



THE STRAITS TRADING COMPANY LIMITED

(Incorporated in Singapore)

NOTICE IS HEREBY GIVEN THAT

- (a) The Directors have declared a second interim dividend of 3 cents per share, less Singapore income tax at 22% in respect of the year ended 31st December 2002, payable on 2nd May 2003 to shareholders on the share register on 17th April 2003. No further dividend is recommended in respect of the year ended 31st December 2002.
- (b) The share register of the Company will be closed from 16th April to 17th April 2003, both dates inclusive.
- (c) The Annual General Meeting of The Straits Trading Company Limited will be held at 9 Battery Road, #03-05 Straits Trading Building, Singapore 049910, on Friday, 25th April 2003 at 11.30 a.m.

The unaudited results of the Group for the year ended 31st December 2002 are as follows:-

	Group	
	2002 \$'000	2001 \$'000 (restated)
Revenues		
Property revenue	36,701	37,193
Hotel revenue	47,959	46,253
Proceeds from sale of trading securities	33,623	125,671
Investment income, gross	9,543	11,746
Other revenue including interest income	2,332	479
Total Revenue	130,158	221,342
Costs and Expenses		
Staff costs	(22,252)	(19,228)
Depreciation and amortisation	(7,208)	(7,775)
Exchange losses	(266)	(146)
Costs of trading securities sold	(27,920)	(106,920)
Amount of trading securities written down	(24,955)	—
Other operating expenses	(40,600)	(35,335)
Total Costs and Expenses	(123,201)	(169,404)
Profit from Operations	6,957	51,938
Finance costs	(6,955)	(5,009)
Share of profit of associated companies	16,520	13,487
Profit from Operations Before Exceptional Items	16,522	60,416
Exceptional items	20,183	(10,656)
Profit from Operations Before Taxation and Minority Interests	36,705	49,760
Taxation	(4,541)	(10,763)
Profit from Operations After Taxation	32,164	38,997
Minority interests	502	(94)
Profit Attributable to Members of the Company	32,666	38,903

Other Information

Exceptional Items of \$20.183 million comprise:-

	\$'000
(a) Net surplus on disposal of investments	15,845
(b) Net tax refund from prior years' sale of investments	3,824
(c) Compensation award on land acquired	42
(d) Net gain on sale of commercial property	472
	20,183

	2002 \$'000	2001 \$'000	+ or (-) %
(a) Turnover reported for first half year	47,278	53,129	(11.0)
(b) Operating profit after tax before deducting minority interests reported for first half year	26,075	27,478	(5.1)
(c) Turnover reported for second half year	44,925	51,738	(13.2)
(d) Operating profit after tax before deducting minority interests reported for second half year	6,089	11,519	(47.1)

Note: Turnover represents the gross value of sales, income from investment trading, rents and service charges from property and revenue from hotel operations.

	2002	2001
Basic and Diluted Earnings per share for the year based on Group profit attributable to members of the Company:-	9.2 cents	10.9 cents
Group Net Asset Value per share based on issued share capital at end of the year	\$2.90	\$2.86

Balance Sheet as at 31st December 2002

	GROUP	
	2002 \$'000	2001 (restated) \$'000
Non-Current Assets		
Property, plant and equipment, net	155,356	180,408
Investment properties, net	962,527	307,719
Associated companies	85,210	79,625
Investments, net	146,881	150,288
Properties under development, net	74,928	658,498
Intangible assets, net	1,253	304
Deferred tax assets	1,454	62
	1,427,609	1,376,904
Current Assets		
Properties held for sale	54,309	436,238
Stocks	749	701
Marketable securities, net	110,562	97,692
Trade debtors, net	6,020	3,306
Other debtors	73,195	19,004
Cash at bank and on deposit	11,382	13,402
	256,217	570,343
Current Liabilities		
Short-term loans	(324,381)	(320,469)
Trade creditors	(5,350)	(4,800)
Other creditors	(47,083)	(37,794)
Provision for taxation	(1,019)	(4,032)
	(377,833)	(367,095)
Net Current (Liabilities)/Assets	(121,616)	203,248
Non-Current Liabilities		
Long-term loans	(270,000)	(533,976)
Other non-current liabilities	(7,554)	(11,016)
Deferred tax liabilities	(8,593)	(15,416)
	(286,147)	(560,408)
NET ASSETS	1,019,846	1,019,744
Equity		
Share capital	356,400	356,400
Reserves	676,150	661,534
TOTAL EQUITY	1,032,550	1,017,934
Minority Interests	(12,704)	1,810
	1,019,846	1,019,744

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

Group's Borrowings are as follows:-

	As at 31st December 2002 \$'000	As at 31st December 2001 \$'000
Repayable within one year		
Secured	192,079	280,000
Unsecured	132,302	40,469
	<u>324,381</u>	<u>320,469</u>
Repayable after one year		
Secured	<u>270,000</u>	<u>533,976</u>

The 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 concerning subsidiary companies.

Accounting Policies and Methods of Computation

- (a) Except as disclosed below, the same accounting policies and methods of computations are followed in the financial statements as compared with the audited financial statements as at 31st December 2001.
- (b) With effect from 1st January 2002, the Group has adopted the revised Singapore Statement of Accounting Standard 12 on Income Taxes. The effects of the change on the previous years' comparatives with respect to the net profit and opening revenue reserve are as follows:-

	Increase/(Decrease) \$'000
Net profit for the year ended 31st December 2001	(827)
Opening revenue reserve at 1st January 2001	(2,457)
Opening revenue reserve at 1st January 2002	(3,284)

REVIEW OF RESULTS

Group's revenue declined due to lower proceeds from sales of trading investments. The Group's attributable operating profit decreased by 16% from \$38.9 million to \$32.7 million. This is mainly due to a \$24.9 million mark down in the value of the Group's short-term investments to the prevailing market prices as at 31st December 2002. The Group however benefited from the newly introduced Group relief provision, resulting in a substantial drop in taxation.

The weak global equity markets affected investment trading activities. As a result, lower profits were realized from securities trading. For the year 2002, the Group realized a profit of \$5.7 million on sales of short-term investments as compared to \$18.7 million for the year 2001.

The property rental market in Singapore remained soft. Rental revenue of our properties in Singapore was down because of soft rental rates and lower occupancies. The current weak economic sentiments and excess supply of office space in Singapore continue to put pressure on rental and capital values. As at 31st December 2002, the Group revalued its investment properties downwards by a net amount of \$6.4 million.

Hotel operating profit was lower. Hotel occupancy and room rates were adversely affected during the year amid intense competition and a fall in the corporate and leisure business. The hotel business had barely recovered from 2001's September 11 shock that led to a downturn in travel when the Bali bombings shook the industry again in October 2002. In Singapore, operating conditions continued to be difficult with the slowdown in visitor arrivals from the major markets of Japan and the US. The lack of confidence in air travel and the limited flight capacity within Australia and into Australia had also affected some areas of the hotel business.

Share of associated companies' profits increased from \$13.4 million to \$16.5 million due to a better performance by its associated company, Killinghall (Malaysia) Berhad. Despite the down-sizing of the tin smelting operations in Butterworth by the Group's associate, Malaysia Smelting Corporation Berhad (MSC), the overall tin smelting profit was close to the previous year's record due to on-going efforts to improve operating efficiency and reduce production cost at the newly acquired subsidiary, P T Koba Tin in Indonesia.

The Group had resolved the assessments raised by the Inland Revenue Authority of Singapore (IRAS) on four of its subsidiary companies, resulting in a write-back of tax provision of approximately \$8.2 million. The IRAS had, however, towards the end of the year, raised notices of assessment on one other subsidiary company of the Group in respect of gains on sale of long-term investments. The assessments have been paid in full. Based on professional advice, the Directors are of the view that the assessments are not sustainable and have lodged objections accordingly. Pending appeal, the Directors felt it prudent to make some provisions.

On 9th January 2002, the shareholders of the Company approved the sale of the commercial building at 1 Pickering Street, China Square Central at an estimated price of \$389.70 million. Following the execution of the sale and purchase agreement dated 7th February 2002, 90% of the estimated price was received on 21st February 2002 and was used for repayment of the Group's borrowings. The remaining 10% is expected to be settled by the second half of 2003 in accordance with the provisions of the Sale of Commercial Properties Act.

The commercial developments at China Square Central and the residential development at Gallop Green were completed during the year. In accordance with the Group's accounting policy, these have been classified as Investment Properties on completion and the borrowing costs associated with the related developments are charged against the profit and loss account.

CURRENT YEAR PROSPECTS

Given the rather difficult business conditions in Singapore, the property market will remain weak, especially rental rates for the Group's investment properties.

For the hotel operation, although trading conditions for the hospitality industry will continue to be difficult, the Group has introduced various marketing initiatives to drive revenue growth.

It is difficult to predict the performance of the short-term investment portfolio due to the global political and economic uncertainties. Nevertheless, the Group will remain focused on achieving a positive performance.

The Group's tin smelting associate, MSC, will continue to undertake the necessary cost rationalisation at the smelting plant in Butterworth, Malaysia, following the downsizing of its smelting operations towards the end of 2002. On-going efforts to improve operating efficiencies at PT Koba Tin, Indonesia, will be intensified.

Overall, 2003 will be a challenging year for the Group in the face of economic and other uncertainties. The Directors expect the Group's operating profit to remain profitable.

Segment Revenue and Results for the year ended 31st December 2002

2002 Business Segments

	Property \$'000	Hotel \$'000	Securities Trading \$'000	Investment Holding \$'000	Corporate/ Others \$'000	Elimination \$'000	Consolidated \$'000
Segment Revenue							
Revenue from external	36,701	47,959	35,965	7,201	—	—	127,826
Inter-segment revenue	439	—	—	—	—	(439)	—
Unallocated revenue	—	—	—	—	2,332	—	2,332
Total revenue	37,140	47,959	35,965	7,201	2,332	(439)	130,158
Segment result	15,290	4,623	(18,679)	7,038	2,332	—	10,604
Unallocated expenses							(3,647)
Profit from operations							6,957
Finance costs							(6,955)
Share of profit of associated companies	20				16,500		16,520
Profit from operations before exceptional items							16,522
Exceptional items	514			19,669			20,183
Profit from operations before taxation and minority interests							36,705
Taxation							(4,541)
Minority interests							502
Profit attributable to Members of the Company							32,666

2002 Geographical Segments

	Singapore \$'000	Malaysia \$'000	Australia \$'000	Corporate/ Others \$'000	Elimination \$'000	Consolidated \$'000
Segment Revenue						
Revenue from external	86,783	3,343	39,971	61	—	130,158
Inter-segment revenue	36	—	601	—	(637)	—
Total revenue	86,819	3,343	40,572	61	(637)	130,158

Segment Revenue and Results for the year ended 31st December 2002 (cont'd)

2001 Business Segments

	Property \$'000	Hotel \$'000	Securities Trading \$'000	Investment Holding \$'000	Corporate/ Others \$'000	Elimination \$'000	Consolidated \$'000
Segment Revenue							
Revenue from external	37,193	46,253	128,645	8,772	—	—	220,863
Inter-segment revenue	408	—	—	—	—	(408)	—
Unallocated revenue	—	—	—	—	479	—	479
Total revenue	37,601	46,253	128,645	8,772	479	(408)	221,342
Segment result	20,102	4,878	21,754	8,254	479	—	55,467
Unallocated expenses							(3,529)
Profit from operations							51,938
Finance costs							(5,009)
Share of profit of associated companies	9				13,478		13,487
Profit from operations before exceptional items							60,416
Exceptional items	54	(12,000)		(1,070)	2,360		(10,656)
Profit from operations before taxation and minority interests							49,760
Taxation							(10,763)
Minority interests							(94)
Profit attributable to Members of the Company							38,903

2001 Geographical Segments

	Singapore \$'000	Malaysia \$'000	Australia \$'000	Corporate/ Others \$'000	Elimination \$'000	Consolidated \$'000
Segment Revenue						
Revenue from external	180,640	4,032	36,609	61	—	221,342
Inter-segment revenue	36	—	667	—	(703)	—
Total revenue	180,676	4,032	37,276	61	(703)	221,342

DIVIDEND

(a) The first interim dividend of 2 cents per share was paid on 8th October 2002.

	2002	2001
(b) Annual dividend per share (cents)	5.0	5.0
(c) Total annual dividend, net (\$'000)	13,900	13,080

(d) 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 15th April 2003 will be registered before entitlements to the dividend are determined.

BY ORDER OF THE BOARD
Emily Teo (Ms)
Secretary

28th February 2003
Singapore

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