



The Straits Trading Company Limited

First Quarter Financial Statement Announcement for the Period Ended 31 March 2004

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) *An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.*

The unaudited results of the Group for the 1st quarter ended 31 March 2004 are as follows:

| | 1st Quarter | |
|--|-------------|----------|
| | 2004 | 2003 |
| | \$'000 | \$'000 |
| Revenues | | |
| Property revenue | 11,274 | 8,378 |
| Hotel revenue | 17,075 | 13,817 |
| Proceeds from sale of trading securities | 35,468 | 4,937 |
| Investment income, gross | 1,871 | 2,035 |
| Other revenue including interest income | 53 | 35 |
| Total Revenues | 65,741 | 29,202 |
| Costs and Expenses | | |
| Staff costs | (6,807) | (5,312) |
| Depreciation and amortisation | (2,086) | (1,891) |
| Exchange gains/(losses) | 84 | (106) |
| Costs of trading securities sold | (25,946) | (4,110) |
| Amount of trading securities written down | - | (4,038) |
| Other operating expenses | (13,530) | (10,617) |
| Total Costs and Expenses | (48,285) | (26,074) |
| Profit from Operations | 17,456 | 3,128 |
| Finance costs | (2,354) | (2,304) |
| Share of profits of associated companies | 5,789 | 5,299 |
| Profit from Operations Before Exceptional Items | 20,891 | 6,123 |
| Exceptional items | 1,842 | 1,432 |
| Profit from Operations Before Taxation and Minority Interests | 22,733 | 7,555 |
| Taxation | (4,205) | (1,680) |
| Profit from Operations After Taxation | 18,528 | 5,875 |
| Minority interests | 136 | 346 |
| Profit Attributable to Members of the Company | 18,664 | 6,221 |

- Exceptional Items comprise:

| | 1st Quarter | |
|--|--------------|--------|
| | 2004 | 2003 |
| | \$'000 | \$'000 |
| (a) Net surplus on disposal of investments | 5,645 | 1,150 |
| (b) Deficit on revaluation of oversea commercial investment property | (3,803) | - |
| (c) Net gain on disposal of property | - | 282 |
| | ----- | ----- |
| | 1,842 | 1,432 |
| | ----- | ----- |

- *Amount of profits on any sale of investments and/or properties:*

| | 1st Quarter 2004 |
|----------------------------|---------------------|
| | \$'000 |
| <i>Sale of investments</i> | 5,645 |
| | ----- |

1(b)(i) *A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.*

Balance Sheets as at 31 March 2004

| | GROUP | | COMPANY | |
|---|----------------------|------------------|----------------------|------------------|
| | 31 March 2004 | 31 December 2003 | 31 March 2004 | 31 December 2003 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Non-Current Assets | | | | |
| Property, plant and equipment, net | 159,416 | 160,813 | 1,506 | 1,520 |
| Investment properties, net | 923,674 | 927,554 | 43,815 | 43,815 |
| Subsidiary companies, net | - | - | 615,389 | 619,352 |
| Associated companies, net | 57,810 | 82,923 | 37,102 | 49,882 |
| Investments, net | 176,001 | 162,059 | 117,465 | 116,513 |
| Properties under development, net | 76,050 | 75,813 | - | - |
| Intangible assets, net | 1,451 | 1,501 | - | - |
| Deferred tax assets | 1,382 | 1,499 | - | - |
| Other non-current assets, net | 333 | 720 | - | - |
| | 1,396,117 | 1,412,882 | 815,277 | 831,082 |
| Current Assets | | | | |
| Properties held for sale | 51,113 | 51,780 | - | - |
| Stocks | 940 | 1,017 | - | - |
| Marketable securities, net | 91,213 | 110,428 | - | - |
| Trade debtors, net | 7,165 | 7,221 | 80 | 32 |
| Other debtors | 30,213 | 30,185 | 12,140 | 12,458 |
| Cash at bank and on deposit | 28,343 | 23,066 | 8,236 | 10,259 |
| | 208,987 | 223,697 | 20,456 | 22,749 |
| Current Liabilities | | | | |
| Short-term loans | (75,925) | (125,740) | (24,425) | (47,840) |
| Trade creditors | (7,892) | (9,005) | (369) | (410) |
| Other creditors | (24,999) | (25,131) | (3,840) | (2,888) |
| Provision for taxation | (5,039) | (2,847) | - | - |
| Dividend payable, net | (11,405) | - | (11,405) | - |
| | (125,260) | (162,723) | (40,039) | (51,138) |
| Net Current Assets/(Liabilities) | 83,727 | 60,974 | (19,583) | (28,389) |
| Non-Current Liabilities | | | | |
| Long-term loans | (390,000) | (390,000) | - | - |
| Other non-current liabilities | (20,695) | (20,683) | - | - |
| Deferred tax liabilities | (9,185) | (9,550) | (104) | (107) |
| | (419,880) | (420,233) | (104) | (107) |
| NET ASSETS | 1,059,964 | 1,053,623 | 795,590 | 802,586 |
| Equity | | | | |
| Share capital | 356,400 | 356,400 | 356,400 | 356,400 |
| Reserves | 715,910 | 709,434 | 439,190 | 446,186 |
| | 1,072,310 | 1,065,834 | 795,590 | 802,586 |
| Minority interests | (12,346) | (12,211) | - | - |
| EQUITY & MINORITY INTERESTS | 1,059,964 | 1,053,623 | 795,590 | 802,586 |

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

| As at 31/3/2004 | | As at 31/12/2003 | |
|-----------------|--------------|------------------|--------------|
| Secured | Unsecured | Secured | Unsecured |
| \$30,000,000 | \$45,925,000 | \$39,400,000 | \$86,340,000 |

Amount repayable after one year

| As at 31/3/2004 | | As at 31/12/2003 | |
|-----------------|-----------|------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| \$390,000,000 | \$0 | \$390,000,000 | \$0 |

Details of any collateral

The \$30 million short-term loan facility is secured by an assignment of the proceeds from the tenancies relating to an investment property of a subsidiary company.

The other secured loans are secured by, inter alia, legal mortgages over the land and buildings erected on 18/20/22 Cross Street and 3 Pickering Street, China Square Central, Singapore and debentures over all the assets of the borrowing subsidiary companies.

- 1(c) *A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.*

Consolidated Cash Flow Statement for the 1st quarter ended 31 March 2004

| | 1st Quarter | |
|--|-----------------|----------------|
| | 2004 | 2003 |
| | \$'000 | \$'000 |
| Cash flow from operating activities: | | |
| Profit from operations | 17,456 | 3,128 |
| Adjustments for: | | |
| Interest income | (45) | (33) |
| Investment income | (1,871) | (2,035) |
| Depreciation of property, plant and equipment | 2,038 | 1,852 |
| Gain on disposal of property, plant and equipment | - | (295) |
| Property, plant and equipment written off | 26 | 13 |
| Amortisation of hotel management rights | 48 | 39 |
| Operating profit before working capital changes | 17,652 | 2,669 |
| Decrease in properties held for sale | 648 | - |
| (Increase)/Decrease in stocks | (77) | 27 |
| Decrease in marketable securities, net | 19,215 | 7,861 |
| Increase in debtors | (270) | (4,960) |
| Increase/(Decrease) in creditors | 611 | (1,279) |
| Cash generated from operations | 37,779 | 4,318 |
| Interest expense | (2,015) | (2,304) |
| Income tax paid | (518) | (4,445) |
| Investment income | 1,871 | 2,035 |
| Dividends from associated companies | - | 1,291 |
| Interest income | 45 | 33 |
| Net cash flow from operating activities | 37,162 | 928 |
| Cash flow from investing activities: | | |
| Increase in amount payable to associated company | - | 26 |
| Proceeds from sale of property, plant and equipment | 2 | 634 |
| Purchase of property, plant and equipment | (774) | (988) |
| Proceeds from sale of investments | 20,615 | 3,731 |
| Purchase of hotel management rights | - | (43) |
| Expenditures incurred on properties under development | (1,896) | (2,575) |
| Tax paid on prior years' sale of investments | - | (3,688) |
| Tax refund on prior years' sale of investments | - | 1,589 |
| Net cash flow from/(used in) investing activities | 17,947 | (1,314) |
| Cash flow from financing activities: | | |
| Repayment of loans, net | (49,815) | (1,687) |
| Proceeds from issuance of share capital by subsidiary company to minority shareholders | - | 4,900 |
| Net cash flow (used in)/from financing activities | (49,815) | 3,213 |
| Net increase in cash and cash equivalents | 5,294 | 2,827 |
| Cash and cash equivalents at 1 January | 23,066 | 11,382 |
| Effect of exchange rate changes on balances held in foreign currencies | (17) | 442 |
| Cash and cash equivalents at 31 March | 28,343 | 14,651 |
| Cash and cash equivalents at 31 March consist of: | | |
| Cash at bank and on deposit | 28,343 | 14,651 |

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statements of Changes in Equity for the 1st quarter ended 31 March 2004

GROUP

| | Issued Capital \$'000 | Revaluation Reserve \$'000 | Exchange Translation Reserve \$'000 | Reserve on Consolidation \$'000 | Revenue Reserve \$'000 | Dividend Reserve \$'000 | Total \$'000 |
|--|-----------------------------|----------------------------------|--|---------------------------------------|------------------------------|-------------------------------|------------------|
| At 1 January 2004 | 356,400 | 154,650 | (15,045) | 2,634 | 555,790 | 11,405 | 1,065,834 |
| Exchange adjustment | - | - | (853) | - | - | - | (853) |
| Share of reserve movement of associated companies | - | - | - | - | 70 | - | 70 |
| Profit for 1st quarter | - | - | - | - | 18,664 | - | 18,664 |
| Dividend on ordinary shares - 2nd interim dividend for 2003, payable | - | - | - | - | - | (11,405) | (11,405) |
| At 31 March 2004 | 356,400 | 154,650 | (15,898) | 2,634 | 574,524 | - | 1,072,310 |
| At 1 January 2003 | 356,400 | 168,786 | (34,420) | 2,634 | 530,810 | 8,340 | 1,032,550 |
| Exchange adjustment | - | - | 9,080 | - | - | - | 9,080 |
| Profit for 1st quarter | - | - | - | - | 6,221 | - | 6,221 |
| Dividend on ordinary shares - 2nd interim dividend for 2002, payable | - | - | - | - | - | (8,340) | (8,340) |
| At 31 March 2003 | 356,400 | 168,786 | (25,340) | 2,634 | 537,031 | - | 1,039,511 |

COMPANY

| | Issued Capital \$'000 | Revaluation Reserve \$'000 | Revenue Reserve \$'000 | Dividend Reserve \$'000 | Total \$'000 |
|---|-----------------------------|----------------------------------|------------------------------|-------------------------------|-----------------|
| At 1 January 2004 | 356,400 | 31,143 | 403,638 | 11,405 | 802,586 |
| Profit for 1st quarter | - | - | 4,409 | - | 4,409 |
| Dividend on ordinary shares - 2nd interim dividend for 2003, payable | - | - | - | (11,405) | (11,405) |
| At 31 March 2004 | 356,400 | 31,143 | 408,047 | - | 795,590 |
| At 1 January 2003 | 356,400 | 32,929 | 382,825 | 8,340 | 780,494 |
| Profit for 1st quarter | - | - | 7,424 | - | 7,424 |
| Dividend on ordinary shares - 2nd interim dividend for 2002, payable | - | - | - | (8,340) | (8,340) |
| At 31 March 2003 | 356,400 | 32,929 | 390,249 | - | 779,578 |

1(d)(ii) *Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.*

Not applicable.

2. *Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.*

The figures have not been audited or reviewed by the Company's auditors.

3. *Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).*

Not applicable.

4. *Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.*

The same accounting policies and methods of computation are followed in the financial statements for the current financial period as compared with the audited financial statements for the year ended 31 December 2003.

5. *If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.*

Not applicable.

6. *Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.*

| | 1st Quarter | |
|--|------------------|-----------|
| | 2004 | 2003 |
| Basic and Diluted Earnings per share for the period based on Group profit attributable to Members of the Company: | 5.2 cents | 1.7 cents |

7. *Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-*

(a) current financial period reported on; and

(b) immediately preceding financial year.

| | 31 March 2004 | 31 December 2003 |
|--|----------------------|------------------|
| Net asset value per share based on issued share capital at the end of: | | |
| The Group | \$3.01 | \$2.99 |
| The Company | \$2.23 | \$2.25 |

8. *A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-*

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

The Group's core businesses comprise hotel development and management, financial investments and fund management, property development and investment, media advertising and tin smelting. The Group's operating profit rose 458.1% from \$3.1 million in Q1 2003 to \$17.5 million in Q1 2004. The sterling results were attributable mainly to an increase in profit of securities trading and higher revenues from property and hotel businesses. The Group has also reported an exceptional gain of \$5.6 million, primarily from the disposal of one of its long-term investments, Tronoh Mines Malaysia Berhad (Tronoh Mines). As a result, the Group's net earnings increased to \$18.7 million in Q1 2004, a 200.0% increase over \$6.2 million in the corresponding period last year.

Property revenue in Q1 2004 rose 34.6% to \$11.3 million compared to \$8.4 million in Q1 2003. This was due primarily to increased occupancy in the Group's Singapore properties, China Square Central and Gallop Green condominium.

The Group's hotels in Australia have done well with rises in both occupancies and room rates. The Q1 2004 earnings have also included the full Q1 results from Rendezvous Stafford Hotel in Sydney which only came under the Group's management in March 2003. In addition, Rendezvous Merry Hotel in Shanghai, which was opened in March 2004, made its maiden contribution this quarter. As a result, despite a small loss in the Group's Singapore hotel, overall hotel revenue rose 23.6% from \$13.8 million in Q1 2003 to \$17.1 million in Q1 2004.

Profit from securities trading has increased most impressively from less than \$1 million in Q1 2003 to \$9.5 million in Q1 2004, capitalizing on the improved equity market conditions. In addition, the Group made a \$4.0 million provision in Q1 2003 to mark down the value of its trading securities. This provision was not necessary in Q1 2004.

The Group's 20.15%-owned Killinghall (Malaysia) Berhad (Killinghall) has earlier this year issued 220.5 million irredeemable convertible unsecured loan stocks (ICULS) and consequently, Killinghall may cease to be an associated company when the ICULS are converted to shares, diluting the Group's holding to below 20%. To be prudent, the Group has decided to stop equity accounting the associate earnings from Killinghall in 2004. Nevertheless, total associate earnings still increased 9.2% from \$5.3 million in Q1 2003 to \$5.8 million in Q1 2004 due to improved performance of all other associated companies. The tin-smelting associate, Malaysia Smelting Corporation Berhad (MSC), particularly has contributed higher profit as tin price has doubled since Q1 2003 to around US\$9,000 per tonne currently.

9. *Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.*

This current announced results are broadly in line with the prospect statement disclosed in the 2003 full year financial statements announcement made on 27 February 2004.

10. *A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.*

Despite the improved outlook of the global and domestic economies, rental rates in Singapore properties are unlikely to experience a sharp rebound as the general oversupply of office space in the central business district will continue to exert pressure on rates. Under such market conditions, any earnings growth from the Group's investment properties will most probably be from increased occupancy at China Square Central than from higher rental rates.

The outlook for the Singapore hotel and tourism industry is expected to improve barring unexpected developments including the resurgence of terrorist activities. However, room rates will continue to be pressured with intense competition and improvement in profitability will be gradual. The Group's hotels in Australia are expected to continue to perform well. The Group has also added Rendezvous Merry Hotel, Shanghai to its hotel portfolio since March 2004 and a positive contribution is expected this year.

The Group's long-term investment income in 2004 is likely to be lower given some recent disposals such as Tronoh Mines. Other investee companies are expected to continue generating stable dividend income. With the disposal of the remaining 24 million Tronoh Mines shares in April 2004, the Group would record a gain of \$9.6 million in Q2 2004.

Profits from securities trading are difficult to predict with the highly volatile equity markets. As securities trading contributed a substantial part of the Group's operating profit in Q1 2004, Group's quarterly earnings may be volatile depending on the securities trading activities.

The associated companies will continue to contribute positively to the Group's results despite the cessation of equity accounting the results of Killinghall. MSC is expected to continue to deliver strong results this year due to firm tin prices.

Overall, barring unforeseen circumstances, the Directors expect the Group's 2004 operations to remain profitable.

11. *Dividend*

(a) *Current Financial Period Reported On*

Any dividend declared 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.

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

No dividend has been declared for the 1st quarter ended 31 March 2004.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. *Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.*

Not applicable.

14. *In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.*

Not applicable.

15. *A breakdown of sales.*

Not applicable.

16. *A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.*

Total Annual Dividend (Refer to Para 16 of Appendix 7.2 for the required details)

| | <i>Latest Full Year (S\$'000)</i> | <i>Previous Full Year (S\$'000)</i> |
|-------------------|-----------------------------------|-------------------------------------|
| <i>Ordinary</i> | 0 | 0 |
| <i>Preference</i> | 0 | 0 |
| <i>Total:</i> | 0 | 0 |

Not applicable.

BY ORDER OF THE BOARD

Emily Teo (Ms)

Secretary

13 May 2004

Singapore

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