Annual Report 2017

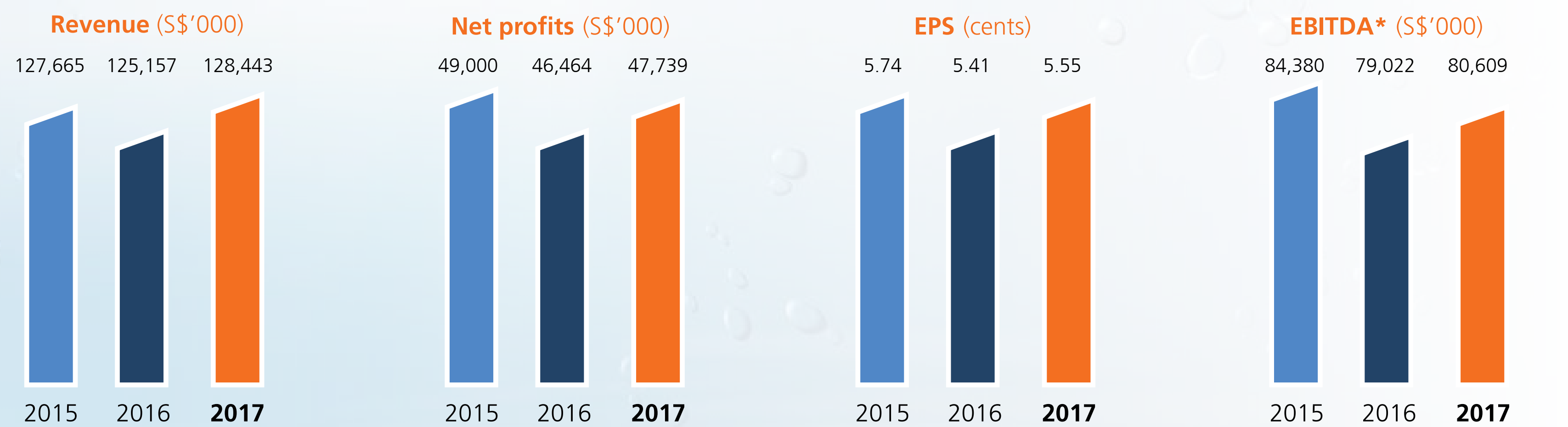
STRACO
星雅集团

Contents

Financial Highlights

Year ended 31 December

	2017	2016	2017 vs 2016 Change %
INCOME STATEMENT (S$'000)			
Revenue	**128,443**	125,157	2.6
Profit before tax	**70,459**	68,211	3.3
Attributable net profit	**47,739**	46,464	2.7
STATEMENT OF FINANCIAL POSITION (S$'000)			
Shareholders' equity	**266,903**	242,138	10.2
Total assets	**367,300**	350,165	4.9
Total cash	**191,414**	164,234	16.5
Total borrowings	**49,900**	61,900	(19.4)
FINANCIAL RATIO (%)			
Return on average shareholders' equity:			
- Profit before tax	**27.68**	29.39	(5.8)
- Attributable net profit	**18.76**	20.02	(6.3)
PER SHARE DATA (CENTS)			
Attributable net profit	**5.55**	5.41	2.6
Net assets	**31.02**	28.19	10.0



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

Chairman's Statement

"We would also like to share that the Group was awarded the Enterprise Award at the prestigious Singapore business awards in recognition of our past achievement, in particular our turning around of the Singapore Flyer since we took over in 2014."

ANOTHER GOOD YEAR

Amidst an improving overall economic climate, the tourism market in China and Singapore remained buoyant in 2017. This has contributed to another good year as the Group's results fell largely in line with our performance expectations. Overall, the Group's operations remained strong with revenue increasing by 2.6% to S$128.44 million and net profits increasing by 2.7% to S$47.7 million from a year ago. As we progress into the new year, the Group continues to generate sustainable margins at both the operating and net income levels.

We are pleased with the overall year on year increase in visitor numbers which contributed to the growth in Group revenue last year. We remain committed to generating greater organic growth in visitor numbers at our existing attractions through various upgrading initiatives and marketing programs.

In view of this continued strong performance, and consistent with our previous payout ratio, we propose a first and final dividend of 2.5 cents per share. This proposed payment represents 45% of the net distributable profit for the year. We remain committed to generating favorable returns for our shareholders, while balancing our cash requirements for new projects, asset renewal and enhancements.

We would also like to share that the Group was awarded the Enterprise Award at the prestigious Singapore Business Awards in recognition of our past achievements - in particular, our turning around of the Singapore Flyer since we took over in 2014.

STAYING RELEVANT

Last year, we shared on some of the major asset enhancement programs which we will be embarking on for our existing attractions, including the Singapore

Flyer and our aquariums in China. We will continue to make progress in this regard but the work is likely to span several years as we seek to minimize disruption to normal operations. The Group is also on the lookout for good projects to build or acquire, and will continue to assess potential tourism investments. We do however, remain uncompromising in the standards of our assessment criteria, and will only select projects that offer true long term potential for sustainable development and favorable returns.

TOURISM IN CHINA AND SINGAPORE REMAIN STRONG

Amidst a recovering world economy, domestic tourism in China maintained its momentum, with strong support from the Chinese government for the industry, registering double-digit increases in both tourist trips and revenues in 2017. Meanwhile, visitors to Singapore also increased 6.2% year on year, hitting a record of 17.44 million, with visitors from China, Indonesia and India contributing to the bulk of the growth in visitor arrivals. We are convinced that this is part of a continuing and sustainable trend, which presents a great opportunity for us to capitalize on for growth. We will continue to stay focus on enhancing our capabilities in attractions development and management to stay ahead of the curve and make full use of these opportunities.

WORD OF APPRECIATION

As always, I would like to thank our staff, management, directors and partners for their part in our continuing success:

- Our ground staff and management team across our subsidiaries for their unwavering commitment to product development and service quality. Their positive attitude and ability to adapt to the evolving business environment is the key factor keeping us at the forefront of the industry.

- Our various other stakeholders, 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.

- Last but not least, our shareholders for their trust and encouragement.

We will continue to build on the strong foundation and that we have laid and adopt a multi-pronged approach in generating value through effective corporate governance, innovation and seizing investment opportunities.

Wu Hsioh Kwang
Executive Chairman


中国平安
上海银行
上海海洋水族馆
SHANGHAI OCEAN AQUARIUM

Corporate Information

BOARD OF DIRECTORS
Mr Wu Hsioh Kwang (Executive Chairman)
Mr Xu Niansha
Mr Li Weiqiang
Mdm Chua Soh Har
Mr Tay Siew Choon (Lead Independent Director)
Mr Lim Song Joo
Dr Choong Chow Siong
Mr Hee Theng Fong
Ms Wu Xiuyi (Alternate Director to Mr Wu Hsioh Kwang)
Mr Sean Wu Xiuzhuan (Alternate Director to Mdm Chua Soh Har)

AUDIT & RISK COMMITTEE
Mr Lim Song Joo (Chairman)
Dr Choong Chow Siong
Mr Hee Theng Fong

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

NOMINATING COMMITTEE
Mr Tay Siew Choon (Chairman)
Mr Hee Theng Fong
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
PricewaterhouseCoopers LLP
7 Straits View, Marina One,
East Tower, Level 12
Singapore 018936

Partner-in-charge:
Mr Tham Tuck Seng (since 29 April 2016)

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)

Mr Zhao Aimin
Senior Vice President (Cable Car Operations)

Mdm April Ng Kim
Senior Vice President

Ms Wu Xiuyi
Senior Vice President

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

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 of Singapore Chinese Chamber of Commerce and Industry, First Vice-Chairman (China & North Asia Business Group) of Singapore Business Federation and Vice Chairman of the 4th Standing Committee of Chinese Association of Enterprises with Foreign Investment (China). He is also Director of Business China, Chairman of Sun Yat Sen Nanyang Memorial Hall, Member of the Board of Governors of NTU's Chinese Heritage Centre, Board Member of Confucius Institute, as well as Board Member of the Haas School of Business. In 2015, Mr Wu was awarded the White Magnolia Award in Shanghai for his contributions to the Municipal City of Shanghai. In 2016, he received the Public Service Medal at the Singapore National Day Awards, and in the same year, he was awarded the Nanyang Distinguished Alumni Award by Nanyang Technological University (Singapore). 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, Wista Laboratories Ltd, and Pan-United Corporation Ltd. He is also Chairman of GoTruck Pte Ltd and Deputy Chairman of TauRx Pharmaceuticals 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 issue of disclosure requirements of "revenue and impairment loss" in paragraph 113 of IFRS 15 "Revenue from contracts with customers" (effective January 1, 2018) on new revenue reporting of IASB (UK) and FASB (USA) on 28 May 2014, is consistent with Dr Choong's 5R Revenue Theory (1991, 1993 & 2001), which requires the disclosure of premature revenue as "deferred revenue or unrealised revenue." Dr Choong holds a Bachelor of Commerce (Accountancy) degree from the former Nanyang University (Singapore).

Mr Hee Theng Fong

Independent Director

Mr Hee Theng Fong was appointed as an Independent Director in April 2016. He is a senior lawyer in Singapore with over 30 years of experience. Mr Hee has handled more than one hundred cases in civil litigation and arbitration as lead counsel, presiding arbitrator, co-arbitrator and sole arbitrator. He is on the panel of arbitrators of the Singapore International Arbitration Centre (SIAC), CIETAC, Beijing Arbitration Commission (BAC), Shanghai International Arbitration Centre (SHIAC), Hong Kong International Arbitration Center (HKIAC) and the Kuala Lumpur Regional Centre for Arbitration (KLRCA). He also serves as a director of several listed companies. He has been regularly invited to speak on directors' duties and corporate governance. Mr Hee also serves as a director of Chinese Development Assistance Council (CDAC) and Singapore Chinese Culture Centre. He is also the Deputy Chairman of Singapore Medishield Life Council, a member of the resource panel of Singapore Press Holdings Limited (Chinese Press) and Chairman of Citizenship Committee of Inquiry (ICA).

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 abroad. 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 and 13th Chinese People Political Consultative Conference member, 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.

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 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 Secretary to the Board, China Poly Group Corporation. In his previous role as Director of Enterprise Development Department, China Poly Group Corporation, he was 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 and Operational 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 of Singapore Chinese Chamber of Commerce and Industry, First Vice-Chairman (China & North Asia Business Group) of Singapore Business Federation and Vice Chairman of the 4th Standing Committee of Chinese Association of Enterprises with Foreign Investment (China). He is also Director of Business China, Chairman of Sun Yat Sen Nanyang Memorial Hall, Member of the Board of Governors of NTU's Chinese Heritage Centre, Board Member of Confucius Institute, as well as Board Member of the Haas School of Business. In 2015, Mr Wu was awarded the White Magnolia Award in Shanghai for his contributions to the Municipal City of Shanghai. In 2016, he received the Public Service Medal at the Singapore National Day Awards, and in the same year, he was awarded the Nanyang Distinguished Alumni Award by Nanyang Technological University (Singapore). 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's other appointments include member of the Investment & Establishment Committee of Singapore Chinese Cultural Centre and member of the Practice Monitoring sub-committee with Accounting and Corporate Regulatory Authority (ACRA). Mr Ng also served as Chairman of Network Panel ACCA Singapore from 2015 to 2017. 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)

Mr Wang Liang joined us in January 1997. He oversees the management and operations at Shanghai Ocean Aquarium (SOA), 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. 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 Zhao Aimin
Senior Vice President (Cable Car Operations, China)
General Manager - Lintong Lixing Cable Car (LLC)
General Manager – Chao Yuan Ge (CYG)

Mr Zhao Aimin joined us in March 1992. He is responsible for the management and operations of our cable-car service; and is also in charge of the Chao Yuan Ge development project under Xi'an Lintong Zhongxin Tourism Development Co.Ltd. 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 Sean Wu Xiuzhuan
Senior 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)

Mr Ringo Leung joined us in January 2015. He is in charge of the management and 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 Jim Yang Yong
Vice President (Marketing & Sales, China)
Deputy General Manager – Shanghai Ocean Aquarium (SOA)
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, retail and operations 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).

Mr Wang Xiaoping
Vice President (Finance, China)
Deputy General Manager – Shanghai Ocean Aquarium (SOA)
Director (Finance) – Shanghai Ocean Aquarium (SOA)

Mr Wang Xiaoping joined the group in December 2011. He is responsible for financial accounting, internal controls and finance functions at Shanghai Ocean Aquarium. He also supervises the finance functions of our other subsidiaries in China. Mr Wang has over 30 years of experience in the finance profession. Prior to joining the group, he has worked in Shanghai Ming De Meritus Hotel as Financial Controller and has held various senior positions in the hotel industry. Mr Wang graduated from Shanghai Commercial Accounting School in 1980 and holds an Intermediate Accounting Certificate conferred by the Ministry of Finance of the People's Republic of China.

Mr Charles Cai Yiwei
Vice President (Technical,China)
General Manager – Underwater World Xiamen (UWX)
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. As of January 2016, Mr. Cai has been overseeing overall operations at Underwater World Xiamen as General Manager. 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.

Ms Jane Peng Lijin
Vice President (Education Experiences, China)
Director (Education) & Manager (GM Office) – Shanghai Ocean Aquarium (SOA)

Ms Jane Peng Lijin joined us in July 2001. She is responsible for the areas of education, government liaison & corporate social responsibility at our subsidiaries in China. Ms Peng has close to three decade of working experience in the industry of museums and aquariums, with a focus on education and government liaison. Prior to joining the Group, Ms Peng has worked at Shanghai Museum of Natural History, Victoria Museum at Melbourne, Australia. Ms Peng graduated from Shanghai Normal University with a degree in Biological Science and is an evaluation officer authorized by Occupational Skill Identification Center of China.

Operations Review

OVERVIEW

The Group achieved a net profit of $47.74 million in FY2017, an increase of 2.7% as compared to FY2016. Group turnover was $128.44 million for the year ending 31 December 2017. This is 2.6% higher than FY2016 as our attractions, with the exception of Underwater World Xiamen, reported positive growth in revenue. Overall visitor arrivals to all the Group's attractions was 5.19 million, a 2.7% increase over FY2016.

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

- Shanghai Ocean Aquarium ("SOA"), a premier tourist attraction located in the Lujiazui Financial District of Pudong, Shanghai
- Singapore Flyer, one of the world's largest observation wheels located in the Marina Bay Precinct, Singapore
- Underwater World Xiamen ("UWX"), located on the scenic Gulangyu Island in Xiamen City
- Lixing Cable Car ("LCC"), a cable car service at the historic Mount Lishan in Xi'an

Backed by a strong manufacturing and services sector, healthy domestic consumption and in part due to a global recovery, China's economy grew 6.9% in 2017. The Group's flagship attraction, SOA, continued to generate positive growth in earnings in 2017 on the back of increased visitor numbers. During the year, SOA continued to create brand awareness and enhanced interaction with visitors and tourists through various online interactive activities on the WeChat platform and other offline activities conducted during major holidays. Examples of such activities organized by SOA include various themed exhibitions such as the "Good Fortune Aquatic Animals Exhibition" during the Chinese New Year, "Finding Fantastic Animals" during the Labour Day holiday, the "Pufferfish Special Exhibition" on National Day, and "Special Baby Fishes" over the Christmas and New Year period. SOA also collaborated with a French Orchestra for the first time and successfully organized a first ever Underwater Symphony Live Orchestra on the 15th Day of the Chinese New Year. This event received positive feedback and garnered rave reviews while also promoting cultural exchange between the East and West. The aquarium also continued to support charitable causes by organizing visits to SOA for the mentally handicapped, students from low-income families, and cancer patients.

UWX registered a decline in both revenue and profitability in FY2017 as it was adversely impacted by the tightened security controls in the months before the BRICS Summit held in September 2017. This resulted in a decline in visitor numbers to Gulangyu Island from July 2017 which significantly affected UWX performance during the peak season of the summer holidays in July and August. In July 2017, the "Gulangyu Historical International Community" was successfully listed in the World Heritage List. As a national, provincial and municipal science education base, UWX had granted free admission to over 40,000 children and teenagers in 2017 for science education sessions. In March 2017, UWX was named "National Marine Science Popularization Education Base" in Xiamen. Throughout the year, it successfully held 15 lectures on marine science in communities and schools. In addition, UWX has been participating in various public welfare activities and providing social welfare sponsorship amongst other philanthropical pursuits. In 2017, UWX was also awarded the honour of the Star of Civilisation Service Window in Xiamen Siming District, and regularly paid visits to families with special difficulties and children in the welfare homes of Gulangyu. Additionally, it had also organized a charity initiative called "Love in the Habour" for children with autism.

With strong growth in overall ridership compared to a year ago, Lixing Cable Car registered significant growth in revenue and profitability in FY2017. The new facade at the base station and a newly opened tourist service center have also been well received by the visitors.

The Singapore Flyer registered marginal growth in revenue and profitability in 2017. In January, the Singapore Flyer partnered with River Hongbao for the third consecutive year to feature three wheels – Wheel of Longevity, Happiness and Fortune – along the Lucky Trail from the Marina Bay floating platform to Singapore Flyer to usher prosperity, health and wealth into the year of the rooster. Throughout the year, the Singapore Flyer also collaborated with the National Heritage Board to enrich Singapore's heritage landscape. It hosted exhibitions during festivals such as Hari Raya Puasa and Deepavali to showcase to foreign visitors how Singaporeans of different races and religions strengthen the fabric of its multicultural society through celebrations of major festivals.

As a way of giving back to the society, Singapore Flyer has continued to collaborate with the People's Association to offer flights and meals at a subsidised rate for local senior citizens. To date, close to 3,000 elderly members of society have benefited from this initiative.

2017 also marked the 10th edition of the Grand Prix Season in Singapore and the Singapore Flyer was once again part of the event. Guests enjoyed a bird's eye view of the thrilling race as it took place at F1 Circuit Park. The Sky View Pavilion, a Chinese restaurant operated by the Singapore Flyer was also recognized in the list of Best Restaurants 2017/18 by Tatler Dining, a guide that provides recommendations from passionate foodies' and discerning consumers' on the best restaurants and gourmet experiences.

In 2017, the Singapore Flyer continued to work closely with the Singapore Tourism Board (STB) to promote inbound traffic and increase its visibility in overseas markets. It participated in the In Singapore Incentives and Rewards (Inspire) scheme, a rewards programme designed by STB to grow Singapore's share of the meetings, incentives, conferences and exhibitions (MICE) market in the Asia Pacific region. In one such effort targeted at corporate incentive and meeting groups from India and the Middle East, the Singapore Flyer curated exclusive experience packages that include a Meet and Greet session, priority boarding and custom food and beverage options. Another notable collaboration with STB was the Internationale Tourismus Borse (ITB) Asia, an annual trade show that brings together all sectors in the Asia Pacific travel industry to facilitate local travel trade. The Singapore Flyer also participated in this show as a co-exhibitor in STB's Singapore Pavilion from October 25 to 27 to increase international awareness of our flight offerings and event spaces.

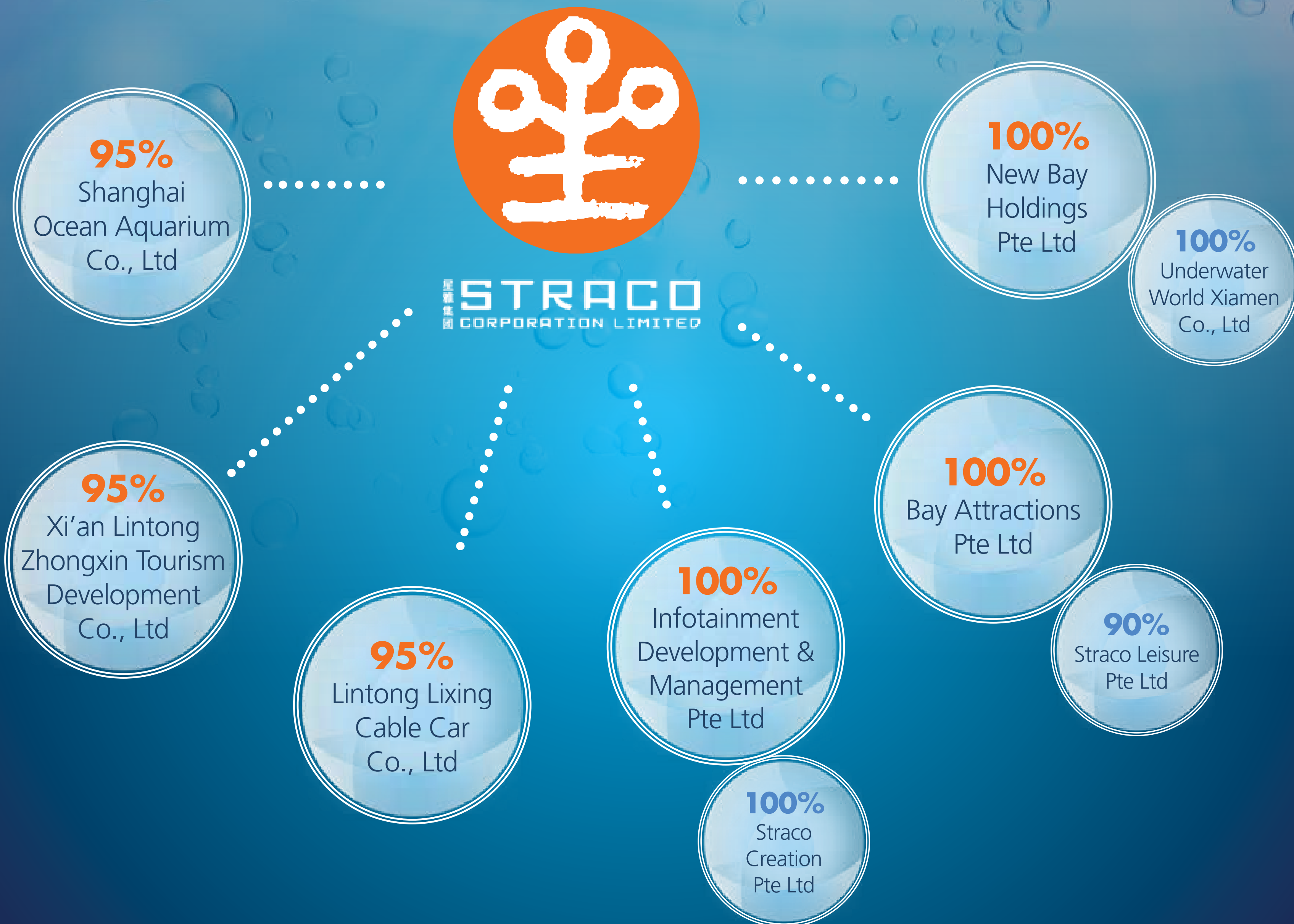
To further enhance the on-site experience for Singapore Flyer guests, it began the development of FLYER 360+, a Multimedia In-Capsule Experience focused on using integrated digital solutions and interactive story-telling to offer an immersive flight experience as well as foster a memorable experience for all guests. Large mounted screens and customized tablets will be installed in the capsules to allow guests to learn more about Singapore's history, our unique and diverse culture and how the Singapore cityscape transformed over the years. The project is presently slated to launch in 2018.

FINANCIAL COMMENTARY

The Group generated a net profit before tax of $70.46 million as compared to $68.21 million last year, an increase of 3.3%. Expenses, excluding finance cost increased $1.83 million, or 3.0% as compared to FY2016. A finance cost of $1.25 million was recorded in the year, mainly arising from the interest incurred on the bank loan taken up for the acquisition of the Singapore Flyer.

The Group's cash flow from operating activities amounted to $66.10 million in FY2017. During the year, the Group used $23.26 million to pay out dividends and $13.12 million to repay borrowings and interest on loans. The company also utilized $0.80 million cash for share buybacks and received $0.86 million from the exercising of share options. As of 31 December 2017, the Group's cash and cash equivalent balance (excluding bank deposits pledged) amounted to $190.41 million, an increase of 16.7% 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 People's Republic of China ("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	Dormant	10 Anson Road, #30-15 International Plaza, Singapore 079903	100%
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 039803	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 2017, with specific references made to each of the principles set out in the Code. Explanations are provided where there are deviations from 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 principle functions of the Board include the following:

- Set long-term strategic objectives, monitor the progress towards achieving these goals, and ensure that the necessary financial and human resources are in place for the company to meet its objectives;
- Oversee the establishment and operation of an enterprise risk management framework and the review of the adequacy and effectiveness of the Company's risk management and internal control systems, including safeguarding of shareholders' interests and the company's assets;
- Establish, with management, the strategies and financial objectives to be implemented, and monitor the performance of management;
- Identify the key stakeholder groups to understand and consider their key focus areas;
- Set the company's culture and ethical standards;
- Consider sustainability issues, including environmental, social and governance factors, when formulating the company' strategies.

All Directors objectively discharge their duties and responsibilities at all time as fiduciaries in the interests of the Company.

To assist the Board in the execution of its responsibilities, the Board is supported by three (3) sub-committees namely, the Audit and Risk, 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 each of their committee's own defined terms of reference and operating procedures and report back to the Board with their recommendations. The Board Committees play an important role in ensuring good corporate governance in the Company and within the Group. Nonetheless, the ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

CORPORATE GOVERNANCE

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 member's involvement in the various Board Committees is appended below:

		Audit & Risk Committee	Nominating Committee	Remuneration Committee
Board Members				
Wu Hsioh Kwang (Alternate: Wu Xiuyi)	*Executive Chairman*	-	M	-
Xu Niansha	*Non-Executive Director*	-	-	-
Li Weiqiang	*Non-Executive Director*	-	-	-
Chua Soh Har (Alternate: Wu Xiuzhuan)	*Non-Executive Director*	-	-	M
Tay Siew Choon	*Lead Independent Director*	-	C	C
Lim Song Joo	*Independent Director*	C	-	-
Choong Chow Siong	*Independent Director*	M	-	M
Hee Theng Fong	*Independent Director*	M	M	-

C – Chairman
M – Member

The Company's Constitution provides for the Directors to participate in the meetings of the Board and Board Committees by means of telephonic conference or in such manner as the Board may determine to facilitate Board participation.

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.

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

- Review and approve quarterly results announcements;
- Approval of the Annual Reports and year-end financial statements;
- Convening of Shareholder's Meetings;
- Approval of Corporate Strategies;
- Material Acquisitions and Disposal of assets;

- Approval of annual business plan and annual budget;
- Reports of the Board Committees;
- Conflict of Interest and IPT Register;
- Disclosure of Directors' interests pursuant to Sections 156/165 of the Companies Act. Cap. 50;
- Review of Board Assurance Framework;
- Review and approve major investments and funding decisions.

A formal Delegation of Authority document, setting approval delegations from the Board to Management, is in place and was approved by the Board.

Internal guidelines have been established which require all Board members who have a conflict of interest in a particular agenda item to abstain from participating in the relevant Board discussion.

Director's Training and Induction

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

The Company fund Directors' participation at industry conferences, seminars or any training programme in connection with their duties as Directors.

Newly appointed Directors are briefed on the business activities of the Group and its strategic directions. Upon appointment, the Company will provide each newly appointed director with a formal letter and will provide a briefing by senior management of the Company to the new directors on the business activities of the Group and its strategic directions, as well as setting out their duties and responsibilities as directors. 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.

Principle 2: Board Composition and Guidance

The Board comprises an Executive Chairman and seven non-executive Directors. Of the seven non-executive Directors, four are independent Directors, making up at least one-half of the Board.

The independence of each Director is reviewed annually by the Nominating Committee in accordance with the Code's definition of independence to ensure that the Board is capable of exercising objective judgment on corporate affairs of the Group. The Nominating Committee has reviewed the "Confirmation of Independence" forms completed by each independent director, and is of the view that the four independent Directors are independent in accordance with the definition of independence in the Code. The Independent Directors have confirmed that they do not have any relationship with the Company or its related companies or its officers or its 10% shareholders that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment. The appointment of each Director is based on his/her 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 nine 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, and significant insights in the Group's operations, they provide the Company with much needed experience and knowledge of the industry, critical to its continual success. After taking into account all these factors and having weighed the need for Board refreshment against tenure for relative benefit, the Nominating Committee and the Board (save for Mr Tay and Dr Choong who have abstained from deliberation of this matter) have 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.

Throughout the years, the Non-Executive Directors including the Independent Directors participate actively during Board meetings, constructively challenge and help develop proposals on strategy, review the performance of Management in achieving the agreed goals and objectives and monitor the reporting of performance. The Non-Executive Directors including the Independent Directors will meet without the presence of the Management so as to facilitate a more effective check on Management.

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.

The Board is of the view that the current Board size of eight Directors is appropriate, taking into account the nature and scope of the Company's operations. Nonetheless, where necessary, the Board will review its current size to ensure that it is appropriate and effective to facilitate decision making, taking into account the nature and scope of the Company's operations.

A Board Diversity Policy is in place and was approved by the Board. The Company believes in diversity and values the benefits that diversity can bring to its Board. Diversity promotes the inclusion of different perspectives and ideas, mitigates against groupthink and ensures that the Company has the opportunity to benefit from all available talent. The Company seeks to maintain a Board comprised of talented and dedicated directors with a diverse mix of expertise, experience, skills and background. The skills and background collectively represented on the Board should reflect the diverse nature of the business environment in which the Company operates. For purposes of Board composition, diversity includes but is not limited to, business experience, geography, age, gender and ethnicity and aboriginal status.

In terms of gender diversity, the Company has one female Director, namely Mdm Chua Sor Har on the Board, representing 12.5% of the total Board membership. Mdm Chua has been a member of the Board since 2010. The Company continues to benefit from her contributions in terms of improved and robust discussion and decision-making at the Board.

The Nominating Committee and the Board also applies the same rigorous standards as set out above in their consideration of any alternate director to be appointed by any existing Board member, whether it be an Executive or an Independent Directors. The Nominating Committee and Board members has carried out a rigorous review of the two existing alternate directors of the Company and are of the view that they have the necessary qualifications and experience to carry out their duties as alternate directors in the Company.

Key information regarding the Directors' qualifications and experience 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 plays an instrumental role in developing the business of the Group and provides the Group with strong leadership and overall business directions. He leads the Board to ensure its effectiveness on all aspects of its role, and ensures that each member of the Board and the Management works well together with integrity and competency.

With the assistance of the Company Secretary, the Executive Chairman schedules and prepares the agenda for Board meetings and ensure adequate time is available for discussion of all agenda items, in particular strategic issues. He promotes an open culture for debate and ensure that independent and non-executive directors are able to speak freely and contribute effectively. He also exercises control over the quality, quantity and timeliness of the flow of information between management and the Board.

In addition, Mr Wu plays a pivotal role in fostering constructive dialogue between shareholders, the Board and the Management at AGMs and other shareholders meetings. He also takes a leading role in ensuring that the Company drives to achieve and maintain a high standard of corporate governance practices with the full support of the Board, the Company Secretary, and Management.

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 Management 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 Hee Theng Fong. 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 Hee Theng Fong are independent Directors.

The responsibilities of the Nominating Committee include the nomination of Directors, determining the independence of a Director, deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director and reviewing the succession plans for the Board and other key positions. 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 6, 7 and 33 of this Annual Report respectively.

CORPORATE GOVERNANCE

In the nomination and selection process, the Nominating Committee reviews the composition of the Board by taking into consideration the mix of expertise, skills and attributes of existing Board members, to identify desirable competencies for a particular appointment. In so doing, it will source for candidates who possess the experience, core competency, industry knowledge and general ability that will contribute to the Board's proceedings and the strategic business areas of the Group. 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 Constitution 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. Each member of the Nominating Committee will abstain from voting on any resolution and making any resolutions and/or participating in any deliberations of the Nominating Committee in respect of the assessment of his performance or nomination for re-election as a Director.

This year, Mr Tay Siew Choon, Mr Xu Niansha, and Mr Lim Song Joo will be retiring at the forthcoming AGM, pursuant to the requirements of Article 95 of the Company's Constitution, and will be seeking re-election as Directors of the Company. Article 95 provides that at least one-third of the Directors shall retire from office at every annual general meeting.

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

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 five listed company board representations will consult the Chairman of the Nominating Committee before accepting any new appointments as a Director.

Ms Wu Xiuyi was appointed as alternate director to Mr Wu Hsioh Kwang and Mr Sean Wu Xiuzhuan was appointed as alternate director to Mdm Chua Soh Har. The Nominating Committee notes the Code's guideline which provides that alternate directors should be appointed for limited periods and in exceptional cases. The Nominating Committee further notes that all alternate directors bear all the duties and responsibilities of a director. The Nominating Committee and the Board will review the period for the appointment of the alternate Director where necessary. Having considered the expertise and experience of Ms Wu Xiuyi and Mr Sean Wu Xiuzhuan, the Nominating Committee and the Board are of the view that the two alternate directors are appropriately appointed.

Principle 5: Board Performance

The Nominating Committee will use its best efforts to ensure that Directors appointed to the Board and its 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.

In line with the principles of good corporate governance, the Nominating Committee had, without the engagement of an external facilitator, implemented an annual performance evaluation process to assess the overall effectiveness of the Board as a whole. The members of the respective Board Committees are requested to complete the evaluation forms to assess the effectiveness of the Board Committees. 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. The results of the evaluation are used constructively by the Nominating Committee to identify areas of improvement and recommend to the Board the appropriate action. Following the review, the Board is of the view that the Board and its Board Committees operate effectively.

In assessing individual Director's contribution and performance and in considering the re-election of any Director, the Nominating Committee had considered but not limited to the attendance record at meetings of the Board and Board Committees, the intensity of participation in the proceedings at meetings and quality of contributions made.

Apart from the fiduciary duties (i.e. to 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 financial and other indicators for evaluating the Board's performance.

Principle 6: Access to Information

In order to ensure that the Board is able to discharge its responsibilities, all directors have unrestricted access to the Company's records and information. 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.

Generally, Board papers which comprise quarterly announcements, internal audit reports, and other information or financial analysis as required for the meeting discussion, are prepared for each meeting and normally circulated four to seven days in advance of each meeting, to give directors sufficient time to review and consider the matters to be discussed so that discussions during the meeting can be more meaningful and productive. The Board papers provide sufficient background and explanatory information from the Management relating to matters to be discussed, and copies of disclosure documents, formal presentations made by Management in attendance at the meetings, or by external consultants engaged on specific projects. Annual budget papers with explanations on material forecast variances are also tabled for the Board approval. Directors are also informed as and when there is any significant development or events relating to the Group's business operations.

The Board has separate and independent access to the senior management and the Company Secretary 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 Company Secretary, or her representatives, attends all Board meetings and is responsible to ensure that the Board procedures are followed. Together with the management, the Company Secretary is responsible for the compliance with all rules and regulations, including requirements of the Companies Act, Securities and Future Act, and the Listing Rules of the SGX-ST, which are applicable to the Company, with the Board retaining ultimate responsibility for compliance.

The appointment and removal of the Company Secretary are subject to the approval of the Board.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

The Remuneration Committee comprises three non-executive Directors, two 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 Remuneration Committee is governed by its written terms of reference which set out its authority and duties. 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 such that there is a formal and transparent procedure for fixing the remuneration package of individual Directors. The Remuneration Committee also determines the specific remuneration packages and terms of employment for executive Director as well as senior executives. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind shall be covered by the Remuneration Committee. Each member of the Remuneration Committee shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations in respect of his/her remuneration package.

The Remuneration Committee has authority to engage expert professional advice on human resource matters whenever there is a need to consult externally. The Remuneration Committee would, in its deliberations for such, 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 expert advice was sought during the last financial year.

The Remuneration Committee will review the Company's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The Remuneration Committee aims to be fair and avoid rewarding poor performance.

The Remuneration Committee reviews the remuneration packages for the Executive Directors and key management personnel. In its review, the Remuneration Committee takes into consideration the pay and employment conditions within the industry and comparable companies, as well as the Company's relative performance and the performance of the individual Director and key management personnel when setting remuneration packages so as to attract, retain and motivate them to run the Group successfully.

The executive directors and key management personnel's' performance is annually assessed against set performance criteria (including leadership competencies, core values, personal development and commitment). This assessment is taken into account in determining their remuneration. The Company's performance is measured based on a balanced set of financial and non-financial criteria including operational performance, financial performance and customer satisfaction. For the Financial Year 2017, the Remuneration Committee was of the view that performance conditions were met.

The Remuneration Committee has ensured that the level and structure of remuneration are aligned with the risk policies and long-term interests of the Company.

The Non-Executive Independent Directors receive Directors' Fees. In determining the quantum of Directors' fees, factors such as effort and time spent for serving on the Board and Board Committees, and responsibilities of the Directors are taken into account. The Remuneration Committee will ensure that Non-Executive Directors will not be overly compensated to the extent that their independence may be compromised.

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 shareholders' approval at the AGM.

The Remuneration Committee, having assessed the risk associated with the Group's business model, and the variable components of the remuneration which are considered moderate, is of the view that at present there is no necessity for the Company to institute contractual provisions in the terms of employment to reclaim incentive components of remuneration paid in prior years.

CORPORATE GOVERNANCE

Principle 9: Disclosure on Remuneration

The following table sets out the quantum of Directors' Remuneration for the year ended 31 December 2017, together with a breakdown (in percentage terms) of each Director's 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	58%	42%	-	1,570
Xu Niansha	-	40%	60%	60
Li Weiqiang	-	61%	39%	72
Chua Soh Har	-	54%	46%	82
Tay Siew Choon	-	38%	62%	116
Lim Song Joo	-	43%	57%	102
Choong Chow Siong	-	45%	55%	97
Hee Theng Fong	-	27%	73%	73
Wu Xiuyi	56%	44%	-	301
Wu Xiuzhuan	53%	47%	-	232

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 2018.

Ms. Wu Xiuyi and Mr. Wu Xiuzhuan are respectively the daughter and son of the Executive Chairman and their respective remuneration for the year ended 31 December 2017 are disclosed in the table above. Save as disclosed, there is no other employee of the Group who is an immediate family member of a Director or the Chief Executive Officer whose remuneration exceeds S$50,000 for the financial year ended 31 December 2017.

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 2017, the remuneration of one executive fell within the remuneration range of $250,000 and below, the remuneration of three 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. Given the sensitive nature of key management personnel remuneration, 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, who are neither Directors, Alternate Directors, nor the Chief Executive Officer, for the financial year ended 31 December 2017 amounted to $1.79 million. The Board is of the view that it is in the best interests of the Company not to fully disclose each individual's remuneration, given the competitive business environment and possible negative impact on the Group's business.

Share options are granted to align staff's interest with that of shareholders' interest. The aggregate numbers of shares over which options may be granted shall not exceed 15% of the total issued Shares (excluding Treasury Shares) of the Company on the date immediately preceding the date of grant. These options are granted with reference to the desired remuneration structure target and valued based on the Binomial model. Details of the share option scheme can be found in the "Directors' Statement" section of this Annual Report.

No termination, retirement and post-employment benefit were granted to any Director, the Chief Executive Officer or any top five key management personnel for the year ended 31 December 2017

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 has adopted quarterly reporting as required by the Code. Financial results and annual reports will be announced or issued within the mandatory period.

The Management understands its role to provide all members of the Board with management accounts and such explanation and information in a balanced and informed assessment of the Company's performance, position and prospects. All Board members are provided with monthly management report on the Group's performance for effective monitoring and decision making.

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 and Risk 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 and Risk 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 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 of the Singapore Exchange Securities Trading Limited ("**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 Chairman of the Audit and Risk Committee is in charge of managing this specific area. The Whistle-Blowing Policy has been reviewed by the Audit and Risk Committee to ensure that it has been properly implemented.

The Whistle-Blowing 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 Chairman of the Audit and Risk Committee 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 & Risk 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 and Risk Committee of the Company will direct an independent investigation to be conducted on complaint received. The Board of Directors will receive a report stating the complaint received and findings of investigation, as well as a follow-up report on actions taken by the Audit and Risk Committee. The Company will update the complainant of the actions taken in respect of the complaint in two weeks. Subject to any legal constraints 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 and Risk Committee and the Board. The risk issues are highlighted on pages 99 to 107 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 external auditors are reported to the Audit and Risk Committee together with the external auditors' recommendations. The management would then take appropriate actions to rectify the weaknesses highlighted.

The Audit and Risk Committee, in the course of their review of the reports presented by the internal auditors and external auditors, also reviewed the adequacy and 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 Chief Executive Officer 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) that the financial records of the Group have been properly maintained and the financial statements for the financial year ended 31 December 2017 give a true and fair view of the Group's operations and finances;
(b) risk management systems and internal control systems were properly maintained;
(c) material information relating to the Company was disclosed on a timely basis for the purposes of preparing financial statements; and
(d) the company's risk management systems and internal control systems (including financial, operational, compliance and information technology controls) were adequate and 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.

Based on the external and internal auditors' findings, the Board with the concurrence of the Audit and Risk Committee is of the opinion that the Group's risk management and internal controls systems, including financial, operational, compliance and information technology controls, are adequate and effective 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 and Risk Committee is also satisfied that there were no material internal control deficiencies identified.

Principle 12: Audit and Risk Committee

The Audit and Risk Committee comprises of three independent non-executive Directors, Mr Lim Song Joo, Dr Choong Chow Siong and Mr Hee Theng Fong. Mr Lim Song Joo is the Chairman of the Audit and Risk Committee.

The Board is satisfied that two of the Audit and Risk Committee members, including the Committee's chairman, have relevant accounting and related financial management expertise or experience and are appropriately qualified to discharge their responsibilities.

No former partner or director of the Company's existing auditing firm is a member of the Audit and Risk Committee.

The Audit and Risk 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 external auditors and internal 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;

(g) review the adequacy and effectiveness of the internal audit function;

(h) review the Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual, and by such amendments made thereto from time to time.

The Audit and Risk Committee has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management, full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

In addition to the above, the Audit and Risk 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 and Risk Committee shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the Audit and Risk Committee in respect of matters in which he is interested.

The Audit and Risk Committee has discussed the key audit matters with management and the external auditors. The Audit and Risk Committee concurs with the basis and conclusions included in the auditor's report with respect to the key audit matters. Please refer to page 41 of this Annual Report for more information on the key audit matters.

The Audit and Risk Committee meets our external auditor (PricewaterhouseCoopers 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 respective auditors.

Pursuant to Rule 1207 (6)(b) and (6)(c) of the Listing Manual, the Audit and Risk Committee undertook the review of the independence and objectivity of the external auditors as well as reviewing the non-audit services provided by the incumbent external auditors, and the aggregate amount of audit fees paid to them. During the current financial year, the Group has engaged PricewaterhouseCoopers Singapore Pte Ltd and PricewaterhouseCoopers Zhong Tian LLP, PRC to provide tax compliance and advisory services at an aggregate fee of $46,190. The Audit and Risk 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 and Risk 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 and Risk 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.

CORPORATE GOVERNANCE

In appointing the external auditors of the Company and its subsidiaries, the Company has complied with the requirements of Rules 712 and 715 of the Listing Manual.

Pursuant to Rule 1207 (6)(a), the fees payable to the external auditors for audit services for the financial year ended 31 December 2017 was $280,000.

During the financial year, the Audit and Risk Committee has reviewed with the Group Chief Financial Officer and the external auditors, 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 and Risk 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 Audit and Risk Committee is satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with relevant experience, is adequately resourced and has appropriate standing within the Company.

The Audit and Risk Committee has the authority to hire, remove, evaluate and determine compensation of the internal audit firm.

The internal auditor will report directly to the Chairman of the Audit and Risk 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 and Risk Committee for approval at the beginning of the year. The internal auditor will report to the Audit and Risk Committee regarding its findings. The Audit and Risk 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 and Risk Committee.

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.

CORPORATE GOVERNANCE

To enhance and encourage communication with shareholders and investors, the Company provides a dedicated email account, contact@stracocorp.com to which shareholders and investors may send their enquiries to the Company. Enquiries received from shareholders and investors are responded by the Company's senior management.

Shareholders are encouraged to attend all shareholders' meeting through published notices and reports or circulars sent to all shareholders, to ensure a high level of accountability by the Company and for shareholders to stay informed of the Company's strategy and goals. The general meeting procedures provide the shareholders with opportunities to raise questions relating to each resolution tabled for approval. Shareholders are given the opportunity to participate, engage and openly communicate their views on matters relating to the Company to the directors. Shareholders are also informed of the rules, including voting procedures, governing shareholders' meeting.

All individual shareholders who are unable to attend and vote in person are entitled to appoint a proxy to attend and vote on their behalf. All shareholders are therefore given the opportunity to vote, either in person or by proxy at all shareholders' meetings. In addition all relevant intermediaries as defined under Section 181 of the Companies Act, Cap 50 are also given the opportunity to appoint one or more proxies to attend and vote at all general meetings. A relevant intermediary is defined as follows:-

1. a banking corporation defined under the Banking Act, Cap.19, or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

2. a capital market services license holder which provides custodial services for securities under the Securities and Futures Act, Cap 289 and holds shares in that capacity; or

3. the Central Provident Fund Board established by the Central Provident Fund Act, Cap 36, in respect of shares purchased on behalf of investor.

Pursuant to the recommendations of the Code of Corporate Governance 2012, all resolutions are put to the vote by poll at shareholders' meetings to ensure greater transparency in the voting process. Independent party was appointed as scrutineer to count and validate the votes at the AGM. Detailed results of the number of votes cast for and against each resolution and the respective percentages are announced for each resolution.

In compliance with the requirements of the Companies Act, Cap 50, all resolutions are voted upon separately at each general meeting and are single item resolutions

Directors, the External Auditors, Management and legal advisors (where necessary) are present at all shareholders' meetings to address shareholders' queries.

Minutes of shareholders' meeting include details of questions raised and the responses from the Company as a permanent record. In addition, hard copies of the minutes are made available to all shareholders of the Company upon request.

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.

CORPORATE GOVERNANCE

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 31 December 2017 (excluding transactions less than S$100,000/- and transactions conducted under the shareholders' mandate pursuant to Rule 920) (S$'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000/-) (S$'000)
Shanghai Poly Technologies Co. Ltd	363	N.A. – the Company does not have a shareholders' mandate for interested person transactions

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 ended 31 December 2017 or if not then subsisting, entered into since the end of the previous financial year ended 31 December 2016.

Financial Review

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2017 and the statement of financial position of the Company as at 31 December 2017.

In the opinion of the directors,

(a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 45 to 115 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; 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.

Directors

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

Wu Hsioh Kwang
Xu Niansha
Li Weiqiang
Chua Soh Har
Tay Siew Choon
Lim Song Joo
Choong Chow Siong
Hee Theng Fong

Alternate Directors

Wu Xiuyi	(alternate Director to Wu Hsioh Kwang)
Wu Xiuzhuan	(alternate Director to Chua Soh Har)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was 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, other than as disclosed under "Share options" in this statement.

Directors' interests in shares or debentures

(a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2017	At 1.1.2017 or date of appointment, if later	**At 31.12.2017**	At 1.1.2017 or date of appointment, if later
Straco Corporation Limited (No. of ordinary shares)				
Wu Hsioh Kwang	**7,888,000**	7,888,000	**470,349,980**	470,349,980
Li Weiqiang	**330,000**	330,000	**-**	-
Chua Soh Har	**11,474,000**	11,474,000	**466,763,980**	466,763,980
Tay Siew Choon	**1,490,000**	1,490,000	**-**	-
Choong Chow Siong	**1,490,000**	1,190,000	**-**	-
Lim Song Joo	**1,224,000**	960,000	**-**	-
Wu Xiuyi (Alternate Director to Wu Hsioh Kwang)	**34,005,000**	33,465,000	**-**	-
Wu Xiuzhuan (Alternate Director to Chua Soh Har)	**27,256,000**	27,256,000	**-**	-

Directors' interests in shares or debentures (continued)

(b) According to the register of directors' shareholdings, certain directors holding office at the end of the financial year had interests in options to subscribe for ordinary shares of the Company granted pursuant to the Straco Share Option Scheme as set out below and under "Share options" below.

	No. of unissued ordinary shares under option	
	At 31.12.2017	At 1.1.2017 or date of appointment, if later
Name of Directors		
Wu Hsioh Kwang (also the controlling shareholder of the Company)	**3,200,000**	2,600,000
Xu Niansha	**264,000**	264,000
Li Weiqiang	**758,000**	528,000
Chua Soh Har	**1,088,000**	858,000
Tay Siew Choon	**1,418,000**	1,188,000
Lim Song Joo	**494,000**	528,000
Choong Chow Siong	**1,418,000**	1,488,000
Hee Theng Fong	**230,000**	-
	8,870,000	7,454,000
Alternate Directors and associates of controlling shareholder		
Wu Xiuyi	**2,374,000**	2,484,000
Wu Xiuzhuan	**1,320,000**	1,040,000
	3,694,000	3,524,000

(c) The directors' interests in the ordinary shares and convertible securities of the Company as at 21 January 2018 were the same as those as at 31 December 2017.

Share options

(a) Straco Share Option Scheme

Particulars of these options were set out in the Directors' Statement for the financial years ended 31 December 2016 and 31 December 2017 respectively.

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.

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.

The 2004 Scheme expired on 11 January 2014.

As at 31 December 2017, a total of 27,310,000 were allotted pursuant to options which had been exercised and a total of 1,920,000 had lapsed/expired under the 2004 Scheme. Options to subscribe for a total of 2,890,000 which have not yet been exercised remained outstanding.

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" and together with the 2004 Scheme, the "Schemes"), 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.

As at 31 December 2017, a total of 2,814,000 were allotted pursuant to options which had been exercised and a total of 850,000 had lapsed/expired under the 2014 Scheme. Options to subscribe for a total of 20,102,000 which have not yet been exercised remained outstanding.

Share options (continued)

(a) Straco Share Option Scheme (continued)

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

	No. of unissued ordinary shares of the Company under option			
Name of directors	Granted in financial year ended 31.12.2017	Aggregate granted since commencement of scheme to 31.12.2017	Aggregate exercised/ forfeited since commencement of scheme to 31.12.2017	Aggregate outstanding as at 31.12.2017
Wu Hsioh Kwang (also the controlling shareholder of the Company)	600,000	7,100,000	(3,900,000)	3,200,000
Xu Niansha	230,000	494,000	(230,000)	264,000
Li Weiqiang	230,000	1,088,000	(330,000)	758,000
Chua Soh Har	230,000	1,718,000	(630,000)	1,088,000
Tay Siew Choon	230,000	2,708,000	(1,290,000)	1,418,000
Lim Song Joo	230,000	1,718,000	(1,224,000)	494,000
Choong Chow Siong	230,000	2,708,000	(1,290,000)	1,418,000
Hee Theng Fong	230,000	230,000	-	230,000
	2,210,000	17,764,000	(8,894,000)	8,870,000
Alternate Directors and Associates of controlling shareholder				
Wu Xiuyi	430,000	3,514,000	(1,140,000)	2,374,000
Wu Xiuzhuan	280,000	1,620,000	(300,000)	1,320,000
	710,000	5,134,000	(1,440,000)	3,694,000

No participant under the Schemes has received 5% or more of the total number of shares under option available under the Schemes.

Share options (continued)

(a) Straco Share Option Scheme (continued)

During the financial year, 2,414,000 treasury shares of the Company were re-issued upon exercise of the options by:

Options holders of	No. of ordinary shares 2017	Exercise price $
2004 Scheme		
05/05/2011	350,000	0.176
08/05/2012	840,000	0.196
06/05/2013	560,000	0.311
2014 Scheme		
12/05/2014	400,000	0.630
12/05/2016	264,000	0.790
	2,414,000	

(b) Share options outstanding

The number of unissued ordinary shares of the Company under option in relation to the Schemes outstanding at the end of the financial year was as follows:

Date of grant of option	No. of unissued ordinary shares under option at 31.12.2017	Exercise price	Exercise period
2004 Scheme			
08/05/2012	680,000	0.196	09/05/2013 to 08/05/2022
06/05/2013	1,260,000	0.311	07/05/2014 to 06/05/2018
06/05/2013	950,000	0.311	07/05/2014 to 06/05/2023

Share options (continued)

(b) Share options outstanding (continued)

Date of grant of option	No. of unissued ordinary shares under option at 31.12.2017	Exercise price	Exercise period
2014 Scheme			
12/05/2014	2,990,000	0.630	13/05/2015 to 12/05/2019
12/05/2014	2,080,000	0.630	13/05/2015 to 12/05/2024
12/05/2015	2,920,000	1.060	13/05/2016 to 12/05/2020
12/05/2015	2,208,000	1.060	13/05/2016 to 12/05/2025
12/05/2016	2,704,000	0.790	13/05/2017 to 12/05/2021
12/05/2016	2,260,000	0.790	13/05/2017 to 12/05/2026
11/05/2017	2,690,000	0.840	12/05/2018 to 11/05/2022
11/05/2017	2,250,000	0.840	12/05/2018 to 11/05/2027
	22,992,000		

Audit & Risk Committee

The members of the Audit & Risk Committee at the end of the financial year were as follows:

Lim Song Joo (Chairman)
Choong Chow Siong
Hee Theng Fong

All members of the Audit & Risk Committee were independent non-executive directors.

The Audit & Risk Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent and internal auditors;

DIRECTORS' STATEMENT
For the financial year ended 31 December 2017

Audit & Risk Committee (continued)

- the statement of financial position of the Company and the consolidated financial statements of the Group at the financial year ended 31 December 2017 before their submission to the Board of Directors; and

- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit & Risk Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent Auditor

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Wu Hsioh Kwang
Director

Lim Song Joo
Director

23 March 2018

INDEPENDENT AUDITORS' REPORT

To the members of Straco Corporation Limited

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Straco Corporation Limited ("the Company") and its subsidiaries ("the Group") and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:
- the consolidated statement of comprehensive income of the Group for the year ended 31 December 2017;
- the consolidated statement of financial position of the Group as at 31 December 2017;
- the statement of financial position of the Company as at 31 December 2017;
- the consolidated statement of changes in equity of the Group for the year then ended;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
Useful lives of property, plant and equipment and investment property As at 31 December 2017, the carrying value of property, plant and equipment and investment property amounted to $118.2 million and $46.9 million respectively. These assets are predominantly made up of land and buildings which the Group's key attractions operate on and machinery and equipment which are operational assets used in the day-to-day business of the key attractions. The Group reviews annually the estimated useful lives of property, plant and equipment and investment property based on factors that include: - Asset utilisation and visitorship to the attractions; - Technological changes and obsolescence; - Government regulations or re-designation of land space and; - Internal technical evaluation on safety and maintenance plans. We focused on the useful lives of property, plant and equipment and investment property due to their contribution to the statement of financial position and the subjectivity of the assessment whereby future results of operations could be materially affected by changes in these estimates arising from changes in factors above. Refer to Note 14 – Investment property and Note 15 – Property, plant and equipment for disclosures relating to the estimation uncertainty around the assessment of useful lives.	We focused our audit work on the underlying assumptions and factors used in the assessment performed by management, taking into consideration past utilisation of assets and future asset maintenance and investment plans. Our audit procedures included the following: • Obtained key contracts and agreements entered into for usage or lease of land space for the Group's key attractions; • Obtained evidence of annual renewal of operating permit granted by the authority; • Reviewed actual useful lives of fully depreciated assets which still remain in use; • Obtained and reviewed planned maintenance expenditure information; and • Considered other similar established industry practices. We found management's basis of estimating the useful lives to be appropriate.

Other Information

Management is responsible for the other information. The other information comprises all the sections of the annual report, which we obtained prior to the date of this auditor's report, and excludes the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors 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 Act and FRSs, 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT

To the members of Straco Corporation Limited

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 subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tham Tuck Seng.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 23 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	2017 $	2016 $
Revenue	4	**128,443,129**	125,156,514
Other income	5	**6,561,827**	6,135,225
Expenses			
Depreciation and amortisation	6	**(12,940,641)**	(12,795,350)
Changes in inventories and purchases of goods		**(3,447,412)**	(2,943,605)
Consultancy		**(810,936)**	(1,042,149)
Sales and marketing		**(1,094,272)**	(1,550,407)
Exchange losses - net		**(349,166)**	(35,143)
Operating lease		**(7,290,912)**	(6,876,831)
Property and other taxes		**(2,031,589)**	(1,899,718)
Repair and maintenance		**(4,614,323)**	(4,426,880)
Employee compensation	7	**(22,981,425)**	(22,711,721)
Utilities		**(2,759,263)**	(2,991,246)
Loss on disposal of property, plant and equipment		**(37,000)**	(10,610)
Impairment loss on property, plant and equipment		**(260,581)**	-
Other operating expenses		**(2,647,680)**	(2,092,613)
Other administrative expenses		**(2,035,815)**	(2,090,939)
Finance cost		**(1,245,106)**	(1,613,633)
Profit before income tax		**70,458,835**	68,210,894
Income tax expense	8	**(19,843,702)**	(19,040,145)
Total profit		**50,615,133**	49,170,749
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
- losses		**(2,630,893)**	(7,228,448)
Other comprehensive loss, net of tax		**(2,630,893)**	(7,228,448)
Total comprehensive income		**47,984,240**	41,942,301

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	**2017**	2016
		$	$
Profit attributable to:			
Equity holders of the Company		**47,739,082**	46,463,907
Non-controlling interests		**2,876,051**	2,706,842
		50,615,133	49,170,749
Total comprehensive income attributable to:			
Equity holders of the Company		**45,204,798**	39,504,341
Non-controlling interests		**2,779,442**	2,437,960
		47,984,240	41,942,301
Earnings per share for profit attributable to equity holders of the Company (cents per share)			
Basic earnings per share	9	**5.55**	5.41
Diluted earnings per share	9	**5.53**	5.39

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION - GROUP

As at 31 December 2017

	Note	2017 $	2016 $
ASSETS			
Current assets			
Cash and cash equivalents	10	**191,413,952**	164,234,211
Trade and other receivables	11	**6,047,281**	4,807,032
Inventories	12	**2,096,068**	2,112,952
		199,557,301	171,154,195
Non-current assets			
Investment property	14	**46,925,760**	48,369,630
Property, plant and equipment	15	**118,229,524**	127,443,494
Intangible assets and goodwill	16	**2,587,760**	3,197,542
		167,743,044	179,010,666
Total assets		**367,300,345**	350,164,861
LIABILITIES			
Current liabilities			
Trade and other payables	17	**11,204,634**	10,574,930
Current income tax liabilities		**2,453,498**	2,076,758
Borrowings	18	**12,000,000**	12,000,000
		25,658,132	24,651,688
Non-current liabilities			
Borrowings	18	**37,900,000**	49,900,000
Deferred income		**184,486**	258,789
Deferred income tax liabilities	19	**20,942,340**	18,654,346
Provision for reinstatement cost	20	**4,223,472**	4,100,060
		63,250,298	72,913,195
Total liabilities		**88,908,430**	97,564,883
NET ASSETS		**278,391,915**	252,599,978
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	**76,985,514**	76,985,514
Other reserves	22	**17,457,491**	18,855,470
Retained profits		**172,459,776**	146,297,444
		266,902,781	242,138,428
Non-controlling interests		**11,489,134**	10,461,550
Total equity		**278,391,915**	252,599,978

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION - COMPANY

As at 31 December 2017

	Note	**2017**	2016
		$	$
ASSETS			
Current assets			
Cash and cash equivalents	10	**24,339,816**	16,349,546
Trade and other receivables	11	**610,906**	506,743
		24,950,722	16,856,289
Non-current assets			
Investments in subsidiaries	13	**103,130,209**	103,130,209
Property, plant and equipment	15	**2,086,272**	2,146,193
		105,216,481	105,276,402
Total assets		**130,167,203**	122,132,691
LIABILITIES			
Current liabilities			
Trade and other payables	17	**1,541,852**	1,377,117
Current income tax liabilities		**77,478**	-
Total liabilities		**1,619,330**	1,377,117
NET ASSETS		**128,547,873**	120,755,574
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	21	**76,985,514**	76,985,514
Other reserves	22	**2,908,033**	1,839,526
Retained profits		**48,654,326**	41,930,534
Total equity		**128,547,873**	120,755,574

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

		← Attributable to equity holders of the Company →									
	Note	**Share capital**	**Treasury shares**	**Share option reserve**	**General reserve**	**Currency translation reserve**	**Capital reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
		$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
2017											
Beginning of financial year		**76,985,514**	**(4,545,816)**	**7,081,457**	**16,235,686**	**780,257**	**(696,114)**	**146,297,444**	**242,138,428**	**10,461,550**	**252,599,978**
Profit for the year		-	-	-	-	-	-	47,739,082	47,739,082	2,876,051	50,615,133
Other comprehensive income for the year		-	-	-	-	(2,534,284)	-	-	(2,534,284)	(96,609)	(2,630,893)
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**(2,534,284)**	**-**	**47,739,082**	**45,204,798**	**2,779,442**	**47,984,240**
Dividend to non-controlling shareholder of a subsidiary		-	-	-	-	-	-	-	-	(1,751,858)	(1,751,858)
Dividend relating to 2016 paid	23	-	-	-	-	-	-	(21,508,951)	(21,508,951)	-	(21,508,951)
Treasury shares purchased	21(a)	-	(796,423)	-	-	-	-	-	(796,423)	-	(796,423)
Share options exercised	21(a)	-	1,146,880	-	-	-	(285,920)	-	860,960	-	860,960
Share-based payment transactions	7	-	-	1,003,969	-	-	-	-	1,003,969	-	1,003,969
Transfer to general reserve fund		-	-	-	67,799	-	-	(67,799)	-	-	-
Total transactions with owners, recognised directly in equity		**-**	**350,457**	**1,003,969**	**67,799**	**-**	**(285,920)**	**(21,576,750)**	**(20,440,445)**	**(1,751,858)**	**(22,192,303)**
End of financial year		**76,985,514**	**(4,195,359)**	**8,085,426**	**16,303,485**	**(1,754,027)**	**(982,034)**	**172,459,776**	**266,902,781**	**11,489,134**	**278,391,915**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

	Note	Share capital	Treasury shares	Share option reserve	General reserve	Currency translation reserve	Capital reserve	Retained profits	Total	Non-controlling interests	Total equity
		← Attributable to equity holders of the Company							→		
		$	$	$	$	$	$	$	$	$	$
2016											
Beginning of financial year		**76,985,514**	**(5,822,622)**	**5,453,704**	**16,235,686**	**7,739,823**	**(69,483)**	**121,534,811**	**222,057,433**	**9,422,912**	**231,480,345**
Profit for the year		-	-	-	-	-	-	46,463,907	46,463,907	2,706,842	49,170,749
Other comprehensive income for the year		-	-	-	-	(6,959,566)	-	-	(6,959,566)	(268,882)	(7,228,448)
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**(6,959,566)**	**-**	**46,463,907**	**39,504,341**	**2,437,960**	**41,942,301**
Dividend to non-controlling shareholder of a subsidiary		-	-	-	-	-	-	-	-	(1,621,151)	(1,621,151)
Dividend relating to 2015 paid	23	-	-	-	-	-	-	(21,479,445)	(21,479,445)	-	(21,479,445)
Treasury shares purchased	21(a)	-	(524,975)	-	-	-	-	-	(524,975)	-	(524,975)
Share options exercised	21(a)	-	1,801,781	-	-	-	(626,631)	-	1,175,150	-	1,175,150
Share-based payment transactions	7	-	-	1,627,753	-	-	-	-	1,627,753	-	1,627,753
Acquisition of non-controlling interest without a change in control		-	-	-	-	-	-	(221,829)	(221,829)	221,829	-
Total transactions with owners, recognised directly in equity		**-**	**1,276,806**	**1,627,753**	**-**	**-**	**(626,631)**	**(21,701,274)**	**(19,423,346)**	**(1,399,322)**	**(20,822,668)**
End of financial year		**76,985,514**	**(4,545,816)**	**7,081,457**	**16,235,686**	**780,257**	**(696,114)**	**146,297,444**	**242,138,428**	**10,461,550**	**252,599,978**

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	Note	**2017**	2016
		$	$
Cash flows from operating activities			
Total profit		**50,615,133**	49,170,749
Adjustments for:			
- Income tax expense		**19,843,702**	19,040,145
- Depreciation of property, plant and equipment		**10,886,989**	10,741,725
- Depreciation of investment property		**1,443,870**	1,443,843
- Amortisation of intangible assets		**609,782**	609,782
- Equity-settled shared-based payment transactions		**1,003,969**	1,627,753
- Amortisation of government grants		**(70,034)**	(73,266)
- Loss on disposal of property, plant and equipment		**37,000**	10,610
- Impairment loss on property, plant and equipment		**260,581**	-
- Interest income		**(4,296,876)**	(3,598,251)
- Interest expenses		**1,245,106**	1,613,633
- Unrealised currency translation losses		**336,342**	29,965
		81,915,564	80,616,688
Change in working capital			
- Inventories		**(1,132)**	208,437
- Trade and other receivables		**596,028**	1,700,858
- Trade and other payables		**717,377**	1,177,503
Cash generated from operations		**83,227,837**	83,703,486
Income tax paid		**(17,148,567)**	(16,632,673)
Net cash provided by operating activities		**66,079,270**	67,070,813

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	Note	2017 $	2016 $
Cash flows from investing activities			
Additions to property, plant and equipment		**(2,585,566)**	(3,752,407)
Disposal of property, plant and equipment		**2,391**	841
Interest received		**2,415,873**	5,564,852
Net cash (used in)/ provided by investing activities		**(167,302)**	1,813,286
Cash flows from financing activities			
Acquisition of remaining shareholding in a subsidiary		**-**	(1)
Proceeds from exercise of share options		**860,960**	1,175,150
Repurchase of own shares		**(796,423)**	(524,975)
Repayment of borrowings		**(12,000,000)**	(12,000,000)
Interest paid		**(1,120,640)**	(1,498,313)
Dividends paid to equity holders of the Company		**(21,508,951)**	(21,479,445)
Dividends paid to non-controlling interests		**(1,751,858)**	(1,621,151)
Net cash used in financing activities		**(36,316,912)**	(35,948,735)
Net increase in cash and cash equivalents		**29,595,056**	32,935,364
Cash and cash equivalents			
Beginning of financial year		**163,234,211**	135,525,256
Effects of currency translation on cash and cash equivalents		**(2,415,315)**	(5,226,409)
End of financial year	10	**190,413,952**	163,234,211

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Straco Corporation Limited (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 10 Anson Road #30-15, International Plaza, Singapore 079903.

The principal activities of the Group and the Company are the development and management of tourism-related businesses.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2017

On 1 January 2017, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the following:

FRS 7 Statement of cash flows

The amendments to FRS 7 Statement of cash flows (Disclosure initiative) sets out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

There are no additional required disclosures that needs to be disclosed in the Consolidated Statement of Cash Flows to the Financial Statement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) Sale of tickets

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

(b) 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.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

(e) 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.

2.3 Government grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions. Government grants are shown separately as other income.

Income related grants are recognised in profit or loss over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

Assets-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.

2. Significant accounting policies (continued)

2.4 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, intercompany transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets - Goodwill" (Note 2.6(a)) for the subsequent accounting policy on goodwill.

2. Significant accounting policies (continued)

2.4 Group accounting (continued)

(a) Subsidiaries (continued)

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries" (Note 2.9) for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

2.5 Property, plant and equipment

(a) Measurement

All items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs.

2. Significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

(b) Depreciation

Depreciation on items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold land	Shorter of lease term or 50 years
Leasehold 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	3 to 20 years
Fishes and marine livestock	5 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "loss on disposal of property, plant and equipment".

2. Significant accounting policies (continued)

2.6 Intangible assets

(a) Goodwill on acquisitions

Goodwill on acquisitions of subsidiaries and businesses represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in profit or loss on disposal.

(b) Logo and trademark

Logo and trademark that arise from the acquisition of the Singapore Flyer are initially recognised at fair value and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives, from the date on which they are available for use. The estimated useful lives are as follows:

	Useful lives
Logo and trademark	5 years

2.7 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 cost comprise interest expenses on loans and borrowings.

2. Significant accounting policies (continued)

2.8 Investment property

Investment property comprise property that is held for long-term rental yields and/or for capital appreciation.

Investment property is initially recognised at fair value from the acquisition through business combination and subsequently measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amount over the estimated useful life of 35 years 7 months, representing the remaining lease term from the date of acquisition.

Investment property is subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

The residual values, useful lives and depreciation method of investment property are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are included in profit or loss when the changes arise.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

2.9 Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.10 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

2. Significant accounting policies (continued)

2.10 Impairment of non-financial assets (continued)

(b) Intangible assets
Property, plant and equipment
Investment property
Investments in subsidiaries

Intangible assets, property, plant and equipment, investment property and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

2.11 Financial assets

Loans and receivables

(a) Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (Note 11) and "cash and cash equivalents" (Note 10) on the statement of financial position.

2. Significant accounting policies (continued)

2.11 Financial assets (continued)

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method, less any impairment losses.

(e) Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2. Significant accounting policies (continued)

2.12 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.13 Financial guarantees

The Company has issued a corporate guarantee to a bank for the borrowing of its subsidiary. This guarantee is a financial guarantee as it requires the Company to reimburse the bank if the subsidiary fails to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's statement of financial position.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiary's borrowings, unless it is probable that the Company will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's statement of financial position.

Intra-group transactions are eliminated on consolidation.

2.14 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.15 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2. Significant accounting policies (continued)

2.16 Leases

(a) When the Group is the lessee

The Group leases land, office and residential premises under operating leases from non-related parties.

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

(b) When the Group is the lessor

The Group leases its investment property under operating leases to non-related parties.

Leases of the investment property where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

2.17 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method, 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 applicable variable selling expenses.

2. Significant accounting policies (continued)

2.18 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities except for Investment property. Investment property measured at fair value is presumed to be recovered entirely through sale.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2. Significant accounting policies (continued)

2.19 Provisions

Provisions for reinstatement costs are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

The Group recognises the estimated liability with a corresponding recognition in property, plant and equipment at the reporting date. The provision is measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.20 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an employee expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each reporting date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued, or to the "treasury shares" account, when treasury shares are re-issued to the employees.

(c) 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.

2. Significant accounting policies (continued)

2.21 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollars, which is the functional currency of the Company.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses impacting profit or loss are presented in the income statement within "exchange (losses)/gains".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2. Significant accounting policies (continued)

2.22 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.

2.23 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand balances and deposits with financial institutions which are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents. Pledged deposits are excluded from cash and cash equivalents.

2.24 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to an employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

2.25 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Information about critical estimates, assumptions and judgement have been included in the following notes:

- Note 14: Estimation of useful life of investment property
- Note 15: Estimation of useful lives of property, plant and equipment

4. Revenue

	Group	
	2017	2016
	$	$
Ticketing	**116,547,500**	113,960,537
Retail	**5,676,800**	5,047,065
Food and beverages	**3,809,494**	3,406,332
Rental from leases under investment property (Note 14)	**1,595,978**	2,015,546
Others	**813,357**	727,034
	128,443,129	125,156,514

5. Other income

	Group	
	2017	2016
	$	$
Interest income	**4,296,876**	3,598,251
Government grant	**179,028**	86,951
Rental income from sales counters	**1,524,120**	1,572,400
Miscellaneous	**561,803**	877,623
	6,561,827	6,135,225

6. Depreciation and amortisation

	Group 2017 $	2016 $
Amortisation of intangible assets (Note 16)	**609,782**	609,782
Depreciation of property, plant and equipment (Note 15)	**10,886,989**	10,741,725
Depreciation of investment property (Note 14)	**1,443,870**	1,443,843
Total amortisation and depreciation	**12,940,641**	12,795,350

7. Employee compensation

	Group 2017 $	2016 $
Wages and salaries	**17,929,912**	17,005,113
Employer's contribution to defined contribution plans	**3,039,520**	3,082,109
Other staff benefits	**1,008,024**	996,746
Share option expense (Note 21)	**1,003,969**	1,627,753
	22,981,425	22,711,721

8. Income taxes

Income tax expense

	Group 2017 $	Group 2016 $
- Taxation for current financial year:		
Current income tax		
- Singapore	**183,896**	38,484
- Foreign	**15,680,310**	15,141,470
	15,864,206	15,179,954
Deferred income tax (Note 19)	**2,452,538**	2,641,474
Withholding tax on profits distributed during the year	**1,664,265**	1,540,093
	19,981,009	19,361,521
- Under/(Over) provision in prior financial years:		
Current income tax	**27,237**	(125,117)
Deferred income tax (Note 19)	**(164,544)**	(196,259)
	(137,307)	(321,376)
Total tax expense	**19,843,702**	19,040,145

8. Income taxes (continued)

Income tax expense

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2017	2016
	$	$
Profit before tax	**70,458,835**	68,210,894
Tax calculated at tax rate of 17% (2016: 17%)	**11,978,002**	11,595,852
Effects of:		
- different tax rates in other countries	**5,022,254**	4,793,403
- tax incentives	**(128,015)**	(29,593)
- expenses not deductible for tax purposes	**711,001**	743,055
- income not subject to tax	**(18,703)**	(45,792)
- utilisation of previously unrecognised		
- tax losses	**(28,631)**	(29,979)
- capital allowances	**(4,223)**	-
- over provision of tax in prior financial years	**(137,307)**	(321,376)
- withholding tax	**2,256,660**	2,303,016
- others	**192,664**	31,559
Tax charge	**19,843,702**	19,040,145

9. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Total	
	2017	2016
Net profit attributable to equity holders of the Company ($)	**47,739,082**	46,463,907
Weighted average number of ordinary shares outstanding for basic earnings per share	**859,798,808**	858,519,978
Basic earnings per share (cents per share)	**5.55**	5.41

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares, which comprises share options granted to employees.

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit.

Diluted earnings per share attributable to equity holders of the Company is calculated as follows:

	Total	
	2017	2016
Net profit used to determine diluted earnings per share ($)	**47,739,082**	46,463,907
Weighted average number of ordinary shares outstanding for basic earnings per share	**859,798,808**	858,519,978
Adjustments for		
- Share options	**3,710,520**	4,022,938
	863,509,328	862,542,916
Diluted earnings per share (cents per share)	**5.53**	5.39

10. Cash and cash equivalents

	Group		Company	
	2017	2016	**2017**	2016
	$	$	**$**	$
Cash at bank and on hand	**10,791,641**	8,425,447	**3,167,651**	630,990
Short-term bank deposits	**180,622,311**	155,808,764	**21,172,165**	15,718,556
	191,413,952	164,234,211	**24,339,816**	16,349,546

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2017	2016
	$	$
Cash and bank balances (as above)	**191,413,952**	164,234,211
Less: Bank deposits pledged	**(1,000,000)**	(1,000,000)
Cash and cash equivalents per consolidated statement of cash flows	**190,413,952**	163,234,211

Bank deposits are pledged as security for the banker's guarantee on the lease of land on which the investment property (Note 14) is situated.

The weighted average effective interest rates per annum relating to fixed deposits of the Group and the Company are 2.5544% (2016: 2.5845%) and 3.7934% (2016: 2.6505%), respectively. Interest rates reprice at intervals of between 2 weeks and 24 months.

11. Trade and other receivables

	Group		Company	
	2017	2016	**2017**	2016
	$	$	**$**	$
Interest receivables	**3,690,004**	1,828,522	**164,248**	-
Trade receivables				
- Non-related parties	**589,176**	646,647	**-**	-
Amounts due from subsidiaries (non-trade)	**-**	-	**417,273**	482,218
	-	-	**417,273**	482,218
Other receivables	**828,739**	1,418,318	**-**	-
Less: Allowance for impairment of other receivables	**-**	(166,479)	**-**	-
	828,739	1,251,839	**-**	-
Deposits	**164,839**	241,421	**1,000**	1,000
Loans and receivables	**5,272,758**	3,968,429	**582,521**	483,218
Prepayments	**774,523**	838,603	**28,385**	23,525
	6,047,281	4,807,032	**610,906**	506,743

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

12. Inventories

	Group	
	2017	2016
	$	$
Consumables	**2,096,068**	2,112,952

The cost of inventories recognised as an expense and included in "changes in inventories and purchases of goods" amounted to $3,447,412 (2016: $2,943,605).

13. Investments in subsidiaries

	Company	
	2017	2016
	$	$
Equity investments at cost	**76,070,954**	76,070,954
End of financial year	**76,070,954**	76,070,954
Loans and advances to subsidiaries	**27,059,255**	27,059,255
	103,130,209	103,130,209

13. Investments in subsidiaries (continued)

The Group had the following subsidiaries as at 31 December 2017 and 2016:

Group and Company

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2017	2016	**2017**	2016	**2017**	2016
			%	%	**%**	%	**%**	%
Infotainment Development & Management Pte Ltd	Provision of management and consulting services and overall project management to the Group and third parties	Singapore	**100**	100	**100**	100	**-**	-
Straco Creation Pte Ltd	Dormant	Singapore	**-**	-	**100**	100	**-**	-
New Bay Holdings Pte Ltd	Investment holding	Singapore	**100**	100	**100**	100	**-**	-
Underwater World Xiamen Co Ltd[2]	Operation of aquatic related facilities and performance	People's Republic of China ("PRC")	**-**	-	**100**	100	**-**	-
Lintong Lixing Cable Car Co Ltd[1]	Operation of cable car facilities	PRC	**95**	95	**95**	95	**5**	5
Shanghai Ocean Aquarium Co Ltd[1]	Development and operation of aquatic related facilities	PRC	**95**	95	**95**	95	**5**	5
Xi'an Lintong Zhongxin Tourism Development Co Ltd[1]	Development and operation of tourism-related facilities	PRC	**95**	95	**95**	95	**5**	5
Bay Attractions Pte Ltd	Investment holding	Singapore	**100**	100	**100**	100	**-**	-
Straco Leisure Pte Ltd	Operation of a circular giant observation structure and provision of retail space	Singapore	**-**	-	**90**	90	**10**	10

[1]Audited by PricewaterhouseCoopers Zhong Tian LLP, PRC

[2]Audited by PKF Daxin Certified Public Accountants Co. Ltd, Fujian Branch and audited by PricewaterhouseCoopers Zhong Tian LLP, PRC for consolidation purposes.

PricewaterhouseCoopers LLP, Singapore is the auditor of all other subsidiaries of the Group.

13. Investments in subsidiaries (continued)

Significant restrictions

Cash and short-term deposits of $139,449,714 (2016: $127,897,360) are held in the PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

Carrying value of non-controlling interests	**2017** **$**	2016 $
Shanghai Ocean Aquarium Co Ltd	**5,348,316**	5,239,590
Straco Leisure Pte Ltd	**5,732,288**	4,804,104
Other subsidiaries with immaterial non-controlling interest	**408,530**	417,856
Total	**11,489,134**	10,461,550

Summarised financial information of subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

Summarised statement of financial position

	Shanghai Ocean Aquarium Co Ltd As at 31 December		**Straco Leisure Pte Ltd As at 31 December**	
	2017 **$**	2016 $	**2017** **$**	2016 $
Current				
Assets	**89,463,009**	83,546,131	**28,024,829**	20,834,613
Liabilities	**(8,961,620)**	(8,283,850)	**(15,868,980)**	(15,559,963)
Total current net assets	**80,501,389**	75,262,281	**12,155,849**	5,274,650
Non-current				
Assets	**26,649,414**	29,788,311	**128,657,873**	136,438,227
Liabilities	**(184,487)**	(258,793)	**(83,500,665)**	(93,681,655)
Total non-current net assets	**26,464,927**	29,529,518	**45,157,208**	42,756,572
Net assets	**106,966,316**	104,791,799	**57,313,057**	48,031,222

13. Investments in subsidiaries (continued)

Summarised income statement

	Shanghai Ocean Aquarium Co Ltd For period ended 31 December		Straco Leisure Pte Ltd For period ended 31 December	
	2017	2016	**2017**	2016
	$	$	**$**	$
Revenue	**67,911,869**	64,704,089	**41,241,679**	40,340,401
Profit before income tax	**50,297,964**	46,233,626	**10,977,433**	10,784,232
Income tax expense	**(12,578,884)**	(11,406,596)	**(1,695,598)**	(1,682,292)
Post-tax profit from continuing operations	**37,719,080**	34,827,030	**9,281,835**	9,101,940
Total comprehensive income	**37,719,080**	34,827,030	**9,281,835**	9,101,940
Total comprehensive income allocated to non-controlling interests	**1,885,954**	1,741,352	**928,184**	910,194
Dividends paid to non-controlling interests	**1,687,448**	1,621,151	**-**	-

Summarised cash flows

	Shanghai Ocean Aquarium Co Ltd 31 December 2017	Straco Leisure Pte Ltd 31 December 2017
	$	**$**
Cash flows from operating activities		
Cash generated from operations	52,221,446	21,306,741
Income tax paid	(12,345,376)	-
Net cash provided by operating activities	**39,876,070**	**21,306,741**
Net cash provided by /(used in) investing activities	**766,631**	**(829,425)**
Net cash used in financing activities	**(33,942,977)**	**(13,120,642)**
Net increase in cash and cash equivalents	6,699,724	7,356,674
Cash and cash equivalents at beginning of year	79,426,402	17,250,255
Exchange losses on cash and cash equivalents	(1,199,186)	-
Cash and cash equivalents at end of year	**84,926,940**	**24,606,929**

14. Investment property

	Group 2017 $	Group 2016 $
2017		
Cost		
Beginning of financial year	**51,346,757**	50,392,644
Additions*	**-**	954,113
End of financial year	**51,346,757**	51,346,757
Accumulated depreciation		
Beginning of financial year	**2,977,127**	1,533,284
Depreciation charge (Note 6)	**1,443,870**	1,443,843
End of financial year	**4,420,997**	2,977,127
Net book value	**46,925,760**	48,369,630

* Included in additions in the year ended 31 December 2016 was an amount of $954,113 for the provision of reinstatement cost.

Investment property comprises a commercial property that is leased to third parties under operating leases (Note 4). Currently, each of the leases is fixed for a period of 1 to 3 months, and subsequent renewals are negotiated at prevailing market rates and terms. The investment property has been mortgaged to secure bank loans (Note 18).

The following amounts are recognised in profit and loss:

	Group 2017 $	Group 2016 $
Rental income (Note 4)	**1,595,978**	2,015,546
Direct operating expenses arising from:		
- Investment property that generate rental income	**866,368**	1,170,029

14. Investment property (continued)

At the reporting date, the details of the Group's investment property is as follows:

Location	Description	Tenure
30 Raffles Avenue, Singapore Flyer, Singapore 039803	Existing use: 3-storey terminal building and 2-storey carpark building with roof terrace	30 years less 1 day lease commencing on 5 July 2005 with an option to extend for a further 15 years less 1 day lease subject to renewal of head lease

The fair value of investment property at 31 December 2017 is approximately $46,500,000 (2016: $46,500,000).

The fair value 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 Company's investment property is classified within Level 3 of the fair value hierarchy and has been derived using the discounted cash flow approach and capitalisation approach. The most significant input in each valuation approach is the discount rate and capitalisation rate respectively.

At the reporting date, the Group has determined that the recoverable amount based on value-in-use is higher than the carrying value of the investment property and no impairment loss was recognised.

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 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.

15. Property, plant and equipment

	Leasehold land and buildings $	Leasehold improvements $	Cable car equipment $	Giant observation wheel $	Office equipment, furniture and fittings $	Motor vehicles $	Machinery $	Fishes and marine livestock $	Construction in progress $	Total $
Group										
2017										
Cost										
Beginning of financial year	35,389,617	6,901,502	5,716,515	85,212,262	7,501,974	691,331	55,929,089	8,201,775	4,119,642	209,663,707
Currency translation differences	(499,362)	(103,230)	(86,695)	-	(97,817)	(10,757)	(650,880)	(109,655)	(59,570)	(1,617,966)
Additions	42,102	15,579	237,636	-	245,611	-	147,480	112,561	1,784,597	2,585,566
Disposals/ write-off	-	(56,451)	-	-	(203,928)	(22,962)	(40,030)	-	-	(323,371)
Reclassification	243,028	38,631	137,043	-	240,838	-	20,339	-	(679,879)	-
End of financial year	35,175,385	6,796,031	6,004,499	85,212,262	7,686,678	657,612	55,405,998	8,204,681	5,164,790	210,307,936
Accumulated depreciation										
Beginning of financial year	16,425,142	6,294,253	5,116,219	4,933,675	4,613,911	596,987	36,519,187	7,720,839	-	82,220,213
Currency translation differences	(235,715)	(93,548)	(78,476)	-	(59,591)	(9,232)	(427,827)	(102,039)	1,039	(1,005,389)
Depreciation charge (Note 6)	1,263,716	125,580	113,615	2,396,376	780,830	17,381	6,027,929	161,562	-	10,886,989
Impairment loss	-	-	-	-	-	-	-	-	260,581	260,581
Disposals/ write-off	-	(56,451)	-	-	(185,590)	(22,962)	(18,979)	-	-	(283,982)
End of financial year	17,453,143	6,269,834	5,151,358	7,330,051	5,149,560	582,174	42,100,310	7,780,362	261,620	92,078,412
Net book value										
End of financial year	**17,722,242**	**526,197**	**853,141**	**77,882,211**	**2,537,118**	**75,438**	**13,305,688**	**424,319**	**4,903,170**	**118,229,524**

15. Property, plant and equipment (continued)

	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 $
Group											
2016											
Cost											
Beginning of financial year	35,707,989	7,164,777	5,985,806	83,399,447	6,437,185	735,268	56,971,470	8,392,996	1,077,586	4,496,283	210,368,807
Currency translation differences	(1,530,853)	(325,001)	(279,860)	-	(259,062)	(34,385)	(2,066,724)	(342,522)	-	(206,193)	(5,044,600)
Additions	186,532	61,726	10,569	1,812,815	817,819	-	1,031,092	151,301	-	1,493,368	5,565,222
Disposals/ write-off	(1,142)	-	-	-	(130,693)	(9,552)	(6,749)	-	(1,077,586)	-	(1,225,722)
Reclassification	1,027,091	-	-	-	636,725	-	-	-	-	(1,663,816)	-
End of financial year	35,389,617	6,901,502	5,716,515	85,212,262	7,501,974	691,331	55,929,089	8,201,775	-	4,119,642	209,663,707
Accumulated depreciation											
Beginning of financial year	15,986,284	6,450,587	5,276,760	2,537,349	4,113,174	617,628	31,817,308	7,875,343	1,077,586	-	75,752,019
Currency translation differences	(711,315)	(292,316)	(246,653)	-	(170,015)	(28,871)	(1,291,781)	(318,309)	-	-	(3,059,260)
Depreciation charge (Note 6)	1,151,315	135,982	86,112	2,396,326	791,788	17,782	5,998,615	163,805	-	-	10,741,725
Disposals/ write-off	(1,142)	-	-	-	(121,036)	(9,552)	(4,955)	-	(1,077,586)	-	(1,214,271)
End of financial year	16,425,142	6,294,253	5,116,219	4,933,675	4,613,911	596,987	36,519,187	7,720,839	-	-	82,220,213
Net book value											
End of financial year	**18,964,475**	**607,249**	**600,296**	**80,278,587**	**2,888,063**	**94,344**	**19,409,902**	**480,936**	**-**	**4,119,642**	**127,443,494**

(a) Included within additions is $0 (2016: $1,812,815) for the provision of reinstatement cost.

(b) Bank borrowings are secured on property, plant and equipment of the Group with carrying amounts of $78,173,090 (2016: $83,826,246) (Note 18).

15. Property, plant and equipment (continued)

	Leasehold buildings $	Leasehold improvements $	Office equipment, furniture and fittings $	Total $
<u>Company</u>				
2017				
Cost				
Beginning of financial year	2,727,449	212,694	327,076	3,267,219
Additions	-	7,912	482	8,394
End of financial year	2,727,449	220,606	327,558	3,275,613
Accumulated depreciation				
Beginning of financial year	613,676	212,672	294,678	1,121,026
Depreciation charge	54,549	417	13,349	68,315
End of financial year	668,225	213,089	308,027	1,189,341
Net book value				
End of financial year	**2,059,224**	**7,517**	**19,531**	**2,086,272**
2016				
Cost				
Beginning of financial year	2,727,449	212,694	320,014	3,260,157
Additions	-	-	7,062	7,062
End of financial year	2,727,449	212,694	327,076	3,267,219
Accumulated depreciation				
Beginning of financial year	559,127	196,663	282,680	1,038,470
Depreciation charge	54,549	16,009	11,998	82,556
End of financial year	613,676	212,672	294,678	1,121,026
Net book value				
End of financial year	**2,113,773**	**22**	**32,398**	**2,146,193**

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 in Note 2.5. 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.

16. Intangible assets and goodwill

	Goodwill on consolidation $	Logo and trademark $	Development costs $	Total $
Group				
2017				
Cost				
Beginning of financial year	1,419,013	3,262,101	-	4,681,114
End of financial year	1,419,013	3,262,101	-	4,681,114
Accumulated amortisation				
Beginning of financial year	-	1,483,572	-	1,483,572
Amortisation charge (Note 6)	-	609,782	-	609,782
End of financial year	-	2,093,354	-	2,093,354
Net book value				
End of financial year	**1,419,013**	**1,168,747**	**-**	**2,587,760**
2016				
Cost				
Beginning of financial year	1,419,013	3,262,101	476,732	5,157,846
Written-off during the year	-	-	(476,732)	(476,732)
End of financial year	1,419,013	3,262,101	-	4,681,114
Accumulated amortisation				
Beginning of financial year	-	873,790	476,732	1,350,522
Amortisation charge (Note 6)	-	609,782	-	609,782
Written-off during the year	-	-	(476,732)	(476,732)
End of financial year	-	1,483,572	-	1,483,572
Net book value				
End of financial year	**1,419,013**	**1,778,529**	**-**	**3,197,542**

16. Intangible assets and goodwill (continued)

(a) Goodwill arising on consolidation

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to countries of operation and business segments.

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 2017 is determined in a similar manner as in 2016 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 4% for the years 2018 to 2022 (2016: 4% for the years 2017 to 2021); and
- A pre-tax discount rate of 4.60% (2016: 5.10%) 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.

The values assigned to the key assumptions represent management 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.

17. Trade and other payables

	Group		Company	
	2017	2016	**2017**	2016
	$	$	**$**	$
Trade payables to:				
- non-related parties	**2,440,477**	2,383,832	**-**	-
Accrued expenses	**2,547,402**	2,275,134	**1,004,104**	825,006
Amounts due to subsidiaries (non-trade)	**-**	-	**519,835**	527,584
Salary payable	**2,292,890**	1,958,055	-	-
Deferred income	**1,049,636**	1,208,936	-	-
GST output tax payable	**708,355**	706,181	-	-
Unutilised government subsidies	**61,382**	62,345	-	-
Rental payable	**778,505**	727,349	-	-
Utilities payable	**110,651**	85,344	-	-
Other payables	**1,215,336**	1,167,754	**17,913**	24,527
Total trade and other payables	**11,204,634**	10,574,930	**1,541,852**	1,377,117

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

18. Borrowings

	Group 2017 $	Group 2016 $
Current		
Bank borrowings	**12,000,000**	12,000,000
Non-current		
Bank borrowings	**35,000,000**	47,000,000
Loan from shareholder of a subsidiary	**2,900,000**	2,900,000
	37,900,000	49,900,000
Total borrowings	**49,900,000**	61,900,000

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.

The exposure of the borrowings of the Group to interest rate changes and the contractual repricing dates at the reporting date are as follows:

	Group 2017 $	Group 2016 $
3 months or less	**47,000,000**	59,000,000

(a) Security granted

Total borrowings include secured liabilities of $47,000,000 (2016: $59,000,000) for the Group. Bank borrowings of the Group are secured over the property, plant and equipment with carrying amount of $78,173,090 (2016: $83,826,246), investment properties with carrying amounts of $45,667,447 (2016: $47,072,600), and corporate guarantee from the Company.

(b) Fair value of non-current borrowings

The fair value of the non-current borrowings approximates the carrying amount and bear interest at SOR + 1.25% per annum. The effective interest rate as at balance sheet date is 2.26% and the interest rate is repriced every three months.

19. Deferred income tax liabilities

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the statement of financial position as follows:

	Group	
	2017	2016
	$	$
Deferred income tax liabilities		
- To be settled within one year	**1,509,438**	1,499,084
- To be settled after one year	**19,432,902**	17,155,262
	20,942,340	18,654,346

Movement in deferred income tax account is as follows:

	Group	
	2017	2016
	$	$
Beginning of financial year	**18,654,346**	16,209,131
Tax charge to		
- profit or loss (Note 8)	**2,287,994**	2,445,215
End of financial year	**20,942,340**	18,654,346

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of $1,889,000 (2016: $1,990,000) at the reporting date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation. The tax losses have no expiry date.

19. Deferred income tax liabilities (continued)

The movement in deferred income tax liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

Group

Deferred income tax liabilities

	Accelerated tax depreciation $	Withholding tax on undistributed profits $	Total $
2017			
Beginning of financial year	13,772,475	4,881,871	18,654,346
Charged to			
- profit or loss	1,695,598	592,396	2,287,994
End of financial year	15,468,073	5,474,267	20,942,340
2016			
Beginning of financial year	12,090,183	4,118,948	16,209,131
Charged to			
- profit or loss	1,682,292	762,923	2,445,215
End of financial year	13,772,475	4,881,871	18,654,346

20. Provision for reinstatement cost

	Group	
	2017	2016
	$	$
Beginning of financial year	**4,100,060**	1,213,326
Provision made during year	**-**	2,766,928
Finance cost	**123,412**	119,806
End of financial year	**4,223,472**	4,100,060

The Group has contractual obligation to remove certain assets and reinstate the demised property to its original state and condition as at the date of the handing over of possession of the demised property to the lessor. The costs are included as part of the carrying values of the property, plant and equipment and investment property.

21. Share capital and treasury shares

	No. of ordinary shares		Amount	
	Issued share capital	Treasury shares	Share capital $	Treasury shares $
Group and Company				
2017				
Beginning of financial year	868,929,580	(9,921,600)	76,985,514	(4,545,816)
Treasury shares purchased	-	(925,100)	-	(796,423)
Treasury shares re-issued	-	2,414,000	-	1,146,880
End of financial year	868,929,580	(8,432,700)	76,985,514	(4,195,359)
2016				
Beginning of financial year	868,929,580	(13,289,700)	76,985,514	(5,822,622)
Treasury shares purchased	-	(691,900)	-	(524,975)
Treasury shares re-issued	-	4,060,000	-	1,801,781
End of financial year	868,929,580	(9,921,600)	76,985,514	(4,545,816)

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

21. Share capital and treasury shares (continued)

(a) Treasury shares

The Company acquired 925,100 (2016: 691,900) shares in the Company in the open market during the financial year. The total amount paid to acquire the shares was $796,423 (2016: $524,975) and this was presented as a component within shareholders' equity.

The Company re-issued 2,414,000 (2016: 4,060,000) treasury shares during the financial year pursuant to the Straco Share Option Scheme for a total consideration of $860,960 (2016: $1,175,150) upon the exercise of options by:

	No. of ordinary shares		Exercise price
Options holders of	**2017**	2016	**$**
2004 Scheme			
22/10/2007	**-**	200,000	0.190
05/05/2011	**350,000**	1,660,000	0.176
08/05/2012	**840,000**	710,000	0.196
06/05/2013	**560,000**	730,000	0.311
2014 Scheme			
12/05/2014	**400,000**	760,000	0.630
12/05/2016	**264,000**	-	0.790
	2,414,000	4,060,000	

The cost of the treasury shares re-issued amounted to $1,146,880 (2016: $1,801,781). Accordingly, a loss on re-issue of treasury shares of $285,920 (2016: loss of $626,631) is recognised in the capital reserve (Note 22).

21. Share capital and treasury shares (continued)

(b) Straco Share Option Scheme

Description of share option schemes can be found within the Directors' Statement.

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

Grant date/employee entitled	Exercise price	Number of options	Expiry date
Options granted on 6 May 2010:			
- to executive directors and employees	$0.129	3,240,000	6 May 2020
Options granted on 5 May 2011:			
- to executive directors and employees	$0.176	3,090,000	5 May 2021
Options granted on 8 May 2012:			
- 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)	$0.63	4,640,000	12 May 2019
- to executive directors and employees	$0.63	2,980,000	12 May 2024
Options granted on 12 May 2015:			
- to non-executive directors and controlling shareholders (and their associates)	$1.06	3,184,000	12 May 2020
- to executive directors and employees	$1.06	2,384,000	12 May 2025
Options granted on 12 May 2016:			
- to non-executive directors and controlling shareholders (and their associates)	$0.79	2,968,000	12 May 2021
- to executive directors and employees	$0.79	2,440,000	12 May 2026
Options granted on 11 May 2017:			
- to non-executive directors and controlling shareholders (and their associates)	$0.84	2,920,000	11 May 2022
- to executive directors and employees	$0.84	2,250,000	11 May 2027
Total share options		39,676,000	

21. Share capital and treasury shares (continued)

(b) Straco Share Option Scheme (continued)

Movements in the number of unissued ordinary shares under option and their exercise prices are as follows:

Date of grant of options	No. of ordinary shares under option: Beginning of financial year	Granted during financial year	Forfeited during financial year	Exercised during financial year	End of financial year	Exercise price	Exercise period
Group and Company							
2017							
2004 Scheme							
05/05/2011	350,000	-	-	(350,000)	-	0.176	06/05/2012 to 05/05/2021
08/05/2012	840,000	-	-	(840,000)	-	0.196	09/05/2013 to 08/05/2017
08/05/2012	680,000	-	-	-	680,000	0.196	09/05/2013 to 08/05/2022
06/05/2013	1,260,000	-	-	-	1,260,000	0.311	07/05/2014 to 06/05/2018
06/05/2013	1,510,000	-	-	(560,000)	950,000	0.311	07/05/2014 to 06/05/2023
2014 Scheme							
12/05/2014	2,990,000	-	-	-	2,990,000	0.63	13/05/2015 to 12/05/2019
12/05/2014	2,480,000	-	-	(400,000)	2,080,000	0.63	13/05/2015 to 12/05/2024
12/05/2015	2,920,000	-	-	-	2,920,000	1.06	13/05/2016 to 12/05/2020
12/05/2015	2,208,000	-	-	-	2,208,000	1.06	13/05/2016 to 12/05/2025
12/05/2016	2,968,000	-	-	(264,000)	2,704,000	0.79	13/05/2017 to 12/05/2021
12/05/2016	2,260,000	-	-	-	2,260,000	0.79	13/05/2017 to 12/05/2026
11/05/2017	-	2,920,000	(230,000)	-	2,690,000	0.84	12/05/2018 to 11/05/2022
11/05/2017	-	2,250,000	-	-	2,250,000	0.84	12/05/2018 to 11/05/2027
	20,466,000	5,170,000	(230,000)	(2,414,000)	22,992,000		

21. Share capital and treasury shares (continued)

(b) Straco Share Option Scheme (continued)

Date of grant of options	Beginning of financial year	Granted during financial year	Forfeited during financial year	Exercised during financial year	End of financial year	Exercise price	Exercise period
	← No. of ordinary shares under option				→		
Group and Company							
2016							
2004 Scheme							
22/10/2007	200,000	-	-	(200,000)	-	0.190	23/10/2008 to 22/10/2017
05/05/2011	960,000	-	-	(960,000)	-	0.176	06/05/2012 to 05/05/2016
05/05/2011	1,050,000	-	-	(700,000)	350,000	0.176	06/05/2012 to 05/05/2021
08/05/2012	1,140,000	-	-	(300,000)	840,000	0.196	09/05/2013 to 08/05/2017
08/05/2012	1,090,000	-	-	(410,000)	680,000	0.196	09/05/2013 to 08/05/2022
06/05/2013	1,590,000	-	-	(330,000)	1,260,000	0.311	07/05/2014 to 06/05/2018
06/05/2013	1,910,000	-	-	(400,000)	1,510,000	0.311	07/05/2014 to 06/05/2023
2014 Scheme							
12/05/2014	3,650,000	-	-	(660,000)	2,990,000	0.63	13/05/2015 to 12/05/2019
12/05/2014	2,580,000	-	-	(100,000)	2,480,000	0.63	13/05/2015 to 12/05/2024
12/05/2015	3,184,000	-	(264,000)	-	2,920,000	1.06	13/05/2016 to 12/05/2020
12/05/2015	2,304,000	-	(96,000)	-	2,208,000	1.06	13/05/2016 to 12/05/2025
12/05/2016	-	2,968,000	-	-	2,968,000	0.79	13/05/2017 to 12/05/2021
12/05/2016	-	2,440,000	(180,000)	-	2,260,000	0.79	13/05/2017 to 12/05/2026
	19,658,000	5,408,000	(540,000)	(4,060,000)	20,466,000		

21. Share capital and treasury shares (continued)

(b) Straco Share Option Scheme (continued)

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

	Weighted average exercisable price 2017 $	**Number of options 2017 $**	Weighted average exercisable price 2016 $	Number of options 2016 $
Outstanding at 1 January	**0.6954**	**20,466,000**	0.5931	19,658,000
Exercised during the year	**0.3567**	**(2,414,000)**	0.2894	(4,060,000)
Forfeited during the year	**-**	**(230,000)**	-	(540,000)
Granted during the year	**0.8400**	**5,170,000**	0.7900	5,408,000
Outstanding at 31 December	**0.7621**	**22,992,000**	0.6954	20,466,000
Exercisable at 31 December	**0.7407**	**18,052,000**	0.6630	15,238,000

The options outstanding at 31 December 2017 have an exercise price in the range of $0.196 to $1.06 (2016: $0.176 to $1.06) and a weighted average remaining contractual life of 4.78 years (2016: 6.32 years).

The weighted average share price at the date of exercise for share options exercised in 2017 was $0.81 (2016: $0.78).

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 binomial method. 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.

21. Share capital and treasury shares (continued)

(b) Straco Share Option Scheme (continued)

Fair value of share options and assumptions

Date of grant of options	11 May 2017	11 May 2017	12 May 2016	12 May 2015	12 May 2014	6 May 2013	8 May 2012
Fair value at measurement date	$0.1287	$0.1876	$0.2728	$0.3471	$0.2281	$0.08	$0.04
Share price	$0.840	$0.840	$0.785	$1.005	$0.645	$0.310	$0.180
Exercise price	$0.840	$0.840	$0.79	$1.06	$0.630	$0.311	$0.196
Expected volatility	21.30%	21.30%	60.61%	62.26%	62.24%	54.72%	49.56%
Expected option life	5 years	10 years	5-10 years	5-10 years	5-10 years	5-10 years	5-10 years
Expected dividends	2.98%	2.98%	3.18%	1.99%	3.10%	4.03%	4.17%
Risk-free interest rate	1.66%	2.20%	1.98%	2.39%	2.34%	1.47%	1.50%

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 2017, the Group recognised share option expenses of $1,003,969 (2016: $1,627,753) in employee compensation (Note 7).

22. Other reserves

	Group		**Company**	
	2017	2016	**2017**	2016
	$	$	**$**	$
Composition:				
Share option reserve	**8,085,426**	7,081,457	**8,085,426**	7,081,457
Capital reserve	**(982,034)**	(696,114)	**(982,034)**	(696,114)
General reserve	**16,303,485**	16,235,686	**-**	-
Currency translation reserve	**(1,754,027)**	780,257	**-**	-
Treasury shares	**(4,195,359)**	(4,545,816)	**(4,195,359)**	(4,545,817)
	17,457,491	18,855,470	**2,908,033**	1,839,526

The movements in reserves for the Group are set out in the statement of changes in equity.

22. Other reserves (continued)

Share option reserve

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

Currency translation reserve

The 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 difference on translation of monetary items which in substance form part of the Company's net investment in foreign operations.

Capital reserve

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

General reserve

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 ("Joint Ventures") 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.

Other reserves are non-distributable.

23. Dividends

	Group	
	2017	2016
	$	$
Ordinary dividends paid		
Dividend paid in respect of the previous financial year of 2.5 cents (2016: 2.5 cents) per share	**21,508,951**	21,479,445

At the Annual General Meeting on 27 April 2018, a final dividend of 2.5 cents per share will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2018.

24. Commitments

(a) Operating lease commitments - where the group is a lessee

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. Included in the Group's rental expense on operating leases is this contingent rent amounting to $4,414,000 (2016: $4,163,000).

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 by 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 November 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.

The future minimum lease payables under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

	Group	
	2017	2016
	$	$
Not later than one year	**2,589,550**	2,554,465
Between one and five years	**10,420,323**	10,347,271
Later than five years	**61,376,639**	64,213,869
	74,386,512	77,115,605

(b) Operating lease commitments - where the group is a lessor

Straco Leisure Pte Ltd leased out retail space to non-related parties under non-cancellable operating leases.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	2017	**2016**
	$	**$**
Not later than one year	**255,057**	316,662

25. Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

(a) Market risk

(i) 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 Chinese Renminbi ("RMB") and United States Dollar ("USD").

The Group's currency exposure based on the information provided to key management is as follows:

	SGD $	USD $	RMB $
At 31 December 2017			
Financial assets			
Cash and cash equivalents	-	19,176	6,141,207
Receivables from subsidiaries	-	76	2,697,422
	-	19,252	8,838,629
Financial liabilities			
Payables to subsidiaries	(2,335,185)	(133,722)	(5,460,804)
Net financial (liabilities)/ assets	(2,335,185)	(114,470)	3,377,825
Currency exposure	**(2,335,185)**	**(114,470)**	**3,377,825**
At 31 December 2016			
Financial assets			
Cash and cash equivalents	-	20,767	12,705,665
Receivables from subsidiaries	-	82	2,739,688
	-	20,849	15,445,353
Financial liabilities			
Payables to subsidiaries	(1,603,708)	(144,471)	(5,510,749)
Net financial (liabilities)/ assets	(1,603,708)	(123,622)	9,934,604
Currency exposure	**(1,603,708)**	**(123,622)**	**9,934,604**

25. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

The Company's currency exposure based on the information provided to key management is as follows:

	2017	2016
	RMB	RMB
	$	$
Financial assets		
Cash and cash equivalents	**6,138,206**	12,702,617
Receivables from subsidiaries	**12,068**	12,257
Financial liabilities		
Payables to subsidiaries	**(494,555)**	(502,304)
Net financial assets	**5,655,719**	12,212,570
Currency exposure	**5,655,719**	12,212,570

If the USD and RMB both change against the SGD by 5% (2016: 5%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

	Increase/(Decrease)	
	2017	2016
	Profit after tax	Profit after tax
	$'000	$'000
Group		
USD against SGD		
- Strengthened	**(5)**	(5)
- Weakened	**5**	5
RMB against SGD		
- Strengthened	**140**	412
- Weakened	**(140)**	(412)
Company		
RMB against SGD		
- Strengthened	**235**	507
- Weakened	**(235)**	(507)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

25. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk

At the reporting date, the interest rate profile of the interest-bearing financial instruments, as reported to the management, was as follows:

	Group Nominal amount		**Company Nominal amount**	
	2017	2016	**2017**	2016
	$	$	**$**	$
Variable rate instruments				
Borrowings	**(47,000,000)**	(59,000,000)	-	-

Fair value sensitivity analysis

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 1% (2016: 1%) in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

	Profit or loss	
	1% increase	**1% decrease**
	$	**$**
Group		
2017		
Variable rate instruments	**(390,100)**	**390,100**
2016		
Variable rate instruments	(489,700)	489,700

25. Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history, and obtaining sufficient collateral or buying credit insurance where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

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.

As 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 statement of financial position.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position, except as follows:

	Company	
	2017	2016
	$	$
Corporate guarantee provided to bank on subsidiary's loan	**47,000,000**	59,000,000

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade and other receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

25. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Financial assets that are past due and/or impaired (continued)

There is no other class of financial assets that is past due and/or impaired except for trade receivables, loans to subsidiaries and other receivables.

The age analysis of these classes of financial assets past due but not impaired is as follows:

	Group		Company	
	2017	2016	**2017**	2016
	$	$	**$**	$
Past due 31-60 days	**134,494**	5,821	**164,248**	-
Past due 61-90 days	**39,727**	579,107	**-**	-
Past due 91-180 days	**101,179**	84,123	**-**	31,319
Past due 181-365 days	**29,502**	-	**-**	-
Past due >365 days	**61,849**	93,568	**417,273**	450,899
	366,751	762,619	**581,521**	482,218

The carrying amount of loans to subsidiaries and other receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group		Company	
	2017	2016	**2017**	2016
	$	$	**$**	$
Past due >365 days	**-**	166,479	**-**	-
Less: Allowance for impairment	**-**	(166,479)	**-**	-
	-	-	**-**	-
Beginning of financial year	**166,479**	174,645	**-**	242,409
Currency translation difference	**(3,219)**	(8,166)	**-**	-
Allowance reversed/utilised	**(163,260)**	-	**-**	(242,409)
End of financial year	**-**	166,479	**-**	-

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 and the Company.

25. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Financial assets that are past due and/or impaired (continued)

The factors considered in providing for the specific loss components of the Group and the Company include, but are not limited to, the length of the Group's and the Company's relationship with the debtors, their payment behaviour and known market factors.

(c) 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 table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year $	**Between 1 and 5 years $**	**Over 5 years $**
Group			
At 31 December 2017			
Trade and other payables	(11,204,634)	-	-
Borrowings	(12,928,295)	(39,086,416)	
At 31 December 2016			
Trade and other payables	(10,574,930)	-	-
Borrowings	(13,085,125)	(51,807,429)	-

25. Financial risk management (continued)

(c) Liquidity risk (continued)

	Less than 1 year $	Between 1 and 5 years $	Over 5 years $
Company			
At 31 December 2017			
Trade and other payables	(1,541,852)	-	-
Financial guarantee contracts	(47,000,000)	-	-
At 31 December 2016			
Trade and other payables	(1,377,117)	-	-
Financial guarantee contracts	(59,000,000)	-	-

(d) Capital risk

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. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The Board also monitors the level of dividends to ordinary shareholders.

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

	2017 $	2016 $
Net profit before tax	**70,458,835**	68,210,894
Add/(Less):		
- Interest income	**(4,296,876)**	(3,598,251)
- Interest expense	**1,245,106**	1,613,633
- Loss on disposal of property, plant and equipment	**37,000**	10,610
- Exchange losses	**349,166**	35,143
Net operating income	**67,793,231**	66,272,029
Total shareholders' equity	**278,391,915**	252,599,978
Return on capital at 31 December	**24.4%**	26.2%

25. Financial risk management (continued)

(d) Capital risk (continued)

Capital management (continued)

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 2.6% (2016: 2.4%) 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 capital of between 10% and 20% (2016: 10% and 20%).

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.

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2016 and 2017.

(e) Fair value measurements

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. The finance team has overall responsibility for all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

The finance team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the finance team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group's Audit & Risk Committee.

25. Financial risk management (continued)

(e) Fair value measurements (continued)

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3 Inputs for the asset of liability that are not based on observable marked data (unobservable inputs)

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The carrying amounts of current borrowings approximate their fair values. See Note 18 for the disclosure of non-current borrowings that are measured at fair value.

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed below:

	Group		**Company**	
	2017	2016	**2017**	2016
	$	$	**$**	$
Trade and other receivables	**5,272,758**	3,968,429	**582,521**	483,218
Cash and cash equivalents	**191,413,952**	164,234,211	**24,339,816**	16,349,546
Loan and receivables	**196,686,710**	168,202,640	**24,922,337**	16,832,764
Borrowings	**(49,900,000)**	(61,900,000)	**-**	-
Trade and other payables	**(10,093,616)**	(9,303,649)	**(1,541,852)**	(1,377,117)
Financial liabilities at amortised cost	**(59,993,616)**	(71,203,649)	**(1,541,852)**	(1,377,117)

26. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

Key management personnel compensation is as follows:

	Group	
	2017	2016
	$	$
Short-term employee benefits	1,907,876	1,968,861
Employer's contribution to defined contribution plans, including Central Provident Fund	72,930	69,577
Bonus and variable compensation	1,105,346	1,079,973
Directors' fees	338,000	338,000
Share option expense	780,930	1,312,860
	4,205,082	4,769,271

Directors also participate in the share option 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 21(b). During the year, 2,920,000 share options (2016: 2,968,000) with total fair value of $375,804 (2016: $809,670) were granted to the directors of the Company.

27. Segment information

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 sea mammal performances. Retail, food and beverage are auxiliary goods and services arising from the operation of the above facilities.

- 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. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2017 or 2016.

27. Segment information (continued)

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. 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.

The segment information provided to the Group's EC for the reportable segments are as follows:

Information about reportable segments

	Aquariums		**Giant Observation Wheel**		**Others**		**Total**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$	$	**$**	$	**$**	$	**$**	$
External revenue	**82,932,155**	81,535,900	**41,241,679**	40,340,401	**4,269,295**	3,280,213	**128,443,129**	125,156,514
Interest income	**3,211,717**	3,076,124	**317,252**	184,211	**60,987**	23,280	**3,589,956**	3,283,615
Interest expense	**-**	-	**(1,245,106)**	(1,613,633)	**(2,598)**	-	**(1,247,704)**	(1,613,633)
Other material non-cash items								
- Depreciation and amortisation	**(3,800,691)**	(3,750,759)	**(8,871,686)**	(8,788,717)	**(186,522)**	(158,066)	**(12,858,899)**	(12,697,542)
Reportable segment profit before income tax	**59,882,232**	58,573,166	**10,977,433**	10,784,232	**1,974,710**	1,352,841	**72,834,375**	70,710,239
Reportable segment assets	**173,451,226**	164,584,699	**156,682,702**	157,272,840	**10,310,469**	9,427,257	**340,444,397**	331,284,796
Capital expenditure	**720,101**	1,589,701	**1,091,632**	1,318,357	**765,439**	836,732	**2,577,172**	3,744,790
Reportable segment liabilities	**11,624,926**	11,418,085	**99,369,645**	109,241,618	**2,856,653**	1,955,369	**113,851,224**	122,615,072

27. Segment information (continued)

(a) Reconciliations

(i) Segment profits

A reconciliation of segment profits to profit before tax is as follows:

	2017	2016
	$	$
Segment profits for reportable segments	**72,834,375**	70,710,239
Unallocated:		
Head office and corporate expense	**(5,718,975)**	(5,382,267)
Interest and other income	**720,837**	332,922
Elimination on consolidation	**2,622,598**	2,550,000
Profit before tax	**70,458,835**	68,210,894

(ii) Segment assets

Segment assets are reconciled to total assets as follows:

	2017	2016
	$	$
Segment assets for reportable segments	**340,444,397**	331,284,796
Unallocated:		
Property, plant and equipment	**2,097,036**	2,170,383
Loan and advances to subsidiaries	**27,059,257**	27,059,257
Other amounts due from subsidiaries	**9,275,269**	8,782,704
Cash and bank balances	**26,355,966**	18,084,771
Others	**218,550**	50,444
Elimination on consolidation	**(38,150,130)**	(37,267,494)
	367,300,345	350,164,861

27. Segment information (continued)

(a) Reconciliations (continued)

(iii) *Segment liabilities*

Segment liabilities are reconciled to total liabilities as follows:

	2017	2016
	$	$
Segment liabilities for reportable segments	**113,851,224**	122,615,072
Unallocated:		
Accruals and other payables	**1,676,540**	1,374,821
Amount due to subsidiaries	**5,872,633**	5,922,130
Deferred tax liabilities	**5,474,267**	4,881,870
Current tax liabilities	**183,896**	38,484
Elimination on consolidation	**(38,150,130)**	(37,267,494)
	88,908,430	97,564,883

(b) Geographical information

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 on the assets.

	Revenue	
	2017	2016
	$	$
Singapore	**41,241,679**	40,340,401
PRC	**87,201,450**	84,816,113
	128,443,129	125,156,514

	Non-current assets	
	2017	2016
	$	$
Singapore	**130,754,909**	138,608,610
PRC	**36,988,135**	40,402,056
	167,743,044	179,010,666

There is no concentration of revenue from a single external customer.

28. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2018 and which the Group has not early adopted:

(a) FRS 109 Financial instruments (effective for annual periods beginning on or after 1 January 2018)

FRS 109 replaces FRS 39 Financial instruments: Recognition and Measurement and its relevant interpretations.

FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI (FVOCI). Gains and losses realised on the sale of financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained profits.

Under FRS 109, there are no changes to the classification and measurement requirements for financial liabilities except for the recognition of fair value changes arising from changes in own credit risk. For liabilities designated at fair value through profit or loss, such changes are recognised in OCI.

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management uses for risk management purposes.

There is also now a new expected credit losses impairment model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 January 2018 (Note 29). The new accounting framework has similar requirements of FRS 109 and the impact of adopting the equivalent FRS 109 is disclosed in Note 29.

28. New or revised accounting standards and interpretations (continued)

(b) FRS 115 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)

FRS 115 replaces FRS 11 Construction Contracts, FRS 18 Revenue, and related interpretations.

Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group is required to adopt a new accounting framework from 1 January 2018 (Note 29). The new accounting framework has similar requirements of FRS 115 and the impact of adopting the equivalent FRS 115 is disclosed in Note 29.

(c) INT FRS 122 *Foreign Currency Transactions and Advance Considerations* (effective for annual periods beginning on or after 1 January 2018)

INT FRS 122 *Foreign Currency Transactions and Advance Considerations* considers how to determine the date of the transactions when applying the standard on foreign currency transactions, FRS 21 *The Effect of Changes in Foreign Exchange Rates.* The Interpretation applies where the Group either pays or receives consideration in advance for foreign currency-denominated contracts.

For single upfront payment/receipt, the Interpretation states that the date of the transaction, for the purpose of determining the exchange rate to use on initial recognition of the related item, should be the date on which an entity initially recognises the non-monetary asset or liability arising from the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity should determine the date of the transaction for each payment or receipt.

The Interpretation is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group does not expect a material impact on the financial statement upon adoption of the Interpretation.

28. New or revised accounting standards and interpretations (continued)

(d) FRS 116 Leases (effective for annual periods beginning on or after 1 January 2019)

FRS 116 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

Some of the commitments of the Group may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 January 2018 (Note 29). The new accounting framework has similar requirements of FRS 116. As at the reporting date, the Group has non-cancellable operating lease commitments of $74,386,512 (Note 24). However, the Group has yet to determine to what extent the commitments as at the reporting date will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

29. Adoption of SFRS(I)

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The new framework is referred to as 'Singapore Financial Reporting Standards (International)' ("SFRS(I)s") hereinafter.

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018 and will be issuing its first set of financial information prepared under SFRS(I) for the quarter ended 31 March 2018 in April 2018.

In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. The Group will also concurrently apply new major SFRS(I) 9 Financial Instruments and SFRS(I) 15 *Revenue from Contracts with Customers*. The estimated impact arising from the adoption of SFRS(I)s on the Group's financial statements are set out as follows:

(a) Application of SFRS(I) 1

The Group is required to retrospectively apply all SFRS(I)s effective at the end of the first SFRS(I) reporting period (financial year ending 31 December 2018), subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. The Group plans to elect relevant optional exemptions and the exemptions resulting in significant adjustments to the Group's financial statements prepared under SFRS(I)s are as follows:

(i) Deemed cost exemption

The Group does not plan to elect the deemed cost exemption. There are no expected significant adjustments to the Group's financial statements as a result of management's assessment.

29. Adoption of SFRS(I) (continued)

(a) Application of SFRS(I) 1 (continued)

(ii) Cumulative translation differences

The Group does not plan to elect to set the cumulative translation differences for all foreign operations to be zero. There are no expected significant adjustments to the Group's financial statements as a result of management's assessment.

(b) Adoption of SFRS(I) 9

The Group plans to elect to apply the short-term exemption under SFRS(I) 1 to adopt SFRS(I) 9 on 1 January 2018. Accordingly, requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* will continue to apply to financial instruments up to the financial year ended 31 December 2017.

(i) Classification and measurement

The Group has assessed the business models that are applicable on 1 January 2018 to financial assets so as to classify them into the appropriate categories under SFRS(I) 9. There are no expected significant adjustments to the Group's balance sheet line items as a result of management's assessment.

(ii) Impairment of financial assets

The following financial assets will be subject to the expected credit loss model under SFRS(I) 9:

- trade receivables recognised under SFRS(I) 15;
- debt instruments carried at amortised cost; and
- other receivables at amortised cost.

The Group does not expect a material change in the provision for impairment for the above financial assets from the application of the expected credit loss impairment model.

(c) Adoption of SFRS(I) 15

In accordance with the requirements of SFRS(I) 1, the Group will adopt the SFRS(I) 15 retrospectively. There are no expected significant adjustments to the Group's financial statements as a result of management's assessment.

30. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Straco Corporation Limited on 23 March 2018.

SHAREHOLDINGS STATISTICS

AS AT 15 MARCH 2018

Issued and fully paid up

Number of Issued Shares (excluding Treasury Shares)	:	860,496,880
Number (Percentage) of Treasury Shares	:	8,432,700 (0.98%)
Class of Shares	:	Ordinary Shares
Voting Right (excluding Treasury Shares)	:	One vote per share

TWENTY LARGEST SHAREHOLDERS

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	STRACO HOLDING PTE LTD	314,885,440	36.59
2	CHINA POLY GROUP CORPORATION	189,803,600	22.06
3	STRACO (HK) LIMITED	143,990,540	16.73
4	UOB KAY HIAN PTE LTD	62,455,200	7.26
5	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	42,245,000	4.91
6	HSBC (SINGAPORE) NOMINEES PTE LTD	9,807,680	1.14
7	DBS NOMINEES PTE LTD	7,840,300	0.91
8	RAFFLES NOMINEES (PTE) LTD	7,733,400	0.90
9	GOH HAN PENG (WU HANPING)	5,573,500	0.65
10	TEH KIU CHEONG @TEONG CHENG @ CHENG CHIU CHANG	5,000,000	0.58
11	BPSS NOMINEES SINGAPORE (PTE.) LTD.	4,888,600	0.57
12	WU HSIOH KWANG @ NG HOK KUONG	3,900,000	0.45
13	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	3,711,720	0.43
14	CHOONG CHOW SIONG	1,490,000	0.17
15	TAY SIEW CHOON	1,490,000	0.17
16	PHILLIP SECURITIES PTE LTD	1,445,200	0.17
17	ZHAO AIMIN	1,320,000	0.15
18	LIM SONG JOO	1,224,000	0.14
19	WU XIUYI	1,140,000	0.13
20	PATRICK NG BEE SOON	1,100,000	0.13
	TOTAL	**811,044,180**	**94.24**

SHAREHOLDINGS STATISTICS
AS AT 15 MARCH 2018

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	2	0.10	35	0.00
100 - 1,000	473	23.84	456,700	0.05
1,001 - 10,000	1,015	51.16	4,172,600	0.49
10,001 - 1,000,000	473	23.84	43,813,365	5.09
1,000,001 AND ABOVE	21	1.06	812,054,180	94.37
TOTAL	**1,984**	**100.00**	**860,496,880**	**100.00**

SUBSTANTIAL SHAREHOLDERS

No.	Shareholder's Name	Direct Interest	% of Shares	Deemed Interest	% of Shares
1.	Straco Holding Pte Ltd	314,885,440	36.59	-	-
2.	China Poly Group Corporation	189,803,600	22.06	-	-
3.	Straco (HK) Limited	143,990,540	16.73	-	-
4.	Wu Hsioh Kwang	7,888,000	0.92	470,349,980[1]	54.66
5.	Chua Soh Har	11,474,000	1.33	466,763,980[1]	54.24

Based on the information available to the Company as at 15 March 2018, approximately 14.72% 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 27 April 2018 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 2017 and the Directors' Statement and the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final one-tier tax exempt dividend of 2.50 cents per share for the financial year ended 31 December 2017. **(Resolution 2)**

3. To approve the Directors' fees of S$338,000/- for the financial year ended 31 December 2017 (31 December 2016: S$338,000/-). **(Resolution 3)**

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

   Mr. Xu Niansha **(Resolution 4)**

   Mr. Lim Song Joo **(Resolution 5)**

   Mr. Lim Song Joo will, upon re-election as Director of the Company, remain as the Chairman of the Audit and Risk Committee and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

   Mr. Tay Siew Choon **(Resolution 6)**

   Mr. Tay Siew Choon will, upon re-election as Director of the Company, remain as the Chairman of the Remuneration Committees and the Chairman of the Nominating Committee 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-appoint Messrs PricewaterhouseCoopers LLP as the 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 7)**

AS SPECIAL BUSINESS

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

6. **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 8)

(See Explanatory Note 1)

7. **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 Constitution 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 9)**

(See Explanatory Note 2)

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that, subject to the approval of shareholders to the First and Final Dividend (the "Proposed Dividend) being obtained at the Annual General Meeting (the "AGM") to be held on 27 April 2018, the Share Transfer Books and the Register of Members of the Company will be closed on 11 May 2018 for the purpose of determining Members' entitlements to the Proposed Dividend.

Duly completed registrable transfers in respect of shares in the Company received up to the close of business at 5.00 p.m. on 10 May 2018 by the Company's Share Registrar, Tricor Barbinder Share Registration Services, 80 Robinson Road, #02-00, Singapore 068898 will be entitled to the Proposed Dividend.

Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares of the Company as at 5.00 p.m. on 10 May 2018 will be entitled to the Proposed Dividend.

The Proposed Dividend, if approved at the AGM, will be paid on 23 May 2018

BY ORDER OF THE BOARD

Lotus Isabella Lim Mei Hua
Company Secretary

12 April 2018

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:-

1. The ordinary resolution no. 8 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. 9, 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 12 April 2018. 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 2017 are set out in greater detail in the Letter to Shareholders enclosed together with the Annual Report.

NOTES

1. A member of the Company (other than a member who is a relevant intermediary as defined in Note 2 below) shall not be entitled to appoint more than two proxies to attend and vote at the Annual General Meeting on his behalf. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy needs not be a member of the Company.

2. Pursuant to Section 181 of the Act, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the Annual General Meeting. Relevant intermediary is either:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

   (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or

   (c) the Central Provident Fund (“CPF”) Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

A proxy needs not be a member of the Company.

3. The instrument appointing a proxy or proxies shall, in the case of an individual, be signed by the appointor or his attorney, and in case of a corporation, shall be either under the common seal or signed by its attorney or an authorised officer on behalf of the corporation

4. The instrument appointing a proxy must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #11-02, Singapore 068898 not later than 48 hours before the time appointed for the Meeting.

PERSONAL DATA POLICY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

STRACO CORPORATION LIMITED

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

PROXY FORM

IMPORTANT

1. Pursuant to Section 181 (1C) of the Companies Act, Cap 50, Relevant Intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
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.
3. CPF investors are requested to contact their respective Agent Banks for any queries that they may have with regard to their appointment as proxies

*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 27 April 2018 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, or in the event of any other matter arising at the Annual General Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

All resolutions put to the vote at the Annual General Meeting shall be decided by way of poll.

No.	Ordinary Resolutions	For	Against
1.	To receive and consider the Audited Financial Statements of the Company for the financial year ended 31 December 2017 and the Directors' Statement and Auditors' Report thereon.		
2.	To approve a first and final one-tier tax exempt dividend of 2.50 cents per share for the financial year ended 31 December 2017.		
3.	To approve the Directors' fees of S$338,000/- for the financial year ended 31 December 2017.		
4.	To re-elect Mr. Xu Niansha pursuant to Article 95 of the Company's Constitution.		
5.	To re-elect Mr. Lim Song Joo, pursuant to Article 95 of the Company's Constitution.		
6.	To re-elect Mr. Tay Siew Choon, pursuant to Article 95 of the Company's Constitution.		
7.	To re-appoint Messrs PricewaterhouseCoopers LLP as auditors of the Company and to authorise the Directors to fix their remuneration.		
8.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50.		
9.	To approve the renewal of the Share Buy Back Mandate.		

Dated this ______________ day of ______________ 2018

Total Number of Shares Held

____

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

** Delete accordingly*

IMPORTANT. Please read notes overleaf

Notes:-

1. a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of his shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this Proxy Form as invalid.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.
2. A proxy need not be a member of the Company.
3. 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.
4. The instrument appointing a proxy or proxies must be under the hand of the appointer 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.
5. 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 Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.
6. 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 office of the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #11-02 Singapore 068898 not later than 48 hours before the time set for the Annual General Meeting.
7. 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 81SF of the Securities and Future Act, Chapter 289 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.
8. 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 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
9. 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 72 hours before the time set for the Annual General Meeting.
10. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2018.

AFFIX
STAMP

The Share Registrar

STRACO CORPORATION LIMITED

c/o Tricor Barbinder Share Registration Services

80 Robinson Road #11-02

Singapore 068898

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STRACO 星雅集团

(Company Registration No.200203482R)

(Incorporated in the Republic of Singapore on 25 April 2002)
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STRACO CORPORATION LIMITED

ANNUAL REPORT 2017