


THE STRAITS TRADING COMPANY LIMITED

Company Registration No.: 188700008D
(A member of The Tecity Group)

ANNOUNCEMENT

**RESPONSE TO QUESTIONS RAISED BY SGX ON THE RESULTS ANNOUNCED
BY THE COMPANY ON 23 FEBRUARY 2010**

1. SGX's Question No. 1:

We note on Page 5 of the Results Announcement that the Company has announced a 120.8% increase and a 153.1% increase in "Investment Securities" and "Other non-current assets" respectively for FY2009.

- (i) Please provide details and a breakdown of these items; and
- (ii) To provide reasons for the increase.

Company's Response to SGX's Question No. 1:
1.1 Investment Securities

- (i) The details and breakdown of "Investment Securities" were as follows:

	31 December 2009	Group 31 December 2008
	\$'000	\$'000
Investment Securities:		
Available-for-sale		
Shares – quoted, at fair value	235,295	106,572
– unquoted, at cost	4	4
Total	235,299	106,576

- (ii) During the financial year ended 31 December 2009 ("FY2009"), the Group streamlined its investment portfolio and consolidated its holdings in WBL Corporation Limited ("WBL"). In May 2009, WBL issued Rights to the Group and the Group purchased additional Rights from the market. In June 2009, these Rights were converted to quoted WBL 2.5% Convertible Bonds. In November 2009, the Group converted all its WBL Convertible Bonds to WBL shares.

The 120.8% increase in "Investment Securities" from \$106.6 million as at 31 December 2008 to \$235.3 million as at 31 December 2009 reflected the increase in the Group's shareholdings in WBL as explained above and the increase in fair value of these shareholdings during FY2009.

1.2 Other Non-Current Assets

- (i) The details and breakdown of “Other Non-Current Assets” were as follows:

	Group	
	31 December 2009	31 December 2008
	\$'000	\$'000
Other Non-Current Assets		
Base inventory ^(a)	1,229	1,244
Security deposit ^(b)	16,483	115
Rental prepayment	-	1,787
Mining assets ^(c)	31,623	16,343
Total	49,335	19,489

- (a) Base inventory was used in the smelting process and comprised a metallic tin content of 381 tonnes (2008 : 381 tonnes). It was stated at lower of estimated recoverable amounts and cost.
- (b) As at 31 December 2009, cash deposits equivalent to \$16.5 million were placed as security deposits against bank guarantees issued pursuant to certain hotel lease agreements. These deposits were denominated in Australian and New Zealand Dollars.
- (c) Mining assets represented the fair value of a coal concession arising from the acquisition of a subsidiary engaged in the business of coal mining.
- (ii) The 153.1% increase in “Other Non-Current Assets” from \$19.5 million as at 31 December 2008 to \$49.3 million as at 31 December 2009 reflected the increase in security deposit and the recognition of the fair value of mining assets as set out in notes (b) and (c) above.

2. SGX’s Question No. 2:

As disclosed on Page 5 of the Results Announcement, the Company has recorded a 41.9% increase in "Inventories" (FY2008: S\$111,044,000; FY2009: S\$157,608,000). Please provide:-

- (i) More details on the inventories;
- (ii) Ageing of the inventories and whether the Company will face inventory obsolescence noting the fall in revenue; and
- (iii) Reasons for the substantial increase as compared to FY2008.

Company's Response to SGX's Question No. 2:

- (i) The details and breakdown of "Inventories" were as follows:

	Group	
	31 December 2009	31 December 2008
	\$'000	\$'000
Inventories		
At lower of cost or net realisable value:		
Inventories of tin-in-concentrates, tin-in-process and refined tin metal	143,786	97,011
Other inventories (coal, stores, spares, fuels and by-products)	12,167	12,455
Food and beverage inventories	1,655	1,578
Total	157,608	111,044

- (ii) The details and breakdown given above showed that most of the Group's inventories were in tin-in-concentrates, tin-in-process and refined tin metal. The Group maintained inventories equivalent to 3 months' of its stock level. As at 31 December 2009, the Group's inventories of tin-in-concentrates, tin-in-process and refined tin metal were within the 3 months' ageing. They were all stated at lower of cost or net realisable and the Group is not aware of any inventory obsolescence as at 31 December 2009.
- (iii) The 41.9% increase in inventories from \$111.0 million as at 31 December 2008 to \$157.6 million as at 31 December 2009 arose from the increase in the Group's inventories of tin-in-concentrates, tin-in-process and refined tin metal. The increase was mainly contributed by the higher volume of resources operations in FY2009, resulting in a higher 3-month stock level. Tin prices during Q4 2009 were higher than those during Q4 2008.

3. SGX's Question No. 3:

We note on Page 6 of the Results Announcement that the Company has a sum of S\$233,106,000 unsecured borrowings repayable within a year. Noting the falling revenues experienced by the Company, the significantly lower cash balances, negative operating cash flow generated and the Company's plans for its hospitality division which will increase costs (as disclosed on Page 15 of the Results Announcement), please advise how the Company intends to arrange for a repayment of these outstanding unsecured borrowings.

Company's Response to SGX's Question No. 3:

The details and breakdown of "Current Unsecured Borrowings" were as follows:

	Group	
	31 December 2009	31 December 2008
	\$'000	\$'000
Borrowings		
<i>Current</i>		
Unsecured:		
Short-term trade financing ^(A)	85,763	109,099
Banker's acceptance ^(A)	108,111	47,522
Revolving credit facilities 1 ^(B)	3,514	43,317
Revolving credit facilities 2 ^(C)	-	27,000
Term Loan 1 ^(D)	1,229	1,245
Term Loan 2 ^(E)	24,299	-
Term Loan 3 ^(F)	2,811	2,163
Term Loan 4 ^(G)	7,379	5,406
Total	233,106	235,752

- (A) Short-term trade financing is denominated in US Dollar. Banker's acceptance is denominated in Malaysian Ringgit. All these facilities were utilised for working capital requirements involving purchases and sales in tin concentrates and tin metal.
- (B) The unsecured revolving credit facilities 1 is a long-term facility denominated in US Dollars and is repayable by 10 semi-annual principal repayments commencing 30 September 2009.
- (C) The unsecured revolving credit facilities 2 was utilised for working capital requirements.
- (D) The unsecured term loan 1 is denominated in Malaysian Ringgit and is repayable by 8 semi-annual principal repayments of RM1.5 million each commencing on 1 May 2008.
- (E) The unsecured term loan 2 is a 1-year term loan facility due in April 2008 and has been extended to 12 April 2010, and is denominated in Malaysian Ringgit. The term loan is guaranteed by the Company.
- (F) The unsecured term loan 3 is denominated in US Dollar and is repayable by 16-quarterly principal repayments commencing on 11 May 2009.
- (G) The unsecured term loan 4 is denominated in US Dollar and is repayable by 20 quarterly principal repayments commencing on 20 September 2008.

The Group's current unsecured borrowings totalling \$233.1 million as at 31 December 2009 were in respect of its resources operations. These current borrowings were supported by current assets including inventories, receivables, cash and cash equivalents which were more than sufficient to repay the current borrowings, without taking into account the realisable profit from sale of inventories. The Company understands that this is normal for resources operations which are undertaken by Malaysia Smelting Corporation Berhad, its subsidiary listed on Bursa Malaysia.

The Group's operating cash flow was a positive \$38.1 million for FY2009. For Q4 2009, the Group's operating cash flow was negative due mainly to an increase in its inventories of tin-in-concentrates, tin-in-process and refined tin metal as explained in Section 2 above.

The lower revenues reported by the Group in FY2009 were mainly due to the following:

- (I) Lower average tin prices during FY2009, which more than offset the higher volume of resources operations in FY2009. Tin prices had since recovered as noted in Section 2 above.
- (II) Lower proceeds from sale of trading securities during FY2009 as a result of the Group's streamlining of its investment portfolio and consolidation of its shareholdings in WBL, which is listed on SGX.

The Company proposes to fund its refurbishments and renovations of key hotels through its hospitality assets, bank borrowings and internal resources.

BY ORDER OF THE BOARD

Maureen Leong (Mrs)
Secretary

2 March 2010
Singapore

This Announcement will be available at the Company's website at <http://www.stc.com.sg/>

About The Straits Trading Company Limited

One of the oldest listed public companies in Singapore since 1887, The Straits Trading Company Limited has business interests and investments spanning the Asia Pacific region. Through its listed subsidiary on Bursa Malaysia, Malaysia Smelting Corporation Berhad, Straits Trading engages in tin mining and smelting, and resources investments. Its subsidiary, Straits Developments Private Limited, is in the property business, which includes property investments, development and management primarily in Singapore and Malaysia. Its hotel business is driven by its subsidiary, Rendezvous Hospitality Group Private Limited, which owns, operates and manages its stable of hotels in the Asia Pacific region under the Rendezvous and Marque brands. It also holds a significant stake in WBL Corporation, a technology, automotive distribution, property development, and engineering and distribution company listed on the SGX Main Board.