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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: The Straits Trading Company Limited

Security: Straits Trading Company Limited

Meeting details:

Date: 26 April 2019

Time: 2.00 p.m.

Venue: Suntec Singapore International Convention & Exhibition Centre, Level 3, Meeting Rooms 303 – 304, 1 Raffles Boulevard, Suntec City, Singapore 039593

Company Description

The Straits Trading Company Limited is a Singapore-based investment company with stakes in real estate, hospitality, resources and investments. The Company, along with its subsidiaries, associates and joint ventures, is engaged in real estate investment, tin mining and smelting, provision of real estate fund management services, and real estate management services, among others. It operates in four segments: Resources, Real Estate, Hospitality and Others. The Resources segment includes smelting of tin concentrates and tin bearing materials, the production of various grades of refined tin metal, and the sale and delivery of refined tin metal and by-products, as well as investments in other metals and mineral resources. The Real Estate segment comprises property investment, sales and leasing, property development, as well as property and real estate fund management. The Hospitality segment includes hotel ownership and hotel management under Far East Hospitality Holdings Pte. Ltd.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=S20)

1. As noted in the chairman's statement, the group reported a 55% increase in net profit attributable to shareholders to \$71.7 million driven largely by the real estate segment.

Looking ahead, the chairman has stated that the group will be especially selective to seize pockets of opportunities in 2019 although the group's prudence may result in slightly more muted returns in 2019.

- (i) **Has the board evaluated adding a fourth platform to the current three growth platforms of Real estate, Hospitality and Resources? This would improve the group's diversification and reduce its exposure to real estate.**
- (ii) **Within the Real estate platform (and possibly Hospitality), what is the capital allocation strategy in terms of geography, asset class and investment approach (distressed, turnaround, development, mature etc)?**

2. The group's financial highlight is shown on page 20 and reproduced below:

	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
	(restated)				
PER SHARE					
Earnings per share (cents)	17.6	11.4	16.5	2.1	4.6
Dividend per share (cents)	6.0	6.0	6.0	4.0	4.0
Net asset value per share (\$)	3.60	3.62	3.34	3.18	3.32
FINANCIAL RATIOS					
Return on equity (%)	4.9	3.3	5.1	0.6	1.4
Net gearing (%)	38.8	25.9	22.5	22.8	Net cash

(Source: Company annual report)

Net borrowings have increased to \$619.6 million and as at 31 December 2018, the group's net gearing ratio is 38.8%. Return on equity in the past three years has averaged 4.43%.

- (i) **Has the board evaluated the performance achieved from the investments? Would the return on equity (ROE) be satisfactory based on the market cycle/performance? How much outperformance (or alpha) did the group achieve for shareholders?**
- (ii) **How much of the return achieved is due to the higher leverage?**
- (iii) **Has the board set an internal limit to the group's leverage?**
- (iv) **Is the group managing the foreign currency risks effectively? Without consider the effect of SFRS(I), the net effect of exchange adjustments for the year**

was \$(10.13) million, bringing the translation reserve to \$(16.33) million as at 31 December 2018.

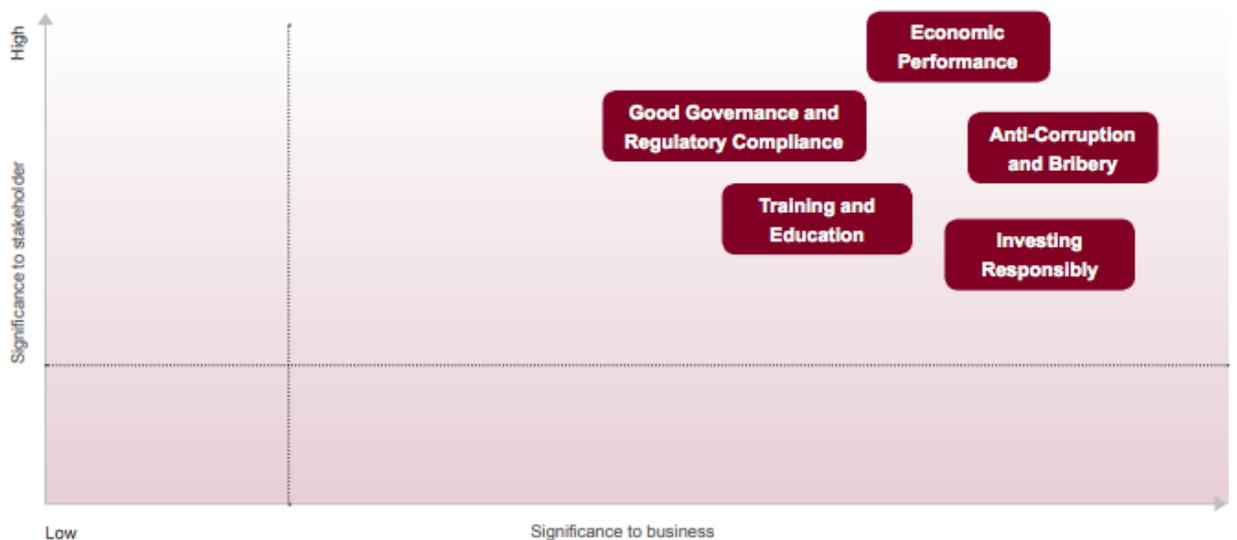
3. On pages 28 to 42 of the annual report, the company shared its third Sustainability Report. The report covered the activities and Environmental, Social and Governance (“ESG”) performance of Straits Trading with a focus on Straits Real Estate as well as Malaysia Smelting Corporation (“MSC”).

- (i) **Although the company may not have statutory control over its 20.95% owned ARA Asset Management Limited and 30% owned Far East Hospitality Holdings, what is the level of visibility of the sustainability efforts by the two large associates?**
- (ii) **Would the company be in a position to influence and report on some of their sustainability practices and achievements?**

Following the materiality assessment, management identified the 5 material factors:

- Economic performance
- Good governance and regulatory compliance
- Anti-corruption and bribery
- Training and education
- Investing responsibly

The materiality assessment is shown in the matrix below:



(Source: Company annual report)

Under Chapter 7 of the Listing Manual on Continuing Listing Obligations, Rule 711B states that the sustainability report must describe the issuer’s sustainability practices with reference to the following primary components: (a) material environmental, social and

governance factors; (b) policies, practices and performance; (c) targets; (d) sustainability reporting framework; and (e) board statement.

(iii) Targets: Would the board be providing guidance on the identification of suitable performance indicators and setting appropriate targets for the group?

Below is an example of the target setting and the performance update on a material factor (People) carried out by SGX in its Sustainability Report:

Targets and Performance Scoreboard:	
People Targets for FY2018	
Target	Performance Update
Implement programmes for upgrading employee skills & transition assistance programmes	<ul style="list-style-type: none"> We introduced a digital learning platform to encourage employees to adopt continuous learning practices. We implemented innovation-benchmarking workshops for employees to create awareness of disruptive socio-economic trends. We ran leadership development programmes for senior managers to build on our leadership capabilities.
Achieve 35 training hours per employee per year	<ul style="list-style-type: none"> Employees engaged in an average of 44 hours of training during the year.
People Targets for FY2019	
Target	
Implement programmes for upgrading employee skills & transition assistance programmes	
Achieve 35 training hours per employee per year	

(Source: SGX Annual Report)

A copy of the questions for the Annual Report for the financial year ended 31 December 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=The%20Straits%20Trading%20Company%20Ltd&cid=6461,4293>

The company's response could be found here: -----