



บริษัท อาร์ ซี แอล จำกัด (มหาชน)
Regional Container Lines Public Company Limited

Press Release 2002 Financial Results

Regional Container Lines Public Company Limited net earnings as at December 31, 2002 stood at THB1,226 million and which was a significant improvement compared to a net loss of THB297 million recorded for the year 2001. The improvement was mainly contributed by the gain on exchange, a lesser impairment charge to the Group's fixed asset and cost reduction achieved all round in the year 2002. The Group had recorded an exchange gain of THB612 million of its US\$ denominated debt in year 2002 versus an exchange loss of THB804 million in 2001. The loss on impairment of the Group's property asset in 2002 was THB203 million and which is THB180 million lower than previous year.

The Group's turnover for the fourth quarter before gain on exchange was marginally down 1% at THB3.19 billion compared to THB3.22 billion for the same quarter last year. The reduction in turnover was due to the weakening of US\$ against the regional currencies as the Group income is US\$ based. The turnover before gain on exchange for year 2002 stood at THB12.47 billion and which was 8% lower than the year 2001 at THB13.52 billion. The reduction was partly due to the freight rate erosion being carried forward from second half of 2001 and partly due to the weakening US\$ against the regional currency.

The Group has also recorded lower operating expenses for the year 2002. Cost of freight and operations in year 2002 was down by 7% at THB9.58 billion. The savings were mainly due to productivity improvement and cost reduction in all level. Together with lower interest and administrative expenses, the Group's total expenses before exchange impact was THB11.27 billion and which is 8% down compared to THB12.19 billion in year 2001.

Regional Container Lines Group
26 February 2003

1998-2002 Earnings Statement in Baht

all figures base on financial statements reported to SET

(million baht)	Yearend 1998	Yearend 1999	Yearend 2000	Yearend 2001	Yearend 2002
Freight income	10,440.8	10,679.5	13,447.9	13,415.7	12,366.8
Total revenues	10,542.1	10,808.5	13,560.0	13,523.6	12,468.9
Cost of freight and operations	8,435.1	8,505.4	10,693.2	10,982.0	10,185.5
Gross profit	2,107.0	2,303.1	2,866.9	2,541.6	2,283.4
Administrative expenses	606.1	627.6	885.4	826.9	879.5
EBIT	1,500.9	1,675.5	1,981.4	1,714.6	1,403.9
Depreciation	681.8	679.0	681.9	756.7	641.1
Amortization	23.9	23.9	23.9	15.2	0.0
Loss (gain) on disposal of fixed assets	9.9	(24.9)	75.2	(1.7)	43.6
EBITDA	2,216.4	2,353.4	2,762.3	2,484.8	2,088.6
Interest expense	980.1	844.1	931.1	819.0	581.8
Earnings before tax, Fx and Impairment	520.8	831.4	1,050.4	895.7	822.2
Taxes paid	2.9	31.5	13.2	8.6	6.4
Net earning before realized Fx and Impairment	517.9	799.8	1,037.1	887.1	815.8
Foreign exchange gain (loss)	(229.3)	(73.4)	(479.0)	(804.4)	611.9
: Unrealized Fx gain (loss)	(210.4)	(123.4)	(388.5)	(729.4)	506.0
: Realized Fx gain (loss)	(18.9)	50.0	(90.5)	(75.0)	105.9
Net earnings after realized Fx gain (loss)					
<i>but before Impairment costs</i>	499.0	849.8	946.7	812.1	921.7
Loss on impairment of assets	0.0	0.0	1,011.7	383.3	203.1
Minority interest	4.0	9.6	5.8	(3.0)	(2.0)
Net profit	284.6	716.9	(459.3)	(297.6)	1,226.6
EXCHANGE RATE : AVERAGE RATE FOR EARNING STATEMENTS					
THB : 1 USD	40.3883	37.9212	40.4778	44.4829	42.9995
THB : 1 SGD	24.4251	22.3503	23.4012	24.7774	24.0834
SGD : 1 USD	1.6782	1.7034	1.7350	1.7953	1.7854

Remark : Administrative expenses in 2002 include loan restructuring cost of Bht 40.9 million.



REGIONAL CONTAINER LINES GROUP

(million)

	<i>Net Book Value</i>	<i>Market Value</i>	<i>Impairment gain (loss)</i>	<i>Exchange rate</i>	<i>Impairment gain (loss)</i>
as at 31/12/2000	S\$	S\$	S\$	Baht: S\$	Baht
Singapore Property	152.26	118.5	(33.76)	23.4012	(790.01)

	S\$	S\$	S\$	Baht: S\$	Baht
as at 31/12/2001					
Singapore Property	118.07	103.0	(15.07)	24.7774	(373.50)

	S\$	S\$	S\$	Baht: S\$	Baht
as at 31/12/2002					
Singapore Property	102.63	95.0	(7.63)	24.0834	(183.68)

(million)

	<i>Net Book Value</i>	<i>Market Value</i>	<i>Impairment gain (loss)</i>	<i>Exchange rate</i>	<i>Impairment gain (loss)</i>
	HK\$	HK\$	HK\$	Baht: HK\$	Baht
Hong Kong Property	60.08	17.4	(42.68)	5.1933	(221.65)

2000 Loss on impairment 1,011.71 million baht

	HK\$	HK\$	HK\$	Baht: HK\$	Baht
Hong Kong Property	16.52	14.8	(1.72)	5.7039	(9.83)

2001 Loss on impairment 383.33 million baht

	HK\$	HK\$	HK\$	Baht: HK\$	Baht
Hong Kong Property	15.34	11.8	(3.53)	5.5139	(19.46)

2002 Loss on impairment 203.14 million baht



REGIONAL CONTAINER LINES PUBLIC COMPANY LIMITED
AND ITS SUBSIDIARIES
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2002

Report of Independent Auditor

To The Board of Directors and Shareholders of
Regional Container Lines Public Company Limited

I have audited the consolidated balance sheet of Regional Container Lines Public Company Limited and its subsidiaries as at 31 December 2002 and the related statements of earnings, changes in shareholders' equity, and cash flows for the year then ended, and the separate financial statements of Regional Container Lines Public Company Limited. These financial statements are the responsibility of the management of the Company and its subsidiaries as to their correctness and the completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits. The consolidated financial statements of Regional Container Lines Public Company Limited and its subsidiaries and the separate financial statements of Regional Container Lines Public Company Limited for the year ended 31 December 2001 were audited by another auditor of our firm, who expressed an unqualified opinion on those statements under his report dated 18 February 2002.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Regional Container Lines Public Company Limited and its subsidiaries and of Regional Container Lines Public Company Limited as at 31 December 2002 and the results of their operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

Vissuta Jariyathanakorn
Certified Public Accountant (Thailand) No. 3853

Ernst & Young Office Limited
Bangkok : 14 February 2003

REGIONAL CONTAINER LINES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS

AS AT 31 DECEMBER 2002 AND 2001

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2002	2001	2002	2001
ASSETS					
Current assets					
Cash and cash equivalents		1,487,595,546	857,532,148	265,234,753	67,374,910
Trade accounts receivable		1,866,757,839	2,093,032,681	-	54,726
Less : allowance for doubtful debts		(25,487,721)	(40,761,056)	-	-
Trade accounts receivable, net	5	1,841,270,118	2,052,271,625	-	54,726
Trade accounts receivable - related parties	5,11	-	12,343,863	2,159,445,605	2,126,719,278
Material supplies		124,400,939	93,929,873	5,479,122	4,470,858
Other current assets		160,381,341	129,912,919	39,571,270	38,858,856
Total current assets		3,613,647,944	3,145,990,428	2,469,730,750	2,237,478,628
Non-current assets					
Property investments held for long-term investment	6	2,215,600	3,974,390	-	-
Investments accounted for under equity method	7	97,870,835	98,508,271	1,553,723,580	411,429,788
Other long-term investments		33,803,139	35,838,021	-	-
Property and premises, net	8	2,498,140,327	2,620,159,321	24,743,597	27,014,169
Vessels and equipment, net	8	12,116,186,489	12,482,569,839	5,092,664,201	5,207,276,523
Other non-current assets		3,668,625	34,693,362	1,489,294	30,661,999
Total non-current assets		14,751,885,015	15,275,743,204	6,672,620,672	5,676,382,479
TOTAL ASSETS		18,365,532,959	18,421,733,632	9,142,351,422	7,913,861,107

The accompanying notes are an integral part of the financial statements.

REGIONAL CONTAINER LINES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

BALANCE SHEETS (Continued)

AS AT 31 DECEMBER 2002 AND 2001

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2002	2001	2002	2001
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Promissory notes	9	1,000,000,000	-	1,000,000,000	-
Trade accounts payable		1,183,890,354	1,433,518,447	-	1,460,015
Trade accounts payable - related parties	11	-	10,433,683	31,046,798	297,571,936
Current portion of finance lease creditors		162,882,885	183,762,339	-	-
Current portion of long-term loans	10	1,150,750,986	1,718,319,715	198,642,491	489,844,514
Corporate income tax payable		5,068,241	7,726,756	-	837,769
Other current liabilities		180,675,807	144,027,388	53,327,907	49,129,626
Total current liabilities		<u>3,683,268,273</u>	<u>3,497,788,328</u>	<u>1,283,017,196</u>	<u>838,843,860</u>
Non-current liabilities					
Finance lease creditors, net of current portion		301,732,639	476,204,100	-	-
Long-term loans, net of current portion	10	7,066,579,183	8,376,011,594	571,592,243	1,031,695,119
Debentures	12	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Total non-current liabilities		<u>8,368,311,822</u>	<u>9,852,215,694</u>	<u>1,571,592,243</u>	<u>2,031,695,119</u>
Total liabilities		<u>12,051,580,095</u>	<u>13,350,004,022</u>	<u>2,854,609,439</u>	<u>2,870,538,979</u>
Shareholders' equity					
Share capital					
Registered					
66,300,000 ordinary shares of Baht 10 each		<u>663,000,000</u>	<u>663,000,000</u>	<u>663,000,000</u>	<u>663,000,000</u>
Issued and paid-up					
66,300,000 ordinary shares of Baht 10	13				
(2001 : 63,666,287 ordinary shares of Baht		663,000,000	636,662,870	663,000,000	636,662,870
Share premium		3,073,190,443	2,986,277,914	3,073,190,443	2,986,277,914
Translation adjustment		785,659,932	748,462,035	785,659,932	748,462,035
Retained earnings					
Appropriated - statutory reserve	14	66,300,000	63,666,287	66,300,000	63,666,287
Unappropriated		1,699,591,608	608,253,022	1,699,591,608	608,253,022
Equity attributable to Company's shareholders		<u>6,287,741,983</u>	<u>5,043,322,128</u>	<u>6,287,741,983</u>	<u>5,043,322,128</u>
Minority interest - equity attributable to					
minority shareholders' of subsidiaries		26,210,881	28,407,482	-	-
Total shareholders' equity		<u>6,313,952,864</u>	<u>5,071,729,610</u>	<u>6,287,741,983</u>	<u>5,043,322,128</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>18,365,532,959</u>	<u>18,421,733,632</u>	<u>9,142,351,422</u>	<u>7,913,861,107</u>

The accompanying notes are an integral part of the financial statements.

REGIONAL CONTAINER LINES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

EARNINGS STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Unit : Baht)

	Note	CONSOLIDATED		THE COMPANY ONLY	
		2002	2001	2002	2001
Revenues					
Freight income		12,366,846,317	13,415,652,462	822,611,653	1,766,526,237
Other income		76,720,411	97,234,570	7,085,824	7,019,352
Gain on exchange		611,927,452	-	117,149,666	-
Share of profit from investments accounted for under equity method - subsidiaries		-	-	1,076,386,935	-
Share of profit from investments accounted for under equity method - associated companies		25,312,161	10,709,089	25,312,161	10,709,089
Total revenues		13,080,806,341	13,523,596,121	2,048,546,239	1,784,254,678
Expenses					
Cost of freight and operations		10,185,456,927	10,982,046,402	583,130,657	1,179,306,638
Administrative expenses		826,342,955	822,616,172	87,715,032	83,408,184
Loss on impairment of assets		203,140,618	383,331,702	-	-
Loss on disposal of vessel		48,864,549	-	-	-
Loss on exchange		-	804,406,129	-	27,024,742
Directors' remuneration	17	4,300,000	4,300,000	4,300,000	4,300,000
Share of losses from investments accounted for under equity method - subsidiaries		-	-	-	623,492,106
Total expenses		11,268,105,049	12,996,700,405	675,145,689	1,917,531,670
Earnings (loss) before interest and income tax expense		1,812,701,292	526,895,716	1,373,400,550	(133,276,992)
Interest expenses		(581,753,194)	(818,977,413)	(146,477,620)	(162,244,221)
Corporate income tax	18	(6,386,403)	(8,570,879)	(350,631)	(2,089,097)
Earnings (loss) after income tax		1,224,561,695	(300,652,576)	1,226,572,299	(297,610,310)
Net loss - minority interest		2,010,604	3,042,266	-	-
Net earnings (loss)		1,226,572,299	(297,610,310)	1,226,572,299	(297,610,310)
Basic earnings per share					
Net earnings (loss)		18.71	(4.67)	18.71	(4.67)
Weighted average number of shares (shares)		65,571,219	63,666,287	65,571,219	63,666,287

The accompanying notes are an integral part of the financial statements.

REGIONAL CONTAINER LINES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Unit : Baht)

		CONSOLIDATED					
		Issued and paid-up		Translation	Retained earnings		Minority interest
<u>Note</u>	<u>share capital</u>	<u>Share premium</u>	<u>adjustment</u>	<u>Statutory reserve</u>	<u>Unappropriated</u>	<u>of subsidiaries</u>	<u>Total</u>
Balance - beginning of the year 2001	636,662,870	2,986,277,914	760,059,032	63,666,287	905,863,332	31,245,248	5,383,774,683
Translation adjustment	-	-	(11,596,997)	-	-	-	(11,596,997)
Net loss for the year 2001	-	-	-	-	(297,610,310)	-	(297,610,310)
Decrease in minority interest	-	-	-	-	-	(2,837,766)	(2,837,766)
Balance - end of the year 2001	636,662,870	2,986,277,914	748,462,035	63,666,287	608,253,022	28,407,482	5,071,729,610
Ordinary share increase	26,337,130	86,912,529	-	-	-	-	113,249,659
Translation adjustment	-	-	37,197,897	-	-	-	37,197,897
Net earnings for the year 2002	-	-	-	-	1,226,572,299	-	1,226,572,299
Statutory reserve	-	-	-	2,633,713	(2,633,713)	-	-
Dividend paid	-	-	-	-	(132,600,000)	-	(132,600,000)
Decrease in minority interest	-	-	-	-	-	(2,196,601)	(2,196,601)
Balance - end of the year 2002	663,000,000	3,073,190,443	785,659,932	66,300,000	1,699,591,608	26,210,881	6,313,952,864

The accompanying notes are an integral part of the financial statements.

REGIONAL CONTAINER LINES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Unit : Baht)

THE COMPANY ONLY							
		Issued and paid-up		Translation	Retained earnings		
	<u>Note</u>	share capital	Share premium	adjustment	Statutory reserve	Unappropriated	Total
Balance - beginning of the year 2001		636,662,870	2,986,277,914	760,059,032	63,666,287	905,863,332	5,352,529,435
Translation adjustment		-	-	(11,596,997)	-	-	(11,596,997)
Net loss for the year 2001		-	-	-	-	(297,610,310)	(297,610,310)
Balance - end of the year 2001		636,662,870	2,986,277,914	748,462,035	63,666,287	608,253,022	5,043,322,128
Ordinary share increase	13	26,337,130	86,912,529	-	-	-	113,249,659
Translation adjustment		-	-	37,197,897	-	-	37,197,897
Net earnings for the year 2002		-	-	-	-	1,226,572,299	1,226,572,299
Statutory reserve	14	-	-	-	2,633,713	(2,633,713)	-
Dividend paid	15	-	-	-	-	(132,600,000)	(132,600,000)
Balance - end of the year 2002		663,000,000	3,073,190,443	785,659,932	66,300,000	1,699,591,608	6,287,741,983

The accompanying notes are an integral part of the financial statements.

REGIONAL CONTAINER LINES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	2002	2001	2002	2001
Cash flows from operating activities				
Net earnings (loss)	1,226,572,299	(297,610,310)	1,226,572,299	(297,610,310)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities :-				
Depreciation	641,054,536	756,683,984	245,729,204	243,186,202
Share of loss (profit) from investments accounted for under equity method - subsidiaries	-	-	(1,076,386,935)	623,492,106
Share of profit from investments accounted for under equity method - associated companies	(25,312,161)	(10,709,089)	(25,312,161)	(10,709,089)
Loss on impairment of assets	203,140,618	383,331,702	-	-
Loss on disposal of vessel	48,864,549	-	-	-
Decrease in allowance for doubtful debts	(15,273,335)	(2,374,775)	-	-
Amortisation of excess of cost of investments over net book value of the subsidiaries	-	15,210,599	-	-
Unrealised exchange loss (gain)	(506,049,583)	729,449,106	1,916,210	24,937,868
Minority interest	(2,010,604)	(3,042,266)	-	-
	<u>1,570,986,319</u>	<u>1,570,938,951</u>	<u>372,518,617</u>	<u>583,296,777</u>
Operating assets (increase) decrease				
Trade accounts receivable	214,647,816	46,503,153	54,726	220,942,414
Trade accounts receivable - related parties	12,343,863	1,940,295	(47,412,587)	(780,697,621)
Material supplies	(30,471,066)	12,790,182	(1,008,264)	10,051,371
Other current assets	(30,468,422)	202,700,521	(712,414)	(17,268,222)
Other non-current assets	31,026,375	(8,621,110)	29,174,343	(4,590,046)
Operating liabilities increase (decrease)				
Trade accounts payable	(249,628,093)	(403,626,155)	(1,460,015)	(58,700,263)
Trade accounts payable - related parties	(10,433,683)	(69,138,813)	(266,349,384)	167,491,984
Corporate income tax payable	(2,658,515)	(10,999,280)	(837,769)	179,849
Other current liabilities	36,462,422	(72,526,146)	4,198,282	(12,955,343)
Net cash flows provided by operating activities	<u>1,541,807,016</u>	<u>1,269,961,598</u>	<u>88,165,535</u>	<u>107,750,900</u>

The accompanying notes are an integral part of the financial statements.

REGIONAL CONTAINER LINES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOWS (Continued)

FOR THE YEARS ENDED 31 DECEMBER 2002 AND 2001

(Unit : Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Cash flows from investing activities				
Decrease (increase) in property, premises, vessel	(404,657,359)	53,028,353	(128,846,310)	(4,934,484)
Decrease in current investment	-	40,718,000	-	40,718,000
Increase in investments accounted for under equity	-	-	(10,396,800)	(44,488,317)
Dividend received from associated company	7,000,000	7,000,000	7,000,000	7,000,000
Decrease in other long-term investments	2,034,882	1,414,422	-	-
Translation adjustment	57,906,284	(6,294,834)	-	-
Net cash provided by (used in) investing activities	<u>(337,716,193)</u>	<u>95,865,941</u>	<u>(132,243,110)</u>	<u>(1,704,801)</u>
Cash flows from financing activities				
Decrease in short-term loans from financial institutions	-	(65,166,030)	-	-
Issuance of promissory notes	1,000,000,000	-	1,000,000,000	-
Increase (decrease) in finance lease creditors	(165,505,037)	203,607,593	-	-
Decrease in long-term loans	(1,389,172,047)	(1,875,017,227)	(738,712,241)	(276,989,670)
Cash received from capital increase	113,249,659	-	113,249,659	-
Dividend paid	(132,600,000)	-	(132,600,000)	-
Net cash provided by (used in) financing activities	<u>(574,027,425)</u>	<u>(1,736,575,664)</u>	<u>241,937,418</u>	<u>(276,989,670)</u>
Net increase (decrease) in cash and cash equivalents:	630,063,398	(370,748,125)	197,859,843	(170,943,571)
Cash and cash equivalents at beginning of year	857,532,148	1,228,280,273	67,374,910	238,318,481
Cash and cash equivalents at end of year	<u>1,487,595,546</u>	<u>857,532,148</u>	<u>265,234,753</u>	<u>67,374,910</u>

Supplemental cash flows information :-

Cash paid during the year for :-

Interest expenses	422,327,583	861,705,576	153,147,229	172,274,538
Corporate income tax	3,232,359	7,292,254	837,769	1,394,660

Non-cash transactions :-

Transfer of property investments held for long-term investment to property and premises accounts	-	2,963,709,031	-	-
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The accompanying notes are an integral part of the financial statements.

REGIONAL CONTAINER LINES PUBLIC COMPANY LIMITED AND ITS SUBSIDIARIES
 NOTES TO FINANCIAL STATEMENTS
 31 DECEMBER 2002 AND 2001

1. GENERAL INFORMATION

- 1.1 Regional Container Lines Public Company Limited was incorporated as a public limited company under Thai laws. The Company operates its business in Thailand and other countries in South China Sea and its principal activity is in the business of international vessel operations.
- 1.2 Although economic crisis of Thailand and countries in South East Asia region, which occurred in mid 1997, has eased to a certain extent, its remaining adverse effects are expected to continue to impact on business environment. However, the accompanying financial statements have been prepared on the going concern basis assuming that the realisation of assets and settlement of liabilities and obligations will occur in the ordinary course of business of the Company and its subsidiaries.

2. BASIS OF CONSOLIDATION

- 2.1 The consolidated financial statements include the financial statements of Regional Container Lines Public Company Limited (hereinafter called "the Company") and the following subsidiaries :-

	<u>Name</u>	<u>Type of business</u>	<u>Place of incorporation</u>	<u>Percentage owned</u>
	<u>Subsidiaries operating in Thailand</u>			
a)	Asian Bulk Shipping Co., Ltd.	Ship operating	Thailand	51% owned by the Company
b)	RCL Logistics Co., Ltd.	Logistics services	Thailand	100% owned by the Company
	<u>Group of subsidiaries operating in Singapore</u>			
c)	RCL Investment Pte. Ltd.	Holding company	Singapore	100% owned by the Company
d)	Regional Container Line Pte. Ltd. and its subsidiaries, Regional Consolidation Systems Pte. Ltd. (80% owned) and Point-To-Point Regional Pte Ltd. (80% owned) (The two subsidiaries are in the process of liquidation)	Ship owning and operating	Singapore	85% owned by the Company and 15% owned by RCL Investment Pte. Ltd.

	<u>Name</u>	<u>Type of business</u>	<u>Place of incorporation</u>	<u>Percentage owned</u>
e)	RCL Feeder Pte Ltd. and its subsidiaries, RCL Australia Pty Ltd. (69% owned), RCL Cambodia Co., Ltd. (100% owned) and RCL Agencies (M) Sdn Bhd . (100% owned)	Cargo consolidation and operating	Singapore	98% owned by the Company and 2% owned by Regional Container Line Pte. Ltd.
f)	RCL Services SA	Ship operating	Panama	51% owned by RCL Investment Pte Ltd. and 49% owned by the Company
g)	RCL Holdings Ltd.	Ship owning and operating	Singapore	51% owned by RCL Investment Pte Ltd. and 49% owned by the Company
h)	RCL Ship Management Pte. Ltd.	Ship management	Singapore	51% owned by RCL Investment Pte Ltd. and 49% owned by the Company
<u>Group of subsidiaries operating in Hong Ko</u>				
i)	Regional Container Lines (H.K.) Ltd.	Holding company, shipping agent and broker	Hong Kong	100% owned by the Company
j)	Euro-Asia Line (H.K.) Ltd.	Shipping agent and broker	Hong Kong	100% owned by Regional Container Lines (H.K.) Ltd.
k)	Regional Freighters Ltd.	Transport agent and related operations	Hong Kong	100% owned by Regional Container Lines (H.K.) Ltd.
l)	Regional Shipping Lines S.A.	Shipping management consultant	Panama	100% owned by Regional Container Lines (H.K.) Ltd.
m)	RCL (Xiamen) Ltd.	Ship owning and operating	Hong Kong	75% owned by Regional Container Lines (H.K.) Ltd.
<u>Subsidiaries operating in the People's Republic of China</u>				
n)	Regional Container Lines Shipping Co., Ltd.	Shipping agent and broker	The People's Republic of China	100% owned by the Company

2.2 The consolidated financial statements for the year ended 31 December 2002 include the financial statements of a subsidiary operating in the People's Republic of China, which commenced its operations during year 2001. These financial statements were audited by another audit firm. Total assets of the subsidiary included at 31 December 2002 amounted to Baht 75 million (2001 : Baht 51 million), and total revenues for the year then ended amounted to Baht 50 million (2001 : Baht 53 million).

- 2.3** Outstanding balances and transactions between the Company and its subsidiaries have been eliminated from the consolidated financial statements. The cost of the investments of the Company in the subsidiaries exceeded their net book value at the acquisition date. The excess has been shown as an asset under the heading of “Excess of cost of investments over net book value of the subsidiaries” and is being amortised over a period of 10 years.
- 2.4** The financial statements of the overseas subsidiaries are translated into Thai Baht at the average closing exchange rate as to assets and liabilities, and at the average exchange rate for revenues and expenses. The resultant difference has been shown under the caption of “Translation adjustment” in shareholders’ equity.
- 2.5** No Thai income tax has been accrued for undistributed earnings of the overseas subsidiaries, since the earnings are intended to be retained by those subsidiaries for long-term reinvestment purposes.

3. CHANGE IN ACCOUNTING ESTIMATE

During 2002, a Singaporean subsidiary revised the estimated useful life of its containers from 6 years to 10 years to reflect a more realistic period over which the containers are expected to be used by the subsidiary. The change had the effect of increasing consolidated earnings for the year 2002 by Baht 79 million.

4. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting standards pronounced by the Institute of Certified Accountants and Auditors of Thailand and with the Accounting Act B.E. 2543.

Significant accounting policies adopted by the Company and its subsidiaries are summarised below :-

4.1 Revenues

Freight income is recognised when services have been rendered.

4.2 Cash and cash equivalents

Cash and cash equivalents included cash in hand and at financial institutions with an original maturity of 3 months or less and free from restriction.

4.3 Allowance for doubtful debts

The Company and its subsidiaries provide a general allowance for doubtful debts for their outstanding receivables.

4.4 Material supplies

Material supplies are valued at cost, on a first-in, first-out basis.

4.5 Property, premises, vessels and equipment/Depreciation and amortisation

The Company and its subsidiaries initially recorded property, premises, vessels, and equipment at their cost at the acquisition date. Revaluation of these assets is to be made with sufficient regularity to ensure that their carrying amount does not differ materially from their fair value at the balance sheet date. When an asset's carrying amount is decreased as a result of the revaluation, the decrease is recognised as an expense in the earnings statement.

Depreciation of fixed assets is calculated by reference to their cost/revalued value (after deducting residual value in the case of vessels acquired since 1993) on a straight-line basis over the following estimated useful lives of assets.

Vessels	5 - 20 years
Condominiums and building leaseholds	20, 50 years
Other fixed assets	3 - 10 years
Long-term land leaseholds and leasehold improvements	The term of the lease

No depreciation is provided for land and vessels under construction.

Assets of the overseas subsidiaries costing less than Baht 7,500 each are expensed in the earnings statement in the year of acquisition.

Major repair and maintenance expenses are amortised on a straight-line basis over periods of 2-3 years.

4.6 Investments accounted for under equity method

Investments in subsidiary and associated companies are valued under the equity method.

4.7 Other long-term investments

Other long-term investments are stated at cost. Provision for loss is set aside only for any permanent diminution in the value of the investments.

4.8 Foreign currencies

Foreign currency transactions during the year are translated into Baht at the rates ruling on the transaction dates. Monetary assets and liabilities in foreign currency outstanding on the balance sheet date are translated into Baht at the rates ruling on the balance sheet date, with the exception of those covered by forward exchange contracts which are translated at the contracted rates.

Exchange gains and losses are included in determining earnings. Premiums on forward exchange contracts have been charged to expenses over the contract periods.

4.9 Property investments held for long-term investment

Property investments held for long-term investment are stated at cost less accumulated depreciation. Provision for diminution in value is to be set aside if there is a permanent diminution in the value of the investments.

4.10 Use of accounting estimates

Preparation of financial statements in conformity with generally accepted accounting principles in certain circumstances requires management to make estimates and assumptions, such as estimates of useful life of assets and of provision for doubtful accounts, that affect amounts reported in the accompanying financial statements and notes thereto. Actual results could differ from these estimates.

4.11 Basic earnings per share

Basic earnings (loss) per share is calculated by dividing net earnings (loss) for the year by the weighted average number of ordinary shares in issue during the year.

5. TRADE ACCOUNTS RECEIVABLE/TRADE ACCOUNTS RECEIVABLE - RELATED PARTIES

The balances of trade accounts receivable as at 31 December 2002 and 2001, are classified by aging as follows :-

(Unit : Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Under 90 days	1,849,145	2,046,145	-	55
91 - 180 days	13,288	25,268	-	-
181 - 365 days	2,912	12,840	-	-
Over 365 days	1,413	8,780	-	-
Total	1,866,758	2,093,033	-	55
Less : Allowance for doubtful debts	(25,488)	(40,761)	-	-
Net	<u>1,841,270</u>	<u>2,052,272</u>	<u>-</u>	<u>55</u>

A part of the trade accounts receivable of subsidiaries as at 31 December 2002 and 2001 have been pledged to secure credit facilities granted by banks.

The balances of trade accounts receivable - related parties as at 31 December 2002 and 2001, are classified by aging as follows :-

(Unit : Thousand Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Under 90 days	-	-	192,549	229,728
91 - 180 days	-	-	212,062	295,144
181 - 365 days	-	-	422,745	361,237
Over 365 days	-	-	1,332,090	1,240,610
	-	-	2,159,446	2,126,719
Trade accounts receivable - related parties of overseas subsidiaries	-	12,344	-	-
Total	<u>-</u>	<u>12,344</u>	<u>2,159,446</u>	<u>2,126,719</u>

6. PROPERTY INVESTMENTS HELD FOR LONG-TERM INVESTMENT

In 2001, the Singaporean subsidiaries reclassified the property held for investment as fixed assets for use in their operations. The property has been mortgaged to secure credit facilities of the subsidiaries.

7. INVESTMENTS ACCOUNTED FOR UNDER EQUITY METHOD

The Company Only

(Unit : Million Baht)

Company's name	Share capital issued and fully paid		Percentage directly owned by the Company		Investment			
					Cost method		Equity method	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
			Percent	Percent				
<u>Investments in subsidiaries</u>								
<u>Subsidiaries operating in Thailand</u>								
a) Asian Bulk Shipping Co., Ltd.	Baht 25 Million	Baht 25 Million	51	51	13	13	2	2
b) RCL Logistics Co., Ltd.	Baht 1 Million	Baht 1 Million	100	100	1	1	14	3
<u>Subsidiaries operating in Singapore</u>								
c) RCL Investment Pte. Ltd.	S\$ 10 Million	S\$ 10 Million	100	100	145	145	(1,378)	(1,399)
d) Regional Container Lines Pte Ltd.	S\$ 42.5 Million	S\$ 42.5 Million	85	85	1,173	1,173	2,826	2,437
e) RCL Feeder Pte Ltd.	S\$ 20.5 Million	S\$ 20.5 Million	98	98	430	430	(312)	(1,030)
f) RCL Service SA	USD 10,000	USD 10,000	49	49	2	2	38	16
g) RCL Holdings Ltd.	S\$ 0.3 Million	S\$ 0.3 Million	49	49	108	108	150	144
h) RCL Ship Management Pte. Ltd.	S\$ 0.3 Million	S\$ 0.3 Million	49	49	54	54	7	8
<u>Subsidiaries operating in Hong Kong</u>								
i) Regional Container Lines (H.K.) Ltd.	HK\$ 4 Million	HK\$ 4 Million	100	100	132	132	69	125
<u>Subsidiary operating in the People's Republic of China</u>								
j) Regional Container Lines Shipping Co., Ltd.	USD 1.24 Million	USD 1 Million	100	100	54	44	49	35
Total investments in subsidiaries					<u>2,112</u>	<u>2,102</u>	<u>1,465</u>	<u>341</u>
<u>Investment in associated company</u>								
<u>Associated company operating in Thailand</u>								
k) TIPS Co., Ltd. (Port operating)	Baht 100 Million	Baht 100 Million	20	20	20	20	89	70
Total investment in associated company					<u>20</u>	<u>20</u>	<u>89</u>	<u>70</u>
Total investments accounted for under equity method					<u>2,132</u>	<u>2,122</u>	<u>1,554</u>	<u>411</u>

The accumulated share of the profit of the associated company, as at 31 December 2002 and 2001, is calculated based on the financial statements of the associated company, which are unaudited by that company's auditor.

CONSOLIDATED

	(Unit : Thousand Baht)	
	<u>2002</u>	<u>2001</u>
The Company's investment in associated company	88,570	70,257
The subsidiaries' investment in associated company	9,301	28,251
Total investments accounted for under equity method	<u>97,871</u>	<u>98,508</u>

During October 2002, the Company invested an additional Baht 10 million in Regional Container Lines Shipping Co., Ltd., which operates in the People's Republic of China. The Company owns all shares in that company.

8. PROPERTY, PREMISES, VESSELS AND EQUIPMENT

PROPERTY AND PREMISES

	(Unit : Baht)				
	Office building in Bangkok	Office building in Singapore	Office building in Hong Kong	Improvement of building in Hong Kong	Total
<u>Cost</u>					
31 December 2001	45,746,387	3,885,003,557	353,590,906	14,129,502	4,298,470,352
Purchase	-	15,895	-	-	15,895
Translation adjustment	-	155,576,169	(8,637,839)	(345,169)	146,593,161
31 December 2002	<u>45,746,387</u>	<u>4,040,595,621</u>	<u>344,953,067</u>	<u>13,784,333</u>	<u>4,445,079,408</u>
<u>Accumulated depreciation</u>					
31 December 2001	18,732,218	208,695,565	35,717,065	13,883,033	277,027,881
Depreciation for the year	2,270,572	9,269,565	861,544	226,235	12,627,916
Translation adjustment	-	8,657,238	(868,607)	(338,119)	7,450,512
31 December 2002	<u>21,002,790</u>	<u>226,622,368</u>	<u>35,710,002</u>	<u>13,771,149</u>	<u>297,106,309</u>

(Unit : Baht)

	Office building in Bangkok	Office building in Singapore	Office building in Hong Kong	Improvement of building in Hong Kong	Total
<u>Provision for impairment loss</u>					
31 December 2001	-	1,167,439,269	233,843,881	-	1,401,283,150
Impairment loss for the year	-	183,680,133	19,460,485	-	203,140,618
Translation adjustment	-	52,694,668	(7,285,664)	-	45,409,004
31 December 2002	-	1,403,814,070	246,018,702	-	1,649,832,772
<u>Net book value</u>					
31 December 2001	27,014,169	2,508,868,723	84,029,960	246,469	2,620,159,321
31 December 2002	24,743,597	2,410,159,183	63,224,363	13,184	2,498,140,327

The subsidiaries have mortgaged the above properties to secure credit facilities.

VESSELS AND EQUIPMENT

CONSOLIDATED

(Unit : Baht)

	Vessels	Containers	Office furniture, fixtures and equipment	Motor vehicles	Total
<u>Cost</u>					
31 December 2001	14,709,762,857	1,506,331,047	158,501,874	25,249,170	16,399,844,948
Acquisitions	102,564,446	54,400,099	9,887,999	7,487,438	174,339,982
Disposals	(551,240,679)	(28,125,883)	(7,797,280)	(3,983,724)	(591,147,566)
Translation adjustment	323,045,114	61,171,595	3,810,348	442,931	388,469,988
31 December 2002	14,584,131,738	1,593,776,858	164,402,941	29,195,815	16,371,507,352
<u>Accumulated depreciation</u>					
31 December 2001	2,930,800,330	849,420,841	122,642,859	14,411,079	3,917,275,109
Depreciation for the year	527,456,306	80,687,971	16,502,926	3,779,417	628,426,620
Depreciation for disposals	(369,901,420)	(27,971,336)	(4,432,379)	(901,286)	(403,206,421)
Translation adjustment	73,140,163	35,721,252	3,588,048	376,092	112,825,555
31 December 2002	3,161,495,379	937,858,728	138,301,454	17,665,302	4,255,320,863

(Unit : Baht)

	Vessels	Containers	Office furniture, fixtures and equipment	Motor vehicles	Total
<u>Net book value</u>					
31 December 2001	11,778,962,527	656,910,206	35,859,015	10,838,091	12,482,569,839
31 December 2002	11,422,636,359	655,918,130	26,101,487	11,530,513	12,116,186,489
<u>Depreciation of property, premises, vessels and equipment for the year</u>					
2001					756,683,984
2002					641,054,536

Containers with net book values amounting to approximately Baht 602 million as at 31 December 2002 (2001 : Baht 657 million) were acquired under finance lease agreements.

The Company and subsidiaries have mortgaged most of their vessels to secure credit facilities granted to the Group.

VESSELS AND EQUIPMENT

THE COMPANY ONLY

(Unit : Baht)

	Vessels	Office furniture, fixtures and equipment	Motor vehicles	Total
<u>Cost</u>				
31 December 2001	6,260,057,146	21,727,571	11,119,500	6,292,904,217
Acquisitions	129,915,518	1,167,233	832,000	131,914,751
Disposals	-	(445,362)	(3,348,000)	(3,793,362)
31 December 2002	6,389,972,664	22,449,442	8,603,500	6,421,025,606
<u>Accumulated depreciation</u>				
31 December 2001	1,063,571,659	14,074,769	7,981,266	1,085,627,694
Depreciation for the year	240,797,172	2,403,528	257,932	243,458,632
Depreciation for disposals	-	(312,688)	(412,233)	(724,921)
31 December 2002	1,304,368,831	16,165,609	7,826,965	1,328,361,405

(Unit : Baht)

	Vessels	Office furniture, fixtures and equipment	Motor vehicles	Total
<u>Net book value</u>				
31 December 2001	<u>5,196,485,487</u>	<u>7,652,802</u>	<u>3,138,234</u>	<u>5,207,276,523</u>
31 December 2002	<u>5,085,603,833</u>	<u>6,283,833</u>	<u>776,535</u>	<u>5,092,664,201</u>
<u>Depreciation of property, premises, vessels and equipment for the year</u>				
2001				<u>243,186,202</u>
2002				<u>245,729,204</u>

9. PROMISSORY NOTES

During 2002, the Company issued Baht 1,000 million of negotiable one-year promissory notes, bearing interest at rate of 4.5 percent per annum, payable quarterly.

10. LONG-TERM LOANS

(Unit : Thousand Baht)

	Consolidated		The Company Only	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
<u>Loans of the Company :</u>				
1) USD 12.1 million, equivalent to Yen 1,385 million with a maturity period of 6 years, and interest rate at LIBOR (Yen) + 1.1% p.a., interest and principal payable semi-annually until the year 2003.	-	537,640	-	537,640
2) USD 11 million loans (2001 : USD 13 million) with a maturity period of 10 years, and interest rate in the range of LIBOR - 3.71% to + 2% p.a., repayable semi-annually until the year 2008.	476,268	576,486	476,268	576,486
3) USD 1.7 million loan (2001 : USD 2.4 million) with a maturity period of 7 years, and interest at LIBOR + 2% p.a., repayable quarterly until the year 2005.	73,417	105,319	73,417	105,319
4) Baht 66.9 million loan (2001 : Baht 93.7 million) with a maturity period of 7 years, and interest at 5% p.a., repayable quarterly until the year 2005.	66,922	93,692	66,922	93,692

(Unit : Thousand Baht)

	Consolidated		The Company Only	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
5) Baht 76.4 million loan (2001 : Baht 104.2 million) with a maturity period of 7 years, interest at 5% p.a., repayable quarterly until the year 2005.	76,414	104,202	76,414	104,202
6) USD 1.8 million loan (2001 : Baht 104.2 million) with a maturity period of 7 years, interest at LIBOR + 2.5% p.a., repayable quarterly until the year 2005.	77,213	104,201	77,213	104,201
<u>Loans of the Singaporean subsidiaries :</u>				
7) USD 17.6 million loan repayable semi-annually until the year 2004	-	779,162	-	-
8) USD 41 million loan repayable semi-annually until the year 2004.	-	1,815,094	-	-
9) USD 20.8 million loans repayable semi-annually until the year 2004	-	921,153	-	-
10) USD 19.8 million loans repayable semi-annually until the year 2003	-	877,595	-	-
11) USD 16.1 million loan repayable quarterly until the year 2005	-	712,757	-	-
12) USD 14.4 million loan repayable semi-annually until the year 2004	-	636,700	-	-
13) USD 23.3 million loans repayable quarterly until the year 2005	-	1,032,389	-	-
14) USD 4.6 million loan repayable within 2002	-	203,645	-	-
15) USD 19.6 million loans repayable semi-annually until the year 2005	-	866,044	-	-
16) USD 7.8 million loan repayable semi-annually until the year 2003	-	345,311	-	-
17) USD 8.7 million loan repayable semi-annually until the year 2004	-	382,941	-	-
18) USD 93.35 million loan repayable quarterly until the year 2009	4,032,637	-	-	-
19) USD 53.6 million loan repayable semi-annually until the year 2009	2,315,473	-	-	-
20) USD 13 million loan repayable quarterly until the year 2006	561,589	-	-	-
21) USD 12.44 million loan repayable semi-annually until the year 2005	537,397	-	-	-
Total	8,217,330	10,094,331	770,234	1,521,540
Less : Current portion	(1,150,751)	(1,718,319)	(198,642)	(489,845)
Long-term loans, net of current portion	<u>7,066,579</u>	<u>8,376,012</u>	<u>571,592</u>	<u>1,031,695</u>

These loans have been secured by the mortgage of most of the vessels of the Company and the subsidiaries, the property of the subsidiaries, and the guarantee of the Company.

The loans of subsidiaries in Singapore bear interest rates at based on LIBOR or SIBOR.

During 2002, the Company refinanced a Baht 97.3 million loan with an interest rate of 8.5% per annum with a loan of USD 2.27 million on which interest is charged at a rate of LIBOR + 2.5% per annum.

During 2002, the group of subsidiary companies in Singapore entered into agreements to restructure all loan debt (as described in 7) to 17)) with financial institution lenders by means of extending the loan payment periods, amending the repayment schedules and changing the interest rates. The balances of the new loans as at 31 December 2002 are detailed in 18) to 21). Under the amended loan agreements, certain covenants and restrictions are stipulated pertaining to, among other things, the maintenance of financial ratios and shareholding structure.

In 1999, a subsidiary in Singapore entered into cross currency US dollar to Thai Baht interest swap agreements, for interest on loans amounting to USD 25 million, converting a 7.77-9.00% per annum US dollar interest rate to a 9.125% per annum Thai Baht interest rate. The agreements will be due in 2004.

Furthermore, as at 31 December 2002 a subsidiary has period by period knock out swap and interest rate swap agreements for loans amounting to USD 62.5 million (2001 : USD 104 million), in order to exchange fixed interest rates of 4.98-5.35% per annum (2001 : 4.98-6.11% per annum) to an interest rate of LIBOR per annum, which is in the range of 1.75-3.54% per annum (2001 : 2.11-3.54% per annum).

In 2001 the Company has entered into various forward foreign exchange contracts and currency option purchase contracts in order to reduce the foreign currency risk on loans and interest. Under the contracts, the Company has net positions to purchase USD 2 million at pre-determined exchange rates of between Baht 44.47 and Baht 45.52 per USD 1. As at 31 December 2002, the Company has no outstanding forward foreign exchange contracts and currency option purchase contracts.

11. RELATED PARTY TRANSACTIONS

- a) The Company and its subsidiaries have business dealings with their customers through regional shipping agents (third parties and related companies) of which a substantial part is through their related companies. Such transactions have been determined in the ordinary course of business.
- b) In addition to the matter discussed in a), during the years, the Company had other significant business transactions with its subsidiary, associated and related companies (related by way of shareholding or common shareholders and/or common directors). Such transactions, which have been concluded on the terms and basis as determined between the Company and those companies, are charged for a prices approximating market prices, except for charter hire fees, which are determined at cost plus a margin or at prices comparable to cost. The transactions are summarized below :-

(Unit : Million Baht)

	For the years ended 31 December			
	CONSOLIDATED		THE COMPANY ONLY	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
<u>Transactions with subsidiaries :</u>				
Freight income	-	-	823	772
Container pooling expenses	-	-	-	131
<u>Transactions with related parties :</u>				
Commission expenses	-	16	-	16

The outstanding balances of the above transactions have been shown in the balance sheets as follows :-

(Unit : Million Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
<u>Trade accounts receivable – related parties</u>				
<u>Subsidiaries</u>				
RCL Service SA	-	-	587	770
RCL Feeder Pte Ltd.	-	-	1,572	1,357
<u>Related companies</u>				
Others	-	12	-	-
	<u>-</u>	<u>12</u>	<u>2,159</u>	<u>2,127</u>

(Unit : Million Baht)

	CONSOLIDATED		THE COMPANY ONLY	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
<u>Trade accounts payable – related parties</u>				
<u>Subsidiaries</u>				
RCL Ship Management Pte Ltd.	-	-	31	298
<u>Related companies</u>				
Others	-	10	-	-
	<u>-</u>	<u>10</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>10</u>	<u>31</u>	<u>298</u>

12. DEBENTURES

In 1999, the Company issued and offered 1 million units of unsecured debentures with a par value of Baht 1,000 each, or a total Baht 1,000 million, to be used for working capital for the partial repayment of outstanding debts of the Company and its subsidiaries, and/or for the long-term expansion of business. The maturity period of the debentures is 5 years, with the redemption date being 9 December 2004. The debenture holders are entitled to receive interest at a rate of 9.125 percent per annum for the first three years, and at MLR plus 0.75 percent for the following two years. Such interest is payable semi-annually on 9 June and 9 December of each year, throughout the debentures' life. The terms and conditions of the debenture holders' rights contain certain covenants, and restrictions pertaining to matters such as the maintenance of a certain debt to equity ratio, the payment of dividends, the maintenance of financial ratios, and the assumption of guarantees or commitments.

13. SHARE CAPITAL

On 2 April 2002, the Company's board of directors approved the allocation of an additional 2,633,713 shares with a par value of Baht 10 each to a security company, at a price of Baht 43 per share.

14. STATUTORY RESERVE

Under the Public Limited Companies Act B.E. 2535, the Company is required to set aside a statutory reserve at least 5% of its net profit after deducting accumulated deficit brought forward (if any) until the reserve reaches 10% of its registered share capital.

15. DIVIDEND

On 23 September 2002, a Board of Directors meeting approved the payment of an interim dividend of Baht 2 per share to the holders of the Company's 66,300,000 ordinary shares, or a total of Baht 132.6 million.

16. EMPLOYEES AND RELATED COSTS

	CONSOLIDATED		THE COMPANY ONLY	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Number of employees at end of year	750	716	380	377
Employee costs for the year (Thousand Baht)	648,604	559,643	205,177	195,362

17. DIRECTORS' REMUNERATION

Directors' remuneration represents the benefits paid to the Company's directors in accordance with Section 90 of the Public Limited Companies Act, exclusive of salaries and related benefits payable to executive directors.

18. CORPORATE INCOME TAX

The Company has been granted various tax privileges by the Board of Investment under the Investment Promotion Act. B.E. 2520. These include exemption from corporate income tax on profits for a period of 8 years for certain operations. In addition, since 1999 shipping profits have been exempted from income tax. Corporate income tax of the Company has been calculated at the rate of 30 percent, on the profit of those operations which are not eligible for the above tax exemption.

Corporate income tax of the subsidiaries in Hong Kong has been calculated at the rate of 16 percent of profit.

Under the Singapore Income Tax Act, the shipping profits of the subsidiaries are exempted from income tax.

The Company's operating results for the years 2002 and 2001 can be divided into BOI promoted activities and non-BOI promoted activities as follows :-

(Unit : Baht)

THE COMPANY ONLY				
For the year ended 31 December 2002				
Tax Payer Number				
	3101120028		3105114177	Total
	BOI Promoted	NON-BOI Promoted	Tax Exempted	
Revenues				
Freight income	540,855,774	1,883,670	279,872,209	822,611,653
Other income	1,784,660	6,617,966	-	8,402,626
Gain on exchange	50,852,553	-	66,297,113	117,149,666
Share of loss from investments accounted for under equity method – subsidiaries	-	1,076,386,935	-	1,076,386,935
Share of profit from investments accounted for under equity method - associated companies	-	25,312,161	-	25,312,161
Total revenues	593,492,987	1,110,200,732	346,169,322	2,049,863,041
Expenses				
Cost of freight and operations	368,438,727	1,865,916	212,826,014	583,130,657
Administrative expenses	61,018,418	1,034,276	30,980,954	93,033,648
Other expenses	-	-	298,186	298,186
Interest expenses	49,280,057	5,065,554	92,132,009	146,477,620
Total expenses	478,737,202	7,965,746	336,237,163	822,940,111
Earnings before income tax	114,755,785	1,102,234,986	9,932,159	1,226,922,930
Corporate income tax	-	(350,631)	-	(350,631)
Net earnings for the year	114,755,785	1,101,884,355	9,932,159	1,226,572,299

(Unit : Baht)

THE COMPANY ONLY				
For the year ended 31 December 2001				
Tax Payer Number				
	3101120028	3105114177	Total	
	BOI Promoted	NON-BOI Promoted	Tax Exempted	
Revenues				
Freight income	1,500,459,605	5,183,933	260,882,699	1,766,526,237
Other income	144,325	6,875,676	-	7,020,001
Gain on exchange	-	33,632	3,275,315	3,308,947
Share of profit from investments accounted for under equity method - associated companies	-	10,709,089	-	10,709,089
Total revenues	1,500,603,930	22,802,330	264,158,014	1,787,564,274
Expenses				
Cost of freight and operations	1,025,138,819	5,132,202	149,035,617	1,179,306,638
Administrative expenses	68,563,929	167,651	18,976,604	87,708,184
Other expenses	-	-	649	649
Loss on exchange	30,333,689	-	-	30,333,689
Share of loss from investments accounted for under equity method - subsidiaries	-	623,492,106	-	623,492,106
Interest expenses	68,680,720	30,330	93,533,171	162,244,221
Total expenses	1,192,717,157	628,822,289	261,546,041	2,083,085,487
Earnings (loss) before income tax	307,886,773	(606,019,959)	2,611,973	(295,521,213)
Corporate income tax	-	(2,089,097)	-	(2,089,097)
Net earnings (loss) for the year	307,886,773	(608,109,056)	2,611,973	(297,610,310)

19. BANK GUARANTEES

As at 31 December 2002, there were outstanding bank guarantees of approximately Baht 32 million (2001 : Baht 49 million) issued by the banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of business of the Company and its subsidiaries.

20. COMMITMENT

As at 31 December 2002, overseas subsidiaries had outstanding commitments in respect of lease agreements payable of approximately Baht 28 million (2001 : Baht 55 million).

21. LITIGATION

In June 2000, a subsidiary in Singapore filed a petition to wind up an associated company in Malaysia and another petition to recover an outstanding agency balance of approximately RM 25 million or Baht 290 million. The case is under consideration of the court.

In June 2000, the subsidiary was counter-sued by the associated company, claiming compensation of approximately RM 14 million or Baht 163 million, for illegal termination of an agency agreement. The management of subsidiary believe that the ultimate resolution of these legal proceedings is not likely have a material effect on the results of its operations, or financial position.

22. FINANCIAL INFORMATION BY SEGMENT

The Company's and its subsidiaries' operations involve mainly a single industry segment, the business of feeder and vessel operations, and are carried on in geographic areas in Thailand, Singapore, Hong Kong, The People's Republic of China, Taiwan and other countries around the South China Sea. Financial information of the Company and its subsidiaries presented by geographical segment as of and for the years ended 31 December 2002 and 2001 are as follows :-

(Million Baht)

	CONSOLIDATED						
	For the year ended 31 December 2002						
	<u>Thailand</u>	<u>Singapore</u>	<u>Hong Kong</u>	<u>China</u>	<u>Total</u>	<u>Elimination</u>	<u>Grand Total</u>
Freight income	944	13,333	113	50	14,440	(2,073)	12,367
Gross profit	260	1,740	109	50	2,159	22	2,181
Other income							77
Share of profit from investments accounted for under equity method - associated companies							25
Administrative expenses							(830)
Gain on exchange							612
Loss on impairment of assets							(203)
Loss on disposal of vessel							(49)
Interest expenses							(582)
Corporate income tax							(6)
Minority interest							2
Net earnings for the year							1,227
Property, premises, vessels and equipment	5,121	9,487	66	3	14,677	(63)	14,614
Others							3,752
Total assets							18,366

(Million Baht)

CONSOLIDATED							
For the year ended 31 December 2001							
	<u>Thailand</u>	<u>Singapore</u>	<u>Hong Kong</u>	<u>China</u>	<u>Total</u>	<u>Elimination</u>	<u>Grand Total</u>
Freight income	1,799	13,678	225	53	15,755	(2,339)	13,416
Gross profit	591	1,668	124	31	2,414	20	2,434
Other income							97
Share of profit from investments accounted for under equity method - associated companies							11
Administrative expenses							(828)
Loss on exchange							(804)
Loss on impairment of assets							(383)
Interest expenses							(819)
Corporate income tax							(9)
Minority interest							3
Net loss for the year							(298)
Property, premises, vessels and equipment	5,235	9,814	89	5	15,143	(40)	15,103
Others							3,319
Total assets							18,422

23. FINANCIAL INSTRUMENTS

The Group (the Company and its subsidiaries) could be exposed to the market risk, including primarily changes in interest rates and currency exchange rates. The Group uses derivatives and other instruments to manage and hedge such risk but not for speculative or trading purposes.

23.1 Interest rate risk

The Group could be exposed to risk in interest rates due primarily to the Group's long-term loan obligations. However, derivative and other financial instrument hedging are used for its long-term loan interest obligations.

The Group's policy is to manage its interest cost using a mix of fixed and variable interest rate debt. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps in which the Group agrees to exchange at specific intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations at the balance sheet date. The Group does not hold or issue derivative instruments for speculative or trading purposes.

23.2 Foreign currency risk

The Group business spans across the Asian region and, as a result, is exposed to foreign currency exchange rates. For that reason, the freight charges are prices in US dollars and payable in local currency equivalents, a natural foreign currency hedge is created by matching the currency of income flow (linked to US dollars) to the currency of indebtedness. This mechanism functions as a key factor for the Group's ability to manage its foreign exchange exposures. Most of the loans extended to the Group, are thus denominated in currencies similar to that of its income flow. In addition, the Group uses derivative instruments, as and when it considers appropriate, to manage such risks. The Group does not use foreign currency forward contracts or purchased currency options for trading purposes.

In addition to foreign currency transactional exposures, the Group is also exposed to foreign exchange movements on its net investment in foreign subsidiaries. As at 31 December 2002 and 2001, the Group does not hedge such exposures to foreign movement risk as it is minimal.

Whenever possible, it is the Group's policy to negotiate the terms of the hedged derivatives to match the terms of the hedged financial assets or liabilities item to maximise hedge effectiveness.

23.3 Credit risk

Credit risk arises from the inability of customers to meet the payment terms of the normal business transaction. Credit limit is granted for a specific credit amount and is being monitored regularly. Furthermore, it is the Group's policy to evaluate customer's credit worthiness based on its latest financial performance. Therefore, the Group does not anticipate to incur material credit losses from its debt collection.

23.4 Net fair value

Other than the long term loans, majority of financial assets and liabilities are short-term, their carrying value of financial assets and liabilities does not materially differ from their fair value. As at 31 December 2002 and 2001, there was no material financial assets carries in excess of fair value.

23.5 Commodity price risk

The Group is exposed to commodity price risk, relates primarily to changes in bunker price. The Group uses derivatives and other instruments as and when it considers appropriate to manage such risks.

24. PRESENTATION

The presentation of these financial statements has been made in compliance with the Notification of the Commercial Registration Department dated 14 September 2001 as empowered under the Accounting Act B.E. 2543.

25. APPROVAL OF FINANCIAL STATEMENTS

These financial statements have been approved by the directors of the Company.