

ANNOUNCEMENT

PROPOSED SPECIAL DIVIDEND VIA DISTRIBUTION *IN SPECIE* OF SHARES IN THE STRAITS TRADING COMPANY LIMITED OR ESR GROUP LIMITED

1. INTRODUCTION

The Board of Directors (“**Board**”) of The Straits Trading Company Limited (the “**Company**”) is pleased to announce that the Company proposes to undertake a distribution *in specie* (the “**Proposed Distribution**”) of new ordinary shares of the Company, or at shareholders’ election, up to 62,758,837 ordinary shares (the “**ESR Distribution Shares**”) in the issued share capital of ESR Group Limited (“**ESR**”), valued at approximately S\$217.9 million or approximately **S\$0.50** per ordinary share issued in the capital of the Company as at LPD (as defined below), to shareholders of the Company (“**Shareholders**”) in accordance with the Distribution Ratio (as defined below), in the manner set out below. The ESR Distribution Shares are currently held by Straits Equities Holdings (One) Pte. Ltd. (“**SE1**”), a wholly-owned subsidiary of the Company.

Pursuant to the transactions described in the announcements of the Company released on SGXNet on 5 August 2021 and 20 January 2022 (the “**ARA-ESR Merger**”), 214,674,500 ordinary shares in the issued share capital of ESR (“**ESR Shares**”) have been issued to SE1, out of which the ESR Distribution Shares will be distributed *in specie* under the Proposed Distribution. The Proposed Distribution will take place in the manner described in clause 3 below.

2. INFORMATION ON ESR

- 2.1 ESR was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Law on 14 June 2011. As at 12 August 2022 (this being the last full trading day of ordinary shares of ESR on HKEX prior to the date hereof) (“**LPD**”), ESR has a market capitalisation of approximately HK\$88.3 billion and has 4,444,972,466 ESR Shares in issue. All of the ordinary shares in the issued share capital of ESR (including the ESR Distribution Shares) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**HKEX**”) (stock code: 1821).
- 2.2 As at LPD, the closing price of each ESR Share as quoted on HKEX was HK\$19.86. Accordingly, the maximum value of the ESR Distribution Shares (assuming all Shareholders elect to receive the ESR Distribution Shares) is approximately HK\$1,246.4 million (S\$217.9 million, based on S\$1.00 to HK\$5.72).
- 2.3 As stated in ESR’s annual report for the financial year ended 31 December 2021, ESR is APAC’s largest real asset manager powered by the New Economy and the third largest listed real estate investment manager globally. ESR provides a diverse range of real asset investment solutions and New Economy real estate development opportunities across its private funds business, with 14 listed REITs managed by ESR and its associates. Listed on the Main Board of HKEX, ESR is a constituent of the FTSE Global Equity Index Series (Large Cap), Hang Seng Composite Index and MSCI Hong Kong Index. More information is available at www.esr.com.

3. PROPOSED DISTRIBUTION

3.1 Details of the Proposed Distribution

- (i) **Entitled Shareholders.** Shareholders who hold ordinary shares in the Company (“**Straits Shares**”) as at the Books Closure Date (as defined) will be entitled to the Proposed Distribution (“**Entitled Shareholders**”). Shareholders who are Overseas Shareholders (as defined below) may refer to paragraph 3.7 of this Announcement for more details on their entitlement to the Proposed Distribution.

An Entitled Shareholder may elect to receive either new Straits Shares only, or ESR Distribution Shares only. No Entitled Shareholder will receive both (whether in full or partially) of its entitlement of new Straits Shares and ESR Distribution Shares under the Proposed Distribution. An Entitled Shareholder who fails to provide details of its account to which its entitlement of ESR Distribution Shares are to be received will receive new Straits Shares instead.

Tecity Pte. Ltd., a substantial shareholder of the Company with a deemed interest of 69.6% in the share capital of the Company, has indicated to the Company that it will only receive its entitlement of the ESR Distribution Shares under the Proposed Distribution to enhance the Company’s free float.

- (ii) **Effects of the Proposed Distribution.** On completion of the Proposed Distribution, Entitled Shareholders will hold listed shares in both the Company (listed on The Singapore Exchange Securities Trading Limited (“**SGX-ST**”)) and ESR (listed on HKEX). As an Entitled Shareholder may elect to receive new Straits Shares, **the Proposed Distribution may result in a change to the issued and paid-up share capital of the Company after the Proposed Distribution or to the number of Straits Shares held by an Entitled Shareholder.**
- (iii) **Odd-Lot Trading.** Ordinary shares in the issued share capital of ESR are currently traded in board lots of 200 shares in the ready market. Entitled Shareholders may receive odd lots of ordinary shares in the issued share capital of ESR pursuant to the Proposed Distribution (that is, lots other than board lots of 200 ordinary shares in the issued share capital of ESR). Entitled Shareholders who receive odd lots of ordinary shares in the issued share capital of ESR may deal in such odd lots using the special lot market for odd lots trading through an Exchange Participant of HKEX, being a corporation who may trade on or through the HKEX and is licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to carry on securities/futures/options dealing activity. Entitled Shareholders should note that the share prices of odd lots of ordinary shares in the issued share capital of ESR may be illiquid and trading in such odd lots may also incur a proportionately higher brokerage cost than trading in board lots of ordinary shares in the issued share capital of ESR.

Additionally, as the Straits Shares are presently traded in board lots of 100 shares each, an Entitled Shareholder who receives new Straits Shares may receive such new Straits Shares in odd lots.

Fractional entitlements to the new Straits Shares will be rounded down to the nearest whole number or otherwise dealt with in such manner as the Directors may deem fit in the interests of the Company.

3.2 Rationale for the Proposed Distribution

The Board believes that the Proposed Distribution will benefit the Company and the Shareholders as follows:

- (i) **Creates investment flexibility and unlocks value for Shareholders.** The Company is of the view that the Proposed Distribution will unlock shareholder value by giving Shareholders additional entitlements in Straits Shares, or direct ownership of ordinary shares in ESR. The Proposed Distribution will also give Shareholders the flexibility to deal with Straits Shares or the ESR Shares independently, and benefit from the direct holdings of two distinct entities without any additional cash outlay. Shareholders will have the discretion and flexibility to separately decide on their holdings of the Company and ESR in accordance with their individual investment objectives. A Shareholder will have the option to either retain or increase its holdings in Straits Shares, thereby participating in the Company's growth and future dividend payouts, or sell their distributed securities in the open market after the completion of the Proposed Distribution.
- (ii) **Optimise its capital structure.** The Proposed Distribution is the result of the Company's ongoing effort to optimize its capital structure. The Company believes that the Proposed Distribution strikes a balance between unlocking value for Shareholders and maintaining a prudent balance sheet, thus ensuring the Company has the financial flexibility to support its growth.
- (iii) **Increase the issued share capital and free float of the Company.** The Entitled Shareholders may elect to receive new Straits Shares. The Company believes this option if taken up will increase the issued share capital base and free float of the Company, which is beneficial to the Company and its Shareholders.

3.3 Method of Distribution and Distribution Ratio

In connection with the Proposed Distribution, where Shareholders elect to receive ESR Distribution Shares, SE1 will undertake a distribution *in specie* of the ESR Distribution Shares held by SE1 to the Company, and in turn, the Company will undertake a distribution *in specie* of the ESR Distribution Shares to the Shareholders. To facilitate the Proposed Distribution, the Company will irrevocably direct SE1 to distribute the ESR Distribution Shares directly to the Shareholders, in accordance with the Distribution Ratio (as defined below).

The distribution of ESR Distribution Shares will be effected by way of a dividend *in specie* to Shareholders *pro rata* to their respective shareholdings in the Company, on the basis of **145** ESR Shares for 1,000 ordinary shares ("**Distribution Ratio**") in the issued and paid-up share capital of the Company held by Shareholders or on their behalf as at a book closure date to be determined by the Company (the "**Books Closure Date**"), fractional entitlements to be disregarded.

The distribution of the new Straits Shares will be in accordance with a prescribed swap ratio. The prescribed swap ratio for the issue of new Straits Shares in this case shall be **180** Straits Shares : **145** ESR Shares, derived from the relative closing prices of the Company and ESR over the preceding 40 trading days prior to the LPD.

No payment to the Company will be required from the Shareholders under the Proposed Distribution. Shareholders will receive the ESR Distribution Shares free of cash outlay. In the case where a Shareholder elects to receive new Straits Shares, the Shareholder will receive the new Straits Shares free of cash outlay. The ESR Distribution Shares will be distributed free of encumbrances and together with all rights attaching thereto on and from the date the Proposed Distribution is effected except that the ESR Distribution Shares shall not be entitled to any dividend, right, allotment or other distributions, the record date for which falls before the date the Proposed Distribution is effected. The new Straits Shares shall upon issue, rank pari passu in all respects with the existing ordinary shares of the Company, except for any dividend, right, allotment or other distributions, the record date for which falls on or before the Books Closure Date.

3.4 Financial Effects

For illustrative purposes only, the pro forma financial effects of the Proposed Distribution on the Company and its subsidiaries (together, the “**Group**”) are set out in Appendix 1. The pro forma financial effects are for illustrative purposes only and do not reflect the actual financial position of the Group after the Proposed Distribution.

3.5 Conditions to the Proposed Distribution

The Proposed Distribution is subject to the approval of Shareholders by way of an ordinary resolution for the Proposed Distribution at the extraordinary general meeting to be convened (the “**EGM**”). The new Straits Shares to be issued under the Proposed Distribution will be issued pursuant to the existing general mandate granted by Shareholders to the Directors for share issues at the Company’s annual general meeting held on 28 April 2022. An application will be made by the Company for the admission to the Official List of the SGX-ST of the new Straits Shares, and for the listing and quotation of the new Straits Shares on the Main Board of the SGX-ST.

The ESR Distribution Shares to be distributed under the Proposed Distribution have been issued.

3.6 Notice of Books Closure Date

Subject to the fulfilment of the conditions to the Proposed Distribution, the Company will, in due course, announce the Books Closure Date in order to determine the entitlements of each Entitled Shareholder to the ESR Distribution Shares or the new Straits Shares (in the case where an Entitled Shareholder may elect to receive new Straits Shares).

3.7 Overseas Shareholders

Where the Board is of the view that the distribution of new Straits Shares to any Overseas Shareholders (as defined below) may infringe any relevant foreign law or may necessitate compliance with conditions or requirements which they, in their sole discretion, regard as onerous by reason of costs, delay or otherwise, the new Straits Shares which such Overseas Shareholders would have been entitled to pursuant to the Proposed Distribution (the “**Overseas Shareholders’ Straits Shares**”) will not be distributed to such Overseas Shareholders. Instead, the Overseas Shareholders’ Straits Shares shall be transferred to such person(s) as the Board may appoint, to sell the relevant Straits Shares and thereafter to distribute the net proceeds proportionately among such Overseas Shareholders.

For the purposes of this announcement, “**Overseas Shareholders**” means Shareholders whose registered address appearing in the register of members of the Company or the depository register maintained by The Central Depository (Pte) Limited (as the case may be) is outside Singapore. Shareholders who wish to change their registered address on the register of members of the Company or the depository register maintained by The Central Depository (Pte) Limited to a Singapore address in substitution thereof prior to the Books Closure Date may do so by sending a notice in writing to Tricor Barbinder Share Registration Services, being the share registrar of the Company (in the case of a change of address on the register of members of the Company), and CDP (in the case of a change of address on CDP), respectively, no later than three (3) business days prior to the Books Closure Date. Further information on the entitlements of the Overseas Shareholders will be set out in the Circular (as defined below).

3.8 Circular

A circular to Shareholders (the “**Circular**”) in respect of the resolution to approve the Proposed Distribution, together with a notice of the EGM to be convened, will be despatched in due course to Shareholders to provide details on the Proposed Distribution.

4. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

For the purposes of Chapter 10 of the listing manual of the SGX-ST (“**Listing Manual**”), the relative figures in relation to the Proposed Distribution computed on the bases set out in Rule 1006 of the Listing Manual based on the latest announced condensed interim financial statements for the six (6) months ended 30 June 2022 (“**1H2022**”) are set out below:

Rule 1006	BASES	RELATIVE FIGURES (%) ⁽⁴⁾
(a)	The net asset value of the ESR Distribution Shares, compared with the net asset value of the Group ⁽¹⁾	8.9%
(b)	The net profits attributable to the ESR Distribution Shares, compared with the net profits of the Group ⁽²⁾	0%
(c)	The aggregate value of the ESR Distribution Shares, compared with the Company’s market capitalisation ⁽³⁾ based on the total number of Straits Shares (excluding treasury shares)	16.3%

Notes:

- (1) Net asset value of the ESR Distribution Shares, based on the closing price of ESR as at LPD, being HK\$19.86/ESR Share, compared with the Group’s net asset value as at 30 June 2022, being S\$2,436 million.
- (2) As ESR Distribution Shares would have been investment securities on the Group’s balance sheet, the Group would only recognise any profit or loss if ESR declared any dividends. As ESR did not declare any dividends in 1H2022, there is no net profit attributable to the ESR Distribution Shares.
- (3) The Company’s market capitalisation of approximately S\$1,333 million is computed based on the basis of 432.8 million Straits Shares in issue as at the last full trading day prior to the date of this Announcement multiplied by the volume weighted average price of the Straits Shares transacted on the last full trading day prior to the date of this Announcement, being S\$3.08.
- (4) Any discrepancies between the figures in the Notes to the table and the relative figures set out in the table

are due to rounding.

Based on the condensed interim financial statements of the Group for 1H2022 and assuming that the Proposed Distribution had been effected at 1 July 2022, there is no gain or loss by the Group on the Proposed Distribution.

As this is a distribution *in specie*, there is no excess or deficit of the proceeds over the book value of the ESR Distribution Shares and there are no sale proceeds in respect of the Proposed Distribution.

5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for any interest from their respective shareholdings in the Company, none of the Directors or controlling Shareholders have any interest, direct or indirect, in the Proposed Distribution. No person is proposed to be appointed as a director of the Company in connection with the Proposed Distribution. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

6. CAUTIONARY STATEMENT

Shareholders are advised to exercise caution when dealing in their Straits Shares and to refrain from taking any action in respect of their Straits Shares which may be prejudicial to their interests until they or their advisers have considered the information in the Circular, as well as the recommendations to be set out in the Circular.

By Order of the Board of Directors

Ngiam May Ling
Company Secretary
The Straits Trading Company Limited

14 August 2022
Singapore

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

APPENDIX 1

FINANCIAL EFFECTS

1. ASSUMPTIONS

The pro forma financial effects of the Proposed Distribution on selected financial measures of the Group have been prepared based on the audited financial statements of the Group for the financial period ended 31 December 2021 (“**FY2021**”) and take into account the following assumptions:

- (a) the net tangible assets (“**NTA**”), total borrowings, total cash and cash equivalents and total equity as at 31 December 2021 have been prepared on a proforma basis on the assumption that (i) the Company’s private placement of 26,000,000 new ordinary shares in the capital of the Company (the “**Private Placement**”) in January 2022; (ii) the disposal of shareholding in ARA Asset Management Limited by ARA Investment (Cayman) Limited, an associated company of the Company (the “**ARA Disposal**”) in January 2022; (iii) the issuance of S\$170.0 million 4.10% Notes due 2026 (the “**Notes Issuance**”) in May 2022 and (iv) the Proposed Distribution had been completed on 31 December 2021; and
- (b) the profit attributable to owners of the Company has been prepared on a proforma basis on the assumption that the Private Placement, ARA Disposal and Proposed Distribution had been completed on 31 December 2021.
- (c) ESR share price, Straits share price and SGD/HKD exchange rates are based on closing price on 12 August 2022.
- (d) (in scenario 1) all Entitled Shareholders will receive their entitlement to ESR Distribution Shares, and no new Straits Shares are issued; and
- (e) (in scenario 2) all Entitled Shareholders (save and except for Tecity Pte. Ltd., a substantial shareholder of the Company with a deemed interest of 69.6% in the share capital of the Company) will be issued new Straits Shares.

The pro forma financial effects are purely for illustrative purposes only and do not reflect the actual position of the Group after the completion of the Proposed Distribution.

2. NTA and NTA per Straits Share

The pro forma financial effects of the Proposed Distribution on the NTA and the NTA per Straits Share for the most recently completed financial year (this being FY2021), assuming that the Proposed Distribution had been effected at 31 December 2021 are as follows:

	Group			
	FY2021	After 1(a), 1(b) and 1(c); Just Before Proposed Distribution	After Proposed Distribution	
			Scenario 1	Scenario 2
NTA (S\$ million)	1,748.4	2,241.3	2,022.6	2,088.9
Number of Straits Shares excluding treasury shares (million)	406.8	432.8	432.8	456.5
NTA per Straits Share (S\$)	4.30	5.18	4.67	4.58

3. EARNINGS AND EPS

The pro forma financial effects of the Proposed Distribution on the earnings per Straits Share of the Group for the most recently completed financial year (this being FY2021), assuming that the Proposed Distribution had been effected at 1 January 2021 are as follows:

	Group			
	FY2021	After 1(a), 1(b) and 1(c); Just Before Proposed Distribution	After Proposed Distribution	
			Scenario 1	Scenario 2
Profit attributable to owners of the Company (S\$ million)	234.3	895.1	894.3	894.3
Number of Straits Shares excluding treasury shares (million)	406.8	432.8	432.8	456.5
Earnings per Straits Share (cents)	57.6	206.8	206.6	195.9

4. LEVERAGE RATIOS

The pro forma financial effects of the Proposed Distribution on the leverage ratios of the Group for FY2021 are as follows:

	Group			
	FY2021	After 1(a), 1(b) and 1(c); Just Before Proposed Distribution	After Proposed Distribution	
			Scenario 1	Scenario 2
Total Borrowings (S\$ million)	1,046.0	1,214.5	1,214.5	1,214.5
Total Cash and cash equivalents (S\$ million)	141.6	530.4	529.6	529.6
Total Equity (S\$ million)	1,934.8	2,427.7	2,209.0	2,275.3
Net gearing (%)	46.7%	28.2%	31.0%	30.1%

5. SHARE CAPITAL

Assuming all Entitled Shareholders (save and except for Tecity Pte. Ltd., a substantial shareholder of the Company with a deemed interest of 69.6% in the share capital of the Company) will be issued new Straits Shares, the Proposed Distribution will result in the number of Straits Shares held by Shareholders to increase from 432.8 million (before the Proposed Distribution) to up to 456.5 million (after the Proposed Distribution).

End