



THE STRAITS TRADING COMPANY LIMITED

(Incorporated in Singapore)

NOTICE IS HEREBY GIVEN THAT

- (a) The Directors have declared a first interim dividend of 2 cents per share, less Malaysian income tax at 28%, in respect of the year ending 31 December 2003, payable on 8 October 2003 to shareholders on the share register on 24 September 2003.
- (b) The share register of the Company will be closed on 23 September and 24 September 2003 for the preparation of warrants. Registrable transfers received by the Company's Registrars, PricewaterhouseCoopers, at 8 Cross Street, #11-00 PWC Building, Singapore 048424, up to 5.00 p.m. on 22 September 2003 will be registered before entitlements to the dividend are determined.

The unaudited results of the Group for the 2nd quarter and the half year ended 30 June 2003 are as follows:-

	2nd Quarter		Half Year Ended 30 June	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Revenues				
Property revenue	9,020	9,425	17,398	17,607
Hotel revenue	11,862	10,881	25,679	22,642
Proceeds from sale of trading securities	910	2,762	5,847	33,492
Investment income, gross	5,710	5,159	7,745	6,521
Other revenue including interest income	48	50	83	2,223
Total Revenue	27,550	28,277	56,752	82,485
Costs and Expenses				
Staff costs	(5,313)	(5,699)	(10,625)	(10,759)
Depreciation and amortisation	(1,989)	(1,858)	(3,880)	(3,523)
Exchange losses	(49)	(811)	(155)	(1,518)
Costs of trading securities sold	(792)	(2,511)	(4,902)	(27,823)
Other operating expenses	(11,101)	(8,943)	(21,718)	(16,081)
Total Costs and Expenses	(19,244)	(19,822)	(41,280)	(59,704)
Profit from Operations	8,306	8,455	15,472	22,781
Finance costs	(2,144)	(565)	(4,448)	(1,896)
Share of profit of associated companies	5,615	4,555	10,914	8,972
Profit from Operations Before Exceptional Items	11,777	12,445	21,938	29,857
Exceptional items	4,046	5,263	1,440	5,790
Profit from Operations Before Taxation and Minority Interests	15,823	17,708	23,378	35,647
Taxation	(3,924)	(4,619)	(5,604)	(9,168)
Profit from Operations After Taxation	11,899	13,089	17,774	26,479
Minority interests	363	(162)	709	(354)
Profit Attributable to Members of the Company	12,262	12,927	18,483	26,125

Balance Sheet as at 30 June 2003

	GROUP	
	30 June 2003	31 December 2002
	\$'000	\$'000
Non-Current Assets		
Property, plant and equipment, net	159,973	155,356
Investment properties, net	968,740	962,527
Associated companies	92,086	85,210
Investments, net	147,266	146,881
Properties under development, net	75,283	74,928
Intangible assets, net	1,469	1,253
Deferred tax assets	1,445	1,454
	<u>1,446,262</u>	<u>1,427,609</u>
Current Assets		
Properties held for sale	54,346	54,309
Stocks	803	749
Marketable securities, net	106,168	110,562
Trade debtors, net	6,109	6,020
Other debtors	70,992	73,195
Cash at bank and on deposit	10,515	11,382
	<u>248,933</u>	<u>256,217</u>
Current Liabilities		
Short-term loans	(183,871)	(324,381)
Trade creditors	(4,694)	(5,350)
Other creditors	(35,999)	(47,083)
Provision for taxation	(2,769)	(1,019)
	<u>(227,333)</u>	<u>(377,833)</u>
Net Current Assets/(Liabilities)	<u>21,600</u>	<u>(121,616)</u>
Non-Current Liabilities		
Long-term loans	(390,000)	(270,000)
Other non-current liabilities	(19,487)	(7,554)
Deferred tax liabilities	(8,883)	(8,593)
	<u>(418,370)</u>	<u>(286,147)</u>
NET ASSETS	<u>1,049,492</u>	<u>1,019,846</u>
Equity		
Share capital	356,400	356,400
Reserves	701,570	676,150
	<u>1,057,970</u>	<u>1,032,550</u>
Minority Interests	<u>(8,478)</u>	<u>(12,704)</u>
EQUITY & MINORITY INTERESTS	<u>1,049,492</u>	<u>1,019,846</u>

(Certain comparative figures have been adjusted to conform with current period's presentation.)

Other Information

Exceptional Items comprise:-

	2nd Quarter		Half Year Ended 30 June	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
(a) Net surplus on disposal of investments	8	6,838	1,158	7,365
(b) Net gain on sale of property	-	484	282	484
(c) Write-back/(provision made) for diminution in value of trading securities	4,038	(2,102)	-	(2,102)
(d) Compensation award for land	-	43	-	43
	<u>4,046</u>	<u>5,263</u>	<u>1,440</u>	<u>5,790</u>

	2nd Quarter		Half Year Ended 30 June	
	2003	2002	2003	2002
Basic and Diluted Earnings per share for the period based on Group profit attributable to members of the Company:-	3.4 cents	3.6 cents	5.2 cents	7.3 cents

	30 June 2003	31 December 2002
Group Net Asset Value per share based on issued share capital at end of:-	\$2.97	\$2.90

Group's Borrowings are as follows:-

	30 June 2003 \$'000	31 December 2002 \$'000
Repayable within one year		
Secured	81,478	192,079
Unsecured	102,393	132,302
	<u>183,871</u>	<u>324,381</u>
Repayable after one year		
Secured	390,000	270,000

A \$39.4 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 loan facilities 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 and debentures over all the assets of the borrowing subsidiary companies.

Accounting Policies and Methods of Computation

- Except as disclosed below and the disclosure of the write-back/(provision made) for diminution in value of trading securities shown under exceptional item, the same accounting policies and methods of computations are followed in the financial statements for the current financial period as compared with the audited financial statements for the year ended 31 December 2002.
- With effect from 1 January 2003, the Group has adopted the Singapore Financial Reporting Standard (FRS) 21 on the Effects of Changes in Foreign Exchange Rates. Accordingly, the financial results of foreign subsidiary companies and associated companies are now translated into Singapore dollars at the average exchange rates for the period. Previously, such results were translated at exchange rates on balance sheet date. The change in accounting policy is applied prospectively because the effects of adopting the FRS 21 are not significant.

REVIEW OF RESULTS

Apart from hotel operations, the Group's other core businesses such as property activities, securities trading, investment holdings and tin smelting reported satisfactory results in Q2 2003. Compared with Q2 2002, the Group's overall Q2 2003 revenue and net earnings decreased slightly by 2.6% and 5.1% from \$28.3 million to \$27.6 million and from \$12.9 million to \$12.3 million respectively despite the SARS outbreak and the Iraq war.

However, for the six months ended 30 June 2003, the Group reported a 29.3% decline in net earnings from \$26.1 million in the corresponding period in 2002 to \$18.5 million due to relatively weak Q1 2003 as a result of lower gains from sales of trading securities, reflecting the general weakness in equity markets. The Group's six-month earnings were also affected by the absence of revenue from a commercial building in Australia which was disposed of in April 2002. Furthermore, there was no sale of the Group's residential units in the first six months of this year.

Notwithstanding a 4.3% decline in property revenue in Q2 2003 against Q2 2002 from \$9.4 million to \$9 million, the Group's property business reported a slight increase in profit in Q2 2003, attributable to major tenancies at China Square Central secured in the later part of 2002 and a steady rise of occupancy in the new Gallop Green condominium.

On the other hand, despite a 9% increase in hotel revenue from \$10.9 million in Q2 2002 to \$11.9 million in Q2 2003, the Group's hotel operations reported a small loss for the first time in Q2 2003 due primarily to the outbreak of SARS in Singapore. The adverse impact of SARS on the Group's Singapore hotel, however, was partially mitigated by the addition of Rendezvous Stafford Hotel, Sydney which has been under Rendezvous management since March 2003. The other mitigating factor was the appreciation in Australian dollars.

Performance from securities trading improved in Q2 2003 compared with Q2 2002 attributable mainly to the write-back of \$4 million provision made in Q1 2003 for the diminution in value of trading securities. Dividend income from the Group's investments also rose 10.7% from \$5.2 million in Q2 2002 to \$5.7 million in Q2 2003 with special dividends and increased dividend payouts from a number of long-term investments.

Contributions from associated companies increased 23.3% from \$4.6 million in Q2 2002 to \$5.6 million in Q2 2003 as a result of better performance from Malaysia Smelting Corporation Bhd., Killinghall (Malaysia) Bhd. and Johan Kekal Sdn. Bhd. Johan Kekal has recognized profits since Q1 2003 based on percentage of completion method from the sale of its residential properties in Kuala Lumpur.

CURRENT YEAR PROSPECTS

Going forward, although the Singapore property markets are expected to remain weak in 2003, the Group's investment properties will continue to contribute positively with increased occupancy at China Square Central and the Gallop Green condominium. However, the weakness in the office sector may have an adverse impact on the capital value of the Group's investment properties.

The hospitality industry in Singapore, though adversely affected by SARS in Q2 2003, is expected to pick up in the second half of the year. However, competition remains intense and average room rates are expected to be low. It will take some time for the room rates and the occupancy of our Singapore hotel to trade up to the pre-SARS levels. The Group's hotels in Australia, on the other hand, are expected to remain profitable and to further diversify the hotel earnings, the Group is also expanding into hotel management businesses in China.

The Group's investments are expected to generate a similar level of income but the results of securities trading will be difficult to forecast given the highly volatile global financial markets.

The Group's associated companies are expected to continue to contribute positively to the Group's results.

Overall, barring unforeseen circumstances, the Directors expect the Group's 2003 operations to remain profitable.

BY ORDER OF THE BOARD

Emily Teo (Ms)
Secretary

28 August 2003
Singapore