,388
Non-current liabilities	–	–
Current liabilities	(100,338)	(202,894)
Net liabilities	(91,074)	(76,506)
Net liabilities attributable to investee's shareholders	(91,074)	(76,506)
Group's interest in net assets of investee at beginning of the year	–	12,500
Group's share of loss after tax	–	(12,500)
Group's interest in net assets of investee at end of the year	–	–

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2021

8 Deferred tax assets/(liabilities)

Movements in deferred tax assets and liabilities of the Group (prior to offsetting of balances) during the year are as follows:

Group	At 1 July 2019	Recognised in profit or loss (Note 22)	Effects of movements in exchange rates	At 30 June 2020	Recognised in profit or loss (Note 22)	Effects of movements in exchange rates	At 30 June 2021
	$	$	$	$	$	$	$
Deferred tax assets							
Trade and other receivables	77,749	(24,750)	418	53,417	131,218	–	184,635
Unutilised capital allowance	225,001	–	–	225,001	(225,001)	–	–
Unutilised tax losses	29,271	14,444	871	44,586	–	(1,548)	43,038
	332,021	(10,306)	1,289	323,004	(93,783)	(1,548)	227,673
Deferred tax liabilities							
Property, plant and equipment	(137,810)	5,898	(3,767)	(135,679)	30,340	3,920	(101,419)
Total	194,211	(4,408)	(2,478)	187,325	(63,443)	2,372	126,254

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

8 Deferred tax assets/(liabilities) (continued)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts, determined after appropriate offsetting, are as follows:

	Group 2021 $	Group 2020 $
Deferred tax assets	163,566	256,597
Deferred tax liabilities	(37,312)	(69,272)
	126,254	187,325

Unrecognised deferred tax liabilities

As at 30 June 2021, deferred tax liabilities of $299,685 (2020: $348,395) for temporary differences of $1,087,787 (2020: $1,264,590) related to investments in subsidiaries were not recognised because the Company controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom:

	Group 2021 $	Group 2020 $
Tax losses	6,678,380	6,185,615

The deductible temporary differences and tax losses do not expire under current local tax legislation. The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate.

9 Inventories

	Group 2021 $	Group 2020 $
Goods held for resale		
- At cost	20,553,604	21,594,556
- At net realisable value	642,369	751,820
	21,195,973	22,346,376

Inventories are stated after allowance for inventory obsolescence.

The change in allowance for inventory obsolescence during the year is as follows:

	Group 2021 $	Group 2020 $
At beginning of the year	561,925	678,964
Addition/(Reversal)	135,915	(117,039)
At end of the year	697,840	561,925

In 2021, inventories and changes in finished goods included as cost of sales amounted to $33,589,531 (2020: $36,353,434).

Measurement of realisable amounts of inventories

A review is made periodically on inventory for obsolete inventory and declines in net realisable value below cost and an allowance is recorded against the inventory balance. The realisable value represents the best estimate of the recoverable amount and is based on evidence available at the end of the financial year and inherently involves considering the future demand for the products and estimating expected realisable values in the future. The considerations for determining the amount of allowance or write-down include the ageing of the inventory, results of technical assessments and subsequent events. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the financial year. Possible changes in these estimates could result in revisions to the stated value of the inventories.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

10 Development properties

	Group	
	2021	2020
	$	$
Completed development properties	–	6,215,494
Development properties in the course of development	5,357,030	4,540,195
	5,357,030	10,755,689

Securities

At 30 June 2021, development properties of the Group with carrying amounts of $5,357,030 (2020: $10,755,689) are pledged as securities for banking facilities (see Note 17).

Measurement of realisable amounts of development properties

Development properties are measured at the lower of cost and net realisable value. The Group makes allowances for foreseeable losses on development properties when the aggregate costs incurred on the development properties exceed the net realisable value. Net realisable value of development properties is the estimated selling price in the ordinary course of business, based on market prices at the financial year end, less the estimated costs of completion and selling expenses.

Management obtained independent professional valuations of development properties to estimate the selling prices in the ordinary course of business. The gross development values of the development properties were estimated using the market comparison approach. Construction costs were estimated based on contracted amounts and in respect of amounts not contracted for, management's estimates of the amounts to be incurred.

11 Contract costs

These amounts relate pre-contract costs paid to the sub-contractors for a contract awarded to the Group.

Capitalised contract costs are amortised when the related revenue is recognised. As at 30 June 2021, no contract costs are amortised into the consolidated statement of profit or loss as the project has not commenced. There is no impairment loss in relation to such costs capitalised.

12 Trade and other receivables

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Trade receivables	8,756,948	9,503,493	–	–
Less: Impairment losses	(497,455)	(491,864)	–	–
	8,259,493	9,011,629	–	–
Grant receivables	–	250,923	–	68,230
Other receivables and deposits	1,193,827	1,124,274	3,300	–
Amounts due from subsidiaries (non-trade)	–	–	43,163,335	42,939,491
Amount due from joint venture (non-trade)	107,851	107,012	–	–
	1,301,678	1,482,209	43,166,635	43,007,721
Less: Impairment losses	(107,851)	–	(37,399,947)	(38,834,229)
	1,193,827	1,482,209	5,766,688	4,173,492
Trade and other receivables excluding prepayments and advances to supplier	9,453,320	10,493,838	5,766,688	4,173,492
Prepayments and advances to suppliers	181,725	338,641	15,908	10,311
	9,635,045	10,832,479	5,782,596	4,183,803

The non-trade amounts due from subsidiaries and joint venture are unsecured, interest-free and repayable on demand.

The Group's and the Company's exposure to credit risk and impairment losses related to trade and other receivables is disclosed in Note 28.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

13 Contract assets/(liabilities)

	Group 2021 $	Group 2020 $
Contract assets	319,694	405,405
Less: Impairment losses	(4,691)	(4,691)
	315,003	400,714
Contract liabilities	(188,974)	(279,764)

The Group's exposure to credit risk and impairment losses related to contract assets is disclosed in Note 28.

(a) Contract assets

The contract assets primary related to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customers.

The significant changes in the contract assets during the year are as follows:

	Group 2021 $	Group 2020 $
Contract assets reclassified to trade receivables that was included in the contract asset balance at the beginning of the year	(405,405)	(453,938)
Revenue recognised but not billed, excluding amounts reclassified to trade receivables during the year	319,694	405,405
Reversal of impairment loss	–	4,616

13 Contract assets/(liabilities) (continued)

(b) Contract liabilities

The contract liabilities primarily relate to the advance consideration received from customers at the reporting date. The contract liabilities are recognised as revenue when the Group fulfils its performance obligations under the contract with the customers.

The significant changes in the contract liabilities during the year are as follows:

	Group 2021 $	Group 2020 $
Revenue recognised that was included in the contract liability balance at the beginning of the year	279,764	344,824
Increases due to cash received and billings issued, excluding amounts recognised as revenue during the year	(188,974)	(279,764)

14 Cash and cash equivalents

	Group 2021 $	Group 2020 $	Company 2021 $	Company 2020 $
Cash at banks and in hand	6,981,664	5,310,252	100,916	94,015

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

15 Share capital

	Company		Company	
	2021	2020	2021	2020
	Number of shares	Number of shares	Amount $	Amount $
Issued and fully paid ordinary share capital with no par value:				
At beginning of the year	235,424,614	234,374,614	33,035,508	32,978,808
Issuance of ordinary shares under the Performance Share Plan	–	1,050,000	–	56,700
At end of the year	235,424,614	235,424,614	33,035,508	33,035,508

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. All issued shares are fully paid, with no par value.

Issuance of ordinary shares

During the financial year ended 30 June 2020, 1,050,000 share awards under the Performance Share Plan ("the PSP") were converted into 1,050,000 ordinary shares.

Capital management

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. Capital consists of all components of equity. Management sets the amount of capital to meet its requirements and the risk taken.

15 Share capital (continued)

Management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt.

Management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt/adjusted capital. Net debt is calculated as total borrowings less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, other reserves and accumulated losses).

	Group	
	2021	2020
	$	$
All current and non-current borrowings	32,320,725	44,674,439
Less: Cash and cash equivalents	(6,981,664)	(5,310,252)
Net debt	25,339,061	39,364,187

	Group	
	2021	2020
	$	$
Total equity	18,113,148	14,887,248
Net debt-to-equity ratio	139.9%	264.4%

There were no changes in the approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

16 Other reserves

	Group	
	2021	2020
	$	$
Foreign currency translation reserve	185,609	190,746

Foreign currency translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

17 Loans and borrowings

	Group	
	2021	2020
	$	$
Non-current:		
Secured bank loans	8,144,937	10,855,553
Lease liabilities	4,024,916	4,168,877
	12,169,853	15,024,430
Current:		
Secured bank loans	11,882,385	18,440,508
Lease liabilities	674,725	930,083
Trust receipts (secured)	7,593,762	10,279,418
	20,150,872	29,650,009
Total	32,320,725	44,674,439

17 Loans and borrowings (continued)

Terms and debt repayment schedule

			2021		
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
		%		$	$
Group					
Term loans U	SGD	2.12% to 5.25%	2022 to 2026	7,395,502	7,395,502
Revolving credit facilities	SGD	1.88% to 4.01%	2022	6,000,000	6,000,000
Property development loans	SGD	3.15%	2022	3,549,862	3,549,862
Property term loans H	SGD	1.56% to 1.59%	2040	433,442	433,442
Property term loans I	EUR	2.49% to 2.69%	2026 to 2030	2,648,516	2,648,516
Lease liabilities	SGD	3.16% to 4.99%	2023 to 2053	7,600,282	4,625,083
Lease liabilities	EUR	6.00%	2022 to 2025	70,987	65,095
Lease liabilities	KRW	3.48%	2022	9,504	9,463
				27,708,095	24,726,963

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

17 Loans and borrowings (continued)

Terms and debt repayment schedule (continued)

				2020	
	Currency	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**
		%		**$**	**$**
Group					
Term loans U	SGD	2.25% to 5.25%	2022 to 2025	6,981,407	6,981,407
Revolving credit facilities	SGD	1.88% to 4.48%	2021	9,000,000	9,000,000
Property development loans	SGD	2.32% to 3.78%	2021 to 2022	7,698,193	7,698,193
Property term loans H	SGD	2.17% to 3.55%	2035 to 2040	2,822,553	2,822,553
Property term loans I	EUR	2.49% to 4.23%	2022 to 2030	2,793,908	2,793,908
Lease liabilities	SGD	3.05% to 5.25%	2021 to 2053	8,076,301	4,920,004
Lease liabilities	EUR	6.00%	2021 to 2023	54,233	51,221
Lease liabilities	USD	3.76%	2021	65,021	64,113
Lease liabilities	KRW	3.48%	2022	65,016	63,622
				37,556,632	34,395,021

The Group's exposure to liquidity and interest rate risk related to loans and borrowings is disclosed in Note 28.

17 Loans and borrowings (continued)

Terms and debt repayment schedule (continued)

The details of the guarantees and securities charged over the secured bank loans are as follows:

Term loans U	-	The loans are covered by a corporate guarantee by the Company and secured by a legal charge over a leasehold building of a subsidiary.
Revolving credit facilities	-	The facilities are covered by corporate guarantees by the Company. In addition, revolving credit facilities amounting to $5,000,000 are secured by a legal charge over a leasehold building of a subsidiary.
Property development loans	-	The loans are secured by legal mortgages on the development properties of subsidiaries, and sales proceeds from these development properties.
Property term loans H	-	The loans are covered by a corporate guarantee by the Company and secured by a legal charge over the leasehold buildings of certain subsidiaries.
Property term loans I	-	The loans are secured by legal charges over freehold land and buildings and other assets of a subsidiary.
Lease liabilities	-	The lease liabilities are secured over the right-of-use assets.

Trust receipts

Group

The trust receipts are covered by a corporate guarantee by the Company and secured by legal charges over a leasehold building of a subsidiary. The trust receipts bear interest at rates ranging from 1.32% to 2.13% (2020: 1.27% to 3.80%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2021

17 **Loans and borrowings** (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Note	Liabilities: Secured bank loans $	Liabilities: Lease liabilities $	Liabilities: Trust receipts $	Total $
At 1 July 2019		28,963,303	5,978,022	8,195,968	43,137,293
Changes from financing cash flows					
Interest paid		(988,201)	(271,478)	(308,348)	(1,568,027)
Payment of lease liabilities		–	(992,862)	–	(992,862)
Proceeds from loans and borrowings		2,825,618	–	26,093,019	28,918,637
Repayment of loans and borrowings		(4,059,660)	–	(24,009,569)	(28,069,229)
Total changes from financing cash flows		(2,222,243)	(1,264,340)	1,775,102	(1,711,481)
Effect of changes in foreign exchange rates		–	6,040	–	6,040
Other changes					
Acquisition of property, plant and equipment through bank loans financing		1,566,800	–	–	1,566,800
Addition in lease liabilities		–	107,760	–	107,760
Capitalised borrowing costs		88,052	–	–	88,052
Interest expense	20	900,149	271,478	308,348	1,479,975
Total other changes		2,555,001	379,238	308,348	3,242,587
At 30 June 2020		29,296,061	5,098,960	10,279,418	44,674,439

17 **Loans and borrowings** (continued)

	Note	Liabilities: Secured bank loans $	Liabilities: Lease liabilities $	Liabilities: Trust receipts $	Total $
At 1 July 2020		29,296,061	5,098,960	10,279,418	44,674,439
Changes from financing cash flows					
Interest paid		(676,846)	(236,588)	(162,653)	(1,076,087)
Payment of lease liabilities		–	(869,388)	–	(869,388)
Proceeds from loans and borrowings		4,820,274	–	18,340,417	23,160,691
Repayment of loans and borrowings		(14,150,925)	–	(21,026,073)	(35,176,998)
Total changes from financing cash flows		(10,007,497)	(1,105,976)	(2,848,309)	(13,961,782)
Effect of changes in foreign exchange rates		61,912	2,136	–	64,048
Other changes					
Addition in lease liabilities		–	1,027,387	–	1,027,387
Modification of lease contracts		–	(559,454)	–	(559,454)
Capitalised borrowing costs		107,064	–	–	107,064
Interest expense	20	569,782	236,588	162,653	969,023
Total other changes		676,846	704,521	162,653	1,544,020
At 30 June 2021		20,027,322	4,699,641	7,593,762	32,320,725

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2021

18 Trade and other payables

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Trade payables	3,460,964	3,310,476	–	–
Other payables	858,352	734,995	62,624	48,467
Accrued expenses	1,325,073	1,258,255	311,114	264,384
Amounts due to subsidiaries (non-trade)	–	–	44,110,198	43,418,330
Deferred grant income	–	471,051	–	86,816
Derivative financial liabilities	116,211	185,596	–	–
	5,760,600	5,960,373	44,483,936	43,817,997
Current	5,644,389	5,774,777	44,483,936	43,817,997
Non-current	116,211	185,596	–	–
	5,760,600	5,960,373	44,483,936	43,817,997

The non-trade amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

The Group's and the Company's exposure to liquidity and interest rate risk related to trade and other payables is disclosed in Note 28.

Derivative financial liabilities

	Group	
	2021	2020
	$	$
Interest rate swap	116,211	185,596

19 Revenue

	Group	
	2021	2020
	$	$
Sale of goods	54,230,595	58,317,250
Revenue from property development	6,490,000	–
Provision of real estate services	1,093,929	947,450
	61,814,524	59,264,700

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and related revenue recognition policies:

Sales of goods

Nature of goods or services	The Group supplies rigging and mooring equipment, offshore oil and gas equipment, and marine and engineering hardware and accessories to its customers. The Group also provides related services to customers in the marine and offshore industries.
When revenue is recognised	Revenue is recognised when goods are delivered to the customers and all criteria for acceptance have been satisfied.
Significant payment terms	Invoices are issued to the customers in accordance with agreed billing milestones and are payable within credit terms granted by the Group to the customers.

Property development

Nature of goods or services	The Group develops and sells residential development property to customers.
When revenue is recognised	Revenue is recognised when the completed property is delivered to the customer and the customer has accepted it in accordance with the sales contract.
Significant payment terms	Payment is upon completion of the sales contract.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

19 Revenue (continued)

Real estate services

Nature of goods or services	The Group's revenue from rendering services mainly relate to the provision of real estate valuation services.
When revenue is recognised	Revenue is recognised when the services are delivered to the customers and all criteria for acceptance have been satisfied.
Significant payment terms	Invoices are issued to customers upon services rendered and are payable within certain credit terms granted by the Group to its customers.

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by timing of revenue recognition.

	Group	
	2021	**2020**
	$	**$**
Timing of revenue recognition		
Goods and services transferred at a point in time		
- Sale of goods	54,230,595	58,317,250
- Revenue from property development	6,490,000	–
- Provision for real estate services	1,093,929	947,450
	61,814,524	59,264,700

The revenue from contracts with customers disaggregated by primary geographic markets, major products and service lines are disclosed in Note 27.

20 Finance income and finance costs

	Group	
	2021	**2020**
	$	**$**
Finance income:		
Interest income	(266)	(687)
Finance costs:		
Interest expense	1,076,087	1,568,027
Less: Interest expense capitalised in development properties*	(107,064)	(88,052)
	969,023	1,479,975
Net finance costs	968,757	1,479,288

* Relates to development properties for which revenue is recognised at a point in time.

During the year, net finance costs of the Group have been capitalised at rate of 3.15% (2020: 3.00% to 3.15%) per annum for development properties.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

21 Profit before tax

The following items have been included in arriving at profit before tax:

	Note	Group 2021 $	Group 2020 $
Audit fees paid to:			
- auditors of the Company		187,500	201,000
- other auditors		74,254	92,467
Bad debts recovered		(10,322)	–
Bad debts written off		2,142	39,089
Depreciation of investment properties	5	–	120,742
Depreciation of property, plant and equipment	4	1,665,164	1,744,740
Fair value (gain)/loss on derivatives		(69,385)	185,596
Foreign exchange (gain)/loss, net		(106,750)	396,419
Gain on modification of lease contracts		(26,036)	–
(Gain)/Loss on disposal of property, plant and equipment		(59,471)	1,270
Grant income		(1,017,306)	(300,707)
Impairment loss on investment properties	5	–	152,000
Impairment loss on trade and other receivables and contract assets	28	111,403	265,167
Loss on disposal of assets held for sale		810	–
Employee benefits expense			
Salaries, bonuses and other costs		10,290,431	10,276,005
Contributions to defined contribution plans		611,883	641,899
Share-based payment expense		–	9,450
		10,902,314	10,927,354

22 Tax expense

	Group 2021 $	Group 2020 $
Current tax expense		
Current year	847,242	832,508
Adjustment for prior periods	(12,555)	6,445
	834,687	838,953
Deferred tax expense		
Origination and reversal of temporary differences	63,443	4,408
Total tax expense	898,130	843,361
Reconciliation of effective tax rate		
Profit before tax	4,129,167	2,027,966
Tax using the Singapore tax rate of 17% (2020: 17%)	701,958	344,754
Effect of tax rates in foreign jurisdictions	112,378	116,512
Non-deductible expenses	281,509	490,267
Non-taxable income	(199,309)	(115,695)
Tax incentives	(17,467)	(7,453)
Tax exempt income	(50,063)	(51,654)
Deferred tax asset not recognised	83,770	66,317
Others	(2,091)	(6,132)
Adjustments for prior periods	(12,555)	6,445
Total tax expense	898,130	843,361

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

23 Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 30 June 2021 was based on the profit attributable to ordinary shareholders of $3,231,037 (2020: $1,184,605), and a weighted-average number of ordinary shares outstanding of 235,424,614 (2020: 235,060,270).

	2021 Number of shares	2020 Number of shares
Issued ordinary shares at beginning of the year	235,424,614	234,374,614
Effect of issuance of ordinary shares under the Performance Share Plan	–	685,656
Weighted-average number of ordinary shares used in the calculation of basic earnings per share	235,424,614	235,060,270

Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2021 was based on the profit attributable to ordinary shareholders of $3,231,037 (2020: $1,184,605), and a weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 235,424,614 (2020: 235,060,270).

	2021 Number of shares	2020 Number of shares
Weighted-average number of ordinary shares used in the calculation of diluted earnings per share	235,424,614	235,060,270

24 Dividends

No dividends were declared by the Group and the Company for the financial years ended 30 June 2021 and 2020.

After the respective reporting dates, no one-tier tax exempt dividends were proposed by the directors.

25 Related parties

Other related party transactions

Other than as disclosed elsewhere in the financial statements, the transactions with related parties based on terms agreed between the parties are as follows:

	Group	
	2021 $	2020 $
Rental expenses paid to a related party	(287,936)	(314,112)

The related party is a company in which a director of the Company, who is also a director and controlling shareholder of the related party.

Transactions with key management personnel

Key management personnel of the Group are directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel compensation and transactions comprised:

	Group	
	2021 $	2020 $
Key management personnel compensation		
Salaries and other short-term employee benefits	1,984,586	1,819,295
Post-employment benefits, including employer's contribution to Central Provident Fund	57,930	59,260
Fees to directors of the Company	169,583	180,000
Share-based payment expense	–	6,300
	2,212,099	2,064,855

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

25 Related parties (continued)

Transactions with key management personnel (continued)

PSP share awards granted to the key management personnel are as follows:

	Number of PSP share awards	
	2021	**2020**
At beginning of the year	–	700,000
Vested by key management personnel on 5 November 2019	–	(700,000)
At end of the year	–	–

Commitments and contingencies

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries. These bank borrowings amount to $24,972,568 (2020: $36,781,571) at the reporting date.

26 Leases

Leases as lessee (SFRS(I) 16)

The Group leases land, office, warehouse and motor vehicles. The leases of land, offices, warehouses and motor vehicles typically run for a period of 2 to 33 years, with an option to renew the lease after lease expiry dates. Lease payments are renegotiated at renewal to reflect market rentals.

The Group leases certain office equipment, which are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

26 Leases (continued)

Right-of-use assets

Group	**Leasehold land $**	**Offices and warehouses $**	**Motor vehicles $**	**Total $**
Cost				
At 1 July 2019	3,022,699	3,982,063	152,355	7,157,117
Additions	–	107,760	–	107,760
Written-off	–	(96,855)	–	(96,855)
Effects of movements in exchange rates	–	5,166	2,710	7,876
At 30 June 2020	3,022,699	3,998,134	155,065	7,175,898
Additions	19,359	927,384	80,644	1,027,387
Written-off	–	(460,977)	(58,097)	(519,074)
Modification of lease contracts	–	(1,354,724)	(35,042)	(1,389,766)
Effects of movements in exchange rates	–	(4,017)	4,627	610
At 30 June 2021	3,042,058	3,105,800	147,197	6,295,055
Accumulated depreciation				
At 1 July 2019	74,086	1,215,828	64,884	1,354,798
Depreciation	88,903	931,959	37,163	1,058,025
Written-off	–	(96,855)	–	(96,855)
Effects of movements in exchange rates	–	1,828	1,153	2,981
At 30 June 2020	162,989	2,052,760	103,200	2,318,949
Depreciation	90,516	792,616	38,388	921,520
Written-off	–	(460,977)	(58,097)	(519,074)
Modification of lease contracts	–	(854,156)	(2,192)	(856,348)
Effects of movements in exchange rates	–	(3,629)	2,724	(905)
At 30 June 2021	253,505	1,526,614	84,023	1,864,142
Carrying amounts				
At 1 July 2019	2,948,613	2,766,235	87,471	5,802,319
At 30 June 2020	2,859,710	1,945,374	51,865	4,856,949
At 30 June 2021	2,788,553	1,579,186	63,174	4,430,913

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

26 **Leases** (continued)

Amounts recognised in consolidated statement of profit or loss

	2021 $	2020 $
Leases under SFRS(I) 16		
Interest on lease liabilities	236,588	271,478
Expenses relating to short-term leases	85,555	52,592

Amounts recognised in consolidated statement of cash flows

	2021 $	2020 $
Total cash outflow for leases	869,388	992,862

Extension options

Some property leases contain extension options exercisable by the Group up to 2 months before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of $Nil (2020: $96,855).

Leases as lessor

Operating lease

The Group leased out its investment properties consisting 2 leasehold office units (see Note 5). The Group had classified these leases as operating leases, because they did not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 5 sets out information about the operating leases of investment properties.

26 **Leases** (continued)

Leases as lessor (continued)

Operating lease (continued)

Rental income from investment properties recognised by the Group during the year was $29,147 (2020: $192,000).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	2021 $	2020 $
Operating leases under SFRS(I) 16		
Less than one year	–	32,000

27 **Operating segments**

Information about reportable segment profit or loss, assets and liabilities

For management purposes, the reporting entity is organised into the following major strategic operating segments that offer different products and services:

- Marine & Offshore: This segment sells rigging and mooring equipment, offshore oil and gas equipment, and related marine and engineering hardware and accessories; and
- Property Development: This segment develops, markets and sells real estate properties, and provides real estate services.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the Group are based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The management reporting system evaluates performances based on a number of factors. However, the primary profitability measurement to evaluate segment's operating performance is segment profit before tax because management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

27 **Operating segments** (continued)

The following tables illustrate the information about the reportable segment profit or loss, assets and liabilities.

Information about reportable segments

	Marine & offshore $	Property development $	Total for reportable segments $	Unallocated $	Total $
Group					
2021					
Revenue	68,418,467	7,583,929	76,002,396	–	76,002,396
Internal revenue	(14,187,872)	–	(14,187,872)	–	(14,187,872)
External revenue	54,230,595	7,583,929	61,814,524	–	61,814,524
Interest income	266	–	266	–	266
Interest expense	(887,723)	(76,282)	(964,005)	(5,018)	(969,023)
Depreciation	(1,552,983)	(82,225)	(1,635,208)	(29,956)	(1,665,164)
Reportable segment profit/(loss) before tax	4,664,263	(208,941)	4,455,322	–	4,455,322
Share of results of equity-accounted investees (net of tax)	–	15,982	15,982	–	15,982
Other unallocated expenses	–	–	–	(342,137)	(342,137)
Consolidated profit before tax					4,129,167

27 **Operating segments** (continued)

Information about reportable segments (continued)

	Marine & offshore $	Property development $	Total for reportable segments $	Unallocated $	Total $
Group					
2021					
Reportable segment assets	49,745,879	6,686,225	56,432,104	424,075	56,856,179
Capital expenditure	1,355,793	118,963	1,474,756	329,048	1,803,804
Reportable segment liabilities	33,923,285	4,431,646	38,354,931	388,100	38,743,031
Other material non-cash items					
Addition of allowance for inventory obsolescence	135,915	–	135,915	–	135,915
Net impairment loss on trade and other receivables and contract assets	3,552	107,851	111,403	–	111,403
Bad debts written off	2,142	–	2,142	–	2,142

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

27 **Operating segments** (continued)

Information about reportable segments (continued)

	Marine & offshore $	Property development $	Total for reportable segments $	Unallocated $	Total $
Group					
2020					
Revenue	71,437,023	947,450	72,384,473	–	72,384,473
Internal revenue	(13,119,773)	–	(13,119,773)	–	(13,119,773)
External revenue	58,317,250	947,450	59,264,700	–	59,264,700
Interest income	555	132	687	–	687
Interest expense	(1,251,432)	(228,543)	(1,479,975)	–	(1,479,975)
Depreciation	(1,654,161)	(210,556)	(1,864,717)	(765)	(1,865,482)
Reportable segment profit/(loss) before tax	3,422,499	(973,011)	2,449,488	–	2,449,488
Share of results of equity-accounted investees (net of tax)	–	(12,500)	(12,500)	–	(12,500)
Other unallocated expenses	–	–	–	(409,022)	(409,022)
Consolidated profit before tax					2,027,966

27 **Operating segments** (continued)

Information about reportable segments (continued)

	Marine & offshore $	Property development $	Total for reportable segments $	Unallocated $	Total $
Group					
2020					
Reportable segment assets	51,654,828	14,722,065	66,376,893	187,713	66,564,606
Capital expenditure	2,556,322	8,405	2,564,727	4,640	2,569,367
Reportable segment liabilities	40,433,362	10,859,043	51,292,405	384,953	51,677,358
Other material non-cash items					
Reversal of allowance for inventory obsolescence	(117,039)	–	(117,039)	–	(117,039)
Net impairment loss/ (Reversal of allowance) on trade and other receivables and contract assets	275,547	(10,380)	265,167	–	265,167
Bad debts written off	37,696	1,393	39,089	–	39,089

Other unallocated expenses are mainly distribution, administrative and other operating expenses which are centralised and not segmented as these items are not directly attributable to the reportable segments.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

27 Operating segments (continued)

Information about reportable segments (continued)

The unallocated assets and liabilities cannot be selectively segmented when they are being deployed and/or incurred, as these items are not directly attributable to the reportable segments.

Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers, irrespective of the origin of the goods and services, and segment assets are based on the geographical location of the assets.

	2021			2020		
	Marine & offshore	Property development	Total	Marine & offshore	Property development	Total
	$	$	$	$	$	$
Revenue						
Singapore	26,946,498	7,583,929	34,530,427	30,469,464	947,450	31,416,914
Europe	14,256,193	–	14,256,193	14,388,955	–	14,388,955
South East Asia	6,102,300	–	6,102,300	6,024,413	–	6,024,413
United States of America	2,196,921	–	2,196,921	2,820,255	–	2,820,255
East Asia	1,913,830	–	1,913,830	1,672,544	–	1,672,544
Middle East	1,166,985	–	1,166,985	879,454	–	879,454
Other countries	1,647,868	–	1,647,868	2,062,165	–	2,062,165
Total revenue	54,230,595	7,583,929	61,814,524	58,317,250	947,450	59,264,700

27 Operating segments (continued)

Information about reportable segments (continued)

	Group	
	2021	2020
	$	$
Non-current assets		
Singapore	8,035,564	8,071,440
Netherlands	4,873,731	4,913,175
United States of America	382,665	598,528
Other countries	10,850	65,068
	13,302,810	13,648,211

Non-current assets presented consist of property, plant and equipment, investment in associate and joint venture and deferred tax assets.

Revenue from major customers

	Group	
	2021	2020
	$	$
Top 1 customer	3,960,561	5,526,280
Top 2 customers	6,313,328	7,813,420
Top 3 customers	8,062,569	9,412,752

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

28 Financial instruments: Information on financial risks

Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. The main risks arising from the entity's financial instruments are credit risk, liquidity risk and market risk comprising interest rate and currency risk exposures. The management has certain practices for the management of financial risks. The guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks. The guidelines include the following:

1. Minimise interest rate, currency, credit and market risks for all kinds of transactions.
2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.
3. All financial risk management activities are carried out and monitored by senior management staff.
4. All financial risk management activities are carried out following good market practices.
5. When appropriate consideration is given to investing in shares or similar instruments.
6. When appropriate consideration is given to entering into derivatives or any other similar instruments solely for hedging purposes. With regard to derivatives, the policies include the following:
   - The management documents carefully all derivatives including the relationship between them and the hedged items at inception and throughout their life.
   - Ineffectiveness is recognised in profit or loss as soon as it arises.
   - Effectiveness is assessed at the inception of the hedge and at each end of the financial year ensuring that SFRS(I) 9 criteria are met.
   - Only financial institutions with acceptable credit ratings are used as counterparties for derivatives.

28 Financial instruments: Information on financial risks (continued)

Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents and receivables. The maximum exposure to credit risk is represented by the carrying amounts of the financial assets and contract assets. Credit risk on cash balances with banks, derivative financial instruments and other financial assets is limited because the counter-parties are entities with acceptable credit ratings. For credit risk on receivables, an ongoing credit evaluation is performed on the financial condition of the debtors and an expected credit loss is recognised in profit or loss. The exposure to credit risk is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management. There is no significant concentration of credit risk, as the exposure is spread over a large number of counter-parties and customers unless otherwise disclosed in the notes to the financial statements below.

Cash and cash equivalents balances as disclosed in Note 14 represent cash at banks.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 30 to 90 days (2020: 30 to 90 days). However, some customers take a longer period to settle the amounts.

Exposure to credit risk

The maximum exposure to credit risk for contract assets and trade receivables at the reporting date by business segment is set out below.

	Group	
	2021	2020
	$	$
Marine & offshore	8,456,813	9,348,656
Property development	117,683	63,687
	8,574,496	9,412,343

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

28 **Financial instruments: Information on financial risks** (continued)

Credit risk on financial assets (continued)

Exposure to credit risk (continued)

The concentration to trade receivables by top 3 significant customers as at the end of financial year is as follows:

	Group 2021 $	Group 2020 $
Top 1 customer	417,785	525,798
Top 2 customers	671,789	833,382
Top 3 customers	1,018,776	1,019,247

A summary of the Group's exposures to credit risk for contract assets and trade receivables is as follows:

	Group 2021 $	Group 2020 $
Contract assets	319,694	405,405
Trade receivables	8,756,948	9,503,493
Total gross carrying amount	9,076,642	9,908,898
Loss allowance	(502,146)	(496,555)
	8,574,496	9,412,343

28 **Financial instruments: Information on financial risks** (continued)

Credit risk on financial assets (continued)

Expected credit loss assessment for contract assets and trade receivables

The Group uses an allowance matrix to measure the ECLs of contract assets and trade receivables, which comprise a very large number of individual corporate customers.

The following table provides information about the exposure to credit risk and ECLs for contract assets and trade receivables as at reporting date:

	Weighted average loss rate	Gross carrying amount	Impairment loss allowance		
			Not credit-impaired	Credit-impaired	Total
	%	$	$	$	$
Group					
2021					
Contract assets					
- Not past due	1.0	319,694	(4,691)	–	(4,691)
Trade receivables					
- Not past due	0.1	5,224,317	(6,643)	–	(6,643)
- Past due 1 to 60 days	0.6	2,642,069	(11,459)	(4,086)	(15,545)
- Past due 61 to 90 days	5.6	432,373	(3,159)	(21,092)	(24,251)
- Past due over 90 days	98.4	458,189	(34,169)	(416,847)	(451,016)
		8,756,948	(55,430)	(442,025)	(497,455)
2020					
Contract assets					
- Not past due	1.2	405,405	(4,691)	–	(4,691)
Trade receivables					
- Not past due	0.3	4,904,906	(16,795)	–	(16,795)
- Past due 1 to 60 days	2.5	3,718,239	(6,048)	(85,730)	(91,778)
- Past due 61 to 90 days	11.4	492,559	(8,198)	(48,136)	(56,334)
- Past due over 90 days	84.3	387,789	(39,420)	(287,537)	(326,957)
		9,503,493	(70,461)	(421,403)	(491,864)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

28 Financial instruments: Information on financial risks (continued)

Expected credit loss assessment for contract assets and trade receivables (continued)

Loss rates are based on actual credit loss experience over the past 4 years. These rates are adjusted by a scalar factor to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. The scalar factor is based on a forecast gross domestic product of 0.90 (2020: 1.86) for Singapore.

Expected credit loss assessment for other receivables and deposits (excluding grant receivables) and amount due from joint venture (non-trade)

The Group assessed the credit exposure of other receivables and deposits (excluding grant receivables) and amount due from joint venture (non-trade) is insignificant based on the historical collection trends as well as these receivables have insignificant default rate in the past. The Group applied the ECL rate based on the published independent default rate. The Group monitors changes in the default rate by tracking to the published independent research report.

	Weighted average loss rate	Gross carrying amount	Impairment loss allowance
	%	$	$
Group			
2021			
Other receivables and deposits and amount due from joint venture (non-trade)			
- Not past due	8.3	1,301,678	(107,851)
2020			
Other receivables and deposits and amount due from joint venture (non-trade)			
- Not past due	0.0	1,231,286	–
Company			
2021			
Other receivables and deposits			
- Not past due	0.0	3,300	–

28 Financial instruments: Information on financial risks (continued)

Expected credit loss assessment for amount due from subsidiaries (non-trade)

The Company assessed the credit exposure of these receivables is insignificant based on the historical default rates and measured the impairment losses based on 12-month expected loss basis, except for amount of $37,297,689 (2020: $38,747,668), which is measured at an amount equal to lifetime ECLs.

	Weighted average loss rate	Gross carrying amount	Impairment loss allowance		
			Not credit-impaired	Credit-impaired	Total
	%	$	$	$	$
Company					
2021					
Other receivables and deposits and amounts due from subsidiaries (non-trade)					
- Not past due	86.6	43,166,635	(102,258)	(37,297,689)	(37,399,947)
2020					
Amounts due from subsidiaries (non-trade)					
- Not past due	90.4	42,939,491	(86,561)	(38,747,668)	(38,834,229)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

28 Financial instruments: Information on financial risks (continued)

Expected credit loss assessment for amount due from subsidiaries (non-trade) (continued)

Movement in the allowance for impairment in respect of contract assets and trade and other receivables during the year was as follows:

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
At beginning of the year	496,555	318,974	38,834,229	38,660,715
Impairment loss recognised	151,751	299,642	15,697	583,938
Reversal of impairment loss	(40,348)	(34,475)	(1,449,979)	(410,424)
Amounts written off	–	(87,613)	–	–
Effects of movements in exchange rates	2,039	27	–	–
At end of the year	609,997	496,555	37,399,947	38,834,229

Cash and cash equivalents

The Group and the Company held cash and cash equivalents. The cash and cash equivalents are held with bank and financial institution counterparties, which are regulated.

The Group and the Company assessed the impairment on cash and cash equivalents based on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group and the Company consider that their cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. Based on the assessment, the Group and the Company considered that the amount of the allowance on cash and cash equivalents was negligible.

28 Financial instruments: Information on financial risks (continued)

Liquidity risk

Liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance its operations. The Group finances liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

	Group	
	2021	2020
	$	$
Committed undrawn borrowing facilities	3,843,211	4,723,188
Uncommitted undrawn borrowing facilities	4,756,238	2,747,670
	8,599,449	7,470,858

The undrawn borrowing facilities are available for operating activities and to settle other commitments. Borrowing facilities are maintained to ensure funds are available for the Group's operations.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

28 Financial instruments: Information on financial risks (continued)

Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

		Contractual cash flows			
	Carrying amount $	Total $	Less than 1 year $	1 – 5 years $	Over 5 years $
Group					
30 June 2021					
Non-derivative financial liabilities					
Secured bank loans	20,027,322	(21,190,080)	(12,352,317)	(6,578,797)	(2,258,966)
Lease liabilities	4,699,641	(7,680,773)	(882,823)	(1,910,154)	(4,887,796)
Trust receipts	7,593,762	(7,725,135)	(7,725,135)	–	–
Trade and other payables^	5,644,389	(5,644,389)	(5,644,389)	–	–
	37,965,114	(42,240,377)	(26,604,664)	(8,488,951)	(7,146,762)
Derivative financial liabilities					
Interest rate swap (net-settled)	116,211	(116,211)	–	(116,211)	–

^ *Excludes derivative financial liabilities and deferred grant income*

28 Financial instruments: Information on financial risks (continued)

Liquidity risk (continued)

		Contractual cash flows			
	Carrying amount $	Total $	Less than 1 year $	1 – 5 years $	Over 5 years $
Group					
30 June 2020					
Non-derivative financial liabilities					
Secured bank loans	29,296,061	(31,102,271)	(19,299,984)	(9,302,397)	(2,499,890)
Lease liabilities	5,098,960	(8,260,571)	(1,159,443)	(2,064,278)	(5,036,850)
Trust receipts	10,279,418	(10,540,017)	(10,540,017)	–	–
Trade and other payables^	5,303,726	(5,303,726)	(5,303,726)	–	–
	49,978,165	(55,206,585)	(36,303,170)	(11,366,675)	(7,536,740)
Derivative financial liabilities					
Interest rate swap (net-settled)	185,596	(185,596)	–	(185,596)	–

^ *Excludes derivative financial liabilities and deferred grant income*

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

28 Financial instruments: Information on financial risks (continued)

Liquidity risk (continued)

	Carrying amount $	Contractual cash flows Total $	Less than 1 year $	1 – 5 years $	Over 5 years $
Company					
Non-derivative financial liabilities					
30 June 2021					
Trade and other payables^	44,483,936	(44,483,936)	(44,483,936)	–	–
30 June 2020					
Trade and other payables^	43,731,181	(43,731,181)	(43,731,181)	–	–

^ *Excludes derivative financial liabilities and deferred grant income*

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the carrying amounts included in the statement of financial position. The undiscounted amounts on the borrowings with variable interest rates are determined by reference to the conditions existing at the reporting date. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

It is expected that all the liabilities will be settled at their contractual maturity. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

28 Financial instruments: Information on financial risks (continued)

Liquidity risk (continued)

Financial guarantee contracts

For financial guarantee contracts the maximum earliest period in which the guarantee would be called is used. At the reporting date, no claims on the financial guarantees are expected. The following table shows the maturity analysis of the financial guarantees.

	Less than 1 year $
Company	
30 June 2021	
Corporate guarantees in favour of subsidiaries	24,972,568
30 June 2020	
Corporate guarantees in favour of subsidiaries	36,781,571

Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's and the Company's exposures to interest rate risk relates primarily to the Group's interest-bearing assets and liabilities. These exposures are managed partly using natural hedges that arise from offsetting interest rate sensitive assets and liabilities. The Group also enters into interest rate swaps to manage its interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

28 **Financial instruments: Information on financial risks** (continued)

Interest rate risk (continued)

Exposure to interest rate risk

The table below sets out the Group's and the Company's exposure to interest rate risks:

	Group		Company	
	2021	2020	2021	2020
	$	$	$	$
Fixed rate instruments				
Loans and borrowings	(6,846,231)	(5,994,834)	–	–
Lease liabilities	(4,699,641)	(5,098,960)	–	–
	(11,545,872)	(11,093,794)	–	–
Variable rate instruments				
Cash at banks	6,975,796	5,302,767	100,834	93,857
Loans and borrowings	(20,774,853)	(33,580,645)	–	–
Effect of interest rate swaps	116,211	185,596	–	–
	(13,682,846)	(28,092,282)	100,834	93,857

Sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, in respect of the fixed rate instruments, a change in interest rates at the reporting date would not affect profit or loss.

28 **Financial instruments: Information on financial risks** (continued)

Interest rate risk (continued)

Sensitivity analysis for variable rate instruments

The variable rate debt obligations are with interest rates that are re-set regularly at one, three or six month intervals. A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit before tax by the amounts shown below. There is no impact on other components of equity. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group		Company	
	Profit before tax		Profit/(Loss) before tax	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	$	$	$	$
30 June 2021				
Cash at banks	69,758	(69,758)	1,008	(1,008)
Loans and borrowings	(207,749)	207,749	–	–
Interest rate swap	1,162	(1,162)	–	–
	(136,829)	136,829	1,008	(1,008)
30 June 2020				
Cash at banks	53,028	(53,028)	939	(939)
Loans and borrowings	(335,806)	335,806	–	–
Interest rate swap	1,856	(1,856)	–	–
	(280,922)	280,922	939	(939)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

28 Financial instruments: Information on financial risks (continued)

Foreign currency risk

Foreign currency risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are the United States dollar ("USD") and Euro ("EUR").

Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily SGD, but also USD and EUR. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Company has a number of investments in foreign subsidiaries whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

28 Financial instruments: Information on financial risks (continued)

Foreign currency risk (continued)

Exposure to foreign currency risk

The summary of quantitative data about the Group's exposure to foreign currency risk is as follows:

	USD $	EUR $	Others $	Total $
Group				
At 30 June 2021				
Financial assets				
Cash and cash equivalents	1,587,190	16,888	–	1,604,078
Trade and other receivables	1,652,132	25,175	–	1,677,307
Total financial assets	3,239,322	42,063	–	3,281,385
Financial liabilities				
Trade and other payables	(2,039,062)	(73,409)	(23,831)	(2,136,302)
Total financial liabilities	(2,039,062)	(73,409)	(23,831)	(2,136,302)
Net financial assets/(liabilities) at end of the year	1,200,260	(31,346)	(23,831)	1,145,083
At 30 June 2020				
Financial assets				
Cash and cash equivalents	1,771,747	27,038	–	1,798,785
Trade and other receivables	1,408,373	15,326	–	1,423,699
Total financial assets	3,180,120	42,364	–	3,222,484
Financial liabilities				
Trade and other payables	(2,139,148)	(180,048)	(12,166)	(2,331,362)
Total financial liabilities	(2,139,148)	(180,048)	(12,166)	(2,331,362)
Net financial assets/(liabilities) at end of the year	1,040,972	(137,684)	(12,166)	891,122

The Company's exposure to foreign currency risk is not significant.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

28 Financial instruments: Information on financial risks (continued)

Foreign currency risk (continued)

Sensitivity analysis

A reasonably possible change of the Singapore dollar, as indicated below, against the USD and EUR at the reporting date would have increased/(decreased) profit before tax by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

	Group	
	Profit before tax	
	10% strengthening	10% weakening
	$	$
30 June 2021		
USD	(120,026)	120,026
EUR	3,135	(3,135)
30 June 2020		
USD	(104,097)	104,097
EUR	13,768	(13,768)

Classification of financial assets and liabilities and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. Further, the fair value disclosure of lease liabilities is also not required.

28 Financial instruments: Information on financial risks (continued)

Classification of financial assets and liabilities and fair values (continued)

	Carrying amount				Fair value
	At amortised costs	Mandatorily at FVTPL	Other financial liabilities at amortised cost	Total	Level 2
	$	$	$	$	$
Group					
30 June 2021					
Financial assets not measured at fair value					
Trade and other receivables*	9,453,320	–	–	9,453,320	
Cash and cash equivalents	6,981,664	–	–	6,981,664	
	16,434,984	–	–	16,434,984	
Financial liabilities not measured at fair value					
Fixed rate loans	–	–	(6,846,231)	(6,846,231)	(6,938,828)
Lease liabilities	–	–	(4,699,641)	(4,699,641)	
Other loans and borrowings	–	–	(20,774,853)	(20,774,853)	
Trade and other payables^	–	–	(5,644,389)	(5,644,389)	
	–	–	(37,965,114)	(37,965,114)	
Financial liability measured at fair value					
Derivatives financial liabilities	–	(116,211)	–	(116,211)	(116,211)

* *Excludes grant receivables, prepayments and advances to suppliers*
^ *Excludes derivative financial liabilities and deferred grant income*

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

28 Financial instruments: Information on financial risks (continued)

Classification of financial assets and liabilities and fair values (continued)

	Carrying amount				Fair value
	At amortised costs $	**Mandatorily at FVTPL $**	**Other financial liabilities at amortised cost $**	**Total $**	**Level 2 $**
Group					
30 June 2020					
Financial assets not measured at fair value					
Trade and other receivables*	10,242,915	–	–	10,242,915	
Cash and cash equivalents	5,310,252	–	–	5,310,252	
	15,553,167	–	–	15,553,167	
Financial liabilities not measured at fair value					
Fixed rate loans	–	–	(5,994,834)	(5,994,834)	(6,220,151)
Lease liabilities	–	–	(5,098,960)	(5,098,960)	
Other loans and borrowings	–	–	(33,580,645)	(33,580,645)	
Trade and other payables	–	–	(5,303,726)	(5,303,726)	
	–	–	(49,978,165)	(49,978,165)	
Financial liability measured at fair value					
Derivatives financial liabilities	–	(185,596)	–	(185,596)	(185,596)

* *Excludes grant receivables, prepayments and advances to suppliers*
^ *Excludes derivative financial liabilities and deferred grant income*

28 Financial instruments: Information on financial risks (continued)

Classification of financial assets and liabilities and fair values (continued)

	Carrying amount				Fair value
	At amortised costs $	**Mandatorily at FVTPL $**	**Other financial liabilities at amortised cost $**	**Total $**	**Level 2 $**
Company					
30 June 2021					
Financial assets not measured at fair value					
Trade and other receivables*	5,766,688	–	–	5,766,688	
Cash and cash equivalents	100,916	–	–	100,916	
	5,867,604	–	–	5,867,604	
Financial liabilities not measured at fair value					
Trade and other payables^		–	– (44,483,936)	(44,483,936)	

* *Excludes grant receivables, prepayments and advances to suppliers*
^ *Excludes derivative financial liabilities and deferred grant income*

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2021

28 **Financial instruments: Information on financial risks** (continued)

Classification of financial assets and liabilities and fair values (continued)

	Carrying amount				Fair value
	At amortised costs $	Mandatorily at FVTPL $	Other financial liabilities at amortised cost $	Total $	Level 2 $
Company					
30 June 2020					
Financial assets not measured at fair value					
Trade and other receivables*	4,105,262	–	–	4,105,262	
Cash and cash equivalents	94,015	–	–	94,015	
	4,199,277	–	–	4,199,277	
Financial liabilities not measured at fair value					
Trade and other payables	–	–	(43,731,181)	(43,731,181)	

* *Excludes grant receivables, prepayments and advances to suppliers*

^ *Excludes derivative financial liabilities and deferred grant income*

28 **Financial instruments: Information on financial risks** (continued)

Measurement of fair value

Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 fair values, as well as the significant unobservable inputs used.

Transfer between the levels

There were no transfers between the levels during the year.

Financial instruments measured at fair value

Type	Valuation technique
Derivative financial liabilities	The fair value is based on bank quote. Similar contracts are traded in an active market and the quote reflect the actual transactions in similar instruments.

Financial instruments not measured at fair value

Type	Valuation technique
Fixed rate loans	Discounted cash flows: The valuation model considers the present value of future principal and interest cash flows, discounted using a risk adjusted discount rate. The discount rate used ranges from 2.16% to 2.65% (2020: 2.02% to 2.22%).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

29 Commitments

The Group has the following commitments as at the reporting date:

	Group 2021 $	Group 2020 $
Development expenditure contracted for development properties but not provided for in the financial statements	193,122	703,599
Renovation expenditure contracted for renovation projects but not provided for in the financial statements	49,670	–

30 Performance Share Plan

The Company's performance share plan, TEHO Performance Share Plan (the "PSP"), was approved and adopted by the shareholders at the Company's Extraordinary General Meeting held on 25 November 2011. The PSP is administered by the Remuneration Committee ("RC") with such discretion, powers and duties as are conferred on it by the Board of Directors.

The PSP contemplates the award of fully-paid shares in the capital of the Company to participants after certain pre-determined benchmarks have been met. The Company believes that the PSP will be more effective than pure cash bonuses in motivating employees to work towards pre-determined goals and promoting the long term interest of the Company.

The PSP shall continue to be in force at the discretion of the RC, subject to a maximum period of 10 years commencing from its adoption by the shareholders and may continue beyond the stipulated period with the approval of the shareholders by an ordinary resolution in general meeting and of any relevant authorities which may then be required. The Company is proposing a new long-term employee incentive scheme known as the TEHO Performance Share Plan 2021 ("TEHO PSP 2021") at the forthcoming extraordinary general meeting to be held on 27 October 2021.

30 Performance Share Plan (continued)

Under the rules of the PSP and at the absolute discretion of the RC, confirmed full-time employees of the group who are of the age of 18 years and above, and directors of the group who have contributed or will contribute to the success and the development of the group are eligible to participate in the PSP. However, participation in the PSP by the directors who are also controlling shareholders and their associates are subject to the approval by independent shareholders of the Company at general meeting.

The total number of shares that may be issued or are issuable pursuant to the granting of the awards under the PSP, when added to the aggregate number of shares that are issued or are issuable in respect of such other share-based incentive schemes of the Company (if any), shall not exceed 15% (or such other percentage as may be prescribed or permitted from time to time by the SGX-ST) of the total number of issued ordinary shares of the Company on the day immediately preceding the relevant grant date.

At the reporting date, the Group has the following share-based payment arrangements:

Share-based incentive plans (equity-settled)

Key terms and conditions related to the share awards granted under the PSP are as follows:

Plan	Number of share awards	Vesting conditions	Performance conditions
PSP share awards	1,050,000	1-year services from grant date	None
	1,050,000	2 years services from grant date	None
	2,100,000		

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2021

30 Performance Share Plan (continued)

Share-based incentive plans (equity-settled) (continued)

Movement of PSP share awards during the year is as follows:

Group and Company	Number of PSP share awards 2021	2020
At beginning of the year	–	1,050,000
Vested on 5 November 2019	–	(1,050,000)
At end of the year	–	–

Measurement of fair values

The fair value of the equity instruments granted was determined by reference to the market prices of the share price of the Company at date of grant.

31 Assets held for sale

The Group granted an option to a third party to purchase the Group's investment properties for a consideration of $3,200,000 during financial year ended 30 June 2020. An impairment loss of $152,000 of the investment properties was recognised and was included in 'other operating expenses' in the consolidated statement of profit or loss for the year ended 30 June 2020. Accordingly, the investment properties were reclassified to assets held sale as at 30 June 2020.

During the financial year ended 30 June 2021, the disposal of assets held for sale was completed and a loss on disposal of $810 was recognised and is included in 'other operating expenses' in the consolidated statement of profit or loss for the year ended 30 June 2021.

	2021 $	2020 $
Assets		
Investment properties	–	3,168,810

31 Assets held for sale (continued)

Measurement of fair values

As at 30 June 2020, the non-recurring fair value measurement for the assets held for sale of $3,200,000 had been categorised as a Level 3 fair value based on the selling consideration as disclosed above.

32 Subsequent event

On 10 May 2021, the Group entered into a commercial contract with a third party vendor in relation to a proposed acquisition of a property situated in Texas, Houston for a purchase consideration of US$1,850,000 (approximately $2,454,210).

The proposed acquisition has been completed on 31 August 2021.

SHAREHOLDINGS STATISTICS

AS AT 14 SEPTEMBER 2021

Issued and fully paid capital	–	$38,124,072.80
Class of shares	–	Ordinary shares
Total number of shares in issue	–	235,424,614
Voting rights	–	1 vote per share
Number of treasury shares	–	Nil
Number of subsidiary holdings held	–	Nil
% of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares in issue (excluding treasury shares and subsidiary holdings)	–	Nil

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Lim See Hoe[1]	82,788,818	35.17	-	-
Lim Siew Cheng[1]	30,012,555	12.75	-	-
Lim Siew Choo[1]	24,010,047	10.20	-	-
Lim See Heng[1][2][3]	11,953,154	5.08	-	-
Ong Chuey Geok[3]	11,693,125	4.97	11,953,154	5.08

Notes:

(1) Lim See Hoe, Lim Siew Cheng, Lim Siew Choo and Lim See Heng are siblings.

(2) Lim See Heng has passed away on 14 December 2020.

(3) Mdm Ong Chuey Geok has been appointed as donee of Mr Lim See Heng, her spouse, and accordingly is deemed interested in the 11,953,154 Shares held by Lim See Heng.

LIST OF TWENTY LARGEST SHAREHOLDERS

S/N	Name	Number of Shares	%
1	Lim See Hoe	82,788,818	35.17
2	Lim Siew Cheng	30,012,555	12.75
3	Lim Siew Choo	24,010,047	10.20
4	Donee of Lim See Heng	11,953,154	5.08
5	Lin Yusheng	11,693,125	4.97
6	Ong Chuey Geok	11,693,125	4.97
7	Lim Siew Lian (Soare Siew Lian)	10,167,821	4.32
8	Liu Yining	8,352,231	3.55
9	Tan Chiun Wei	5,300,004	2.25
10	Koh Poh Seng	2,900,247	1.23
11	Ng Tian Zhu	2,375,500	1.01
12	Loy Chee Yong	1,670,447	0.71
13	Lim Yeow Shien (Lin Yaoxian)	1,506,724	0.64
14	Raffles Nominees (Pte.) Limited	1,471,445	0.63
15	Phua Sian Chin	1,400,000	0.59
16	Chan Wai Leong	1,160,217	0.49
17	DBS Nominees (Private) Limited	1,136,843	0.48
18	Goh Leng Heng	1,072,889	0.46
19	Tan Wah Yong	909,465	0.39
20	Tan Teck Chong	703,648	0.30
	TOTAL	**212,278,305**	**90.19**

SHAREHOLDINGS STATISTICS

AS AT 14 SEPTEMBER 2021

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 - 99	25	6.43	1,287	0.00
100 - 1,000	11	2.83	3,639	0.00
1,001 - 10,000	71	18.25	257,164	0.11
10,001 - 1,000,000	264	67.86	24,497,332	10.41
1,000,001 and above	18	4.63	210,665,192	89.48
TOTAL	**389**	**100.00**	**235,424,614**	**100.00**

Based on the information available to the Company and to the best knowledge of the Directors, approximately 19.27% of the issued ordinary shares of the Company were held in the hands of the public as at 14 September 2021 and therefore, Rule 723 of the Catalist Rules is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of TEHO INTERNATIONAL INC LTD. (the "**Company**") will be held by way of electronic means on Wednesday, 27 October 2021 at 3.00 p.m., for the following purposes:

AS ORDINARY BUSINESS:

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 30 June 2021 together with the Independent Auditor's Report thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of $180,000 for the financial year ending 30 June 2022, to be paid quarterly in arrears (FY2021: $180,000). **(Resolution 2)**

3. To re-elect Ms Lim Siew Cheng, a Director retiring pursuant to Regulation 107 of the Company's Constitution. (see explanatory note 1) **(Resolution 3)**

4. To re-elect Mr Kwah Thiam Hock, a Director retiring pursuant to Regulation 107 of the Company's Constitution. (see explanatory note 2) **(Resolution 4)**

5. To elect Mr Chua Kim Leng, a Director retiring pursuant to Regulation 117 of the Company's Constitution. (see explanatory note 3) **(Resolution 5)**

6. To re-appoint KPMG LLP as auditor of the Company and to authorise the Directors to fix its remuneration. **(Resolution 6)**

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following resolution (with or without amendments) as Ordinary Resolutions:

7. Ordinary Resolution: Authority to Allot and Issue Shares and Convertible Securities **(Resolution 7)**

   That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore ("**Companies Act**") and Rule 806 of the Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors be authorised and empowered to:

   (a) (i) allot and issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may at their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution does not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued other than on a pro rata basis to existing members of the Company does not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:

(a) new Shares arising from the conversion or exercise of convertible securities;

(b) new Shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

Adjustments in accordance with sub-paragraphs (2)(a) and (2)(b) above are only to be made in respect of new Shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), the Companies Act and the Company's Constitution for the time being; and

(4) (unless revoked or varied by the Company in a general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law and the Catalist Rules to be held, whichever is the earlier.

(see explanatory note 4)

8. Ordinary Resolution: Renewal of Share Buyback Mandate **(Resolution 8)**

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, the Directors be authorised to exercise all the powers of the Company to purchase or otherwise acquire from time to time Shares (whether by way of market purchases or off-market purchases on an equal access scheme) of up to a maximum of 10% of the issued ordinary share capital of the Company (excluding treasury shares and subsidiary holdings) as at the date of the passing of this Ordinary Resolution at any price which the Director may determine at their discretion, up to but not exceeding the Maximum Price (as hereinafter defined), and such purchases and acquisitions of the Shares may be by way of:

(i) Market Purchases (as defined below); and/or

(ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors as they consider fit, which schemes shall satisfy all the conditions prescribed by the Companies Act,

NOTICE OF ANNUAL GENERAL MEETING

and otherwise in accordance with all other provisions of the Companies Act and the Catalist Rules as may for the time being be applicable (the "**Share Buyback Mandate**");

(b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buyback Mandate shall, at the discretion of the Directors, either be cancelled or held in treasury and dealt with in accordance with the Companies Act;

(c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next AGM of the Company is held or is required by law to be held;

(ii) the date on which purchases and acquisitions of shares pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority contained in the Share Buyback Mandate is varied or revoked;

(d) for purposes of this Resolution:

"**Market Purchases**" means on-market purchases, transacted on the SGX-ST through the ready market or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose of the Share buyback, and

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the purchase price (excluding applicable brokerage, stamp duty, commission, applicable goods and services tax, and other related expenses) not exceeding:

(i) in the case of a Market Purchase: 105% of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase: 120% of the Average Closing Price, where:

"**Average Closing Price**" means the average of the closing market prices of a share over the last five market days, on which transactions in the shares were recorded, before the day on which the Market Purchase was made, or as the case may be, the day of making of the offer for an Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs during the relevant five-day period, and the day on which the purchases were made;

"**day of making of the offer**" means the day on which the Company makes an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"**market day**" means a day on which the SGX-ST is open for trading in securities, and

(e) any of the Directors be and are hereby authorised to complete and do all such acts and things (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this Resolution.

(see explanatory note 5)

NOTICE OF ANNUAL GENERAL MEETING

9. That, subject to and contingent upon the passing of Resolution 4 by shareholders of the Company by appointing the Chairman of the AGM as proxy to vote at the AGM and the passing of Resolution 10 by shareholders of the Company by appointing the Chairman of the AGM as proxy to vote at the AGM, excluding the Directors and the Chief Executive Officer of the Company, and their respective associates (as defined in the Catalist Rules): **(Resolution 9)**

   (a) the continued appointment of Mr Kwah Thiam Hock as an independent Director, for purposes of Rule 406(3)(d)(iii)(A) of the Catalist Rules (which will take effect from 1 January 2022) be approved; and

   (b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mr Kwah Thiam Hock as a Director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

   (see explanatory note 2)

10. That, subject to and contingent upon the passing of Resolution 4, and provided that this Resolution shall only be proposed and voted upon if Resolution 9 is passed by shareholders of the Company by appointing the Chairman of the AGM as proxy to vote at the AGM: **(Resolution 10)**

   (a) the continued appointment of Mr Kwah Thiam Hock as an independent Director, for purposes of Rule 406(3)(d)(iii)(B) of the Catalist Rules (which will take effect from 1 January 2022) be approved; and

   (b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mr Kwah Thiam Hock as a Director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution,

   (see explanatory note 2)

11. To transact any other business that may be properly transacted at an AGM.

BY ORDER OF THE BOARD

Phua Sian Chin
Wee Woon Hong
Company Secretaries
5 October 2021

Explanatory Notes:

1. Ms Lim Siew Cheng will, upon re-election as a Director, remain as the Executive Director and Chief Operating Officer of the Company. Please refer to the "Information on Directors seeking Re-election" section of the Annual Report of the Company for the detailed information required pursuant to Rule 720(5) of the Catalist Rules.

2. Ordinary Resolutions 9 and 10 proposed in items 9 and 10 respectively above are in anticipation of Rule 406(3)(d)(iii) of the Catalist Rules which will take effect from 1 January 2022 and provide that a director will not be independent if he has been a director for an aggregate period of more than nine years and his continued appointment as an independent director has not been sought and approved in separate resolutions by (a) all shareholders; and (b) shareholders excluding the directors and the chief executive officer of the c ompany, and their respective associates.

   Mr Kwah Thiam Hock is an independent Director who has served on the Board for more than nine years from the date of his first appointment. Please refer to the "Report of Corporate Governance" section of the Annual Report of the Company for the Board's review of the independence of Mr Kwah Thiam Hock, and the "Information on Directors seeking Re-election" section of the Annual Report of the Company for the detailed information required pursuant to Rule 720(5) of the Catalist Rules.

   In the event that Ordinary Resolutions 4, 9 and 10 are passed, Mr Kwah Thiam Hock will remain as an Independent Director, the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees of the Company. He is considered independent for the purposes of Rule 704(7) of the Catalist Rules.

NOTICE OF ANNUAL GENERAL MEETING

In the event that Ordinary Resolution 4 is passed but Ordinary Resolution(s) 9 and/or 10 is/are not passed, Mr Kwah Thiam Hock will remain as an Independent Director until 1 January 2022 when Rule 406(3)(d)(iii) of the Catalist Rules takes effect. Thereafter, Mr Kwah Thiam Hock will be re-designated to Non-Executive Director as the Company continues its search for a new Independent Director to comply with the requirements of the Code of Corporate Governance 2018 and the Catalist Rules.

3. Mr Chua Kim Leng will, upon election as a Director, remain as the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees of the Company. He is considered independent for the purposes of Rule 704(7) of the Catalist Rules. Please refer to the "Information on Directors seeking Re-election" section of the Annual Report of the Company for the detailed information required pursuant to Rule 720(5) of the Catalist Rules.

4. Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company, from the date of the AGM until the conclusion of the next AGM of the Company, the date by which the next AGM of the Company is required by law and the Catalist Rules to be held or the date on which such authority is varied or revoked by the Company in a general meeting, whichever is the earliest, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), of which up to 50% may be issued other than on a pro rata basis to existing members of the Company.

5. Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, from the date of the AGM until the date on which the next AGM is to be held or is required by law to be held, the date on which the share buyback is carried out to the full extent mandated, or the date on which the authority contained in the Share Buyback Mandate is varied or revoked, whichever is the earliest, to make purchases (whether by way of Market Purchases or Off-Market Purchases on an equal access scheme) from time to time of up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at prices up to but not exceeding the Maximum Price. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of shares by the Company pursuant to the Share Buyback Mandate are set out in greater detail in the Appendix accompanying this notice.

Notes:

To minimise physical interactions and COVID-19 transmission risks, the AGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. The Company will not accept any physical attendance by members and any member seeking to attend the AGM physically in person will be turned away.

Printed copies of this notice and the accompanying Annual Report and Proxy Form will NOT be sent to members. Instead, these documents will be sent to members solely by electronic means via publication on the Company's website at the URL https://investor.teho.com.sg and will also be made available on SGXNet at the URL https://www.sgx.com/securities/company-announcements.

Alternative arrangements relating to members' participation at the AGM are:

(a) observing and/or listening to the AGM proceedings contemporaneously via a live webcast and live audio feed of the AGM proceedings ("**Live AGM Webcast**" and "**Live AGM Audio Feed**", respectively);

(b) submitting questions in advance in relation to the resolutions set out in the Notice of AGM; and

(c) appointing the Chairman of the AGM as proxy to attend and vote on their behalf at the AGM.

Members will be able to participate in the AGM in following manner set out in the paragraphs below.

Live AGM Webcast and Live AGM Audio Feed:

The Company is arranging for the Live AGM Webcast and the Live AGM Audio Feed which will take place on Wednesday, 27 October 2021 at 3.00 p.m. in place of the physical AGM. Members will be able to watch or listen to the AGM proceedings through the Live AGM Webcast or the Live AGM Audio Feed via mobile phone, tablet, computer or any such electronic device.

In order to do so, members, including investors who buy Shares using SRS monies ("**SRS Investors**"), must pre-register online at the URL https://rebrand.ly/TEHO-International-AGM-2021 by 3.00 p.m. on Monday, 25 October 2021 (the "**Registration Deadline**"), being not less than 48 hours before the time appointed for holding the AGM, to enable the Company to verify their members' status.

NOTICE OF ANNUAL GENERAL MEETING

Following the verification and upon the closure of pre-registration, authenticated members will receive email instructions to access the Live AGM Webcast and the Live AGM Audio Feed of the AGM proceedings by 3.30 p.m. on 26 October 2021.

Members are reminded that the AGM proceedings are private. Accordingly, members must not forward the abovementioned email instructions to other persons who are not members and who are not entitled to attend the AGM. This is also to avoid any technical disruptions or overload to the Live AGM Webcast and the Live AGM Audio Feed.

Members who register by the Registration Deadline but do not receive the abovementioned email instructions by 3.30 p.m. on 26 October 2021 may contact the Company's technical support by email at shaun@easyvideo.sg for assistance, with the following details included:

(i) Member's full name;

(ii) his/her/its identification/company registration number; and

(iii) the manner in which the shares are held (e.g. via CDP or SRS).

Persons who hold shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act) (other than SRS Investors), and who wish to participate in the AGM should contact their respective relevant intermediaries through which they hold such shares as soon as possible in order for the necessary arrangements to be made for their participation in the AGM.

Submission of Questions in Advance:

Please note that members will not be able to raise questions at the AGM during the Live AGM Webcast or the Live AGM Audio Feed, and therefore it is important for members to pre-register their participation in order to be able to submit their questions in advance of the AGM.

Members may submit questions relating to the items on the Resolutions set out in the Notice of AGM in advance at the URL https://rebrand.ly/TEHO-International-AGM-2021 or by post to 1 Commonwealth Lane, #09-23 One Commonwealth, Singapore 149544 or via email to ir@teho.com.sg. All questions must be submitted by 3.00 p.m. on 19 October 2021 (being at least five (5) working days before the time appointed for holding the AGM).

Members, including SRS Investors, who wish to submit their questions by post or by email are required to indicate their full names (for individuals)/company names (for corporates), NRIC/passport number/company registration numbers, contact numbers, shareholding types and number of shares held together with their submission of questions, to the office address or email address provided.

Persons who hold shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act) (excluding SRS Investors) should contact their respective relevant intermediaries through which they hold such Shares to submit their questions related to the resolutions to be tabled for approval at the AGM based on the abovementioned instructions.

The Company will endeavour to address the substantial and relevant questions before or during the AGM. The responses to questions from members will be posted on SGXNet and the Company's website soonest possible before the AGM, or if answered during the AGM, to be included in the minutes of the AGM which will be published on SGXNet and the Company's website within one (1) month after the date of the AGM.

Submission of Proxy Forms to Vote:

Members will not be able to vote online or through the Live AGM Webcast or the Live AGM Audio Feed on the Resolutions to be tabled for approval at the AGM. Members who wish to exercise their votes must submit a Proxy Form to appoint the Chairman of the AGM to cast votes on their behalf.

Members (whether individual or corporate) appointing the Chairman of the AGM as proxy must give specific instructions as to their manner of voting, or abstention from voting, in respect of a resolution in the Proxy Form, failing which the appointment for that resolution will be treated as invalid.

The Chairman of the AGM, as proxy, need not be a member of the Company.

The Proxy Form must be signed by the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised.

The Proxy Form, duly executed together with the power of attorney or other authority, if any, under which the Proxy Form is signed or a notarially certified copy of that power of attorney or other authority (failing previous registration with the Company), must be submitted:

(a) by post to the registered office of the Company at 1 Commonwealth Lane, #09-23 One Commonwealth, Singapore 149544; or

(b) by email to ir@teho.com.sg.

in each case, not less than 48 hours before the time appointed for holding the AGM, i.e. by 3.00 p.m. on 25 October 2021. A member who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

NOTICE OF ANNUAL GENERAL MEETING

Persons who hold Shares through relevant intermediaries (as defined in Section 181 of the Companies Act), including SRS Investors, who wish to exercise their votes by appointing the Chairman of the AGM as proxy should approach their respective relevant intermediaries (which would include SRS operators) through which they hold such Shares in order to submit their voting instructions at least seven (7) working days before the AGM (i.e. by 3.00 p.m. on 15 October 2021) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a Proxy Form to appoint the Chairman of the AGM to vote on their behalf by 3.00 p.m. on 25 October 2021.

The Company shall be entitled to reject the Proxy Form appointing the Chairman of the AGM as proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the Proxy Form appointing the Chairman of the AGM as proxy (such as in the case where the appointor submits more than one Proxy Form).

A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time appointed for holding the AGM in order for the Depositor to be entitled to attend and vote at the AGM.

IMPORTANT NOTICE: Due to the evolving COVID-19 situation in Singapore, the Company may change the AGM arrangements at short notice. The Company will announce any changes to the holding or conduct of the AGM via SGXNet. Members are advised to check SGXNet regularly for updates on the AGM.

Personal Data Privacy:

By (a) submitting a form appointing the Chairman of the AGM as proxy to attend and vote at the AGM and/or any adjournment thereof, or (b) submitting details for the registration to observe the proceedings of the AGM via the Live AGM Webcast or the Live AGM Audio Feed, or (c) submitting any question prior to the AGM in accordance with this notice, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the following purposes:

(i) processing and administration by the Company (or its agents or service providers) of the appointment of the Chairman of the AGM as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof);

(ii) processing of the registration for purpose of granting access to members (or their corporate representatives in the case of members which are legal entities) to observe the proceedings of the AGM and providing them with any technical assistance where necessary;

(iii) addressing relevant and substantial questions from members received before the AGM and if necessary, following up with the relevant members in relation to such questions; and

(iv) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines by the relevant authorities.

The member's personal data and its proxy's and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the abovementioned purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

This notice 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 Sponsor has not independently verified the contents of this notice.

This notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this notice, including the correctness of any of the statements or opinions made or reports contained in this notice.

The contact person for the Sponsor is Mr David Yeong (Tel: (65) 6232 3210), at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

ADDENDUM

DATED 5 OCTOBER 2021

THIS ADDENDUM IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the contents herein or the course of action you should take, you should consult your bank manager, stockbroker, solicitor, accountant, tax adviser or other professional adviser immediately.

This Addendum together with the Annual Report of TEHO International Inc Ltd. (the "**Company**") for the financial year ended 30 June 2021 (the "**Annual Report**") has been made available to the shareholders of the Company (the "**Shareholders**") on SGXNet and the Company's website at https://investor.teho.com.sg. Its purpose is to explain to Shareholders the relevant information relating to, and to seek Shareholders' approval for, the proposed renewal of the Share Buy-back Mandate (as defined herein) to be tabled at the annual general meeting (the "**AGM**") of the Company to be held on Wednesday, 27 October 2021 at 3 p.m. or at any adjournment thereof by way of electronic means.

A printed copy of this Addendum and the Annual Report will NOT be despatched to Shareholders. The notice of AGM and the proxy form are enclosed with the Annual Report.

This Addendum has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "**Sponsor**"). This Addendum 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 Addendum, including the correctness of any of the statements or opinions made or reports contained in this Addendum. The contact person for the Sponsor is Mr David Yeong (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

TEHO INTERNATIONAL INC LTD.

(Incorporated in the Republic of Singapore on 10 June 2008)

(Company Registration Number: 200811433K)

ADDENDUM TO THE ANNUAL REPORT IN RELATION TO

THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

TEHO INTERNATIONAL INC LTD.

(Company Registration Number 200811433K)

(Incorporated in the Republic of Singapore)

Directors	**Registered Office**
Lim See Hoe (*Executive Chairman and Chief Executive Officer*)	1 Commonwealth Lane
Lim Siew Cheng (*Executive Director and Chief Operating Officer*)	#09-23
Kwah Thiam Hock (*Lead Independent Director*)	One Commonwealth
Joanne Khoo Su Nee (*Independent Director*)	Singapore 149544
Chua Kim Leng (*Independent Director*)	

5 October 2021

To: The Shareholders of TEHO International Inc Ltd.

Dear Sir/Madam

THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

1. INTRODUCTION

1.1 The Directors refer to the notice of AGM of the Company dated 5 October 2021 (the "**Notice of AGM**") convening the AGM of the Company to be held on Wednesday, 27 October 2021.

1.2 The proposed Ordinary Resolution 8 in the Notice of AGM relates to the renewal of a general share buy-back mandate (the "**Share Buy-back Mandate**"). The Shareholders had previously approved, at the AGM of the Company held on 27 October 2020, the renewal of the Share Buy-back Mandate to authorise the directors of the Company (the "**Directors**") to purchase or otherwise acquire issued ordinary shares in the capital of the Company (the "**Shares**") on the terms of the Share Buy-back Mandate. The authority conferred by the Share Buy-back Mandate was expressed to take effect on the date of the passing of Ordinary Resolution 8 at the 2020 AGM and will expire on the date of the forthcoming AGM. Accordingly, Shareholders' approval is being sought for the renewal of the Share Buy-back Mandate at the forthcoming AGM.

1.3 The purpose of this Addendum is to provide Shareholders with the relevant information relating to, and to explain the rationale for, the proposed renewal of the Share Buy-back Mandate to be tabled at the AGM. Opal Lawyers LLC has been appointed as the legal adviser to the Company as to Singapore law in relation to this Addendum.

ADDENDUM

DATED 5 OCTOBER 2021

1.4 This Addendum has been prepared solely for the purpose set out herein and may not be relied upon by any persons (other than Shareholders) or for any other purpose.

1.5 The Singapore Exchange Securities Trading Limited ("**SGX-ST**") assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Addendum. If a Shareholder is in any doubt as to the action he should take, he should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

2. THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE

2.1 Authority and limits of the Share Buy-back Mandate

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the Share Buy-back Mandate are summarised below:

2.1.1 Maximum number of Shares

The Share Buy-back Mandate, if renewed, will authorise the Directors, from time to time, to purchase Shares either through market purchases (the "**Market Purchases**") or off-market purchases on an equal access scheme (the "**Off-Market Purchases**") as defined in Section 76C of the Companies Act, Chapter 50 (the "**Companies Act**") of up to a maximum of 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the AGM at which the Share Buy-back Mandate is renewed, at such price up to but not exceeding the Maximum Price (as defined below). For the purpose of calculating the percentage of the total number of issued Shares above, any Shares which are held as treasury shares and subsidiary holdings will be disregarded.

For illustrative purposes only, based on the total number of issued Shares as at 14 September 2021, being the latest practicable date prior to the issue of this Addendum (the "**Latest Practicable Date**") of 235,424,614 Shares (excluding treasury shares and subsidiary holdings), and assuming that there is no change in such number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the AGM, not more than 23,542,461 Shares (representing 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at the date of the AGM) may be purchased or acquired by the Company pursuant to the Share Buy-back Mandate.

2.1.2 Maximum price to be paid for the Shares

The purchase price (excluding applicable brokerage, stamp duty, commission, goods and services tax and other related expenses) to be paid for the Shares will be determined by the Directors or a committee of Directors that may be constituted for the purposes of effecting purchases or acquisitions of Shares by the Company under the Share Buy-back Mandate.

However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares must not exceed:

(a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined below); and

(b) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price (as defined below),

in either case, excluding related expenses of the Share Buy-back (the **"Maximum Price"**).

For the above purposes**,** (i) **"Average Closing Price"** means the average of the closing market prices of the Shares over the last five (5) days on which the SGX-ST is open for trading in securities (the "**Market Day**"), on which transactions in the Shares were recorded, before the day on which the Market Purchase was made, or as the case may be, the day of making of the offer for an Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs during the relevant five Market Days period and the day on which the purchases were made; and (ii) **"day of making of the offer"** means the day on which the Company makes an offer for the purchase or acquisition of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.1.3 Duration of authority

If renewed, the Share Buy-back Mandate will take effect from the date of the AGM and continue in force until the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held, whichever is the earlier, unless prior thereto, share purchases are carried out to the full extent mandated or the Share Buy-back Mandate is revoked or varied by the Company at a general meeting.

ADDENDUM

DATED 5 OCTOBER 2021

2.2 **Manner of purchase of Shares**

Purchases of Shares can be effected by the Company by way of, *inter alia*:

(a) Market Purchases, transacted on the SGX-ST through the SGX-ST trading system or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose of the Share Buy-back; and/or

(b) Off-Market Purchases (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as defined under Section 76C of the Companies Act and as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the rules of the Listing Manual Section B: Rules of Catalist of the SGX-ST (the "**Catalist Rules**").

The Directors may impose such terms and conditions which are not inconsistent with the Share Buy Back Mandate, the Listing Manual and the Companies Act as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An Off-Market Purchase must, however, satisfy all the following conditions:

(i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

(ii) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made to them; and

(iii) the terms of all the offers shall be the same, except that there shall be disregarded, where applicable:

(aa) differences in consideration attributable to the fact that the offers may relate to Shares with different accrued dividend entitlements;

(bb) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid (if applicable); and

(cc) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, the Catalist Rules provide that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders which must contain at least the following information:

(a) the terms and conditions of the offer;

(b) the period and procedures for acceptances;

(c) the reasons for the proposed share buy-back;

(d) the consequences, if any, of share buy-back by the Company that will arise under the Take-over Code (as defined below) or other applicable take-over rules;

(e) whether the share buy-back, if made, would have any effect on the listing of the Shares on the Catalist of the SGX-ST;

(f) details of any share buy-back made by the Company in the previous 12 months (whether by way of Market Purchases or Off-Market Purchases in accordance with an equal access scheme), giving the total number of Shares purchased or acquired, the purchase price per Share or the highest and lowest prices paid for the purchases or acquisitions of Shares, where relevant, and the total consideration paid for such purchases or acquisitions; and

(g) whether the Shares purchased or acquired by the Company will be cancelled or kept as treasury shares.

2.3 **Rationale for the Share Buy-back Mandate**

The rationale for the Company to undertake the purchase or acquisition of its Shares is as follows:

(a) The purchase or acquisition of Shares under the Share Buy-back Mandate will help mitigate short-term share price volatility (by way of stabilising the supply and demand of Shares) and offset the effects of short-term share price speculation, supporting the fundamental value of the Shares, thereby bolstering Shareholders' confidence and employees' morale.

(b) The Share Buy-back Mandate would provide the Company with the flexibility to purchase or acquire its Shares if and when circumstances permit, during the period when the Share Buy-back Mandate is in force. It is an expedient, effective and cost-efficient way for the Company to return surplus cash/funds over and above its ordinary capital requirements, if any, which are in excess of its financial requirements, taking into account its growth and expansion plans, to its

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Shareholders. In addition, the Share Buy-back Mandate will allow the Company to have greater flexibility over, *inter alia*, the Company's share capital structure and its dividend policy.

(c) In managing the business of the Group, the management team strives to increase Shareholders' value by improving, *inter alia*, the return on equity of the Group. In addition to growth and expansion of the business, Share Buy-backs may be considered as one of the ways through which the return on equity of the Group may be enhanced.

(d) Repurchased Shares which are held in treasury may be transferred for the purposes of or pursuant to employees' share schemes implemented by the Company.

While the Share Buy-back Mandate would authorise a purchase or acquisition of Shares up to the 10% limit described in Section 2.1.1 during the period referred to in Section 2.1.3, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buy-back Mandate may not be carried out to the full 10% limit as authorised and the purchases or acquisitions of Shares pursuant to the Share Buy-back Mandate will be made only as and when the Directors consider it to be in the best interests of the Company and/or the Shareholders and in circumstances which they believe will not result in any material adverse effect on the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST. The Directors will use their best efforts to ensure that after a purchase or acquisition of Shares pursuant to the Share Buy-back Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

2.4 **Sources of funds for Share Buy-back**

In buying back Shares, the Company may only apply funds legally available for such purchase in accordance with its Constitution and applicable laws in Singapore. The Company may not buy Shares for a consideration other than in cash or, in the case of a Market Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

Under the Companies Act, the Company may purchase or acquire its Shares out of capital or profits so long as the Company is solvent.

Under the Companies Act, Share Buy-backs may be made out of the Company's distributable profits or capital so long as the Company is solvent. In determining whether the Company is solvent, the Directors must have regard to the most recently audited financial statements, other relevant circumstances, and may rely on valuations or estimation of assets or liabilities. In determining the value of contingent liabilities, the Directors may take into account the likelihood of the contingency occurring, as well as any counter-claims by the Company.

Pursuant to Section 76F(4) of the Companies Act, a company is "solvent" if the following conditions are satisfied:

(a) there is no ground on which the company could be found to be unable to pay its debts;

(b) if,

(i) it is intended to commence the winding up of the company within the period 12 months immediately after the date of payment, the company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or

(ii) it is not intended so to commence winding up, the company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of the payment; and

(c) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the purchase or acquisition of Shares pursuant to the Share Buy-back Mandate, become less than the value of its liabilities (including contingent liabilities).

The Company intends to use internal sources of funds or external borrowings or a combination of both to finance the Company's purchase or acquisition of its Shares pursuant to the Share Buy-back Mandate. In purchasing or acquiring Shares pursuant to the Share Buy-back Mandate, the Directors will principally consider the availability of internal resources. In addition, the Directors will consider the availability of external financing. However, in considering the option of external financing, the Directors will also consider the financial position of the Group, particularly the prevailing gearing level of the Group and the costs of such financing.

The Directors will only make purchases or acquisitions of Shares pursuant to the Share Buy-back Mandate in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group.

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2.5 **Status of purchased or acquired Shares**

2.5.1 **Cancellation**

Shares purchased or acquired by the Company, shall, unless held as treasury shares to the extent permitted under the Companies Act, be deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to those Shares will expire on such cancellation. The total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

All Shares purchased or acquired by the Company (other than treasury shares held by the Company to the extent permitted under the Companies Act) and cancelled will be automatically de-listed by the SGX-ST. Certificates in respect thereof will be cancelled by the Company as soon as reasonably practicable following settlement of any such Share Buy-back.

At the time of each purchase or acquisition of Shares by the Company, the Directors will decide whether the Shares purchased or acquired will be cancelled or kept as treasury shares, or partly cancelled and partly kept as treasury shares, depending on the needs of the Company and as the Directors deem fit in the interest of the Company at that time.

2.5.2 **Treasury Shares**

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

(i) Maximum Holdings

The total aggregate number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares (the "**Treasury Shares Limit**"). Any Shares in excess of this limit shall be disposed of or cancelled in accordance with Section 76K of the Companies Act within 6 months or such further periods as the Accounting and Corporate Regulatory Authority of Singapore ("**ACRA**") may allow.

(ii) Voting and Other Rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at general meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury share into treasury shares of a greater or smaller number is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(iii) Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time but subject always to the Take-over Code:

(a) sell the treasury shares (or any of them) for cash;

(b) transfer the treasury shares (or any of them) for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons;

(c) transfer the treasury shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;

(d) cancel the treasury shares (or any of them); or

(e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

The Company is required under Rule 704(31) of the Catalist Rules to immediately announce any sale, transfer, cancellation and/or use of treasury shares stating the following:

a. date of the sale, transfer, cancellation and/or use;

b. purpose of such sale, transfer, cancellation and/or use;

c. number of treasury shares sold, transferred, cancelled and/or used;

d. number of treasury shares before and after such sale, transfer, cancellation and/or use;

e. percentage of the number of treasury shares against the total number of shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and

f. value of the treasury shares if they are used for a sale or transfer, or cancelled.

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Shares purchased or acquired under the Share Buy-back Mandate will be held as treasury shares or cancelled by the Company taking into consideration the then prevailing circumstances and requirements of the Company at the relevant time.

As at the Latest Practicable Date, the Company has no treasury shares. Where Shares purchased or acquired pursuant to the Share Buyback Mandate are held as treasury shares, the number of such Shares to be held as treasury shares, when aggregated with the existing treasury shares held, shall not, subject to the Companies Act, exceed the Treasury Shares Limit at any time.

2.6 **Financial Effects of the Share Buy-back Mandate**

It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions of Shares that may be made pursuant to the Share Buy-back Mandate on the EPS and net asset value (the "**NAV**") per Share of the Company and the Group as the resultant effect would depend on factors such as the aggregate number of Shares purchased or acquired, the purchase prices paid for such Shares, the amount (if any) borrowed by the Company to fund such purchases or acquisitions, whether the purchase or acquisition is made out of capital or profits, and whether the Shares purchased or acquired are held in treasury or cancelled.

The repurchased Shares may be cancelled or held as treasury shares. Any Share Buy-back will:

(a) reduce the amount of the Company's share capital where the Shares were purchased or acquired out of the capital of the Company;

(b) reduce the amount of the Company's profits where the Shares were purchased or acquired out of the profits of the Company; or

(c) reduce the amount of the Company's share capital and profits proportionately where the Shares were purchased or acquired out of both the capital and the profits of the Company,

by the total amount of the purchase price paid by the Company for such Shares.

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of distributable profits, such consideration (including costs incidental to the purchase or acquisition) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced. The NAV of the Company and the Group will be reduced by the aggregate purchase price paid by the Company for the Shares.

The Directors do not propose to exercise the Share Buy-back Mandate to such an extent that it would have a material adverse effect on the liquidity, working capital and overall financial position of the Group. The purchase or acquisition of Shares will only be effected after considering relevant factors such as the working capital requirements, the availability of financial resources, the expansion and investment plans of the Group and the prevailing market conditions. The Share Buy-back Mandate will be exercised with a view to enhancing the EPS and/or the NAV per Share of the Group.

The financial effects presented below are based on the following assumptions:

(a) *Information as at the Latest Practicable Date*

As at the Latest Practicable Date, the Company has 235,424,614 issued Shares (excluding treasury shares and subsidiary holdings).

(b) *Illustrative Financial Effects*

Purely for illustrative purposes, on the basis of 235,424,614 Shares in issue as at the Latest Practicable Date and having taken into consideration the Group's financial position as at 30 June 2021, the purchase or acquisition by the Company of 10% of its Shares will result in the purchase or acquisition of 23,542,461 Shares.

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 23,542,461 Shares at the Maximum Price of $0.043 for each Share (being the price equivalent to 105% of the Average Closing Price of the Shares for the five (5) consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 23,542,461 Shares is approximately $1,012,326.

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 23,542,461 Shares at the Maximum Price of $0.049 for each Share (being the price equivalent to 120% of the Average Closing Price of the Shares for the five (5) consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 23,542,461 Shares is approximately $1,153,581.

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For illustrative purposes only and on the basis of the assumptions set out above as well as the following:

(i) the Share Buy-back Mandate had been effective on 1 July 2020; and

(ii) such Share purchases or acquisitions are funded solely by internal resources,

the financial effects of the Share Buy-back on the audited consolidated financial results of the Company and the Group for the financial year ended 30 June 2021 ("**FY2021**"), are set out below:

(i) **PURCHASES MADE ENTIRELY OUT OF DISTRIBUTABLE PROFITS OR CAPITAL AND HELD AS TREASURY SHARES**

(a) **Market Purchases**

As at 30 June 2021	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
	Group		Company	
	($)	($)	($)	($)
Shareholders' Funds	18,113,148	17,100,822	(22,126,830)	(23,139,156)
NAV [1]	18,113,148	17,100,822	(22,126,830)	(23,139,156)
Current Assets	43,553,369	42,541,043	5,883,512	5,883,512
Current Liabilities	26,419,655	26,419,655	44,498,299	45,510,625
Working Capital	17,133,714	16,121,388	(38,614,787)	(39,627,113)
Net Debt	25,339,061	26,351,387	(100,916)	911,410
Number of Shares	235,424,614	235,424,614	235,424,614	235,424,614
Treasury Shares	–	(23,542,461)	–	(23,542,461)
Weighted average number of Shares for FY2021	235,424,614	211,882,153	235,424,614	211,882,153
Financial Ratios				
NAV per Share (cents) [2]	7.69	8.07	(9.40)	(10.92)
Gearing (times)	2.14	2.27	(2.01)	(1.97)
Current Ratio (times) [3]	1.65	1.61	0.13	0.13
Basic EPS (cents)	1.37	1.52	n.a.	n.a.

n.a. : not applicable

(b) **Off-Market Purchases**

As at 30 June 2021	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
	Group		Company	
	($)	($)	($)	($)
Shareholders' Funds	18,113,148	16,959,567	(22,126,830)	(23,280,411)
NAV [1]	18,113,148	16,959,567	(22,126,830)	(23,280,411)
Current Assets	43,553,369	42,399,788	5,883,512	5,883,512
Current Liabilities	26,419,655	26,419,655	44,498,299	45,651,880
Working Capital	17,133,714	15,980,133	(38,614,787)	(39,768,368)
Net Debt	25,339,061	26,492,642	(100,916)	1,052,665
Number of Shares	235,424,614	235,424,614	235,424,614	235,424,614
Treasury Shares	–	(23,542,461)	–	(23,542,461)
Weighted average number of Shares for FY2021	235,424,614	211,882,153	235,424,614	211,882,153
Financial Ratios				
NAV per Share (cents) [2]	7.69	8.00	(9.40)	(10.99)
Gearing (times)	2.14	2.28	(2.01)	(1.96)
Current Ratio (times) [3]	1.65	1.60	0.13	0.13
Basic EPS (cents)	1.37	1.52	n.a.	n.a.

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(ii) **PURCHASES MADE ENTIRELY OUT OF DISTRIBUTABLE PROFITS OR CAPITAL AND CANCELLED**

(a) **Market Purchases**

As at 30 June 2021	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
	Group		Company	
	($)	($)	($)	($)
Shareholders' Funds	18,113,148	17,100,822	(22,126,830)	(23,139,156)
NAV [1]	18,113,148	17,100,822	(22,126,830)	(23,139,156)
Current Assets	43,553,369	42,541,043	5,883,512	5,883,512
Current Liabilities	26,419,655	26,419,655	44,498,299	45,510,625
Working Capital	17,133,714	16,121,388	(38,614,787)	(39,627,113)
Net Debt	25,339,061	26,351,387	(100,916)	911,410
Number of Shares	235,424,614	211,882,153	235,424,614	211,882,153
Weighted average number of Shares for FY2021	235,424,614	211,882,153	235,424,614	211,882,153
Financial Ratios				
NAV per Share (cents) [2]	7.69	8.07	(9.40)	(10.92)
Gearing (times)	2.14	2.27	(2.01)	(1.97)
Current Ratio (times) [3]	1.65	1.61	0.13	0.13
Basic EPS (cents)	1.37	1.52	n.a.	n.a.

(b) **Off-Market Purchases**

As at 30 June 2021	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
	Group		Company	
	($)	($)	($)	($)
Shareholders' Funds	18,113,148	16,959,567	(22,126,830)	(23,280,411)
NAV [1]	18,113,148	16,959,567	(22,126,830)	(23,280,411)
Current Assets	43,553,369	42,399,788	5,883,512	5,883,512
Current Liabilities	26,419,655	26,419,655	44,498,299	45,651,880
Working Capital	17,133,714	15,980,133	(38,614,787)	(39,768,368)
Net Debt	25,339,061	26,492,642	(100,916)	1,052,665
Number of Shares	235,424,614	211,882,153	235,424,614	211,882,153
Weighted average number of Shares for FY2021	235,424,614	211,882,153	235,424,614	211,882,153
Financial Ratios				
NAV per Share (cents) [2]	7.69	8.00	(9.40)	(10.99)
Gearing (times)	2.14	2.28	(2.01)	(1.96)
Current Ratio (times) [3]	1.65	1.60	0.13	0.13
Basic EPS (cents)	1.37	1.52	n.a.	n.a.

Notes:

(1) NAV represents total assets less total liabilities.

(2) NAV per Share is calculated based on NAV and 235,424,614 Shares in issue as at 30 June 2021.

(3) Current ratio equals current assets divided by current liabilities.

Shareholders should note that the financial effects illustrated above are based on certain assumptions and purely for illustrative purposes only. In particular, it is important to note that the above analysis is based on the audited financial statements of the Company and the Group for FY2021, and is not necessarily representative of the future financial performance of the Company or the Group.

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The Company will take into account both financial and non-financial factors (for example, stock market conditions and the performance of the Shares) in assessing the relative impact of a Share purchase or acquisition before execution. Although the Share Buy-back Mandate would authorise the Company to purchase or acquire up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the total number of its issued Shares. In addition, the Company may cancel all or part of the Shares purchased or acquired or hold all or part of the Shares purchased or acquired in treasury.

2.7 **Take-over Implications under the Singapore Code on Take-overs and Mergers**

Appendix 2 of the Singapore Code on Take-overs and Mergers (the "**Take-over Code**") contains the Share Buy-back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

2.7.1 <u>Obligations to make a Take-over Offer</u>

Pursuant to the Take-over Code, if, as a result of any purchase or acquisition by the Company of the Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code ("**Rule 14**"). Under Rule 14, a Shareholder and persons acting in concert with the Shareholder will incur an obligation to make a mandatory take-over offer if, *inter alia*, he and persons acting in concert with him increase their voting rights in the Company to 30% or more or, if they, together holding between 30% and 50% of the Company's voting rights, increase their voting rights in the Company by more than 1% in any period of six months.

Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make a mandatory take-over offer under Rule 14, unless the conditions for exemption pursuant to paragraph 3(a) of Appendix 2 of the Take-over Code are satisfied.

2.7.2 <u>Persons acting in concert</u>

Under the Take-over Code, persons acting in concert (the "**concert parties**") comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of the company.

Unless the contrary is established, the Take-over Code presumes, *inter alia*, the following individuals and companies to be persons acting in concert with each other:

(a) a company with its parent company, its subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any company whose associated companies include any of the foregoing companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;

(b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);

(c) a company with any of its pension funds and employee share schemes;

(d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;

(e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and persons controlling, controlled by or under the same control as the adviser, and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;

(f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a *bona fide* offer for their company may be imminent;

(g) partners; and

(h) an individual, his close relatives, his related trusts, any person who is accustomed to act in accordance to his instructions, companies controlled by any of the foregoing persons, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons and/or entities for the purchase of voting rights.

For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

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The circumstances under which Shareholders (including Directors) and persons acting in concert with each of them, will incur an obligation to make a mandatory take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

2.7.3 Effect of Rule 14 and Appendix 2 of the Take-over Code

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted pursuant to paragraph 3(a) of Appendix 2 of the Take-over Code, a Director and his concert parties will incur an obligation to make a mandatory take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Director and his concert parties would increase to 30% or more, or in the event that such Director and his concert parties hold between 30% and 50% of the Company's voting rights, if the voting rights of such Director and his concert parties would increase by more than 1% in any period of six months. In calculating the percentages of voting rights of such Shareholder and his concert parties, treasury shares shall be excluded.

Shareholders will be subject to the provisions of Rule 14 if they acquire voting shares after the Company's Share Buy-back. For this purpose, an increase in the percentage of voting rights as a result of the share Buy-back will be taken into account in determining whether a shareholder and persons acting in concert with him have increased their voting rights by more than 1% in any period of 6 months.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a mandatory take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the ordinary resolution authorising the proposed renewal of the Share Buy-back Mandate.

Based on the information in the Company's register of members as at the Latest Practicable Date, none of the Directors or Substantial Shareholders are obliged to make a mandatory take-over offer under Rule 14 as a result of any purchase or acquisition of Shares by the Company pursuant to the Share Buy-back Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the Singapore Securities Industry Council and/or their professional advisers at the earliest opportunity.

2.8 **Tax implications**

Shareholders who are in doubt as to their respective tax positions or the tax implications of purchase or acquisition of Shares by the Company or who may be subject to tax, whether in or outside Singapore, should consult their own professional advisers.

2.9 **Catalist Rules**

2.9.1 As at the Latest Practicable Date, approximately 45,354,912 Shares, representing 19.27% of the total number of issued Shares are held by public Shareholders. The "public", as defined under the Catalist Rules, are persons other than the Directors, Substantial Shareholders, chief executive officers or Controlling Shareholders of the Company and its subsidiaries, as well as associates of such persons. **For illustrative purposes only**, assuming the Company exercises the Share Buy-back Mandate in full and purchases 10% of the total number of issued Shares through Market Purchases from the public, the public float would be reduced to approximately 21,812,451 Shares, representing approximately 10.29% of the total number of issued Shares.

Accordingly, the Company is of the view that there is a sufficient number of the Shares in issue held by public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 10% limit pursuant to the Share Buyback Mandate without adversely affecting the listing status of the Shares on Catalist, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to adversely affect orderly trading. The Company does not have any individual shareholding limit or foreign shareholding limit.

2.9.2 Under the Catalist Rules, a listed company may only purchase shares by way of a market acquisition at a price which is not more than 5% above the average closing market price. The term average closing market price is defined as the average of the closing market prices of a share over the last five Market Days on which transactions in the shares were recorded, before the day on which purchases are made. The Maximum Price for a Share in relation to Market Purchases by the Company, referred to in paragraph 2.1 of this Addendum, conforms to this restriction.

2.9.3 While the Catalist Rules do not expressly prohibit any purchase or acquisition of shares by a listed company during any particular time, because the listed company would be regarded as an "insider" in relation to any purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Buy-back Mandate at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of consideration and/

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or a decision of the Board until such price-sensitive information has been publicly announced. Further, in line with the best practices on dealing with securities stipulated in the Catalist Rules, the Company will not purchase or acquire any Shares through Market Purchases or Off-Market Purchases during the period commencing one month immediately preceding the announcement of the Company's interim (half-year) results or the annual (full-year) results.

2.10 **Reporting requirements**

2.10.1 Notification to the ACRA

Within 30 days of the passing of the Shareholders' resolution to approve the proposed renewal of the Share Buy-back Mandate, the Company will lodge a copy of such resolution with ACRA.

The Company will also lodge with ACRA a notice of purchase or acquisition of Shares within 30 days of such purchase or acquisition. Such notification shall include the date of purchase or acquisition, the number of Shares purchased or acquired, the number of Shares cancelled or held as treasury shares, the Company's issued share capital before and after the purchase or acquisition, the amount of consideration paid for the purchase or acquisition and whether such consideration is paid out of profits or capital of the Company, and such other information as may be prescribed from time to time.

In addition, within 30 days of the cancellation or disposal of treasury shares in accordance with the provisions of the Companies Act, the Company will lodge with ACRA a notice of cancellation or disposal of treasury shares with such information as may be prescribed from time to time.

2.10.2 Notification to the SGX-ST

Rule 871 of the Catalist Rules specifies that a listed company must make an announcement on SGXNet of all purchases or acquisitions of its shares no later than 9.00 a.m.:

(a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made, and

(b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptance of the offer.

Such announcement shall include details of the total number of Shares authorised for purchase or acquisition, the date of purchase or acquisition, the total number of Shares purchased or acquired, the purchase price per Share or (in the case of Market Purchases) the purchase price per Share or the highest price and lowest price per Share, the total consideration paid for the Shares, the number of issued Shares after purchase or acquisition and such other information as may be prescribed under the Catalist Rules from time to time.

In addition, under the Catalist Rules, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, the "**usage**"). Such announcement must include the date of usage, the purpose of usage, the number of treasury shares comprised in the usage, the number of treasury shares before and after the usage, the percentage of the number of treasury shares comprised in the usage against the total number of issued Shares before and after the usage, the value of the treasury shares comprised in the usage and such other information as may be prescribed under the Catalist Rules from time to time.

2.11 **Details of the Shares Bought by the Company in the previous 12 months**

The Company has not made any purchases or acquisitions of its Shares (via Market Purchases or Off-Market Purchases) during the 12-month period immediately preceding the Latest Practicable Date.

3. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of the Directors and the substantial shareholders of the Company in the Shares as at the Latest Practicable Date are set out below:

	Direct Interest		Deemed Interest	
	Number of Shares	% [1]	Number of Shares	% [1]
Directors				
Lim See Hoe	82,788,818	35.17	-	-
Lim Siew Cheng	30,012,555	12.75	-	-
Kwah Thiam Hock	-	-	-	-
Joanne Khoo Su Nee	-	-	-	-
Chua Kim Leng	-	-	-	-

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	Direct Interest		Deemed Interest	
	Number of Shares	% [1]	Number of Shares	% [1]
Substantial Shareholders				
Lim Siew Choo	24,010,047	10.20	-	-
Lim See Heng [2]	11,953,154	5.08	-	-
Ong Chuey Geok [3]	11,693,125	4.97	11,953,154	5.08

Notes:

(1) Based on the issued share capital of the Company of 235,424,614 Shares as at the Latest Practicable Date.

(2) Lim See Heng has passed away on 14 December 2020.

(3) Ong Chuey Geok has been appointed as donee of Lim See Heng, her spouse, and accordingly is deemed interested in the 11,953,154 Shares held by Lim See Heng.

Save for their respective shareholding interests in the Company, none of the Directors and to the best of the Directors' knowledge, none of the Substantial Shareholders has any direct or indirect interest in the proposed renewal of the Share Buy-back Mandate.

4. APPROVAL AND RESOLUTION

Shareholders' approval for the proposed renewal of the Share Buy-back Mandate will be sought at the AGM. The resolution relating to the proposed renewal of the Share Buy-back Mandate is contained in the Notice of AGM as Ordinary Resolution 8.

5. DIRECTORS' RECOMMENDATION

After having considered the rationale and the information relating to the proposed renewal of the Share Buy-back Mandate, the Directors are of the opinion that the proposed renewal of the Share Buy-back Mandate is in the best interests of the Company, and accordingly, recommend that Shareholders vote in favour of the Ordinary Resolution 8 in respect of the proposed renewal of the Share Buy-back Mandate as set out in the notice of AGM.

6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Addendum and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Addendum constitutes full and true disclosure of all material facts about the proposed renewal of the Share Buy-back Mandate and the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Addendum misleading. Where information in this Addendum has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Addendum in its proper form and context.

7. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at 1 Commonwealth Lane, #09-23 One Commonwealth, Singapore 149544, during normal business hours from the date of this Addendum up to and including the date of the AGM:

(a) the Company's Constitution; and

(b) the Annual Report of the Company for FY2021.

Yours faithfully
For and on behalf of the Board of Directors of
TEHO International Inc Ltd.

LIM SEE HOE
Executive Chairman and Chief Executive Officer

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TEHO INTERNATIONAL INC LTD.

(Company Registration Number 200811433K)
(Incorporated in the Republic of Singapore)

ANNUAL GENERAL MEETING

PROXY FORM

I/We*, ______________________________ (Name)

(NRIC/Passport/Registration number* ______________________________)

of ______________________________ (Address)

being a member/members* of **TEHO INTERNATIONAL INC LTD.** (the "**Company**") hereby appoint the Chairman of the Annual General Meeting ("**AGM**") of the Company as my/our* proxy to attend and vote for me/us* on my/our* behalf at the AGM of the Company to be held by electronic means on Wednesday, 27 October 2021 at 3.00 p.m. and at any adjournment thereof to vote for or against, or abstain from voting on the resolutions proposed at the AGM as indicated hereunder. **In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.**

NO.	RESOLUTIONS	FOR**	AGAINST**	ABSTAIN**
ORDINARY BUSINESS				
1.	To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 30 June 2021 together with the Independent Auditor's Report thereon			
2.	To approve the payment of Directors' fees of $180,000 for the financial year ending 30 June 2022, to be paid quarterly in arrears			
3.	To re-elect Ms Lim Siew Cheng as Director of the Company			
4.	To re-elect Mr Kwah Thiam Hock as a Director of the Company			
5.	To elect Mr Chua Kim Leng as Director of the Company			
6.	To re-appoint KPMG LLP as auditor of the Company and to authorise the Directors to fix its remuneration			

IMPORTANT

1. To minimise physical interactions and COVID-19 transmission risks, members will not be able to attend the AGM in person. Members (whether individual or corporate) must appoint the Chairman of the AGM as their proxy to attend and vote on their behalf at the AGM if such members wish to exercise their voting rights at the AGM.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live webcast or live audio feed), submission of questions in advance of the AGM, addressing of substantial and relevant questions before or at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the Notice of AGM dated 5 October 2021.
3. SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective SRS Operators to submit their votes by 3.00 p.m. on 15 October 2021.

NO.	RESOLUTIONS	FOR**	AGAINST**	ABSTAIN**
SPECIAL BUSINESS				
7.	To authorise the Directors to allot and issue shares and convertible securities			
8.	To approve the renewal of Share Buyback Mandate			
9.	To approve the continued appointment of Mr Kwah Thiam Hock as an independent Director, for purposes of Rule 406(3)(d)(iii)(A) of the Catalist Rules of the SGX-ST (which will take effect from 1 January 2022)			
10.	To approve the continued appointment of Mr Kwah Thiam Hock as an independent Director, for purposes of Rule 406(3)(d)(iii)(B) of the Catalist Rules of the SGX-ST (which will take effect from 1 January 2022)			

* Delete accordingly
** If you wish to exercise all your votes "For" or "Against" or "Abstain", please indicate with a tick [√] within the boxes provided. Alternatively, please indicate the number of votes as appropriate. If you mark the abstain box for a particular resolution, you are directing the Chairman of the AGM not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll.

Dated this ________ day of ________________ 2021

Total Number of Shares in	Number of Shares
(a) Depository Register	
(b) Register of Members	

____
Signature(s) or Common Seal of Member(s)

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. If the member has shares entered against his name in the Depository Register, he should insert that number of shares. If the member has shares registered in his name in the Register of Members, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this instrument of proxy will be deemed to relate to all the shares held by the member.

2. To minimise physical interactions and COVID-19 transmission risks, members will not be able to attend the AGM in person. Members (whether individual or corporate) must appoint the Chairman of the AGM as their proxy to attend, speak and vote on their behalf at the AGM if such members wish to exercise their voting rights at the AGM. Where the members (whether individual or corporate) appoint the Chairman of the AGM as their proxy, they must give specific instructions as to their manner of voting, or abstention from voting, in respect of a resolution in this proxy form, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

3. The Chairman of the AGM, being a proxy, need not be a member of the Company.

4. This proxy form, duly executed, must be submitted (a) by post to at the registered office of the Company at 1 Commonwealth Lane, #09-23 One Commonwealth, Singapore 149544; or (b) by email to ir@teho.com.sg not less than 48 hours before the time appointed for holding the AGM, i.e. by 3.00 pm. on 25 October 2021.

5. This proxy form must be signed by the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised.

6. Where this proxy form is signed on behalf of the appointor by an attorney, the power of attorney or a notarially certified copy thereof (failing previous registration with the Company) must be lodged with this proxy form, failing which this proxy form may be treated as invalid.

7. A corporation which is a member may authorise by a resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

8. Investors who hold shares through relevant intermediaries as defined in Section 181 of the Companies Act (Chapter 50) of Singapore, including investors under the Supplementary Retirement Scheme, who wish to exercise their votes by appointing the Chairman of the AGM as proxy should approach their respective relevant intermediaries, including SRS operators, to submit their voting instructions at least seven (7) working days before the AGM (i.e. by 3.00 p.m. on 15 October 2021) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by 3.00 pm. on 25 October 2021.

9. The Company shall be entitled to reject this proxy form if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this proxy form (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any proxy form lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting this instrument appointing a proxy(ies) and/or representative(s), the member is deemed to have accepted and agreed to the personal data privacy terms set out in the notice of AGM of the Company dated 5 October 2021.

TEHO INTERNATIONAL INC LTD. | ANNUAL REPORT 2021

TEHO INTERNATIONAL INC LTD.
Registration number 200811433k
1 Commonwealth Lane #09-23
One Commonwealth, Singapore 149544