



THE STRAITS TRADING COMPANY LIMITED

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

ANNOUNCEMENT

**RESPONSE TO QUESTIONS RAISED BY SGX ON THE FULL YEAR RESULTS
ANNOUNCED BY THE COMPANY ON 28 FEBRUARY 2011**

1. SGX Question No. 1:

What is the increase in employee benefits expense due to?

Company's Response to SGX Question No. 1:

- a) Employee benefits expenses include wages, salaries, allowances, severance benefit obligations, defined contribution plans and share-based payments.
- b) The 25.8% increase in employee benefits expense from \$79.6 million for the financial year ended 31 December 2009 ("FY2009") to \$100.2 million for the financial year ended 31 December 2010 ("FY2010") was mainly due to increases in the hospitality and resources operations.
- c) The increase in hospitality employee benefits expenses was mainly due to higher head count arising from the ongoing review and continuing improvement of the entire hospitality operations.
- d) The increase in resources employee benefits expenses was mainly due to increase in head count, salary adjustments and higher provisions for severance benefit obligations under the Severance Benefits Scheme for eligible employees of the subsidiaries in Indonesia.

RESPONSE TO QUESTIONS RAISED BY SGX ON THE FULL YEAR RESULTS ANNOUNCED BY THE COMPANY ON 28 FEBRUARY 2011 (Continued)**2. SGX Question No. 2:**

Provide a breakdown of other expenses of \$160M.

Company's Response to SGX Question No. 2:

a) The breakdown of other expenses of \$160.2 million is as follows:

	Group	
	Full Year Ended 31 December 2010 \$'000	Full Year Ended 31 December 2009 \$'000
OTHER EXPENSES		
Cost of properties sold and incidental costs	3,634	8,545
Upkeep and maintenance expenses of properties	17,172	14,333
Accommodation, food and beverage expenses	26,390	24,340
Operating lease expenses	49,359	44,772
Property related taxes	7,125	5,446
Marketing and distribution expenses	14,885	14,280
Administrative expenses	28,988	12,037
Deferred exploration and evaluation expenditure written off	1,140	621
Provision for doubtful receivables and bad debts written off	1,566	1,210
Other expenses	9,968	10,225
Total	160,227	135,809

- b) The increases in upkeep and maintenance expenses of properties and property related expenses reflected the full year operations of the Straits Trading Building, which was completed in the later part of 2009, as well as the upkeep and maintenance expenses of the Group's hotel and other commercial properties.
- c) The increases in accommodation, food and beverage expenses reflected the increase in hotel occupancy rates. The higher operating lease expenses reflected mainly hospitality operating lease commitments, including an additional hotel lease in 2010.
- d) Administrative expenses include professional and legal fees, transport and travelling, rental, entertainment and other general expenses. The increase in this item reflected the higher activity in the resources operations. Ongoing review and continuing improvement of the entire hospitality operations, including refinement of product standards, also resulted in an increase in this item.

RESPONSE TO QUESTIONS RAISED BY SGX ON THE FULL YEAR RESULTS ANNOUNCED BY THE COMPANY ON 28 FEBRUARY 2011 (Continued)**3. SGX Question No. 3:**

Provide a breakdown of the major items contributing to the significant increase in the costs of tin mining and smelting. What is the cause of the increase?

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

- a) The breakdown of the costs of tin mining and smelting is as follows:

	Group	
	Full Year Ended 31 December 2010 \$'000	Full Year Ended 31 December 2009 \$'000
COSTS OF TIN MINING AND SMELTING		
Purchases	889,466	600,211
Overheads, delivery and insurance expenses	164,183	79,759
Total	1,053,649	679,970

- b) The increase in tin mining and smelting costs was mainly from smelting operations arising from the higher business volume and higher average tin prices.
- c) The 55.0% increase in tin mining and smelting costs is in line with the 53.5% increase in tin mining and smelting revenue from \$755.2 million for FY2009 to \$1.2 billion for FY2010.

4. SGX Question No. 4:

Provide a breakdown of the major items and details on the circumstances giving rise to the impairment provisions of \$73.0M

Company's Response to SGX Question No. 4:

- a) The MSC Group holds investments in various listed and unlisted companies which have interests in gold, copper, nickel, zinc, silver and coal.
- b) Following a strategic business review in 2009, the MSC Group embarked on a strategy to reposition and refocus its resources operations on development of its core tin business for its long-term growth as well as to improve on the operating performance of its existing tin mining operations.
- c) In line with the decision made in 2009 to focus on its core tin business, the MSC Group initiated a divestment programme for its non-tin investments and assets, which is ongoing as at the Balance Sheet date.
- d) As part of this initiative, the MSC Group announced the divestment of its non-tin investment in BCD Resources NL in July 2010. This divestment was completed in December 2010.

RESPONSE TO QUESTIONS RAISED BY SGX ON THE FULL YEAR RESULTS ANNOUNCED BY THE COMPANY ON 28 FEBRUARY 2011 (Continued)

- e) The following net impairment loss and provisions of \$73.0 million arose as a result of the MSC Group's ongoing review of the recoverable value of its non-tin investments and assets:

	Full Year Ended 31 December 2010 \$'000	Remarks
EXCEPTIONAL LOSSES/(GAINS)		
i) Loss on disposal and impairment for investment in BCD Resources NL	19,970	Investment was fully divested in December 2010.
ii) Impairment provision for investment in Guilin Hinwei Tin Co. Ltd	3,745	Based on assessment made by management.
iii) Impairment provision for investment in Asian Mineral Resources Limited	24,705	Based on fair value as at balance sheet date.
iv) Impairment provision for mining asset	23,884	Based on independent valuation by a professional firm.
v) Impairment provision for goodwill arising from acquisition of subsidiaries	8,134	Based on assessment made by management.
vi) Gain on disposal of investment in PT Tenaga Anugerah	(8,826)	Investment was divested in November 2010.
vii) Impairment provision for other assets and investment securities	1,370	-
Total	72,982	

**RESPONSE TO QUESTIONS RAISED BY SGX ON THE FULL YEAR RESULTS ANNOUNCED BY THE
COMPANY ON 28 FEBRUARY 2011 (Continued)**

5. SGX Question No. 5:

To state in paragraph 9 whether the results are in line with the commentary write-up of the previous quarter.

Company's Response to SGX Question No. 5:

- a) No forecast or prospect statement was disclosed in the third quarter 2010 financial results announcement made on 9 November 2010.
- b) The fourth quarter and full year 2010 financial results are in line with the commentary write-up of the previous quarter.

BY ORDER OF THE BOARD

Sng Kiat Huang (Ms)
Secretary
The Straits Trading Company Limited

4 March 2011
Singapore

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