

THE STRAITS TRADING COMPANY LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 188700008D)

THE PROPOSED ACQUISITION OF THE REMAINING 10.5% EQUITY STAKE IN STRAITS REAL ESTATE PTE. LTD.

1. INTRODUCTION

The board of directors (the "**Board**") of The Straits Trading Company Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that its wholly-owned subsidiary, STC Capital Pte. Ltd. ("**Purchaser**"), has on 5 April 2021 entered into a sale and purchase agreement ("**SPA**") with JL Equity II Limited ("**Vendor**") pursuant to which:

- (a) the Purchaser shall acquire, and the Vendor shall sell, 41,630,000 issued ordinary shares ("**Sale Shares**") in the share capital of Straits Real Estate Pte. Ltd. (the "**Target**"), representing approximately 10.5% of the issued and paid-up share capital of the Target, for a total cash consideration of S\$56,351,918 (the "**Purchase Consideration**");
- (b) the Purchaser and the Vendor shall procure the Target to redeem the 29,943,435 redeemable preference shares in the share capital of the Target (the "**Preference Shares**") held by the Vendor at a price of S\$1.00 per Preference Share (the "**Redemption**"); and
- (c) the Purchaser and the Vendor shall procure the Target to repay the aggregate outstanding principal amount of shareholder loans granted by the Vendor to the Company ("**Vendor Shareholders' Loans**"), together with interest agreed thereon for the period up to 31 March 2021, totalling S\$18,704,647,

upon the terms and subject to the conditions of the SPA (together, the "**Proposed Transaction**").

2. INFORMATION RELATING TO THE TARGET AND ITS SUBSIDIARIES

- 2.1** The Target is a private company incorporated in Singapore on 18 November 2013. As at 5 April 2021, the Target has an issued and paid-up share capital of S\$679,947,632 comprising 395,485,000 issued ordinary shares ("**Shares**") and 284,462,632 Preference Shares. Its current shareholders are the Purchaser and the Vendor, each holding approximately 89.5% and 10.5% of the total issued Shares and Preference Shares in the Target, respectively.

- 2.2** The Target is the Group's real estate investment arm and is organised as a real estate investment company primarily making financial investments in direct real estate, real estate funds, and real estate operating platforms. Its core competence lies in its ability in risk pricing and correspondingly finding the most efficient use for its capital on a risk-adjusted basis.

Based on the unaudited consolidated financial statements of the Target and its subsidiaries (the "**Target Group**") as at 31 December 2020, the Target Group recorded net profit before tax of approximately S\$95.6 million for the financial year ended 31 December 2020 ("**FY2020**"). Further, based on the unaudited consolidated financial statements of the Target Group as at 31 December 2020, the net book value and net tangible assets attributable to the Sale Shares as at 31 December 2020 were approximately S\$51.6 million and S\$51.6 million respectively. The open market value of the Sale Shares and the Preference Shares is not available as the Sale Shares and the Preference Shares are not listed or traded on any securities exchange.

3. PRINCIPAL TERMS OF THE SPA

3.1 Proposed Transaction

The Proposed Transaction involves:

- (a) the acquisition of the Sale Shares, free from all encumbrances and with the benefit of all rights, benefits and entitlements attaching thereto as at the date of completion of the Proposed Transaction ("**Completion**") and thereafter (including the right to any dividends or other distributions declared and payable thereon on or after the date of the SPA);
- (b) the Redemption; and
- (c) the repayment of the Vendor Shareholders' Loans together with interest agreed thereon for the period up to 31 March 2021.

Completion is scheduled to take place on 9 April 2021.

3.2 Aggregate Consideration

The aggregate consideration for the Proposed Transaction of S\$105,000,000 (the "**Transaction Consideration**") comprising:

- (a) the Purchase Consideration of S\$56,351,918;
- (b) the aggregate redemption amount in respect of the Redemption of S\$29,943,435; and
- (c) the amount of the Vendor Shareholders' Loans and agreed interest thereon of S\$18,704,647,

was arrived at after negotiations on an arm's length basis and on a willing-buyer and willing-seller basis, after taking into account, *inter alia*:

- (i) the unaudited net book value of the Target as at 31 December 2020;

- (ii) the value of the Vendor's Preference Shares and Vendor Shareholders' Loans and agreed interest for the period up to 31 March 2021; and
- (iii) the rationale and benefits to the Company for the Proposed Acquisition as set out in Section 4 of this announcement.

Pursuant to the SPA, the Transaction Consideration shall be fully satisfied in cash and shall be paid by the Purchaser or the Company (as the case may be) to the Vendor on Completion.

The Purchaser and the Company intend to fund the Transaction Consideration by way of the internal cash resources of the Group.

3.3 Termination of Joint Venture Agreement

In connection with the Proposed Transaction and pursuant to the SPA, the Purchaser, the Vendor and JL Investment Holding (2012) Ltd (being the holding company of the Vendor) shall, on Completion, enter into a deed of termination to terminate the joint venture agreement dated 28 October 2013 entered into among the Purchaser, the Vendor and JL Investment Holding (2012) Ltd to, *inter alia*, regulate the affairs of the Target and the rights of the relevant parties as shareholders of the Target.

3.4 Memorandum of Understanding

In connection with the Proposed Transaction and pursuant to the SPA, the Target and The Land Managers Holdings Pte. Ltd. (or such party nominated by the Vendor) shall, on Completion, enter into a non-binding memorandum of understanding in relation to the exploration of investment opportunities with the Target.

4. RATIONALE FOR THE PROPOSED TRANSACTION

The Board believes that the Proposed Transaction is in the interests of the Company for the following reasons:

- (a) the Proposed Transaction is in line with the Company's capital allocation strategy and will enable the Company to deliver enhanced long-term growth and capital returns to shareholders;
- (b) under the sole stewardship of the Company, the Target may pursue a broader investment opportunity set, potentially enabling the Target to fast track its capital deployment; and
- (c) the Proposed Transaction is EPS-accretive for the Group for FY2020 on a pro forma basis.

5. CHAPTER 10 OF THE LISTING MANUAL OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("LISTING MANUAL")

5.1 Relative Figures under Rule 1006 of the Listing Manual

The relative figures for the Proposed Transaction computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006	Bases	Relative Figures (%)
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable ⁽¹⁾
(b)	The net profits ⁽²⁾ attributable to the Sale Shares and the Preference Shares, compared with the Group's net profits	10.5 ⁽³⁾
(c)	The Transaction Consideration, compared with the Company's market capitalisation based on the total number of issued Shares excluding treasury shares	8.9 ⁽⁴⁾
(d)	The number of equity securities to be issued by the Company as consideration for the Proposed Transaction, compared with the number of equity securities of the Company previously in issue	Not applicable ⁽⁵⁾
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the Group's probable and proved reserves	Not applicable ⁽⁶⁾

Notes:

- (1) Rule 1006(a) of the Listing Manual is not applicable to an acquisition of assets.
- (2) Net profits is defined to be profit or loss before income tax, non-controlling interests and extraordinary items.
- (3) The relative figure for Rule 1006(b) has been computed based on (a) the Target Group's unaudited net profits attributable to the Sale Shares and the Preference Shares for FY2020 of approximately S\$10.1 million; and (b) the Group's unaudited consolidated net profits for FY2020 of approximately S\$96.0 million.
- (4) The Company's market capitalisation of approximately S\$1,186.1 million is based on its total number of issued ordinary shares ("**STC Shares**") of 406,819,572 and the weighted average price of S\$2.9155 per STC Share on 1 April 2021, being the last traded market day prior to the date of the SPA.
- (5) This basis is not applicable to the Proposed Transaction as no equity securities are to be issued as part of the consideration for the Proposed Transaction.
- (6) Rule 1006(e) of the Listing Manual is not applicable as the Company is not a mineral, oil and gas company.

As the relative figures set out in Rules 1006(b) and (c) of the Listing Manual exceed 5% but do not exceed 20%, the Proposed Transaction will be classified as a discloseable transaction under Rule 1010 of the Listing Manual and is therefore not subject to the approval of the shareholders of the Company in general meeting.

6. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTION

The unaudited pro forma financial effects of the Proposed Transaction on the Group as set out below are purely for illustrative purposes only and are neither indicative nor do they represent any projection of the financial performance or position of the Group after Completion.

The pro forma financial effects set out below have been prepared based on the latest unaudited consolidated financial statements of the Group for FY2020 (being the most recently completed

financial year) and the unaudited consolidated financial statements of the Target Group for FY2020, as well as the following bases and assumptions:

- (a) the financial effects on the net tangible assets ("**NTA**") per STC Share is computed based on the assumption that the Proposed Transaction had been completed on 31 December 2020;
- (b) the financial effects on the consolidated earnings per STC Share ("**EPS**") is computed based on the assumption that the Proposed Transaction had been completed on 1 January 2020;
- (c) the Transaction Consideration was financed entirely by cash.

6.1 NTA per Share

For illustrative purposes only, the financial effect of the Proposed Transaction on the NTA per STC Share of the Company as at 31 December 2020 (based on the latest unaudited consolidated financial statements of the Group for FY2020), assuming Completion had taken place on 31 December 2020, is as follows:

	Before the Proposed Transaction	After the Proposed Transaction
NTA ⁽¹⁾ (S\$'000)	1,515.3	1,512.9
Number of STC Shares	406,819,572	406,819,572
NTA per STC Share (S\$ cents)	3.72	3.72

Note:

- (1) NTA means total assets less the sum of total liabilities, non-controlling interests and intangible assets (net of non-controlling interests).

6.2 EPS

For illustrative purposes only, the financial effect of the Proposed Transaction on the EPS of the Company (based on the unaudited consolidated financial statements of the Group for FY2020), assuming Completion had taken place on 1 January 2020, is as follows:

	Before the Proposed Transaction	After the Proposed Transaction
Net profit attributable to the shareholders of the Company for FY2020 (S\$'000)	51,483	56.389
Weighted average number of STC Shares	406,819,572	406,819,572
EPS (S\$ cents)	12.7	13.9

7. DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS

As at the date hereof, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Transaction (other than through their respective directorships and shareholdings in the Company, if any).

8. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Transaction. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

9. SPA AVAILABLE FOR INSPECTION

A copy of the SPA will be made available for inspection during normal business hours at the registered office of the Company at 1 Wallich Street, #15-01 Guoco Tower, Singapore 078881 for a period of three (3) months from the date of this Announcement.

In light of the prevailing safe distancing measures due to the COVID-19 situation, shareholders should provide their names, contact number, proposed date and time of inspection to selinaho@stc.com.sg at least three (3) working days in advance to make a prior appointment to attend at the registered office of the Company to inspect the SPA.

10. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution when dealing or trading in their STC Shares. There is no certainty or assurance as at the date of this announcement that the Proposed Transaction will be completed or that no changes will be made to the terms thereof.

The Company will make the necessary announcements, in compliance with the requirements of the Listing Manual, as and when there are material developments in respect of the Proposed Transaction. Shareholders are advised to read this announcement and any further announcements by the Company carefully and should exercise caution when trading in the STC Shares. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

By Order of the Board

Ngiam May Ling
Company Secretary

5 April 2021
Singapore