

The Straits Trading Company Limited Company Presentation

*Delivering Performance Through
Growth Platforms*

January 2018



A MEMBER OF THE TECITY GROUP

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Contents

Company Overview	4
Business Highlights	
- Real Estate	9
- Hospitality	18
- Resources	20
Financial Highlights	22
Conclusion	28



Company Overview

About The Straits Trading Company

Established 130 years ago, we are an **investment** company
with diversified interests
across the Asia Pacific in...

Real Estate



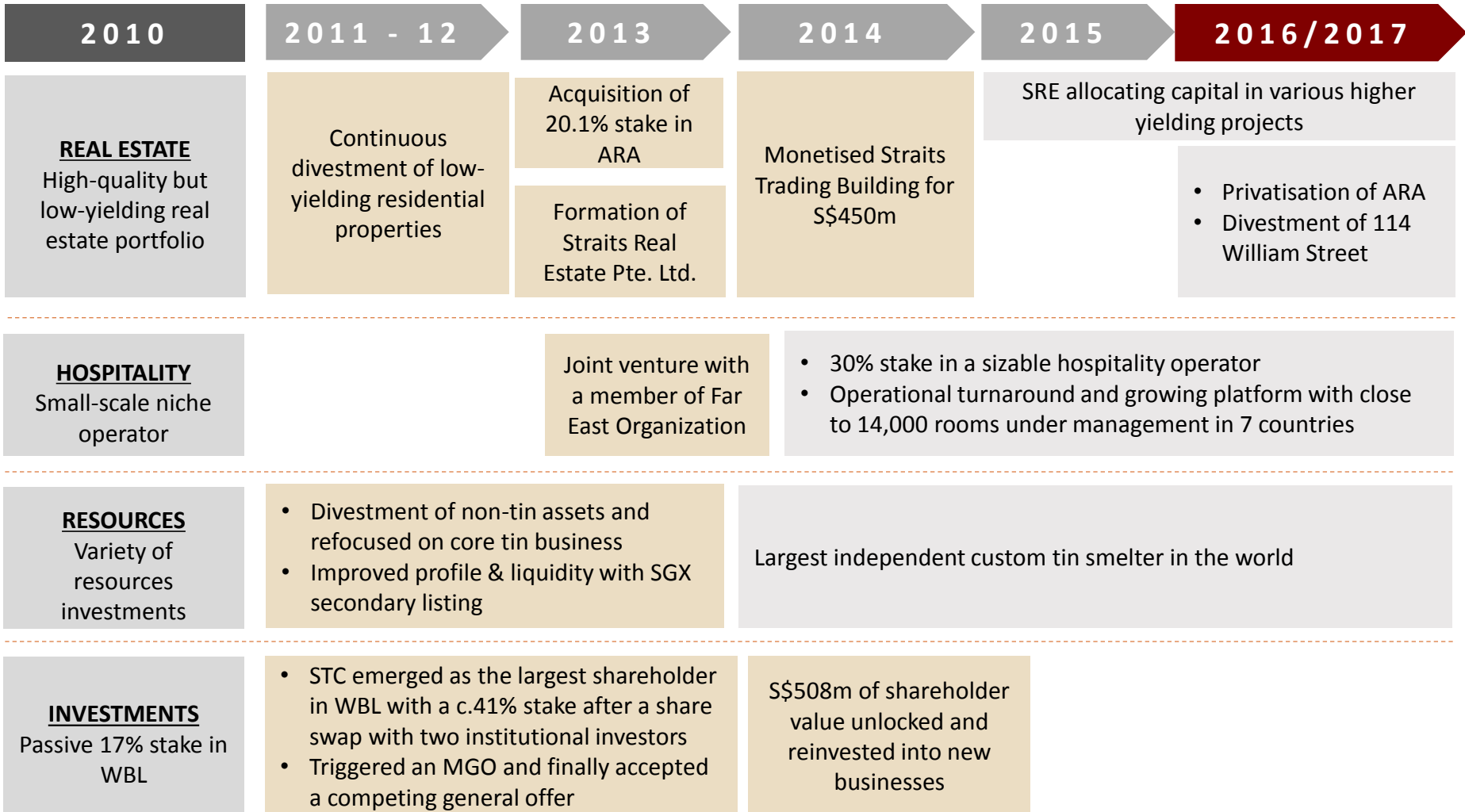
Hospitality



Resources



Track Record of Rotating Capital Efficiently into Higher Yielding Investments



The Platforms of Growth in our Real Estate Ecosystem

Our Real Estate Ecosystem

Real Estate

89.5%

**STRAITS
REAL ESTATE**
A SUBSIDIARY OF THE STRAITS TRADING COMPANY LIMITED

Co-investment vehicle that seeks out real estate related investments and opportunities globally

Asset / Fund Management

21.0%

ARA
(An Affiliate of Cheung Kong Group)

One of the largest real estate fund managers in the region

REIT

3.8%*

SUNTEC
Real Estate Investment Trust

One of the largest REITs in Singapore with ownership interests in prime commercial and retail properties

Hospitality

30.0%

**FAR EAST
HOSPITALITY**

An established international hospitality owner and operator with 90 properties and ~14,000 rooms under management

Resources

54.8%

MSC
Malaysia Smelting Corporation Berhad
(43072-A)

Largest independent custom tin smelter

* 11.6% aggregate interest in Suntec REIT held by Tecity Group of companies

Diversified Real Estate Portfolio

Chongqing



Chongqing Retail Mall SGD 165.4m

Malacca, KL, Ipoh & Penang



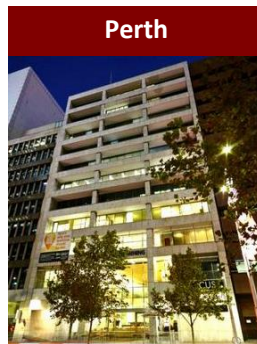
ARA Harmony Fund III
SGD 79.4m *

Singapore



Bungalows and apartments
SGD 278.4m

Perth



Pending legal completion

Japan

China

Malaysia Singapore

Australia

Tokyo and Osaka

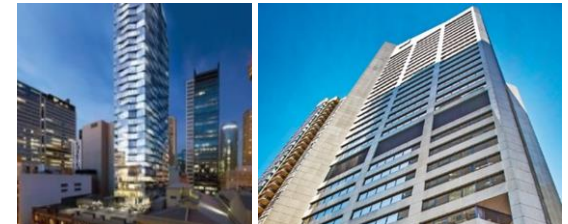


Japan residential apartments SGD 110.9m



Greater Tokyo Office Fund SGD 102.5m *

Sydney and Melbourne



Summit Development
Fund SGD 53.7m *

320 Pitt Street
SGD 128.0m *

* Figures refer to carrying value; otherwise figures refer to asset values

The background of the slide is a dense, repeating pattern of isometric cubes. The cubes are rendered in various shades of red, from deep maroon to light pink, creating a three-dimensional effect. The lighting appears to come from the upper left, casting soft shadows and highlighting the edges of the cubes.

Business Highlights

Real Estate

About Straits Real Estate (“SRE”)

A real estate **investment company** that seeks out real estate related investments and opportunities **globally**

Geographically diversified investment portfolio across property segments

\$1.1B

AUM
(30 Sep 2017)

\$32.1M

PAT
(9M 2017)

\$579.3M

Net Capital Invested

\$950.0M

Committed capital



1. China: Retail
2. Malaysia: Fund investment
3. Singapore: REITs
4. Japan: Office Fund
5. Japan: Residential
6. Australia: Fund investment and office

Well-diversified Investment Portfolio: Direct Investments

ASSET / COUNTRY

OVERVIEW

DEVELOPMENTS

CHINA Chongqing Retail Mall

- 82,000 sqm development directly linked to the subway station;
- Part of a large mixed-use development with residential buildings, offices and a hotel
- Key tenants include a Korean cinema chain CGV Cinemas, Maan Coffee, Adidas, Watsons and electronics retailer, Suning (苏宁易购)



JAPAN Residential Portfolio

- Five completed freehold residential properties in Osaka and Tokyo
- Close to full occupancies driven by continuing urbanisation trend
- Plans to acquire additional residential assets to aggregate into a larger portfolio



AUSTRALIA Office building

- 320 Pitt Street in Sydney
 - 32-storey office building with a total net lettable area of 29,159 sqm
- 45 St Georges Terrace, Perth
 - 11-storey office building with a total net lettable area of 10,010 sqm
- Acquired in July 2017
- Entered in SPA in December 2017



Growing our Japan Residential Portfolio

Part of a broader strategic plan to acquire additional residential assets in Tokyo and Osaka to aggregate into a larger portfolio



Luxe Taisho



Luxe Shin Osaka



Luxe Dome Mae



Splendid Namba II



Sakuradai

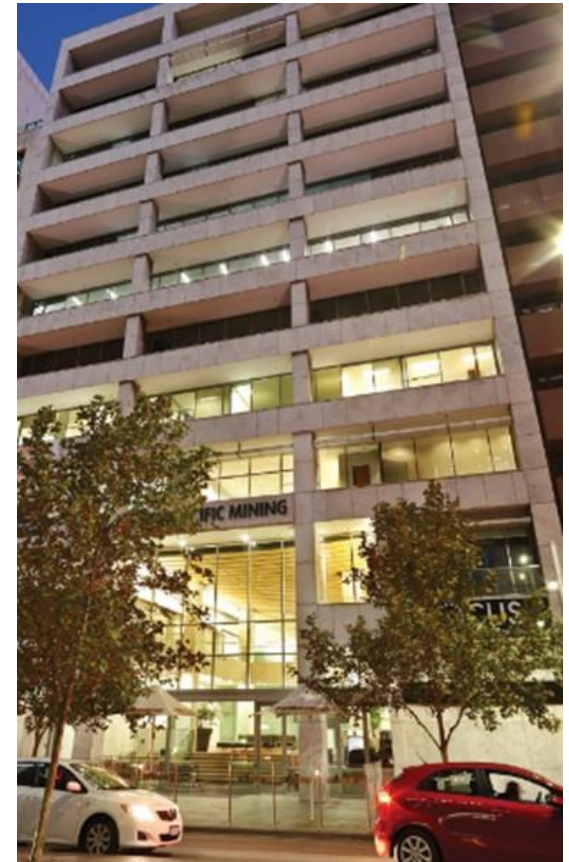
- Five freehold residential rental properties, comprising 612 apartment units, located in Central Osaka and Tokyo
- Strong portfolio occupancy at c. 97% as of November 2017, driven by continuing urbanisation trend

Growing our footprint in Perth, Australia

Following the successful acquisition of 320 Pitt Street in Sydney in July 2017, SRE expanded its footprint in Australia with the acquisition of 45 St Georges Terrace in Perth for approximately A\$54.2 million (approximately S\$55.7 million)

Well-located asset with convenient transport connections

- 11-storey office building with 2 basements and NLA of c. 10,010 sqm
- Located in the Perth Central Business District and walking distance to Perth railway station, Perth underground station, Elizabeth Quay station, and Elizabeth Quay bus station
- Potential to benefit from the continued rejuvenation of the city centre



**45 St Georges Terrace
Perth, Australia**

Well-diversified Investment Portfolio: Fund Investments

FUND / COUNTRY

OVERVIEW

JAPAN

Greater Tokyo Office Fund

- Speciality in identifying and acquiring distressed office properties
- Invested in 6 office assets in the Greater Tokyo Area



MALAYSIA

ARA Harmony Fund III

- Portfolio of 5 high quality, well-located retail malls across Malaysia with total NLA of 2.8 mil sq ft; supported by strong catchment areas



AUSTRALIA

Summit Development Fund

- Achieved exit for a mezzanine financing for a development project in Sydney
- Investment in mezzanine financing for 2 development projects in Melbourne



Greater Tokyo Office Fund (“GTOF”)



Kirin Yokohama



Sasazuka



Omori Park



Toyoko



Makuhari

- SRE subscribed into the GTOF fund since June 2015, with committed capital of up to JPY7.2bn (c.S\$90m)
- Savills Investment Management, the fund manager, works closely with banks and asset management companies and seeks to acquire properties at higher-than market yields via off-market deals
- Carrying value of SRE’s 37.6% interest: S\$102.5m

ARA Asset Management

A Premier Integrated Real Estate Fund Manager

An integrated real estate fund manager with a diversified asset management platform and asset under management of ~S\$35 billion as at 30 Sep 2017

- ARA has extensive expertise and experience investing and managing a wide range of real estate asset classes in REITs and private real estate funds in Asia, and is supported by its real estate management services division, which provides in-house expertise in property management and convention & exhibition services.
- Post privatisation, Straits Trading will continue to participate in ARA's unique growth proposition, and the benefits are:

1 Strong partners in new shareholders

- **Warburg Pincus:** Global network of investor relationships and deep experience that complements the strengths of existing shareholders
 - AUM of over US\$44 billion
- **AVIC Trust:** Unique distribution capability and access to capital markets and business opportunities in China
 - AUM of over US\$70 billion

2 Value-add and opportunities

- ARA will **continue to reinforce Straits Trading's real estate ecosystem**
- Access to :
 - business network
 - expertise in real estate funds and property management
 - REIT and private funds platforms

ARA Asset Management

A New Phase of Growth Post-privatization

[STORIES BY GOOLA WARDEN]

NEW PHASE OF GROWTH

ARA Asset Management has been taken private and now counts Warburg Pincus and AVIC Trust among its largest shareholders. Its founder and CEO explains why this is the beginning of a new phase of growth for one of Singapore's largest managers and sponsors of REITs and property funds.



Suntec REIT, which owns Suntec City (pictured), had an AUM of \$9.3 billion, ARA's largest REIT

- The Edge Singapore
- 24-30 July 2017

Just before sitting down with *The Edge Singapore* three weeks ago, John Lim looked back at an interview he did with this newspaper last year and was pleased to find that just about everything he predicted had come true. "I'm very happy that what I say has value to readers," he says.

One of his key predictions was that demand for Grade-A offices in Singapore would not crack despite surging supply. Since then, the new supply has been quickly soaked up and many commercial property market watchers are now predicting that office rents will rise over the next couple of years. Lim had also said emphatically that shares in his ARA Asset Management — which were trading at \$1.20 then — offered real value to investors. Shares in ARA subsequently rallied, partly because Lim took the company on a roadshow. Then, on Nov 8, the company unveiled plans to go private at \$1.78 a share, which was nearly 30% more than its volume weighted share price over the preceding month. ARA was

Now, Lim says ARA's exit from the public market is the beginning of a new phase of growth that will see the company expand its footprint around the globe, driven by the connections and networks of two new major shareholders — US private-equity firm Warburg Pincus and China's AVIC Trust. "We have a dream team in terms of shareholding structure," Lim says. "When you talk about partnership, it's not only about money. The key is [having] the right kind of shareholders who are like-minded and can share a common vision for the organisation."

Lim founded ARA in 2002 with the backing of Hong Kong billionaire Li Ka-shing's Cheung Kong Holdings (now CK Hutchison Holdings) as a manager of property funds and real estate investment trusts. The company now manages 10 funds and 12 REITs, six of which are listed on markets around the region. These include Singapore-listed Suntec Real Estate Investment Trust and Cache Logistics Trust, Hong Kong- and Singapore-listed Fortune REIT and Kuala Lumpur-listed AnFirst REIT.

As at Dec 31, the company had some \$36 billion of assets under management (AUM). ARA itself was listed on the local market in late 2007. In 2013, Straits Trading Co, which is controlled by the family of legendary banker and philanthropist Tan Chin Tuan, took a 20.1% stake in ARA.

Following the privatisation of ARA, its largest shareholders are now Warburg Pincus with 30.71%, Straits Trading with 20.95% and AVIC Trust with 20.48%. Lim himself owns 19.85%; CK Hutchison holds the remaining 8%. "If Warburg Pincus had wanted a 20% or 30% stake, it could have just bought shares in the market," Lim says, adding that it chose to participate in a privatisation exercise for ARA because it intends to use the company as a platform to support its own deals.

Warburg Pincus invests in businesses at all stages of development, from start-ups to growth businesses and mature companies. It has more than US\$40 billion (\$54.7 billion) in private-equity AUM. Its strategy is to partner management teams to build "durable companies with sustainable value". It has also recently pushed into the local REIT sector through an entity called E-Shang Redwood, which acquired a major stake in Cambridge Industrial Trust (renamed ESR-REIT) and its manager in February.

Lim, who remains CEO of ARA, sees Warburg Pincus opening doors for the company around the world. For instance, Warburg Pincus might take over companies with property assets to divest. "We can work with any company that has real estate. We can help them to work out a strategy of how to divest their real estate assets and get better [return on equity] on their cash," he says. Similarly, Lim sees AVIC Trust — which has US\$51 billion in AUM — helping ARA to raise funds and find suitable property assets to securitise in China. "We have Chinese partners as shareholders who will

allow us to access more depth in the China market," he says.

ARA was already expanding its footprint around Asia before Warburg Pincus and AVIC Trust came on-board as shareholders. It had an early core presence in Singapore, Malaysia and Hong Kong, and subsequently set up "country desks" in South Korea, China and Australia. This year, it set up its country desk in Japan. ARA has also long been raising money from some of the biggest institutional investors in the world, including the California Public Employees' Retirement System (CalPERS) and the Teachers Retirement System of Texas.

With Warburg Pincus and AVIC Trust as its backers, ARA is now eyeing faster growth in Asia as well as a significant presence in Europe and the US. "We want to dream big and become global," Lim says. How big? Lim says ARA is aiming to achieve an AUM of \$100 billion within five years. "By then, we can decide whether we want to relist the company and in which market."

Funds to drive growth

What does this mean for ARA's future financial performance? Lim says investors ride along with him as he charts the company's strategy of growth.

REIT managers earn fees based on the value of the property portfolio, net property income, distribution income and distributions per unit. They also earn additional fees when their REITs buy or sell properties. On the other hand, managers of private funds earn a fee based on committed capital to a particular fund. The managers also earn "promotes" at the end of a fund's life, which is a proportion of the return generated over some hurdle return.

In the case of ARA, REITs accounted for almost two-thirds of its AUM at the end of last year, whereas its private funds accounted for the remaining one-third. For 2016, ARA reported \$176.8 million in revenue. About 51% of this was REIT management fees, while 15% came from fund management fees. A further 14% came from property management fees. Acquisition

and divestment fees accounted for 3%. Finance income, which includes promotes, contributed 17% of the revenue for the year.

Lim sees more opportunities in general for acquisitions at reasonable prices now, because of heightened geopolitical uncertainties. "We think this is a good time for us to grow because the world is uncertain. This will offer a fund manager like us opportunities and we really can take advantage," Lim says. However, he plans to stick to markets with established property laws and political stability, as buildings are immovable assets. "If you buy a building, you cannot carry it and run. So, political stability is a key consideration," he says. "We want [investors] to have a decent return, commensurate with their risk appetite."


Specifically, he highlights Japan, South Korea, China and Australia as markets in which he will be hunting for opportunity. Indeed, Suntec REIT and Cache Logistics Trust have been increasingly turning to Australia for acquisitions, attracted by an abundance of freehold properties with stable and long-term tenants, which

"When I was doing the privatisation, we dialogued with our shareholders, who were very emotional about it. They felt they wanted to ride along with this organisation because they were making money," Lim says. He adds that the MTN programme and perpetual securities issue were opportunities for institutional investors and high-net-worth individuals to stay invested, albeit in a different segment of ARA's capital structure.

According to its MTN prospectus, the financial covenants include ARA's total equity not falling below \$450 million and net debt-to-equity ratio not rising above 1.85 times. As at Dec 31, ARA's total equity stood at \$589 million and its net debt-to-equity ratio was negligible at 2.2%. Audited financial statements will be released through DBS Trustees, who act on behalf of the sovereign wealth funds, in annual reports within 150 days after the end of the financial year. "I'm coming back into the market with this debt issuance to offer high-net-worth individuals and institutional investors another opportunity to invest with us

John Lim highlights Japan, South Korea, China and Australia as markets in which he will be hunting for opportunity

"We want to dream big and become global"...ARA is aiming to achieve an AUM of \$100 billion within 5 years. "We think this is a good time for us to grow because the world is uncertain. This will offer a fund manager like us opportunities and we can take advantage." Lim says.



Business Highlights

Hospitality

Far East Hospitality Holdings (“FEHH”)

Straits Trading’s Hospitality Joint Venture

An international hospitality owner and operator that is a 70-30 JV formed in 2013 between Far East Orchard Limited (a listed company under Far East Organization) and Straits Trading.



Oasia Hotels and Residences

10 brands

**~90 hotels
& serviced
residences**

**~14,000
rooms under
management**

7 countries

- An international hotel owner and operator with a diverse portfolio of 10 unique and complementary brands, including Oasia, Quincy, Rendezvous, Village, Far East Collection, Adina Apartment Hotels, Medina Serviced Apartments, Travelodge Hotels, Vibe Hotels and TFE Hotels Collection.
- FEHH’s joint venture with the Toga Group, Toga Far East Hotels, is a leading hotel operator across Australia, New Zealand and Europe

The background of the slide is a dense, repeating pattern of isometric cubes. The cubes are rendered in various shades of red, from deep maroon to light pink, creating a three-dimensional effect. The lighting appears to come from the upper left, casting soft shadows and highlighting the edges of the cubes.

Business Highlights


Resources

Malaysia Smelting Corporation

The Largest Independent Custom Tin Smelter in the World



- Listed on the Main Market of Bursa Malaysia in 1994; a secondary listing on SGX-ST in 2011
- In Malaysia, operates one of world's lowest cost tin smelting plants at Butterworth Penang and the largest operating open-pit hard rock tin mine in Perak*
 - Producer of premium high-purity refined tin with a production capacity of ~40,000 tonnes of refined tin a year
 - Largest producer of tin-in-concentrates in Malaysia, producing about one third of the country's tin production in 2016
- Acquired a production facility in Klang, Malaysia with a more advanced manufacturing technology
- Plans to focus on operational efficiencies to mitigate challenging market conditions arising from volatile foreign exchange, global commodity and metal prices



Financial Highlights

3Q2017 and 9M2017

Group Financial Highlights: 3Q and 9M 2017

S\$m	3Q 2017	3Q 2016	% change	9M2017	9M2016	% change
EBITDA	24.3	27.1	(10.2)	76.3	79.5	(3.9)
EBIT	22.7	25.9	(12.2)	72.1	76.0	(5.2)
Profit before tax	16.5	21.3	(22.7)	55.6	61.6	(9.8)
PATNCI	11.9	16.8	(29.4)	42.3	46.0	(7.9)
EPS (cents)	2.9	4.1	(29.4)	10.4	11.3	(7.9)
EBITDA / Interest expenses	4.62	5.52	(16.3)	4.62	5.52	(16.3)

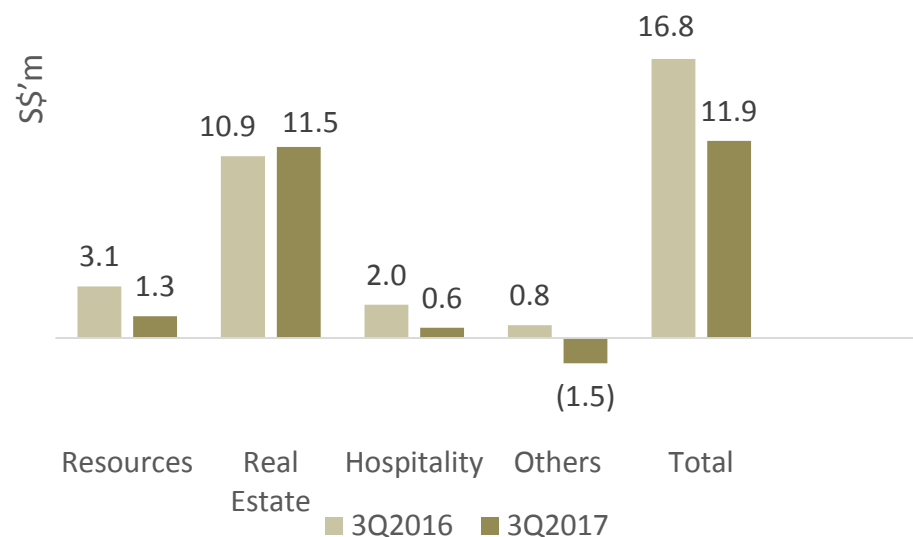
Group Financial Highlights: 3Q and 9M 2017

S\$m	30 Sep 2017	31 Dec 2016
Cash and short-term deposits	350.2	291.1
Total assets	2,357.7	2,204.6
Total borrowings	747.0	619.8
Total liabilities	851.2	745.9
Total equity	1,506.5	1,458.7
NAV per share (S\$)	3.46	3.34
Net debt / Total equity	26.3%	22.5%

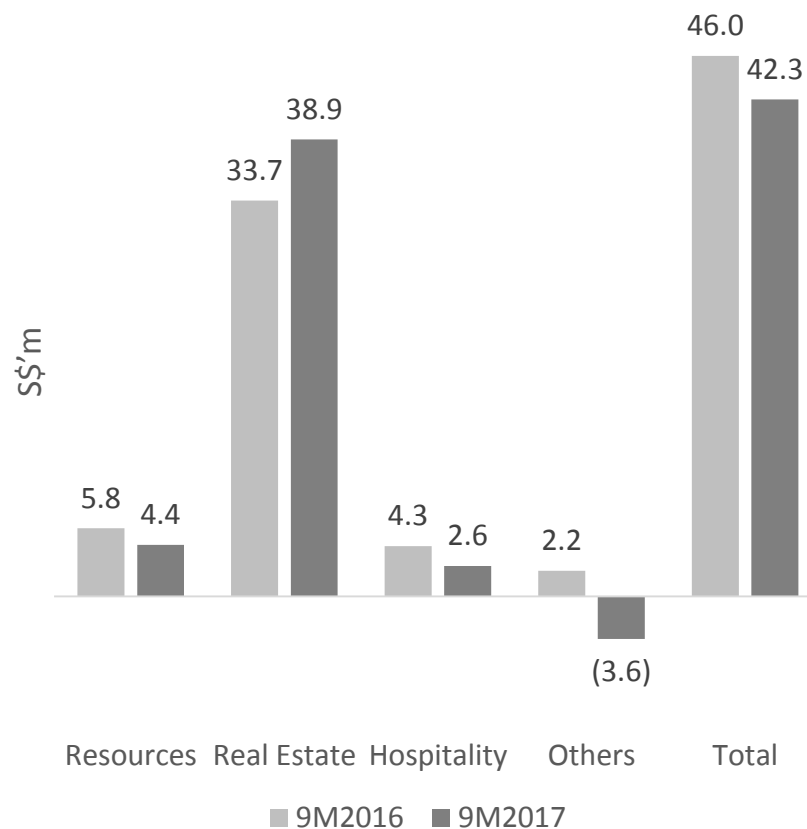
***NAV per share increased by approximately S\$0.12
after payment of S\$0.06 per share in dividend in 2017***

PATNCI By Business Segments

PATNCI for 3Q



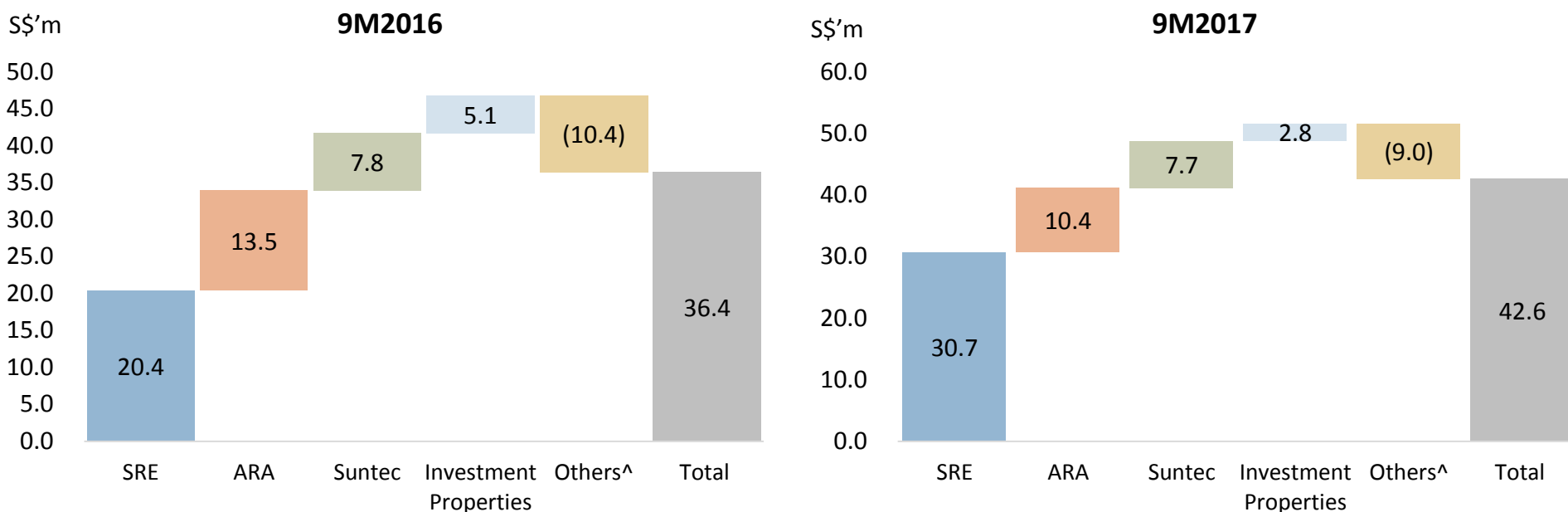
PATNCI for 9M



Stable y-o-y performance amidst strong showing from real estate segment

** Others comprise Group-level corporate and treasury services*

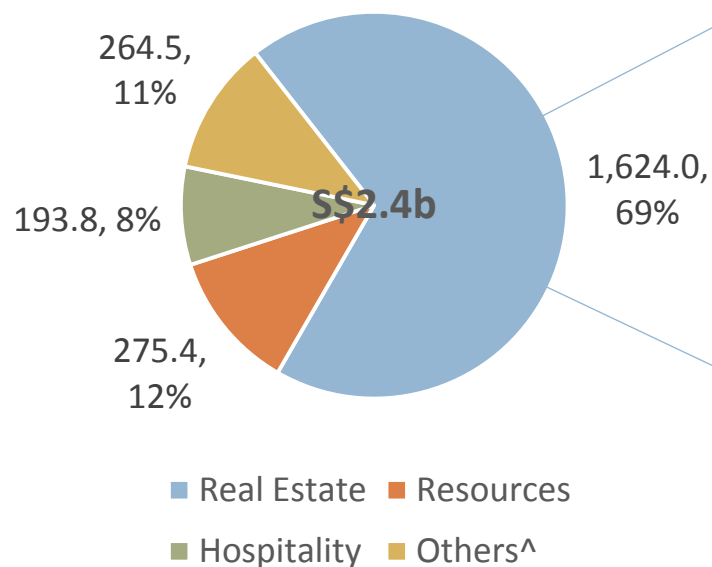
PAT Breakdown for Real Estate Segment



- SRE contributed to the increased profitability
- Performance of ARA and Suntec REIT stable

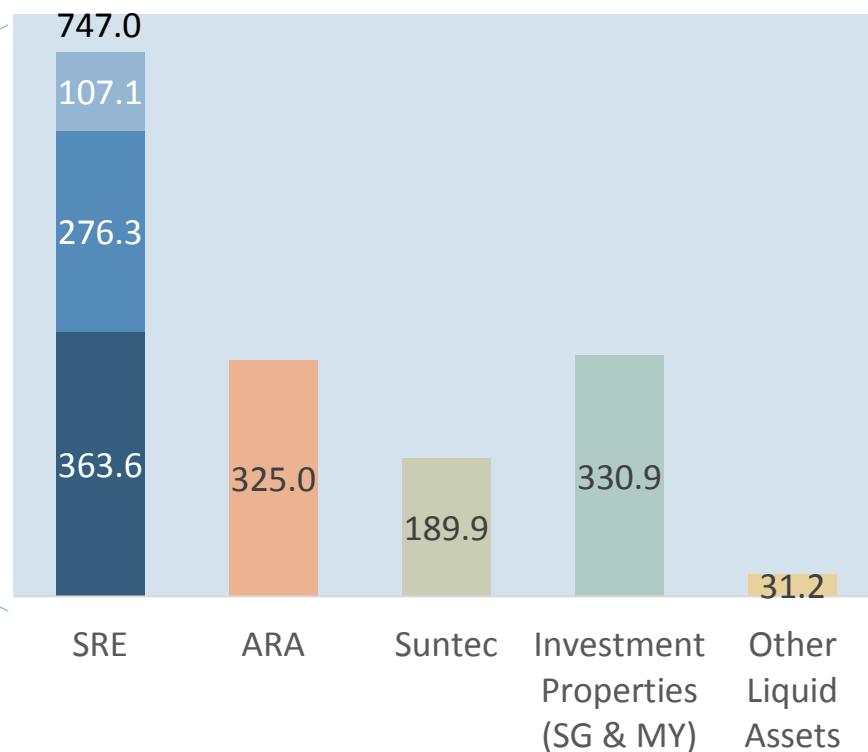
Total Assets

Total Assets as at 30 September 2017 (\$\$m)



^ Others comprise mainly Group-level cash, separate account portfolio

Real Estate Assets Breakdown (\$\$m)





Conclusion

Competitive Strengths

1 Well-diversified Portfolio

- Across different property segments - retail, office and residential
- Across different geographic regions - Singapore, Malaysia, China, Japan and Australia
- Across different modes of investment - direct investments, through real estate related funds, or real estate securities
- Hospitality platform (FEHH) owns and manages approximately 14,000 rooms across 90 hotels and serviced residences in seven countries

2 Real Estate Ecosystem

- Comprising a real estate investment company, stakes in a property fund manager, a REIT and a hospitality platform
- Generates additional streams of fee income and
- Creates avenues for capital to be allocated to investments with higher returns
- Able to leverage off collective competencies to tap a wide spectrum of real estate related opportunities



Continuous optimisation of capital structure to pursue growth

5

- Financial flexibility to fund its growth and expansion
- Allows the Group to respond quickly and competitively to further capitalize on investment opportunities in its various businesses

Highly experienced board and professional management team

4

- High calibre board of industry veterans, each with more than 30 years of experience in their respective areas of expertise
- Senior management team has at least 20 years of experience in their respective fields
- Streamlined corporate structure that will facilitate faster decision-making and better responsiveness to market developments

Track record in real estate capital management and enhancing property asset values

3

- Ability to monetize its assets effectively as well as implement value-added strategies to enhance the value of its property portfolio
- Established track record of realizing an opportune exit for its investments which allows it to deploy divestment proceeds to pursue other growth opportunities

Business Strategy

Leverage On Partners In Our Current Platforms To Grow

Real Estate

- To continue to seek out new and attractive investment opportunities in the Asia Pacific region

Hospitality

- To increase number of management contracts
- To acquire strategic assets
- To divest properties (recycle and re-deploy capital) toward higher yielding growth opportunities

Resources

- To continue to optimise operational efficiencies despite volatile commodity prices

Conclusion

- 1 Various business platforms starting to show results
- 2 Continue to harness synergies across our real estate ecosystem
- 3 Work on all engines to provide sustainable returns

The background is a dense, repeating pattern of isometric cubes. The cubes are rendered in various shades of red, from deep maroon to light pink, creating a three-dimensional effect. The perspective is from a low angle, looking up at the cubes, which are arranged in a staggered, interlocking fashion.

Thank you