

ANNOUNCEMENT

PROPOSED SALE OF THE STRAITS TRADING BUILDING

1. INTRODUCTION

The board of directors ("**Board**") of The Straits Trading Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce that the Company and its wholly-owned subsidiary, Straits Developments Private Limited ("**SDPL**", and together with the Company, the "**Vendor**") have on 5 September 2014 entered into a conditional sale and purchase agreement ("**SPA**") with Nine Battery Pte. Ltd. (the "**Purchaser**") in respect of the proposed sale (the "**Proposed Sale**") of the property known as the "Straits Trading Building" (the "**Property**").

2. INFORMATION RELATING TO THE PROPERTY

The Property, which is collectively held by the Company and SDPL, comprises four (4) land lots (being 999-year leasehold estates with varying unexpired tenures), the building erected thereon, as well as the plant and equipment located in or on the said building.

Based on the unaudited consolidated financial statements of the Company for the half year ended 30 June 2014 (the "**Unaudited 2Q2014 Results**"), announced by the Company on 14 August 2014, the book value of the Property is S\$405.0 million (the "**Book Value**") and the net tangible asset value of the Property is also S\$405.0 million.

In view of the Proposed Sale, SDPL had commissioned an independent valuation of the Property by DTZ Debenham Tie Leung (SEA) Pte. Ltd. ("**DTZ**") to determine the latest open market value of the Property. The valuation report issued by DTZ and dated 3 September 2014 (the "**Valuation Report**") has valued the Property at S\$410.0 million as at 31 August 2014 on an open market value basis.

3. INFORMATION RELATING TO THE PURCHASER

The Purchaser is a Singapore incorporated company and it is part of the Sun Venture group which currently owns and manages various commercial real estate in Singapore. The Sun Venture group's portfolio of commercial assets include an office building at 50 Scotts Road, four (4) floors at Samsung Hub, Westgate Tower and Paya Lebar Square. The Purchaser's parent company is Legend Investment Holdings Limited, a private company incorporated in Hong Kong.

4. SALIENT TERMS OF THE PROPOSED SALE

The key terms of the Proposed Sale, as set out in the SPA, are as follows:

4.1 Consideration for the Proposed Sale

The consideration payable for the acquisition of the Property shall be S\$450.0 million ("**Consideration**") (exclusive of applicable goods and services tax, for which the Purchaser shall also be liable), payable entirely in cash.

As at the date of this announcement, the Purchaser has paid the Vendor an initial non-refundable deposit of S\$9.0 million (representing 2% of the Consideration), and a further deposit of S\$36.0 million (representing 8% of the Consideration) is held by the Vendor's solicitors as stakeholders to be released only on completion of the Proposed Sale pursuant to the SPA ("**Completion**"). The balance of the Consideration of S\$405.0 million (being 90% of the Consideration) shall be paid by the Purchaser on Completion.

The Consideration was arrived at on a willing-seller, willing-buyer basis after arms' length negotiations between the Vendor and the Purchaser, after taking into account, amongst other things, (a) the prevailing market conditions for similar office properties; (b) other offers of interest received for the Property; (c) the book value and the net tangible asset value of the Property; (d) the open market value of the Property as set out in the Valuation Report; and (e) the rationale for and benefits of the Proposed Sale (described in more detail in paragraph 5 below).

4.2 Expected Completion Date

Subject to the fulfillment of the Conditions (as defined below), the Company expects Completion to take place on 18 December 2014 (unless parties mutually agree otherwise).

4.3 Conditions Precedent

Completion is subject to the following conditions ("**Conditions**") being fulfilled:

- (a) the approval of the shareholders of the Company ("**Shareholders**") for the Proposed Sale, at an extraordinary general meeting of the Company ("**EGM**") to be convened, being granted no later than 9 December 2014 (or such other date as may be mutually agreed between the Vendor and the Purchaser in writing); and
- (b) the title to the land lots and the plant and equipment thereon being in order and free from encumbrances on Completion (including the existing registered mortgages which the Vendor has undertaken to discharge on Completion).

4.4 Condition of the Property

The Property is being sold in its present state and condition (subject to fair wear and tear) and the Purchaser shall purchase the Property with full notice of the floor areas of the building. Pursuant to the SPA, the Vendor is giving no warranty, representation or assurance as to the state, condition, nature, repair, quality, fitness, use or correctness of description or suitability for any purpose whatsoever and howsoever in respect of the land lots and/or the Property, and the Vendor shall be under no liability or obligation whatsoever to the Purchaser in this respect.

4.5 Key Undertakings

SDPL has also undertaken to the Purchaser that, as at Completion, the rent and service charge payable by the tenants and licensees of the Property as at 1 March 2015 (the "**Committed Gross Rent**") shall not be less than S\$1.5 million per month. In the event the Committed Gross Rent upon Completion is less than S\$1.5 million per month, SDPL has agreed to provide rent and service charge top-ups (together with goods and services tax

thereon) until such time when the rent and service charge payable by the tenants and licensees of the Property amounts to S\$1.5 million per month or until the end of 2015, whichever is earlier.

SDPL currently occupies the office premises at the 28th floor of the building. The Purchaser has agreed to lease the said premises back to SDPL for a term commencing from the date of Completion up to 31 December 2016 with a further one (1) year option for renewal.

For the avoidance of doubt, there is no proposal to appoint any person as a director of the Company in connection with the Proposed Sale.

5. RATIONALE FOR AND BENEFITS OF THE PROPOSED SALE AND INTENDED USE OF PROCEEDS

The Company's existing businesses comprise stakes in real estate, hospitality and resources as separate engines of growth. With specific regard to the real estate engine, its focus is to develop a real estate eco-system, which is currently anchored by the Company's 89.5% interest in Straits Real Estate Pte. Ltd., its 20.1% interest in ARA Asset Management Limited and its aggregate 5.8% interest in Suntec REIT.

The Company has previously articulated to Shareholders its strategy of redeploying capital from its existing property portfolio of high quality, but low yielding investment properties into potentially higher return real estate opportunities. The prospect for the Company to monetise the Property is in line with this stated strategy.

The Proposed Sale will enable the Group to crystallise an estimated capital gain of S\$39.0 million from the Property, which represents an 11.1% premium to the book value of the Property as at 30 June 2014 (based on the Unaudited 2Q2014 Results) of S\$405.0 million. Based on historical cost of S\$70.6 million, the gain to the Group will be S\$373.3 million. The Company will seek to re-deploy the proceeds from the Proposed Sale into higher return opportunities and to strengthen its real estate eco-system.

6. FINANCIAL EFFECTS OF THE PROPOSED SALE

The proforma financial effects of the Proposed Sale on the Group as set out below are **for illustrative purposes only** and do not reflect either the actual financial effects of the Proposed Sale on the Group, or the future financial performance and/or position of the Group immediately following the Completion of the Proposed Sale.

Based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2013 (being the most recent completed financial year), and assuming the Proposed Sale is effected at the Consideration of S\$450.0 million and the total number of issued ordinary shares in the share capital of the Company ("**Shares**") is 408,095,772:

- (a) had the Proposed Sale been effected on 1 January 2013, the Group's basic earnings per Share ("**EPS**") for the financial year ended 31 December 2013 would have been 40.7 cents instead of 29.3 cents; and
- (b) had the Proposed Sale been effected on 31 December 2013, the Group's net tangible assets per Share as at 31 December 2013 would have been S\$3.27 instead of S\$3.16.

Based on the Unaudited 2Q2014 Results:

- (i) the gain on disposal of the Property will be S\$39.0 million; and
- (ii) the Consideration of S\$450.0 million will be in excess of Book Value by S\$45.0 million.

7. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

Under Chapter 10 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual ("**Listing Manual**") (which governs acquisitions and realisations), where any of the relative figures of an asset purchase or asset sale transaction, computed on the bases in Rule 1006 of the Listing Manual exceeds 20%, that transaction is classified as a "major transaction" and shall be subject to shareholders' approval.

The relative figures for the Proposed Sale computed on the bases set out in Rule 1006 of the Listing Manual, based on the Unaudited 2Q2014 Results, are set out below:

Rule 1006	Bases	Relative Figures (%)
(a)	Net asset value of the Property compared with the Group's net asset value, as at 30 June 2014 ⁽¹⁾	29.7
(b)	Net profits attributable to the Property compared with the Group's net profits, in each case for the six (6) months ended 30 June 2014 ⁽²⁾	951.8
(c)	Aggregate value of the Consideration compared with the market capitalisation of the Company as at 4 September 2014 ⁽³⁾	38.2
(d)	Number of equity securities issued by the company as consideration for the Proposed Sale, compared with the number of equity securities previously in issue	Not applicable
(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable

Notes:

- (1) Based on the net asset value of the Property as at 30 June 2014 of approximately S\$405.0 million, divided by the Group's net asset value as at 30 June 2014 of approximately S\$1,365.2 million.
- (2) Based on the net profit value attributable to the Property for the six (6) months ended 30 June 2014 of approximately S\$9.8 million, divided by the Group's net profit for six (6) months ended 30 June 2014 of approximately S\$1.0 million.
- (3) Based on the Consideration of S\$450.0 million, divided by the market capitalisation of the Company of approximately S\$1,177.3 million (based on the volume weighted

average price of the Shares transacted on 4 September 2014, being the market day immediately preceding the date of the SPA).

Having regard to the above, the Proposed Sale constitutes a "Major Transaction" under Rule 1014 of the Listing Manual and accordingly, Shareholders' approval will be required. The Company will in due course convene an EGM for the purposes of seeking Shareholders' approval for the Proposed Sale.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors of the Company, and to the best of the Directors' knowledge, none of the controlling shareholders of the Company, has any interest, direct or indirect, in the Proposed Sale, save in respect of such Director's / controlling shareholder's interest in Shares (if any).

9. GENERAL

9.1 Circular and EGM

A circular, setting out the relevant information in relation to the Proposed Sale, will be issued in due course to Shareholders, together with a notice convening the EGM for the purpose of obtaining Shareholders' approval for the Proposed Sale.

9.2 Documents for Inspection

A copy of each of the SPA and the Valuation Report will be available for inspection at the Company's registered office at 9 Battery Road #28-01 Straits Trading Building Singapore 049910 during normal business hours for a period of three (3) months from the date of this announcement.

By Order of the Board

Aldric Tan Jee Wei
Company Secretary
The Straits Trading Company Limited

5 September 2014
Singapore

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

About The Straits Trading Company Limited

Incorporated in 1887 as a tin smelting company, The Straits Trading Company Limited today has stakes in real estate, hospitality, resources and investments that span the Asia Pacific region. It owns a 89.5% stake in Straits Real Estate, a co-investment vehicle that seeks out real estate related investments & opportunities. It also owns a 20.1% stake in SGX-listed ARA Asset Management Limited, one of the largest real estate fund managers in the region, and has a 30% interest in Far East Hospitality Holdings, one of the largest hospitality operators in Asia Pacific. Straits Trading also engages in tin mining and smelting through its 54.8% owned subsidiary, Malaysia Smelting Corporation Berhad, that is dual listed on Bursa Malaysia and SGX-ST.