



**ANNOUNCEMENT**

**SALE AND LEASE-BACK OF 18, 20, 22 CROSS STREET, SINGAPORE**

**1. SALE AND LEASE-BACK**

- 1.1 **Sale.** The Board of Directors of The Straits Trading Company Limited (the “**Company**”) wishes to announce that Unicorn Square Limited (the “**Vendor**”), a wholly-owned subsidiary of the Company incorporated in Singapore, has entered into a sale and purchase agreement (the “**Agreement**”) with British and Malayan Trustees Limited (the “**Purchaser**”), acting as trustee for ALLCO COMMERCIAL TRUST (the “**Trust**”), for the sale to the Purchaser of its leasehold interest in 18, 20 and 22 Cross Street, Singapore (the “**Property**”), together with certain plant and equipment located in or about the Property.
- 1.2 **Price.** The purchase price for the Property together with the plant and equipment is S\$390 million, and was arrived at on a willing seller willing buyer basis. The purchase price will be paid in cash by the Purchaser to the Vendor on completion.
- 1.3 **Lease-Back.** On completion, a master lease agreement (the “**Master Lease Agreement**”) in respect of the Property will be executed by the Vendor and the Purchaser for a lease term of six years with an option to renew for a further term of six years on terms to be mutually agreed upon by the parties. The six-year term is required by the Purchaser so that the Vendor and the Purchaser can jointly implement the upgrading and promotional works to enhance the yield of the Property.

The rent payable by the Vendor under the Master Lease Agreement is S\$17.55 million per annum. The Vendor will also undertake to make contributions for upgrading works and promotional expenses for the Property up to the sum of S\$8 million and S\$2 million respectively.

- 1.4 **Undertaking.** On completion, the Company will execute a deed of undertaking in favour of the Purchaser to procure the due and punctual performance and observance by the Vendor of its obligations under the Master Lease Agreement.

**2. CONDITIONS**

The Agreement and completion of the sale and purchase of the Property are subject to and conditional upon the approval of the shareholders of the Company being given at an extraordinary general meeting of the shareholders of the Company to be convened by the Company if required, for the sale of the Property by the Vendor to the Purchaser and (if required) entry into by the Vendor of the Master Lease Agreement, being obtained by 31 January 2006 or such other date as the parties may mutually agree.

The Company has been advised that shareholders' approval is not required for the sale and lease-back of the Property under the Listing Manual (see also paragraph 6.1 below).

### **3. VALUE**

- 3.1 **Net Book Value.** The net book value of the Property and the plant and equipment is S\$390 million.
- 3.2 **Sale Proceeds.** The sale proceeds of S\$390 million is equivalent to the current book value of the Property and the plant and equipment.
- 3.3 **Use of proceeds.** The sale proceeds is intended to be used for reduction of the Group's borrowings and to provide additional working capital for the Group's businesses.

### **4. FINANCIAL EFFECTS**

The sale of the Property and the plant and equipment will not result in any material impact on the earnings per share and net tangible assets per share of the Company for the current financial year.

The upgrading and promotional works to be undertaken in respect of the Property are expected to increase occupancy and rental yields of the Property. In the event that this does not happen, it is estimated that the worst case rental shortfall for the entire six-year term of the Master Lease Agreement (based on the difference between the rent of S\$17.55 million per annum payable by the Vendor to the Purchaser under the Master Lease Agreement and the net income received by the Vendor from the Property), together with the S\$10 million contributions referred to in paragraph 1.3 above for upgrading works and promotional expenses, will amount to approximately S\$45 million.

On the ground of prudence, the Group will make a provision for the said sum of S\$45 million in the current financial year, which will reduce the Group's earnings and net tangible assets by 12.6 cents per share.

### **5. RATIONALE**

The Board is of the view that the entry by the Vendor into the Agreement provides a timely opportunity for the Group to realise its property assets and to redeploy the capital more efficiently from its asset-based investments to more income-generating activities. This is in line with the Group's strategy to allocate its resources to strengthen the businesses where the Group has significant growth potential.

The entry by the Vendor into the Master Lease Agreement will enable the Vendor to have continuous management of the Property.

## 6. DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS

- 6.1 **Interested Person Transaction.** Oversea-Chinese Banking Corporation Limited ("OCBC") and Great Eastern Holdings Limited have a 32.44% interest (direct and deemed) and a 19.19% interest (deemed) respectively of the issued shares of the Company and they are therefore 'controlling shareholders' of the Company for the purposes of Chapter 9 of the Listing Manual. Based on OCBC's 2004 annual report, OCBC has a 43% interest in the issued shares of the Purchaser and therefore the Purchaser is an 'associate' of OCBC for the purposes of Chapter 9. Accordingly, the Purchaser is considered to be the Company's interested person for the purposes of Chapter 9 of the Listing Manual.

The Company has been advised that the sale and lease-back of the Property entered into with the Purchaser, a trustee corporation and signor on behalf of the unitholders of the Trust, does not fall within the ambit of Chapter 9 of the Listing Manual.

- 6.2 **No other interests.** Save as disclosed above and as far as the Company is aware, none of the Directors or controlling shareholders of the Company have any interest, direct or indirect, in the above transactions.

### BY ORDER OF THE BOARD

Submitted by  
Emily Teo (Ms)  
Secretary

The Straits Trading Company Limited  
(Registration No. 188700008D) on 29/9/2005 to the SGX