Annual Report 2014

STRACO

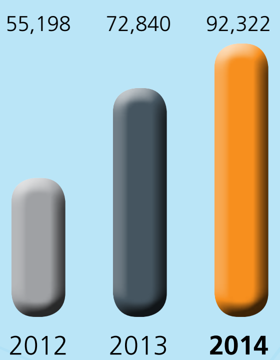
星雅集团

CONTENTS

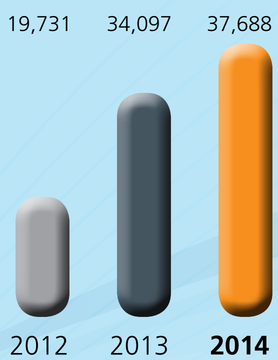
FINANCIAL HIGHLIGHTS

	2014 (Actual)	2013 (Actual)	*2014 vs 2013 Change %*
INCOME STATEMENT (S$'000)			
Revenue	92,322	72,840	26.7
Profit before tax	57,641	50,270	14.7
Attributable net profit	37,688	34,097	10.5
STATEMENT OF FINANCIAL POSITION (S$'000)			
Shareholders' equity	186,642	160,897	16.0
Total assets	314,700	183,324	71.7
Total cash	112,465	108,055	4.1
Total borrowings	93,359	-	n.m.
FINANCIAL RATIO (%)			
Return on average shareholders' equity:			
- Profit before tax	33.17	34.43	(3.7)
- Attributable net profit	21.69	23.35	(7.1)
PER SHARE DATA (CENTS)			
Attributable net profit	4.45	4.05	9.9
Net assets	22.02	19.07	15.5

Revenue (S$'000)

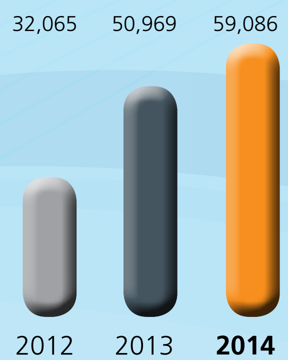


Net profits (S$'000)



EPS (cents)

EBITDA* (S$'000)



* EBITDA = Earnings before interest, taxes, depreciation, amortisation and impairment loss

CHAIRMAN'S STATEMENT

"IN SINGAPORE, THE FLYER ACQUISITION WAS PREMISED ON THE RISE OF THE ASEAN ECONOMY, SINGAPORE'S STANDING AS A TOP ASIAN DESTINATION, AND THE ATTRACTION'S ICONIC LOCATION IN THE MARINA BAY SKYLINE."

SUSTAINED GROWTH AMID GLOBAL UNCERTAINTY

2014 marked a new phase in Straco's growth story. Following a year-long, rigorous bidding process, the Group emerged as the new owner of the Singapore Flyer, one of the world's largest observation wheels and an iconic landmark in the Singapore Skyline. This acquisition represents a considerable boost to our portfolio of tourism assets, and is set to create further value with our proven best practices, a strengthened operations team, as well as enhancements to the assets and visitor experience.

The Group's operations remained strong, as overall visitations increased for our mainland China projects. After including the Singapore Flyer's operating results for the month of December, the highlights of our 2014 operating performance include:

- A 26.7% increase in revenue to $92.3 million
- A 10.5% increase in net profit to $37.7 million
- Operating cash flow of $37 million generated

In view of our good performance, we are proposing a first and final dividend of 2 cents per share this year. The proposed payment represents 45% of the net distributable profit for the year. We will continue to reward our supportive shareholders, subject to the need to balance our cash requirements for business expansion and capital asset replacement.

REGULATORY SHIFTS IN CHINA, A NEW CHAPTER IN SINGAPORE

This past year, we continued to feel the after effects of regulatory reform in China. The China Tourism Law introduced in the preceding year has led to a relative decline in group travel for domestic tourists, but supports the general trend towards free individual travelers, which bodes well for our visitor yields.

Towards the end of the year, we also saw the introduction of new government guidelines and oversight to manage visitor flows to tourist attractions to ensure orderliness and to prevent overcrowding. These include the regulation of traffic to tourism zones in China, including those where our attractions are situated. These measures will work in concert with new policies on paid leave, which will give domestic tourists more flexibility in timing their visits to tourism attractions. We welcome these new policies, for while they may impact visitor numbers in the immediate term, during super-peak periods, the lasting effect will be the smoothening of domestic travel over a given year, leading to less overcrowding and a more optimal experience for our visitors. We will continue to introduce enhancements and more immersive exhibits to reap the benefits of smoothened visitor numbers.

In Singapore, the Flyer acquisition was premised on the rise of the ASEAN economy, Singapore's standing as a top Asian destination, and the attraction's iconic location in the Marina Bay skyline. This year, we expect to experience some remaining short-term effects from recent setbacks in aviation and global concerns on security, although these will be balanced by the draw of festivities brought on by the nation's year-long SG50 celebrations.

A WORD OF APPRECIATION

The Group continues to thrive because of the talent and efforts of our staff, management, directors and partners. I would like to express my thanks to the following groups of people:

- Our ground staff and management team across our subsidiaries for their unwavering commitment to product development and service quality. I would like to give special mention to our corporate team for their hard work and perseverance in seeing through the Flyer acquisition.

- Our various other business partners and consultants who have contributed to our sustained performance.

- My fellow directors on the Board and all directors of our group companies for their valuable advice and guidance.

- I would also like to take this opportunity to welcome on board all existing and new team members at the Singapore Flyer, and look forth to their collective contributions in the years to come.

Exciting times lie ahead of us, and we will continue to build towards future successes through effective corporate governance, innovation of our offerings, and by keeping abreast of investment opportunities.

Wu Hsioh Kwang
Executive Chairman

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Wu Hsioh Kwang (Executive Chairman)
Mr Xu Niansha (appointed on 28 November 2014)
Mr Li Weiqiang
Mr Fu Xuezhang
Mdm Chua Soh Har
Mr Tay Siew Choon (Lead Independent Director)
Mr Lim Song Joo
Dr Choong Chow Siong
Mr Neo Poh Kok David
Ms Wu Xiuyi (Alternate Director to Mr Wu Hsioh Kwang)
Mr Sean Wu Xiuzhuan (Alternate Director to Mdm Chua Soh Har)

AUDIT COMMITTEE

Mr Lim Song Joo (Chairman)
Dr Choong Chow Siong
Mr Neo Poh Kok David

REMUNERATION COMMITTEE

Mr Tay Siew Choon (Chairman)
Dr Choong Chow Siong
Mdm Chua Soh Har

NOMINATING COMMITTEE

Mr Tay Siew Choon (Chairman)
Mr Neo Poh Kok David
Mr Wu Hsioh Kwang

REGISTERED OFFICE

10 Anson Road #30-15
International Plaza
Singapore 079903
Tel: 65 6223 3082
Fax: 65 6223 3736

COMPANY SECRETARY

Mdm Lotus Isabella Lim Mei Hua

SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Barbinder Share Registration Services
(a division of Tricor Singapore Pte Ltd)

80 Robinson Road, #02-00
Singapore 068898
Tel: 65 6236 3333
Fax: 65 6236 3405

PRINCIPAL BANKERS

Bank of Shanghai
China Construction Bank
DBS Bank Limited
United Overseas Bank Limited

AUDITOR

KPMG LLP
16 Raffles Quay, #22-00
Hong Leong Building
Singapore 048581
Partner-in-charge: Mr Gerald Low
since October 2014

INTERNAL AUDITOR

Ernst & Young Advisory Pte Ltd

SENIOR MANAGEMENT

Mr Wu Hsioh Kwang
Executive Chairman

Mr Amos Ng Chiau Meng
Chief Financial Officer

Mr Wang Liang
Senior Vice President (Operations, China)

Mdm April Ng Kim
Senior Vice President

Ms Wu Xiuyi
Senior Vice President

BOARD OF DIRECTORS

Mr Wu Hsioh Kwang
Executive Chairman / Executive Director

Mr Wu Hsioh Kwang is the founder of Straco Corporation Limited and has been instrumental in driving the group's growth since its inception. Mr Wu was appointed as Executive Chairman of the Company in March 2003, to lead the Group in its strategic vision and overall management. As Chairman of the Board, Mr Wu provides valuable business insight and guidance to the Board in developing growth strategies for the Group's businesses. Mr Wu's other appointments include, Vice-President (Singapore Chinese Chamber of Commerce), Vice-Chairman of Tourism & Leisure, Chinese Business Group (Singapore Business Federation) and Vice Chairman of the 4th Standing Committee of Chinese Association of Enterprises with Foreign Investment (China). Mr Wu holds a Bachelor of Commerce degree from the former Nanyang University (Singapore).

Mr Tay Siew Choon
Lead Independent Director

Mr Tay Siew Choon has been an Independent Director since November 2003 and was appointed as Lead Independent Director on 1 March 2014. He was the Managing Director and Chief Operating Officer of Singapore Technologies Pte Ltd till 31st March 2004. He is currently a director of TauRx Therapeutics Ltd, TauRx Pharmaceuticals Ltd, Wista Ltd and Pan-United Corporation Ltd. Mr Tay graduated from Auckland University with a Bachelor of Engineering (Electrical) degree with Honours under a Colombo Plan Scholarship. He also holds a Master of Science in Systems Engineering from the former University of Singapore.

Mr Lim Song Joo
Independent Director

Mr Lim Song Joo was appointed as a non-Executive Director in May 2011 and re-designated as Independent Director from 29 February 2012. He was the Chief Financial Officer of Macao Studio City (Hong Kong) Limited, an integrated leisure resort properties Group, from 2007 to 2009. From 1987 to 2007, Mr Lim also had held various senior management positions with MediaCorp Pte Ltd, Temasek Holdings Pte Ltd, StarHub Ltd, Singapore Technologies Industrial Corporation Ltd, and Singapore Computer Systems Limited. Mr Lim graduated from the former University of Singapore with a Bachelor of Accountancy degree (Hons). He is a Fellow Member of the Chartered Institute of Management Accountants (FCMA) in the United Kingdom and a Fellow Member of the Institute of Singapore Chartered Accountants (FCA).

Dr Choong Chow Siong
Independent Director

Dr Choong Chow Siong was appointed as an Independent Director in October 2003. He is an audit quality reviewer and had over 30 years of audit experience as a practicing accountant. Dr Choong is a Fellow Member of the Institute of Singapore Chartered Accountants (FCA), and a Member of the Chartered Institute of Arbitrators (MCIArb, UK). He served on the Hot Review Panel of the Institute of Certified Public Accountants of Singapore from 2009 to 2011. He is the author of the books entitled "Sales Recognition and Receivables" in 1991, and "Income Recognition and Reporting" in 1993. He is also the co-author of the highly acclaimed book entitled "Revenue Accounting and the 5R Revenue Theory for Management Reporting" published in 2001. The final Revenue Reporting Standard of IASB (UK) and FASB (US), released in the second quarter of 2014, is consistent with Dr Choong's 5R Revenue Theory (1991 & 2001), which was submitted to IASB (UK) in 2002 for the research requirement of revenue reporting. Dr Choong holds a Bachelor of Commerce (Accounting) degree from the former Nanyang University (Singapore).

Mr Neo Poh Kok David
Independent Director

Mr Neo Poh Kok David was appointed as an Independent Director in May 2011. He was the Senior Vice President, Chief Financial Officer, and Chief Risk Officer of Sembcorp Engineers & Constructors Pte Ltd, where he worked for 23 years from 1985 to 2008. His expertise lies in areas of finance, administration, risk management, investments, and purchasing. Mr Neo graduated from the former University of Singapore with a Bachelor of Accountancy degree. He is a Fellow Chartered Accountant Singapore (FCA) of the Institute of Singapore Chartered Accountants (ISCA). In addition he is also a Fellow Member (FCPA) of the Institute of Certified Public Accountants, Australia and the Association of Chartered Certified Accountants, UK (FCCA).

BOARD OF DIRECTORS

Mr Xu Niansha
Non-Executive Director

Mr Xu Niansha was appointed as a non-Executive Director in November 2014. Mr Xu is currently Chairman of China Poly Group Corporation (CPGC), a large state-owned enterprise under the supervision and administration of the State-owned Assets Supervision and Administration Commission of the State Council (SASAC), with businesses in many industries and portfolios in major cities in China as well as Hong Kong. Mr Xu was Chairman of China Ocean Aviation Group Incorporation, Vice Chairman of CITIC Offshore Helicopter Corporation Ltd, and Vice Chairman of China National Machinery Industry Corporation. Equipped with vast working experiences, Mr Xu, elected 12th Chinese People Political Consultative Conference member in March 2013, offers invaluable guidance and advice to the Group for its business dealings in China. He holds a PhD degree in Law from China University of Political Science and Law and a PhD Degree in Economics from Beijing University. He is also a certified senior engineer.

Mr Fu Xuezhang
Non-Executive Director

Mr Fu Xuezhang was appointed as a non-Executive Director in October 2003. He was with the Foreign Ministry of the PRC holding numerous appointments including Director General of Asian Department, Ambassador Ranking Representative of the PRC to the Supreme National Council of Cambodia, and Ambassador Extraordinary and Plenipotentiary of the PRC to Thailand. He also served as the Ambassador Extraordinary and Plenipotentiary of the PRC to Singapore from 1995 to 1997. During his term as Ambassador to Singapore, he has contributed to the enhancement of bilateral political and economic relations between the two countries. Mr Fu has been playing a crucial role in the development of the Group's projects. He graduated from Beijing Foreign Studies University (former Beijing Foreign Language Institute).

Mdm Chua Soh Har
Non-Executive Director

Mdm Chua Soh Har, spouse of Mr Wu Hsioh Kwang, was appointed as a non-Executive Director in June 2010. Mdm Chua played an instrumental role in the establishment of Straco Corporation Limited. Together with Mr Wu, Mdm Chua was a founding member of the Group's China businesses. Mdm Chua is a director of non-listed Straco Holdings Pte Ltd, the major shareholder of Straco Corporation Limited. With more than 20 years of experience in business management, international trading and investment, she has provided much guidance and advice for new business opportunities that are relevant to the Group's businesses. Mdm Chua holds a Bachelor of Commerce degree from the former Nanyang University (Singapore).

Mr Li Weiqiang
Non-Executive Director

Mr Li Weiqiang was appointed as a non-Executive Director in October 2012. He is currently Deputy Director of Enterprise Development Department, China Poly Group Corporation and is primarily responsible for the Group's strategic planning, development of annual plan, day-to-day management, investment project management, etc. Mr Li has vast experience in the areas of strategic planning, business management, and investment management. He holds a PhD Degree in Management from University of International Business and Economics, Beijing.

MANAGEMENT TEAM

Mr Wu Hsioh Kwang
Executive Chairman
Chief Executive Officer

Mr Wu Hsioh Kwang is the founder of Straco Corporation Limited and has been instrumental in driving the group's growth since its inception. Mr Wu was appointed as Executive Chairman of the Company in March 2003, to lead the Group in its strategic vision and overall management. As Chairman of the Board, Mr Wu provides valuable business insight and guidance to the Board in developing growth strategies for the Group's businesses. Mr Wu's other appointments include, Vice-President (Singapore Chinese Chamber of Commerce), Vice-Chairman of Tourism & Leisure, Chinese Business Group (Singapore Business Federation) and Vice Chairman of the 4th Standing Committee of Chinese Association of Enterprises with Foreign Investment (China). Mr Wu holds a Bachelor of Commerce degree from the former Nanyang University (Singapore).

Mr Amos Ng Chiau Meng
Chief Financial Officer
Senior Vice President (Finance & Administration)

Mr Amos Ng Chiau Meng joined us in September 2000. He is responsible for the finance and accounting, human resources and administration, and financial reporting and statutory compliance of our Group. Prior to joining the Group, Mr Ng worked with PSA Corporation Ltd as the General Manager of its overseas JV subsidiary – China Merchants-PSA Logistics Network Co. Mr Ng had also worked as the Senior Manager, Finance & Administration of a wholly owned subsidiary of Neptune Orient Lines Ltd. Mr Ng is both a Fellow Member of the Institute of Singapore Chartered Accountants (FCA) and a Fellow Member of the Association of Chartered Certified Accountants (FCCA).

Mr Wang Liang
Senior Vice President (Operations, China)
General Manager- Shanghai Ocean Aquarium (SOA)
General Manager- Underwater World Xiamen (UWX)

Mr Wang Liang joined us in January 1997. He is in charge of the management and daily operations at both Shanghai Ocean Aquarium (SOA) and Underwater World Xiamen (UWX). He has been involved in the initial development and the operation of SOA since its inception. Prior to joining the Group, Mr Wang was the Manager of the Shanghai office of China Poly Group Corporation. Mr Wang holds a diploma in engineering from Aeronautical Technology Institute of People's Liberation Army (Navy).

Mdm April Ng Kim
Senior Vice President
Assistant to Executive Chairman

Mdm April Ng Kim joined us in January 1997. She assists the Executive Chairman in monitoring the daily operations of the Group's subsidiaries and facilitating internal communication. Prior to joining the Group, Mdm Ng was the Secretary in charge of Chinese Affairs with Golden Resources Development Ltd (Hong Kong). Her other experiences include serving as Office Manager with Ta Kung Industrial Co., Ltd (Ta Kung Pao Hong Kong). Mdm Ng graduated from Jiangnan University with a degree in Chinese Language and Literature.

Ms Wu Xiuyi
Senior Vice President
Assistant to Executive Chairman

Ms Wu Xiuyi joined us in October 2004. She assists the Executive Chairman in monitoring the daily operations of the Group's subsidiaries and facilitating internal communication. She has been involved in various management roles within the Group's subsidiaries, including as the Assistant General Manager of Shanghai Ocean Aquarium (SOA) for 6 years, in charge of marketing, human resource, operations and business development. Ms Wu has since played a key role in implementing strategic marketing policies and building up an influential network for SOA that has strengthen its presence on the international scene. Before joining us, Ms Wu has worked at a Singapore law firm and an international audit firm. She holds a Bachelor of Arts (Psychology) Degree from the University of Sydney.

Mr Sean Wu Xiuzhuan
Vice President (Corporate Development & Risk Management)

Mr Sean Wu joined us in November 2007. His areas of responsibility include quality control and due diligence for new investments, coordination of the Group's risk management efforts, as well as oversight of existing operations, with a focus on internal controls and capability upgrading.

Prior to his current appointment, he served as Assistant to the Chief Financial Officer. Mr Wu has also served as Senior Officer at the Economic Development Board before joining the Group. He holds a Bachelor's Degree in Economics from University College London and a Master Degree in Business Administration from the Haas School of Business at the University of California, Berkeley.

Mr Ringo Leung Kwok Ho
Vice President (Operations, Singapore)
General Manager- Singapore Flyer (SF), Straco Leisure Pte Ltd

Mr Ringo Leung joined us in January 2015. He is in charge of the management and daily operations at Singapore Flyer. Prior to joining the Group, Mr Leung was the General Manager of nex, one of Singapore's largest regional malls. Mr Leung has more than 30 years of experience in the lifestyle, leisure and hospitality industries across Singapore, Hong Kong and Mainland China. Mr Leung holds a Master of Arts degree in Sport and Recreation Management from the Victoria University of Technology, Australia.

Mr Zhao Aimin

Vice President (Operations, China)
General Manager - Lintong Lixing Cable Car Co. Ltd (LLC)
General Manager - Xi'an Lintong Zhongxin Tourism Development Co. Ltd (LZTD)
Deputy General Manager - Underwater World Xiamen (UWX)

Mr Zhao Aimin joined us in March 1992. He is responsible for the management and daily operations of both our cable-car service and UWX, and is also in charge of the Chao Yuan Ge development project under LZTD. Prior to joining the Group, Mr Zhao was the Deputy Director of Lintong Cultural Heritage Bureau and has held various senior positions in the Xi'an and Lintong government sectors.

Mr Jim Yang Yong

Vice President (Marketing & Sales, China)
Director (Marketing & Sales) – Shanghai Ocean Aquarium (SOA)

Mr Jim Yang Yong joined us in June 2013. He is responsible for the areas of marketing and sales at our subsidiaries in China. Mr Yang has more than 15 years of experience in the tourism industry in China with a strong focus on Marketing and Sales and Attraction Management. Prior to joining us, Mr Yang worked for Merlin Entertainments Group as Marketing Director of Shanghai Cluster and General Manager of Madame Tussauds Shanghai. Mr Yang holds a Diploma in Educational Communication & Technology from Shanghai International Studies University, and a Master Degree in International Hotel & Tourism Management from Institut Vatel (France).

Dr George Liu Guozhi

Vice President (Project Management)

Dr George Liu Guozhi joined us in July 2013. He is in charge of project management and project development (with a focus on conducting feasibility studies, planning & design, and construction management). Prior to joining us, Dr Liu worked for Alpine Mayreder Construction Co. Ltd., a European EPC contractor as a Senior Manager in Mainland China and Hongkong for seven years, and served as various positions from Site Engineer to Branch Executive Director for China Railway Construction Corporation in China and Singapore between 1993 and 2002. Dr Liu holds a Bachelor's Degree in Civil Engineering from Shijiazhuang Railway University, a Master Degree in International Construction Management and PhD from Nanyang Technological University, Singapore.

Mr Charles Cai Yiwei

Vice President (Technical)
Director (Technical) – Shanghai Ocean Aquarium (SOA)

Mr Charles Cai Yiwei joined us in March 2011. He is involved in the areas of technical-related matters at our subsidiaries in China. Prior to joining us, Mr Cai was the Deputy General Manager of Shanghai Aufun Investment Consulting and Project Manager at the TOA Canada Corporation, Siemens Building Technologies Ltd and Frisco Bay Industry Ltd. Mr Cai holds a Master Degree in Material Science and Engineering from Shanghai Jiao Tong University and has received the Global Credential – Project Management Professional by Project Management Institute (USA) in 2001.

Mr Robert Luo Zhen Hong

Vice President (Curatorial Matters)
Director (Curatorial & Exhibitions) – Shanghai Ocean Aquarium (SOA)

Mr Robert Luo Zhen Hong joined us as an Assistant Curator of Shanghai Ocean Aquarium from 2000 to 2003. He later rejoined us as a Curatorial Consultant in November 2010 and Vice President (Curatorial Matters) from April 2011. Mr Luo is responsible for the exhibit function of SOA and UWX, which includes the content presentation and development of aquatic exhibits. For over 20 years, Mr Luo has garnered a wealth of experience as a curator and aquatic expert at many public aquariums throughout China, Canada and Singapore. He has done significant research on the breeding of various aquatic animals. Mr Luo holds a Bachelor Degree of Aquaculture from Ocean University of China and a post-degree Diploma in Management of Aquaculture Systems from University of British Columbia. He also holds a Master of Business Administration from the National University of Singapore.

OPERATIONS REVIEW

OVERVIEW

The Group achieved another record performance in FY2014. Group turnover was $92.32 million for the year ended 31 December 2014, an increase of 26.7% from that of FY2013, as overall visitor arrivals to the Group's attractions, including Shanghai Ocean Aquarium ("SOA"); Underwater World Xiamen ("UWX") and Lintong Lixing Cable Car ("LCC"), grew 14.4% to a record 4.39 million. Compared to FY2013, current year net profit increased 10.5% to $37.69 million.

The Group's main operating assets during the year include:

- SOA, a premier tourist attraction located in the Lujiazui Financial District of Pudong, Shanghai
- UWX, located on the scenic Gulangyu Island in Xiamen City
- LCC, a cable car service at the historic Mount Lishan in Xi'an

On 28 November 2014, the Group completed the acquisition of the assets and business of the Singapore Flyer, an iconic attraction in Singapore, via its subsidiary, Straco Leisure Pte Ltd ("SLPL").

China's economy grew 7.4% in 2014 from a year ago, as ongoing structural transition dragged down on growth. Despite slower economic growth, China plans to boost the country's tourism industry through a series of new measures and spending, and with the increasingly larger domestic tourism market, domestic tourism is expected to be on a sustainable growth path. This augurs well for the Group. The Group's attractions, which are located within key tourism destinations, have benefitted from an increasingly favourable macro environment and continue to generate healthy growth in visitorship and earnings in 2014.

Located next to the Oriental Pearl Tower in Pudong Shanghai, SOA remains the flagship of the Group in 2014. During the year, various new displays were introduced, such as "Redhump Eartheater", "Sheepshead", "Bowmouth guitarfishes" and "Pot Bellied Seahorse" as part of its exhibits renewal and enhancement program. Throughout the year, SOA launched various special exhibits during major public holidays, the 2014 World Cup season, and school holidays. It also participated in charitable events organized by the local government units and collaborated with the local television media to be featured in various documentary or educational programs.

With a growing focus on social media marketing, SOA launched its official Weibo and WeChat accounts and intensified its online publicity for various events and themed exhibitions organized in the year via these public platforms.

As a key attraction on the scenic Gulangyu Island in Xiamen, UWX registered double-digit growth in revenue and profitability in FY2014. Visitorship grew 18.7% in FY2014, attributable to more extensive fast speed rail networks facilitating travel from neighbouring provinces to Xiamen, favourable weather in the year, as well as creative marketing efforts coupled with various themed exhibitions launched during festive seasons, school holidays, and major events like the World Cup 2014 during the summer months. For example, hundreds of seahorses were displayed to celebrate the lunar year of the Horse during the Chinese New Year period, while in October's golden week, "Big-belly" seahorses from Australia were introduced to visitors. While visitor numbers grew strongly in the first three quarters, new ferry regulations, including the restriction of daily visitor numbers to Gulangyu Island, as implemented by the Island's Administrative Bureau, took effect in October 2014 and impacted UWX's visitorship in the fourth quarter.

FINANCIAL COMMENTARY

The Group generated a net profit before tax of $57.64 million as compared to $50.27 million last year, an increase of 14.7%, mainly attributable to higher visitation to our attractions.

Expenses in total increased $11.65 million, or 41.4% compared to FY2013. Depreciation, repair and maintenance, staff cost, and utilities expense increased, partly due to the operating expenses incurred by SLPL when the operations of the Singapore Flyer was transferred to SLPL on 28 November 2014. Higher variable costs from the existing business units, in line with overall higher revenue earned, acquisition-related cost such as stamp-duty, legal and professional fees amounting to $2.19 million incurred for the acquisition of the Singapore Flyer; as well as an exchange loss of $1.48 million recorded this year, as opposed to an exchange gain of $2.18 million recorded last year, also contributed to the overall higher expenses this year.

Finance cost of $0.16 million was recorded in the year, as a term loan from a bank was taken up for the acquisition of the Singapore Flyer.

Overall tax expenses increased due to the higher profit before tax earned by SOA and UWX, as well as the deferred tax recognized on the distributable profits of these attractions which are subject to a 5% PRC withholding tax.

The Group's cash flow from operating activities amounted to $36.99 million in FY2014. During the year, the Group paid $116.4 million, net of deposit of $21.2 million paid in FY2013, for the acquisition of the Singapore Flyer. The acquisition was funded partly by internal resources and partly by borrowings. The company also utilized $18.79 million cash for dividend payments and share buybacks. As of 31 December 2014, the Group's cash and cash equivalent balance amounted to $112.47 million, an increase of 4.1% for the year.

GROUP STRUCTURE

The details of our Group are as follows:

Name of Company	Date and place of incorporation	Principal business	Principal place of business	Effective Percentage Owned
Straco Corporation Limited	25 April 2002 Singapore	Development and management of tourism-related businesses	10 Anson Road, #30-15 International Plaza, Singapore 079903	-
Shanghai Ocean Aquarium Co., Ltd	18 December 1995 PRC	Development and operation of aquatic-related facilities	No. 1388 Lujiazui Ring Road, Shanghai, PRC	95%
Xi'an Lintong Zhongxin Tourism Development Co., Ltd	25 December 1995 PRC	Development and operation of tourism-related facilities	Middle Section, Huaqing Road, Lintong, Xi'an, PRC	95%
Lintong Lixing Cable Car Co., Ltd	31 March 1992 PRC	Operation of cable car facilities	No. 25, Huaqing Road, Lintong, Xi'an, PRC	95%
Infotainment Development & Management Pte Ltd	3 February 1996 Singapore	Provision of management and consulting services and overall project management for the Group and third parties	10 Anson Road, #30-15 International Plaza, Singapore 079903	100%
Straco Creation Pte Ltd	8 August 2006 Singapore	Show production and management as well as creative and artistic content provider	10 Anson Road, #30-15 International Plaza, Singapore 079903	51%
New Bay Holdings Pte Ltd	29 September 1993 Singapore	Investment Holding	10 Anson Road #30-15 International Plaza, Singapore 079903	100%
Underwater World Xiamen Co., Ltd	11 October 1994 PRC	Operation of aquatic-related facilities and performances	No. 2, Longtou Road, Gulangyu Park, Xiamen City, PRC	100%
Bay Attractions Pte Ltd	1 August 2014 Singapore	Investment Holding	10 Anson Road #30-15 International Plaza, Singapore 079903	100%
Straco Leisure Pte Ltd	1 Feb 2011 Singapore	Operation of a circular giant observation structure and provision of retail space	30 Raffles Avenue, Singapore 039830	90%

CORPORATE GOVERNANCE

The Board of Directors (the "**Board**") of Straco Corporation Limited ("**Straco**" or the "**Company**") is committed to good standards of corporate governance to enhance corporate performance and accountability. The Company has adopted, as far as possible, the principles and practices of corporate governance in line with the recommendations of the Code of Corporate Governance 2012 (the "**Code**").

The Board recognizes the need to keep balance with accountability, in creating and preserving shareholder value and achieving its corporate vision for the Company and its subsidiaries (the "**Group**").

This statement on the corporate governance practices of Straco describes the corporate governance policies practiced by Straco during the year ended 31 December 2014, with specific references made to each of the principles set out in the Code.

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

The Board holds meetings on a regular basis throughout the year to approve the Group's key strategic plans as well as major investments, disposals and funding decisions. The Board is also responsible for the overall corporate governance of the Group.

The Board has delegated specific responsibilities to 3 sub-committees namely, the Audit, Nominating and Remuneration Committees (collectively the "**Board Committees**"), the details of which are set out below. These Board Committees have the authority to examine particular issues under the purview of each of their committees and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

The Board hosts regular scheduled meetings on a quarterly basis. When circumstances require, ad-hoc meetings are arranged. A board member contributes both at formal board meetings as well as outside of these meetings. Therefore to focus on a director's attendances at formal board meetings may not reflect the level of contributions made outside of those meetings and may lead to a narrow view of a director's contributions. The Group is thus of the view that the reporting of director attendances at Board meetings and Board Committees meetings is unnecessary.

The matrix of the Board members' participation in the various Board Committees is appended below:

	Audit Committee	**Nominating Committee**	**Remuneration Committee**
Board Members			
Wu Hsioh Kwang (Alternate: Wu Xiuyi)	-	M	-
Chen Hong Sheng (resigned on 13 November 2014)	-	-	-
Xu Niansha (appointed on 28 November 2014)	-	-	-
Li Weiqiang	-	-	-
Fu Xuezhang	-	-	-
Chua Soh Har (Alternate: Wu Xiuzhuan)	-	-	M
Tay Siew Choon	-	C	C
Lim Song Joo	C	-	-
Choong Chow Siong	M	-	M
Neo Poh Kok David	M	M	-

C – Chairman
M – Member

All Directors are updated regularly concerning any changes in the Company's policies, risks management, key changes in the relevant regulatory requirements and accounting standards. The Company also provides ongoing education on Board processes, governance and best practices.

Newly appointed Directors are briefed on the business activities of the Group and its strategic directions. They are also provided with relevant information on the Company's policies and procedures. There would be an orientation program to ensure that newly appointed Directors are familiar with the Group's business and governance practices. The Company will also provide training in areas such as accounting, legal and industry-specific knowledge as appropriate for Directors who have no prior experience as a director of a listed company.

Matters Requiring Board Approval

The Board has identified a number of areas for which the Board has direct responsibility for decision making. Interested Person Transactions and the Group's internal control procedures are also reviewed by the Board.

Major investments and funding decisions are reviewed and approved by the Board.

The Board also meets to consider the following corporate matters:-

- Approval of quarterly result announcements;
- Approval of the Annual Reports and Accounts;
- Convening of Shareholder's Meetings;
- Approval of Corporate Strategies; and
- Material Acquisitions and Disposal of assets.

Principle 2: Board Composition and Guidance

The Board comprises an Executive Chairman and eight non-executive Directors. Of the eight non-executive Directors, four are independent Directors making up at least one-third of the Board. The Board is currently in the process of reviewing the Board composition in order to meet the recommendation that at least one-half of the Board comprise independent directors in cases where the Chairman and Chief Executive Officer is the same person.

The independence of each Director will be reviewed by the Nominating Committee to ensure that the Board is capable of exercising objective judgment on corporate affairs of the Group. The appointment of each Director is based on his caliber, experience, stature and potential contribution to the Company and its businesses. Our current Directors are respected individuals with diverse expertise and good track record in their respective fields.

Mr Tay Siew Choon and Dr Choong Chow Siong, have served as Independent Directors for more than 9 years. The Board has carried out a rigorous review of their independence status. The Board's view is that both Mr Tay Siew Choon and Dr Choong Chow Siong continue to demonstrate their abilities to exercise strong independent judgment in their deliberations and act in the best interests of the Company and that their length of service on the Board have not affected their independence from management. Both Mr Tay and Dr Choong continue to express their views, debate issues and objectively and actively scrutinize and challenge management. Further, having gained in depth understanding of the business and operating environment of the Group, they provide the Company with much needed experience and knowledge of the industry. After taking into account all these factors and having weighed the need for Board refreshment against tenure for relative benefit, the NC and the Board (saved for Mr Tay and Dr Choong who abstained from deliberation of this matter) has reviewed and determined that Mr Tay and Dr Choong continue to be Independent Directors, notwithstanding that their service on the Board has been more than nine years.

The Nominating Committee is of the view that the current Board is capable of providing the necessary expertise to meet the Board's objectives and that no individual or small group of individuals dominates the Board's decision making process.

CORPORATE GOVERNANCE

The Board is of the view that the current board size of nine Directors is appropriate, taking into account the nature and scope of the Company's operations.

Key information regarding the Directors can be found under the "Board of Directors" section of this annual report.

Principle 3: Chairman and Chief Executive Officer

The Executive Chairman of the Board is Mr Wu Hsioh Kwang. The Board is of the opinion that the present Group structure and business scope does not warrant a meaningful split of the roles of the Chairman and the Chief Executive Officer. The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual exercising any considerable concentration of power or influence.

As Executive Chairman, Mr Wu exercises control over the quality, quantity and timeliness of the flow of information between management and the Board. In addition, Mr Wu has full executive responsibilities of the overall business directions and operational decisions of the Group.

All major decisions made by the Executive Chairman are reviewed by the Board and his remuneration package is reviewed periodically by the Remuneration Committee.

Mr Tay Siew Choon, the lead independent director of the Company, will meet periodically with the independent directors without the presence of the other directors and provide feedback to the Executive Chairman after such meetings. He will also be an independent channel of communication for shareholders who have concerns and for which contact with the Executive Chairman or Chief Financial Officer has failed or is inappropriate.

Principle 4: Board Membership

The Nominating Committee comprises Mr Tay Siew Choon, Mr Wu Hsioh Kwang and Mr Neo Poh Kok David. Mr Tay Siew Choon is the Chairman of the Nominating Committee and in accordance with the Code, he is not, or is not directly associated with, a substantial shareholder (with interest of ten per centum or more in the voting shares of the Company). Mr Tay Siew Choon and Mr Neo Poh Kok David are independent directors.

The responsibilities of the Nominating Committee include the nomination of Directors, determining the independence of a Director and deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director. The criterion for independence is based on the definition as set out in the Code.

Key information on the directors and their shareholdings in the Company are found on pages 26 to 31 of this annual report respectively.

The Nominating Committee selects and recommends new directors for appointment after considering several criteria such as the candidate's experience, core competency, industry knowledge and general ability to contribute to the Board's proceedings. Newly appointed directors are however required to submit themselves for re-election at the next annual general meeting of the Company ("**AGM**").

We believe that Board renewal must be an ongoing process, to both ensure good governance and maintain relevance to the changing needs of the Company and business. Our Articles of Association require at least one-third of our Directors to retire and subject themselves to re-election by shareholders at every AGM and no director stays in office for more than three years without being re-elected by shareholders.

A retiring director shall be eligible for re-election. In recommending that a director be nominated for re-election, the Nominating Committee assesses each candidate's suitability for re-appointment prior to making its recommendation, carefully taking into consideration such factors as the director's record of attendance and participation, his candour, performance and overall contribution to the Board and the Group; as well as his/her ability to adequately carry out the duties expected while performing his/her roles in other companies or in other appointments.

This year, the following Directors will be retiring at the forthcoming AGM and seeking re-election as directors:-

1. Mr Tay Siew Choon, Dr Choong Chow Siong and Mr Li Weiqiang (pursuant to Article No. 95 of the Company's Articles of Association); and
2. Mr Xu Niansha (pursuant to Article No. 96 of the Company's Articles of Association).

The Nominating Committee has reviewed and is satisfied with their contribution and performance as directors and has endorsed their nomination for re-election.

Mr Fu Xuezhang is also due to retire at the forthcoming Annual General Meeting pursuant to the requirements of Section 153(1) of the Companies Act, Cap. 50. Mr Fu has advised the Nominating Committee and the Board that, due to personal reasons, he does not wish to seek re-appointment as a director of the Company. In view of this, Mr Fu Xuezhang will cease to be a director of the Company at the conclusion of the Annual General Meeting scheduled to be held on 29 April 2015.

Notes:-
Article 95 provides that at least one-third of the Directors shall retire from office at every annual general meeting. Article 96 provided that any director appointed during the year shall retire from office at the next following annual general meeting. Section 153(1) states that no person of or over the age of 70 years shall be appointed as a director of a company. However section 153(1) is subject to section 153(6), which provides that a person of or over the age of 70 years may, by an ordinary resolution passed at an annual general meeting of a company (a) be appointed or re-appointed as a director of the company to hold office; or (b) be authorised to continue in office as a director of the company, until the next annual general meeting of the company.

Although some of the Board members have multiple board representations and other principal commitments, the Nominating Committee is satisfied that the Directors have devoted sufficient time and attention to the Group. The Board does not see any reason to set the maximum number of listed board representations that any Director may hold as all the Directors are able to devote to the Company's affairs in light of their other commitments. However, as a general guideline to address time commitments that may be faced, a Director who holds more than 5 listed company board representations will consult the Chairman before accepting any new appointments as a director.

Principle 5: Board Performance

The Nominating Committee will use its best efforts to ensure that Directors appointed to the Board and the Board Committees possess the necessary background, experience and knowledge to enable balanced and well-considered decisions to be made by the Board and the Board Committees.

A review of the performance of the Board and the Board Committees is undertaken annually by the Nominating Committee with inputs from Board members and the Executive Chairman.

Apart from the fiduciary duties (i.e. act in good faith, with due diligence and care and in the best interest of the Company and its shareholders), the Board's key responsibilities are to set strategic directions and to ensure that the long term objective of enhancing shareholders' value is achieved. The Board's performance is also measured by its ability to support management especially in times of crisis and to steer the Company towards profitable directions. In doing so, the Board will take into consideration the financial indicators set out in the Code as guidelines for evaluating the Board's performance.

To evaluate the effectiveness of the Board as a whole, the Nominating Committee considered the adequacy and size of the Board, the Board's access to information, Board processes and accountability, and communication with senior management. Individual evaluation is also carried out to assess whether each Director continues to contribute effectively and demonstrates commitment to his/her role and duties. The criteria for evaluation are reviewed by the Nominating Committee each year and changes are made where circumstances require. Following the review, the Board is of the view that the Board and its Board Committees operate effectively.

Principle 6: Access to Information

In order to ensure that the Board is able to discharge its responsibilities, the management is required to provide complete, adequate and timely information to the Board on the Board's affairs and issues that require the Board's decision as well as ongoing reports relating to operational and financial performance of the Company.

The Board has separate and independent access to the senior management at all times. Directors are also entitled to request from management and be provided with such additional information as needed to make informed decisions. If the Directors, whether as a group or individually, need independent professional advice, the Company will upon directions by the Board, appoint a professional advisor selected by the group or individual to render the advice. The cost of such professional advice will be borne by the Company.

The Audit Committee meets our external auditor (KPMG LLP) and internal auditor (Ernst & Young Advisory Pte Ltd) separately without the presence of management at least once a year and reviews the assistance given by the Company's officers to the auditors.

The Company Secretary, or her representatives, attends all Board meetings and is responsible to ensure that the Board procedures are followed. It is the Company Secretary's responsibility to ensure that the Company complies with requirements of the Companies Act. Together with the management, the Company Secretary is responsible for the compliance with all rules and regulations which are applicable to the Company.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

The Remuneration Committee comprises 3 non-executive directors, 2 of whom (including the chairman of the Remuneration Committee), are independent directors. The members of the Remuneration Committee are Mr Tay Siew Choon, who is also the Chairman of the Remuneration Committee, Dr Choong Chow Siong and Mdm Chua Soh Har.

The key function of the Remuneration Committee is to review and recommend to the Board, in consultation with management, a framework for all aspects of remuneration. The Remuneration Committee also determines the specific remuneration packages and terms of employment for executive Director as well as senior executives.

The Remuneration Committee has access to expert professional advice on human resource matters whenever there is a need to consult externally. In its deliberations, the Remuneration Committee takes into consideration industry practices and norms in compensation in addition to the Company's relative performance and the performance of the individual Directors. No Director will be involved in deciding his own remuneration.

The Executive Chairman does not receive director's fee. The Executive Chairman entered into a service agreement with the Company on 7 January 2004 for a period of three years, renewable automatically thereafter. The service agreement provides for termination by either the Executive Chairman or the Company upon giving no less than three months' notice. The Executive Chairman's compensation consists of his salary, bonus, share options granted, and benefits.

The remuneration of non-executive directors shall be determined by his contribution to the Company, taking into account factors such as efforts and time spent as well as his responsibilities on the Board. Generally, directors who undertake additional duties as chairman and/or members of the Board Committees will receive higher fees because of their additional responsibilities. The Board will recommend the remuneration of the non-executive Directors for approval at the AGM.

Principle 9: Disclosure on Remuneration

The following table sets out the quantum of Directors' Remuneration for the year ended 31 December 2014, together with a breakdown (in percentage terms) of each directors' remuneration earned through base/fixed salary, variable or performance related income/bonuses, share options granted, and director fees/attendance fees proposed to be paid to each Director subject to the approval of shareholders at the AGM:

	Percentage (%)			**Total (round off to nearest thousand dollars) S$'000**
	Remuneration earned through:			
	Base / fixed salary	**Variable or performance related income/ bonuses/ share Options granted**	**Director Fees / Attendance Fees**	
Wu Hsioh Kwang	50%	50%	-	1,679
Chen Hong Sheng	-	66%	34%	89
Xu Niansha	-	-	100%	3
Li Weiqiang	-	67%	33%	75
Fu Xuezhang	-	70%	30%	84
Chua Soh Har	-	64%	36%	92
Tay Siew Choon	-	49%	51%	120
Lim Song Joo	-	54%	46%	109
Choong Chow Siong	-	57%	43%	104
Neo Poh Kok David	-	57%	43%	104
Wu Xiuyi	43%	57%	-	366
Wu Xiuzhuan	45%	55%	-	229

Note: Base/fixed salary includes the 13th month payment or the annual wage supplement, fixed bonus and allowances. The variable or performance related bonus of Mr Wu Hsioh Kwang, Ms Wu Xiuyi and Mr Wu Xiuzhuan were paid in 2015.

Of the remunerations, including share options granted, of the top five key management personnel who are not Directors, Alternate Directors, or the Chief Executive Officer of the Company for the financial year ended 31 December 2014, the remunerations of two executives fell within the remuneration band of $250,000 and below, the remunerations of two executives fell within the remuneration band of between $250,000 and $500,000, and the remuneration of one executive fell within the remuneration band of $500,000 and $750,000. The names of these employees are not set out in the interest of maintaining confidentiality of staff remuneration matters.

In aggregate, the total annual remuneration of the top five key management personnel, excluding the Directors, Alternate Directors and the CEO, for the financial year ended 31 December 2014 amounted to $1.77 million.

Share options are granted to align staff's interest with that of shareholders' interest. These options are granted with reference to the desired remuneration structure target and valued based on the Black-Scholes model. Details of the share option scheme can be found in the "Directors' Report" section of this annual report.

No termination, retirement and post-employment benefit were granted to any Director, the CEO or any top five key management personnel for the year ended 31 December 2014

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board is mindful of its obligations to provide timely and fair disclosure of material information in compliance with statutory reporting requirements. Price sensitive information is first publicly released, either before the Company meets with any group of investors or analysts, or simultaneously with such meetings. As part of the Company's commitment to regular communication with our shareholders, the Company will adopt quarterly reporting as required by the Code. Financial results and annual reports will be announced or issued within the mandatory period.

Principle 11: Risk Management and Internal Controls

The Board has ultimate responsibility for maintaining a sound system of internal controls to safeguard shareholders' investment and the Group's assets. The system of internal controls is intended to provide reasonable but not absolute assurance against material misstatement or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practices, and the identification and containment of business risk.

The Audit Committee assists the Board in overseeing the risk governance in the Company to ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interest and the Company's assets. The Audit Committee's functions in this area include the following:

i) Review and report to the Board the risk profile or risk tolerance the Company undertakes to achieve its business goals and strategies;

ii) Review the risk management framework, policies, monitoring, measurements and reporting within the spectrum of Enterprise Risk Management of the Group;

iii) Review and report to the Board at least annually, the adequacy and effectiveness of the Company's risk management and internal controls systems in addressing significant risks including financial, operational, compliance and information technology risks; and

iv) Recommend to the Board on the opinion and disclosure in the Annual Report on the adequacy and effectiveness of the Company's risk management and internal controls systems in accordance with the Listing Manual and Code of Corporate Governance.

The Group's system of internal controls is designed to provide reasonable assurance that assets are safeguarded, that proper accounting records are maintained, and that financial information used within the business and for publication are reliable.

A Whistle-Blowing policy is also in place to provide an avenue through which employees may report or communicate, in good faith and in confidence, any concerns relating to financial and other matters, so that independent investigation of such matters can be conducted and appropriate follow-up action taken. The Audit Committee Chairman is in charge of managing this specific area. The Whistle-Blowing Policy has been reviewed by the Audit Committee to ensure that it has been properly implemented.

The Whistleblowing procedure is intended to be used for serious and sensitive issues. Serious concerns relating to financial reporting, unethical or illegal conduct should be reported to the Audit Committee Chairman via a designated email. The action to be taken will depend on the nature of the concern. Initial inquiries will be made by the Chairman of the Audit Committee to determine whether an investigation is appropriate, and the form that it should take. Some concerns may be resolved by agreed action without the need for investigation. If investigation is necessary, the Audit Committee will direct an independent investigation to be conducted based on the complaint received. The Board of Directors will receive a report stating the complaint received and findings of the independent investigation, as well as a follow-up report on actions taken by the Audit Committee. The Company will update the complainant of the actions taken in respect of the complaint in two weeks. Subject to any legal constraint the complainant will be notified about the outcome of any investigations.

The Company shall maintain the confidentiality of the whistle-blower(s) to the fullest extent reasonably practicable within the legitimate needs of the law and any ensuing evaluation or investigation. Complainant(s) who make a report in good faith will be protected from reprisals, victimization or harassment.

The Company regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the Audit Committee and the Board. The risk issues are highlighted on pages 81 to 86 under note 25 to the financial statements.

The external auditors, in the course of conducting their annual audit procedures on the statutory financial statements, also reviewed the Group's significant internal financial controls to the extent of their scope as laid out in their audit plan. Any material non-compliance and internal financial control weaknesses noted by the auditors are reported to the Audit Committee together with the auditors' recommendations. The management would then take appropriate actions to rectify the weaknesses highlighted.

The Audit Committee, in the course of their review of the reports presented by the internal auditors and external auditors, also reviewed the effectiveness of the Group's system of internal controls, including the financial, operational, compliance and information technology controls, and risk management systems.

At the financial year-end, the CEO and Chief Financial Officer have provided a letter of assurance on the integrity of the financial records/statements, as well as the effectiveness of the Company's risk management and internal control systems.

Such assurance includes that:

(a) internal controls were established and maintained;
(b) material information relating to the Company was disclosed on a timely basis for the purposes of preparing financial statements; and
(c) the company's internal controls were effective as at the end of the financial year.

The Board notes that the system of internal controls provides reasonable, but not absolute, assurance that the Group will not be affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

CORPORATE GOVERNANCE

The Board, with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls and risk management systems are effective and adequate to meet the financial, operational and compliance risks of the Group in its current business environment.

Principle 12: Audit Committee

The Audit Committee comprises of three independent non-executive Directors, Mr Lim Song Joo, Dr Choong Chow Siong and Mr Neo Poh Kok David. Mr Lim Song Joo is the Chairman of the Audit Committee.

The Audit Committee holds periodic meetings to perform the following functions:

(a) review with external auditors the audit plan, and the results of the external auditors' examination and evaluation of the Group's system of internal controls;

(b) review the financial statements and the external auditors' report on those financial statements, before submission to the Board for approval;

(c) review the co-operation given by our management to our auditors;

(d) nominate the appointment and re-appointment of external auditors to the Board and approve the remuneration and terms of engagement of the external auditors;

(e) review interested person transactions;

(f) review internal audit reports and internal audit plans of the Group; and

(g) review the Group's compliance with such functions and duties as may be required under the relevant statutes or the Singapore Exchange Securities Trading Limited listing manual ("**Listing Manual**"), and by such amendments made thereto from time to time.

In addition to the above, the Audit Committee is empowered to commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which are or is likely to have a material impact on our Group's operating results and/or financial position.

Each member of the Audit Committee shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the Audit Committee in respect of matters in which he is interested.

Pursuant to Rule 1207 (6)(b) and (6)(c) of the Listing Manual, the Audit Committee undertook the review of the independence and objectivity of the auditors as well as reviewing the non-audit services provided by the incumbent auditors, and the aggregate amount of audit fees paid to them. During the current financial year, the Company engaged KPMG Services Pte Ltd to provide corporate governance services at a fee of $30,000. The Audit Committee is satisfied that neither their independence nor their objectivity is put at risk, and that they are still able to meet the audit requirements and statutory obligations of the Company. Accordingly, the Audit Committee has recommended the re-appointment of the auditors at the forthcoming AGM of the Company. In recommending the re-appointment of the auditors, the Audit Committee considered and reviewed a variety of factors including adequacy of resources, experience of supervisory and professional staff to be assigned to the audit, and size and complexity of the Group, its businesses and operations.

In appointing our auditors for the Company and subsidiaries, we have complied with the requirements of Rules 712 and 715 of the SGX Listing Manual.

Pursuant to Rule 1207 (6)(a), the fees payable to auditors is set out in Note 19 on page 77 of this Annual Report.

During the financial year, the Audit Committee has reviewed with the Group CFO and the external auditors on changes in accounting standards and issues which are relevant to the Group and have a direct impact on the Group's financial statements.

Principle 13: Internal Audit

The Audit Committee's responsibility in overseeing that the Company's risk management system and internal controls are adequate will be complemented by the outsourced internal auditor, Ernst & Young Advisory Pte Ltd, whom the Company has appointed. The internal auditor had adopted the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The internal auditor will report directly to the Chairman of the Audit Committee on audit matters. The internal auditor will plan its audit work in consultation with, but independently of, the management, and its yearly plan will be submitted to the Audit Committee for approval at the beginning of the year. The internal auditor will report to the Audit Committee regarding its findings. The Audit Committee will meet the internal auditor at least once a year, without the presence of the management to review the assistance given by the Company's officers to the internal auditor. The internal auditor has full access to all the Company's documents, records, properties and personnel including access to the Audit Committee.

Based on the external and internal auditors' findings, the Board with the concurrence of the Audit Committee is of the opinion that the Group's internal controls addressing financial, operational and compliance risks are adequate in meeting the needs of the Group and provide reasonable (though not absolute) assurance against material financial misstatements and loss, and safeguard the Group's assets. The internal controls ensure the Group's maintenance of proper accounting records, compliance with applicable regulations and best practices, and timely identification and containment of financial, operational and compliance risks. The Audit Committee is also satisfied that there were no material internal control deficiencies identified.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholder Meetings

We believe in regular and timely communication with shareholders as part of the Group's effort to help our shareholders understand our business better.

In line with the continuous obligations of the Company pursuant to the Listing Manual and the Companies Act, the Board's policy is that all shareholders should be equally and timely informed of all major developments that impact on the Company or the Group. It is also the Board's policy that all corporate news, strategies and announcements are promptly disseminated through SGXNET, press releases as well as various media. The Company does not practice selective disclosure.

Shareholders are encouraged to attend the AGM to ensure a high level of accountability and to stay informed of the Company's strategy and goals. Notice of the AGM is dispatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 days before the meeting. The Board welcomes questions from shareholders who have an opportunity to raise issues either formally or informally before or at the AGM.

CORPORATE GOVERNANCE

The Company's dividend policy endeavours to balance dividend return to shareholders with the need for long-term sustainable growth whilst aiming for an efficient capital structure. The Company strives to provide shareholders on an annual basis with a consistent and sustainable ordinary dividend based on cash position, working capital, expenditure plans, acquisition opportunities and market environment.

The Company has been declaring dividends at year-end. Any payouts are communicated to shareholders via announcement on SGXNET when the Company discloses its financial results.

DEALING IN SECURITIES

All Directors and Executives of the Group are not allowed to deal in the Company's securities during the period commencing two weeks before the announcement of the Company's financial statements for the first and third quarters of its financial year and one month before the announcement of the Company's second quarter and full year financial statements.

Internal guidelines applicable to all directors and affected staff of the Group with regard to dealings in the shares of the Company have been adopted whereby such dealings are strictly prohibited during prescribed periods until the announcements of the relevant results are made. The employees and directors of the Group are also reminded to observe the insider trading laws at all times even when dealing in securities within permitted trading period. They are also discouraged from dealing in the Company's shares on short-term considerations.

INTERESTED PERSON TRANSACTIONS POLICY

The Company has adopted an internal policy in respect of any transactions with interested persons and has set out the procedures for review and approval of the Company's interested person transactions.

Details of the interested person transactions are disclosed as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year ended 2014 (S$'000)
Shanghai Poly Technologies Co. Ltd	388

MATERIAL CONTRACTS

There were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the Chief Executive Officer, any director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

FINANCIAL REVIEW

DIRECTORS' REPORT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2014.

Directors

The directors in office at the date of this report are as follows:

Wu Hsioh Kwang	
Xu Niansha	(appointed on 28 November 2014)
Li Weiqiang	
Fu Xuezhang	
Chua Soh Har	
Tay Siew Choon	
Lim Song Joo	
Choong Chow Siong	
Neo Poh Kok David	

Alternate Directors:

Wu Xiuyi (Alternate Director to Wu Hsioh Kwang)	(appointed on 1 June 2014)
Wu Xiuzhuan (Alternate Director to Chua Soh Har)	(appointed on 1 June 2014)

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares in the Company are as follows:

Name of director and corporation in which interests are held	**Holdings registered in the name of the director**		**Other holdings in which the director is deemed to have an interest**	
	At beginning of the year	**At end of the year**	**At beginning of the year**	**At end of the year**
The Company				
Ordinary shares fully paid				
Wu Hsioh Kwang	3,988,000	3,988,000	469,719,980	469,719,980

Name of director and corporation in which interests are held	Holdings registered in the name of the director		Other holdings in which the director is deemed to have an interest	
	At beginning of the year	At end of the year	At beginning of the year	At end of the year
The Company				
Ordinary shares fully paid				
Fu Xuezhang	60,000	190,000	–	–
Chua Soh Har	10,844,000	10,844,000	462,863,980	462,863,980
Tay Siew Choon	530,000	530,000	–	–
Choong Chow Siong	530,000	530,000	–	–
Lim Song Joo	–	300,000	–	–
Neo Poh Kok David	–	300,000	–	–
Wu Xiuyi (Alternate Director to Wu Hsioh Kwang)	32,865,000	32,865,000	–	–
Wu Xiuzhuan (Alternate Director to Chua Soh Har)	26,956,000	26,956,000	–	–

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning or at the end of the financial year.

There were no changes in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2015.

Except as disclosed under the "Share Options" section of this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in note 20 to the financial statements, since the end of the last financial year, no director has received, or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Share options

The Straco Share Option Scheme (the "2004 Scheme") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 12 January 2004. Details of the 2004 Scheme were described in the Prospectus dated 10 February 2004 on the Company's initial public offer of shares. On 28 April 2010, the Company amended the 2004 Scheme to allow controlling shareholders and their associates, who are in the employment of the Group, to be eligible to participate in the 2004 Scheme. The 2004 Scheme was administered by the Company's Remuneration Committee, comprising three directors, namely Tay Siew Choon, Choong Chow Siong and Chua Soh Har.

DIRECTORS' REPORT

Information regarding the 2004 Scheme was as follows:

- The exercise price of the options could be set at a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant;
- The options could be exercised 1 year after the grant for market price options and 2 years for discounted options; and
- The options granted would expire after 5 years for non-executive directors, and 10 years for executive directors and employees of the Company and its subsidiaries.

As at 31 December 2014, a total of 10,970,000 shares were allotted pursuant to options which had been exercised and a total of 1,920,000 options had lapsed/expired under the 2004 Scheme. Options to subscribe for a total of 19,230,000 options which have not yet been exercised remained outstanding.

The 2004 Scheme expired on 11 January 2014.

On 29 April 2014, the shareholders of the Company approved the adoption of a new share option scheme known as the "Straco Share Option Scheme 2014" (the "2014 Scheme"), the rules of which are set out in the Company's circular to shareholders dated 11 April 2014. The 2014 Scheme is administered by the Company's Remuneration Committee, comprising of three directors, namely, Tay Siew Choon, Choong Chow Siong and Chua Soh Har.

Information regarding the 2014 Scheme is as follows:

- The exercise price of the options can be the market price or at a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant;
- The options are exercisable 1 year and 2 years after the grant for market price options and for discounted options respectively; and
- The options granted will expire after 5 years for non-executive directors, and 10 years for executive directors and employees of the Company and its subsidiaries.

At the end of the financial year, details of the outstanding options granted at market price under the Schemes on the unissued ordinary shares of the Company are as follows:

Date of grant of options	Exercise price per share $	Options outstanding at 1 January 2014	Options granted	Options exercised	Options forfeited/ expired	Options outstanding at 31 December 2014	Number of option holders at 31 December 2014	Exercise period
2004 Scheme								
22/10/2007	0.190	2,560,000	–	(1,200,000)	–	1,360,000	4	23/10/2008 to 22/10/2017
06/05/2010	0.129	2,260,000	–	–	–	2,260,000	5	07/05/2011 to 06/05/2015
06/05/2010	0.129	750,000	–	(150,000)	–	600,000	1	07/05/2011 to 06/05/2020
05/05/2011	0.176	2,620,000	–	(330,000)	–	2,290,000	5	06/05/2012 to 05/05/2016
05/05/2011	0.176	2,250,000	–	(600,000)	–	1,650,000	3	06/05/2012 to 05/05/2021
08/05/2012	0.196	3,680,000	–	(1,040,000)	–	2,640,000	6	09/05/2013 to 08/05/2017
08/05/2012	0.196	2,780,000	–	(1,150,000)	–	1,630,000	4	09/05/2013 to 08/05/2022
06/05/2013	0.311	3,910,000	–	–	–	3,910,000	9	07/05/2014 to 06/05/2018
06/05/2013	0.311	2,890,000	–	–	–	2,890,000	8	07/05/2014 to 06/05/2023
2014 Scheme								
12/05/2014	0.63	–	4,640,000	–	–	4,640,000	11	13/05/2015 to 12/05/2019
12/05/2014	0.63	–	2,980,000	–	–	2,980,000	15	13/05/2015 to 12/05/2024
		23,700,000	7,620,000	(4,470,000)	–	26,850,000		

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

Details of options granted to directors of the Company and controlling shareholder of the Company and his associates under the Schemes are as follows:

Name	**Options granted in financial year ended 31 December 2014**	**Aggregate options granted since commencement of Schemes to 31 December 2014**	**Aggregate options exercised since commencement of Schemes to 31 December 2014**	**Aggregate options outstanding as at 31 December 2014**
Directors				
Wu Hsioh Kwang (also the controlling shareholder of the Company)	1,000,000	4,900,000	–	4,900,000
Li Weiqiang	330,000	330,000	–	330,000
Fu Xuezhang	330,000	1,950,000	(1,290,000)	660,000
Chua Soh Har	330,000	960,000	–	960,000
Tay Siew Choon	330,000	1,950,000	(330,000)	1,620,000
Lim Song Joo	330,000	960,000	(300,000)	660,000
Choong Chow Siong	330,000	1,950,000	(330,000)	1,620,000
Neo Poh Kok David	330,000	960,000	(300,000)	660,000
	3,310,000	13,960,000	(2,550,000)	11,410,000
Alternate Directors and Associates of controlling shareholder				
Wu Xiuyi	600,000	2,340,000	–	2,340,000
Wu Xiuzhuan	400,000	700,000	–	700,000
	1,000,000	3,040,000	–	3,040,000

Since the commencement of the Schemes, no participant under the Schemes has been granted 5% or more of the total options available under the Schemes.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

No option was granted at a discount during the financial year.

Audit committee

The members of the Audit Committee during the year and at the date of this report are:

Lim Song Joo	(Chairman, Independent non-executive director)
Choong Chow Siong	(Independent non-executive director)
Neo Poh Kok David	(Independent non-executive director)

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee has held four meetings since the last directors' report. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Group's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing our auditors for the Company and subsidiaries, we have complied with Rules 712 and 715 of the SGX Listing Manual.

DIRECTORS' REPORT

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Wu Hsioh Kwang
Director

Lim Song Joo
Director

20 March 2015

STATEMENT BY DIRECTORS

In our opinion:

(a) the financial statements set out on pages 36 to 91 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Wu Hsioh Kwang
Director

Lim Song Joo
Director

20 March 2015

INDEPENDENT AUDITORS' REPORT

Members of the Company
Straco Corporation Limited

Report on the financial statements

We have audited the accompanying financial statements of Straco Corporation Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2014, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 36 to 91.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
20 March 2015

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2014

	Note	Group 2014 $	Group 2013 $	Company 2014 $	Company 2013 $
Non-current assets					
Property, plant and equipment	4	139,645,393	47,071,429	2,300,585	2,358,086
Investment property	5	49,882,904	–	–	–
Investments in subsidiaries	6	–	–	102,220,338	48,120,339
Intangible assets and goodwill	8	4,612,533	1,419,013	–	–
		194,140,830	48,490,442	104,520,923	50,478,425
Current assets					
Inventories		2,790,174	960,398	–	–
Trade and other receivables	10	5,303,806	25,817,756	1,859,603	47,534,382
Cash and cash equivalents	11	112,465,351	108,055,060	3,770,236	18,238,280
		120,559,331	134,833,214	5,629,839	65,772,662
Total assets		314,700,161	183,323,656	110,150,762	116,251,087
Equity attributable to owners of the Company					
Share capital	12	76,985,514	76,985,514	76,985,514	76,985,514
Reserves	13	16,007,661	10,930,490	(1,390,596)	(3,003,383)
Retained earnings		93,649,006	72,980,549	25,489,789	38,256,294
		186,642,181	160,896,553	101,084,707	112,238,425
Non-controlling interests		7,736,007	3,115,870	–	–
Total equity		194,378,188	164,012,423	101,084,707	112,238,425
Non-current liabilities					
Borrowings	15	73,900,000	–	–	–
Deferred income	16	149,979	213,028	–	–
Deferred tax liabilities	9	13,060,465	1,849,732	–	–
		87,110,444	2,062,760	–	–
Current liabilities					
Trade and other payables	17	11,100,553	10,226,009	1,607,344	4,012,662
Current tax liabilities		2,652,265	7,022,464	–	–
Borrowings	15	19,458,711	–	7,458,711	–
		33,211,529	17,248,473	9,066,055	4,012,662
Total liabilities		120,321,973	19,311,233	9,066,055	4,012,662
Total equity and liabilities		314,700,161	183,323,656	110,150,762	116,251,087

The accompanying notes form an integral part of these financial statements

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2014

	Note	Group 2014 $	Group 2013 $
Revenue	18	92,322,165	72,840,387
Other income	19	5,292,388	5,588,539
Less:			
Depreciation and amortisation expenses		(4,616,355)	(3,947,358)
Sales and marketing expenses		(2,340,240)	(2,744,474)
Exchange losses/(gains)		(1,487,792)	2,180,810
Operating lease expenses		(4,730,519)	(3,726,796)
Property and other taxes		(2,177,053)	(465,382)
Repair and maintenance expenses		(2,176,193)	(2,052,631)
Staff costs		(13,609,056)	(10,184,361)
Utilities expenses		(2,522,998)	(2,308,329)
Other operating expenses		(2,138,168)	(1,677,230)
Other administrative expenses		(4,011,761)	(3,233,363)
Operating profit		57,804,418	50,269,812
Finance cost		(163,435)	–
Profit before income tax	19	57,640,983	50,269,812
Tax expense	21	(18,388,236)	(14,875,532)
Profit for the year		39,252,747	35,394,280
Profit attributable to:			
Owners of the Company		37,687,884	34,096,988
Non-controlling interests		1,564,863	1,297,292
Profit for the year		39,252,747	35,394,280
Earnings per share			
Basic earnings per share (cents)	22	4.45	4.05
Diluted earnings per share (cents)	22	4.38	4.01

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	Group	
	2014	2013
	$	$
Profit for the year	39,252,747	35,394,280
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences for foreign operations	3,515,996	5,738,847
Other comprehensive income for the year, net of income tax	3,515,996	5,738,847
Total comprehensive income for the year	42,768,743	41,133,127
Total comprehensive income attributable to:		
Owners of the Company	41,079,033	39,640,587
Non-controlling interests	1,689,710	1,492,540
Total comprehensive income for the year	42,768,743	41,133,127

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Share capital $	General reserve fund $	Share option reserve $	Foreign currency translation reserve $	Treasury shares $	Capital reserve $	Retained earnings $	Total attributable to owners of the Company $	Non-controlling interests $	Total equity $
Group										
2013										
At 1 January 2013	76,985,514	7,666,475	1,793,014	(3,818,183)	(5,342,897)	(131,377)	53,961,538	131,114,084	2,880,514	133,994,598
Total comprehensive income for the year										
Profit for the year	–	–	–	–	–	–	34,096,988	34,096,988	1,297,292	35,394,280
Other comprehensive income										
Foreign currency translation differences for foreign operations	–	–	–	5,543,599	–	–	–	5,543,599	195,248	5,738,847
Total other comprehensive income	–	–	–	5,543,599	–	–	–	5,543,599	195,248	5,738,847
Total comprehensive income for the year	–	–	–	5,543,599	–	–	34,096,988	39,640,587	1,492,540	41,133,127

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Share capital $	General reserve fund $	Share option reserve $	Foreign currency translation reserve $	Treasury shares $	Capital reserve $	Retained earnings $	Total attributable to owners of the Company $	Non-controlling interests $	Total equity $
Group										
2013										
Transactions with owners of the Company, recognised directly in equity										
Contributions by and distributions to owners										
Dividend to non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	(1,257,184)	(1,257,184)
Final dividend paid of 1.25 cents per share (1-tier tax exempt)	–	–	–	–	–	–	(10,535,995)	(10,535,995)	–	(10,535,995)
Own shares purchased	–	–	–	–	(125,903)	–	–	(125,903)	–	(125,903)
Share options exercised	–	–	–	–	426,019	(75,039)	–	350,980	–	350,980
Share-based payment transactions	–	–	452,800	–	–	–	–	452,800	–	452,800
Transfer to general reserve fund	–	4,541,982	–	–	–	–	(4,541,982)	–	–	–
Total contributions by and distributions to owners	–	4,541,982	452,800	–	300,116	(75,039)	(15,077,977)	(9,858,118)	(1,257,184)	(11,115,302)
Total transactions with owners	–	4,541,982	452,800	–	300,116	(75,039)	(15,077,977)	(9,858,118)	(1,257,184)	(11,115,302)
At 31 December 2013	76,985,514	12,208,457	2,245,814	1,725,416	(5,042,781)	(206,416)	72,980,549	160,896,553	3,115,870	164,012,423

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Share capital $	General reserve fund $	Share option reserve $	Foreign currency translation reserve $	Treasury shares $	Capital reserve $	Retained earnings $	Total attributable to owners of the Company $	Non-controlling interests $	Total equity $
Group										
2014										
At 1 January 2014	76,985,514	12,208,457	2,245,814	1,725,416	(5,042,781)	(206,416)	72,980,549	160,896,553	3,115,870	164,012,423
Total comprehensive income for the year										
Profit for the year	–	–	–	–	–	–	37,687,884	37,687,884	1,564,863	39,252,747
Other comprehensive income										
Foreign currency translation differences for foreign operations	–	–	–	3,391,149	–	–	–	3,391,149	124,847	3,515,996
Total other comprehensive income	–	–	–	3,391,149	–	–	–	3,391,149	124,847	3,515,996
Total comprehensive income for the year	–	–	–	3,391,149	–	–	37,687,884	41,079,033	1,689,710	42,768,743

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

Group	Share capital $	General reserve fund $	Share option reserve $	Foreign currency translation reserve $	Treasury shares $	Capital reserve $	Retained earnings $	Total attributable to owners of the Company $	Non-controlling interests $	Total equity $
2014										
Transactions with owners of the Company, recognised directly in equity										
Contributions by and distributions to owners										
Dividend to non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	(69,573)	(69,573)
Final and special dividend paid of 2.00 cents per share (1-tier tax exempt)	–	–	–	–	–	–	(16,946,192)	(16,946,192)	–	(16,946,192)
Issue of shares to non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	3,000,000	3,000,000
Own shares purchased	–	–	–	–	(567,564)	–	–	(567,564)	–	(567,564)
Share options exercised	–	–	–	–	900,601	(60,331)	–	840,270	–	840,270
Share-based payment transactions	–	–	1,340,081	–	–	–	–	1,340,081	–	1,340,081
Transfer to general reserve fund	–	73,235	–	–	–	–	(73,235)	–	–	–
Total contributions by and distributions to owners	–	73,235	1,340,081	–	333,037	(60,331)	(17,019,427)	(15,333,405)	2,930,427	(12,402,978)
Total transactions with owners	–	73,235	1,340,081	–	333,037	(60,331)	(17,019,427)	(15,333,405)	2,930,427	(12,402,978)
At 31 December 2014	76,985,514	12,281,692	3,585,895	5,116,565	(4,709,744)	(266,747)	93,649,006	186,642,181	7,736,007	194,378,188

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Note	Group 2014 $	Group 2013 $
Cash flows from operating activities			
Profit before income tax		57,640,983	50,269,812
Adjustments for:			
Depreciation of property, plant and equipment		4,430,678	3,947,358
Depreciation of investment property		117,096	–
Amortisation of intangible assets		68,581	–
Equity-settled share-based payment transactions		1,340,081	452,800
Exchange loss/(gain)		475,999	(1,954,419)
Amortisation of government grants		(64,932)	(61,370)
Interest income		(3,334,544)	(3,250,178)
Interest expense		163,435	2,260
Negative goodwill recognised		(113,546)	–
Loss/(gain) on disposal of property, plant and equipment		6,192	(692,001)
Operating profit before working capital changes		60,730,023	48,714,262
Changes in working capital:			
Inventories		(751,367)	137,793
Trade and other receivables		(1,899,019)	82,657
Trade and other payables		(402,977)	1,045,155
Cash generated from operating activities		57,676,660	49,979,867
Income taxes paid		(20,682,660)	(14,312,414)
Net cash from operating activities		36,994,000	35,667,453
Cash flows from investing activities			
Acquisition through business combination, net of cash acquired		(116,437,414)	–
Government grant received		–	30,244
Interest received		4,607,043	1,858,221
Proceeds from disposal of property, plant and equipment		1,580	1,288,152
Purchase of property, plant and equipment		(1,227,976)	(1,436,496)
Deposits paid for bidding of a project		–	(21,200,000)
Net cash used in investing activities		(113,056,767)	(19,459,879)
Cash flows from financing activities			
Dividends paid to owners of the Company		(16,946,192)	(10,535,995)
Dividends paid to non-controlling interests		(1,274,984)	(1,274,857)
Interest paid		(119,454)	(2,260)
Proceeds from issue of shares		3,000,000	–
Proceeds from exercise of share options		840,270	350,980
Proceeds from borrowings		94,358,711	–
Repayment of borrowings		(1,000,000)	–
Repurchase of own shares		(567,564)	(125,903)
Deposits from potential partner for bidding of a project		–	2,100,000
Deposits pledged		(18,048,480)	–
Net cash from/(used in) financing activities		60,242,307	(9,488,035)
Net (decrease)/increase in cash and cash equivalents		(15,820,460)	6,719,539
Cash and cash equivalents at beginning of year		108,055,060	95,969,619
Effect of exchange rate fluctuations		2,182,271	5,365,902
Cash and cash equivalents at end of year	11	94,416,871	108,055,060

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 20 March 2015.

1 Domicile and activities

Straco Corporation Limited (the "Company") is a company incorporated in Singapore. The address of the Company's registered office is 10 Anson Road #30-15, International Plaza, Singapore 079903.

The financial statements of the Company as at and for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The Group and the Company are primarily involved in the development and management of tourism-related businesses.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis.

2.3 Functional and presentation currency

The financial statements are presented in Singapore dollars which is the Company's functional currency.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with FRSs require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements.

2 Basis of preparation (cont'd)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 4 – Estimation of useful lives of property, plant and equipment
- Note 5 – Estimation of useful lives of investment property
- Note 6 – Measurement of recoverable amounts of investments in subsidiaries
- Note 8 – Measurement of recoverable amounts of intangible assets
- Note 10 – Assessment of recoverability of trade and other receivables
- Note 14 – Measurement of Straco share option scheme
- Note 21 – Estimation of provisions for current and deferred taxation

2.5 Changes in accounting policies

(i) Offsetting of financial assets and financial liabilities

Under the Amendments to FRS 32 *Financial Instruments*: *Presentation – Offsetting Financial Assets and Financial Liabilities*, to qualify for offsetting, the right to set off a financial asset and a financial liability must not be contingent on a future event and must be enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

(ii) Subsidiaries

As a result of FRS 110 *Consolidated Financial Statements*, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. FRS 110 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In accordance with the transitional provisions of FRS 110, the Group reassessed the control conclusion for its investees at 1 January 2014.

Notwithstanding the above, the change had no significant impact on the Group's subsidiaries.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group entities, except as explained in note 2.5, which addresses changes in the accounting policies.

3.1 Consolidation

Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combinations* as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

3 Significant accounting policies (cont'd)

3.1 Consolidation (cont'd)

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Accounting for subsidiaries

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in a foreign operation (see below) which are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

3 Significant accounting policies (cont'd)

3.2 Foreign currency (cont'd)

Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the end of reporting period. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the closing date. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains or losses arising from such a monetary item are considered to form part of a net investment in a foreign operation. These are recognised in other comprehensive income, and are presented in the foreign currency translation reserve in equity.

3.3 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income/other expense in profit or loss.

3 Significant accounting policies (cont'd)

3.3 Property, plant and equipment (cont'd)

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Construction in progress is not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years, if applicable, are as follows:

Leasehold land and buildings	20 to 50 years
Leasehold improvements	10 years
Cable car equipment	10 to 20 years
Giant observation wheel	35 years 7 months
Office equipment, furniture and fittings	3 to 5 years
Motor vehicles	5 to 8 years
Machinery	10 to 20 years
Fishes and marine livestock	5 years
Show equipment	3 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

3.4 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at fair value on initial recognition from the acquisition through business combination. Subsequent to initial recognition, investment property is measured at cost less accumulated amortisation and accumulated impairment losses.

Investment property is depreciated using the straight line method over 35 years 7 months, the remaining lease term.

3 Significant accounting policies (cont'd)

3.4 Investment property (cont'd)

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

3.5 Intangible assets

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3.1.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

Brand, trademarks and others

Brand, trademarks and other intangible assets that arise from the acquisition of the Singapore Flyer are included in intangible asset and measured at fair value upon initial recognition. Subsequent to initial recognition, the intangible assets are recognised at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation of brand, trademarks and others are recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives for the current year are as follows:

Brand and trademarks	5 years
Others	1 year

Development costs

Costs incurred in connection with the development of stage shows, costumes and other stage settings are capitalised. Such development costs are stated at cost less accumulated amortisation and accumulated impairment losses.

Development costs are amortised in profit or loss on a straight-line basis over the estimated useful life of 3 years, from the date on which they are available for use.

3.6 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

3 Significant accounting policies (cont'd)

3.6 Financial instruments (cont'd)

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets of the Group comprise loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables of the Group comprise cash and cash equivalents and trade and other receivables (excludes prepayments).

Cash and cash equivalents comprise cash balances and deposits with financial institutions which are subject to an insignificant risk of changes in their fair values, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included in cash and cash equivalents.

Non-derivative financial liabilities

The Group initially recognised debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provision of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial liabilities of the Group comprise trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

3 Significant accounting policies (cont'd)

3.6 Financial instruments (cont'd)

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

3.7 Impairment

Impairment of non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers of the Branch or economic conditions that correlate with defaults.

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. For goodwill, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

3 Significant accounting policies (cont'd)

3.7 Impairment (cont'd)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.8 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.9 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

3 Significant accounting policies (cont'd)

3.9 Employee benefits (cont'd)

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

The share option programme allows employees of the Group to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the vesting period during which the employees become unconditionally entitled to the options. At each reporting date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in employee expense and in a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transactions costs are credited to share capital when the options are exercised.

3.10 Revenue

Sale of tickets

Revenue from the sale of admission tickets is recognised when the tickets are utilised. Tickets sold are non-refundable.

Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

Performance fee

Revenue from show performance fee is recognised when the event takes place.

Sale of goods

Revenue from the sale of goods is recognised when the Group has delivered the products to the customers, the customer has accepted the products and collectability of the related receivables is reasonably assured.

Dividend income

Dividend income is recognised on the date that the Group's right to receive payment is established.

Deferred income

Sales of pre-sold tickets and annual passes are recognised on the statement of financial position. Pre-sold tickets are recognised as revenue when utilised and annual passes are recognised as revenue on a straight-line basis over the validity of the annual passes. Unutilised amounts are recognised as revenue upon expiry.

3 Significant accounting policies (cont'd)

3.11 Finance income and finance costs

Finance income comprises interest income on bank balances. Interest income is recognised as it accrues, using the effective interest method. Finance income is included in other income.

Finance costs comprise interest expenses on loans and borrowings.

Foreign currency gains or losses are reported on a net basis in administrative expenses.

3.12 Government grants

Government grants are recognised at their fair value when there is reasonable assurance that the Group complies with the conditions attached to them, and the grant will be received. The grant is presented separately in profit or loss.

Income related grants are credited to profit or loss over the periods necessary to match them with related expenditure.

Asset-related grants are accounted for as deferred income and recognised in profit or loss on a systematic and rational basis over the useful lives of the assets.

3.13 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

3 Significant accounting policies (cont'd)

3.13 Income tax (cont'd)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.14 Leases payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

3.15 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

3.16 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Executive Chairman ("EC") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the EC include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

3.17 New accounting standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

4 Property, plant and equipment

Group	Leasehold land and buildings $	Leasehold improvements $	Cable car equipment $	Giant observation wheel $	Office equipment, furniture and fittings $	Motor vehicles $	Machinery $	Fishes and marine livestock $	Show equipment $	Construction in progress $	Total $
Cost											
At 1 January 2013	32,368,563	6,103,865	4,821,684	–	4,210,895	591,388	39,767,447	7,176,113	1,077,586	2,722,104	98,839,645
Additions	73,437	66,058	70,862	–	386,043	–	26,305	270,519	–	543,272	1,436,496
Reclassification	–	26,225	–	–	141,648	–	–	–	–	(167,873)	–
Disposals	–	–	–	–	(99,766)	–	–	(49,125)	–	(585,355)	(734,246)
Translation adjustments	1,889,293	379,549	311,054	–	254,380	37,940	2,551,884	397,451	–	173,610	5,995,161
At 31 December 2013	34,331,293	6,575,697	5,203,600	–	4,893,200	629,328	42,345,636	7,794,958	1,077,586	2,685,758	105,537,056
At 1 January 2014	34,331,293	6,575,697	5,203,600	–	4,893,200	629,328	42,345,636	7,794,958	1,077,586	2,685,758	105,537,056
Acquisition through business combination	–	–	–	82,653,993	233,257	–	12,112,750	–	–	–	95,000,000
Additions	18,227	52,010	–	–	442,407	74,280	83,206	84,054	–	473,792	1,227,976
Reclassification	–	7,006	–	–	71,084	–	–	–	–	(78,090)	–
Disposals	–	–	–	–	(50,500)	–	(6,341)	–	–	–	(56,841)
Translation adjustments	621,974	127,840	103,017	–	98,143	15,130	840,797	136,261	–	70,210	2,013,372
At 31 December 2014	34,971,494	6,762,553	5,306,617	82,653,993	5,687,591	718,738	55,376,048	8,015,273	1,077,586	3,151,670	203,721,563
Accumulated depreciation											
At 1 January 2013	11,128,541	5,194,809	4,627,916	–	2,458,932	439,606	19,708,495	6,836,731	1,070,043	–	51,465,073
Depreciation charge for the year	1,185,973	214,635	24,508	–	479,108	68,259	1,824,526	145,823	4,526	–	3,947,358
Disposals	–	–	–	–	(90,602)	–	–	(47,493)	–	–	(138,095)
Translation adjustments	707,519	329,448	297,496	–	145,522	29,863	1,308,758	372,685	–	–	3,191,291
At 31 December 2013	13,022,033	5,738,892	4,949,920	–	2,992,960	537,728	22,841,779	7,307,746	1,074,569	–	58,465,627
At 1 January 2014	13,022,033	5,738,892	4,949,920	–	2,992,960	537,728	22,841,779	7,307,746	1,074,569	–	58,465,627
Depreciation charge for the year	1,149,885	226,365	31,858	193,569	520,568	35,620	2,133,136	136,660	3,017	–	4,430,678
Disposals	–	–	–	–	(44,762)	–	(4,307)	–	–	–	(49,069)
Translation adjustments	284,475	117,939	99,140	–	69,364	11,927	517,581	128,508	–	–	1,228,934
At 31 December 2014	14,456,393	6,083,196	5,080,918	193,569	3,538,130	585,275	25,488,189	7,572,914	1,077,586	–	64,076,170
Carrying amounts											
At 1 January 2013	21,240,022	909,056	193,768	–	1,751,963	151,782	20,058,952	339,382	7,543	2,722,104	47,374,572
At 31 December 2013	21,309,260	836,805	253,680	–	1,900,240	91,600	19,503,857	487,212	3,017	2,685,758	47,071,429
At 31 December 2014	20,515,101	679,357	225,699	82,460,424	2,149,461	133,463	29,887,859	442,359	–	3,151,670	139,645,393

NOTES TO THE FINANCIAL STATEMENTS

4 Property, plant and equipment (cont'd)

Company	**Leasehold buildings $**	**Leasehold improvements $**	**Office equipment, furniture and fittings $**	**Total $**
Cost				
At 1 January 2013	2,727,449	212,694	278,806	3,218,949
Additions	–	–	22,951	22,951
Disposals	–	–	(8,008)	(8,008)
At 31 December 2013	2,727,449	212,694	293,749	3,233,892
At 1 January 2014	2,727,449	212,694	293,749	3,233,892
Additions	–	–	28,553	28,553
At 31 December 2014	2,727,449	212,694	322,302	3,262,445
Accumulated depreciation				
At 1 January 2013	395,480	132,855	277,972	806,307
Depreciation charge for the year	54,549	21,269	1,689	77,507
Disposals	–	–	(8,008)	(8,008)
At 31 December 2013	450,029	154,124	271,653	875,806
At 1 January 2014	450,029	154,124	271,653	875,806
Depreciation charge for the year	54,549	21,269	10,236	86,054
At 31 December 2014	504,578	175,393	281,889	961,860
Carrying amounts				
At 1 January 2013	2,331,969	79,839	834	2,412,642
At 31 December 2013	2,277,420	58,570	22,096	2,358,086
At 31 December 2014	2,222,871	37,301	40,413	2,300,585

Source of estimation uncertainty

The costs of property, plant and equipment are depreciated on a straight-line basis over their useful lives. Management estimates the useful lives of these property, plant and equipment to be between 3 to 50 years. The Group reviews annually the estimated useful lives of property, plant and equipment based on the factors that include asset utilisation, internal technical evaluation, technological changes, environmental and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase depreciation expense and decrease property, plant and equipment.

5 Investment property

	$
Cost	
At 1 January 2013	–
Additions	–
At 31 December 2013	–
At 1 January 2014	–
Acquisition through business combination	50,000,000
At 31 December 2014	50,000,000
Accumulated depreciation	
At 1 January 2013	–
Depreciation charge for the year	–
At 31 December 2013	–
At 1 January 2014	–
Depreciation charge for the year	117,096
At 31 December 2014	117,096
Carrying amounts	
At 1 January 2013	–
At 31 December 2013	–
At 31 December 2014	49,882,904

The fair value of investment property was determined by an external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The fair value of the investment property at year end approximates its fair value on initial recognition from the acquisition through business combination.

5 Investment property (cont'd)

Source of estimation uncertainty

The cost of investment property is depreciated on a straight-line basis over its useful life. Management estimates the useful life of the investment property to be between 35 years 7 months. The Group reviews annually the estimated useful life of investment property based on the factors that include asset utilisation, internal technical evaluation, technological changes, environmental and anticipated use of the asset. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful life of investment property would increase depreciation expense and decrease investment property.

6 Investments in subsidiaries

	Company	
	2014	**2013**
	$	**$**
Equity investments, at cost	76,070,954	48,070,955
Impairment losses	(909,871)	(909,871)
	75,161,083	47,161,084
Loans and advances to subsidiaries	27,059,255	959,255
	102,220,338	48,120,339

6 Investments in subsidiaries (cont'd)

Subsidiaries of the Group are as follows:

Name of subsidiary	Principal activities	Place of incorporation and business	Group's effective equity interest 2014 %	Group's effective equity interest 2013 %	Cost of investment 2014 $	Cost of investment 2013 $
Infotainment Development & Management Pte Ltd [1]	Provision of management and consulting services and overall project management to the Group and third parties	Singapore	100	100	2,535,573	2,535,573
- Straco Creation Pte Ltd [1]	Show production and management as well as creative and artistic content provider	Singapore	51	51	–	–
New Bay Holdings Pte Ltd [1]	Investment holding	Singapore	100	100	12,568,694	12,568,694
- Underwater World Xiamen Co Ltd [3]	Operation of aquatic related facilities and performance	People's Republic of China ("PRC")	100	100	–	–
Lintong Lixing Cable Car Co Ltd [2]	Operation of cable car facilities	PRC	95	95	965,645	965,645
Shanghai Ocean Aquarium Co Ltd [2]	Development and operation of aquatic related facilities	PRC	95	95	26,794,578	26,794,578
Xi'an Lintong Zhongxin Tourism Development Co Ltd [2]	Development and operation of tourism-related facilities	PRC	95	95	5,206,464	5,206,464
Bay Attractions Pte Ltd [1]	Investment holding	Singapore	100	–	28,000,000	–
- Straco Leisure Pte Ltd [1]*	Operation of a circular giant observation structure and provision of retail space	Singapore	90	100	–	1
					76,070,954	48,070,955

1 Audited by KPMG Singapore

2 Audited by KPMG Huazhen

3 Audited by PKF Daxin (formerly known as Zhonglei Certified Public Accountants Co. Ltd, Fujian Branch) and audited by KPMG Huazhen for consolidation purposes

* The share of Straco Leisure Pte Ltd was transferred to Bay Attractions Pte Ltd during the year.

6 Investments in subsidiaries (cont'd)

Assessment of impairment

The Company evaluates whether there is any objective evidence that its investments in subsidiaries are impaired and determines the amount of impairment loss based on the estimated recoverable amounts of the subsidiaries. The financial health of, and near-term business outlook for, the subsidiaries, including factors such as industry performance and cash flows from operations of these subsidiaries, are considered. Any significant changes in the business environment and estimates of the recoverable amounts of the subsidiaries, if subject to impairment loss, can affect the carrying values of the subsidiaries.

Based on current year assessment, no additional allowance for impairment to the investment in subsidiaries was considered necessary at the reporting date.

7 Long-term loans to subsidiaries

	Company	
	2014	**2013**
	$	**$**
Long-term loan to a subsidiary	1,500,000	1,500,000
Less: Impairment allowance	(1,500,000)	(1,500,000)
	–	–

The long-term loan to a subsidiary of $1,500,000 is unsecured, bears interest at 0.59728% (2013: 0.56333%) per annum and is not expected to be repaid within the next 12 months.

8 Intangible assets and goodwill

Group	Goodwill on consolidation $	Brand, trademarks and others $	Development costs $	Total $
Cost				
At 1 January 2013 and 31 December 2013	1,419,013	–	476,732	1,895,745
Acquisition through business combination	–	3,262,101	–	3,262,101
At 31 December 2014	1,419,013	3,262,101	476,732	5,157,846
Accumulated amortisation				
At 1 January 2013 and 31 December 2013	–	–	476,732	476,732
Amortisation	–	68,581	–	68,581
At 31 December 2014	–	68,581	476,732	545,313
Carrying amounts				
At 1 January 2013 and 31 December 2013	1,419,013	–	–	1,419,013
At 31 December 2014	1,419,013	3,193,520	–	4,612,533

As part of the acquisition of the Singapore Flyer, the Group recognised brand, trademarks and other intangible assets amounting to $3,262,101, determined on a provisional basis (see note 27).

Impairment testing for goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's CGU for a subsidiary in the PRC, Underwater World Xiamen Co Ltd, whose principal activity is the operation of an underwater aquarium.

The recoverable amount of this CGU is based on its value in use and is determined by discounting the future cash flows to be generated from the continuing use of the CGU. Value in use in 2014 is determined in a similar manner as in 2013 and is based on the following key assumptions:

- Cash flows were projected based on past operating performances and a five-year business plan;
- The anticipated annual revenue growth included in the cash flow projections is 8% for the years 2015 to 2019;
- A pre-tax discount rate of 6.55% was applied in determining the recoverable amount of the unit. The discount rate used reflects the risk-free rate and the premium for specific risks relating to the business unit; and
- A terminal value is considered.

8 Intangible assets and goodwill (cont'd)

The values assigned to the key assumptions represent management's assessment of future industry trends and are based on both external and internal sources and both past performance (historical data) and its expectations for market development.

Management believes that any reasonably possible changes in the above key assumptions applied are not likely to materially cause the recoverable amount to be lower than its carrying amount.

9 Deferred tax liabilities

Movements in deferred tax liabilities of the Group during the year are as follows:

Group	At 1 Jan 2013 $	Recognised in profit or loss (note 21) $	At 31 Dec 2013 $	Arising from acquisition through business combination $	Recognised in profit or loss (note 21) $	At 31 Dec 2014 $
Deferred tax liabilities						
Investment property & non-qualifying assets	–	–	–	(8,625,779)	–	(8,625,779)
Intangible assets	–	–	–	(554,557)	–	(554,557)
Property, plant and equipment	(190,880)	–	(190,880)	–	–	(190,880)
Withholding tax on undistributed profits	(1,928,711)	269,859	(1,658,852)	–	(2,030,397)	(3,689,249)
Total	(2,119,591)	269,859	(1,849,732)	(9,180,336)	(2,030,397)	(13,060,465)

At 31 December, the following temporary differences have not been recognised:

	Group		Company	
	2014 $	2013 $	2014 $	2013 $
Deductible/(taxable) temporary differences	866,253	857,366	–	–
Unutilised tax losses	2,692,627	3,891,134	–	–
	3,558,880	4,748,500	–	–

9 Deferred tax liabilities (cont'd)

The unutilised tax losses of the Group are available for carry forward and set-off against future taxable profits subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which the Group operates. The temporary differences do not expire under current tax legislation.

In accordance with the accounting policy of the Group as set out in note 3.13, deferred tax benefits amounting to approximately $605,000 (2013: $807,000) for the Group arising from the above temporary differences have not been recognised in the financial statements. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

10 Trade and other receivables

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Trade receivables	527,805	249,828	–	–
Interest receivables	2,318,578	3,566,238	–	–
Other receivables	1,280,688	511,125	–	101,522
Deposits	383,009	21,529,822	–	21,212,300
Amounts due from subsidiaries (non-trade)	–	–	2,078,909	26,434,601
	4,510,080	25,857,013	2,078,909	47,748,423
Impairment losses	(214,619)	(210,452)	(242,409)	(225,000)
Loans and receivables	4,295,461	25,646,561	1,836,500	47,523,423
Prepayments	1,008,345	171,195	23,103	10,959
	5,303,806	25,817,756	1,859,603	47,534,382

The non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

Deposits in 2013 included a refundable deposit amounting to: $21,200,000 paid for the bidding of a project. The whole amount was utilised as part of the purchase consideration upon the successful bidding of the project in 2014.

Exposure to credit risk

Credit risk relates to trade receivables due from the Group's customers located in the PRC and Singapore, where the Group primarily operates. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

10 Trade and other receivables (cont'd)

Impairment losses

The ageing of loans and receivables at the reporting date was:

	2014 Gross $	2014 Impairment losses $	2013 Gross $	2013 Impairment losses $
Group				
Current	3,984,379	–	25,375,306	–
31 – 60 days	150,473	–	114,621	–
61 – 90 days	74,007	–	29,883	–
91 – 180 days	8,598	–	45,336	–
181 – 365 days	5,400	–	9,316	–
> 365 days	287,223	(214,619)	282,551	(210,452)
	4,510,080	(214,619)	25,857,013	(210,452)
Company				
Current	25,658	(2,258)	21,214,416	–
31 – 60 days	395,482	–	310,700	–
61 – 90 days	–	–	5,350	–
91 – 180 days	2,258	(2,258)	13,773,905	–
181 – 365 days	4,443	(4,443)	10,542,947	–
> 365 days	1,651,068	(233,450)	1,901,105	(225,000)
	2,078,909	(242,409)	47,748,423	(225,000)

The movement in the allowance for impairment in respect of loans and receivables during the year is as follows:

	Group 2014 $	Group 2013 $	Company 2014 $	Company 2013 $
At 1 January	210,452	197,764	225,000	225,000
Translation adjustment	4,167	12,688	–	–
Impairment loss recognised	–	–	17,409	–
At 31 December	214,619	210,452	242,409	225,000

10 Trade and other receivables (cont'd)

Based on historical default rates, the Group and Company believe that no impairment allowance is necessary in respect of trade and other receivables, other than those already provided for. These receivables are mainly due from customers that have a good payment record with the Group.

The main components of the impairment allowances are a specific loss component of $214,619 (2013: $210,452).

Source of estimation uncertainty

The Group maintains allowance for doubtful receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with receivables, their payment behaviour and known market factors. The Group reviews the age and status of receivables and identifies accounts which require allowance to be made on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgement or utilised different estimates. An increase in the Group's allowance for doubtful accounts would increase the Group's recorded operating expenses and decrease trade and other receivables.

11 Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Cash at bank and in hand	14,344,316	7,010,448	3,770,236	728,633
Fixed deposits	98,121,035	101,044,612	–	17,509,647
Cash and cash equivalents in the statements of financial position	112,465,351	108,055,060	3,770,236	18,238,280
Deposits pledged	(18,048,480)	–	–	–
Cash and cash equivalents in the statements of cash flows	94,416,871	108,055,060	3,770,236	18,238,280

The weighted average effective interest rates per annum relating to fixed deposits of the Group and the Company are 3.3485 % (2013: 3.3978%) and 0.7531% (2013: 0.2091%), respectively. Interest rates reprice at intervals of between one to 24 months.

Deposits pledged represent bank balances of certain subsidiaries pledged as security to obtain credit facilities (see note 15).

NOTES TO THE FINANCIAL STATEMENTS

12 Share capital

	Group and Company	
	2014	2013
	No. of shares	No. of shares
Fully paid ordinary shares, with no par value:		
On issue at 1 January and 31 December	868,929,580	868,929,580

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. In respect of the Company's shares that are held by the Group, all rights are suspended until these shares are reissued.

At 31 December 2014, the Group has outstanding share options granted under the Straco Share Option Scheme (note 14).

Capital management

The policy of the Board of Directors is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group defines capital as total shareholders' equity attributable to owners of the Company. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity excluding non-controlling interests. The Board also monitors the level of dividends to ordinary shareholders.

The Group's return on capital at the end of the reporting period was as follows:

	2014	2013
	$	$
Net profit before tax	57,640,983	50,269,812
Add/(Less):		
Net interest income	(3,171,109)	(3,247,918)
Negative goodwill recognised	(113,546)	–
Loss/ (Gain) on disposal of property, plant and equipment	6,192	(692,001)
Exchange loss/ (gain)	1,487,792	(2,180,810)
Net operating income	55,850,312	44,149,083
Total shareholders' equity	194,378,188	164,012,423
Return on capital at 31 December	28.7%	26.9%

12 Share capital (cont'd)

The target of the Board of Directors is for employees of the Group to hold up to 10% of the Company's ordinary shares by 2024. Assuming that all current outstanding share options vest and are exercised, present employees will hold approximately 3.1% of the Company's share capital.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a return on shareholders' equity of between 10% and 15% (2013: 10% to 15%); in 2014 the return was 20.2% (2013: 21.2%).

From time to time, the Group purchases its own shares on the market under the mandate approved by the shareholders. The shares purchased are held as treasury shares.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

13 Reserves

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
General reserve fund	12,281,692	12,208,457	–	–
Share option reserve	3,585,895	2,245,814	3,585,895	2,245,814
Foreign currency translation reserve	5,116,565	1,725,416	–	–
Treasury shares	(4,709,744)	(5,042,781)	(4,709,744)	(5,042,781)
Capital reserve	(266,747)	(206,416)	(266,747)	(206,416)
	16,007,661	10,930,490	(1,390,596)	(3,003,383)

Movements in reserves for the Group are set out in the statements of changes in equity.

General reserve fund

The subsidiaries that are established in the PRC follow the accounting principles and relevant financial regulations of the PRC applicable to sino-foreign joint venture enterprises in the preparation of the accounting records and statutory financial statements.

These subsidiaries are required by the articles of the joint ventures to appropriate to the general reserve part of their annual profits. The amount to be allocated to this reserve is at the discretion of the board of directors of the joint ventures. Appropriation to the general reserve must be made before distribution of dividends to investors.

13 Reserves (cont'd)

Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options.

Foreign currency translation reserve

The foreign currency translation reserve comprises:

(a) exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company; and

(b) exchange differences on translation of monetary items which in substance form part of the Company's net investment in foreign operations.

Treasury shares

Treasury shares comprise the cost of the Company's shares held by the Group. As at 31 December 2014, the Group held 21,470,000 of the Company's shares (2013: 25,190,000).

Capital reserve

Capital reserve arises from the gains or losses on the reissuance of own shares.

Dividends

The following dividends were declared or paid by the Group and the Company:

	Group and Company	
	2014	2013
	$	$
Paid by the Company to owners of the Company		
2.00 cents per qualifying ordinary share (2013: 1.25 cents)	16,946,192	10,535,995

	Group	
	2014	2013
	$	$
Declared by a subsidiary to non-controlling interest		
5% of distributed profits (2013: 5%)	69,573	1,257,184

After the reporting dates, the following exempt (one-tier) dividends were proposed by the directors. These exempt (one-tier) dividends have not been provided for.

13 Reserves (cont'd)

	Group and Company 2014 $	Group and Company 2013 $
2.00 cents per qualifying ordinary share (2013: 2.00 cents)	16,949,192	16,946,192

14 Straco share option scheme

Description of the share option scheme

On 29 April 2014, the Group established a share option scheme known as the "Straco Share Option Scheme 2014" (the "2014 Scheme"), following the expiration of the previous share option scheme. The 2014 Scheme allows directors, controlling shareholders and their associates, who are in the employment of the Group, and employees to be eligible to participate in the 2014 Scheme. The 2014 Scheme is administered by the Company's Remuneration Committee, comprising three directors, namely Tay Siew Choon, Choong Chow Siong and Chua Soh Har.

Information regarding the 2014 Scheme is as follows:

- The exercise price of the options can be the market price or at a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant;
- The options are exercisable 1 year and 2 years after the grant for market price options and for discounted options respectively; and
- The options granted will expire after 5 years for non-executive directors, and 10 years for executive directors and employees of the Company and its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

14 Straco share option scheme (cont'd)

Details of the options granted by the Company are as follows:

Grant date/employee entitled	Exercise price	Number of options	Expiry date
Options granted on 22 October 2007:			
- to non-executive directors	$0.190	2,140,000	22 October 2012
- to executive directors and employees	$0.190	3,240,000	22 October 2017
Options granted on 6 May 2010:			
- to non-executive directors and controlling shareholders (and their associates)	$0.129	3,740,000	6 May 2015
- to executive directors and employees	$0.129	3,240,000	6 May 2020
Options granted on 5 May 2011:			
- to non-executive directors and controlling shareholders (and their associates)	$0.176	3,110,000	5 May 2016
- to executive directors and employees	$0.176	3,090,000	5 May 2021
Options granted on 8 May 2012:			
- to non-executive directors and controlling shareholders (and their associates)	$0.196	3,980,000	8 May 2017
- to executive directors and employees	$0.196	2,780,000	8 May 2022
Options granted on 6 May 2013:			
- to non-executive directors and controlling shareholders (and their associates)	$0.311	3,910,000	6 May 2018
- to executive directors and employees	$0.311	2,890,000	6 May 2023
Options granted on 12 May 2014:			
- to non-executive directors and controlling shareholders (and their associates)	$0.630	4,640,000	12 May 2019
- to executive directors and employees	$0.630	2,980,000	12 May 2024
Total share options		39,740,000	

14 Straco share option scheme (cont'd)

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2014	Number of options 2014	Weighted average exercise price 2013	Number of options 2013
Outstanding at 1 January	0.216	23,700,000	0.176	19,030,000
Exercised during the year	0.188	(4,470,000)	0.165	(2,130,000)
Granted during the year	0.630	7,620,000	0.311	6,800,000
Outstanding at 31 December	0.338	26,850,000	0.216	23,700,000
Exercisable at 31 December	0.222	19,230,000	0.177	16,900,000

The options outstanding at 31 December 2014 have an exercise price in the range of $0.129 to $0.63 (2013: $0.129 to $0.311) and a weighted average remaining contractual life of 4.66 years (2013: 5.04 years).

The weighted average share price at the date of exercise for share options exercised in 2014 was $0.65 (2013: $0.33).

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Fair value of share options and assumptions

Date of grant of options	12 May 2014	6 May 2013	8 May 2012	5 May 2011	6 May 2010	22 October 2007
Fair value at measurement date	$0.2281	$0.08	$0.04	$0.110	$0.051	$0.106
Share price	$0.645	$0.310	$0.180	$0.170	$0.115	$0.190
Exercise price	$0.630	$0.311	$0.196	$0.176	$0.129	$0.190
Expected volatility	62.24%	54.72%	49.56%	52.96%	38.30%	56.83%
Expected option life	5 – 10 years	5 - 10 years	5 - 10 years	5 - 10 years	5 - 10 years	5 - 10 years
Expected dividends	3.10%	4.03%	4.17%	4.4%	3.28%	1.32%
Risk-free interest rate	2.34%	1.47%	1.50%	2.41%	2.62%	2.76%

14 Straco share option scheme (cont'd)

The expected volatility is based on the historic volatility (calculated based on the weighted average expected life of the share options), adjusted for any expected changes to future volatility due to publicly available information.

There are no market conditions associated with the share options granted. Service conditions and non-market performance conditions are not taken into account in the measurement of the fair value of the services to be received at the grant date.

During the year ended 31 December 2014, the Group recognised share option expenses of $1,340,081 (2013: $452,800) in staff costs (note 19).

15 Borrowings

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Non-current liabilities				
Secured bank loan	71,000,000	–	–	–
Loan from shareholder of a subsidiary	2,900,000	–	–	–
	73,900,000	–	–	–
Current liabilities				
Current portion of secured bank loan	12,000,000	–	–	–
Short-term money market loan from a bank	7,458,711	–	7,458,711	–
	19,458,711	–	7,458,711	–
	93,358,711	–	7,458,711	–

Information about the Group's and the Company's exposure to interest rate, foreign currency and liquidity risk is included in note 25.

15 Borrowings (cont'd)

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	2014 Face value $	2014 Carrying amount $	2013 Face value $	2013 Carrying amount $
Group							
Secured bank loan	SGD	SOR+1.25%	2021	83,000,000	83,000,000	–	–
Short-term money market loan from a bank	RMB	3.7%	2015	7,458,711	7,458,711	–	–
Loan from shareholder of a subsidiary	SGD	–	–	2,900,000	2,900,000	–	–
				93,358,711	93,358,711	–	–

The secured bank loans of the Group are secured over the property, plant and equipment with carrying amounts of $94,628,093, investment properties with carrying amounts of $49,882,904 and corporate guarantee from the Company.

The short-term money market loan from a bank is secured over fixed deposits pledged of $17,048,480.

The loan from shareholder of a subsidiary is unsecured, interest free and has no fixed terms of repayment and will not be repaid until the secured bank loan is repaid.

16 Deferred income

This represents asset-related government grants and is recognised in profit or loss over the useful lives of the related assets.

NOTES TO THE FINANCIAL STATEMENTS

17 Trade and other payables

	Group 2014 $	Group 2013 $	Company 2014 $	Company 2013 $
Trade payables	2,174,883	1,257,373	–	–
Dividends payable	–	1,235,686	–	–
Accrued expenses	4,121,846	1,858,353	1,002,759	923,276
Amounts due to subsidiaries (non-trade)	–	–	535,822	946,032
Salary payable	1,039,850	921,698	–	–
Deferred income	1,393,185	699,813	–	–
Unutilised government subsidies	215,237	193,505	–	–
Rental payable	738,775	657,054	–	–
Utilities payable	158,065	140,682	–	–
Other payables	1,258,712	3,261,845	68,763	2,143,354
	11,100,553	10,226,009	1,607,344	4,012,662

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand. In 2013, included in other payables is an advance amounting to $2,100,000 from a potential partner for joint bidding of a project. The whole amount was utilised as part of the purchase consideration upon the successful bidding of the project in 2014.

18 Revenue

	Group 2014 $	Group 2013 $
Ticketing	87,744,239	69,170,152
Retail	2,555,103	2,226,718
Food and beverages	1,607,649	1,410,447
Rental income	341,765	–
Production service fee	–	33,070
Others	73,409	–
	92,322,165	72,840,387

19 Profit before income tax

The following items have been included in arriving at profit before income tax:

	Note	Group 2014 $	Group 2013 $
Other income			
Interest income		3,334,544	3,250,178
Amortisation of government grant		64,932	61,370
Gain on disposal of property, plant and equipment		–	692,001
Negative goodwill recognised		113,546	–
Miscellaneous		1,779,366	1,584,990
		5,292,388	5,588,539
Administrative and operating expenses			
Audit fees paid to:			
- auditors of the Company		119,500	73,000
- other auditors		142,350	137,093
Non-audit fees paid to:			
- auditors of the Company		30,000	–
Amortisation of intangible assets	8	68,581	–
Acquisition-related costs	27	2,186,133	–
Depreciation of property, plant and equipment	4	4,430,678	3,947,358
Depreciation of investment property	5	117,096	–
Exchange loss/(gain)		1,487,792	(2,180,810)
Interest expense		–	2,260
Loss on disposal of property, plant and equipment		6,192	–
Operating lease expenses		4,730,519	3,726,796
Staff costs			
Wages and salaries		9,916,017	7,566,154
Contributions to defined contribution plans		1,627,671	1,402,350
Share option expenses		1,340,081	452,800
Other staff benefits		725,287	763,057
		13,609,056	10,184,361

20 Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the group.

Key management personnel compensation for the year is as follows:

	Group	
	2014	2013
	$	$
Wages and salaries	1,542,753	1,638,345
Bonuses and variable compensation	1,098,444	1,087,464
Directors' fees	358,500	279,500
Share option expenses	1,059,542	396,266
	4,059,239	3,401,575

Directors also participate in the Scheme. The share options granted are on the same terms and conditions as those offered to other employees of the Company as described in note 14. During the year, 3,640,000 share options (2013: 3,310,000) with total fair value of $830,284 (2013: $264,800) were granted to the directors of the Company.

21 Tax expense

	Group	
	2014	2013
	$	$
Current tax		
- current year	16,261,521	13,072,111
- underprovision in prior years	30,223	68,915
- withholding tax on profits distributed during the year	66,095	2,004,365
	16,357,839	15,145,391
Deferred tax		
- provision for withholding tax on current year undistributed profits	2,094,169	1,658,852
- reversal of deferred tax recognised on profits distributed during the year	(63,772)	(1,928,711)
	2,030,397	(269,859)
Total income tax expense	18,388,236	14,875,532

21 Tax expense (cont'd)

	Group 2014 $	Group 2013 $
Reconciliation of effective tax rate		
Profit before income tax	57,640,983	50,269,812
Income tax at 17% (2013: 17%)	9,798,967	8,545,868
Effect of different tax rate in foreign jurisdiction	5,112,392	4,139,108
Expenses not deductible for tax purposes	899,243	438,176
Deferred tax benefits not recognised	399,289	12,713
Tax exempt revenue	–	(140,495)
Underprovision in prior years	30,223	68,915
Withholding tax	2,096,492	1,734,506
Others	51,630	76,741
	18,388,236	14,875,532

Source of estimation uncertainty

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

22 Earnings per share

Basic earnings per share

The calculation of basic earnings per share as at 31 December 2014 was based on the profit attributable to ordinary shareholders of $37,687,884 (2013: $34,096,988), and a weighted average number of ordinary shares outstanding of 846,619,539 (2013: 842,814,005), calculated as follows:

Weighted average number of ordinary shares

	Group	
	2014	2013
Issued ordinary shares at 1 January	868,929,580	868,929,580
Effect of own shares held	(25,438,288)	(27,260,917)
Effect of share options exercised	3,128,247	1,145,342
Weighted average number of ordinary shares during the year	846,619,539	842,814,005

Diluted earnings per share

The calculation of diluted earnings per share as at 31 December 2014 was based on profit attributable to ordinary shareholders of $37,687,884 (2013: $34,096,988), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 860,280,072 (2013: 851,114,328), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Group	
	2014	2013
Weighted average number of ordinary shares (basic)	846,619,539	842,814,005
Effect of share options on issue	13,660,533	8,300,323
Weighted average number of ordinary shares (diluted) during the year	860,280,072	851,114,328

As at 31 December 2014, 7,620,000 share options (2013: 6,800,000) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

23 Commitments

As at 31 December, the Group had commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2014	**2013**
	$	**$**
Within 1 year	2,554,658	699,280
After 1 year but within 5 years	10,314,482	2,855,368
After 5 years	69,735,049	14,554,190
	82,604,189	18,108,838

The Group leases office premises and residential premises for its expatriate staff and various office equipment under operating leases. The leases typically run for a period of one to five years, with an option to renew the lease after that date. None of the leases include contingent rentals.

Shanghai Ocean Aquarium Co Ltd entered into an agreement for a land use right for a period of 40 years from 18 November 1997 to 17 November 2037. Rental is fixed at a percentage of its total revenue and is payable annually.

Underwater World Xiamen Co Ltd entered into an agreement for a land use right with its co-operative partner in the PRC for a period of 40 years from 11 October 1994 to 10 October 2034. The annual rental shall increase 10% every 4 years until the end of the lease period.

Straco Leisure Pte Ltd had a lease agreement for a plot of land for a period of 20 years 7 months from 28 Nov 2014 to 4 July 2035 with an option to renew for a further 15 years. The annual rental is fixed for the duration of the current lease.

24 Related parties

Transactions with directors and key management personnel

Total key management personnel compensation and directors' fees are disclosed in note 20.

25 Financial risk management

Financial risk management objectives and policies

Exposure to credit, liquidity and market risk arises in the normal course of the Group's business. The Group has established risk management policies and guidelines which set out its overall business strategies, its tolerance of risk and its general risk management philosophy. Such established policies are reviewed annually by the Group's management and periodic reviews are undertaken to ensure that the Group's policy guidelines are adhered to.

25 Financial risk management (cont'd)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

At the reporting date, there is no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

Cash and cash equivalents

The Group and Company held cash and cash equivalents of $112,465,351 and $3,770,236 respectively as at reporting date (2013: $108,055,060 and $18,238,280), which represents the maximum credit exposure on these assets. Cash and fixed deposits are placed with banks and financial institutions which are regulated.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or rising damage to the Group's reputation.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. The Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days. Currently, the Group places excess funds in fixed deposits with banks and financial institutions which are regulated.

The expected contractual undiscounted cash outflows of trade and other payables are expected to occur within one year and equivalent to their carrying amount.

Market risk

Interest rate risk

The Group's exposure to market risk for changes in interest rates relate primarily to the cash balances placed in fixed deposits and bank borrowings. The Company's exposure to market risk for changes in interest rates relate primarily to the cash balances placed in fixed deposits, loans to subsidiaries, and bank borrowings.

A change of 100 bp in interest rate at the reporting date would increase/decrease the Group's and Company's profit or loss by $76,623 and $74,587 (2013: $1,010,446 and $175,096), respectively. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

25 Financial risk management (cont'd)

Foreign currency risk

The Group is exposed to sales and purchases, including inter-company sales, purchases and inter-company balances that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to foreign currency risk are primarily the Renminbi and US Dollar. The Group's and the Company's exposures to the various currencies are as follows:

	Singapore dollar $	Renminbi $	US dollar $	Total $
Group				
2014				
Trade and other receivables	–	2,853,357	75	2,853,432
Cash and cash equivalents	–	224	340,537	340,761
Borrowings	–	(7,458,711)	–	(7,458,711)
Trade and other payables	(1,062,570)	(5,539,846)	(132,172)	(6,734,588)
	(1,062,570)	(10,144,976)	208,440	(10,999,106)
2013				
Trade and other receivables	–	34,859,128	72	34,859,200
Cash and cash equivalents	–	783	682,169	682,952
Trade and other payables	(4,230,827)	(5,284,896)	(126,662)	(9,642,385)
	(4,230,827)	29,575,015	555,579	25,899,767

	Singapore dollar $	Renminbi $	US dollar $	Total $
Company				
2014				
Trade and other receivables	–	12,569	–	12,569
Borrowings	–	(7,458,711)	–	(7,458,711)
Trade and other payables	–	(515,096)	–	(515,096)
	–	(7,961,238)	–	(7,961,238)
2013				
Trade and other receivables	–	23,590,265	–	23,590,265
Trade and other payables	–	(492,449)	–	(492,449)
	–	23,097,816	–	23,097,816

25 Financial risk management (cont'd)

Sensitivity analysis

In managing its currency risks, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, any prolonged adverse changes in foreign exchange rates would have an impact on the consolidated financial statements.

A 10% strengthening of the Group's major functional currencies against the following currencies at the reporting date would increase (decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Singapore dollar	106	423	–	–
Renminbi	1,014	(2,958)	796	(2,310)
US dollar	(21)	(56)	–	–

A 10% weakening of the Group's major functional currencies against the above currencies would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Determination of fair values

Financial assets and liabilities

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity.

25 Financial risk management (cont'd)

Accounting classifications and fair values

Fair values versus carrying amounts

The fair values of the financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

	Note	Loans and receivables $	Financial liabilities at amortised cost $	Total carrying amount $	Fair value $
Group					
2014					
Assets					
Trade and other receivables	10	5,303,806	–	5,303,806	5,303,806
Cash and cash equivalents	11	112,465,351	–	112,465,351	112,465,351
		117,769,157	–	117,769,157	117,769,157
Liabilities					
Borrowings	15	–	(93,358,711)	(93,358,711)	(93,358,711)
Trade and other payables	17	–	(11,100,553)	(11,100,553)	(11,100,553)
		–	(104,459,264)	(104,459,264)	(104,459,264)
2013					
Assets					
Trade and other receivables	10	25,817,756	–	25,817,756	25,817,756
Cash and cash equivalents	11	108,055,060	–	108,055,060	108,055,060
		133,872,816	–	133,872,816	133,872,816
Liabilities					
Trade and other payables	17	–	(10,226,009)	(10,226,009)	(10,226,009)

25 Financial risk management (cont'd)

	Note	Loans and receivables $	Financial liabilities at amortised cost $	Total carrying amount $	Fair value $
Company					
2014					
Assets					
Trade and other receivables	10	1,859,603	–	1,859,603	1,859,603
Cash and cash equivalents	11	3,770,236	–	3,770,236	3,770,236
		5,629,839	–	5,629,839	5,629,839
Liabilities					
Current borrowing	15	–	(7,458,711)	(7,458,711)	(7,458,711)
Trade and other payables	17	–	(1,607,344)	(1,607,344)	(1,607,345)
		–	(9,066,055)	(9,066,055)	(9,066,055)
2013					
Assets					
Trade and other receivables	10	47,534,382	–	47,534,382	47,534,382
Cash and cash equivalents	11	18,238,280	–	18,238,280	18,238,280
		65,772,662	–	65,772,662	65,772,662
Liabilities					
Trade and other payables	17	–	(4,012,662)	(4,012,662)	(4,012,662)

26 Segment reporting

Reportable segments of the Group consist of the Group's strategic business units that are managed separately. For each of the strategic business units, the Group's Executive Chairman ("EC") reviews internal management reports on a monthly basis.

The Group has two reportable segments, as described below, which consists of the Group's strategic business units which are managed separately.

- Aquariums – This represents the operation of aquatic-related facilities and tourist attractions, including dolphin and sea lion performances. Retail, food and beverage are auxiliary goods and services arising from the operation of the above facilities.

26 Segment reporting (cont'd)

- Giant Observation Wheel ("GOW") – This represents the operation of a circular giant observation structure, and provision of commercial space.

Other operations include the operation of cable-car facility and show performances. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2014 or 2013.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's EC and Chief Operating Decision Maker. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Information about reportable segments

	Aquariums		**Giant Observation Wheel**		**Others**		**Total**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
External revenue	84,804,673	68,880,906	3,702,269	–	3,815,223	3,959,481	92,322,165	72,840,387
Interest income	3,116,428	3,052,289	–	–	152,180	169,112	3,268,608	3,221,401
Interest expense	–	–	(130,519)	–	(8,959)	(8,450)	(139,478)	(8,450)
Other material non-cash items:								
- Depreciation and amortisation	(3,731,358)	(3,729,557)	(700,558)	–	(92,525)	(133,535)	(4,524,441)	(3,863,092)
Reportable segment profit before income tax	62,648,764	49,009,547	(597,964)	–	1,198,272	2,668,500	63,249,072	51,678,047
Reportable segment assets	143,456,566	130,421,960	154,098,200	–	9,011,431	10,893,575	306,566,197	141,315,535
Capital expenditure	831,941	999,584	139,111,193	–	215,960	406,741	140,159,094	1,406,325
Reportable segment liabilities	10,440,881	47,704,217	124,703,873	–	3,501,135	4,765,147	138,645,889	52,469,364

26 Segment reporting (cont'd)

Reconciliation of reportable segment profit or loss, assets and liabilities and other material items

	2014 $	2013 $
Profit or loss		
Total profit for reportable segments	63,249,072	51,678,047
Unallocated amounts:		
- Unallocated head office and corporate expenses	(7,338,657)	(2,975,002)
- Unallocated head office and corporate income	100,087	39,839
- Elimination on consolidation	1,630,481	1,526,928
Consolidated profit before income tax	57,640,983	50,269,812
Assets		
Total assets for reportable segments	306,566,197	141,315,535
Unallocated head office and corporate assets	47,653,832	88,035,543
Elimination on consolidation	(39,519,868)	(46,027,422)
Consolidated total assets	314,700,161	183,323,656
Liabilities		
Total liabilities for reportable segments	138,645,889	52,469,364
Unallocated head office and corporate liabilities	21,195,952	12,869,291
Elimination on consolidation	(39,519,868)	(46,027,422)
Consolidated total liabilities	120,321,973	19,311,233

26 Segment reporting (cont'd)

Other material items

	Reportable segment total $	Unallocated corporate amounts $	Elimination on consolidation $	Consolidated total $
2014				
Interest income	(3,268,608)	(65,936)	–	(3,334,544)
Interest expense	139,478	32,916	(8,959)	163,435
Capital expenditure	140,159,094	37,101	–	140,196,195
Depreciation and amortisation	4,524,441	91,914	–	4,616,355
2013				
Interest income	(3,221,401)	(28,777)	–	(3,250,178)
Interest expense	8,450	2,260	(8,450)	2,260
Capital expenditure	1,406,325	30,172	–	1,436,496
Depreciation and amortisation	3,863,092	84,266	–	3,947,358

Geographical segments

The assets and operations of the Group are primarily located in the PRC and Singapore. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the facilities. Segment assets are based on the geographical location of the assets.

Geographical information

	Revenue $	Non-current assets $
2014		
Singapore	3,702,269	150,015,573
PRC	88,619,896	44,125,257
	92,322,165	194,140,830
2013		
Singapore	–	2,368,887
PRC	72,840,387	46,121,555
	72,840,387	48,490,442

27 Acquisition of business

On 28 November 2014, the Group acquired the business of Singapore Flyer via its subsidiary, Straco Leisure Pte Ltd for a consideration of $140,000,000. The Group has an effective shareholding interest of 90% in Straco Leisure Pte Ltd via its wholly-owned subsidiary, Bay Attractions Pte Ltd, and WTS Leisure Pte Ltd has a direct shareholding interest of the remaining 10%.

The acquisition represents an expansion of the Group's core tourism related business.

In the one month of 31 December 2014, Straco Leisure Pte Ltd contributed revenue of $3,702,269 and loss of $597,964 to the Group's results. The Group was unable to obtain from the receiver of Singapore Flyer Pte Ltd the information required to disclose the amounts of revenue and profit or loss of the business acquired that would have been included in the consolidated statement of comprehensive income for the current reporting period had the acquisition date been as of the beginning of the year.

The Group incurred acquisition-related costs of $2,186,133 on stamp duty, legal and professional fees. These costs have been included in administrative expenses.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

	Note	$
Property, plant and equipment	4	95,000,000
Investment property	5	50,000,000
Intangible assets	8	3,262,101
Inventories		1,031,781
Cash and cash equivalents		2,362,586
Trade and other payables		(2,362,586)
Deferred tax liabilities	9	(9,180,336)
Total identifiable net assets		140,113,546

Reconciliation of cash outflow in the consolidated statement of cash flows

Total identifiable net assets	140,113,546
Less: negative goodwill	(113,546)
Total consideration paid	140,000,000
Less: deposit utilised	(21,200,000)
Less: cash and cash equivalents	(2,362,586)
Acquisition through business combination, net of cash acquired	116,437,414

27 Acquisition of business (cont'd)

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets required	Valuation technique
Property plant and equipment Investment property	*Market comparison technique and cost technique:* The valuation model considers quoted market prices for similar items when available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Intangible assets	*Relief-from-royalty method and multi-period excess earnings method:* The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents or trademarks being owned. The multi-period excess earnings method considers the present value of net cash flows related to contributory assets.

Fair values measured on a provisional basis

The following amounts have been determined on a provisional basis, having considered:

- The fair value of intangible assets (brand, trademarks and others)
- The deferred tax liabilities arising from the acquisition
- The goodwill arising from the acquisition

Negative goodwill

Negative goodwill arising from the acquisition has been recognised as follows:

	$
Total consideration paid	140,000,000
Fair value of identifiable net assets	(140,113,546)
Negative goodwill recognised	(113,546)

Negative goodwill arising from the acquisition was recognised directly in profit & loss.

SHAREHOLDINGS STATISTICS
AS AT 18 MARCH 2015

Issued and fully paid up

Number of Issued Shares (excluding Treasury Shares)	: 847,459,580
Number (Percentage) of Treasury Shares	: 21,470,000 (2.53%)
Class of Shares	: Ordinary Shares
Voting Right (excluding Treasury Shares)	: One vote per share

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	STRACO HOLDING PTE LTD	314,885,440	37.16
2	CHINA POLY GROUP CORPORATION	189,803,600	22.40
3	STRACO (HK) LIMITED	143,990,540	16.99
4	UOB KAY HIAN PTE LTD	61,905,000	7.30
5	DBS VICKERS SECURITIES (S) PTE LTD	37,800,000	4.46
6	DBS NOMINEES PTE LTD	14,023,473	1.65
7	CITIBANK NOMINEES SINGAPORE PTE LTD	7,430,766	0.88
8	TEH KIU CHEONG @TEONG CHENG @ CHENG CHIU CHANG	5,000,000	0.59
9	MORGAN STANLEY ASIA (S) SECURITIES PTE LTD	4,779,127	0.56
10	BNP PARIBAS SECURITIES SERVICES	3,938,000	0.46
11	GU WEIWEI	3,533,000	0.42
12	UNITED OVERSEAS BANK NOMINEES PRIVATE LIMITED	3,391,000	0.40
13	GOH HAN PENG (WU HANPING)	2,130,000	0.25
14	LING CHUNG KHUE	1,910,000	0.23
15	WANG LIANG	1,740,000	0.21
16	PATRICK NG BEE SOON	1,259,000	0.15
17	PHILLIP SECURITIES PTE LTD	1,202,000	0.14
18	CHUA SOO THEN @ CHUA SIEW THEN	1,000,000	0.12
19	SBS NOMINEES PTE LTD	1,000,000	0.12
20	ZHANG QUAN	920,000	0.11
	Total:	**801,640,946**	**94.60**

SHAREHOLDINGS STATISTICS

AS AT 18 MARCH 2015

DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	0	0.00	0	0.00
100 - 1,000	517	26.75	515,834	0.06
1,001 - 10,000	971	50.23	3,816,000	0.45
10,001 - 1,000,000	428	22.14	44,406,800	5.24
1,000,001 and above	17	0.88	798,720,946	94.25
Total	**1,933**	**100.00**	**847,459,580**	**100.00**

SUBSTANTIAL SHAREHOLDERS

No.	Shareholder's Name	Direct Interest	% of Shares	Deemed Interest	% of Shares
1.	Straco Holding Pte Ltd	314,885,440	37.16	-	-
2.	China Poly Group Corporation	189,803,600	22.40	-	-
3.	Straco (HK) Limited	143,990,540	16.99	-	-
4.	Wu Hsioh Kwang	3,988,000	0.47	469,719,980[1]	55.43
5.	Chua Soh Har	10,844,000	1.28	462,863,980[1]	54.62

Based on the information available to the Company as at 18 March 2015, approximately 14.43% of the ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual is complied with.

(1) Mdm Chua Soh Har is the spouse of Mr Wu Hsioh Kwang. Mr Wu Hsioh Kwang is deemed interested in the shares in which Mdm Chua Soh Har is interested.

Note:

- "Substantial Shareholders" are those shareholders who own at least 5% of the equity of the Company.
- "Deemed Interest" in shares arise, for example, when a person (including a company) owns at least 20% of another company which in turn own shares in Straco Corporation Limited. The person is "deemed" to have an interest in the Straco Corporation Limited shares owned by that other company. It is, therefore, possible for several persons to be deemed interested in the same shares.

  Mr Wu Hsioh Kwang and Mdm Chua Soh Har together collectively beneficially own 100% of the issued share capital of Straco Holding Pte Ltd and Straco HK (Limited) and are therefore deemed interested by virtue of Section 7 of the Companies Act, Cap 50 in the shares held by these said companies in the capital of the Company.

  China Poly Group Corporation is a state-owned enterprise, which is owned and supervised by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

This note is merely illustrative. For full understanding of the scope of the regulations, it is necessary to refer to the Singapore Companies Act.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Amara Singapore, 165 Tanjong Pagar Road, Singapore 088539 on 29 April 2015 at 10.00 a.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and consider the Audited Financial Statements of the Company for the financial year ended 31 December 2014 and the Directors' Report and the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final one-tier tax exempt dividend of 2.00 cents per share for the financial year ended 31 December 2014. **(Resolution 2)**

3. To approve the Directors' fees of S$317,560/- for the financial year ended 31 December 2014 (31 December 2013: S$319,000/-). **(Resolution 3)**

4. To re-elect the following Directors retiring pursuant to Article 95 of the Company's Articles of Association:-

   Mr. Tay Siew Choon **(Resolution 4)**

   Mr. Li Weiqiang **(Resolution 5)**

   Dr. Choong Chow Siong **(Resolution 6)**

   Mr. Tay Siew Choon will, upon re-election as Director of the Company, remain as the Chairman of the Nominating and Remuneration Committees and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

   Dr. Choong Chow Siong will, upon re-election as Director of the Company, remain as a member of the Audit and Remuneration Committees and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

5. To re-elect Mr. Xu Niansha retiring pursuant to Article 96 of the Company's Articles of Association. **(Resolution 7)**

6. To re-appoint Messrs. KPMG LLP as auditors of the Company to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **(Resolution 8)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions with or without modifications:-

7. **Authority to allot and issue shares**

"That:

(a) Pursuant to Section 161 of the Companies Act, Chapter 50, and the listing rules of the Singapore Exchange Securities Trading Limited, approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

(i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

(ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;

(iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

(b) (Notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force,

provided always that

(i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the total number of issued shares excluding treasury shares of the Company, of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares excluding treasury shares of the Company, and for the purpose of this resolution, the issued share capital shall be the Company's total number of issued shares excluding treasury shares at the time this resolution is passed, after adjusting for;

a) new shares arising from the conversion or exercise of convertible securities, or

b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the Singapore Exchange Securities Trading Limited, and

c) any subsequent bonus issue, consolidation or subdivision of the Company's shares, and

(ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."

(Resolution 9)

(See Explanatory Note 1)

8. **The Proposed Renewal of Share Buy Back Mandate**

"That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "Companies Act"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares ("Shares") in the capital of the Company not exceeding in aggregate the Prescribed Limit (as defined hereinafter), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as defined hereinafter), whether by way of:

(i) market purchases (each a "Market Purchase") on the Singapore Exchange Securities Trading Limited (the "SGX-ST"); and/or

(ii) off-market purchases (each an "Off-Market Purchase") effected otherwise than on the SGX- ST in accordance with any equal access schemes as may be determined or formulated by the Directors of the Company as they consider fit, which scheme shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable and is hereby authorised and approved generally and unconditionally (the "Share Buy Back Mandate");

(b) unless varied or revoked by the shareholders of the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next annual general meeting of the Company is held; or

(ii) the date by which the next annual general meeting of the Company is required by law or the articles of association of the Company to be held;

(c) In this Resolution:

"Prescribed Limit" means that number of Shares representing 10% of the total number of issued Shares in the capital of the Company as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares); and

"Maximum Price" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase: 105% of the Average Closing Price

(ii) in the case of an Off-Market Purchase: 120% of the Average Closing Price

where:

"Average Closing Price" means the average of the closing market prices of a Share over the last five (5) market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five-day market period; and,

(d) any of the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this Resolution." **(Resolution 10)**

(See Explanatory Note 2)

9. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

BY ORDER OF THE BOARD

Lotus Isabella Lim Mei Hua
Company Secretary

14 April 2015

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1) A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy in his stead.

2) A proxy need not be a member of the Company.

3) If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

4) The instrument appointing a proxy must be deposited at the registered office of the Company at 10 Anson Road, #30-15 International Plaza, Singapore 079903 not later than 48 hours before the time appointed for the Meeting.

Explanatory Notes:-

1. The ordinary resolution no. 9 is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50 percent of total number of issued shares excluding treasury shares of the Company, of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20 percent of the total number of issued shares excluding treasury shares of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

2 The proposed ordinary resolution no. 10, if passed, will empower the Directors of the Company effective until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per cent (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the Maximum Price as defined in the Circular dated 14 April 2015. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial accounts of the Group for the financial year ended 31 December 2014 are set out in greater detail in the Letter to Shareholders enclosed together with the Annual Report.

STRACO CORPORATION LIMITED
Registration Number: 200203482R
(Incorporated in the Republic of Singapore)

PROXY FORM

IMPORTANT
1. For investors who have used their CPF monies to buy Straco Corporation Limited shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

*I/We ______________________ (Name), *NRIC/Passport No ______________________ of ______________________ (Address)
being *a member/members of Straco Corporation Limited (the "Company"), hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of shareholdings to be represented by proxy (%)

*and/or

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at Amara Singapore, 165 Tanjong Pagar Road, Singapore 088539 on 29 April 2015 at 10.00 a.m. and at any adjournment thereof.

*I/we direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "X" in the spaces provided hereunder. If no specified directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

No.	Ordinary Resolutions	For	Against
1.	To receive and consider the Audited Financial Statements of the Company for the financial year ended 31 December 2014 and the Directors' Report and Auditors' Report thereon.		
2	To declare a first and final one-tier tax exempt dividend of 2.00 cents per share for the financial year ended 31 December 2014.		
3.	To approve the Directors' fees of S$317,560/- for the financial year ended 31 December 2014.		
4.	To re-elect Mr Tay Siew Choon pursuant to Article 95 of the Company's Articles of Association.		
5.	To re-elect Mr Li Weiqiang, pursuant to Article 95 of the Company's Articles of Association.		
6.	To re-elect Dr Choong Chow Siong, pursuant to Article 95 of the Company's Articles of Association.		
7.	To re-elect Mr Xu Niansha, pursuant to Article 96 of the Company's Articles of Association.		
8.	To re-appoint Messrs. KPMG LLP as auditors of the Company and to authorise the Directors to fix their remuneration.		
9.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50.		
10.	To approve the renewal of the Share Buy Back Mandate.		

Dated this ______________ day of ______________ 2015

Total Number of Shares Held

____
Signature(s) of Member(s)/Common Seal

* Delete accordingly

IMPORTANT. Please read notes overleaf

Notes:-

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.
2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
4. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.
5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 10 Anson Road, #30-15 International Plaza, Singapore 079903 not later than 48 hours before the time set for the Annual General Meeting.
6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the Annual General Meeting.

AFFIX
STAMP

The Company Secretary

STRACO CORPORATION LIMITED

10 Anson Road, #30-15 International Plaza

Singapore 079903

Designed
& Produced by
+65 6880 2828 Xpress

STRACO CORPORATION LIMITED

ANNUAL REPORT 2014

(Company Registration No.200203482R)

(Incorporated in the Republic of Singapore on 25 April 2002)
10 Anson Road, #30-15 International Plaza Singapore 079903
Tel: (65) 6223 3082 Fax: (65) 6223 3736
www.stracocorp.com