

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 2024**

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 at Suntec Singapore Convention & Exhibition Centre on 30 April 2024. The following are the questions submitted by shareholders and the responses of the Company.

Question 1

Straits Trading is essentially a holding company/conglomerate with stakes in many entities, including ESR, Malaysia Smelting Corporation (“MSC”), Far East Hospitality, SDAX Financial, Straits Real Estate (“SRE”), etc. Among these various entities, which one is the Company most optimistic about in the near to midterm? Conversely, which one is the Company most pessimistic about in the near to midterm? Please explain and elaborate on the reasons/rationale for your optimism and pessimism.

Company’s Response

The Group achieved a resilient performance despite elevated funding costs and macroeconomic uncertainty in 2023. Globally, while the business landscape remains challenging, we remain optimistic on all our business segments as we take a patient and long-term view of our businesses. The performance is subject to the cyclical nature of the different businesses.

We believe our Resources and Hospitality businesses will continue to benefit from industry cyclical tailwinds. Demand for tin is linked to the world’s energy transition as it is a crucial component in electric vehicles and solar energy systems. This is reflected in higher tin price since the start of the year and we are also in the midst of applying for more mining licenses to expand our mining capacity. Moreover, with the ramp up of operations in MSC’s Pulau Indah smelting plant and its improved smelting processes, our Resources business is expected to benefit from improved efficiency, lower operational costs and a reduced carbon footprint. This will further fortify our market position as the largest independent custom tin smelter in the world.

The Hospitality business, meanwhile, continues to see new rooms growth and is expected to capitalise on the global rebound in tourism.

Amidst the tough interest rate environment and higher borrowing costs, there were accounting write-downs in our property valuations as capitalisation rates rise. However, such fair valuation losses are non-cash expenses in nature and could reverse if financial conditions ease and rates start to fall. We will continue to enhance the resilience of SRE’s business by growing recurring income whilst pursuing capital recycling at the right opportunity in the near term.

Having built a strong portfolio over the years and bolstered our balance sheet, we are well-placed to withstand economic and geopolitical headwinds.

Question 2

During the days of Tan Chin Tuan, Straits Trading was consistently cash-rich. However, according to FY2023 annual report, Straits Trading now carries a debt exceeding \$1 billion. My concern lies in the Group's ability to service the debts during unforeseen circumstances. I hope you can enlighten shareholders on Straits Trading's cash flow and whether it is under constant review to ensure its ability to handle a crisis.

Company's Response

The debt level is relative to our total asset size, which has grown bigger over the years. The Group's balance sheet remains healthy with S\$3.4 billion of assets and S\$458.1 million in cash reserves as of 31 December 2023. Our operating cash inflows are derived from multiple sources, including recurring rental income from investment properties, dividends from investments and interest income. Besides, the Group has a track record of capital recycling activities, which frees up cash. For example, SRE recycled capital from its mezzanine debt investment in 2023, and the Group also received over S\$142 million in cash proceeds from the sale and merger of ARA into ESR.

We are constantly reviewing our cashflow requirements and have raised more cash as a buffer in the event of exigencies. In 2023, the Group raised S\$370 million in exchangeable bonds with an interest cost of 3.25%. Following this, we capitalised on the decrease in long bond yields by tapping into the MTN market in January 2024, raising another S\$130 million and strengthening our medium-term liquidity at a reasonable interest cost of 4.70%.

As part of our prudent capital management practices, we have also hedged our interest rate exposure and extended some loan tenures to manage our debt maturity profile.

Question 3

Why is the share price consistently declining each day and why is it significantly below NAV? Are there any possibilities of mismanagement? When will Straits Trading be delisted for good?

Company's Response

The current market sentiment is generally poorer due to various factors such as war, geopolitical tension and high inflation. Stock prices of Singapore-listed property firms and conglomerates tend to also be subject to a discount factor. This discount effect was exacerbated in the high-interest-rate environment of the last two years. Based on closing share price of \$1.43 as of 17 April 2024, the discount to NAV is 56%, which is comparable to similar property companies listed on SGX. Note there are peers who are trading at even steeper discounts.

We hold a longer-term view on our share value and we are optimistic that the market will value us accordingly as long as we continue to pursue our strategy to capture opportunities with the right risk-adjusted returns and deliver value to all shareholders.

Over the years, Straits Trading has delivered consistent and sustainable dividends to shareholders as seen from our dividend trend since 2008. At the current share price of \$1.43, we are trading at a dividend yield of more than 5%. Factoring in the cumulative dividend returns and the special bonus distribution in year 2022 of 180 new Straits Trading shares or 145 ESR shares for every 1,000 Straits Trading

shares, the Company's adjusted share price performance and returns would have outperformed most of its listed property peers.

To the best of the Board's knowledge, there is no mismanagement. The Group also has a whistleblowing policy in place to ensure strong and robust governance. We continue to see value in maintaining our listed status and have no plans to privatise Straits Trading.

By Order of the Board

Ngiam May Ling
Company Secretary
24 April 2024
Singapore