

**Half Year Financial Statement And Dividend Announcement for the Period Ended 30 June 2004**

**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.**

	Group		%
	S\$ ' 000		
	6 mths ended Jun 04	6 mths ended Jun 03	
<b>Revenue</b>	67,558	43,353	55.83%
Cost of sales	(57,375)	(34,901)	64.39%
<b>Gross profit</b>	10,183	8,452	20.48%
Other income	4,281	1,599	167.73%
Selling and distribution costs	(4,783)	(3,794)	26.07%
Administrative and general costs	(3,828)	(4,264)	-10.23%
<b>Operating profit</b>	5,853	1,993	193.68%
Finance costs	(635)	(463)	37.15%
Share of results of associates	(2,313)	151	-1631.79%
<b>Profit before taxation and minority interest</b>	2,905	1,681	72.81%
Tax expense	(1,011)	(592)	70.78%
Minority interest, net of tax	(3)	(4)	-25.00%
<b>Profit for the period</b>	1,891	1,085	74.29%

Profit before taxation included the following charges(credit):

Interest income	(398)	(1,384)	-71.24%
Interest on borrowings	635	463	37.15%
Hire charter income	(1,840)	-	NM
Depreciation and amortisation	671	519	29.29%
Amortisation of negative goodwill	(897)	(56)	NM
Provision for doubtful debt (trade)	406	231	75.76%
Provision for doubtful debt (non-trade)	-	20	NM
Provision for stock obsolescence	100	-	NM
Foreign exchange gain	(633)	(414)	52.90%

**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.**

Group		Company	
S\$ ' 000		S\$ ' 000	
Jun 04	Dec 03	Jun 04	Dec 03

**Long-term assets**

Fixed assets	25,089	11,393	-	293
Subsidiary companies	-	-	29,304	29,304
Associated companies	2,591	5,235	1,116	1,116
Other investments	1,177	20	1,157	-
Other debtors	472	249	-	-
Amounts due from subsidiary companies	-	-	12,363	12,878
Deferred tax assets	239	240	18	18
Intangible assets	1,753	1,009	-	-
	31,321	18,146	43,958	43,609

**Current assets**

Stocks and work-in-progress	26,449	27,096	-	-
Trade debtors	26,648	20,709	-	-
Other debtors	1,463	6,731	1	17
Amounts due from subsidiary companies	-	-	2,117	3,243
Amounts due from associated companies	24,659	35,096	76	76
Amounts due from related parties	824	428	-	-
Fixed deposits	919	912	-	-
Cash and bank balances	2,635	4,430	5	15
	83,597	95,402	2,199	3,351

**Current liabilities**

Trade creditors and accruals	9,353	16,707	306	298
Other creditors	2,182	4,231	-	25
Amounts due to subsidiary companies, non-trade	-	-	6	-
Amounts due to associated companies, trade	847	760	2	2
Amounts due to related parties, trade	8	4	-	-
Amounts due to bankers	44,950	34,756	-	-
Term loans	4,928	4,898	-	-
Hire purchase creditors	225	341	-	106

Provision for taxation	2,268	2,308	149	180
	64,761	64,005	463	611
<b>Net current assets</b>	18,836	31,397	1,736	2,740
<b>Long-term liability</b>				
Hire purchase creditors	145	249	-	129
<b>Net assets</b>	50,012	49,294	45,694	46,220
<b>Equity</b>				
Share capital	35,049	35,049	35,049	35,049
Share premium	3,363	3,363	3,363	3,363
Revaluation reserve	2,398	2,398	-	-
Foreign currency translation	(541)	(198)	-	-
Revenue reserves	9,663	8,613	7,282	7,808
<b>Total equity</b>	49,932	49,225	45,694	46,220
<b>Minority interests</b>	80	69	-	-
	50,012	49,294	45,694	46,220

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

**Amount repayable in one year or less, or on demand**

As at 30/06/2004		As at 31/12/2003	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
45,892	4,212	37,310	2,684

**Amount repayable after one year**

As at 30/06/2004		As at 31/12/2003	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
145	-	250	-

**Details of any collateral**

The secured borrowings are secured by the Company's property at 11 Tuas Avenue 1, Singapore 639496.

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

	<b>Jan- Jun 2004</b>	<b>Jan- Jun 2003</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cashflows from operating activities:</b>		
Operating profit before taxation	2,905	1,681
Adjustments for :		
Amortisation of goodwill	111	108
Amortisation of development costs	50	13
Amortisation of negative goodwill	(897)	(56)
Currency realignment	(88)	(117)
Depreciation of fixed assets	510	398
Gain on disposal of fixed assets	(134)	(5)
Interest income	(398)	(1,384)
Interest expense	635	463
Provision for doubtful debts	406	251
Bad debts written off	-	1
Provision for stock obsolescence	100	-
Share of associated companies' losses/(profits)	2,313	(151)
<b>Operating income before reinvestment in working capital</b>	<b>5,513</b>	<b>1,202</b>
Inflow / (Outflow) :		
Decrease/(Increase) in stocks	547	(968)
Increase in trade debtors	(6,345)	(3,940)
Decrease in other debtors	5,045	20
Decrease/(Increase) in amounts due from associated companies	9,626	(6,194)
Increase in amounts due from related parties	(396)	(175)
(Decrease)/Increase in trade creditors	(7,354)	3,516
(Decrease)/Increase in other creditors	(2,049)	860
Increase in trust receipts and bill payables	3,907	4,784
Increase/(Decrease) in amounts due to associated companies	87	(43)
Increase/(Decrease) in amounts due to related parties	4	(7)
<b>Cash generated from/(used in) operations</b>	<b>8,585</b>	<b>(945)</b>
Income tax paid	(981)	(590)
Interest received	1,209	1,384
Interest paid	(635)	(463)
<b>Net cash generated from/(used in) operating activities</b>	<b>8,178</b>	<b>(614)</b>
<b>Cashflows from investing activities</b>		
Inflow / (Outflow) :		
Purchase of fixed assets	(14,375)	(107)
Proceeds from dilution of interest in subsidiary company	-	36
Proceeds from sale of fixed assets	194	39
Investment in an associated company	-	(50)
Dividend received from an associated company	-	50
Purchase of quoted investment	-	(275)
Purchase of unquoted investment	(1,157)	-
<b>Net cash used in investing activities</b>	<b>(15,338)</b>	<b>(307)</b>

<b>Cashflows from financing activities</b>		
Inflow / (Outflow) :		
Dividend payment in respect of prior year	(841)	(820)
Increase/(Decrease) in secured bank overdrafts	3,357	(1,578)
Principal repayment of hire purchase financing	(106)	(109)
Proceeds from additional term loans	30	2,264
<b>Net cash provided by/(used in) financing activities</b>	<b>2,440</b>	<b>(243)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(4,720)</b>	<b>(1,164)</b>
Cash and cash equivalents at beginning of period	4,158	(1,433)
Cash and cash equivalents at end of period	(562)	(2,597)

**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>Company</b>			
<b>Amount</b>		<b>Shares</b>		<b>Amount</b>		<b>Shares</b>	
<b>1.1.2004 to 30.06.2004</b>	<b>1.1.2003 to 30.06.2003</b>	<b>1.1.2004 to 30.06.2004</b>	<b>1.1.2003 to 30.06.2003</b>	<b>1.1.2004 to 30.06.2004</b>	<b>1.1.2003 to 30.06.2003</b>	<b>1.1.2004 to 30.06.2004</b>	<b>1.1.2003 to 30.06.2003</b>
<b>S\$'000</b>	<b>S\$'000</b>	<b>'000</b>	<b>'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>'000</b>	<b>'000</b>

**Authorised:-**

Balance at beginning & end of period

Ordinary shares of \$0.20 (2003: \$0.20) each

<b>55,000</b>	<b>55,000</b>	<b>275,000</b>	<b>275,000</b>	<b>55,000</b>	<b>55,000</b>	<b>275,000</b>	<b>275,000</b>
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**Issued and fully paid capital**

Balance at beginning & end of period

Ordinary shares of \$0.20 (2003: \$0.20) each

<b>35,049</b>	<b>35,049</b>	<b>175,244</b>	<b>175,244</b>	<b>35,049</b>	<b>35,049</b>	<b>175,244</b>	<b>175,244</b>
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**Share premium**

Balance at beginning & end of period

<b>3,363</b>	<b>3,363</b>			<b>3,363</b>	<b>3,363</b>		
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**Revaluation reserve**

Balance at beginning & end of period

<b>2,398</b>	<b>2,398</b>			-	-		
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**Foreign currency translation**

Balance at beginning of period

Foreign currency translation adjustment

Balance at end of period

(198)	234			-	-		
(343)	(105)			-	-		
<b>(541)</b>	<b>129</b>			-	-		

**Revenue reserves**

Balance at beginning of period	8,613	4,561	7,808	8,364
Final dividend declared in respect of previous financial year	(841)	(820)	(841)	(820)
	7,772	3,741	6,967	7,544
Profit for the period	1,891	1,085	315	423
Balance at end of period	<b>9,663</b>	<b>4,826</b>	<b>7,282</b>	<b>7,967</b>
Total equity and shares outstanding	<b>49,932</b>	<b>45,765</b>	<b>45,694</b>	<b>46,379</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.**

There are no changes to the share capital of the Company.

**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 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 financial statements for the current financial period compared with those of the audited financial statements for the year ended 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 financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group	
	Latest period	Previous corresponding period
	June 04	June 03
(i) Based on the weighted average number of ordinary shares on issue	1.08 cents	0.62 cents
(ii) On a fully diluted basis	NA	NA

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

	Group		Company	
	Jun 04	Dec 03	Jun 04	Dec 03
Net asset value per ordinary share as at the end of the year	28.49 cents	28.09 cents	26.07 cents	26.37 cents

**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.

Group turnover for the first six months ended 30 June 2004 was \$67.6 million, representing an increase of 55.8% from \$43.4 million for the corresponding period last year. The increase in turnover was mainly due to increased contribution from China, Singapore and Indonesia, from \$6.5 million to \$20.6 million, \$1.5 million to \$6.9 million and \$18.2 million to \$23.0 million respectively.

Profit after taxation increased 72.7% from \$1.1 million to \$1.9 million at half-year. The improvement in profit after taxation is mainly attributable to the increase in turnover, and a new source of income from charter activities in the current financial period.

The increase in profit was reduced by a dip in gross margin from 19.5% to 15.1% due to market competition and higher costs, higher selling and distribution expenses and share of losses from an associated company, PT Gunanusa Utama Fabricators (PTG). PTG, in which the Group holds a 20% shareholding interest as at 30 June 2004, is in the business of executing large turnkey projects in offshore platform projects, container crane, boiler and pressure vessels. The losses is mainly due to project overrun and PTG is in the process of negotiating variation orders with their customer in order to reduce cost overrun on the project.

Increase in fixed assets amounted to \$13.7 million for the first half of 2004 due to the construction of an accommodation and work barge for offshore activities.

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

The results are in line with the prospect statement made in the full year results dated 26 February 2004.

**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.**

High oil prices usually result in increased activities in the oil and gas industry, especially in the drilling and production sector in the region. The Group expects to benefit from the rising oil prices in the second half of 2004. The Group also expects demand for its flowline control segment to remain firm with rising steel prices and increasing oil and gas energy and production activities. However, the Group is mindful that some projects in the region may be delayed due to the uncertain political conditions in markets such as Indonesia and higher material prices that may upset project budgets.

The Group expects the Indonesia market to continue to be of significant prospects. In January 2004, the Group entered into a joint venture with PT Jambi Info Trade Centre, which could provide the Group with a leading edge in terms of securing potential EPC contracts since Jambi, with its huge unexplored reserves of natural gas and oil, has become a magnet for energy sector players.

In March 2004, the Group entered into another joint venture to form Federal JWR Energy Pte Ltd with PT Jaya Wijaya Raya. The Group believes that the joint venture has enabled it to widen its scope of supply and services, hence allowing it to serve as a one stop integrated service provider. The Group is currently executing its first contract awarded by TAC-Pertamina-PT Semberani Persada Oil (Semco) worth US\$21.6 million under this joint venture. Under the contract, the Group will provide the production facilities on rental basis and maintenance services for Semberah Field Development project for a period of 5 years with an option for an extension of further 3 years. The Group expects more similar projects in the near future.

The Group's subsidiary company, HP&T Products, Inc. in Houston has begun to contribute favourably towards the Group's bottom-line. In addition, the Group's associated company, KVC Co., Ltd in Japan has received orders worth approximately S\$6.0 million in the first half of 2004. The orders from major companies such as JGC, Toyo Engineering Corporation, Hitachi Zosen, Toshiba, Nippon Steel and Kobe Steel in Japan, Daelim Industrial Co. Ltd. in Korea, and the UAE Power Plant will be fulfilled within this current financial year. The Group expects KVC Co., Ltd to turnaround this year and contribute to the Group's full-year profit.

With increased business activities, the positive outlook of the global economy as well as strong oil and gas industry, the Group expects to continue its robust performance in the second half and its full year performance to be positive.

**11. Dividend**

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



Any dividend declared for the current financial period reported on? None

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

Any dividend declared for the corresponding period of the immediately preceding financial year? None

**(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 for the current financial period ended 30 June 2004.

**BY ORDER OF THE BOARD**

Koh Kian Kiong  
Director