

TEHO INTERNATIONAL INC LTD.

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

**FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

Teho International Inc Ltd. (the "Company") was listed on the Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 4 June 2009. The initial public offering ("IPO") of the Company was sponsored by Collins Stewart Pte. Limited.

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Collins Stewart Pte. Limited for compliance with the relevant rules of the SGX-ST. Collins Stewart Pte. Limited has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement. The contact person for the Sponsor is Mr. Alex Tan, Managing Director, Corporate Finance, Collins Stewart Pte. Limited at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854-6160.

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

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

Consolidated Income Statement

	Group		% Change
	Half Year Ended		
	\$'000		
	31.12.10 (HY2011)	31.12.09 (HY2010)	
Revenue	16,823	19,147	-12.1%
Cost of sales	(12,125)	(13,731)	-11.7%
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Gross profit	4,698	5,416	-13.3%
Gross profit margin	27.9%	28.3%	
<u>Other items of income</u>			
Interest	2	-	nm
Other credits	31	52	-40.4%
<u>Other items of expense</u>			
Distribution costs	(290)	(298)	-2.7%
Administrative expenses	(1,752)	(1,467)	19.4%
Other operating expenses	(967)	(755)	28.1%
Finance costs	(248)	(238)	4.2%
Other charges	(106)	(142)	-25.4%
Share of (loss)/profit from equity-accounted associate	(1)	4	-125.0%
	<hr/>	<hr/>	
Profit before tax from continuing operations	1,367	2,572	-46.9%
Income tax expenses	(202)	(479)	-57.8%
	<hr/>	<hr/>	
Profit from continuing operations, net of tax	1,165	2,093	-44.3%
	<hr/>	<hr/>	
Profit attributable to owners of the parent, net of tax	1,165	2,093	-44.3%
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	<u>1,165</u>	<u>2,093</u>	<u>-44.3%</u>
Earnings Per Share	<u>Cents</u>	<u>Cents</u>	
Profit after tax attributable to owners of the Group	1.04	1.87	-44.4%
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nm - not meaningful			

Statement of Consolidated Comprehensive Income

	Group Half Year Ended \$'000		% Change
	31.12.10 (HY2011)	31.12.09 (HY2010)	
Profit from continuing operations, net of tax	1,165	2,093	-44.3%
<u>Other comprehensive income:</u>			
Exchange differences on translating foreign operations, net of tax	<u>3</u>	<u>3</u>	<u>0.0%</u>
Total comprehensive income	<u><u>1,168</u></u>	<u><u>2,096</u></u>	<u><u>-44.3%</u></u>
<u>Total comprehensive income attributable to:</u>			
Owners of parent	<u>1,168</u>	<u>2,096</u>	<u>-44.3%</u>
Total comprehensive income	<u><u>1,168</u></u>	<u><u>2,096</u></u>	<u><u>-44.3%</u></u>

nm - not meaningful

(ii) Notes to the statement of comprehensive income

	Group Half Year Ended \$'000		% Change
	31.12.10 (HY2011)	31.12.09 (HY2010)	
Rental income	6	-	nm
CPF jobs credit	-	31	-100.0%
Refund of IPO expenses	-	21	-100.0%
Loss on disposal of plant and equipment	(1)	(2)	-50.0%
Sundry expense	(8)	-	nm
Foreign exchange transaction loss	(97)	(96)	1.0%
Sundry income	6	-	nm
Bad debts written off - other receivables	-	(5)	-100.0%
Gain/(Loss) on fair value of interest rate swap	19	(39)	-148.7%
Net	<u>(75)</u>	<u>(90)</u>	<u>-16.7%</u>

nm - not meaningful

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

Statement of Consolidated Financial Position

	Group		Company	
	As at 31.12.10	As at 30.06.10	As at 31.12.10	As at 30.06.10
	\$'000		\$'000	
Assets				
<u>Non-current assets</u>				
Property, plant and equipment	6,287	6,190	-	-
Investments in subsidiaries	-	-	12,993	12,993
Investment in associate	79	80	43	43
Total non-current assets	6,366	6,270	13,036	13,036
<u>Current assets</u>				
Inventories	18,965	18,905	-	-
Trade and other receivables	6,960	8,498	3,639	4,890
Other assets	226	282	39	88
Cash and cash equivalents	6,685	7,436	155	93
Total current assets	32,836	35,121	3,833	5,071
Total assets	39,202	41,391	16,869	18,107
EQUITY AND LIABILITIES				
<u>Equity</u>				
Share capital	15,481	15,481	15,481	15,481
Retained earnings	8,900	8,629	1,378	2,460
Foreign currency translation reserve	6	3	-	-
Equity, attributable to owners of the Parent	24,387	24,113	16,859	17,941
Total equity	24,387	24,113	16,859	17,941
<u>Non-current liabilities</u>				
Deferred tax liabilities	157	157	-	-
Other financial liabilities, non-current	2,870	3,972	-	-
Total non-current liabilities	3,027	4,129	-	-
<u>Current liabilities</u>				
Income tax payable	656	936	-	-
Trade and other payables	1,715	2,377	10	166
Other financial liabilities, current	9,417	9,836	-	-
Total current liabilities	11,788	13,149	10	166
Total liabilities	14,815	17,278	10	166
Total equity and liabilities	39,202	41,391	16,869	18,107

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

Amount repayable in one year or less, or on demand

As at 31.12.10 (\$'000)		As at 30.06.10 (\$'000)	
Secured	Unsecured	Secured	Unsecured
4,835	4,582	7,052	2,784

Amount repayable after one year

As at 31.12.10 (\$'000)		As at 30.06.10 (\$'000)	
Secured	Unsecured	Secured	Unsecured
2,770	100	3,072	900

Details of collateral

The total borrowings of \$12.3 million are covered by corporate guarantees of the Company and partly by a first legal charge on the Group's leasehold land and buildings. The \$2.9 million amount repayable after one year comprises a mortgage loan of \$1.5 million which is repayable beyond one year in equal monthly instalments over 15 years with effect from August 2006. The balance of \$1.4 million represents the refinancing of short-term borrowings and are repayable in equal monthly or quarterly instalments over the next 3.5 years.

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

Consolidated Statement of Cash Flows

	Group	
	Half Year Ended	
	\$'000	
	31.12.10	31.12.09
<u>Cash flows from operating activities</u>		
Profit before tax	1,367	2,572
Adjustments for:		
Share of loss/(profit) of associate	1	(4)
Depreciation of plant and equipment	362	333
Loss on disposal of plant and equipment	1	2
Interest expense	248	238
Interest income	(2)	-
Net effect of exchange rate changes in consolidating foreign entities	3	3
Operating cash flows before changes in working capital	1,980	3,144
(Increase)/Decrease in inventories	(60)	2,609
Decrease in trade and other receivables	1,538	779
Decrease/(Increase) in other assets	56	(210)
(Decrease) in trade and other payables	(662)	(847)
Net cash flows from operations before interest and tax	2,852	5,475
Income taxes paid	(482)	(683)
Net cash flows from operating activities	<u>2,370</u>	<u>4,792</u>
<u>Cash flows from investing activities</u>		
Purchase of plant and equipment	(460)	-
Interest received	2	-
Net cash flows used in investing activities	<u>(458)</u>	<u>-</u>
<u>Cash flows from financing activities</u>		
Dividends paid to equity shareholders	(894)	(1,565)
Decrease in finance leases	-	(3)
(Decrease) in other financial liabilities	(1,521)	(508)
Interest paid	(248)	(238)
Net cash flows used in financing activities	<u>(2,663)</u>	<u>(2,314)</u>
Net (decrease)/increase in cash and cash equivalents	(751)	2,478
Cash and cash equivalents, beginning balance	<u>7,436</u>	<u>1,640</u>
Cash and cash equivalents, ending balance	<u>6,685</u>	<u>4,118</u>

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

Statements of Changes in Equity

	Group (\$'000)			
	Share Capital	Retained Earnings	Foreign Currency Translation Reserve	Total Equity
Opening balance at 1.07.10	15,481	8,629	3	24,113
<u>Movement in equity:</u>				
Total comprehensive income for the period	-	1,165	3	1,168
Dividend	-	(894)	-	(894)
Closing balance at 31.12.10	<u>15,481</u>	<u>8,900</u>	<u>6</u>	<u>24,387</u>
Opening balance at 1.07.09	15,481	6,192	1	21,674
<u>Movement in equity:</u>				
Total comprehensive income for the period	-	2,093	3	2,096
Dividend	-	(1,565)	-	(1,565)
Closing balance at 31.12.09	<u>15,481</u>	<u>6,720</u>	<u>4</u>	<u>22,205</u>
	Company (\$'000)			
	Share Capital	Retained Earnings	Foreign Currency Translation Reserve	Total Equity
Opening balance at 1.07.10	15,481	2,460	-	17,941
<u>Movement in equity:</u>				
Total comprehensive income for the period	-	(188)	-	(188)
Dividend	-	(894)	-	(894)
Closing balance at 31.12.10	<u>15,481</u>	<u>1,378</u>	<u>-</u>	<u>16,859</u>
Opening balance at 1.07.09	15,481	2,719	-	18,200
<u>Movement in equity:</u>				
Total comprehensive income for the period	-	(128)	-	(128)
Dividend	-	(1,565)	-	(1,565)
Closing balance at 31.12.09	<u>15,481</u>	<u>1,026</u>	<u>-</u>	<u>16,507</u>

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

Since 30 June 2010 there had been no changes to the Company's issued share capital.

As at 31 December 2010 and 31 December 2009 the Company had no outstanding convertibles or treasury shares.

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

	As at 31.12.10	As at 30.06.10
Total number of issued shares (excluding treasury shares)	111,800,000	111,800,000

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

Not applicable.

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

The figures have not been audited nor reviewed by auditors.

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

Not applicable.

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

The Group has applied the same accounting policies and method of computations in the financial statement for the current financial period as those applied to the audited financial statements for the financial year ended 31 June 2010.

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

Not applicable.

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

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

	Group	
	Half Year ended 31.12.10	Half Year ended 31.12.09
(i) Based on weighted average number of ordinary shares in issue (Cents)	1.04	1.87
Number of ordinary shares in issue	111,800,000	111,800,000
(ii) On a fully diluted basis (Cents)	1.04	1.87
Diluted number of ordinary shares in issue	111,800,000	111,800,000

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

	Group As at		Company As at	
	31.12.10	30.06.10	31.12.10	30.06.10
Net asset value per ordinary share based on the weighted average number of shares in issue (Cents)	21.8	21.6	15.1	16.0
Weighted average number of shares in issue	111,800,000	111,800,000	111,800,000	111,800,000

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:

- (a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

Financial Performance Review

Revenue

Revenue for HY2011 had decreased by \$2.3 million or 12.1% as compared to HY2010. The decrease came mainly from marine and offshore oil & gas in Singapore and other part of the world which was only moderately offset by the increase in the Asian region. Revenue from Singapore still accounted for over 80% of the total revenue. Despite recent signs of recovery in the marine and offshore oil & gas sectors, this has yet to be translated into significant orders for the supply and services support sectors. In addition, opportunistic spot sales and prices in the general shipping sector are still weak.

Gross profit

The overall gross profit in HY2011 had declined by \$0.7 million or 13.3% to \$4.7 million. The marine and the offshore oil & gas sectors' gross profit showed the biggest drop as a result of the decreased revenue as these sectors are still on the mend. Coupled with the higher inventory cost carried over from previous quarters (which were due to the then prevailing high crude oil and steel prices and the strong USD-SGD exchange rates), the gross profit margin had declined marginally by 0.4 percentage points to 27.9% in HY2011.

Other items of income

In HY2011, the other items of income had decreased marginally as compared to HY2010 due mainly to the absence of one-off CPF jobs credit in HY2011. This was partially offset by the gain in the fair value of interest rate swap and a marginal interest income in HY2011.

Other items of expense

Other items of expense had increased by \$0.5 million or 16.0%, to \$3.4 million in HY2011 due mainly to higher administrative expenses, other operating expenses and finance costs which were offset marginally by lower distribution costs and other charges.

Administrative expenses had increased by \$0.3 million due mainly to the increase in salaries and bonuses as the result of an increase in staff strength over HY2011.

Other operating expenses had also increased by \$0.2 million as a result of the leasing of a new office premise of about \$0.1 million and the increase in property tax, Jurong Town Corporation land rent, depreciation and setting up a new representative office in Shanghai totalling about \$0.1 million

Finance costs had increased marginally due to increase in bank loan interests compared to HY2010.

Profit before tax from continuing operations

Profit before tax from continuing operations of \$1.4 million decreased by \$1.2 million, of which \$0.7 million was due mainly to lower gross profit as a result of lower revenue, and the increase in other items of expenses of \$0.5 million as elaborated above.

Balance Sheet Review

Non-current assets

Property, plant and equipment increased by \$0.1 million as a result of additional capital expenditure of \$0.5 million being made in HY2011 and this is offset by depreciation of \$0.4 million. Investment in associate decreased marginally to account for share of associate's after-tax loss for HY2011.

Current assets

The decrease in current assets of \$2.3 million was attributable mainly to lower trade receivables by \$1.5 million which was a result of lower sales and decrease in cash and cash equivalents of \$0.8 million.

Non-current liabilities

The decrease of non-current liabilities \$1.1 million was due to the repayment of term loans.

Current liabilities

Current liabilities had decreased by \$1.4 million due mainly to decreases of \$0.7 million in trade and other payables, \$0.4 million in other financial liabilities and \$0.3 million in tax liability.

Shareholders' equity

The increase of \$0.3 million in Shareholders' equity was due mainly from the current earnings of \$1.2 million offset by a dividend payment of \$0.9 million in HY2011 and a marginal increase in foreign currency translation reserve.

The Group's balance sheet remains healthy with a gearing after cash and cash equivalents of 23.0%, down from 26.4% as at 30 June 2010. The Group's unutilised financial facilities as at 31 December 2010 stood at about \$24.3 million and a cash and cash equivalents of about \$6.7 million, which will be available to fund the working capital of the Group.

Cash Flows Review

The net cash flows generated from operating activities of \$2.4 million was used to pay a final dividend of \$0.9 million for FY2010, in reducing financing costs of \$1.8 million and to fund capital expenditure of \$0.5 million. This resulted in total cash and cash equivalents of \$6.7 million as at 31 December 2010.

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

No forecast or prospect statement had been previously disclosed.

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

The Group expects the outlook to remain challenging as the uncertainties over the sustainability of the US recovery and the European Union financial crisis continue. Purchase costs are expected to remain volatile as evidenced by the recent spikes in crude oil and commodity prices. The Group will continue to consolidate and strengthen its operational and financial management and stay vigilant in order that the Group could take appropriate competitive measures as and when the need arises.

Despite the uncertain near term outlook, the Group needs to undertake effective marketing efforts to promote its customer services and products, and also to consolidate the Group's overseas distribution points to enhance or increase wider customers and markets coverage.

11. If a decision regarding dividend has been made:

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

No.

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

Not applicable.

(b)(ii) Previous corresponding period

1.4 Cents per ordinary share issued.

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

Not applicable.

(d) The date the dividend is payable.

Not applicable.

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

Not applicable.

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

No interim dividend has been declared nor recommended for the first half of financial year 2011.

13. Interested Person Transactions

During the financial year, there were related parties transactions based on terms agreed between the parties as follows:

	Group		Company	
	31.12.10	31.12.09	31.12.10	31.12.09
	\$	\$	\$	\$
Rental paid to a firm of which a director is a shareholder	98,160	-	-	-

Except for the above, there was no other interested person transactions, as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited, entered into by the Group or by the Company during the financial period ended 31 December 2010.

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

We, Lim See Hoe and Lim Siew Cheng, being two Directors of the Company, do hereby confirm on behalf of the Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for first half year ended 31 December 2010 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Lim See Hoe
Executive Chairman and Chief Executive Officer

Lim Siew Cheng
Executive Director and Chief Operating Officer

9 February 2011