



# THE STRAITS TRADING COMPANY LIMITED

## PROPOSED SELECTIVE CAPITAL REDUCTION

### 1. INTRODUCTION

The Straits Trading Company Limited (“**STC**” or the “**Company**”) wishes to announce a proposed selective capital reduction (the “**Selective Capital Reduction**”) to cancel an aggregate of 30,503,000 ordinary shares of S\$1 each in the capital of the Company (the “**STC Shares**”) held by Oversea-Chinese Banking Corporation Limited (“**OCBC**”) and The Overseas Assurance Corporation Limited (“**OAC**”), representing approximately 8.6% of the current issued ordinary share capital of the Company and to make a cash distribution to OCBC and OAC.

### 2. THE SELECTIVE CAPITAL REDUCTION

- 2.1 The Selective Capital Reduction will be effected under Section 73 of the Companies Act, Chapter 50 and, pursuant thereto, the Company will cancel 30,503,000 STC Shares held by OCBC and OAC (of which 27,003,000 STC Shares are held by OCBC and 3,500,000 STC Shares are held by OAC) and make a cash distribution of S\$2.966 for each of its STC Share cancelled.
- 2.2 The amount of the cash distribution, being S\$2.966 for each STC Share cancelled, has been calculated based on the volume-weighted average price of the STC Shares traded on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) from (and including) 15 December 2005 to (and including) 29 December 2005, being the ten trading days immediately prior to the date of this Announcement.
- 2.3 Pursuant to the Selective Capital Reduction, the issued ordinary share capital of STC will be reduced by the 30,503,000 STC Shares cancelled and STC will pay to OCBC and OAC S\$80,090,898 and S\$10,381,000 respectively, being the aggregate amount of the cash distribution to be made to OCBC and OAC in respect of their STC Shares so cancelled.

### 3. RATIONALE

As the OCBC group is required to divest part of its investment in STC amounting to approximately 8.6% of STC’s issued share capital, the Selective Capital Reduction will enable STC to eliminate any possible overhang of STC Shares in the market which may depress STC Share prices, pending such divestment. Additionally, the Selective Capital Reduction will further improve the return on equity, earnings per STC Share and net tangible asset per STC Share.

The cash distribution pursuant to the Selective Capital Reduction will be made out of STC’s internal funds.

### 4. FINANCIAL EFFECTS

For illustrative purposes only and based on the assumptions set out below:

- (a) the Selective Capital Reduction had been effected on 1 January 2005; and

- (b) the cancellation of 30,503,000 STC Shares pursuant to the Selective Capital Reduction and an aggregate cash distribution of S\$90,471,898 pursuant thereto;

the financial effects of the Selective Capital Reduction on the unaudited financial accounts of the Company and its subsidiaries for the nine months ended 30 September 2005 are set out below:

	<b>Per Unaudited 9-month Accounts</b>	<b>Proforma after the Selective Capital Reduction</b>
No. of issued and paid up STC Shares ('000)	356,400	325,897
Shareholders' Funds (\$'000)	1,233,840	1,143,583
<u>Ratios</u>		
Earnings per STC Share (cents)	12.88	13.59
Net tangible asset per STC Share (S\$)	3.39	3.43
Return on equity (%)	3.72	3.87
Gearing (times)	0.31	0.41

## 5. CHAPTER 9 OF THE LISTING MANUAL

- 5.1 **Interested Person Transaction.** Transactions between OCBC, its associates (including OAC) and STC would be considered interested person transactions under Chapter 9 of the Listing Manual of the SGX-ST (the "**Listing Manual**").
- 5.2 **The Selective Capital Reduction.** The aggregate amount of the cash distribution which may be made to and received by OCBC and OAC under the Selective Capital Reduction exceeds 5% of the latest audited consolidated net tangible assets of STC and therefore, Shareholders' approval for the Selective Capital Reduction is required under Chapter 9 of the Listing Manual.
- 5.3 **Independent Financial Adviser.** Rule 921(4)(a) of the Listing Manual requires an opinion from an independent financial adviser ("**IFA**") on whether, as regards STC, the Selective Capital Reduction is on normal commercial terms and not prejudicial to the interests of STC and its minority Shareholders. CIMB-GK Securities Pte. Ltd. has been appointed as the IFA for this purpose.
- 5.4 **Opinion of the Audit Committee.** The Audit Committee of the Company comprising Mr. Tang I-Fang, Y.A.Bhg. Jen (B) Tun Ibrahim Bin Ismail and Mr. Michael Hwang, will give its view as to whether the Selective Capital Reduction is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders after the opinion of the IFA has been obtained.
- 5.5 **Other Interested Person Transactions in Current Financial Year.** The total value (other than those transactions which are disregarded for the purposes of Rules 905 and 906 of the Listing Manual) of all interested person transactions entered into by STC and its entities at risk with OCBC and its associates since the beginning of the current financial year is approximately S\$49.9 million. The total value (other than those transactions which are disregarded for the purposes of Rules 905 and 906 of the Listing Manual) of all interested person transactions entered into by STC and its entities at risk since the beginning of the current financial year is approximately S\$49.9 million.

## 6. APPROVALS

6.1 The Selective Capital Reduction is conditional upon the following:

- (a) the passing of a special resolution of the Shareholders of the Company approving the Selective Capital Reduction at the extraordinary general meeting to be convened by the Company (the "**STC EGM**");
- (b) the approval and confirmation of the High Court of Singapore for the Selective Capital Reduction; and
- (c) the approval of all other relevant regulatory authorities.

6.2 OCBC and its associates (including OAC) will abstain from voting on the special resolution in respect of the Selective Capital Reduction at the STC EGM.

## 7. GENERAL

A circular containing further details of the Selective Capital Reduction and convening the STC EGM for the purpose of seeking the approval of Shareholders will be despatched to Shareholders in due course.

## 8. DISCLOSURES

OAC is a wholly-owned subsidiary of Great Eastern Holdings Limited ("**GEH**"). OCBC and GEH are controlling Shareholders of STC for the purposes of Chapter 9 of the Listing Manual. Mr. Michael Wong Pakshong, a director of STC, is also a director of OCBC, OAC and GEH. Tan Sri Dato' Dr Lin See-Yan, a director of STC, is also a director of OAC and GEH. Mr. Bobby Chin Yoke Choong, a director of STC, is also a director of OCBC.

Save as disclosed, no director or controlling Shareholder of STC has any interest, direct or indirect, in the Selective Capital Reduction, other than by being such a director or controlling Shareholder.

BY ORDER OF THE BOARD

Submitted by  
Victoria Tse (Mrs)  
Secretary

The Straits Trading Company Limited  
(Registration No. 188700008D) on 30/12/2005 to the SGX