



**Half Year Financial
Statement for the Period
Ended 30 June 2006**

27 July 2006

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Half Year Financial Statement for the Period Ended 30 June 2006
PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL 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

	Note	← The Group →		Increase/ (Decrease) %
		Current half year ended 30 June 2006	Previous half year ended 30 June 2005	
		\$'000	\$'000	
Revenue	i	33,417	36,788	(9.2)
Cost of works		(30,608)	(34,047)	(10.1)
Gross profit	ii	<u>2,809</u>	<u>2,741</u>	2.5
Other income including interest income	iii	263	392	(32.9)
Administrative expenses	iv	(2,246)	(1,808)	24.2
Other operating expenses	v	(44)	(14)	214.3
Profit from operating activities	vi	<u>782</u>	<u>1,311</u>	(40.4)
Finance costs	vii	(54)	(60)	(10.0)
Profit from ordinary activities before taxation	viii	<u>728</u>	<u>1,251</u>	(41.8)
Taxation	ix	(119)	(319)	(62.7)
Net profit for the period	x	<u>609</u> =====	<u>932</u> =====	(34.7)

Attributable to :-

Shareholders of the Company	604	932	(35.2)
Minority interests	5	-	n.m
	<u>609</u> =====	<u>932</u> =====	(34.7)

n.m. – not meaningful



Explanatory Notes:

(i) Revenue

Our Group recorded revenue of \$33.4 million in the first half of 2006 as compared to \$36.8 million in the first half of 2005 after recognising lower contribution from the road & building construction segment.

(ii) Gross profit

Despite recording a lower revenue, our gross profit margin has improved marginally from 7.5% for the first half of 2005 to 8.4% for the first half of 2006 due to better profit margins obtained from some newly-awarded projects in the first half of 2006.

(iii) Other income

Other income decreased by \$0.1 million or 32.9% from \$0.4 million for the first half of 2005 to \$0.3 million for the first half of 2006. Other income in the first half of 2005 included a one-off government grant and doubtful debts recovered.

(iv) Administrative expenses

The increase in administrative expenses of \$0.4 million or 24.2% was largely attributable to the increase in staff payroll expenses and professional fees incurred in the first half of 2006.

(v) Other operating expenses

The increase in other operating expenses was due mainly to the loss on foreign exchange during the first half of 2006.

(vi) Profit from operating activities

As a result of the above, profit from operating activities declined by \$0.5 million from \$1.3 million in the first half of 2005 to \$0.8 million in the first half of 2006.

(vii) Finance costs

Finance costs decreased by \$0.006 million or 10.0%. The decrease was due mainly to the repayment of hire purchase creditors.

(viii) Profit from ordinary activities before taxation

Profit from ordinary activities before taxation for the first half of 2005 decreased by \$0.5 million or 41.8% to \$0.7 million for the first half of 2006. The decrease was due mainly to the increase in administrative and other operating expenses as explained above.

(ix) Taxation

The decrease in taxation by \$0.2 million from \$0.3 million for the first half of 2005 to \$0.1 million for the first half of 2006 was the result of lower profit from ordinary activities before taxation and adjustment for over-provision of taxes in respect of prior years.

(x) Net profit

Overall, the first half of 2006 net profit after taxation of \$0.6 million declined by 34.7% over the first half of 2005 profit after taxation of \$0.9 million following the decrease in profit from ordinary activities before taxation as explained above.



(xi) Additional disclosures

Profit before taxation was arrived at after:

	← The Group →		Increase/ (Decrease) %
	Current half Year ended 30 June 2006	Previous half year ended 30 June 2005	
	<u>\$'000</u>	<u>\$'000</u>	
<u>After charging:-</u>			
Non-audit fee paid to the auditors of the Company	4	2	100.0
Depreciation of property, plant & equipment	100	136	(26.5)
Directors' remuneration			
- Directors of the Company	676	685	(1.3)
- Other Directors	132	132	-
Directors' fee	60	60	-
Interest paid and payable			
- Hire purchase creditors	49	54	(9.3)
- Banks	5	7	(28.6)
Loss on disposal of plant and equipment	-	14	n.m.
Loss on foreign exchange	44	-	n.m.
Staff costs	662	500	32.4
<u>After crediting:-</u>			
Interest income from bank deposits	95	46	>100.0
Allowances for doubtful receivables recovered (trade)	-	48	n.m.
Gain on disposal of plant and equipment	9	54	(83.3)
Gain on foreign exchange	24	-	n.m.
<u>Included in the cost of works are the following:-</u>			
Depreciation of plant and equipment	711	515	38.1
Staff costs	4,031	5,199	(22.5)

(xii) Extraordinary/Exceptional items

nil

(xiii) Adjustments for under or over provision of tax in respect of prior years

The adjustments for overprovision of tax in respect of prior years is approximately \$0.2 million.



1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	← The Group →		← The Company →	
	30 Jun 2006 \$'000	31 Dec 2005 \$'000	30 Jun 2006 \$'000	31 Dec 2005 \$'000
Non-Current Assets				
Properties, plant & equipment	7,388	6,679	13	22
Interests in subsidiary companies	-	-	14,090	14,090
Investment property	800	800	-	-
Intangible assets	1,688	1,688	-	-
Deferred tax assets	75	75	-	-
	9,951	9,242	14,103	14,112
Current Assets				
Construction contracts work-in-progress	1,152	2,614	-	-
Trade receivables	16,936	9,287	-	-
Advances to subsidiary companies	-	-	450	450
Amounts due from subsidiary companies (trade)	-	-	1,709	1,981
Amounts due from subsidiary companies (non-trade)	-	-	637	1,186
Amounts due from a related party (non-trade)	270	-	-	-
Other receivables, deposits and prepayments	849	743	18	30
Cash and cash equivalents	10,921	12,781	1,164	220
	30,128	25,425	3,978	3,867
Current Liabilities				
Trade and other payables	18,313	14,074	221	356
Amount due to a subsidiary (non-trade)	-	-	18	2
Advance from subsidiary Companies	-	-	1,300	1,300
Current portion of obligations under hire purchase creditors	602	566	11	11
Current portion of interest- bearing bank loans (secured)	-	-	-	-
Provision for income tax	316	178	8	8
	19,231	14,818	1,558	1,677
Net Current Assets	10,897	10,607	2,420	2,190
Non-Current Liabilities				
Obligations under hire purchase creditors	(1,326)	(936)	(2)	(8)
Deferred tax liabilities	(382)	(382)	-	-
	(1,708)	(1,318)	(2)	(8)
Net assets	19,140	18,531	16,521	16,294



1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	← The Group →		← The Company →	
	30 Jun 2006 \$'000	31 Dec 2005 \$'000	30 Jun 2006 \$'000	31 Dec 2005 \$'000
Capital and Reserves				
Share capital (note i)	14,955	13,626	14,955	13,626
Share premium (note i)	-	1,329	-	1,329
Revenue reserves	4,184	3,580	1,566	1,339
Total shareholders' equity	19,139	18,535	16,521	16,294
Minority interests	1	(4)	-	-
	19,140	18,531	16,521	16,294
Net tangible assets	17,452	16,843	16,521	16,294

Explanatory Notes:

(i) Non-current assets

The increase in non-current assets was due mainly to new additions of plant & equipment to support the newly awarded projects in the first half of 2006.

(ii) Current assets

Current assets increased by \$4.7 million from \$25.4 million to \$30.1 million. The increase was largely attributable to higher trade receivables as a result of slower collections and delays in certification by some customers during the first half of 2006.

(iii) Current Liabilities

Current liabilities increased by \$4.4 million from \$14.8 million to \$19.2 million. The increase was due mainly to the increase in trade and other payables resulting from provision for significant construction costs for some on-going projects in June 2006.

(iv) Shareholders' equity

Shareholders' equity comprised share capital and revenue reserves. It increased by \$0.6 million from \$18.5 million to \$19.1 million. The increase was mainly the result of profit generated from operations for the first half of 2006.

Note i : In accordance with the Companies (Amendment) Act 2005, with effect from 30 January 2006, the concepts of par value and authorised share capital were abolished and the shares of the Company ceased to have a par value. The amount in the share premium reserve as at 30 January 2006 became part of the Company's share capital.



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

- (a) Amount repayable in one year or less, or on demand

As at 30 June 2006		As at 31 Dec 2005	
\$'000	\$'000	\$'000	\$'000
Secured	Unsecured	Secured	Unsecured
602	-	566	-

- (b) Amount repayable after one year

As at 30 June 2006		As at 31 Dec 2005	
\$'000	\$'000	\$'000	\$'000
Secured	Unsecured	Secured	Unsecured
1,326	-	936	-

- (c) Details of any collateral

The borrowings of the Group are generally secured by:-

- Legal mortgage over one of the Group's freehold properties and investment property with net carrying value amounting to \$1,136,932 (31 Dec 2005: \$1,100,000) and \$800,048 (31 Dec 2005: \$800,048) respectively;
- Pledge of some fixed deposits of certain subsidiary companies;
- Negative pledges over assets of certain subsidiary companies; and
- Corporate guarantee by OKP Holdings Limited.



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

	← The Group →	
Note	Current half year ended 30 Jun 2006	Previous half year ended 30 Jun 2005
	\$'000	\$'000
Cash flows from operating activities		
Profit before taxation and minority interests	728	1,251
Adjustments for:		
Depreciation of properties, plant and equipment	811	651
Gain on disposal of plant and equipment	(9)	(54)
Loss on disposal of plant and equipment	-	14
Interest income from bank deposits	(95)	(46)
Hire purchase interest	49	54
Bank loan interest	5	7
Loss on foreign exchange	44	-
Gain on foreign exchange	(24)	-
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1,509	1,877
Change in operating assets and liabilities:		
Construction contracts work-in-progress	1,462	830
Trade receivables	(7,649)	2,942
Other receivables, deposits and prepayments	(106)	(406)
Trade and other payables	4,239	(1,573)
Amount due from a related party (non-trade)	(270)	(9)
	(2,324)	1,784
Cash (used in)/generated from operations	(815)	3,661
Hire purchase interest paid	(49)	(54)
Bank loans interest paid	(5)	(7)
Interest income from bank deposits received	95	46
Income tax paid	(170)	(277)
	(129)	(292)
NET CASH (OUTFLOW USED IN)/INFLOW FROM OPERATING ACTIVITIES	(944)	3,369
Cash flows from investing activities		
Purchase of plant and equipment	(617)	(126)
Proceeds from disposal of plant and equipment	92	61
NET CASH OUTFLOW USED IN INVESTING ACTIVITIES	(525)	(65)



		← The Group →	
	Note	Current half year ended 30 Jun 2006	Previous half year ended 30 Jun 2005
		\$'000	\$'000
Cash flows from financing activities			
Payment to hire purchase creditors		(391)	(484)
Payment of dividend to shareholders		-	(667)
Repayment of bank loans		-	(1,100)
Fixed deposits pledged with banks		(229)	(37)
NET CASH OUTFLOW USED IN FINANCING ACTIVITIES		(620)	(2,288)
Net (decrease)/ increase in cash and cash equivalents held	i	(2,089)	1,016
Cash and cash equivalents at the beginning of the financial period		7,725	6,968
Cash and cash equivalents at the end of the financial period	ii	5,636	7,984

Explanatory Notes:

- (i) Net cash flow from operating activities decreased by \$4.3 million from net cash generated of \$3.4 million for the first half of 2005 to net cash used of \$0.9 million for the first half of 2006. This was due mainly to the increase in the use of funds for working capital attributable mainly to an increase in trade receivables as a result of slower collections and delays in certification by some customers.

Net cash outflow from investing activities increased by \$0.5 million from \$0.1 million for the first half of 2005 to \$0.6 million for the first half of 2006. The increase was mainly due to purchase of plant and equipment to support the newly awarded projects in the first half of 2006.

Net cash outflow from financing activities was due to repayment of hire purchase creditors during the first half of 2006.

- (ii) For the purpose of the consolidated cash flow statement, the consolidated cash and cash equivalents at the end of the financial period comprised the following:

		The Group	
		30 June 2006	30 June 2005
		\$'000	\$'000
Cash at bank and in hand		3,552	4,732
Fixed deposits with banks		7,369	8,257
		10,921	12,989
Fixed deposits pledged to banks		(5,285)	(5,005)
		5,636	7,984
Cash and cash equivalents in consolidated statement of cash flows			



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	Share Premium	Revenue Reserves	Minority Interests	Total
<u>The Group</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
As at 1 Jan 2006	13,626	1,329	3,580	(4)	18,531
Net profit for the period	-	-	604	5	609
Transfer of share premium reserve to share capital (note i)	1,329	(1,329)	-	-	-
As at 30 June 2006	14,955	-	4,184	1	19,140
As at 1 Jan 2005	13,626	1,329	3,962	-	18,917
Net profit for the period	-	-	932	-	932
Final dividend paid of 0.49 cents per share in respect of financial year ended 31 December 2004	-	-	(667)	-	(667)
As at 30 June 2005	13,626	1,329	4,227	-	19,182
<u>The Company</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
As at 1 Jan 2006	13,626	1,329	1,339	-	16,294
Net profit for the period	-	-	227	-	227
Transfer of share premium reserve to share capital (note i)	1,329	(1,329)	-	-	-
As at 30 June 2006	14,955	-	1,566	-	16,521
As at 1 Jan 2005	13,626	1,329	994	-	15,949
Net profit for the period	-	-	27	-	27
Final dividend paid of 0.49 cents per share in respect of financial year ended 31 December 2004	-	-	(667)	-	(667)
As at 30 June 2005	13,626	1,329	354	-	15,309

Note i : In accordance with the Companies (Amendment) Act 2005, with effect from 30 January 2006, the concepts of par value and authorised share capital were abolished and the shares of the Company ceased to have a par value. The amount in the share premium reserve as at 30 January 2006 became part of the Company's share capital.



- 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**

	Number of shares	\$
<u>Share Capital</u>		
Ordinary shares issued and fully paid		
Balance as at 1 January 2006	136,260,940	13,626,094
Transfer of share premium reserve to share capital	-	1,329,321
Balance as at 30 June 2006	136,260,940	14,955,415

In accordance with the Companies (Amendment) Act 2005, with effect from 30 January 2006, the concepts of par value and authorised share capital were abolished and the shares of the Company ceased to have a par value. The amount in the share premium reserve as at 30 January 2006 became part of the Company's share capital.

Except as mentioned above, there have been no changes to the issued share capital of the Company since 31 December 2005.

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.

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 methods of computation in the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2005.



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 period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

The Group			
	Current half year ended 30 June 2006	Previous half year ended 30 June 2005	Increase/ (Decrease) %
Net profit for the period (\$'000)	609	932	(34.7)
Number of shares	136,260,940	136,260,940	-
EPS (cents)	0.45	0.68	(33.8)

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the
(a) current period reported on and
(b) immediately preceding financial year

	The Group		The Company		Increase/ (Decrease) %	
	Current half year ended 30 Jun 2006	Previous financial year ended 31 Dec 2005	Current half year ended 30 Jun 2006	Previous financial year ended 31 Dec 2005	The Group	The Company
Net tangible assets (\$'000)	17,452	16,843	16,521	16,294	3.6	1.4
Number of shares	136,260,940	136,260,940	136,260,940	136,260,940	-	-
NTA per share (cents)	12.81	12.36	12.12	11.96	3.6	1.3



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

For the first half of 2006, our Group performed moderately despite the continuing slowdown in the construction industry, posting a profit from ordinary activities before taxation of \$0.7 million based on a revenue of \$33.4 million.

Revenue

	The Group			
	Current half year ended 30 June 2006	Previous half year ended 30 June 2005	Increase/ (Decrease)	
	\$'000	\$'000	\$'000	%
Road & Building Construction	24,214	30,331	(6,117)	(20.2)
Road Maintenance	9,203	6,457	2,746	42.5
Total Revenue	33,417	36,788	(3,371)	(9.2)

The road & building construction segment contributed \$24.2 million to our Group's total revenue in the first half of 2006, compared to \$30.3 million in the first half of 2005. The lower percentage of revenue recognition for the road & building construction segment was due to completion of a few road & building construction projects in the first half of 2006 as compared to the first half of 2005. This is in line with the different stages of work-in-progress and completion in respect of our Group's on-going projects.

Offsetting the lower percentage of revenue recognition for the road & building construction segment, however, was the strong performance of our Group's road maintenance segment. Revenue from road maintenance segment increased by 42.5% from \$6.5 million to \$9.2 million, which was due mainly to contribution from the newly awarded road maintenance project in the first half of 2006.



Gross Profit

Despite the lower revenue, our Group's gross profit for the first half of 2006 increased marginally from \$2.7 million to \$2.8 million. The increase was due to better margins obtained from some of the newly awarded projects in the first half of 2006.

Profit from ordinary activities before taxation

However, the increase in gross profit was offset by an increase in both administrative and other operating expenses.

The increase in administrative expenses was due mainly to higher business costs such as staff payroll expenses and professional fees. More resources were employed to support the newly awarded high-value project.

The increase in other operating expenses was largely attributable to the loss on foreign exchange during the first half of 2006.

As the result of the above, profit from ordinary activities before taxation dropped from \$1.3 million in the first half of 2005 to \$0.7 million in the first half of 2006.

Net profit after taxation

Net profit after taxation dropped by \$0.3 million to \$0.6 million in the first half of 2006 as a result of lower profit from ordinary activities before taxation generated in the first of 2006.

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

No forecast was made in the previous announcement.



10. A commentary at the date of the announcement of the 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

Despite the anticipated improvement in Singapore's construction demand in 2006, the local construction industry conditions remain competitive and challenging. According to the latest report by the Ministry of Trade and Industry, the Singapore economy registered a moderate growth at an annualised rate of 1.1% in the second quarter of 2006. However, the construction sector shrank again, contracting in the second quarter of 2006 by 0.3% from a year ago, following a 0.8% contraction in the first quarter of 2006. Hence, we believe that the business environment and outlook for the construction industry in Singapore would remain difficult and competitive.

The first half of 2006 marked our first venture into the overseas construction market, with the award of a USD8.7 million contract to build an airport runway extension at the Rota International Airport, located in the Commonwealth of the Northern Mariana Islands ("CNMI"). Our overseas operations in the CNMI were active in the first half of 2006. We have replicated our project management expertise to CNMI. This market is important to us and continues to contribute to our Group.

In May 2006, we incorporated a subsidiary company, United Pavement Specialists Pte Ltd. It will invest in a foreign entity, which will be incorporated in second half of 2006, to handle asphalt-related businesses in the CNMI and Micronesia. The foreign entity will play a critical role in supplying asphalt for future projects undertaken by our Group in the CNMI and Micronesia.

The highly competitive environment in the Singapore construction industry has prompted our Group to actively explore new industry in the field of civil engineering in order to grow our core business. In February 2006, we secured our first and largest single contract of approximately \$50 million for part of the Civil and Related Works for Tank Foundation and other Structures at the land next to Meranti Crescent - MK No 34 at Jurong Island by Rotary Engineering Limited. This project relates to the construction of one of the world's largest oil storage terminals project which was awarded to Rotary Engineering Limited by Universal Terminal (S) Pte Ltd in January 2006. This project, which is expected to be completed by April 2007, provides a future platform for us to undertake projects in the gas and oil industry. We believe that the outlook for the gas and oil industry to be strong as a result of recent soaring oil prices and booming demand for energy.

We have been awarded with \$115.9 million worth of new contracts in the first half of 2006. As at the date of this announcement, our Group's book order stands at \$131.7 million with 4 on-going projects which are expected to contribute to our Group's revenue until 2008.

With a construction heritage that is almost 40 year old, we will continue to leverage and build on our strengths and expertise to tender for both public and private projects. We expect tender competition for construction projects to remain intense with increased pressure on profit margins. Our Group remains selective in our tender participations. Prudent measures will be continually taken to control and reduce costs so as to enhance our Group's core competencies and efficiency.

We will continue to step up efforts to diversify and explore suitable opportunities to regionalise our core business in order to strengthen our competitive edge and reduce our reliance on a single source of revenue.



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/recommendeded, a statement to that effect

No dividend has been declared/recommendeded for the half year ended 30 June 2006.

13. Interested persons transactions disclosure

Interested Party	Nature of Transactions	Relationship	For current half year ended 30 June 2006
			\$'000
Niru & Co	Provision of legal services	Mr Nirumalan s/o V Kanapathi Pillay, our independent director, is the Managing Partner of Niru & Co	8

BY ORDER OF THE BOARD

Or Toh Wat
Group Managing Director
27 July 2006