



**Half Year Financial  
Statement for the period  
ended 30 June 2004**

**27 July 2004**

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## Half Year Financial Statement for the period ended 30 June 2004

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### 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

		← The Group →		
		30 June 2004	30 June 2003	Increase/ (Decrease)
	Note	\$'000	\$'000	%
<b>Revenue</b>	i	36,123	28,814	25.4
Cost of works	ii	(32,483)	(25,359)	28.1
<b>Gross profit</b>	iii	<b>3,640</b>	<b>3,455</b>	5.4
Other income including interest income	iv	133	63	111.1
Administrative expenses	v	(2,040)	(1,778)	14.7
Other operating expenses	vi	(2)	(20)	(90.0)
<b>Profit from operating activities</b>	vii	<b>1,731</b>	<b>1,720</b>	0.6
Share of results of associated company	viii	(6)	-	n.m.
<b>Profit before interest and tax</b>		<b>1,725</b>	<b>1,720</b>	0.3
Finance costs	ix	(87)	(96)	(9.4)
<b>Profit before taxation</b>	x	<b>1,638</b>	<b>1,624</b>	0.9
Taxation	xi	(387)	(419)	(7.6)
<b>Profit after taxation</b>	xii	<b>1,251</b>	<b>1,205</b>	3.8

n.m. – not meaningful

**Explanatory Notes:**

(i) Revenue

In 1H2004, revenue increased by \$7.3 million or 25.4% to \$36.1 million. The higher revenue was achieved by the road construction segment. However, the increase was dampened by a lower revenue from the road maintenance segment.

(ii) Cost of works

In 1H2004, cost of works increased by \$7.1 million or 28.1% from \$25.4 million to \$32.5 million on the back of a higher revenue.

(iii) Gross profit

The gross profit margin was achieved as a result of continuous cost control efforts.

(iv) Other income

The increase in other income of \$0.07 million or 111.1% was largely attributable to income from sale of used construction material at site in 1H2004.

(v) Administrative expenses

The increase in administrative expenses of \$0.3 million or 14.7% was largely attributable to increased in staff payroll expenses.

(vi) Other operating expenses

Other operating expenses were mainly the loss on disposal of fixed assets.

(vii) Profit from operating activities

As a result of the above, profit from operating activities remained at \$1.7 million.

(viii) Share of results of associated company

This represented the share of losses incurred by the associated company since the date of its incorporation.

(ix) Finance costs

Finance costs decreased by \$0.01 million or 9.4%. The decrease was due to repayment of hire purchase creditors and bank long term loans.

(x) Profit before taxation

Profit before taxation for 1H2004 stayed at \$1.6 million for both 1H2003 and 1H2004. The marginal increase in gross profit resulting from various cost control efforts, higher other income and finance costs was offset by the increase in administrative expenses as explained in notes above.

(xi) Taxation

The decrease in taxation by \$0.1 million from \$0.4 million for 1H2003 to \$0.3 million for 1H2004 was the result of reduction in corporate tax rate from 22% in 1H2003 to 20% in 1H2004 which was announced by the Singapore Government in the 2004 Budget.

(xii) Profit after taxation

Overall, 1H2004 profit after taxation of \$1.3 million increased by 3.8 % over the 1H2003 profit of \$1.2 million. The increase in profit after taxation was due mainly to the decrease in effective tax rate as explained above.

(xiii) Additional disclosures

Profit before taxation was arrived at after:

	← The Group →		
	30 June 2004	30 June 2003	Increase/ (Decrease)
	<u>\$'000</u>	<u>\$'000</u>	<u>%</u>
<u>After charging:-</u>			
Amortisation of goodwill	119	106	12.3
Non-audit fee paid to the auditors of the Company	2	2	-
Depreciation of fixed assets	149	178	(16.3)
Directors' remuneration	832	682	22.0
Directors' fee	60	60	-
Interest			
- Hire purchase	43	51	(15.7)
- Bank long term loans	44	45	(2.2)
Loss on disposal of fixed assets	2	20	(90.0)
Provision for doubtful debts (trade)	48	-	n.m
Staff costs	538	450	19.6
<u>After crediting:-</u>			
Fixed deposits income	11	12	(8.3)
Gain in foreign exchange (realised)	-	3	n.m.
Gain on disposal of fixed assets	2	-	n.m.
<u>Included in the cost of works are the following:-</u>			
Depreciation of fixed assets	568	621	(8.5)
Staff costs	3,984	3,886	2.5

(xiv) Extraordinary/Exceptional items

nil

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

There were no material adjustments for under or overprovision of tax in respect of prior years.

**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 2004 \$'000	31 Dec 2003 \$'000	30 Jun 2004 \$'000	31 Dec 2003 \$'000
Fixed assets	7,125	6,907	45	50
Interests in subsidiary companies	-	-	13,926	13,926
Interests in associated company	72	78	-	-
Investment property	870	870	-	-
Intangible assets	1,569	1,688	-	-
<b>Current assets</b>				
Construction in progress	2,929	3,315	-	-
Trade receivables	11,014	10,283	-	-
Other debtors, deposits and prepayments	805	655	185	20
Amount due from a related party (trade)	-	-	652	1,720
Amount due from related parties (non-trade)	-	-	380	387
Fixed deposits	5,043	3,332	-	-
Cash and bank balances	6,373	7,068	324	54
	26,164	24,653	1,541	2,181
<b>Current Liabilities</b>				
Trade payables	10,926	9,705	39	21
Other payables	33	3	-	-
Amount due to a subsidiary (non-trade)	-	-	16	3
Hire purchase creditors	686	744	11	11
Bank long term loans (secured)	140	140	-	-
Accrued operating expenses	1,230	1,674	274	404
Provision for income tax	1,060	1,038	9	10
	14,075	13,304	349	449
<b>Net current assets</b>	<b>12,089</b>	<b>11,349</b>	<b>1,192</b>	<b>1,732</b>
Less:				
<b>Non-current liabilities</b>				
Hire purchase creditors	(1,105)	(890)	(25)	(30)
Bank long term loans (secured)	(1,656)	(1,726)	-	-
Deferred taxation	(358)	(358)	-	-
<b>Net assets</b>	<b>18,606</b>	<b>17,918</b>	<b>15,138</b>	<b>15,678</b>
<b>Share capital and reserves</b>				
Share capital	13,626	13,626	13,626	13,626
Share premium	1,329	1,329	1,329	1,329
Dividend reserve	-	563	-	563
Unappropriated profit	3,651	2,400	183	160
	<b>18,606</b>	<b>17,918</b>	<b>15,138</b>	<b>15,678</b>
<b>Net tangible assets</b>	<b>17,037</b>	<b>16,230</b>	<b>15,138</b>	<b>15,678</b>

**Explanatory Notes:**

(i) Fixed assets

The increase in net book value of fixed assets was due mainly to addition of motor vehicles and machinery to support the on-going projects.

(ii) Current assets

Current assets increased by \$1.5 million from \$24.7 million to \$26.2 million. The increase was due mainly to:

- (a) Increase of trade receivables which was in line with the increase in revenue and
- (b) Increase in cash and cash equivalents

(ii) Current Liabilities

Current liabilities increased by \$0.8 million from \$13.3 million to \$14.1 million. The increase was largely attributable to the increase in trade payables which were in line with revenue.

(iii) Shareholders' equity

Shareholders' equity comprised share capital, share premium and unappropriated profit. It increased by \$0.7 million from \$17.9 million to \$18.6 million. The increase was mainly the result of profit generated from operations for 1H2004.

(iv) Net tangible assets

Net tangible assets of \$17.0 million as at 30 June 2004 was \$0.8 million higher than the balance of \$16.2 million as at 31 December 2003 mainly due to the profit for 1H2004.

**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 2004		As at 31 Dec 2003	
\$'000	\$'000	\$'000	\$'000
Secured	Unsecured	Secured	Unsecured
826	-	884	-

(b) Amount repayable after one year

As at 30 June 2004		As at 31 Dec 2003	
\$'000	\$'000	\$'000	\$'000
Secured	Unsecured	Secured	Unsecured
2,761	-	2,616	-

(c) Details of any collateral

As at the end of the financial period/year, freehold buildings and investment property with total net book values as follows were mortgaged to banks to secure credit facilities for the subsidiary companies:

	30 June 2004	31 Dec 2003
	\$'000	\$'000
Freehold buildings and investment property mortgaged to banks	2,792	3,070



**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	30 Jun 2004 \$'000	30 Jun 2003 \$'000
<b>Cash flows from operating activities</b>		
Profit before taxation	1,638	1,624
Adjustments for:		
Amortisation of fixed assets	119	106
Depreciation of fixed assets	717	799
Gain on disposal of fixed assets	(2)	-
Loss on disposal of fixed assets	2	20
Fixed deposit interest income	(11)	(12)
Hire purchase interest	43	51
Bank long term loan interest	44	45
Provision for doubtful debts (trade)	48	-
Share of results of associated company	6	-
	<hr/>	<hr/>
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	2,604	2,633
Change in operating assets and liabilities:		
Construction in progress	386	(1,353)
Trade receivables	(731)	1,935
Other debtors, deposits and prepayments	(150)	165
Trade payables	1,221	(1,289)
Other payables	30	27
Accrued operating expenses	(444)	476
	<hr/>	<hr/>
Cash generated from operations	2,916	2,594
Hire purchase interest paid	(43)	(51)
Bank long term loan interest paid	(44)	(45)
Fixed deposits interest income	11	12
Income tax paid	(534)	(746)
	<hr/>	<hr/>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	2,306	1,764
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	(401)	(439)
Proceeds from disposal of fixed assets	53	168
	<hr/>	<hr/>
<b>NET CASH OUTFLOW USED IN INVESTING ACTIVITIES</b>	(348)	(271)
<b>Cash flows from financing activities</b>		
Payment to hire purchase creditors	(308)	(542)
Payment of dividend to shareholders	(563)	(668)
Repayment of bank long term loans	(71)	(71)
	<hr/>	<hr/>
<b>NET CASH OUTFLOW USED IN FINANCING ACTIVITIES</b>	(942)	(1,281)
<b>Net increase in cash and cash equivalents held</b>	ii 1,016	212
Cash and cash equivalents at the beginning of the financial period	10,400	9,471
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the financial period</b>	i 11,416	9,683
	=====	=====

**Explanatory Notes:**

- (i) 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 2004	30 June 2003
	\$'000	\$'000
Fixed deposits	5,043	3,226
Cash and bank balances	6,373	6,457
	<u>11,416</u>	<u>9,683</u>
	—	—

- (ii) Net cash flow from operating activities was higher by \$0.5 million on the back of relatively better operational performance.

Net cash flow from investing activities included proceeds from sale of fixed assets and purchase of fixed assets.

Overall, net cash inflow for the period ended 30 June 2004 was \$1.0 million. Our Group is in healthy position and we will retain additional cash reserves in our Group for future expansion.

**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**

	Issue Capital	Share Premium	Dividend Reserve	Revenue Reserve	Total
<u>The Group</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<b>As at 1 Jan 2004</b>	13,626	1,329	563	2,400	17,918
Net profit after tax	-	-	-	1,251	1,251
Dividend for 2003 – paid	-	-	(563)	-	(563)
<b>As at 30 Jun 2004</b>	<u>13,626</u>	<u>1,329</u>	<u>-</u>	<u>3,651</u>	<u>18,606</u>
<b>As at 1 Jan 2003</b>	13,626	1,329	668	1,556	17,179
Net profit after tax	-	-	-	1,205	1,205
Dividend for 2002 – paid	-	-	(668)	-	(668)
<b>As at 30 Jun 2003</b>	<u>13,626</u>	<u>1,329</u>	<u>-</u>	<u>2,761</u>	<u>17,716</u>
<u>The Company</u>					
<b>As at 1 Jan 2004</b>	13,626	1,329	563	160	15,678
Net profit after tax	-	-	-	23	23
Dividend for 2003 – paid	-	-	(563)	-	(563)
<b>As at 30 Jun 2004</b>	<u>13,626</u>	<u>1,329</u>	<u>-</u>	<u>183</u>	<u>15,138</u>
<b>As at 1 Jan 2003</b>	13,626	1,329	668	15	15,638
Net profit after tax	-	-	-	20	20
Dividend for 2002 – paid	-	-	(668)	-	(668)
<b>As at 30 Jun 2003</b>	<u>13,626</u>	<u>1,329</u>	<u>-</u>	<u>35</u>	<u>14,990</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 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 have been no changes to the issued share capital of the Company since 31 December 2003.

**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 financial statements as at 31 December 2003.

**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	
	30 Jun 2004	30 Jun 2003
Profit after taxation (\$'000)	1,251	1,205
Number of shares	136,260,940	136,260,940
EPS (per cent)	0.92	0.88

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	
	30 Jun 2004	31 Dec 2003	30 Jun 2004	31 Dec 2003
Net tangible assets (\$'000)	17,037	16,230	15,138	15,678
Number of shares	136,260,940	136,260,940	136,260,940	136,260,940
NTA per share (cents)	12.50	11.91	11.11	11.51

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

(i) **Revenue**

	The Group			
	1H2004	1H2003	Increase/(Decrease)	
	\$'000	\$'000	\$'000	%
Road Construction	24,077	12,953	11,124	85.9
Road Maintenance	12,046	15,861	(3,815)	(24.1)
<b>Total Revenue</b>	<b>36,123</b>	<b>28,814</b>	7,309	25.4

Despite the continued softness in the construction industry, our Group posted a 25.4% growth in revenue. The road construction segment recorded a surge of revenue from \$13.0 million in 1H2003 to \$24.1 million in 1H2004, or 85.9% increase year-on-year. This resulted in the change of revenue structure between road construction revenue and road maintenance revenue from 45% against 55% in 1H2003 to 67% against 33% for 1H2004.

The strong growth in road construction segment was due to the recognition of higher revenue from a few road construction projects which are in their full swing and revenue from a new project in 1H2004 as compared to 1H2003.

However, the high revenue from the road construction segment was dampened by the lower percentage of revenue recognition for the road maintenance segment due to completion of a road maintenance project in 1H2004 as compared to 1H2003.

(ii) **Profitability**

	The Group			
	1H2004	1H2003	Increase/(Decrease)	
	\$'000	\$'000	\$'000	%
<b>Profit before interest and tax</b>	<b>1,725</b>	<b>1,720</b>	5	0.3
<u>Comprising:</u>				
Road Construction	582	841	259	(30.8)
Road Maintenance	1,143	879	264	30.0
<b>Profit before interest and tax</b>	<b>1,725</b>	<b>1,720</b>	5	0.3
<b>Profit after tax</b>	<b>1,251</b>	<b>1,205</b>	46	3.8

Profit before interest and tax

Our Group achieved profit before interest and tax of \$1.7 million, a marginal increase of 0.3% over 1H2003. The rise was due mainly to an increase in profit before interest and tax for road maintenance segment offset by a decrease in profit before interest and tax for road construction segment.

The profit before interest and tax from the road maintenance segment improved by 30.0% to \$1.1 million despite having a 85.9% dip in revenue, reflecting the success of the various cost management effort.

On the other hand, the profit before interest and tax from the road construction segment was affected by the increase in steel prices. The construction material cost as a percentage of revenue from the road construction increased from 29.4% in 1H2003 to 32.1% in 1H2004.

Profit after tax

Profit after tax increased from \$1.2 million in 1H2003 to \$1.3 million in 1H2004. The increase was due mainly to the decrease in effective tax rate as a result of reduction in corporate tax rate.

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

Not applicable.

**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.**

According to the Monetary Authority of Singapore's latest survey, the full year growth forecast for Singapore's Gross Domestic Product is expected to rise to 5.5% to 7.5% from 3.5% to 5.5% in FY2004. However, our Group expects the demand for construction activities to remain weak and competition to remain intense despite a considerable shakeout in the sector.

Despite the continued contraction in the construction industry coupled with stiffer competition, we have successfully tendered for and been awarded 5 new contracts which worth \$54.2 million in 1H2004. Total new contracts secured in 1H2004 increased by more than 15-folds to \$54.2 million as compared to \$3.0 million in 1H2003. The 5 new contracts include the Widening of Pan-Island Expressway from Kranji Expressway to Jalan Ahmad Ibrahim (\$22.2 million), Planned Maintenance of Roads in East & West Sector For A Period of Two Years (\$13.9 million), Painting and Cleansing of Road Related Facilities in East Sector For A Period of Two Years (\$9.2 million), Proposed Parcellation plan and infrastructure works comprising erection of Powergrid Substation 1 with Ancillary MDF Building and Powergrid Substation 2 and Internal Roads on Lots 2155PT & 2156PT MK at Tuas South Avenue 3/8 URA Land Parcel 498 (\$5.2 million) and Final Premix Surfacing, Reinstatement and Ancillary Works at Tuas View, Phase 3 (\$3.7 million).

As at 30 June 2004, our Group has a defensive order book of \$168.7 million of which \$119.8 million is expected to be recognised as revenue for FY2004 and thereafter.

During the first half year of 2004, our business generated strong operating cash flows in the prevailing difficult business environment. Our balance sheet thus strengthened with cash and cash equivalents, which has grown to \$11.4 million.

We will continue to focus on our core construction activities and seek ways and means to offer value added and benefits to our clients, strengthening our niche positioning in the sector of both the road construction and maintenance.

Being prudent has always been a hallmark of OKP. Within such an austere business climate, our management will keep a balanced view to tightly control and reduce costs where feasible, but at the same time, make strategic investments when it is wise to do so.



**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 2004. The first and final dividend of 0.41 cent (one tier tax-exempt) for the year ended 31 December 2003 was approved at the Company's Annual General Meeting on 27 April 2004 and the dividend was paid on 28 May 2004.

**13. Interested persons transactions disclosure**

Interested Party	Nature of Transactions	Relationship	For half year ended 30 June 2004 \$'000	For half year ended 30 June 2003 \$'000
Sin Kah Heng Motor Trading Co	Purchase of fixed assets	Sin Kah Heng Motor Trading Co is owned by sister-in-law of Mr Or Kim Peow, our Chairman	57	137
Loo & Partners	Provision of legal services	Mr Loo Choon Chiaw, our independent director, is the Managing Partner of Loo & Partners	9	1
Citysafe Pte Ltd	Purchase of fixed asset	Mr Or Kim Peow, our Chairman, Mr Or Toh Wat, our Group Managing Director and Mr Or Kiam Meng are directors of Citysafe Pte Ltd	7	-
Helmi Construction Pty Ltd	Sale of equipment	Helmi Construction Pty Ltd is owned by Alvin Chua who is the brother-in-law of Mr Or Toh Wat, our Group Managing Director	-	8

**BY ORDER OF THE BOARD**

Or Toh Wat  
Group Managing Director  
27 July 2004