



A MEMBER OF THE TECITY GROUP

135 Years New

THE STRAITS TRADING COMPANY LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No.188700008D

LETTER TO SHAREHOLDERS FROM THE BOARD OF DIRECTORS

Board of Directors:

Ms Chew Gek Khim PJG (*Executive Chairman*)
Ms Chew Gek Hiang (*Non-Independent and Non-Executive Director*)
Mr Goh Kay Yong David (*Non-Independent and Non-Executive Director*)
Mr Chia Chee Ming, Timothy (*Lead Independent Director*)
Mr Tan Chian Khong (*Independent and Non-Executive Director*)
Mr Chua Tian Chu (*Independent and Non-Executive Director*)
Mr Lau Cheng Soon (*Independent and Non-Executive Director*)

Registered Office:

1 Wallich Street
#15-01
Guoco Tower
Singapore 078881

30 September 2022

To : The Shareholders of The Straits Trading Company Limited

Dear Sir/Madam

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

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

The Singapore Exchange Securities Trading Limited (the "SGX-ST") assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Letter.

1. INTRODUCTION

1.1 Background

On 14 August 2022, The Straits Trading Company Limited (the "**Company**" or "**STC**") announced that it is proposing to undertake a distribution *in specie* (the "**Proposed Distribution**") of new ordinary shares of the Company ("**New Straits Shares**"), 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**") to shareholders of the Company ("**Shareholders**") in accordance with the Distribution Ratio (as defined below) and in the manner described herein. The ESR Distribution Shares are currently held by Straits Equities Holdings (One) Pte. Ltd. ("**SE1**"), a wholly-owned subsidiary of the Company.

On 15 September 2022, the Company announced (i) the receipt of approval-in-principle for the listing and quotation of up to 23,698,245 New Straits Shares for the Proposed Distribution; and (ii) an update on the Shareholders' approval for the Proposed Distribution.

Copies of the announcement of the Company dated 14 August 2022 (the "**14 August Announcement**") and the announcement of the Company dated 15 September 2022 (the "**15 September Announcement**") are available on the website of the SGX-ST at www.sgx.com.

As of 12 August 2022, this being the last full trading day of ordinary shares in the issued share capital of ESR (“**ESR Shares**”) on The Stock Exchange of Hong Kong Limited (“**HKEX**”) prior to the 14 August Announcement (the “**Last Trading Day**”), the ESR Distribution Shares were valued at approximately S\$217.9 million or approximately S\$0.50 per Straits Share.

The Company is proposing to undertake the Proposed Distribution as the Board believes that the Proposed Distribution will unlock shareholder value by giving Shareholders additional entitlements in ordinary shares of the Company (“**Straits Shares**”), or direct ownership of ESR Shares. The Proposed Distribution will also give Shareholders the discretion and flexibility to separately decide on their holdings of the Company and ESR in accordance with their investment objectives.

1.2 Method of Distribution and Distribution Ratio

Pursuant to the transactions described in the announcements of the Company released on 5 August 2021 and 20 January 2022, 214,674,500 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 below.

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 procure SE1 to distribute the ESR Distribution Shares directly to the Shareholders, on the basis of **145** ESR Shares for 1,000 Straits Shares (the “**Distribution Ratio**”) held by Shareholders or on their behalf as at the Books Closure Date, fractional entitlements to be disregarded.

The distribution of the New Straits Shares under the Proposed Distribution will be in accordance with a prescribed swap ratio of **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 Last Trading Day.

Copies of the aforementioned announcements by the Company dated 5 August 2021 and 20 January 2022 are available on the website of the SGX-ST at www.sgx.com.

1.3 No Payment Required from Shareholders

Shareholders will receive the New Straits Shares or ESR Distribution Shares free of cash outlay.

The ESR Distribution Shares will be distributed to Shareholders 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 Books Closure Date.

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.

1.4 Letter to Shareholders

The purpose of this letter to Shareholders dated 30 September 2022 (“**Letter**”) is to provide Entitled Shareholders (as defined below) with relevant information relating to the Proposed Distribution, including the rationale and the pro forma financial effects of the Proposed Distribution on the Company and its subsidiaries (the “**STC Group**”), and to provide Entitled Shareholders with more details on their options to receive New Straits Shares or ESR Distribution Shares under the Proposed Distribution.

Printed copies of the Letter, together with the accompanying Notice of Election Forms, have been despatched to Shareholders on the date of this Letter. Electronic copies of this Letter and the accompanying Notice of Election Forms are available on the website of the SGX-ST at www.sgx.com.

1.5 Definitions

For the purpose of this Letter, the following definitions shall apply throughout unless otherwise stated or the context otherwise requires:

“ Board ”	: The board of Directors of the Company as at the Latest Practicable Date.
“ CCASS Clearing Participant ”	: A person admitted to participate in CCASS as a direct clearing participant or general clearing participant of HKEX.
“ CCASS Custodian Participant ”	: A person admitted to participate in CCASS as a custodian participant of HKEX.
“ CCASS Investor Participant ”	: A person admitted to participate in CCASS as an investor participant of HKEX who may be an individual, joint individuals or a corporation.
“ CCASS Participant ”	: A CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant.
“ CDP ”	: The Central Depository (Pte) Limited.
“ Directors ”	: The directors of the Company as at the Latest Practicable Date.
“ FY2021 ”	: The financial year ended 31 December 2021.
“ Hong Kong ”	: The Hong Kong Special Administrative Region of the People’s Republic of China.
“ Latest Practicable Date ”	: 20 September 2022, being the latest practicable date prior to the printing and dispatch of this Letter.
“ NTA ”	: Net tangible assets, being total assets less, total liabilities and intangible assets.
“ Securities Accounts ”	: The securities accounts maintained by Depositors with CDP, but not including securities sub-accounts maintained with a Depository Agent.
“ S\$ ” or “ Singapore Dollars ” and “ cents ”	: Singapore dollars and cents respectively, being the lawful currency of Singapore.
“ % ” or “ per cent. ”	: Percentage or per centum.

The expressions “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act 2001 of Singapore.

The term “**controlling shareholders**” shall have the meaning ascribed to it in the Listing Manual of the SGX-ST.

The term “**subsidiary**” shall have the meanings ascribed to them respectively in Section 5 and Section 6 of the Companies Act 1967 of Singapore.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing one (1) gender shall include the other gender. References to persons shall, where applicable, include corporations.

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 the Last Trading Day, 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 HKEX (stock code: 1821).
- 2.2** As at the Last Trading Day, 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 FY2021, 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. RATIONALE FOR, AND THE BENEFITS OF, THE PROPOSED DISTRIBUTION

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

3.1 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 ESR Shares. The Proposed Distribution will also give Shareholders the flexibility to deal with Straits Shares or the ESR Shares independently, and benefit the ordinary shares in the issued share capital of ESR independently of their Straits Shares, 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. They will have the option to either sell such ordinary shares in the issued share capital of ESR in the open market after the completion of the Proposed Distribution, or retain the distributed ordinary shares in the issued share capital of ESR and participate in the growth of ESR.

3.2 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.

3.3 Increase the issued share capital and free float of the Company.

The Entitled Shareholders (as defined below) 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.

4. DETAILS OF THE PROPOSED DISTRIBUTION

4.1 Proposed Distribution

The distribution of ESR Distribution Shares under the Proposed Distribution will be effected by way of a dividend *in specie* of the ESR Distribution Shares currently held by SE1 to Shareholders *pro rata* to their respective shareholdings in the Company as at the Books Closure Date (as defined below), on the basis of 145 ESR Shares for every 1,000 Straits Shares held by the Shareholders or on their behalf, fractional entitlements to be disregarded. Any resultant fractional entitlements will be aggregated and retained by the STC Group.

The distribution of the New Straits Shares under the Proposed Distribution 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 Last Trading Day.

As at the Latest Practicable Date, there are 432,819,572 Straits Shares in issue (excluding 1,276,200 treasury shares). The Company has no convertible securities or options outstanding.

4.2 Shareholders' Entitlements under the Proposed Distribution

Shareholders who hold Straits Shares as at **5:00 p.m.** on **27 September 2022**, being the date announced by the Company on which the transfer books of the Company and the Register were closed in order to determine the entitlements of Shareholders to the Proposed Distribution ("**Books Closure Date**"), will be entitled to the Proposed Distribution ("**Entitled Shareholders**"). Entitled Shareholders who are Overseas Entitled Shareholders (as defined below) may refer to paragraph 5.6 of this Letter 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 correct 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 based on latest information available to 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.

The number of New Straits Shares or ESR Shares to be received by each Entitled Shareholder will depend on the total number of Straits Shares held by the Entitled Shareholder as at the Books Closure Date, fractional entitlements to be disregarded.

4.3 Odd-Lot Trading of ESR Distribution Shares

ESR Shares are currently traded in board lots of 200 ESR Shares in the ready market. Entitled Shareholders may receive odd lots of ESR Shares pursuant to the Proposed Distribution (that is, lots other than board lots of 200 ESR Shares). Entitled Shareholders who receive odd lots of ESR Shares 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 Exchange 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 ESR Shares may be illiquid and trading in such odd lots may also incur a proportionately higher brokerage cost than trading in board lots of ESR Shares.

The Company has arranged a brokerage fee of HK\$50 flat (excluding stamp duty and other 3rd party charges) with UOB Kay Hian Private Limited and Phillip Securities Pte. Ltd. (each, an "**STC Arranged Broker**", collectively, the "**STC Arranged Brokers**") to facilitate the Odd-Lot Trade (defined below) of ESR Shares for the period of one (1) calendar month commencing from the date of distribution of the ESR Distribution Shares to Entitled Shareholders under the Proposed Distribution (the "**Applicable Period**").

After the Applicable Period, the promotional brokerage fee for the Odd-Lot Trade of ESR Shares will no longer be applicable to any trade of odd lots of ESR Shares carried out via an STC Arranged Broker.

In relation to ESR Shares, the term "**Odd-Lot Trade**" shall mean (i) an aggregate of 199 or less ESR Shares bought in a single day; or (ii) an aggregate of 199 or less ESR Shares sold in a single day. For the avoidance of doubt, ESR Shares bought in a single day shall not be aggregated with ESR Shares sold on the same day and *vice versa*.

4.4 Odd-Lot Trading of Straits Shares

As the Straits Shares are presently traded in board lots of 100 shares each, an Entitled Shareholder who receives New Straits Shares pursuant to the Proposed Distribution 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.

Shareholders who have odd lots, or who may receive odd lots of Straits Shares pursuant to the Proposed Distribution, may wish to round up or down their holdings to the nearest 100 Straits Shares.

The Company has arranged a promotional brokerage fee of S\$10 flat (excluding goods and services tax and other 3rd party charges) with the STC Arranged Brokers to facilitate the Odd-Lot Trade (defined below) of Straits Shares for the Applicable Period.

After the Applicable Period, the promotional brokerage fee for the Odd-Lot Trade of Straits Shares will no longer be applicable to any trade of odd lots of Straits Shares carried out via an STC Arranged Broker.

The term “**Odd-Lot Trade**” shall mean (i) an aggregate of 99 or less Straits Shares bought in a single day; or (ii) an aggregate of 99 or less Straits Shares sold in a single day. For the avoidance of doubt, Straits Shares bought in a single day shall not be aggregated with Straits Shares sold on the same day and *vice versa*.

4.5 Odd-Lot Trading Brokerage Fee and Other Fees

The promotional brokerage fee (including any goods and services tax relating to such fees) in respect of Odd-Lot Trades carried out by a STC Arranged Broker during the Applicable Period shall be borne by a Shareholder who deals in such Odd-Lot Trades.

Shareholders should note that notwithstanding the promotional brokerage fee arranged with the STC Arranged Broker, holders of Straits Shares or ESR Distribution Shares will be required to continue to bear the clearing fees and regular trading fees imposed by the SGX-ST and HKEX respectively (including any goods and services tax relating to such fees), which shall be based on customary rates imposed from time to time.

Entitled Shareholders who intend to carry out any Odd-Lot Trades via a STC Arranged Broker, or who intend to use the online trading platforms of a STC Trading Broker, should note that if they do not have an existing account with that STC Trading Broker, they must personally apply to open such an account.

To open an account with Phillip Securities, Entitled Shareholders are requested to refer to the account opening instructions within the following link (www.poems.com.sg/open-an-account) or make an appointment to visit any of the 15 Philip Investor Centres island-wide (<https://www.poems.com.sg/pic/#find-pic>) for assistance.

Phillip Securities

250 North Bridge Road
#06-00 Raffles City Tower
Singapore 179101

Tel: +65 6531 1555

Operating hours:

Monday – Friday, 8.45 a.m. to 5.30 p.m. (except public holidays)

Email: talktophillip@phillip.com.sg

Website: www.poems.com.sg

To open an account with UOB Kay Hian, Entitled Shareholders are requested to refer to the account opening instructions within the following link (<https://sg.uobkayhian.com/login/open-trading-account.html>) or make an appointment to visit UOB Kay Hian's office via email (appointment@uobkayhian.com).

UOB Kay Hian

8 Anthony Road, #01-01
Singapore 229957

Tel: +65 6536 9338

Operating hours:
Monday – Friday, 8.30 a.m. to 6.00 p.m.

Email: contact@ustrade.com.sg

Website: ustrade.com.sg

4.6 Appropriation from Profits

The Proposed Distribution will be out of profits of the STC Group, specifically, out of the profits of each of SE1 and the Company. From SE1, the profits to support the distribution of ESR Distribution Shares under the Proposed Distribution will be from SE1's retained earnings. From the Company, the profits to support the Proposed Distribution will be from the Company's retained earnings.

4.7 Effects of the Proposed Distribution

On completion of the Proposed Distribution, Shareholders will hold listed shares in both the Company (listed on the 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.

4.8 Taxation

Shareholders should note that the following statements are not to be regarded as advice on the tax position of any Shareholder in Singapore, Hong Kong or any other jurisdiction, or any tax implication on an Entitled Shareholder arising from the Proposed Distribution. If any Entitled Shareholder is in doubt as to his tax position in Singapore, Hong Kong or in any other jurisdiction, or any tax implication arising from the Proposed Distribution, he should consult his own professional advisers.

(a) Tax Implications on the Shareholders

As the Company is tax resident in Singapore, dividends paid by the Company (whether paid in the form of cash, as a scrip dividend in lieu of cash or byway of distribution *in specie* of the Company's assets) are exempt from Singapore income tax in the hands of the shareholders. The distribution of ESR Shares under the Proposed Distribution is a dividend *in specie*, while the distribution of New Straits Shares under the Proposed Distribution is a scrip dividend in lieu of cash. Accordingly, the Proposed Distribution in the form of ESR Shares or New Straits Shares will be exempt from Singapore income tax when received by Shareholders.

(b) Stamp Duty

Under Singapore law, no stamp duty will be payable in respect of the issuance of New Straits Shares and the transfer of ESR Distribution Shares pursuant to the Proposed Distribution.

Under Hong Kong law, transfers of the ESR Distribution Shares (including the Proposed Distribution) will be subject to Hong Kong stamp duty. The stamp duty is charged on each of the contract notes of the transferor and transferee's ESR Distribution Shares at the ad valorem rate of 0.13% on the consideration for, or (if greater) the market value of, the ESR Distribution Shares transferred. In other words, a total of 0.26% is currently payable on a typical transfer of the ESR Distribution Shares to which the parties are jointly and severally liable. The applicable stamp duty for each of the parties will be borne by the Company.

5. PROCEDURES FOR THE PROPOSED DISTRIBUTION

5.1 Books Closure Date and Entitlements

Persons registered in the Register and Depositors whose Securities Accounts are credited with Straits Shares as at the Books Closure Date will be entitled to receive 145 ESR Shares for every 1,000 Straits Shares held by them or on their behalf as at the Books Closure Date.

On 19 September 2022, the Company announced that the Books Closure Date has been fixed at **5:00 p.m. on 27 September 2022** in order to determine the entitlements of each Shareholder to the ESR Distribution Shares or the New Straits Shares (in the case where an Entitled Shareholder elects to receive New Straits Shares).

For illustration purposes, Shareholders as at the Books Closure Date shall receive ordinary shares in the issued share capital of ESR as follows:

	Number of ESR Shares the Shareholder is entitled to	Number of Straits Shares the Shareholder is entitled to
If a Shareholder holds 200 Straits Shares as at the Books Closure Date	29 ESR Shares	36 Straits Shares
If a Shareholder holds 1,000 Straits Shares as at the Books Closure Date	145 ESR Shares	180 Straits Shares
If a Shareholder holds 3,000 Straits Shares as at the Books Closure Date	435 ESR Shares	540 Straits Shares

5.2 Depositors

In the case of Shareholders being Depositors, entitlements to the New Straits Shares or the ESR Distribution Shares will be determined on the basis of the number of Straits Shares standing to the credit of their respective Securities Accounts as at the Books Closure Date.

5.3 Scrip Shareholders

In the case of Shareholders who hold Straits Shares registered in their own names in the Register, entitlements to the New Straits Shares or the ESR Distribution Shares will be determined on the basis of their holdings of Straits Shares in the Register as at the Books Closure Date.

5.4 CPFIS Entitled Shareholders

In the case of Entitled Shareholders who have purchased Straits Shares using their Central Provident Fund ("CPF") funds ("CPFIS Entitled Shareholders"), entitlements to the New Straits Shares or the ESR Distribution Shares will be determined based on the number of Straits Shares held by the CPF agent banks on behalf of each CPFIS Entitled Shareholder as at the Books Closure Date.

5.5 SRS Entitled Shareholders

In the case of Entitled Shareholders who have purchased Straits Shares using their Supplementary Retirement Scheme (“SRS”) funds (“SRS Entitled Shareholders”), entitlements to the New Straits Shares or the ESR Distribution Shares will be determined based on the number of Straits Shares held by the SRS approved banks on behalf of each SRS Entitled Shareholder as at the Books Closure Date.

5.6 Overseas Entitled Shareholders

(a) General

The circulation of this Letter and the distribution of ESR Distribution Shares or New Straits Shares may be prohibited or restricted (either absolutely or subject to various securities requirements, whether legal or administrative, being complied with) in certain jurisdictions under the relevant securities laws of those jurisdictions. Overseas Entitled Shareholders (as defined below) are required to inform themselves of and to observe any such prohibition or restriction at their own expense and without any liability of the Company. It is the responsibility of Overseas Entitled Shareholders in such jurisdictions to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with other necessary formalities which are required to be observed and/or payment of any issue, transfer or other taxes due in such jurisdiction.

Where the Board is of the view that the distribution of ESR Distribution Shares or New Straits Shares to any Overseas Entitled Shareholders 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 ESR Distribution Shares or New Straits Shares which such Overseas Entitled Shareholders would have been entitled to pursuant to the Proposed Distribution will not be distributed to such Overseas Entitled Shareholders. Instead, the relevant ESR Distribution Shares or New Straits Shares shall be transferred to such person(s) as the Board may appoint, to sell the relevant ESR Distribution Shares or New Straits Shares and thereafter to distribute the net proceeds proportionately among such Overseas Entitled Shareholders.

For the purposes of this Letter, “**Overseas Entitled Shareholders**” means Entitled Shareholders whose registered address appearing in the Register or the Depository Register (as the case may be) is outside Singapore. Shareholders who wish to change their registered address on the Register or the Depository Register 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 Pte. Ltd. at 80 Robinson Road #11-02, Singapore 068898, being the share registrar of the Company (in the case of a change of address on the Register), and CDP (in the case of a change of address on the Depository Register), respectively, no later than three (3) business days prior to the Books Closure Date.

The distribution of ESR Distribution Shares or New Straits Shares under the Proposed Distribution to the Overseas Entitled Shareholders may be subject to laws of jurisdictions outside Singapore. Overseas Entitled Shareholders residing or located in a jurisdiction other than Singapore should observe all legal and regulatory requirements applicable to them. It is the responsibility of the Overseas Entitled Shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdictions applicable to them in connection with the Proposed Distribution, including obtaining of any governmental, exchange control or other consents which may be required, or compliance with any other necessary formalities and payment of any issue, transfer or other taxes due in such jurisdiction.

(b) Malaysia

This Letter has not been and will not be registered as a prospectus with the Malaysian Securities Commission (“**SC**”) under the Capital Markets and Services Act 2007 (“**CMSA**”). However, this Letter will be deposited as an information memorandum with the SC in accordance with the CMSA. Accordingly, the Proposed Distribution shall not involve an issue of securities other than an issue of securities falling within Paragraph 34 Schedule 7 of the CMSA, where no consideration, whether in cash or otherwise is or will be given for the issue of securities under the Proposed Distribution, subject to any law, order, regulation or official directive of the SC and/or any other regulatory authority from time to time.

This Letter has been given to Overseas Shareholders located in Malaysia on the basis that they are existing holders of Straits Shares (as defined). Persons who receive this Letter and are not existing holders of Straits Shares must return this Letter immediately. This Letter must not be forwarded or circulated to any other person in Malaysia.

5.7 Shareholders’ options to receive New Straits Shares or ESR Distribution Shares under 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.

Option 1 – For Entitled Shareholders who elect to receive New Straits Shares under the Proposed Distribution

An Entitled Shareholder who wishes to receive New Straits Shares under the Proposed Distribution will not be required to take any further actions.

Option 2A – For Entitled Shareholders who elect to receive ESR Distribution Shares and have a brokerage account with a Non-HK Brokerage that has custodial and nominee arrangements with, and is able to trade on the HKEX through a HK Brokerage

An Entitled Shareholder may contact his brokerage outside of Hong Kong (“**Non-HK Brokerage**”) and request for confirmation that it has custodial and nominee arrangements with, and is able to trade on the HKEX through, a brokerage in Hong Kong (“**HK Brokerage**”).

If the Entitled Shareholder’s Non-HK Brokerage is able to do so, the Entitled Share holder may request that:

- (a) his entitlement of the ESR Distribution Shares be transferred to the HK Brokerage of the Non-HK Brokerage; and
- (b) have such ordinary shares in the issued share capital of ESR be deposited into the Central Clearing and Settlement System of Hong Kong (“**CCASS**”) for credit to the designated CCASS Participant’s brokerage account of that HK Brokerage.

As each Entitled Shareholder may have its own arrangements with his Non-HK Brokerage, the Entitled Shareholder must consult his Non-HK Brokerage regarding the timing, cost and procedures of having such ordinary shares in the issued share capital of ESR deposited into CCASS as applicable to the Entitled Shareholder.

To assist an Entitled Shareholder to deal in ordinary shares in the issued share capital of ESR (should such Entitled Shareholder choose to do so), arrangements have been made with the STC Arranged Brokers in this regard. Entitled Shareholders may wish to open a trading account with a STC Arranged Broker and use them as their Non-HK Brokerage and the STC Arranged Broker should be approached separately for further details. There is no compulsion or necessity to use any of the STC Arranged Brokers and, Shareholders may wish to use their existing trading account or open a new trading account with any other licensed brokerage who is able to deal in listed shares on the HKEX. Shareholders should consult their brokerage regarding the timing, cost and procedures for dealing in ordinary shares in the issued share capital of ESR on the HKEX pursuant to and after the Proposed Distribution.

Option 2B – For Entitled Shareholders who elect to receive ESR Distribution Shares and have a brokerage account with a HK Brokerage

If the Entitled Shareholder has a brokerage account with a HK Brokerage, he may request that:

- (a) his entitlement of the ESR Distribution Shares be transferred to the HK Brokerage; and
- (b) have such ordinary shares in the issued share capital of ESR be deposited into CCASS for credit to the designated CCASS Participant's brokerage account of that HK Brokerage.

As each Entitled Shareholder may have his own arrangements with his HK Brokerage, the Entitled Shareholder must consult his HK Brokerage regarding the timing, cost and procedures of having ordinary shares in the issued share capital of ESR deposited into CCASS as applicable to the Entitled Shareholder.

The election of Option 1, 2A or 2B are mutually exclusive. Entitled Shareholders who opt for one of the options may not elect the other option at the same time, and Entitled Shareholders who do not opt for any option will be deemed to have elected to receive New Straits Shares (i.e., Option 1).

Entitled Shareholders who elect to receive New Straits Shares (or who fail to provide details of its account to which its entitlement of ESR Distribution Shares are to be received) will not be able to receive any ESR Distribution Shares under the Proposed Distribution.

A Notice of Election Form for Entitled Shareholders to elect for Option 2A or 2B has been despatched to Entitled Shareholders together with this Letter. Entitled Shareholders may refer to the Notice of Election Form for further details on how they may elect for either New Straits Shares or ESR Distribution Shares under the Proposed Distribution.

6. RECEIPT OF APPROVAL-IN-PRINCIPLE FROM THE SGX-ST FOR LISTING AND QUOTATION OF UP TO 23,698,245 NEW STRAITS SHARES

6.1 Issuance of ESR Distribution Shares and New Straits Shares

The ESR Distribution Shares to be distributed under the Proposed Distribution have been issued and are currently held by SE1.

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. On 2 September 2022, an application was made by the Company for the listing and quotation of up to 23,698,245 New Straits Shares on the Main Board of the SGX-ST ("**Additional Listing Application**").

6.2 Receipt of Approval-In-Principle

As announced in the 15 September Announcement, the Company had announced that it had, on 15 September 2022, received approval in-principle (the "**AIP**") for the Additional Listing Application.

The SGX-ST's AIP is not to be taken as an indication of the merits of the New Straits Shares, the Company and/or its subsidiaries, and is subject to the following conditions:

- (a) Compliance with the SGX-ST's listing requirements; and
- (b) Submission of a written confirmation that the issuance of the New Straits Shares under the Proposed Distribution is in compliance with the Companies Act 1967 of Singapore.

7. SHAREHOLDERS' APPROVAL FOR THE DISTRIBUTION *IN SPECIE*

As announced in the 14 August Announcement, the distribution of ESR Distribution Shares under 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").

Subsequently, the Company announced in the 15 September Announcement that it has decided that it is in the interest of shareholders to first proceed with the Proposed Distribution expeditiously ahead of the EGM, and to ratify this subsequently through Shareholders' approval at a later date and in any event no later than the next annual general meeting of the Company. To support such ratification of the Proposed Distribution, the Company had secured an irrevocable undertaking from Tecity Pte. Ltd., a controlling shareholder of The Cairns Pte. Ltd., that it will procure The Cairns Pte. Ltd. (which directly holds more than 50% of total Straits Shares and thus has sufficient voting rights to pass the ordinary resolution required for the Proposed Distribution) to vote in favour of the Proposed Distribution.

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. Accordingly, the issuance of the New Straits Shares will not be subject to any additional approval(s) by Shareholders.

8. FINANCIAL INFORMATION AND FINANCIAL EFFECTS OF THE PROPOSED DISTRIBUTION

8.1 Relative Figures under Rule 1006 of the Listing Manual

For the purposes of Chapter 10 of the 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 STC Group ⁽¹⁾	8.9%
(b)	The net profits attributable to the ESR Distribution Shares, compared with the net profits of the STC 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 ordinary shares in the issued share capital of ESR as at the Last Trading Day, compared with the STC 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 STC Group's balance sheet, STC 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 Trading Day multiplied by the volume weighted average price of the Straits Shares transacted on the Last Trading Day, 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 STC Group for 1H2022 and assuming that the Proposed Distribution had been effected at 1 July 2022, there is no gain or loss by the STC 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.

8.2 Financial Effects

The financial effects of the Proposed Distribution are set out in **Appendix 1** to this Letter. The financial effects are for illustration purposes only and do not reflect the actual financial position of the STC Group after the Proposed Distribution.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

9.1 The Proposed Distribution

The interests of the Directors in the Straits Shares based on the information as recorded in the Register of the Directors' Shareholding in the Company as at the Latest Practicable Date are as follows:

Name	Number of Straits Shares					
	Direct		Deemed		Total	
	No. of Straits Shares	%	No. of Straits Shares	%	No. of Straits Shares	%
Ms. Chew Gek Khim PJG	741,200	0.17	–	–	741,200	0.17
Ms. Chew Gek Hiang	23,000	0.01	–	–	23,000	0.01
Mr. Goh Kay Yong David	156,500	0.04	–	–	156,500	0.04
Mr. Chia Chee Ming, Timothy	3,900	0.00	–	–	3,900	0.00
Mr. Tan Chian Khong	–	–	–	–	–	–
Mr. Chua Tian Chu	48,000	0.01	9,000	0.00	57,000	0.01
Mr. Lau Cheng Soon	–	–	–	–	–	–

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.

9.2 Interests of Controlling Shareholders

Based on latest information available to the Company, interests of the controlling shareholders in the Straits Shares based on the information as recorded in the Register of the Substantial Shareholders are as follows:

Name	Number of Straits Shares					
	Direct		Deemed		Total	
	No. of Straits Shares	%	No. of Straits Shares	%	No. of Straits Shares	%
The Cairns Pte. Ltd.	285,670,552	66.00	–	–	285,670,552	66.00
Tan Chin Tuan Pte. Ltd. ⁽¹⁾	–	–	301,162,652	69.58	301,162,652	69.58
Raffles Investments Private Limited ⁽¹⁾	–	–	285,670,552	66.00	285,670,552	66.00
Tecity Pte. Ltd. ⁽¹⁾	–	–	301,162,652	69.58	301,162,652	69.58
Aequitas Pte. Ltd. ⁽¹⁾	–	–	285,670,552	66.00	285,670,552	66.00
Dr. Tan Kheng Lian ⁽¹⁾	1,402,760	0.32	301,162,652	69.58	302,565,412	69.90

Notes:

- (1) Each of Raffles Investments Private Limited (“**Raffles**”) and Tecity Pte. Ltd. (“**Tecity**”) holds not less than 20 per cent. of the voting rights of The Cairns Pte. Ltd. (“**Cairns**”). By virtue of this, each of Raffles and Tecity has a deemed interest in the Straits Shares held by Cairns. Aequitas Pte. Ltd. (“**Aequitas**”) holds more than 50 per cent. of the voting rights of Raffles. By virtue of this, Aequitas has a deemed interest in the Straits Shares held by Cairns. Tan Chin Tuan Pte. Ltd. (“**TCTPL**”) holds more than 50 per cent. of the voting rights in Aequitas. By virtue of this, TCTPL has a deemed interest in the Straits Shares held by Cairns. Dr Tan Kheng Lian holds more than 50 per cent. of the voting rights of Tecity. By virtue of this, Dr Tan Kheng Lian has a deemed interest in the Straits Shares held by Cairns.

None of the Directors or controlling shareholders have any interest, whether directly or indirectly, in the Proposed Distribution, other than through their shareholdings in the Company (if any).

10. ENQUIRIES

Enquiries about any aspect of the Proposed Distribution should be directed to the Company c/o the Company’s share registrar, Tricor Barbinder Share Registration Services Pte. Ltd., details of which are set out below:

Tricor Barbinder Share Registration Services Pte. Ltd.

80 Robinson Road, #11-02
Singapore 068898

Tel: +65 6236 3550 / +65 6236 3555

Email: STC-DIS@sg.tricorglobal.com

Yours faithfully

For and on behalf of the Board of Directors of
The Straits Trading Company Limited

Ms. Chew Gek Khim PJG

Executive Chairman
30 September 2022

This Letter will be available at the Company’s website at <http://www.straitstrading.com.sg>.

APPENDIX 1 – THE FINANCIAL EFFECTS OF THE PROPOSED DISTRIBUTION ON THE STC GROUP

1. ASSUMPTIONS

The pro forma financial effects of the Proposed Distribution on selected financial measures of the STC Group have been prepared based on the audited financial statements of the STC Group for FY2021 and take into account the following bases and assumptions:

- (a) the 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;
- (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 S\$/HK\$ 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 based on latest information available to 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 STC 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:

	STC 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 EARNINGS PER STRAITS SHARE

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:

	STC 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 STC 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 based on latest information available to 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).