

ANNOUNCEMENT

INVESTMENT IN SOUTH KOREA

1. INTRODUCTION

The Board of Directors (the “**Board**”) of The Straits Trading Company Limited (the “**Company**”) wishes to announce that its subsidiary, Straits Real Estate Pte. Ltd. (“**SREPL**”), through its wholly-owned subsidiary, SRE Venture 14 Pte. Ltd. (“**SRE V14**”) has entered into an investment platform agreement (“**IPA**”) with IGIS Asset Management Co., Ltd. (“**IGIS AM**”) and three minority shareholders to establish IGIS Arenas KLIP 1 Private Placement Real Estate Feeder Investment Company, a regulated collective investment vehicle (“**REF**”) to develop a portfolio of logistics warehouse properties in South Korea (the “**REF Transaction**”). SRE V14 will have up to 94.7% shareholding interest in the REF.

As its maiden investment, SRE V14 has subscribed to 2,191,329 shares of REF for a total sum of KRW11.0 billion (SGD12.7 million¹) (the “**Subscription**”) to fund the REF’s acquisition of a 50.0% ownership interest in an approximately 62,000 sqm land parcel located in Incheon, South Korea (the “**Property**”) (the “**Seed Asset Transaction**”) to be developed into an approximately 190,000 sqm logistics facility. The REF Transaction, the Subscription and the Seed Asset Transaction will be collectively referred to as the “**Transactions**”.

2. INFORMATION ON THE REF TRANSACTION

2.1 Information on the REF

The REF is structured as a corporate type collective investment vehicle formed under the Capital Markets Act of Korea to be managed by IGIS AM. The primary objective of the REF will be to acquire, develop and manage logistics properties in the Greater Seoul area.

2.2 Information on IGIS AM

IGIS AM is a licensed collective investment manager under the Financial Investment Services and Capital Markets Act of Korea Manager and regulated by the Financial Supervisory Services.

IGIS AM is one of the leading Korean asset managers with total assets under management of USD22 billion, including USD16 billion domestically. Its logistics team has an established track record of successfully developing and managing logistics properties in South Korea.

2.3 Rationale for the REF Transaction

¹ Conversion from KRW to SGD is based on a rate of exchange of SGD1.00 : KRW860.00 as at 20 June 2019 and is provided for reference purpose only.

The Company has previously articulated to shareholders its strategy of redeploying capital from its existing property portfolio of high quality, but low yielding investment properties into potentially higher return real estate opportunities via SREPL. The REF Transaction is in line with this stated strategy.

2.4 Information on the Consideration

SRE V14 will commit up to KRW104.2 billion (approximately SGD121.2 million¹) under the IPA.

3. INFORMATION ON THE SEED ASSET TRANSACTION

3.1 Information on the Property

The Property is a 62,217 sqm freehold site located in Incheon, South Korea slated to be developed into an approximately 190,000 sqm, five-storey ramp-up modern logistics facility. Located approximately eight kilometres from the air cargo terminal of Incheon International Airport and easily accessible via the Incheon International Airport Expressway, the Property will offer an attractive opportunity for tenants seeking close proximity to the terminal, such as export/import businesses, duty free operators and global forwarders.

IGIS AM will be the sole asset manager for the Property and will be responsible for the development, leasing, and asset management services. It is anticipated that construction will commence in July 2019 and be completed by March 2021.

3.2 Information on the Structure

The REF, through its wholly-owned subsidiary IGIS Arenas KLIP 1-1 Private Placement Real Estate Master Investment Company (“REF-1”) acquired a 50.0% interest in the Property through the acquisition of 50.0% of the shares of Sky Logis Private Real Estate Investment Company (“SKY”) with the balance 50.0% held by a reputable offshore investor.

3.3 Information on the Seed Asset Transaction Consideration

The total consideration for the Seed Asset Transaction was KRW64.2 billion (approximately SGD74.7 million¹) of which REF-1’s portion represented KRW32.1 billion (approximately SGD37.4 million¹). This will be funded through a combination of equity capital and bank borrowings.

Subsequent capital will be invested to fund the remaining development costs of the project.

3.4 Value of the Property

Based on an independent valuation by CBRE Korea Co., Ltd., the value of the Property was KRW64.7 billion (approximately SGD75.2 million¹) as at 20 May 2019. The valuation for the Property was conducted based on the direct comparison approach.

4. FINANCIAL EFFECTS

- 4.1** The Transactions are not expected to have a material impact on the earnings per share and net tangible asset per share of the Company and its subsidiaries (the “**Group**”) for the current financial year ending 31 December 2019.
- 4.2** The Transactions will not have any impact on the issued share capital of the Company.

5. FURTHER INFORMATION

- 5.1** As the Transactions are in the ordinary course of business of the Group, it is not material for the purposes of the listing manual of the Singapore Exchange Securities Trading Limited.
- 5.2** None of the directors of the Company has any interest, direct or indirect, in the transactions contemplated by the Transactions.
- 5.3** None of the controlling shareholders of the Company has any interest, direct or indirect, in the Transactions.
- 5.4** A copy of the IPA is available for inspection by shareholders of the Company during normal business hours at the registered office of the Company at 1 Wallich Street #15-01, Guoco Tower, Singapore 078881 for three months from the date of this Announcement.

By Order of the Board

Aldric Tan Jee Wei
Company Secretary
The Straits Trading Company Limited

20 June 2019
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, The Straits Trading Company Limited is an investment company with 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 globally. It also owns a 20.95% stake in ARA Asset Management Limited, a premier global integrated real assets fund manager, and has a 30% interest in Far East Hospitality Holdings, a premier hospitality assets owner and operator. 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.