



OVERSEA-CHINESE BANKING CORPORATION LIMITED

(Incorporated in Singapore)

(Company Registration Number: 193200032W)

**PROPOSED DIVESTMENT OF
8.6% SHAREHOLDING IN THE STRAITS TRADING COMPANY LIMITED
BY WAY OF SELECTIVE CAPITAL REDUCTION
PROPOSED BY THE STRAITS TRADING COMPANY LIMITED**

1 INTRODUCTION

- 1.1 Oversea-Chinese Banking Corporation Limited (“**OCBC Bank**”) refers to the announcement released by The Straits Trading Company Limited (“**STC**”) today in relation to its proposed selective capital reduction (“**Selective Capital Reduction**”) to cancel an aggregate of 30,503,000 ordinary shares of S\$1 each in the capital of STC (“**STC Shares**”), held by OCBC Bank and its subsidiary, The Overseas Assurance Corporation Limited (“**OAC**”), representing approximately 8.6% of the current issued ordinary share capital of STC, and to make a cash distribution to OCBC Bank and OAC.
- 1.2 Following the completion of the proposed transaction, OCBC Bank will comply with the requirement of the Monetary Authority of Singapore (“**MAS**”) on the divestment of its interests in non-financial businesses with respect to STC.

2 THE SELECTIVE CAPITAL REDUCTION EXERCISE

- 2.1 The Selective Capital Reduction will be effected under Section 73 of the Companies Act, Chapter 50 and pursuant thereto, STC will cancel 27,003,000 STC Shares held by OCBC Bank and 3,500,000 STC Shares held by OAC, and make a cash distribution of S\$2.966 for each STC Share cancelled.
- 2.2 The cash distribution amount of S\$2.966 per STC Share cancelled is determined based on the volume-weighted average price of STC Shares traded on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) for the ten trading days from (and including) 15 December 2005 to (and including) 29 December 2005. The aggregate amount of the cash distribution for the STC Shares so cancelled is approximately S\$90.5 million.
- 2.3 A copy of the announcement by STC on the Selective Capital Reduction is available on the website of SGX-ST at www.sgx.com.

3 RATIONALE

- 3.1 Based on applicable MAS guidelines for the determination of OCBC Bank's stake in STC, OCBC Group and its associated companies have a total shareholding of approximately 17.7% in the issued share capital of STC, which is required to be reduced to the maximum permissible shareholding of 10% by July 2006. To comply with the requirement, OCBC Bank and its affiliates therefore have to divest at least a 7.7% stake in STC.
- 3.2 OCBC Bank has for some time been exploring various options for the divestment of its shareholding in STC in order to comply with regulatory requirement, including a market placement or market sale. However, given the relatively low liquidity of STC Shares, market placements or sales in the open market are likely to depress the market price of STC Shares, which would not benefit shareholders of OCBC Bank or shareholders of STC.
- 3.3 The proposed Selective Capital Reduction achieves the following objectives:
- It is a better option to enable OCBC Bank to comply with the applicable regulatory requirement.
 - It has less impact on the market price of STC shares.
 - It also allows STC to achieve its objective of enhancing shareholders' value through improved earnings per share and return on equity.
- 3.4 OCBC Bank has no present plan to divest additional STC shares after the completion of the proposed transaction.

4 FINANCIAL EFFECTS

- 4.1 For illustrative purposes only, assuming that the Selective Capital Reduction had been effected on 1 January 2005 and the 30,503,000 STC Shares held by the OCBC Group were cancelled pursuant to the Selective Capital Reduction, OCBC Group would realise gains of approximately S\$77.6 million.
- 4.2 The financial effects of the Selective Capital Reduction on the unaudited financial accounts of the OCBC Group for nine months ended 30 September 2005 would have been as follows:

	Financial period ended 30 September 2005	Adjusted for STC Selective Capital Reduction
Total shareholders' fund (NAV) (S\$m)	12,174	12,182
Net profit attributable to ordinary shareholders (S\$m)	957	1,035
Financial Ratios		
NAV per ordinary share (S\$)	3.61	3.62
Annualised EPS (S\$)	0.40	0.43

5 APPROVALS

- 5.1 The Selective Capital Reduction is conditional upon the following:
- (a) the passing of a special resolution of the shareholders of STC approving the Selective Capital Reduction at the extraordinary general meeting to be convened by STC (the "STC EGM");
 - (b) the approval and confirmation of the High Court of Singapore for the Selective Capital Reduction; and
 - (c) the approval of all other relevant regulatory authorities.
- 5.2 OCBC Bank and its associates (including OAC) will abstain from voting on the special resolution in respect of the Selective Capital Reduction at the STC EGM.

6 INTERESTS OF DIRECTORS AND SUBSTANTIAL STOCKHOLDERS

Mr Michael Wong Pakshong and Mr Bobby Chin are directors of STC. Mr Lee Seng Wee and Dr Lee Tih Shih, together with certain companies which are affiliated to Mr Lee Seng Wee and Dr Lee Tih Shih (including Lee Foundation and Selat (Pte) Limited), hold in aggregate approximately 5.6% of the issued share capital of STC. OCBC Group is a controlling shareholder (as defined in the Listing Manual of the SGX-ST) of STC. The holding company of OAC, Great Eastern Holdings Limited ("GEH"), has an aggregate interest (direct and deemed) in approximately 19.2% of the issued share capital of STC. OCBC Bank has an aggregate interest (direct and deemed) in approximately 32.4% of the issued share capital of STC (including the aggregate interest which is held by GEH). OCBC Bank holds approximately 82.4% in GEH. Save as disclosed above, none of the Directors or substantial stockholders of OCBC Bank has any interest, direct or indirect, in the Selective Capital Reduction.

Issued by
OVERSEA-CHINESE BANKING CORPORATION LIMITED

Peter Yeoh
Secretary
30 December 2005