

INVESTORS FREQUENTLY ASKED QUESTIONS

Why is FIR-ST™ called a Fractionalised Property Investment?

- Because each investor will get a share, or a fraction, of the economic benefits from the property which is similar to owning the property. However, it does not convey any property ownership rights nor obligations. It is crafted to allow the investor to enjoy the returns consistent with the specific underlying property, and to be another investment option in any investor's financial investment portfolio.

What are the main benefits to me as an investor?

- FIR-ST™ is structured to offer investors with economic exposure to high-quality Singapore residential property in an easy-to-manage bite-size. Key benefits are:
 - i. A comfortable investment quantum of not less than S\$200,000 to cater to your investment and cash flow preferences
 - ii. Access to properties that are hard to get or to buy as a whole; these properties may only have been available in the past to select investors such as ultra-high-net-worth investors or institutions.
 - iii. Not to have the traditional headaches of property ownership
 - iv. Diversify risk into investment products in different properties; so not all of your eggs are in one basket
 - v. Share in the capital appreciation of the underlying property at the end of 5 years (subject to early or late redemption)
 - vi. No hassle of a physical property transaction

How is this different from a REIT?

- FIR-ST™ differs from a REIT because you get to choose a particular property that you want to invest in rather than a bundle of properties that you personally are unable to choose. The property or area may be one that you are familiar with and may have a strong affinity to, or that you can relate to.
- FIR-ST™ will only have a fixed number of preference shareholders with no dilution, unlike REITs, which could issue more shares and dilute existing unitholders.
- As REITs are publicly traded, their values can be more volatile due to their correlation with the stock market's macro conditions.
- FIR-ST™'s cashflows are correlated to a specified underlying asset that is not geared and encumbered. We expect that the total amount of preference shares issued to investors shall in aggregate be approximately 50% of the initial valuation of the property, creating a strong financial security buffer, based on 50% of deemed transaction value is raised in the form of preference shares.

What returns can an Investor expect?

- You can expect the returns to closely mirror that of property ownership. In addition to the preference share dividend income, at the end of 5 years (subject to early or late redemption), you will enjoy sharing in the capital movement of the underlying property.

What are the main risks to me as an investor?

- Similar to a traditional property investor, the underlying property can also decrease in value, which means that your investment in that specific property's cashflows can also potentially decrease. We have focused on properties from District 9, 10 and 11 where long terms returns are generally more stable.
- There are also the traditional risks related to the underlying property, with variable contributions from rental proceeds towards servicing the cashflow payments.
- Default risk of the loan by the owner of the underlying property, resulting in delay in return of investment and enforcement costs which lowers the redemption value of your investment

What is the tax treatment of the dividends?

- We have sought professional taxation advice from Ernst & Young that the preference shares should qualify as an equity instrument and hence the dividends paid out are generally not taxable in the hands of Singaporean investors. However, given your unique circumstances, we recommend that you seek the appropriate professional advice.

Is this considered to be buying property as an investment? Would I need to pay Buyer's Stamp Duty ("BSD") or/and Additional Buyer's Stamp Duty ("ABSD")?

- We have sought professional taxation advice from Ernst & Young that this investment will generally not be considered as buying a property. Hence, there should not be BSD or ABSD liability for the investor. However, given your unique circumstances, we recommend that you seek the appropriate professional advice.

Can I recommend this investment product to my friend?

- We will be happy for you to recommend this investment product to your friends. As this opportunity is specially curated for Straits Trading Shareholders Club members, please do ask your friend to purchase minimum of 100 Straits Trading shares and register at our Shareholders Club website.

During the 5 years, who do I contact if I have a question?

- If you have any questions, you may contact us [at: FIR-ST@stc.com.sg](mailto:FIR-ST@stc.com.sg)
- Investors of our FIR-ST™ product will also be notified whenever there are any updates on your investment. Please do update your details so that we can keep you close to any developments.

Will Straits Trading guarantee the semi-annual preference share dividends?

- Straits Trading is helping to facilitate this transaction but is not guaranteeing any part or elements of it.

What is Straits Trading's role in this transaction?

- Straits Trading's role is structuring the transaction and bringing all the parties together. However, your investment will only be in an entity of Straits Trading.
- We will be managing the properties that are being leased to tenants.

What due diligence did Straits Trading do on the property and on the owner?

- Straits Trading will work with the legal professionals from Dentons Rodyk & Davidson to check the property's title to ensure that it is free of any encumbrances, plus perform a property health check when we onboard the property into the investment structure. We have commissioned Knight Frank to perform the property valuation plus Cushman & Wakefield to perform the accounting valuations.

Is it possible for the owner to concurrently sell the property to a third party while entering into the Loan Agreement with the company and receiving the loan proceeds?

- Dentons Rodyk & Davidson will conduct title searches and lodge a mortgagee's caveat against the property prior to signing the transaction with the owner. Prior to the transfer of monies to the property owner, the title deed will need to be provided.

What happens to our investment if the property owner dies or is made a bankrupt?

- The loan which is provided to the owner of the property, from the monies raised through the issuance of the preference shares, will be backed by a security over the owner's property, in the form of a mortgage. We will remain a secured creditor even in the event the property owner dies or is made a bankrupt. However, in such event, there may be delays and the repayment of the loan may entail additional enforcement costs which will affect the returns on your investment of preference shares.

Can I know the identity of the owner of the property?

- We are not expecting to share the identity of the owner of the property. However, it is a Singaporean owner.

Can a non-Singaporean buy the FIR-ST™ product?

- At this point, the FIR-ST™ product will only be available to Singaporean Accredited Investors (AIs) who are registered with the Straits Trading Shareholders Club, and who are able to invest a minimum of S\$200,000.

Can a non-AI (but Singaporean) buy the FIR-ST™ product?

- At this point, Singaporean non-AI will not be permitted to invest in this product, unless you are able to invest a minimum of S\$200,000.

Can we get the dividends paid every 3 months, instead of 6 months?

- At this point, we expect to pay the preference share dividends every 6 months. However, such dividends are discretionary.

Are the dividends tax free, to me as an investor?

- Yes, generally resident investors in Singapore will not have to pay tax on dividends received. However, given your unique circumstances, we recommend that you seek the appropriate professional advice.

What happens if I need my money back before the end of the 5 years? Can I sell my preference shares to someone else if I can find a buyer? Is there any cost to me?

- It is possible for you to sell your preference shares to another investor subject to our prior written approval. Stamp duty is generally borne by the buyer on the sale of the preference shares. The transfer will be subject to a fee of S\$3,000 or as the directors of the company may determine.

Can I do an early or late redemption of my preference shares as an investor?

- Currently, we will not be offering investors with an early or late redemption option before the 7th anniversary, however, investors will have the option of redemption at the 7th anniversary.

Can you pay the dividends to a different-name bank account which I nominate?

- Yes, you may nominate a different-name bank account to be the recipient of the dividend, subject to KYC checks clearance.

What happens if the property burns down? How does it affect my investment?

- Each owner has agreed that each property will be insured against loss from fire. However, there may be certain limited losses which may be still suffered.

What is being done to maintain and protect the value of the property during the 5 years?

- The property manager will inspect the property every 6 months to ensure that it is appropriately maintained in accordance with the tenancy agreement.

What happens if I disagree with the value of the property when it is sold or valued?

- The value will be as determined by the valuation company. We have agreed that one of several independent valuation companies will be appointed to determine the sales value of the property. They will be either Knight Frank, Cushman & Wakefield or Savills, for example.

How do you prevent an interested-party transaction to artificially reduce the value of the property?

- We have agreed that one of several independent valuation companies will be appointed to determine the sales value of the property. They will be either Knight Frank, Cushman & Wakefield or Savills, for example.
- In addition, the sales agent appointed will be reputable and unrelated to the owner.

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