

**HALF YEAR 2011 FINANCIAL STATEMENT ANNOUNCEMENT**

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**PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS HALF-YEAR RESULTS**

**1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

<b>Group Income Statements</b>	Half-year ended 30-Jun-11 S\$'000	Half-year ended 30-Jun-10 S\$'000	Increase/ (Decrease) %
<b>Revenue</b>	22,022	16,732	31.62%
Cost of Sales	(17,254)	(13,289)	29.84%
Gross Profit	4,768	3,443	38.48%
	22%	21%	
<b>Other Items of Income</b>			
Interest income	35	5	600.00%
Other credits	75	818	-90.83%
<b>Other Items of Expenses</b>			
Marketing and distribution costs	(2,019)	(1,905)	5.98%
Administrative expenses	(2,559)	(2,024)	26.43%
Finance costs	(82)	(68)	20.59%
Other charges	(99)	(120)	-17.50%
<b>Profit before tax from Continuing Operations</b>	<b>119</b>	<b>149</b>	-20.10%
Income tax expense	(22)	(39)	-43.59%
<b>Profit from Continuing Operations, Net of Tax</b>	<b>97</b>	<b>110</b>	-11.82%
Attributable to :			
Equity holders of Parent Company	(99)	165	-160.00%
Non-Controlling Interests	196	(55)	456.36%
<b>Profit, Net of Tax</b>	<b>97</b>	<b>110</b>	-11.82%
<b>Other Comprehensive Income</b>			
<b>Profit for the year</b>	97	110	-11.82%
Exchange differences on translating foreign operations, Net of Tax	(229)	(28)	717.86%
<b>Total Comprehensive Income For The Period</b>	<b>(132)</b>	<b>82</b>	-260.98%
Attributable to :			
Equity holders of Parent Company	(302)	137	-320.44%
Non-Controlling Interests	170	(55)	-409.09%
<b>Total Comprehensive Income For The Period</b>	<b>(132)</b>	<b>82</b>	-260.98%

**Notes to Income Statement**

	Half-year ended 30-Jun-11 S\$000	Half-year ended 30-Jun-10 S\$000	Increase/ (Decrease) %
<u>Revenue</u>			
Sales	21,821	16,384	33.18%
Commission income	74	70	5.71%
Rental income	59	65	-9.23%
Sundry income	68	213	-68.08%
	<b>22,022</b>	<b>16,732</b>	31.62%
<u>Interest Income</u>			
Interest income	<b>35</b>	<b>5</b>	600.00%
<u>Other credits</u>			
Gain on disposal of property, plant and equipment	1	105	-99.05%
Foreign exchanges gain	34	-	NM
Reversal of allowance for inventories	40	713	-94.39%
	<b>75</b>	<b>818</b>	-90.83%
<u>Finance costs</u>			
Interest expense	<b>(82)</b>	<b>(68)</b>	20.59%
<u>Other charges</u>			
Plant and equipment written off	(18)	(2)	800.00%
Amortisation of intangible assets	(81)	-	NM
Foreign exchange loss	-	(118)	NM
	<b>(99)</b>	<b>(120)</b>	-17.50%

NM - not meaningful

**1(b)(i) Statement of Financial Position (for the issuer and group) together with a Comparative Statement as at the end of the immediately preceding year**

	Group 30-Jun-11 S\$'000	Group 31-Dec-10 S\$'000	Company 30-Jun-11 S\$'000	Company 31-Dec-10 S\$'000
<b>ASSETS</b>				
<b>Non-Current Assets:</b>				
Property, Plant and Equipment	5,039	4,847	3,286	3,429
Investments in Subsidiaries	-	-	8,793	5,582
Intangible Assets	2,467	2,548	-	-
Other Assets	87	87	87	87
Deferred Tax Assets	153	166	-	-
<b>Total Non-Current Assets</b>	<b>7,746</b>	<b>7,648</b>	<b>12,166</b>	<b>9,098</b>
<b>Current Assets:</b>				
Inventories	4,358	4,132	2,544	2,815
Trade and Other Receivables	17,370	10,519	13,474	8,557
Other Assets	639	1,014	201	244
Cash and Cash Equivalents	8,283	6,711	4,563	3,798
<b>Total Current Assets</b>	<b>30,650</b>	<b>22,376</b>	<b>20,782</b>	<b>15,414</b>
<b>Total Assets</b>	<b>38,396</b>	<b>30,024</b>	<b>32,948</b>	<b>24,512</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to equity holders of the parent:</b>				
Share Capital	13,173	8,947	13,173	8,947
Other Reserves	(695)	(492)	-	-
Retained Earnings	8,750	8,849	8,494	8,045
	<b>21,228</b>	<b>17,304</b>	<b>21,667</b>	<b>16,992</b>
<b>Non-controlling interests</b>	<b>1,443</b>	<b>1,273</b>	-	-
<b>Total Equity</b>	<b>22,671</b>	<b>18,577</b>	<b>21,667</b>	<b>16,992</b>
<b>Non-Current Liabilities:</b>				
Deferred Tax Liabilities	170	190	81	81
Other Financial Liabilities	876	1,223	743	1,188
<b>Total Non-Current Liabilities</b>	<b>1,046</b>	<b>1,413</b>	<b>824</b>	<b>1,269</b>
<b>Current Liabilities:</b>				
Income Tax Payable	382	578	452	535
Other Financial Liabilities	1,994	2,159	1,299	1,593
Other Liabilities	499	106	395	106
Trade and Other Payables	11,804	7,191	8,311	4,017
<b>Total Current Liabilities</b>	<b>14,679</b>	<b>10,034</b>	<b>10,457</b>	<b>6,251</b>
<b>Total Liabilities</b>	<b>15,725</b>	<b>11,447</b>	<b>11,281</b>	<b>7,520</b>
<b>Total liabilities and Equity</b>	<b>38,396</b>	<b>30,024</b>	<b>32,948</b>	<b>24,512</b>

**1(b)(ii) Aggregate amount of group's borrowings and debt securities**

As at 30-Jun-11		As at 31-Dec-10	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
84	1,910	366	1,793

Amount repayable after one year

As at 30-Jun-11		As at 31-Dec-10	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
276	600	223	1,000

The obligations under finance lease are secured by the lessor's charge over the leased assets and a personal guarantee from a director of the company.

The loans were covered by :

- a. A negative pledge over the assets of the company
- b. Corporate guarantees from the company
- c. Personal guarantee from related party of subsidiary

**1(c) A Cash Flow Statement (for the Group) together with the Comparative Statement for the Corresponding period of the immediately preceding financial year**

	<b>Group Half-year ended 30-Jun-11 S\$'000</b>	<b>Group Half-year ended 30-Jun-10 S\$'000</b>
<b>Cash flows from operating activities</b>		
Profit before taxation	119	149
Adjustments for:		
Plant and equipment written off	18	2
Depreciation expense of property, plant and equipment	214	184
Net gain on disposal of plant and equipment	-	(105)
Amortisation of intangible asset	81	-
Interest income	(35)	(5)
Interest expense	82	68
Operating profit before changes in working capital	<u>479</u>	<u>293</u>
Restricted cash	-	2,049
Trade & other receivables	(7,091)	1,089
Other assets	375	(292)
Inventories	(226)	2,500
Other liabilities	393	-
Trade & other payables	4,613	(6,661)
Cash used in operations	<u>(1,457)</u>	<u>(1,022)</u>
Income tax refund	15	109
<b>Net cash used in operating activities</b>	<b><u>(1,442)</u></b>	<b><u>(913)</u></b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of plant and equipment	-	668
Purchase of plant and equipment	(424)	(778)
Deposits for acquisition of subsidiary	-	(2,597)
Interest received	35	5
<b>Net cash used in investing activities</b>	<b><u>(389)</u></b>	<b><u>(2,702)</u></b>
<b>Cash flows from financing activities</b>		
Interest expenses paid	(82)	(68)
Dividend paid to equity shareholders	-	(1,250)
Repayment of bank borrowings	(365)	(400)
Finance lease repayment	(147)	(49)
Contribution by Minority Interest	-	1,031
Issuance of Share Capital	4,226	-
<b>Net cash from / (used in) financing activities</b>	<b><u>3,632</u></b>	<b><u>(736)</u></b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b><u>1,801</u></b>	<b><u>(4,351)</u></b>
Effect of Exchange Rate Changes on Cash and Cash Equivalent	(229)	(26)
Cash and cash equivalents at beginning of period	6,711	11,074
<b>Cash and cash equivalents at end of period</b>	<b><u>8,283</u></b>	<b><u>6,697</u></b>
<b>Represented by:</b>		
Cash and cash equivalents	8,283	6,697
	<b><u>8,283</u></b>	<b><u>6,697</u></b>

**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**

<b>GROUP</b>	<b>Share Capital S\$'000</b>	<b>Other Reserves S\$'000</b>	<b>Retained Earnings S\$'000</b>	<b>Total S\$'000</b>	<b>Non-Controllir Interests S\$'000</b>	<b>Total Equity S\$'000</b>
<b>Balance as at 1 January 2010</b>	<b>8,947</b>	<b>(301)</b>	<b>9,888</b>	<b>18,534</b>	<b>-</b>	<b>18,534</b>
Contribution by non-controlling interests	-	-	-	-	1,031	1,031
Total Comprehensive income for the period	-	(28)	165	137	(55)	82
Dividend paid	-	-	(1,250)	(1,250)	-	(1,250)
<b>Balance as at 30 June 2010</b>	<b>8,947</b>	<b>(329)</b>	<b>8,803</b>	<b>17,421</b>	<b>976</b>	<b>18,397</b>
<b>Balance as at 1 January 2011</b>	<b>8,947</b>	<b>(492)</b>	<b>8,849</b>	<b>17,304</b>	<b>1,273</b>	<b>18,577</b>
Total comprehensive income for the period	-	(203)	(99)	(302)	170	(132)
Issuance of share capital	4,226	-	-	4,226	-	4,226
<b>Balance as at 30 June 2011</b>	<b>13,173</b>	<b>(695)</b>	<b>8,750</b>	<b>21,228</b>	<b>1,443</b>	<b>22,671</b>
<b>COMPANY</b>						
<b>Balance as at 1 January 2010</b>	<b>8,947</b>	<b>-</b>	<b>8,482</b>	<b>17,429</b>	<b>-</b>	<b>17,429</b>
Total comprehensive income for the period	-	-	1,005	1,005	-	1,005
Dividend paid	-	-	(1,250)	(1,250)	-	(1,250)
<b>Balance as at 30 June 2010</b>	<b>8,947</b>	<b>-</b>	<b>8,237</b>	<b>17,184</b>	<b>-</b>	<b>17,184</b>
<b>Balance as at 1 January 2011</b>	<b>8,947</b>	<b>-</b>	<b>8,045</b>	<b>16,992</b>	<b>-</b>	<b>16,992</b>
Total comprehensive income for the period	-	-	449	449	-	449
Issuance of share capital	4,226	-	-	4,226	-	4,226
<b>Balance as at 30 June 2011</b>	<b>13,173</b>	<b>-</b>	<b>8,494</b>	<b>21,667</b>	<b>-</b>	<b>21,667</b>

**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 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.**

Total number of issued shares excluding treasury shares as at the end of the current financial period are 187,625,000.

Total number of issued shares excluding treasury shares as at the end of the immediately preceding year are 125,000,000.

The Company issued additional 62,500,000 shares via rights issue in January 2011.

Total of 125,000 shares were allocated upon exercise of warrants during the financial period.

There were a total of 125,000 warrants exercised during the financial period.

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

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

The figures have not been audited and reviewed by the Company's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a 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 methods of computation in the Group's financial statements for the current financial year compared to the audited financial statements as at 31 December 2010 except for the adoption of the applicable new and revised Financial Reporting Standards (FRS) that became effective for the Group for the financial year beginning 1st January 2011. The new or revised standards did not require significant modification of the measurement method or the presentation of the financial information.

**5. If there were 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.**

The same accounting policies and methods of computation have been applied.

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

	30 June 2011	30 June 2010
(i) Based on number of ordinary share in issue	(0.05 cents)	Originally reported 0.13 cents, restated 0.12 cents*
(ii) On a fully diluted basis	(0.04 cents)	Originally reported 0.13 cents, restated 0.12 cents*

The basic loss per share for the half-year period ended 30 June 2011 was calculated by dividing the group's loss attributable to equity holders of the parent of \$99,000 by the number of weighted average ordinary shares which is 184,108,425.

The dilutive loss per share for the half-year period ended 30 June 2011 was calculated by dividing the group's loss attributable to equity holders of the parent of \$99,000 by the total number of weighted average ordinary shares and the effect of outstanding warrants, which is 242,645,490.

The basic and dilutive earnings per share for the half-year period ended 30 June 2010 is calculated by dividing the group's profit attributable to equity holders of the parent of \$165,000 by the number of weighted average ordinary shares which is 125,000,000..

\* Calculated by dividing the Group's profit attributable to equity holders of the Company for the half-year period ended 30 June 2010 of \$165,000 by the number of ordinary shares before adjustment for the rights issue which is 132,812,500.

**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 period reported on; and**
- (b) immediately preceding financial year**

	Group		Company	
	As at 30.06.2011	As at 31.12.10	As at 30.06.2011	As at 31.12.10
Net asset value per ordinary share before non-controlling interests based on number of shares in issue at end of period	11.31 cents	13.84 cents	11.55 cents	13.59 cents

Net asset value per ordinary share is calculated based on 187,625,000 (2010 : 125,000,000) ordinary shares at end of period / year.

**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 period reported on.**

## **Income Statement**

### **Revenue**

Group revenue increased by 32% to \$22.0 million for the half-year period ended 30 June 2011 (“HY2011”) from \$16.7 million for the half-year period ended 30 June 2010 (“HY2010”), which was mainly attributable to the new market established by our Group’s Malaysian operations as well as improved performance in the China and Singapore markets.

### **Gross Profit**

Gross profit increased by 38% to \$4.8 million in HY2011 from \$3.4 million in HY2010. The gross profit margin improved by 1 percentage point from 21% in HY2010 to 22% 1H2011 during the period. Both increases were mainly attributable to the increase in revenue.

### **Operating Expenses**

Group operating expenses comprising marketing and distribution costs, administrative expenses, finance costs and other charges increased by 15% from \$4.1 million in HY2010 to S\$4.7 million in HY2011. This was mainly attributable to additional administrative expenses incurred by new subsidiaries in Malaysia and Holland. Other credits decreased by 91% from \$0.8 million in HY2010 to \$0.08 million in HY2011, mainly attributable to lower reversal of inventory provisions and gain on disposal of plant and equipment.

### **Income Tax Expense**

The decrease in income tax expense of \$17,000 or 43.6% from S\$39,000 in HY2010 to S\$22,000 in HY2011 was in line with the lower profit before tax reported.

## **Financial Position**

The Group’s non-current assets remained largely the same, with a marginal increase of \$0.1 million from \$7.6 million as at 31 December 2010 to \$7.7 million 30 June 2011.

The Group’s inventories increased by \$0.3 million from \$4.1 million as at 31 December 2010 to \$4.4 million as at 30 June 2010 due mainly to increase in Group’s revenue..

The Group’s trade and other receivables increased by \$6.8 million from \$10.5 million as at 31 December 2010 to \$17.3 million as at 30 June 2010 mainly attributable to higher sales volume towards the last month of HY2011.

The Group’s cash and cash equivalents increased by \$1.6 million from \$6.7 million as at 31 December 2010 to \$8.3 million as at 30 June 2011. Please refer to the review of the cash flow statement below for more information.

The Group’s other assets decreased by \$0.4 million from \$1.0 million as at 31 December 2010 to \$0.6 million as at 30 June 2011 due to decreased in amount of total down payment for assets purchase.

The Group’s trade and other payables increased by \$4.6 million from \$7.2 million as at 31 December 2010 to \$11.8 million as at 30 June 2010 due to better credit terms provided by the suppliers.

The Group’s other financial liabilities (current and non-current) decreased by \$0.6 million from \$3.4 million as at 31 December 2010 to \$2.9 million as at 30 June 2011, mainly due to the periodical repayment of the outstanding term loan.

The Group’s total equity increased by \$4.1 million from \$18.5 million to \$22.7 million due mainly to the issuance of new shares for the rights issue and exercise of the outstanding warrants.

## **Cash Flow Statement**

The cash flow used in operating activities was \$1.4 million in HY2011, mainly due to the slower clearance of the inventories on hand, increase in trade and other receivables, and offset partially by the increase in trade and other payables due to longer payment terms granted by suppliers.

The cash flow used in investing activities was \$0.4 million in HY2011 due mainly to the purchase of plant and equipment of \$0.4 million.

The cash flow generated from financing activities was \$3.6 million, due mainly to the issuance of new shares from the rights issue and exercise of outstanding warrants.

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

Not applicable

**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 tough market conditions are expected to continue for the foreseeable future.

The new ventures undertaken by the Group in the course of the last one and half years have yet to contribute positively to the Group's profit.

We will continue our efforts and devote resources to expand the sales network for our Duvalco's brand of products to increase new sources of revenue while maintaining the sales of piping products in existing areas.

Barring unforeseen circumstances, we expect the second half of the current financial year to be better than the first half.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

No

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

No

**(c) Date payable**

N/A.

**(d) Books closure date**

N/A.

**12. If no dividend has been declared/recommendeded, a statement to that effect**

No dividend has been recommended in the current financial period.

**13. Directors Confirmation**

The Directors of the Company confirm that, to the best of their knowledge, nothing has come to the attention of the board of directors which may render the interim financial results to be false or misleading, in any material aspect.

#### 14. Interested Parties Transactions

Name of Interested Person	Aggregate value of all interested persons transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested persons transactions conducted under shareholders' mandate pursuant to 920 (excluding transactions less than S\$100,000)
	S\$'000	S\$'000
Purchase from : Sinzhong Valves & Fittings (Wuxi) Co. Ltd	-	806

BY ORDER OF THE BOARD

**Richard Koh Chye Heng**  
**Executive Chairman**  
**14 August 2011**