

## ANNOUNCEMENT

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### DISPOSAL OF SHAREHOLDING IN ARA ASSET MANAGEMENT LIMITED BY ASSOCIATED COMPANY, ARA INVESTMENT (CAYMAN) LIMITED

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#### 1. INTRODUCTION

##### 1.1 Proposed Transaction

The Board of Directors of The Straits Trading Company Limited (the “**Company**”) wishes to announce that its associated company, ARA Investment (Cayman) Limited (“**ARAC**”), a company incorporated in Cayman, has, on 4 August 2021, entered into an acquisition agreement (the “**Agreement**”) with ARA Asset Management Limited (“**ARAB**”), ESR Cayman Limited (“**ESR**”) and certain other sellers, being Athena Logistics Holdings Ltd, Sumitomo Mitsui Banking Corporation, New Horizon Global Limited, Alexandrite Gem Holdings Limited (“**AGHL**”) and Ivanhoe Cambridge Asia Inc. (such other sellers together with ARAC, collectively the “**Sellers**”). ESR is listed on The Stock Exchange of Hong Kong Limited (“**HKSE**”).

Under the Agreement, the proposed acquisition will be effected through (a) a combination of (I) the sale and purchase of the ARAB shares held by all Sellers except (upon its adherence to the Agreement) AGHL and (II) the merger of ARAB and a wholly-owned subsidiary of ESR (“**NewCo**”) under Bermuda law, whereupon ARAB will be the surviving entity or (b) at the election of ARAC, the sale and purchase of the ARAB shares held by all Sellers including AGHL (without any merger between ARAB and NewCo) to ESR (the “**Proposed Transaction**”), which, in each case, will be satisfied by a combination of ESR shares, vendor loan notes convertible into ESR shares and cash to be allotted and issued or paid by ESR to certain persons, including the Indirect Consideration Recipients (as defined in paragraph 3.2 below). Further details of the consideration for the Proposed Transaction are set out in paragraph 2 of this Announcement.

Completion of the Proposed Transaction (“**Completion**”) is conditional upon the satisfaction (or, if applicable, waiver) of certain conditions, as described further in the ESR Announcement (as defined in paragraph 1.3 below). Subject to the satisfaction (or, if applicable) waiver of the conditions, it is currently expected that Completion will take place in the fourth quarter of 2021 or the first quarter of 2022.

##### 1.2 Background

1.2.1 ARAB was incorporated in Bermuda in 2002 and was previously listed on the Main Board of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). Pursuant to a scheme of arrangement under the Bermuda Companies Act 1981, ARAB was taken private by a consortium comprising, *inter alia*, (i) Straits Equities Holdings (One) Pte. Ltd. (“**SE1**”), (ii) AGHL, (iii) JL Investment Group Limited and JL Investment Group II Limited (collectively, “**JL**”) and (iv)

Wealthman Group Limited (“**Wealthman**”), and was subsequently delisted from the Main Board of the SGX-ST.

- 1.2.2 As at the date of this Announcement, the Company through its wholly-owned subsidiary SE1, an investment company incorporated in Singapore, has approximately a 18.97<sup>1</sup> per cent. indirect economic interest in ARAB. SE1’s indirect economic interest in ARAB is derived through its 22.06 per cent. shareholding in ARA Asset Management Holdings Pte. Ltd. (“**ARAH**”). ARAH holds approximately 96.21<sup>2</sup> per cent. of the effective economic interest in ARAC, and ARAC holds approximately 89.38 per cent. of the issued shares in ARAB.

### 1.3 ESR’s Announcement

A copy of the ESR announcement (“**ESR Announcement**”) is attached as an annex to this Announcement.

## 2. CONSIDERATION FOR THE PROPOSED TRANSACTION

### 2.1 SE1’s pro rata Entitlement

- 2.1.1 Subject to the Cash Consideration Adjustment (as defined in paragraph 2.2 below), the consideration for the Proposed Transaction payable by ESR to SE1 under the Agreement is US\$845.3 million (S\$1,140.4 million<sup>3</sup>) (the “**SE1 Consideration**”).

The aggregate consideration payable by ESR for the Proposed Transaction (and by extension, the SE1 Consideration) was determined after negotiations on an arms’ length basis amongst ESR, ARAB and the Sellers, with reference to, among other things, the overall financial position and performance of ARAB and its subsidiaries (the “**ARA Group**”), the relative value of each of ESR and its subsidiaries (the “**ESR Group**”) and the ARA Group, and the value of synergies created by the enlarged group resulting from the Proposed Transaction.

#### 2.1.2 Manner of satisfaction of SE1 Consideration

Assuming the Cash Consideration Adjustment is not exercised, the SE1 Consideration will be satisfied by ESR in the following manner:

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<sup>1</sup> This being the product of SE1’s shareholding in ARAH (22.06%), ARAH’s effective economic interest in ARAC (96.21%) and ARAC’s shareholding in ARAB (89.38%) = 18.97%.

<sup>2</sup> As at the date of this Announcement, ARAH holds all the ordinary shares in the capital of ARAC, and AGHL holds certain redeemable preference shares in the capital of ARAC (“**AGHL RPS**”). Upon conversion of the AGHL RPS into ordinary shares in the capital of ARAC, ARAH will hold 96.21 per cent. of the ordinary shares in ARAC.

<sup>3</sup> Based on an exchange rate of USD1.00:SGD1.349 and rounded to one decimal place. Any discrepancies between the figures stated in this Announcement are due to rounding.

- (i) US\$99.9 million (S\$134.8 million<sup>4</sup>) in cash (the “**Cash Consideration**”);
- (ii) US\$678.4 million<sup>5</sup> (S\$915.3 million<sup>6</sup>) by the issuance of 195.4 million ordinary shares in the capital of ESR (“**Shares**”) at a price of HK\$27.00 per Share (the “**Consideration Share Price**”, and such Shares the “**Consideration Shares**”); and
- (iii) US\$67.0 million (S\$90.4 million<sup>7</sup>) by the issuance of 19.3 million vendor loan notes from ESR (the “**Consideration VLNs**”), to be converted to Shares (such Shares, when issued and delivered upon conversion, the “**Conversion Shares**”) at the Consideration Share Price (subject to any adjustments), once certain conditions are met.

### 2.1.3 Consideration Share Price

The Consideration Share Price of HK\$27.00 per Share represents:

- (i) a discount of approximately 2.5% to the closing price of HK\$27.70 per Share as quoted on the HKEX on the date of the Agreement;
- (ii) a discount of approximately 1.6% to the average closing price of HK\$27.44 per Share as quoted on the HKEX for the last five consecutive trading days up to and including the date of the Agreement;
- (iii) a premium of approximately 1.9% to HK\$26.50 per Share, being the average closing price of the Shares as quoted on the HKEX for the period from 5 July 2021 up to and including the date of the Agreement; and
- (iv) a premium of 5.7% to HK\$25.54 per Share, being the average of the closing price of the Shares as quoted on the HKEX for the period from 5 February 2021 up to and including the date of the Agreement.

## 2.2 Cash Consideration Adjustment

### 2.2.1 Adjustment Mechanism

<sup>4</sup> Based on an exchange rate of USD1.00:SGD1.349 and rounded to one decimal place. Any discrepancies between the figures stated in this Announcement are due to rounding.

<sup>5</sup> Based on an exchange rate of USD1.00:HKD7.776 and rounded to one decimal place. Any discrepancies between the figures stated in this Announcement are due to rounding.

<sup>6</sup> Based on an exchange rate of USD1.00:SGD1.349 and rounded to one decimal place. Any discrepancies between the figures stated in this Announcement are due to rounding.

<sup>7</sup> Based on an exchange rate of USD1.00:SGD1.349 and rounded to one decimal place. Any discrepancies between the figures stated in this Announcement are due to rounding.

ESR may, in the period between the date of the Agreement and the date falling seven Business Days (as defined in the ESR Announcement) before Completion, issue new Shares (“**Permitted Issuance**”) provided that:

- (i) such Shares are issued for cash payable on issuance at a price per Share which is equal to or greater than HK\$27.00; (the total cash proceeds of the Permitted Issuance, the “**Additional Cash**”);
- (ii) such issuance is made by way of a placement to a number of public markets investors, and such investors are not granted or promised governance or other rights in the ESR Group; and
- (iii) the total Additional Cash arising from such issuance and receivable by ESR do not in aggregate exceed US\$1,038 million and will be held by ESR and applied towards part settlement of the aggregate consideration payable by ESR for the Proposed Transaction at Completion.

If a Permitted Issuance is made, the full amount of the Additional Cash will be applied towards partial settlement of the aggregate consideration payable by ESR for the Proposed Transaction and will be allocated to each Additional Cash Consideration Recipient (as defined in the ESR Announcement, and which definition includes SE1) on a pro rata basis to the allocation of Cash Consideration among the Additional Cash Consideration Recipients as originally contemplated prior to any Cash Consideration Adjustment.

The principal amount of the Consideration VLNs, the number of Conversion Shares and the number of Consideration Shares which will be allocated to each Additional Cash Consideration Recipient, including SE1, will therefore be deemed adjusted accordingly (the “**Cash Consideration Adjustment**”).

#### **2.2.2 Effect of Cash Consideration Adjustment on the manner of satisfaction of the SE1 Consideration**

Assuming that the Cash Consideration Adjustment is exercised in full, SE1 will receive the SE1 Consideration in the following manner (instead of such manner set out in paragraph 2.1.2 above):

- (i) a Cash Consideration in an amount equal to US\$303.1 million (S\$409.0 million<sup>8</sup>); and

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<sup>8</sup> Based on an exchange rate of USD1.00:SGD1.349 and rounded to one decimal place. Any discrepancies between the figures stated in this Announcement are due to rounding.

- (ii) US\$542.2 million<sup>9</sup> (S\$731.5 million<sup>10</sup>) worth of Consideration Shares, by the issuance of 156.1 million Shares at the Consideration Share Price.

### 3. DEED OF ADHERENCE

- 3.1** In order to implement the Proposed Transaction, it is proposed that SE1 will directly on Completion, receive its pro rata consideration realised from the Proposed Transaction. In order to achieve the direct distribution of the Consideration Shares and Consideration VLN (collectively, the “**Consideration Securities**”) and Cash Consideration to all of the ARAH shareholders (including SE1), there will be upstream distributions (amongst others) from ARAC up the shareholding chain to all of the ARAH shareholders (including SE1) (collectively, the “**Distributions**”).
- 3.2** To facilitate the Distributions smoothly and efficiently, the Sellers have agreed that each of AGHL, JL, Wealthman and SE1 (as shareholders of ARAH, and collectively, the “**Indirect Consideration Recipients**”), will directly receive from ESR the relevant Consideration Securities and ESR will pay the relevant Cash Consideration to the Indirect Consideration Recipients.
- 3.3** In connection with the allotment and issuance of the Consideration Securities and payment of the Cash Consideration by ESR to SE1 and the other Indirect Consideration Recipients, it is a term of the Agreement that each Indirect Consideration Recipient (including SE1) shall be required to execute a deed of adherence (“**Deed of Adherence**”) on or before Completion to adhere to the Agreement solely for the purposes of:
- 3.3.1** assuming a percentage of ARAC’s potential liability (which the Company is of the view is remote) if any, with respect to certain fundamental warranties on title, capacity and authority given by the relevant Sellers in respect of the ARAB shares equal to the percentage of the Cash Consideration and value of the Consideration Securities payable to ARAC and received by SE1 and the other Indirect Contribution Recipients, and giving certain limited tax undertakings (collectively, the “**Limited Liabilities**”);
- 3.3.2** to undertake to ESR as if it were a Seller that, if there is any non-permitted leakage in respect of such Seller since 31 December 2020 or there is any non-permitted leakage in respect of such Seller between the date of the Agreement and Completion, to make good to ESR any such non-permitted leakage; and
- 3.3.3** provide certain other standard undertakings relating to confidentiality and other customary matters,

<sup>9</sup> Based on an exchange rate of USD1.00:HKD7.776 and rounded to one decimal place. Any discrepancies between the figures stated in this Announcement are due to rounding.

<sup>10</sup> Based on an exchange rate of USD1.00:SGD1.349 and rounded to one decimal place. Any discrepancies between the figures stated in this Announcement are due to rounding.

in each case as set out in more detail in the Agreement.

- 3.4** Following from the above, SE1's potential liability in respect of the Limited Liabilities, under the terms of the Proposed Transaction and the Deed of Adherence, will not exceed US\$845.3 million (S\$1,140.4 million<sup>11</sup>) in aggregate based on the indicative value of the SE1 Consideration. As the obligations are several, there is also no certainty that such liability will be incurred by SE1 and the Company is of the view that any such liability is remote.
- 3.5** Accordingly, the Company is of the view that there is no net financial exposure to the Company arising from SE1's entry into the Deed of Adherence and in respect of the Limited Liabilities.
- 3.6 Rationale for the execution of the Deed of Adherence**

The terms of the Proposed Transaction contemplates a passive realisation of the investment of all ARAH shareholders in ARAH. In order for SE1 (and therefore, the Company) to realise its investment like the other Indirect Consideration Recipients and receive the SE1 Consideration, SE1 is required, under the terms of the Agreement, to execute the Deed of Adherence and assume the limited liabilities thereunder. For completeness, it is reiterated that each of JL and Wealthman is also required to execute the Deed of Adherence and assume the same liabilities in a proportion equal to the percentage of the aggregate consideration payable by ESR for the Proposed Transaction issued and paid to each of them. It is noted that it is not unusual to require indirect shareholders who are not a party to the transaction itself to stand behind a limited set of warranties in similar types of transactions.

#### **4. OTHER ANCILLARY AGREEMENTS**

In connection with the Proposed Transaction and settlement of the SE1 Consideration, SE1 had on 4 August 2021 executed the following ancillary agreements contemporaneously with the execution of the Agreement:

- 4.1.1** a lock-up undertaking, under which SE1 undertakes to ESR to, *inter alia*, for a period of six months from the date of Completion to legally and beneficially own any Consideration Shares and Consideration VLNs (and Conversion Shares) issued to SE1, subject to certain customary exceptions; and
- 4.1.2** a roll down and distribution agreement with AGHL, the other Indirect Consideration Recipients, ARAH and ARAC, relating to, *inter alia*, the SE1 Consideration and payment settlement directions in respect thereof.

#### **5. FINANCIAL EFFECTS**

- 5.1** For illustrative purposes only, the financial effects of the Proposed Transaction and the assumption of the Limited Liabilities by SE1 on the Company as set out below

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<sup>11</sup> Based on an exchange rate of USD1.00:SGD1.349 and rounded to one decimal place. Any discrepancies between the figures stated in this Announcement are due to rounding.

are prepared based on the audited consolidated financial statements for the financial year ended 31 December 2020 (“**FY2020**”) of the Company and its subsidiaries (the “**Group**”) (being the latest announced consolidated full-year financial statements of the Group) and subject to the following key assumptions:

- 5.1.1 the effect of the Proposed Transaction on the Group’s net tangible assets (“**NTA**”) per ordinary share in the capital of the Company (“**STC Share**”) is based on the assumption that the Proposed Transaction had been effected at the end of FY2020;
- 5.1.2 the effect of the Proposed Transaction on the Group’s earnings per STC Share (“**EPS**”) for FY2020 is based on the assumption that the Proposed Transaction had been effected at the beginning of FY2020;
- 5.1.3 following Completion:
  - (i) assuming that the Cash Consideration Adjustment is not exercised, SE1 will receive a Cash Consideration in an amount equal to approximately S\$134.8 million<sup>12</sup> and approximately S\$1,005.7 million<sup>13</sup> worth of Consideration Securities; and
  - (ii) if the Cash Consideration Adjustment is exercised in full, SE1 will receive a Cash Consideration in an amount equal to approximately S\$409.0 million<sup>14</sup> and approximately S\$731.5 million<sup>15</sup> worth of Consideration Securities;
- 5.1.4 the interest rate on the Cash Consideration is assumed to be 1.0% per annum; and
- 5.1.5 there will be no dividend income payable by ESR in respect of the Consideration Shares, Consideration VLN’s or Conversion Shares.

## 5.2 NTA per Share

For illustrative purposes only, the effect of the Proposed Transaction on the NTA per STC Share of the Company as at 31 December 2020 (based on the audited consolidated financial statements of the Group for FY2020), assuming that the Proposed Transaction had been effected at the end of FY2020, is as follows:

<sup>12</sup> Based on an exchange rate of USD1.00:SGD1.349 and rounded to one decimal place. Any discrepancies between the figures stated in this Announcement are due to rounding.

<sup>13</sup> Based on an exchange rate of USD1.00:SGD1.349 and rounded to one decimal place. Any discrepancies between the figures stated in this Announcement are due to rounding.

<sup>14</sup> Based on an exchange rate of USD1.00:SGD1.349 and rounded to one decimal place. Any discrepancies between the figures stated in this Announcement are due to rounding.

<sup>15</sup> Based on an exchange rate of USD1.00:SGD1.349 and rounded to one decimal place. Any discrepancies between the figures stated in this Announcement are due to rounding.

	<b>Before the Proposed Transaction</b>	<b>Adjustments</b>	<b>After the Proposed Transaction</b>
NTA (S\$m)	1,515.3	729.5	2,244.8
Number of STC Shares excluding treasury shares at 31 December 2020 (m)	406.8		406.8
NTA per STC Share (S\$)	3.72		5.52

### 5.3 EPS

For illustrative purposes only, the effect of the Proposed Transaction on the EPS of the Company (based on the audited consolidated financial statements of the Group for FY2020), assuming that the Proposed Transaction had been effected at the beginning of FY2020, is as follows:

	<b>Before the Proposed Transaction</b>	<b>Adjustments</b>	<b>After the Proposed Transaction</b>
Net Profit after tax and minority interest (S\$m)	51.5	716.9	768.4
Weighted average number of STC Shares (excluding treasury shares) (m)	406.9		406.9
EPS (S\$ cent)	12.7		188.8

### 5.4 Amount of gain on disposal

Based on the audited consolidated financial statements of the Group for FY2020 and assuming that the Proposed Transaction had been effected at the end of FY2020, the total gain by the Group on the disposal is approximately S\$729.5 million.



## 6. MAJOR TRANSACTION

- 6.1 Based on the financial results of the Company for 31 December 2020, the relative figures in relation to the Proposed Transaction and the assumption of the Limited Liabilities by SE1 computed on the bases as set out in Rule 1006 of the Listing Manual (“Listing Manual”) of the SGX-ST are as follows:

Rule 1006	Bases	Relative Figures (%) <sup>(5)</sup>
(a)	Net asset value of the assets to be disposed of, compared with net asset value of the Group <sup>(1)</sup>	23.8
(b)	The net profits attributable to the assets disposed, compared with the net profits of the Group <sup>(2)</sup>	14.6
(c)	The Consideration <sup>(3)</sup> , compared with the Company’s market capitalisation <sup>(4)</sup> based on the total number of Shares (excluding treasury shares)	99.5

Notes:

- (1) Net asset value of ARAH on the Group’s books as at 31 December 2020 is S\$410.9 million.  
(2) Being the percentage of the Group’s profit derived from its investment in ARAH. Net profit of S\$96.0 million was reported by the Company for FY2020, and of such amount, the share of profit derived from ARAH was S\$14.0 million.  
(3) Being the total value of the SE1 Consideration.  
(4) Market capitalisation has been calculated on the basis of 406,819,572 STC Shares in issue at the date of this Announcement multiplied by the volume weighted average price of the STC Shares transacted on the last full trading day prior to the date of this Announcement, being S\$2.818.  
(5) Any discrepancies between the figures in the Notes to the table and the Relative Figures set out in the table are due to rounding.

- 6.2 Given the structure of the Proposed Transaction and based on the representations submitted on behalf of the Company in respect thereof to the SGX-ST, as there is no net financial exposure to the Group arising from the Limited Liabilities, the SGX-ST has confirmed that approval of the shareholders of the Company is not required under Chapter 10 of the Listing Manual for the assumption of liabilities by SE1 by way of execution of the Deed of Adherence.

## 7. FURTHER INFORMATION

- 7.1 Save for any interest from their respective shareholdings in the Company, none of the Directors or controlling Shareholders have any interest, direct or indirect, in the Proposed Transaction.

**7.2** No person is proposed to be appointed as a director of the Company in connection with the Proposed Transaction. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

## **8. CAUTIONARY STATEMENT**

Shareholders and potential investors are advised to exercise caution when dealing or trading in their STC Shares. There is no certainty or assurance as at the date of this Announcement that the Proposed Transaction will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements, in compliance with the requirements of the Listing Manual, as and when there are material developments in respect of the Proposed Transaction. Shareholders are advised to read this announcement and any further announcements by the Company carefully and should exercise caution when trading in the STC Shares. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

By Order of the Board of Directors

Ngiam May Ling  
Company Secretary  
**The Straits Trading Company Limited**

5 August 2021  
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 a conglomerate-investment company with diversified operations and financial interests internationally in resources, property, and hospitality. Its investments include majority or strategic stakes in the world's third-largest tin producer, Malaysia Smelting Corporation Berhad, which is dual listed on Bursa Malaysia and SGX-ST; Straits Real Estate; ARA Asset Management Limited and Far East Hospitality Holdings as well as a diversified property portfolio that is wholly-owned by the Group.