

HALF YEAR UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE
FINANCIAL PERIOD ENDED 30 JUNE 2018

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS HALF-YEAR RESULTS

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

STATEMENT OF COMPREHENSIVE INCOME AS AT 30 JUN 2018			
	Period Ended 30-Jun-18 S\$'000	Period Ended 30-Jun-17 S\$'000	Increase/ (Decrease) %
Revenue	9,939	15,657	(36.5)
Cost of sales	(7,699)	(10,806)	(28.8)
Gross profit	2,240	4,851	(53.8)
Interest income	5	3	66.7
Other gains	57	298	(80.9)
Marketing and distribution costs	(1,311)	(2,025)	(35.3)
Administrative expenses	(1,849)	(1,792)	3.2
Finance costs	(62)	(25)	NM
Other losses	(40)	(789)	(94.9)
Share of loss from equity-accounted associate	-	(8)	NM
Share of gain/(loss) from equity-accounted joint ventures	22	(13)	NM
(Loss) / Profit before tax	(938)	500	NM
Income tax expenses	(5)	(298)	(98.3)
(Loss) / Profit net of tax	(943)	202	NM
Other comprehensive profit / (loss)			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
- Profit / (Loss)	344	(311)	NM
- Reclassification to profit or loss arising from disposal of subsidiary	-	(33)	NM
Other comprehensive profit / (loss) for the year, net of tax	344	(344)	NM
Total comprehensive loss	(599)	(142)	NM
(Loss) / Profit attributable to owners of the parent, net of tax	(941)	206	NM
Loss attributable to non-controlling interests, net of tax	(2)	(4)	(50.0)
(Loss) / Profit net of tax	(943)	202	NM
Total comprehensive loss attributable to owners of the parent	(611)	(111)	NM
Total comprehensive profit / (loss) attributable to non-controlling interests	12	(31)	NM
Total comprehensive loss	(599)	(142)	NM

NM - Not Meaningful

Notes to Consolidated Statement of Comprehensive Income

	Period Ended 30-Jun-18 S\$'000	Period Ended 30-Jun-17 S\$'000	Increase/ (Decrease) %
<u>Revenue</u>			
Sale of goods	9,957	15,687	(36.5)
Discount allowed	(18)	(95)	(81.1)
Other income	-	65	NM
	9,939	15,657	(36.5)
<u>Interest income</u>			
	5	3	66.7
<u>Depreciation expense</u>			
Cost of sales	(69)	(4)	NM
Marketing and distribution costs	(27)	(75)	(64.0)
Administrative expenses	(254)	(182)	39.6
	(350)	(261)	34.1
<u>Other gains</u>			
Foreign exchange adjustment gain	38	50	(24.0)
Gains on disposal of subsidiary, net	-	15	NM
Gain on disposal of other asset, net	-	8	NM
Government grant	14	60	(76.7)
Sundry income	5	-	NM
Write back of allowance for inventories	-	165	NM
	57	298	(80.9)
<u>Finance costs</u>			
Interest expense	(62)	(25)	NM
<u>Other losses</u>			
Loss on disposal of property, plant and equipment, net	(7)	(38)	(81.6)
Bad trade debts written off	(2)	-	NM
Inventories written off	(1)	(583)	(99.8)
Sundry expense	-	(138)	NM
Amortisation of land use rights	(30)	(30)	-
	(40)	(789)	(94.9)

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 FINANCIAL POSITION AS AT 30 JUNE 2018

	<u>Group</u> <u>30-Jun-18</u> <u>S\$'000</u>	<u>Group</u> <u>31-Dec-17</u> <u>S\$'000</u>	<u>Company</u> <u>30-Jun-18</u> <u>S\$'000</u>	<u>Company</u> <u>31-Dec-17</u> <u>S\$'000</u>
ASSETS				
Non-current assets				
Property, plant and equipment	6,651	6,738	3,122	3,275
Investments in subsidiaries	-	-	3,609	3,609
Investments in associate	623	623	-	-
Investments in joint ventures	160	138	100	100
Land use rights	1,255	1,280	-	-
Other assets, non-current	18	18	18	18
Total non-current assets	8,707	8,797	6,849	7,002
Current assets				
Asset held for sale under FRS 105	1,152	1,152	1,038	1,038
Inventories	2,590	2,940	66	300
Trade and other receivables	7,988	7,136	3,196	8,506
Other assets, current	2,622	694	6,091	81
Cash and cash equivalents	3,029	3,853	836	1,793
Total current assets	17,381	15,775	11,227	11,718
Total assets	26,088	24,572	18,076	18,720
EQUITY AND LIABILITIES				
Equity attributable to owner of the parent				
Share capital	15,300	15,300	15,300	15,300
Other reserves	196	(134)	-	-
Retained earnings	632	1,573	186	732
Equity, attributable to owners of the parent	16,128	16,739	15,486	16,032
Non-controlling interests	5	(7)	-	-
Total equity	16,133	16,732	15,486	16,032
Non-current liabilities				
Deferred tax liabilities	53	53	33	33
Other financial liabilities, non-current	1,845	1,846	33	33
Total non-current liabilities	1,898	1,899	66	66
Current liabilities				
Income tax payable	187	139	-	-
Other financial liabilities, current	139	548	24	48
Trade and other payables, current	7,731	5,254	2,500	2,574
Total current liabilities	8,057	5,941	2,524	2,622
Total liabilities	9,955	7,840	2,590	2,688
Total equity and liabilities	26,088	24,572	18,076	18,720

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

Amount repayable in one year or less, or on demand

As at 30-Jun-18		As at 31-Dec-17	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
139	0	548	0

Amount repayable after one year

As at 30-Jun-18		As at 31-Dec-17	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
1,845	0	1,846	0

The Group's bank borrowings and debt securities of 30 June 2018 of S\$1,750,000 (31 December 2017 : S\$2,202,000) were secured by:

- a. A negative pledge over the assets of the Company; and
- b. Corporate guarantees from the Company.

The obligations under finance lease of S\$234,000 as at 30 June 2018 (31 December 2017: S\$191,000) are secured by a charge over the leased assets and the personal guarantee from a director of the Company.

1(c) A statement of cash flows (for the group) together with the comparative statement for the corresponding period of the immediately preceding financial year.

	Group Period ended 30-Jun-18 S\$'000	Group Period ended 30-Jun-17 S\$'000
Cash flows from operating activities		
(Loss) / Profit before tax	(938)	500
Adjustments for:		
Amortisation of land use rights	30	30
Depreciation of property, plant and equipment	350	261
Gain on disposal of other asset, net	-	(8)
Gain on disposal of subsidiary	-	(15)
Interest income	(5)	(3)
Interest expense	62	25
Inventories written off	1	-
Inventories adjustment	(12)	-
Loss on disposal of property, plant and equipment, net	7	38
Share of loss from equity-accounted associate	-	8
Share of (loss) / profit from equity-accounted joint ventures	(22)	13
Operating cash flow before changes in working capital	(527)	849
Trade and other receivables	(852)	6,487
Other assets	(1,928)	(306)
Inventories	361	1,133
Trade and other payables	2,478	(3,876)
Net cash flows from operations	(468)	4,287
Income taxes refunded / (paid)	43	(62)
Net cash flows from operating activities	(425)	4,225
Cash flows from investing activities		
Interest received	5	3
Proceeds from disposal of property, plant and equipment	-	8
Proceeds from disposal of other asset	-	68
Disposal of subsidiaries (net of cash disposed)	-	(149)
Purchase of property, plant and equipment	(269)	(353)
Net cash flows used in investing activities	(264)	(423)
Cash flows from financing activities		
Cash restricted in use over 3 months	-	(156)
Interest paid	(62)	(25)
Proceeds of finance lease	42	112
Repayment of bank borrowings	(452)	(1,760)
Net cash flows used in financing activities	(472)	(1,829)
Net (decrease)/increase in cash and cash equivalents	(1,161)	1,973
Effect of exchange rate changes on cash and cash equivalent	337	(220)
Cash and cash equivalents, statement of cash flows, beginning balance	3,853	4,822
Cash and cash equivalents, statement of cash flows, ending balance	3,029	6,575
Represented by:		
Cash and cash equivalents	3,029	6,575
Cash and cash equivalents, statement of cash flows, ending balance	3,029	6,575

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.

	Share Capital S\$'000	Other Reserves S\$'000	Retained Earnings S\$'000	Attributable to Parent sub-total S\$'000	Non- Controlling Interests S\$'000	Total Equity S\$'000
GROUP:						
Current year:						
Balance as at 1 January 2018	15,300	(134)	1,573	16,739	(7)	16,732
Movements in equity:						
Total comprehensive (loss) income for the year	-	330	(941)	(611)	12	(599)
Balance as at 30 June 2018	15,300	196	632	16,128	5	16,133
Previous year:						
Balance as at 1 January 2017	15,300	238	1,584	17,122	949	18,071
Movements in equity:						
Total comprehensive (loss) income for the year	-	(317)	206	(111)	(31)	(142)
Disposal of subsidiaries with a change in control	-	-	-	-	(1,070)	(1,070)
Balance as at 30 June 2017	15,300	(79)	1,790	17,011	(152)	16,859
COMPANY:						
Current year:						
Balance as at 1 January 2018	15,300	-	732	16,032	-	16,032
Movements in equity:						
Total comprehensive loss for the year	-	-	(546)	(546)	-	(546)
Balance as at 30 June 2018	15,300	-	186	15,486	-	15,486
Previous year:						
Balance as at 1 January 2017	15,300	-	64	15,364	-	15,364
Movements in equity:						
Total comprehensive income for the year	-	-	804	804	-	804
Balance as at 30 June 2017	15,300	-	868	16,168	-	16,168

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 and the number of subsidiary holdings,, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There is no change in the Company's share capital from 31 December 2017 up to 30 June 2018. The Company's share capital as at 31 December 2017 and 30 June 2018 remained at S\$15,300,000 and comprised 214,202,036 shares.

There were no convertible securities, treasury shares or subsidiary holdings outstanding as at the end of the current financial period (30 June 2017: Nil).

1(d)(iii) Total number of issued share excluding treasury share as at the end of current financial period and as at the end of the immediately preceding year.

	Number of Shares
As at 31 December 2017 and 30 June 2018	214,202,036

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

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. There were no subsidiary holdings during and 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 or 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.

Save as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the Group's financial statements for the current financial period as compared to the audited financial statements for the financial year ended 31 December 2017.

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 Group has adopted all the new and revised Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2017.

Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of the new and revised FRS and INT FRS did not result in substantial changes to the Group's accounting policies and has no material effect on the financial results reported for the current or prior reporting periods.

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.

	Group	
	30-Jun-18	30-Jun-17
(i) Based on weighted average number of ordinary share in issue (cents)	(0.44)	0.10
Weighted average number of ordinary shares in issue	214,202,036	214,202,036
(ii) On a fully diluted basis (cents)	(0.44)	0.10
Diluted weighted average number of ordinary shares in issue	214,202,036	214,202,036

Basic and diluted earnings per share were the same as there was no potential dilutive securities in issue as at 30 June 2018 and as at 30 June 2017.

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-Jun-18	As at 31-Dec-17	As at 30-Jun-18	As at 31-Dec-17
Net Asset value per ordinary share based on issued share capital	7.03	7.81	7.23	7.48

Net asset value per ordinary share is calculated based on 214,202,036 (31 December 2017: 214,202,036) ordinary shares at the end of the reporting period.

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
 (c) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current period reported on.

Review of operating results

Revenue

Group revenue decreased by S\$5.7 million or 36.5% to S\$10.0 million for the half-year ended 30 June 2018 ("1H2018"), compared to S\$15.7 million for the half-year ended 30 June 2017 ("1H2017"). This was mainly attributable to :

- Decrease in revenue of S\$1.3 million in subsidiary DWK Valves (Tianjin) Co., Ltd as a result of disposal of the entity from 60% to 25% in 2017;
- Decrease in revenue in Hong Kong entity of S\$2.9 million during the period, as a result of lower contract values executed;
- Decrease in revenue of S\$1.8 million in Singapore entities, mainly due to slower completion of projects on hand, as well as lower volume in the trading division; and

- Offset by revenue of new entity in Wuxi, China, of S\$0.3 million.

Gross Profit

Group gross profit decreased by S\$2.6 million from S\$4.8 million in 1H2017 to S\$2.2 million in 1H2018, as a result of lower revenue in 1H2018.

Gross profit margin decreased from 31% to 23% during the same periods, mainly attributable to lower margins recorded in Hong Kong.

Other gains

Other gains decreased by S\$0.2 million from S\$298,000 in 1H2017 to S\$57,000 in 1H2018, mainly attributable to write back of allowances for inventory of S\$165,000 in 1H2017, lower government grants in 1H2018 by S\$46,000, and absence of gains on disposal of subsidiary of S\$15,000 in 1H2018.

Marketing and Distribution Costs

Marketing and distribution costs decreased by S\$0.7 million from S\$2 million in 1H2017 to S\$1.3 million in 1H2018. The decrease was mainly attributable to lower salaries and sales incentives.

Finance Costs

Finance costs increased by S\$37,000 from S\$25,000 in 1H2017 to S\$62,000 in 1H2018, mainly attributable to increase interest expense incurred for the term loan acquired for purchasing of land for construction of new plant and office at Tuas South.

Other losses

Other losses decreased by S\$720,000 or 94.9% mainly attributable to absence of inventory write off and provision for legal settlement in 1H2018.

Depreciation expense

Depreciation expense increased by S\$89,000 mainly attributable to higher depreciation in land and building as well as computer software and hardware.

Income Tax Expense

Income tax expense decreased by S\$293,000 due to the generally lower profitability in the Group's entities.

Financial Position

Non-Current Assets

Non-current assets decreased by S\$0.1 million from S\$8.8 million as at 31 December 2017 to S\$8.7 million as at 30 June 2018. This was mainly attributable to decrease in net book value of property, plant, and equipment and land use rights, as a result of depreciation and amortisation during the period.

Current Assets

Current assets increased by S\$1.6 million from S\$15.8 million to S\$17.4 million, mainly attributable to increase in trade receivables of S\$0.9 million, increase in prepayment and deposits of S\$1.9 million, and offset by a decrease in inventory of S\$0.8 million.

Increase in trade receivables was mainly attributable to more project based sales with longer payment period as compare to more sales of trading nature in the same period last year.

Higher prepayment was mainly attributable to fulfill order books in the pipeline.

Current Liabilities

Current liabilities increased by S\$2.2 million from S\$5.9 million as at 31 December 2017 to S\$8.1 million as at 30 June 2018. This was mainly attributable to higher trade payables in Singapore and Hong Kong of S\$0.6 million and trade advance payment by customers of S\$1.4 million in Hong Kong and Singapore, as well as non-trade payables of S\$0.2 million to contractors for plant construction in Tuas South Link.

Statement of Cash Flow

Overall, the Group recorded a net decrease in cash and cash equivalents for 1H2018 of S\$1.1 million. This is mainly attributable to the cash outflow from operating activities of S\$0.4 million, cash outflow from investing of S\$0.3 million and cash outflow from financing activities S\$0.5 million respectively.

Operating activities recorded an inflow largely due to longer payment term with suppliers, offset by longer receivable and payment of deposits and prepayment.

Investing activities recorded a net cash outflow mainly due to the purchase of plant and equipment of S\$0.3 million.

Financing activities recorded a net cash outflow mainly due to the repayment of bank borrowings of S\$0.5 million.

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

The current results are in line with the Company's discussion presented in Note 10 of the unaudited financial results announcement for the full financial year ended 31 December 2017 dated 28 February 2018.

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.

Although the Group's order book as at 30 June 2018 is S\$16.5 million, it remains challenging for the Group to reverse its loss making position for the full year ending 31 December 2018.

The development of the construction at Tuas South Link is on schedule, and is expected to be completed by Q1 2019. Upon completion, the plant would be used as the Group's headquarters and base for all its Singapore's operations.

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

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend is declared or recommended for the current financial period reported on.

13. Interested Parties Transactions

The Group has not obtained general mandate from shareholders for Interest Parties Transactions ("IPT"). Save as disclosed below, there were no other interested person transactions entered into during 1H2018.

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) S\$'000	Aggregate value of all interested persons transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) S\$'000
Royalty payable to Duvalco International Pte Ltd ⁽¹⁾	15	-
Purchases from Duvalco Valves (Wuxi) Co., Ltd ⁽²⁾	304	-
Total	319	-

Notes:-.

- (1) Duvalco International is a company wholly-owned by Xu Jia Zu Holdings Pte Ltd ("XJZ"). The Directors and Shareholders of XJZ are Koh Eddie and Richard Koh Chye Heng. The Directors of Duvalco International are Richard Koh Chye Heng and Koh Bee Soo. Koh Eddie is the Managing Director and Chief Executive Officer of the Company, Richard Koh Chye Heng is the Executive Chairman of the Company, and Koh Bee Soo is sister of Richard Koh Chye Heng.
- (2) Duvalco Wuxi is a company wholly-owned by Richard Koh Chye Heng, the Executive Chairman of the Company.
- (3) For more information on the interested persons and transactions, please refer to the Company's announcement dated 30 January 2018 for further information.

14. Directors Confirmation

We, Richard Koh Chye Heng and Koh Eddie, being 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 half-year unaudited financial results for the period ended 30 June 2018 to be false or misleading in any material aspect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the former set out in Appendix 7H) under Rule 720(i) of the Catalist Rules

The company confirms that it has procured undertakings from all of its directors and executive officers in the required format.

On behalf of the Board

Richard Koh Chye Heng
Executive Chairman

Koh Eddie
Managing Director cum Chief Executive Officer

BY ORDER OF THE BOARD

Richard Koh Chye Heng
Executive Chairman
14 August 2018

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assumes no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms Keng Yeng Pheng, Associate Director, Continuing Sponsorship, (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).