

KEPPEL TELECOMMUNICATIONS & TRANSPORTATION LTD

(Co Reg No: 196500115G)

Second Quarter Financial Statement

1 UNAUDITED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2005

The Directors of **Keppel Telecommunications & Transportation Ltd** advise the following unaudited results of the Group for the second quarter ended 30 June 2005.

1(a) GROUP PROFIT AND LOSS ACCOUNTS

for the second quarter and half year ended 30 June 2005

	2005 2Q \$'000	2004 2Q \$'000 (Restated)	+ / (-) %	2005 6 Months \$'000	2004 6 Months \$'000 (Restated)	+ / (-) %
TURNOVER	28,433	48,497	(41.4)	53,388	98,790	(46.0)
Less operating expenses	<u>(24,116)</u>	<u>(45,429)</u>	(46.9)	<u>(46,686)</u>	<u>(92,829)</u>	(49.7)
OPERATING PROFIT	4,317	3,068	40.7	6,702	5,961	12.4
Interest income	722	90	702.2	1,471	173	750.3
Interest expense	(1,099)	(1,447)	(24.0)	(2,075)	(2,897)	(28.4)
Share of results of associated companies and jointly controlled entity	<u>9,165</u>	<u>9,732</u>	(5.8)	<u>17,625</u>	<u>18,340</u>	(3.9)
PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS	13,105	11,443	14.5	23,723	21,577	9.9
Exceptional items	<u>92</u>	<u>1,997</u>	(95.4)	<u>92</u>	<u>3,006</u>	(96.9)
PROFIT BEFORE TAXATION	13,197	13,440	(1.8)	23,815	24,583	(3.1)
Taxation	<u>(3,052)</u>	<u>(2,398)</u>	27.3	<u>(3,327)</u>	<u>(2,293)</u>	45.1
PROFIT FOR THE PERIOD	<u>10,145</u>	<u>11,042</u>	(8.1)	<u>20,488</u>	<u>22,290</u>	(8.1)
Attributable to:						
Shareholders of the Company						
Profit before exceptional items	8,892	8,086	10.0	18,672	17,663	5.7
Exceptional items	<u>92</u>	<u>2,286</u>	(96.0)	<u>92</u>	<u>3,295</u>	(97.2)
	8,984	10,372	(13.4)	18,764	20,958	(10.5)
Minority interests	<u>1,161</u>	<u>670</u>	73.3	<u>1,724</u>	<u>1,332</u>	29.4
	<u>10,145</u>	<u>11,042</u>	(8.1)	<u>20,488</u>	<u>22,290</u>	(8.1)
Earnings per share						
Before exceptional items						
- basic	1.6 cts	1.4 cts	14.3	3.4 cts	3.2 cts	6.3
- diluted	1.6 cts	1.4 cts	14.3	3.4 cts	3.2 cts	6.3
After exceptional items						
- basic	1.6 cts	1.9 cts	(15.8)	3.4 cts	3.8 cts	(10.5)
- diluted	1.6 cts	1.9 cts	(15.8)	3.4 cts	3.8 cts	(10.5)

Notes to Group Profit and Loss Accounts

(i) Operating expenses comprise the following:

	2005 2Q \$'000	2004 2Q \$'000 (Restated)	+ /(-) %	2005 6 Months \$'000	2004 6 Months \$'000 (Restated)	+ /(-) %
Purchase of goods and services	10,696	28,254	(62.1)	17,220	54,343	(68.3)
Staff costs	6,711	7,982	(15.9)	13,918	17,135	(18.8)
Defined contribution pension plans	638	815	(21.7)	1,224	1,728	(29.2)
Depreciation of fixed assets	1,721	2,177	(20.9)	3,664	5,467	(33.0)
Amortisation of intangible assets	-	277	(100.0)	-	598	(100.0)
Other operating expenses	4,350	5,924	(26.6)	10,660	13,558	(21.4)
	<u>24,116</u>	<u>45,429</u>	(46.9)	<u>46,686</u>	<u>92,829</u>	(49.7)

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

	2005 2Q \$'000	2004 2Q \$'000 (Restated)	+ /(-) %	2005 6 Months \$'000	2004 6 Months \$'000 (Restated)	+ /(-) %
Share-based payment expenses	106	67	58.2	212	133	59.4
Provision for/(writeback of) doubtful debts and bad debts written off	32	(80)	NM	29	(78)	NM
Provision for stock obsolescence	377	-	NM	377	-	NM
Foreign exchange (gain)/loss	(9)	410	NM	90	375	(76.0)
Profit on disposal of fixed assets	(409)	(170)	140.6	(462)	(150)	208.0
Fair value loss/(gain)						
- Forward contract	-	-	NM	(104)	-	NM
- Assets at fair value through profit and loss	138	-	NM	-	-	-

NM – not meaningful

(iii) Taxation included an under-provision of \$165,000 in respect of prior years in the second quarter.

(iv) Exceptional items consist of:

	2005 2Q \$'000	2004 2Q \$'000	2005 6 Months \$'000	2004 6 Months \$'000
Gain on sale of vessels	-	23,894	-	29,521
Gain on disposal of land and buildings	-	747	-	747
Gain on disposal of subsidiaries and investments	2,418	46	2,418	46
Provision for impairment in value of other investments and equity advances	(2,326)	(628)	(2,326)	(1,059)
Staff compensation and restructuring of operations	-	(243)	-	(4,182)
Intangible and fixed assets written off	-	(1,517)	-	(1,517)
Provision for impairment in value of assets	-	(20,302)	-	(20,550)
	92	1,997	92	3,006
Minority share of exceptional items	-	289	-	289
	92	2,286	92	3,295

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

1(b)(i) BALANCE SHEETS as at 30 June 2005

	Group		Company	
	30.6.2005 \$'000	31.12.2004 \$'000 (Restated)	30.6.2005 \$'000	31.12.2004 \$'000 (Restated)
SHARE CAPITAL	109,211	109,152	109,211	109,152
RESERVES	127,993	127,472	19,956	35,099
SHARE CAPITAL AND RESERVES	237,204	236,624	129,167	144,251
MINORITY INTERESTS	31,853	29,327	-	-
CAPITAL EMPLOYED	269,057	265,951	129,167	144,251
Represented by:				
FIXED ASSETS	137,087	138,768	-	-
INVESTMENTS				
Subsidiaries	-	-	92,587	101,702
Associated companies and jointly controlled entity	110,251	126,774	6,673	23,092
Others	21,633	15,974	-	-
	131,884	142,748	99,260	124,794
INTANGIBLE ASSETS	-	594	-	-
DEFERRED TAX ASSETS	10,441	9,001	-	-
LONG-TERM RECEIVABLE	5,113	5,500	-	-
CURRENT ASSETS				
Stocks and work-in-progress	4,633	8,521	-	-
Debtors	86,055	88,133	636	273
Amounts owing by holding and related companies	1,287	661	7,620	4,019
Amounts owing by associated companies	3,193	3,725	761	-
Fixed deposits	97,864	108,159	21,679	33,852
Bank balances and cash	14,912	17,263	261	50
	207,944	226,462	30,957	38,194
LESS: CURRENT LIABILITIES				
Creditors	58,862	71,468	347	453
Amounts owing to holding and related companies	1,736	453	579	502
Amounts owing to associated companies	140	17,738	82	17,682
Short-term borrowings	160,238	164,216	-	-
Taxation	1,649	2,530	42	100
	222,625	256,405	1,050	18,737
NET CURRENT (LIABILITIES)/ASSETS	(14,681)	(29,943)	29,907	19,457
NON-CURRENT LIABILITY				
Deferred taxation	787	717	-	-
NET ASSETS	269,057	265,951	129,167	144,251

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

Amount repayable in one year or less, or on demand

As at 30 Jun 2005		As at 31 Dec 2004	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
18,500	141,738	22,000	142,216

Amount repayable after one year

As at 30 Jun 2005		As at 31 Dec 2004	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
-	-	-	-

Details of any collateral

A subsidiary of the Company mortgaged its asset to obtain loan from a financial institution. The net book value of property mortgaged amounted to \$59.8 million. (31 December 2004: \$60.5 million)

**1(c) CONSOLIDATED CASH FLOW STATEMENT
for the second quarter and half year ended 30 June 2005**

	2005 2Q \$'000	2004 2Q \$'000 (Restated)	2005 6 Months \$'000	2004 6 Months \$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating profit	4,317	3,068	6,702	5,961
Adjustments:				
Depreciation of fixed assets	1,721	2,177	3,664	5,467
Amortisation of intangible assets	-	277	-	598
Gain on sale of fixed assets	(409)	(170)	(462)	(150)
Share-based payment expense	106	67	212	133
Fair value loss/(gain) on financial instruments	138	-	(104)	-
Translation of foreign companies	762	864	847	410
Operating profit before changes in working capital	6,635	6,283	10,859	12,419
Working capital changes:				
Stocks	2,761	2,869	3,888	5,387
Debtors	(8,141)	4,520	700	14,374
Creditors	(1,472)	4,687	(12,347)	(170)
Cash (used in)/from operations	(217)	18,359	3,100	32,010
Interest received	370	90	739	184
Interest paid	(907)	(1,447)	(1,292)	(3,418)
Income taxes (paid)/refunded, net	(652)	416	(2,466)	(166)
Proceeds from tax losses transferred under group relief system	-	-	-	2,125
Staff compensation and restructuring expenses	-	(966)	-	(2,497)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(1,406)	16,452	81	28,238
CASH FLOWS FROM INVESTING ACTIVITIES				
Disposal of subsidiaries (Note A)	-	(133)	-	(133)
Return of capital from associated companies	-	804	-	804
Additional investment in an associated company	-	(22)	-	(22)
Purchase of other investments	(1,509)	(855)	(4,597)	(2,908)
Proceeds from disposal of other investments	2,499	626	2,499	626
Return of capital from other investments	-	-	-	284
Acquisition of fixed assets	(1,432)	(1,134)	(2,251)	(3,340)
Proceeds from sale of fixed assets	1,363	66,172	1,424	92,412
Dividends received from investments	9,786	14,225	11,138	14,225
NET CASH FROM INVESTING ACTIVITIES	10,707	79,683	8,213	101,948
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from share issues	208	-	245	-
Repayment of term loans	(1,724)	(10,565)	(3,500)	(12,345)
Proceeds from term loans	1,676	-	1,676	-
Funds to holding and related companies	(2,377)	(91,592)	(2,038)	(93,920)
Funds (to)/from associated companies	(120)	18,417	1,349	17,900
Proceeds from minority shareholders of subsidiaries	435	-	435	-
Dividends paid to shareholders of the company	(19,107)	(16,373)	(19,107)	(16,373)
Dividends paid to minority shareholders of subsidiaries	-	(29)	-	(29)
NET CASH USED IN FINANCING ACTIVITIES	(21,009)	(100,142)	(20,940)	(104,767)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of period	124,484	71,919	125,422	42,493
Cash and cash equivalents at end of period (Note B)	112,776	67,912	112,776	67,912

Notes to Consolidated Cash Flow Statement

A. Disposal of Subsidiaries

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

	2005 2Q \$'000	2004 2Q \$'000	2005 6 Months \$'000	2004 6 Months \$'000
Fixed assets	-	(38)	-	(38)
Stocks, debtors and creditors	-	(70)	-	(70)
Bank balances and cash	-	(133)	-	(133)
Exchange equalisation	-	(3)	-	(3)
	-	(244)	-	(244)
Net loss on disposal	-	244	-	244
Sale proceeds	-	-	-	-
Add:				
Bank balances and cash disposed	-	133	-	133
Cash outflow on disposal, net of cash disposed	-	133	-	133

B. Cash and Cash Equivalents

Cash and cash equivalents consist of fixed deposits, bank balances and cash. Cash and cash equivalents in the consolidated cash flow statement comprise the following balance sheet amounts:

	2005 2Q \$'000	2004 2Q \$'000	2005 6 Months \$'000	2004 6 Months \$'000
Fixed deposits	97,864	39,807	97,864	39,807
Bank balances and cash	14,912	28,105	14,912	28,105
	112,776	67,912	112,776	67,912

**1(d)(i) STATEMENTS OF CHANGES IN EQUITY
for the second quarter and half year ended 30 June 2005**

	Attributable to Shareholders of the Company						Minority	Capital
	Share	Share	Capital	Accumulated	Foreign	Total	Interests	Employed
	Capital	Premium	Reserves	Losses	Currency Translation Reserve			
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
The Group								
Balance at								
1 January 2005								
- As stated previously	109,152	206,641	12,856	(92,916)	(7,721)	228,012	29,337	257,349
- Effect of adopting FRS 102	-	-	286	(395)	-	(109)	(10)	(119)
- Adjustment for equity accounting of an associated company	-	-	-	8,245	476	8,721	-	8,721
Restated as at								
1 January 2005	109,152	206,641	13,142	(85,066)	(7,245)	236,624	29,327	265,951
- Effect of adopting FRS 39	-	-	1,456	(1,025)	-	431	35	466
	109,152	206,641	14,598	(86,091)	(7,245)	237,055	29,362	266,417
Issue of shares	9	28	-	-	-	37	-	37
Cost of share-based payment	-	-	76	-	-	76	-	76
Net fair value changes on available-for-sale financial assets	-	-	33	-	-	33	-	33
Net fair value changes on cash flow hedge	-	-	484	-	-	484	-	484
Transfer from accumulated losses	-	-	-	(113)	-	(113)	-	(113)
Transfer to capital reserves	-	-	113	-	-	113	-	113
Profit for the period	-	-	-	9,780	-	9,780	563	10,343
Exchange differences arising on consolidation	-	-	-	-	35	35	(144)	(109)
Balance at								
31 March 2005	109,161	206,669	15,304	(76,424)	(7,210)	247,500	29,781	277,281
Issue of shares	50	158	-	-	-	208	-	208
Cost of share-based payment	-	-	84	-	-	84	-	84
Net fair value changes on available-for-sale financial assets	-	-	(24)	-	-	(24)	-	(24)
Net fair value changes on cash flow hedge	-	-	(64)	-	-	(64)	-	(64)
Transfer to profit and loss account	-	-	(1,865)	-	-	(1,865)	-	(1,865)
Profit for the period	-	-	-	8,984	-	8,984	1,161	10,145
Dividend paid for 2004	-	-	-	(19,107)	-	(19,107)	-	(19,107)
Exchange differences arising on consolidation	-	-	-	-	1,488	1,488	476	1,964
Cash subscribed by minority shareholders	-	-	-	-	-	-	435	435
Balance at								
30 June 2005	<u>109,211</u>	<u>206,827</u>	<u>13,435</u>	<u>(86,547)</u>	<u>(5,722)</u>	<u>237,204</u>	<u>31,853</u>	<u>269,057</u>

	Attributable to Shareholders of the Company					Total	Minority	Capital
	Share Capital	Share Premium	Capital Reserves	Accumulated Losses	Foreign Currency Translation		Interests	Employed
					Reserve		\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at 1 January 2004								
- As stated previously	109,152	206,641	13,146	(110,830)	4,740	222,849	28,942	251,791
- Effect of adopting FRS 102	-	-	46	(43)	-	3	(3)	-
- Adjustment for equity accounting of an associated company	-	-	-	5,302	1,200	6,502	-	6,502
Restated as at 1 January 2004	109,152	206,641	13,192	(105,571)	5,940	229,354	28,939	258,293
Cost of share-based payment	-	-	53	-	-	53	(2)	51
Profit for the period	-	-	-	10,586	-	10,586	664	11,250
Exchange differences arising on consolidation	-	-	-	-	(456)	(456)	(26)	(482)
Balance at 31 March 2004	109,152	206,641	13,245	(94,985)	5,484	239,537	29,575	269,112
Cost of share-based payment	-	-	62	-	-	62	(2)	60
Transfer from/(to) accumulated losses	-	-	11	-	(727)	(716)	-	(716)
Transfer to capital reserves	-	-	-	(11)	-	(11)	-	(11)
Transfer from foreign currency translation reserves	-	-	-	727	-	727	-	727
Profit for the period	-	-	-	10,372	-	10,372	672	11,044
Dividend paid for 2003	-	-	-	(16,373)	-	(16,373)	-	(16,373)
Exchange differences arising on consolidation	-	-	-	-	830	830	66	896
Other adjustments	-	-	1,146	-	-	1,146	-	1,146
Dividend paid to minority shareholders	-	-	-	-	-	-	(29)	(29)
Balance at 30 June 2004	109,152	206,641	14,464	(100,270)	5,587	235,574	30,282	265,856

	Attributable to Shareholders of the Company					Total	Minority	Capital
	Share Capital	Share Premium	Capital Reserves	Accumulated Losses	Foreign Currency Translation		Interests	Employed
					Reserve		\$'000	\$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
The Company								
Balance at								
1 January 2005								
- As stated previously	109,152	206,641	9,025	(180,759)	-	144,059	-	144,059
- Effect of adopting FRS 102	-	-	192	-	-	192	-	192
Restated as at								
1 January 2005	109,152	206,641	9,217	(180,759)	-	144,251	-	144,251
Issue of shares	9	28	-	-	-	37	-	37
Cost of share-based payment	-	-	53	-	-	53	-	53
Loss for the period	-	-	-	(37)	-	(37)	-	(37)
Balance at								
31 March 2005	109,161	206,669	9,270	(180,796)	-	144,304	-	144,304
Issue of shares	50	158	-	-	-	208	-	208
Cost of share-based payment	-	-	52	-	-	52	-	52
Profit for the period	-	-	-	3,710	-	3,710	-	3,710
Dividend paid for 2004	-	-	-	(19,107)	-	(19,107)	-	(19,107)
Balance at								
30 June 2005	<u>109,211</u>	<u>206,827</u>	<u>9,322</u>	<u>(196,193)</u>	-	<u>129,167</u>	-	<u>129,167</u>
Balance at								
1 January 2004								
- As stated previously	109,152	206,641	9,025	(184,712)	-	140,106	-	140,106
- Effect of adopting FRS 102	-	-	46	-	-	46	-	46
Restated as at								
1 January 2004	109,152	206,641	9,071	(184,712)	-	140,152	-	140,152
Cost of share-based payment	-	-	36	-	-	36	-	36
Profit for the period	-	-	-	33	-	33	-	33
Balance at								
31 March 2004	109,152	206,641	9,107	(184,679)	-	140,221	-	140,221
Cost of share-based payment	-	-	37	-	-	37	-	37
Profit for the period	-	-	-	2,584	-	2,584	-	2,584
Dividend paid for 2003	-	-	-	(16,373)	-	(16,373)	-	(16,373)
Balance at								
30 June 2004	<u>109,152</u>	<u>206,641</u>	<u>9,144</u>	<u>(198,468)</u>	-	<u>126,469</u>	-	<u>126,469</u>

1(d)(ii) SHARE CAPITAL

Since the end of the previous period, the Company issued 250,000 ordinary shares of \$0.20 each upon the exercise of options granted under the Company's Share Option Scheme. The share capital of the Company as at the end of the financial period was 546,056,537 ordinary shares of \$0.20 each.

As at 30 June 2005, there were unexercised options for 5,321,000 (30 June 2004: 6,182,000) unissued ordinary shares of \$0.20 each under the Company's Share Option Scheme.

2. AUDIT

The financial statements have not been audited nor reviewed by auditors.

3. AUDITORS' REPORT

Not applicable

4. ACCOUNTING POLICIES

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 2004, except as described in paragraph 5 below.

5. CHANGES IN ACCOUNTING POLICIES

(a) Financial Reporting Standards (FRS)

The Group has adopted all the new and revised Financial Reporting Standards (FRS) that became effective for the financial years beginning on or after 1 January 2005. These FRS include:

FRS 39 - Financial Instruments : Recognition and Measurement
FRS 102 - Share-based Payment

The impact of the changes in accounting policies are as follows:

FRS 39

In accordance with the transitional provisions of FRS 39, the recognition and measurement of financial instruments in financial statements for periods prior to 1 January 2005 shall not be reversed. Consequently, the comparative figures for 2004 have not been restated.

On 1 January 2005, the Group made transitional adjustments to restate the opening available-for-sale asset reserves by \$2,856,000, accumulated losses by \$1,025,000 and minority interests by \$35,000. Opening hedging reserve has also been adjusted downwards by \$1,400,000.

FRS 102

In compliance with FRS 102, share options to employees are measured at fair value at the date of grant and recognised as expense over the vesting period. Previously, share options to employees were not charged to the profit and loss account.

As a result of adopting FRS 102, the Group adjusted upwards the opening accumulated losses and share option reserve as at 1 January 2005 by \$395,000 and \$286,000 respectively. The opening minority interests were adjusted downwards by \$10,000.

(b) Equity Accounting for Asia Airfreight Terminal Company Limited Group ("AAT")

The Group changed its accounting policy with respect to accounting for its 10% investment in Asia Airfreight Terminal Company Limited Group ("AAT"). This investment had previously been stated at cost as part of the Group's long-term investments.

As the equity method is more appropriate in view of the Group's re-focus on growing its logistics business regionally, the Group has accounted for its strategic investment in AAT retrospectively. The Group is committed to AAT's expansion plan and it exercises significant influence over AAT.

(c) **Effect of Changes in Accounting Policies**

The effect of the changes is tabulated below.

	2005 2Q \$'000	2004 2Q \$'000	2005 6 Months \$'000	2004 6 Months \$'000
<u>Profit & Loss</u>				
(i) <u>Effect of adopting FRS 102</u>				
Operating expenses	(106)	(67)	(212)	(133)
Share of results of associated companies	(51)	(25)	(94)	(42)
	<u>(157)</u>	<u>(92)</u>	<u>(306)</u>	<u>(175)</u>
(ii) <u>Effect of equity accounting for AAT</u>				
Investment income	(2,465)	(1,552)	(2,465)	(1,552)
Share of results of associated companies	1,523	1,554	2,647	2,785
Taxation	(295)	(299)	(411)	(634)
	<u>(1,237)</u>	<u>(297)</u>	<u>(229)</u>	<u>599</u>
Net (decrease)/increase in profit for the period	<u>(1,394)</u>	<u>(389)</u>	<u>(535)</u>	<u>424</u>
Earnings per share after exceptional items (cents)				
- (decrease)/increase (basic and diluted)	(0.3)	(0.1)	(0.1)	0.1

<u>Balance Sheet</u>	As at 30.06.05 \$'000	As at 31.12.04 \$'000
Investment in		
- associated companies	15,496	15,342
- other long-term investments	<u>(6,621)</u>	<u>(6,621)</u>
Net increase	<u>8,875</u>	<u>8,721</u>

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

6. EARNINGS PER ORDINARY SHARE

	GROUP					
	2005 2Q	2004 2Q	+/(-)%	2005 6 Months	2004 6 Months	+/(-)%
		(Restated)			(Restated)	
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)	1.6	1.9	(15.8)	3.4	3.8	(10.5)
- Weighted average number of shares ('000)	545,867	545,762	0.0	545,867	545,762	0.0
(ii) On a fully diluted basis (cents)	1.6	1.9	(15.8)	3.4	3.8	(10.5)
- Adjusted weighted average number of shares ('000)	545,931	545,775	0.0	545,931	545,775	0.0

7. NET ASSET VALUE

	GROUP			COMPANY		
	30.6.2005	31.12.2004	+/(-)%	30.6.2005	31.12.2004	+/(-)%
		(Restated)			(Restated)	
Net asset value per Ordinary Share based on issued share capital at the end of the financial period/year (\$)	0.43	0.43	-	0.24	0.26	(7.7)

8. REVIEW OF GROUP PERFORMANCE

The Group's second quarter operational performance has improved over the previous quarter as well as the corresponding quarter in 2004. The half year operational performance is also better than the same period in 2004.

Second Quarter

Group turnover was 41% lower than the corresponding period in 2004 mainly due to lower Network Engineering revenue and absence of contribution from Shipping. Network Engineering's turnover was lower because the Division is completing a major project in Malaysia. There was no shipping revenue as the Group divested its fleet of container vessels in mid-2004.

Despite lower turnover, Group profit before tax and exceptional items improved 15% to \$13.1 million. All business divisions recorded improved performances which more than offset the lack of contribution from Shipping.

Attributable profit before exceptional items improved 10% over 2004.

The net gain from exceptional items was lower in the quarter compared to the \$2.3m net gain in the same period of 2004 as a result of the sale of the ships.

Half Year

In the first six months, Group turnover was 46% lower than the same period in 2004 mainly due to lower Network Engineering revenue and the lack of contribution from Shipping.

Despite the lack of contribution from Shipping, Group profit before tax and exceptional items improved 10% over 2004. All business segments achieved better results which more than compensated for the absence of \$2.1 million contribution from Shipping in 2004.

MobileOne continues to be the significant contributor with a contribution of \$14.0 million to Group's pre-tax profit. Network Engineering improved 84% to \$3.5 million while Logistics also turned in a 21% improvement to \$6.9 million.

Group attributable profit before exceptional items of \$18.7 million was 6% higher than the corresponding period in 2004. Exceptional gains were insignificant unlike 2004, where the Group profited from the sale of ships.

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 half year just ended.

9. VARIANCE FROM PROSPECTS STATEMENT

No variance from previous statement.

10. PROSPECTS

The telecommunications industry continues to show gradual improvement, with programmes for the roll-out of wireless network by both the incumbent as well as new operators in markets like Indonesia. There are also opportunities in Philippines and Vietnam, but sales in Malaysia will decline with the completion of a major contract. In the more matured markets like Singapore and Malaysia, the Group is looking for new opportunities in operations and maintenance work.

In Europe and US, cable operators are also emerging from their consolidation phase. In the coming months, the broadband take-up rates are expected to lead to the implementation of network optimisation programmes by operators. The Network Engineering Division expects greater demand for network documentation solutions and data conversion services using Geographical Information Systems (GIS).

Logistics operation in Singapore remains weak with continuing downward pressure on pricing. Operations in Foshan, Southern China should remain steady. The Division will continue to focus on looking for opportunities in the region.

Barring any unforeseen circumstances, the Group expects to achieve a similar level of profit for this year.

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

Not applicable

(d) BOOKS CLOSURE DATE

Not applicable

(e) If no dividend has been declared/recommended, a statement to that effect.

No interim dividend has been declared for the period ended 30 June 2005 (30 June 2004: Nil).

12. CAPITAL DISTRIBUTION

With the improved cash position of the Group, the Directors are proposing that the Company effect a capital reduction exercise (the "Capital Reduction") as follows:

- (i) a capital distribution of 10 cents in cash for each share without deduction for tax out of the Company's share premium account; and
- (ii) cancellation of paid-up capital which has been lost or is unrepresented by available assets by
 - (a) reduction of the par value of the shares of the Company from S\$0.20 to S\$0.10, and
 - (b) cancellation of share premium account.

The Capital Reduction is subject to the approval of shareholders of the Company and, if required, the confirmation of the High Court.

13. SEGMENT ANALYSIS
Half Year ended 30 June 2005
Business Segments

	Network Engineering \$'000	Logistics \$'000	Investments \$'000	Adjustments/ Eliminations \$'000	Consolidated Total \$'000
Sales to third parties	21,575	30,961	852	-	53,388
Inter-segment sales	3,511	2,816	-	(6,327)	-
Consolidated sales	<u>25,086</u>	<u>33,777</u>	<u>852</u>	<u>(6,327)</u>	<u>53,388</u>
Operating profit/(loss)	2,474	4,646	(418)		6,702
Interest income	382	85	1,004		1,471
Interest expense	(234)	(428)	(1,413)		(2,075)
Share of results of associated companies and jointly controlled entity	882	2,612	14,131		17,625
Profit before tax and exceptional items	3,504	6,915	13,304		23,723
Exceptional items	(2,380)	-	2,472		92
Profit before taxation	1,124	6,915	15,776		23,815
Taxation	348	(693)	(2,982)		(3,327)
Profit for the period	<u>1,472</u>	<u>6,222</u>	<u>12,794</u>		<u>20,488</u>
Attributable to:					
Shareholders of the Company					
Profit before exceptional items	3,044	5,319	10,309		18,672
Exceptional items	(2,380)	-	2,472		92
	664	5,319	12,781		18,764
Minority interests	808	903	13		1,724
	<u>1,472</u>	<u>6,222</u>	<u>12,794</u>		<u>20,488</u>
<u>Other Information</u>					
Segment assets	103,508	167,676	140,636	(29,602)	382,218
Investment in associated companies and jointly controlled entity	26,461	16,337	67,453	-	110,251
Total	<u>129,969</u>	<u>184,013</u>	<u>208,089</u>	<u>(29,602)</u>	<u>492,469</u>
Segment liabilities	103,105	54,212	95,697	(29,602)	223,412
Net assets	<u>26,864</u>	<u>129,801</u>	<u>112,392</u>	<u>-</u>	<u>269,057</u>
Capital expenditure	407	1,621	223		2,251
Depreciation	568	2,966	130		3,664

By Geographical Location

	Singapore \$'000	Far East and ASEAN other than Singapore \$'000	Others \$'000	Consolidated Total \$'000
Sales to third parties	23,484	27,300	2,604	53,388
Total assets	301,075	184,313	7,081	492,469
Capital expenditure	482	1,486	283	2,251

Half Year ended 30 June 2004

Business Segments

(Restated)

	Network Engineering \$'000	Logistics \$'000	Investments \$'000	Shipping \$'000	Adjustments/ Eliminations \$'000	Consolidated Total \$'000
Sales to third parties	58,106	32,473	1,137	7,074	-	98,790
Inter-segment sales	3,422	2,039	-	-	(5,461)	-
Consolidated sales	<u>61,528</u>	<u>34,512</u>	<u>1,137</u>	<u>7,074</u>	<u>(5,461)</u>	<u>98,790</u>
Operating profit/(loss)	1,768	3,238	(1,377)	2,332		5,961
Interest income	75	41	20	37		173
Interest expense	(1,444)	(316)	(788)	(349)		(2,897)
Share of results of associated companies and jointly controlled entity	1,506	2,749	13,976	109		18,340
Profit before tax and exceptional items	1,905	5,712	11,831	2,129		21,577
Exceptional items (Loss)/profit before taxation	(5,746)	(20,000)	(769)	29,521		3,006
Taxation	(3,841)	(14,288)	11,062	31,650		24,583
(Loss)/profit for the period	345	(1,236)	(1,102)	(300)		(2,293)
	<u>(3,496)</u>	<u>(15,524)</u>	<u>9,960</u>	<u>31,350</u>		<u>22,290</u>
Attributable to:						
Shareholders of the Company						
Profit before exceptional items	1,547	3,616	10,671	1,829		17,663
Exceptional items	(5,457)	(20,000)	(769)	29,521		3,295
	(3,910)	(16,384)	9,902	31,350		20,958
Minority interests	414	860	58	-		1,332
	<u>(3,496)</u>	<u>(15,524)</u>	<u>9,960</u>	<u>31,350</u>		<u>22,290</u>

	Network Engineering \$'000	Logistics \$'000	Investments \$'000	Shipping \$'000	Adjustments/ Eliminations \$'000	Consolidated Total \$'000
<u>Other Information</u>						
Segment assets	160,747	167,492	121,802	43,910	(119,860)	374,091
Investment in associated companies and jointly controlled entity	26,212	14,707	78,147	21,688	-	140,754
Total	186,959	182,199	199,949	65,598	(119,860)	514,845
Segment liabilities	150,643	58,930	152,867	6,409	(119,860)	248,989
Net assets	36,316	123,269	47,082	59,189	-	265,856
Capital expenditure	535	2,805	-	-		3,340
Depreciation and amortisation	1,171	3,776	164	954		6,065
Impairment losses	549	20,000	-	-		20,549

By Geographical Location

	Singapore \$'000	Far East and ASEAN other than Singapore \$'000	Others \$'000	Consolidated Total \$'000
Sales to third parties	32,539	62,088	4,163	98,790
Total assets	299,533	206,019	9,293	514,845
Capital expenditure	949	2,383	8	3,340

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.
- (e) Shipping activities have been discontinued.

14. REVIEW OF SEGMENT PERFORMANCE

Not applicable

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.	
	2005 6 Months \$'000	2004 6 Months \$'000	2005 6 Months \$'000	2004 6 Months \$'000
<u>General Transactions</u>				
Keppel Corporation Limited	-	-	-	302
CapitaLand Limited	-	-	119	-
Singapore Telecommunications Limited	-	-	483	1,216
Temasek Holdings Group – others	-	-	110	-
<u>Treasury Transactions</u>				
Keppel Corporation Limited	-	-	90,317	108,534
<u>Management Services</u>				
Keppel Corporation Limited	-	-	500	547
	-	-	91,529	110,599

16 ANNUAL DIVIDEND

N.A.

BY ORDER OF THE BOARD

CAROLINE CHANG/DANIEL LIM
Company Secretaries
25 July 2005