



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

RESPONSES TO RELEVANT AND SUBSTANTIAL QUESTIONS FOR THE PURPOSES OF THE ANNUAL GENERAL MEETING TO BE HELD ON 30 APRIL 2021

The Straits Trading Company Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) would like to thank shareholders for submitting their questions in advance of the Annual General Meeting to be held by electronic means on 30 April 2021. The following are the questions submitted by shareholders and the responses of the Company.

Question 1

The shares of Straits Trading is quite illiquid and this may be one of the reasons why the shares are trading way below NAV—are there any steps taken to improve the liquidity of the shares?

Company’s Response

There have been significant improvements in The Straits Trading Company’s (“**Straits Trading**” or the “**Group**”) trading multiples in recent months which reflect the efforts of our sustained investor engagement activities.

Straits Trading previously traded at a Price to Book (“**P/B**”) multiple of approximately 0.5 times in 2020, in line with the broader real estate sector. Despite the market perception of “conglomerate-discount” which can range anywhere between 10% to 40%, Management has actively engaged the investment community by organising a series of investor briefings and non-deal roadshows to increase awareness. As a result, the Group’s share price has outperformed the FTSE Real Estate Holdings and Development Index and is trading at an average P/B multiple of 0.75 times since February 2021. The average daily traded volume of our shares over the last three months (February to April 2021) has also increased by fourfold compared to 2H 2020 (July to December 2020).

Question 2

The company recently acquired the remaining 10.5% stake in SRE for \$105m—can you please shed some light on the justification of the valuation?

Company’s Response

The consideration of S\$105 million for John Lim Family Office’s 10.5% stake in Straits Real Estate (“**SRE**”) was arrived on a willing-buyer willing-seller basis considering (i) the adjusted book value of S\$100.2 million as of December 2020 and (ii) SRE’s profit contribution and growth potential. Additionally, the acquisition was EPS-accretive on a *pro forma* basis.

SRE has a proven track record of delivering superior risk-adjusted returns. The acquisition should not be evaluated purely on its purchase consideration, but the potential for Straits Trading to deliver enhanced long-term growth and capital returns to its shareholders.

Question 3

Straits Trading activities are generally in the real estate arena—Tin Smelting sticks out like a sore thumb—is there any strategic reasons other than historical legacy to own MSC? I would suggest that Straits Trading distribute its holdings in MSC to its shareholders as one of the ways to focus the company on the real estate sector.

Question 4

In view of potential upturn for MSC with the electrification theme, will Straits Trading ever consider a divestment of its stake in MSC if an attractive price comes along?

Company's Response

Being a conglomerate-investment company, Straits Trading is sector agnostic. Our focus is on the delivery of superior risk-adjusted returns, or the potential to deliver reasonable economic returns within a certain time frame.

Since MSC was restructured 10 years ago, MSC's tin smelting business has been generating stable operating cashflow while its tin mining production at the Perak mine has been on the rise despite COVID-19 disruptions. Being the 3rd largest integrated tin producer in the world, we believe that MSC is well-positioned to ride on higher growing potential in new tin applications, particularly in the electrification of vehicles.

We are migrating the Butterworth smelting operations to the new Pulau Indah smelter which houses a more advanced smelting technology. This new smelter is expected to provide significantly higher extractive yields with improved operational and cost efficiencies, while reducing our carbon footprint.

Question 5

Please provide updates on MSC's land bank re-development.

Company's Response

Construction progress has been ongoing, albeit slower, due to the Movement Control Order in Malaysia. Phase 1 out of 4 Phases redevelopment of Straits City, comprising a 4-star hotel, has commenced in FY2019, and is scheduled for completion.

Question 6

Regardless of ARA's listing status, what considerations does the Board have in order to maximise shareholder's returns with its stake in ARA being potentially worth as much as Strait's current market cap?

Company's Response

The asset management industry continues to be attractive given its abundant liquidity and the low interest-rate environment. Hence, ARA remains a strategic investment for Straits Trading.

As a conglomerate-investment company, Straits Trading may realise some value from its investments where appropriate. Some of the key considerations would include the macro-economic situation of the global economy, market sentiments, investment horizon and the value of the opportunities that are available. If the investment continues to be attractive from a return on capital perspective, we will continue to hold the investment. If opportunities with potential higher return are present, we will evaluate and look at recycling our capital through these opportunities.

By Order of the Board

Ngiam May Ling
Company Secretary
30 April 2021
Singapore