

ANNOUNCEMENT

DISPOSAL OF STAPLED SECURITIES IN FAR EAST HOSPITALITY TRUST

1. INTRODUCTION

- 1.1 Introduction.** The Board of Directors (the “**Board**”) of The Straits Trading Company Limited (the “**Company**”) wishes to announce that STC International Holdings Pte. Ltd., a wholly-owned subsidiary of the Company, has, pursuant to a series of transactions, disposed of 50.2 million stapled securities (“**Sale Units**”) in Far East Hospitality Trust (“**FEHT**”) (collectively, the “**Disposals**”).
- 1.2 Disclosable Transaction.** Based on the relative figures computed on the basis of Rule 1006 of the listing manual (“**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) as more particularly set out in paragraph 6 below, the Disposals will be classified as a “disclosable transaction” under Chapter 10 of the Listing Manual.

2. RATIONALE FOR THE DISPOSALS

- 2.1 Information on FEHT.** FEHT is the first Singapore-focused hotel and serviced residence hospitality trust listed on the Main Board of the SGX-ST. Comprising Far East Hospitality Real Estate Investment Trust and Far East Hospitality Business Trust, FEHT was listed on the SGX-ST on 27 August 2012 and has a portfolio of 12 properties totalling 2,829 hotel rooms and serviced residence units valued at approximately S\$2.47 billion as at 31 December 2013. FEHT is managed by FEO Hospitality Asset Management Pte. Ltd. and FEO Hospitality Trust Management Pte. Ltd. and sponsored by members of the Far East Organization Group.
- 2.2 Rationale for the Disposals.** With the transformation of The Straits Trading Company Limited, the Company’s existing businesses comprise stakes in real estate, hospitality and resources as separate engines of growth. It is envisaged that the real estate engine will be developed into a real estate eco-system which is currently anchored by the Company’s 89.5% interest in Straits Real Estate Pte. Ltd. and its 20.1% interest in ARA Asset Management Ltd. The hospitality engine is fueled by its 30.0% interest in Far East Hospitality Holdings Pte. Ltd. (“**FEHH**”) which is a joint venture with Far East Orchard Ltd (“**Far East Orchard**”), and the resources engine is fueled by its listed subsidiary Malaysia Smelting Corporation Berhad, of which the Company holds a 54.8% interest.

As articulated to shareholders, the Company will continually redeploy capital to grow and expand these businesses. Consequently, the Company has decided to gradually divest its stapled securities in FEHT (“**Units**”) with a view to strengthening its real estate eco-system. Through FEHH, hospitality remains an important engine of growth for the Company. The Company is committed to partnering Far East Orchard to grow the joint venture, which currently manages over 80 hotels and serviced residences with more than 13,000 rooms.

3. CONSIDERATION FOR THE DISPOSALS

- 3.1 Consideration.** The aggregate consideration received from the Disposals is S\$42.7 million excluding transaction costs (the “**Consideration**”).

3.2 Pricing Factors. The Consideration received was arrived at on arm's length negotiations, taking into account, *inter alia*, prevailing market prices at the time of Disposal.

3.3 Use of Proceeds. The Company intends to deploy the sale proceeds from the Disposals for other investments.

4. VALUE OF THE SALE UNITS

4.1 Book Value. Based on the unaudited consolidated financial statements of the Company and its subsidiaries ("**Group**") for the first quarter ended 31 March 2014 ("**Group 1Q2014 Results**"), the book value of the Sale Units is approximately S\$46.7 million.

4.2 Asset Value. Based on the unaudited consolidated financial statements for FEHT and its subsidiaries for the first quarter ended 31 March 2014 ("**FEHT 1Q2014 Results**"), the net tangible asset value of the Sale Units is approximately S\$49.2 million.

4.3 Market Value. Based on the volume weighted average price ("**VWAP**") of the Units transacted on SGX-ST on 2 June 2014 (being the date of this Announcement), the open market value of the Sale Units is approximately S\$42.7 million.

4.4 Deficit of Consideration over Book Value. Based on the book value of the Sale Units as set out in paragraph 4.1 above, the amount of deficit of the Consideration over the said book value is approximately S\$4.0 million.

4.5 Net Profit and Loss on Disposals

4.5.1 Based on the FEHT 1Q2014 Results, the profit before income tax, minority interests and extraordinary items attributable to the Sale Units is approximately S\$0.6 million.

4.5.2 Based on the book value of the Sale Units as set out in paragraph 4.1 above, the loss on Disposals is approximately S\$4.0 million.

5. ILLUSTRATIVE FINANCIAL EFFECTS

5.1 Assumptions. The pro-forma financial effects of the Disposals on the earnings per share of the Company ("**EPS**"), the net tangible assets ("**NTA**") per share of the Company ("**Share**"), and the share capital of the Company are set out below and have been computed based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2013 ("**Group FY2013 Results**") and the Group 1Q2014 Results. Such financial effects have been prepared purely for illustrative purposes only and do not reflect the actual future financial situation of the Group following the Disposals.

5.2 NTA – FY2013. For purely illustrative purposes only, assuming the Disposals had been effected on 31 December 2013, being the end of the most recently completed financial year of the Group ended 31 December 2013 ("**FY2013**"), the effect of the Disposals on the NTA per Share for FY2013, based on the Group FY2013 Results, would be as follows:

	Before the Disposals	After the Disposals ⁽²⁾
NTA (S\$ million)	1,290.1	1,290.6
NTA per Share (S\$)⁽¹⁾	3.16	3.16

Notes:

- (1) Calculated based on 408,095,772 issued Shares, being the number of Shares outstanding as at 31 December 2013.
(2) Adjusted against the AFS reserve provided as at 31 December 2013.

5.3 EPS – FY2013. For purely illustrative purposes only, assuming the Disposals had been effected on 1 January 2013, being the beginning of FY2013, the effect of the Disposals on the EPS for FY2013, based on the Group FY2013 Results, would be as follows:

	Before the Disposals	After the Disposals
Profit after tax and non-controlling interests (S\$ million)	119.5	115.2
EPS (cents)⁽¹⁾	29.3	28.2

Note:

- (1) Calculated based on 408,095,772 issued Shares, being the number of Shares outstanding as at 31 December 2013.

5.4 NTA – 1Q2014. For purely illustrative purposes only, assuming the Disposals had been effected on 31 March 2014, being the end of the most recently completed financial quarter of the Group ended 31 March 2014 (“**1Q2014**”), the effect of the Disposals on the NTA per Share for 1Q2014, based on the Group 1Q2014 Results, would be as follows:

	Before the Disposals	After the Disposals⁽²⁾
NTA (S\$ million)	1,280.5	1,282.2
NTA per Share (S\$)⁽¹⁾	3.14	3.14

Notes:

- (1) Calculated based on 408,095,772 issued Shares, being the number of Shares outstanding as at 31 March 2014.
(2) Adjusted against the AFS reserve provided as at 31 March 2014.

5.5 EPS – 1Q2014. For purely illustrative purposes only, assuming the Disposals had been effected on 1 January 2014, being the beginning of 1Q2014, the effect of the Disposals on the EPS for 1Q2014, based on the Group 1Q2014 Results, would be as follows:

	Before the Disposals	After the Disposals
Profit after tax and non-controlling interests (S\$ million)	5.9	1.3
EPS (cents)⁽¹⁾	1.4	0.3

Note:

- (1) Calculated based on 408,095,772 issued Shares, being the number of Shares outstanding as at 31 March 2014.

5.6 Share Capital. The Disposals will not have any impact on the issued share capital of the Company.

6. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

6.1 Relative Figures. The relative figures for the Disposals computed on the relevant bases set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006	Bases	Disposals (S\$ million)	Group (S\$ million)	Relative Figures (%)
(a)	The net asset value (“NAV”) of the Sale Units, compared with the Group’s NAV ⁽¹⁾ .	49.2	1,346.6	3.7
(b)	The net profit / (loss) attributable to the Sale Units, compared with the Group’s net profit / (loss) ⁽²⁾ .	0.6	10.4	5.5
(c)	The aggregate value of the consideration received, compared with the issuer’s market capitalisation based on the total number of issued Shares excluding treasury shares ⁽³⁾ .	42.7	1,225.4	3.5

Notes:

⁽¹⁾ The NAV of the Sale Units is based on the FEHT 1Q2014 Results. The Group’s NAV of S\$1,346.6 million is as reported in the Group 1Q2014 Results.

⁽²⁾ Net profit / loss is defined as profit / loss before income tax, minority interests and extraordinary items.

⁽³⁾ The market capitalisation has been calculated on the basis of 408,095,772 Shares in issue multiplied by the VWAP of the Shares transacted on 2 June 2014, being the date of this Announcement.

6.2 Classification. As the relative figures under Rule 1006 (b) in relation to the Disposals exceed 5% but do not exceed 20%, the Disposals are a “disclosable transaction” as defined in the Listing Manual. Accordingly, no Shareholders’ approval is required.

7. RULE 704(18)(b) OF THE LISTING MANUAL

Pursuant to Rule 704(18)(b) of the Listing Manual, the Group’s aggregate cost of investment in quoted securities¹ has fallen below 40.0% of the latest audited consolidated net tangible assets of the Group as at 31 December 2013, as follows:

Rule 704(18)(b)		Prior to the Disposals	After the Disposals
(i)	Aggregate cost of the Group’s quoted investments (S\$’million)	530.6	501.3

¹ For the avoidance of doubt, quoted securities do not include the Company’s interest in its listed subsidiary, Malaysia Smelting Corporation Berhad.

Rule 704(18)(b)		Prior to the Disposals	After the Disposals
	Aggregate cost of the Group's quoted investments as a percentage of the latest audited consolidated net tangible assets of the Group as at 31 December 2013	41.1%	38.9%
(ii)	Total market value of the quoted investments (S\$'million) ⁽¹⁾	500.3	466.4
(iii)	Amount of any provision for diminution in value of investments (S\$'million) ⁽²⁾	44.5	44.5
	Audited consolidated net tangible assets of the Group as at 31 December 2013 (S\$'million)	1,290.1	1,290.1

Notes:

- (1) Based on the VWAP of the quoted securities transacted on the full market day preceding this Announcement.
- (2) This refers to the cumulative impairment loss made on the quoted investments.

8. FURTHER INFORMATION

- 8.1 Directors' Service Contracts.** No person is proposed to be appointed as a director of the Company in connection with the Disposals. Accordingly, no service contract is proposed to be entered into between the Company and any such person.
- 8.2 Directors' Interests.** Save for any interest in Units, none of the Directors of the Company has any interest, direct or indirect, in the Disposals.
- 8.3 Controlling Shareholders' Interests.** Save for any interest in Units, none of the controlling shareholders of the Company has any interest, direct or indirect, in the Disposals.

By Order of the Board
Aldric Tan Jee Wei
Company Secretary
The Straits Trading Company Limited

2 June 2014
Singapore

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

About The Straits Trading Company Limited

Incorporated in 1887 as a tin smelting company, The Straits Trading Company Limited today has stakes in real estate, hospitality, resources and investments that span the Asia Pacific region. It owns a 89.5% stake in Straits Real Estate, a co-investment vehicle that seeks out real estate related investments & opportunities. It also owns a 20.1% stake in SGX-listed ARA Asset Management Limited, one of the largest real estate fund managers in the region and has a 30% interest in Far East Hospitality Holdings, one of the largest hospitality operators in Asia Pacific. Straits Trading also engages in tin mining and smelting through its 54.8% owned subsidiary, Malaysia Smelting Corporation Berhad, that is dual listed on Bursa Malaysia and SGX-ST.