

KEPPEL TELECOMMUNICATIONS & TRANSPORTATION LTD

Financial Statement For First Quarter 2003

1 UNAUDITED RESULTS FOR FIRST QUARTER ENDED 31 MARCH 2003

The Directors of **Keppel Telecommunications & Transportation Ltd** advise the following unaudited results of the Group for the three months ended 31 March 2003.

1 (a) GROUP PROFIT AND LOSS ACCOUNTS for the three months ended 31 March

	2003 3 Months \$'000	2002 3 Months \$'000 (Restated)	+ / (-) %
TURNOVER	64,217	67,782	(5.3)
Less operating expenses	<u>(65,197)</u>	<u>(67,446)</u>	(3.3)
OPERATING (LOSS)/PROFIT	(980)	336	NM
Investment income	1,620	-	NM
Interest income	146	392	(62.8)
Interest expense	(1,233)	(2,995)	(58.8)
Share of results of associated companies	<u>6,878</u>	<u>11,914</u>	(42.3)
PROFIT BEFORE EXCEPTIONAL ITEMS	6,431	9,647	(33.3)
Exceptional items	<u>170</u>	<u>(882)</u>	NM
PROFIT BEFORE TAXATION	6,601	8,765	(24.7)
Taxation	<u>(2,565)</u>	<u>(4,456)</u>	(42.4)
PROFIT AFTER TAXATION	4,036	4,309	(6.3)
Minority interests	<u>(973)</u>	<u>(1,614)</u>	(39.7)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	<u><u>3,063</u></u>	<u><u>2,695</u></u>	13.7
Comprising;			
Profit before exceptional items	2,893	3,577	
Exceptional items	<u>170</u>	<u>(882)</u>	
	<u><u>3,063</u></u>	<u><u>2,695</u></u>	
Earnings per share (cents)			
Before exceptional items			
- basic	0.53	0.66	
- diluted	0.53	0.66	
After exceptional items			
- basic	0.56	0.50	
- diluted	0.56	0.50	

NM – not meaningful

Notes:

- (i) Operating expenses comprise of the following:

	2003 3 Months \$'000	2002 3 Months \$'000 (Restated)
Purchase of goods and services	33,881	30,172
Staff costs	14,476	18,120
Depreciation of fixed assets	4,066	6,441
Amortisation	359	1,277
Other operating expenses	<u>12,415</u>	<u>11,436</u>
	<u>65,197</u>	<u>67,446</u>

- (ii) Operating (loss)/profit is arrived at after charging/(crediting) the following:

	2003 3 Months \$'000	2002 3 Months \$'000	+ / (-) %
Amortisation of bonds discount	-	1,060	(100.0)
Provision for doubtful debts and bad debts written off	14	-	NM
Foreign exchange loss/(gain)	123	(367)	NM

- (iii) There were no adjustments for under or over provision of tax in respect of prior years during the quarter.

- (iv) Exceptional items consist of:

	2003 3 Months \$'000	2002 3 Months \$'000
Gain on disposal of long term investments	304	631
Write-back of provision for diminution in value of equity advance	-	607
Bonds discount written off	-	(2,120)
Staff compensation and restructuring of operations	<u>(134)</u>	<u>-</u>
	<u>170</u>	<u>(882)</u>

- (v) There was no extraordinary item during the quarter.

(b)(i) BALANCE SHEETS as at 31 March 2003

	Group		Company	
	31.3.2003 \$'000	31.12.2002 \$'000 (Restated)	31.3.2003 \$'000	31.12.2002 \$'000
SHARE CAPITAL	109,148	109,144	109,148	109,144
RESERVES	123,074	119,985	37,220	35,608
SHARE CAPITAL AND RESERVES	232,222	229,129	146,368	144,752
MINORITY INTERESTS	26,339	25,268	-	-
CAPITAL EMPLOYED	258,561	254,397	146,368	144,752
Represented by:				
FIXED ASSETS	244,960	248,255	-	-
INVESTMENTS				
Subsidiaries	-	-	238,026	238,026
Associated companies	127,064	122,007	16,474	16,474
Others	21,071	20,722	6,621	6,621
	148,135	142,729	261,121	261,121
INTANGIBLE ASSETS	15,117	15,476	-	-
CURRENT ASSETS				
Stocks and work-in-progress	15,737	24,757	-	-
Debtors	109,183	106,499	1,739	118
Amounts owing by holding and related companies	699	508	59,377	114,951
Amounts owing by associated companies	8,855	8,717	-	-
Fixed deposits	27,903	26,697	13,809	14,127
Bank balances and cash	25,965	44,242	77	89
	188,342	211,420	75,002	129,285
LESS: CURRENT LIABILITIES				
Creditors	86,973	107,054	456	430
Amounts owing to holding and related companies	101,440	123,450	179,168	235,102
Amount owing to associated companies	6,995	6,976	6,860	6,860
Short-term borrowings	45,706	42,855	-	-
Taxation	3,300	3,318	154	154
Bank overdrafts	890	439	-	-
	245,304	284,092	186,638	242,546
NET CURRENT LIABILITIES	(56,962)	(72,672)	(111,636)	(113,261)

LESS: NON-CURRENT
LIABILITIES

Long-term borrowings	89,119	75,857	-	-
Deferred taxation	3,570	3,534	3,117	3,108
	<u>92,689</u>	<u>79,391</u>	<u>3,117</u>	<u>3,108</u>
NET ASSETS	<u>258,561</u>	<u>254,397</u>	<u>146,368</u>	<u>144,752</u>

(b)(ii)GROUP'S BORROWINGS AND DEBT SECURITIES

Amount repayable in one year or less, or on demand

As at 31 Mar 2003		As at 31 Dec 2002	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
11,612	135,136	11,361	154,110

Amount repayable after one year

As at 31 Mar 2003		As at 31 Dec 2002	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
27,250	61,869	29,000	46,857

Details of any collateral

Certain subsidiaries of the Company pledged their assets in order to obtain loans from financial institutions. The net book value of properties and other assets pledged/mortgaged to financial institutions amounted to \$76.6 million.

**1(c) CONSOLIDATED CASH FLOW STATEMENT
for the three months ended 31 March**

	2003 3 Months \$'000	2002 3 Months \$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating (loss)/profit	(980)	336
Adjustments for non-cash items:		
Depreciation of fixed assets	4,066	6,441
Amortisation of goodwill on consolidation	150	-
Amortisation of intangible assets	209	217
Amortisation of bonds discount	-	1,060
Loss on sale of fixed assets	3	137
	<u>3,448</u>	<u>8,191</u>
Operating profit before working capital changes		
Working capital changes:		
Stocks	9,020	5,160
Debtors	(1,787)	(7,981)
Creditors	(16,542)	(15,538)
Translation of foreign companies	168	(477)
	<u>(5,693)</u>	<u>(10,645)</u>
Cash used in operations		
Interest received	183	392
Interest paid	(1,626)	(2,995)
Income taxes paid	(781)	(180)
Staff compensation and restructuring expenses	(2,040)	-
	<u>(9,957)</u>	<u>(13,428)</u>
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of subsidiary	355	-
Investment in associated companies	-	(3,894)
Net purchase of other investments	(45)	(1,971)
Acquisition of fixed assets	(1,759)	(2,081)
Proceeds from sale of fixed assets	81	976
	<u>(1,368)</u>	<u>(6,970)</u>
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from share issues	10	7,348
Net (repayment)/proceeds of term loans	(5,912)	6,496
Funds to holding and related companies	(176)	(150)
Funds (to)/from associated companies	(119)	8,379
	<u>(6,197)</u>	<u>22,073</u>
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<u>(17,522)</u>	<u>1,675</u>
Cash and cash equivalents as at 1 January	<u>70,500</u>	<u>79,875</u>
Cash and cash equivalents as at 31 March	<u>52,978</u>	<u>81,550</u>

Disposal of Subsidiary

During the financial period, the fair values of net assets and liabilities of a subsidiary disposed were as follows:

	2003 \$'000	2002 \$'000
Fixed assets	(909)	-
Stocks, debtors and creditors	554	-
Bank balances and cash	<u>(106)</u>	<u>-</u>
	(461)	-
Net profit on disposal	<u>-</u>	<u>-</u>
Sale proceeds	(461)	-
Less:		
Net bank balances	<u>106</u>	<u>-</u>
Cash flow on disposal, net of cash disposed	<u><u>(355)</u></u>	<u><u>-</u></u>

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances, fixed deposits, net of bank overdrafts. Cash and cash equivalents in the consolidated cash flow statements comprise the following balance sheet amounts;

	2003 \$'000	2002 \$'000
Fixed deposits	27,903	39,211
Bank balances and cash	25,965	42,536
Bank overdrafts	<u>(890)</u>	<u>(197)</u>
	<u><u>52,978</u></u>	<u><u>81,550</u></u>

1(d)(i) STATEMENTS OF CHANGES IN EQUITY
for the three months ended 31 March

	Share Capital \$'000	Share Premium \$'000	Capital Reserves \$'000	Accumulated Losses \$'000	Foreign Currency Translation Reserves \$'000	Total \$'000
<u>The Group</u>						
Balance at 1 January 2003	109,144	206,630	12,078	(106,530)	7,807	229,129
Issue of shares	4	6	-	-	-	10
Profit for the period	-	-	-	3,063	-	3,063
Exchange differences arising on consolidation	-	-	-	-	20	20
Balance at 31 March 2003	<u>109,148</u>	<u>206,636</u>	<u>12,078</u>	<u>(103,467)</u>	<u>7,827</u>	<u>232,222</u>
Balance at 1 January 2002	107,794	200,600	10,312	(190,819)	9,711	137,598
Issue of shares	1,336	6,012	-	-	-	7,348
Profit for the period	-	-	-	2,695	-	2,695
Exchange differences arising on consolidation	-	-	-	-	(360)	(360)
Balance at 31 March 2002	<u>109,130</u>	<u>206,612</u>	<u>10,312</u>	<u>(188,124)</u>	<u>9,351</u>	<u>147,281</u>

	Share Capital \$'000	Share Premium \$'000	Capital Reserves \$'000	Accumulated Losses \$'000	Foreign Currency Translation Reserves \$'000	Total \$'000
<u>The Company</u>						
Balance at 1 January 2003	109,144	206,630	9,025	(180,047)	-	144,752
Issue of shares	4	6	-	-	-	10
Profit for the period	-	-	-	1,606	-	1,606
Balance at 31 March 2003	<u>109,148</u>	<u>206,636</u>	<u>9,025</u>	<u>(178,441)</u>	<u>-</u>	<u>146,368</u>
Balance at 1 January 2002	107,794	200,600	9,025	(207,904)	-	109,515
Issue of shares	1,336	6,012	-	-	-	7,348
Loss for the period	-	-	-	(2,193)	-	(2,193)
Balance at 31 March 2002	<u>109,130</u>	<u>206,612</u>	<u>9,025</u>	<u>(210,097)</u>	<u>-</u>	<u>114,670</u>

1(d)(ii) SHARE CAPITAL

Since the end of the previous period, the Company issued 22,000 shares of \$0.20 each upon the exercise of options granted under the Company's Share Option Scheme to employees. The share capital of the Company as at the end of the financial period was 545,740,537 shares of \$0.20 each.

As at 31 March 2003, there were unexercised options for 12,805,000 (31 December 2002: 12,658,000) unissued shares of \$0.20 each under the Company's Share Option Scheme.

2. AUDIT

The figures have not been audited or reviewed.

3. AUDITORS' REPORT

N.A.

4. ACCOUNTING POLICIES

Except as disclosed in paragraph 5 below, 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 as at 31 December 2002.

5. CHANGE IN ACCOUNTING POLICY

Effective 1 January 2003, the Group changed its accounting policy with respect to accounting for its investments in jointly controlled entities. Investments in jointly controlled entities are now accounted for using the equity method. Previously, the Group accounted for its share of the results, assets and liabilities of jointly controlled entities using

proportionate consolidation. The equity method is more appropriate in view of the Group's progressively less involvement with these types of business ventures.

The change in accounting policy has no effect on the profit attributable to shareholders and no material effect on the balance sheet, except for the following profit and loss items:

	2003 3 Months		2002 3 Months	
	Before change	After change	Before change	After change
Revenue	68,974	64,217	174,614	67,782
Operating (loss)/profit	(359)	(980)	12,700	336
Share of results of associated companies	6,387	6,878	295	11,914

The comparative information for the corresponding prior period has been restated to reflect the change in policy.

6. EARNINGS PER ORDINARY SHARE

	GROUP		
	2003 3 Months	2002 3 Months	+ / (-)%
Earnings per Ordinary Share of the Group for the financial period based on net profit attributable to shareholders:-			
(i) Based on the weighted average number of shares (cents)	0.56	0.50	12.0
- Weighted average number of shares	545,733,204	541,198,436	0.8
(ii) On a fully diluted basis	0.56	0.50	12.0
- Adjusted weighted average number of shares	545,765,349	541,285,490	0.8

7. NET ASSET VALUE

	GROUP			COMPANY		
	31.3.2003	# 31.12.2002	+ / (-)%	31.3.2003	31.12.2002	+ / (-)%
Net asset value per Ordinary Share based on issued share capital at the end of the financial period/year (\$)	0.43	0.42	2.4	0.27	0.27	-

Figure restated

8. REVIEW OF GROUP PERFORMANCE

Turnover

Group turnover of \$64.2 million was 5% below that of the corresponding period in 2002 due to a slight dip in revenue from telecoms and shipping businesses.

Telecoms revenue declined from \$4.1 million to \$2.6 million in 2003 as a result of the disposal of regional data centres and Affinity Communications at the end of 2002.

Revenue for network engineering services of \$36.4 million in 2003 was close to the first quarter of 2002 as the shortfall in sales from Singapore and Europe were compensated by the increase in sales from Malaysia.

Revenue for logistics operations in Singapore declined because of lower occupancies in its warehouses but this was offset by the growth in revenue in China due to the buoyant Chinese economy.

In shipping, revenue from the Vietnam feeder service was adversely affected by the depressed freight rates and charter income was also lower due to the slow down in the global economy.

Profitability

Group profit before tax and exceptional items of \$6.4 million was 33% lower than the corresponding period in 2002. The better results from telecoms were not sufficient to offset losses from network engineering services and the weaker operating performance from shipping.

The telecoms sector improved its profit from \$1.8 million to \$5.8 million largely due to the disposal of loss-making operations, Affinity Communications and regional data centres.

Network engineering services incurred a loss of \$1.6 million compared to a profit of \$5.3 million in the first quarter of 2002 as sales from the highly profitable European sector fell due to cut backs in spending by major telecoms and cable operators.

Profits for the logistics division rose 17% to \$1.5 million due to tighter cost control.

Profits from the shipping division fell 50% mainly as a result of keen competition and lower revenue from the Vietnam feeder service.

Group profit after taxation of \$4.0 million was 6% lower than the \$4.3 million achieved in the first quarter of the previous year. However, attributable profit of \$3.1 million was higher than the \$2.7 million achieved in the first quarter of 2002.

Save as disclosed, in the opinion of the Directors, no factor has arisen between the end of the current period and the date of this report which would materially affect the results of the Group and of the Company for the three months just ended.

9. VARIANCE FROM PROSPECTS STATEMENT

Barring any unforeseen adverse circumstances, the Company remains on track in its statement of prospect made when it announced its 2002 results to at least maintain its Group profit before exceptional items in 2003.

10. PROSPECTS

The global operating environment remains challenging. Telecoms and cable operators continue to cut back on capital expenditure, choosing instead to focus on optimising their existing networks. The outbreak of the severe acute respiratory syndrome (SARS) in the region also added new uncertainties to the region's economic growth. The impact on business will depend on effective containment of the spread of SARS in the next few months.

Against this environment, the Group continues to focus on integrating its business processes, improving operating efficiencies and controlling cost. As part of this process, the network engineering division will be consolidating its South Asia network infrastructure deployment operations into its Malaysian subsidiary to improve cost competitiveness. At the same time, the division will also focus on higher value niches such as network planning, network integration services as well as network operations and maintenance work outsourced by network carriers.

In logistics, the Group expects its China operations to continue improving on the back of China's growth.

In shipping, charter rates for the Group's fleet will depend on the volume of global trade after the Iraqi war and the effect of SARS on global trade. The feeder trade remains difficult in the current economic environment.

The Group will continue to divest its loss-making and non-core businesses when market prices are favourable so as to maximise shareholders' value.

Barring any unforeseen adverse circumstances, the Group expects to at least improve on its first quarter results.

11. DIVIDENDS

(a) Current Financial Period Reported On

Any dividend recommended 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

N.A.

(d) BOOKS CLOSURE DATE

N.A.

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

No interim dividend has been declared for the period ended 31 March 2003.

13. SEGMENT ANALYSIS

March 2003

Business Segments

	Network Engineering \$'000	Telecoms \$'000	Logistics \$'000	Shipping \$'000	Adjustments/ Eliminations \$'000	Consolidated Total \$'000
Sales to third parties	36,416	2,565	16,612	8,624	-	64,217
Inter-segment sales	-	270	1,108	859	(2,237)	-
Consolidated sales	<u>36,416</u>	<u>2,835</u>	<u>17,720</u>	<u>9,483</u>	<u>(2,237)</u>	<u>64,217</u>
Operating (loss)/profit	(1,142)	(2,381)	1,642	901		(980)
Investment and interest income	(62)	1,782	46	-		1,766
Interest expense	(536)	(140)	(178)	(379)		(1,233)
Share of results of associated companies	157	6,548	34	139		6,878
(Loss)/profit before exceptional items	(1,583)	5,809	1,544	661		6,431
Exceptional items	-	304	(134)	-		170
(Loss)/profit before taxation	(1,583)	6,113	1,410	661		6,601
Taxation	(859)	(1,559)	(127)	(20)		(2,565)
Minority interests	(549)	(30)	(394)	-		(973)
Attributable (loss)/profit	<u>(2,991)</u>	<u>4,524</u>	<u>889</u>	<u>641</u>		<u>3,063</u>
<u>Other Information</u>						
Segment assets	139,564	59,652	187,234	83,040		469,490
Investment in associated companies	35,412	73,949	1,078	16,625		127,064
Total	<u>174,976</u>	<u>133,601</u>	<u>188,312</u>	<u>99,665</u>		<u>596,554</u>
Segment liabilities	<u>135,440</u>	<u>63,802</u>	<u>63,302</u>	<u>75,449</u>		<u>337,993</u>
Net assets	<u>39,536</u>	<u>69,799</u>	<u>125,010</u>	<u>24,216</u>		<u>258,561</u>
Capital expenditure	648	26	1,085	-		1,759
Depreciation and amortisation	1,226	398	1,991	810		4,425

By Geographical Location

	Singapore \$'000	Far East and ASEAN other than Singapore \$'000	Others \$'000	Consolidated Total \$'000
Sales to third parties	24,356	37,551	2,310	64,217
Total assets	382,826	182,490	31,238	596,554
Capital expenditure	476	1,177	106	1,759

Discontinuing shipping and telecoms operations are carried out principally in Singapore.

March 2002

Business Segments

(Restated)

	Network Engineering \$'000	Telecoms \$'000	Logistics \$'000	Shipping \$'000	Adjustments/ Eliminations \$'000	Consolidated Total \$'000
Sales to third parties	36,590	4,061	17,299	9,832	-	67,782
Inter-segment sales	523	224	1,066	905	(2,718)	-
Consolidated sales	<u>37,113</u>	<u>4,285</u>	<u>18,365</u>	<u>10,737</u>	<u>(2,718)</u>	<u>67,782</u>
Operating profit/(loss)	3,791	(6,711)	1,481	1,775		336
Investment and interest income	230	62	74	26		392
Interest expense	(735)	(1,434)	(245)	(581)		(2,995)
Share of results of associated companies	<u>1,985</u>	<u>9,835</u>	<u>7</u>	<u>87</u>		<u>11,914</u>
Profit before exceptional items	5,271	1,752	1,317	1,307		9,647
Exceptional items	<u>607</u>	<u>(1,489)</u>	<u>-</u>	<u>-</u>		<u>(882)</u>
Profit before taxation	5,878	263	1,317	1,307		8,765
Taxation	(1,741)	(2,589)	(138)	12		(4,456)
Minority interests	<u>(1,535)</u>	<u>270</u>	<u>(349)</u>	<u>-</u>		<u>(1,614)</u>
Attributable profit/(loss)	<u>2,602</u>	<u>(2,056)</u>	<u>830</u>	<u>1,319</u>		<u>2,695</u>

	Network Engineering \$'000	Telecoms \$'000	Logistics \$'000	Shipping \$'000	Adjustments/ Eliminations \$'000	Consolidated Total \$'000
<u>Other Information</u>						
Segment assets	169,525	126,671	214,625	136,259		647,080
Investment in associated companies	<u>57,535</u>	<u>183,681</u>	<u>1,087</u>	<u>22,509</u>		<u>264,812</u>
Total	<u>227,060</u>	<u>310,352</u>	<u>215,712</u>	<u>158,768</u>		<u>911,892</u>
Segment liabilities	<u>140,692</u>	<u>430,645</u>	<u>73,648</u>	<u>92,232</u>		<u>737,217</u>
Net assets	<u>86,368</u>	<u>(120,293)</u>	<u>142,064</u>	<u>66,536</u>		<u>174,675</u>
Capital expenditure	1,081	581	404	15		2,081
Depreciation and amortisation	696	3,540	2,173	1,309		7,718

By Geographical Location

	Singapore \$'000	Far East and ASEAN other than Singapore \$'000	Others \$'000	Consolidated Total \$'000
Sales to third parties	34,308	10,499	22,975	67,782
Segment assets	730,539	115,278	66,075	911,892
Capital expenditure	1,473	435	173	2,081

Discontinuing shipping and telecoms operations are carried out principally in Singapore.

Notes:

- (a) Pricing of inter-segment sales is at fair market value.
- (b) Net assets employed by segments are those identifiable assets less liabilities that are used in the operation of each segment as at the end of the financial period.
- (c) Share of associated companies' results and investments in associated companies are included in the results and net assets employed in the appropriate segments.
- (d) Analysis by geographical location is based on the locations in which the Group's activities are carried out.

14. REVIEW OF SEGMENT PERFORMANCE

N.A.

15. INTERESTED PERSON TRANSACTIONS

Name of interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920).		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual.	
	2003 3 Months \$'000	2002 3 Months \$'000	2003 3 Months \$'000	2002 3 Months \$'000
<u>General Transactions</u>				
Keppel Corporation Limited	-	-	1,850	132
Neptune Orient Lines Limited	-	-	-	4,415
Temasek Holdings Group – others	-	-	-	402
<u>Treasury Transactions</u>				
Keppel Corporation Limited	-	-	16,907	1,632
<u>Management Services</u>				
Keppel Corporation Limited	-	-	919	801
<u>Divestment Transactions</u>				
Keppel Corporation Limited	304	-		
	304	-	19,676	7,382

BY ORDER OF THE BOARD

CAROLINE CHANG/CAROL AU
Company Secretaries
23 April 2003