Annual Report 2018

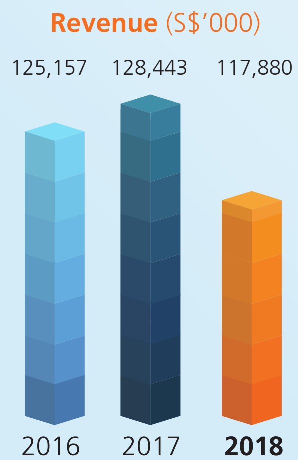
STRACO
星雅集团

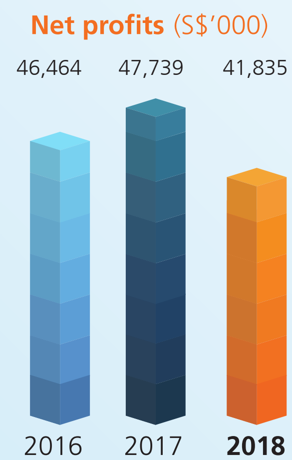
Contents

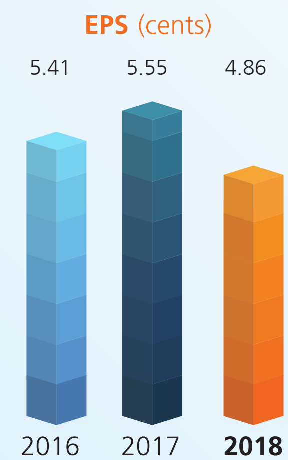
Financial Highlights

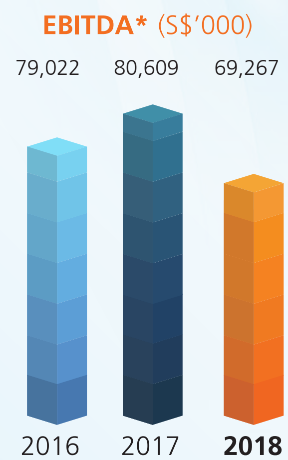
Year ended 31 December

	2018	2017	*2018 vs 2017 Change %*
INCOME STATEMENT (S$'000)			
Revenue	**117,880**	128,443	(8.2)
Profit before tax	**62,472**	70,459	(11.3)
Attributable net profit	**41,835**	47,739	(12.4)
STATEMENT OF FINANCIAL POSITION (S$'000)			
Shareholders' equity	**283,444**	266,903	6.2
Total assets	**372,982**	367,300	1.5
Total cash	**202,695**	191,414	5.9
Total borrowings	**37,900**	49,900	(24.0)
FINANCIAL RATIO (%)			
Return on average shareholders' equity:			
- Profit before tax	**22.70**	27.68	(18.0)
- Attributable net profit	**15.20**	18.76	(18.9)
PER SHARE DATA (CENTS)			
Attributable net profit	**4.86**	5.55	(12.4)
Net assets	**32.93**	31.02	6.2









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

Chairman's Statement

"We remain committed to generating favorable returns for our shareholders, while balancing our cash requirements for business expansion, asset renewal and enhancements."

STAYING RESILIENT IN A TRYING YEAR

Just weeks before the Chinese New Year holiday in 2018, our Singapore operation, the Singapore Flyer was affected by a technical issue that resulted in the suspension of ride operations for 2 months. It was the first incident since the Group bought over the business from the previous operator, in November 2014. The incident was uneventful. All affected visitors during the stoppage disembarked according to our standard procedures.

The incident was sudden and unexpected but it put our contingency and crisis management protocol to the test. I am pleased to report that through the collective efforts of professional engineers, various consultants, our team and guidance from the authorities, we successfully addressed the technical issue, and the ride operation was given the go ahead to resume on 1 April 2018.

2018 has also been a year where most businesses operated under the shadow of the protracted US-China trade tensions. Many businesses were affected, either directly or indirectly. Amidst the less than buoyant overall economic climate, the tourism market in China and Singapore remained relatively unscathed in 2018. This has contributed to another good year as the Group's results in China were largely in line with our performance expectations. Overall, the Group's operations with the exception of Singapore Flyer, remained buoyant amidst marginal shortfalls in both revenue and net profit when compared to FY2017. The Group generated a revenue of S$117.9 million and a net profit of S$41.8 million for the year under review.

The Group continues to generate positive operating cash inflow and given the Group's strong financials, a net cash holding of S$163.8 million and untapped credit facilities, we will be well placed to seize business opportunities and participate in any collaborations in the future.

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 51.4% of the net distributable profit for the year. In addition, we are also proposing a special one-time dividend of 1.0 cent per share on top of the first and final dividend. We remain committed to generating favorable returns for our shareholders, while balancing our cash requirements for business expansion, asset renewal and enhancements.

STAYING RELEVANT AND RENEWAL

Digital disruption and the changing of consumer behaviors will continue to post challenges to attraction operators. In this regard, we had self-disrupted some of our processes and embraced more collaborative partnerships to stay relevant. Such collaborations include our increased engagement of online travel agents, as well as greater adoption of mobile payments across our attractions.

Some of the major asset enhancements that we had embarked upon, such as the Singapore Flyer, Underwater World Xiamen and Lintong project in Xian are progressing well. They are not expected to cause any major disruption to normal operations.

While we continue to harness organic growth from our existing operations, the Group is also constantly assessing new leads for potential tourism investments, whether through M&A or through the development of greenfield sites. While such opportunities exist in different markets, we remain consistent in applying our strict assessment criteria, which prioritize long term growth and returns, as well as sustainable development.

OUTLOOK OF TOURISM REMAINS POSITIVE

The protracted trade tensions between the US and China will have a negative impact on the latter economy and consequently a slower GDP growth. However, the Chinese government has introduced new regulatory measures and fiscal policies that are likely to benefit the domestic tourism industry. Meanwhile, visitors to Singapore also increased 6.2% year on year, hitting a record of 18.5 million, with visitors from China, Indonesia and India contributing to the bulk of the growth in visitor arrivals. The year-long bicentennial celebration in 2019 will also augur well for Singapore tourism.

GRATITUDE

Our achievements and performance have always been the result of collective efforts. 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 their roles and responsibilities. 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 contributions.
- 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 will adopt a multi-pronged approach in generating value through effective corporate governance, innovation and quality investments.

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 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
Industrial and Commercial Bank of China 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, Council Member of Singapore Chinese Chamber of Commerce and Industry, First Vice-Chairman (China & North Asia Business Group) of Singapore Business Federation, Vice Chairman of the 4th Standing Committee of Chinese Association of Enterprises with Foreign Investment (China), and Vice-Chairman of Singapore Chinese Orchestra. 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 the 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 international arbitration as lead counsel, presiding arbitrator, co-arbitrator and sole arbitrator. He is on the panel of arbitrators of the Singapore International Arbitration Centre, China International Economic and Trade Arbitration Commission, Beijing Arbitration Commission, Shanghai International Arbitration Centre, Hong Kong International Arbitration Center, Hainan International Arbitration Court and Asian International Arbitration Centre. Mr Hee is also a Specialist Mediation (China) and Ambassador of Singapore International Mediation Centre. 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 Singapore Chinese Cultural Centre. He is also the Deputy Chairman of Singapore Medishield Life Council and Chairman of Citizenship Committee of Inquiry of Immigration and Checkpoints Authority of Singapore (ICA). Mr Hee was appointed as a Justice of the Peace (JP) in April 2018.

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 and a Director of Poly Culture Group. 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, Council Member of Singapore Chinese Chamber of Commerce and Industry, First Vice-Chairman (China & North Asia Business Group) of Singapore Business Federation, Vice Chairman of the 4th Standing Committee of Chinese Association of Enterprises with Foreign Investment (China), and Vice-Chairman of Singapore Chinese Orchestra. 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, member of the Practice Monitoring sub-committee with Accounting and Corporate Regulatory Authority (ACRA), and member of the Audit Committee of the Autism Association (Singapore). 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. Ms Wu has been involved in various management roles within the Group, including marketing, human resource, operations and business development. She was the Assistant General Manager at Shanghai Ocean Aquarium and is currently a director for a few subsidiaries of the Group in Singapore and China. 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)

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 20 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 hospitality 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. Mr Cai also serves as Supervisor of The Fifth Supervisory Board (2018-2023) at Xiamen Tourism Association.

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 30 years 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 and Victoria Museum at Melbourne, Australia. Ms Peng graduated from Shanghai Normal University with a degree in Biological Science and is nominated as the only Delegate (2016-2021) by Pudong New Area, Shanghai to the Ninth National Congress of the Chinese Association of Science and Technology.

Operations Review

OVERVIEW

The Group achieved a net profit of $41.84 million in FY2018, a decrease of 12.4% as compared to FY2017. Group revenue was $117.88 million for FY2018, 8.2% lower than in FY2017, as the two months ride suspension at the Singapore Flyer in 1Q2018 impacted our revenue and profit. Overall visitor arrivals to all the Group's attractions was 4.98 million, 4.1% lower than FY2017.

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

China's economy grew 6.6% in 2018, the weakest pace since 1990, amidst the intense trade dispute with the United States. The Group's flagship attraction, SOA, reported lower earnings in 2018 mainly due to decreased visitor numbers, while average ticket yield remained fairly constant. Throughout the year, SOA continued to launch themed or special exhibitions during the main festivals and major holidays to increase publicity and create brand awareness. These included "Dogfish Exhibition" during the Chinese New Year, "Underwater Model Fathers – Seahorses and Sea Dragons Special Exhibition" during the Labour Day holiday, "Experience an Amazing Underwater Kids Fun World" during Dragon Boat Festival and Children's Day in June 2018, "Underwater World Cup" in July 2018, "Explore the rainforest in South-East Asia" on National Day, and "Genie in the Aquarium" over the Christmas and New Year period. To expand on its social media presence, visitors were engaged through online and offline interactive activities on WeChat and Weibo platforms. One such offline activity, the "Underwater Football Matches" performed by the fish and divers respectively aroused the interest and curiosity of many World Cup fans and fish hobbyist. SOA also collaborated with the French National Orchestra for the second time for an Underwater Symphony Live Orchestra performances on the 15th Day of the Chinese New Year. To expand market awareness, SOA also worked with various TV stations to report on the various activities that it organized throughout the year. These included the filming of a documentary on penguins by a Japanese TV station, Jellyfish filming by a TV station from Sansha city in Hainan province, as well as coverage by a local travel program for the Shanghai Travel Festival. SOA supported educational causes by organizing educational activities for students. The aquarium also continued to support charitable causes by organizing visits to SOA for financially disadvantaged students during the summer vacation. This year, it also organized a Sea Turtle releasing program.

UWX registered marginal increases in both revenue and profitability in FY2018. During the year, it successfully launched six large-scale popular science themed exhibitions, namely "The Cute Dogs of the New Year's Eve" during the Spring Festival, "The Battle of the Corals – the Fish Forest Conference" in April during the students' spring tour break, "The Secrets of the Sea Monsters" during Labour Day, "The Small Fish with Great Capability" during Children's Day in June, "The Mountain and Sea Wonders" Fun Bioscience Theme Exhibition during National Day in October and students' autumn tour break, and lastly, "The Ice Snow Christmas Sea Romance" during Christmas in December. By organizing these themed exhibitions and activities, UWX has showcased to visitors the interesting and fun aspects of marine species through both educational and more entertaining multi-media perspectives, so that our visitors' experience remains enjoyable while keeping to our mission of conservation education. UWX also successfully held the first Chinese White Dolphin Conservation Awareness Day of "Care for the Chinese White Dolphin Maintaining Biodiversity Project" in Xiamen Gulangyu Piano Dock Square in May 2018, and was awarded the honorary medal of "Ocean Consciousness City Education Base" by Xiamen Municipal Ocean and Fishing Bureau and Xiamen City Bureau of Education.

In 2018, UWX celebrated its 20th anniversary with various innovative promotions which were well received. During the Spring Festival and National Day golden week holidays, it launched online and offline purchase packages such as "Family Fun Package" to win a Singapore Flyer tour, a joint promotion with our Singapore Flyer. It also increased online sales through cooperation with Ctrip and Xiamen Tourist Service Centre. During the summer peak season, it launched an enhanced "Summer Travel Card" (equivalent to a membership card), the sales volume of which doubled year-on-year.

Lixing Cable Car registered more than 10% growth in revenue and profitability in FY2018 compared to a year ago on increased ridership. Effective and extensive advertising and publicity of our cable car facility, as well as improved tourist services resulted in increased ridership from walk-in and tour groups.

The Singapore Flyer, though hit by a two-month suspension of rides in the first quarter, remained profitable for the year. 2018 marked the 10th anniversary of Singapore Flyer. As part of the celebration, an interactive in-capsule experience, FLYER 360+ was launched in April. Guests are taken on a virtual tour of Singapore to discover more about its iconic landmarks, past and present during the flight. The full experience includes a built-in app on interactive tablets, as well as an infotainment programme on the mounted screens displaying content that is synchronised with the views from within the capsule and an audio commentary that provides key information of selected hotspots in Singapore.

As an iconic attraction of Singapore, the Singapore Flyer is committed to promoting the nation's rich cultural heritage. Through a collaboration with National Heritage Board (NHB), fringe activities and traveling exhibitions were brought to Singapore Flyer during the Hari Raya and Deepavali festive periods.

In terms of corporate citizenship, Singapore Flyer participated in the '18 Days of Giving, A Lifetime of Caring' initiative headed by the National Volunteer & Philanthropy Centre as a giving ambassador. Staff volunteers hosted underprivileged families from Hougang Sheng Hong Family Service Centre and Student Care Centre for a flight on the giant observation wheel. Apart from activities held in Singapore Flyer, flight tickets were sponsored for fundraising events held by the Cerebral Palsy Alliance Singapore and Singapore Heart Foundation. Throughout 2018, Singapore Flyer continued to support community events organised by the People's Association via the sponsorship of flight tickets, which were distributed as lucky draw prizes to the families. It has also continued to collaborate with the People's Association to provide concessionary flights and subsidised meals for local senior citizens over the past four years. To date, close to 5,000 elderlies had benefitted from this initiative.

In 2018, the Singapore Flyer continued to work closely with the Singapore Tourism Board (STB) to increase its visibility to key overseas markets. It participated in the STB Indonesia Travel Trade Networking Sessions in Jakarta and Bali, and STB Greater China MICE Conference in Guiyang in January and June respectively to build strategic relationships with in-market agents and key MICE intermediaries. It had also participated in the STB WOW MICE Ideas Networking Session in November. In the coming year, Singapore Flyer will be curating a new MICE experience together with an appointed creative agency to expand our product offerings.

A Mid-Sized Attraction, premised on the Singapore story, the MSA – with content that extends across 700 years of the nation's history to the present and future – is presently slated to launch in the last quarter of 2019. The project will be showcased as part of the Bicentennial Community Calendar by the Singapore Bicentennial Office.

FINANCIAL COMMENTARY

The Group generated a net profit before tax of $62.47 million as compared to $70.46 million last year, a

decrease of 11.3%, affected by the two months suspension of ride operations at Singapore Flyer. Expenses, excluding finance cost, decreased $2.19 million, or 3.5% as compared to FY2017. A finance cost of $1.23 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 $51.43 million in FY2018. During the year, the Group used $23.35 million to pay out dividends and $13.09 million to repay borrowings and interest on loans. The company also utilized $1.27 million cash for share buybacks and received $0.53 million from the exercising of share options. As of 31 December 2018, the Group's cash and cash equivalent balance (excluding bank deposits pledged) amounted to $201.70 million, an increase of 5.9% for the year.

Sustainability Report

Contents

Board Statement

The Board of Directors (the "Board") at Straco Corporation Limited ("Straco") hereby presents the Sustainability Report for 2018. This second Sustainability Report demonstrates our continued commitment to sustainable business practices and provides a platform to share our sustainability progress.

This report summaries Straco's sustainability practices, performance and targets for the year ended 31 December 2018. This report is aligned with the SGX-ST Listing Rules Practice Note 7.6: "Sustainability Reporting Guide" and is also prepared with reference to the Global Reporting Initiative ("GRI") Standards.

As a leading developer, operator and investor of premier tourist attractions, we aspire to create a unique, fulfilling and enriching experience for our visitors. Through our public aquariums, we also seek to raise awareness on environmental protection and biodiversity conservation. We believe comprehensive considerations of environmental, social and governance ("ESG") issues is fundamental to achieving these goals.

During the year, we continue to manage our sustainability-related impacts through strong corporate governance. We strive to minimise our environmental footprint and promote conservation. We seek to provide a safe working environment and a dynamic and rewarding career development platform for our employees. At the same time, we also aspire to contribute to charitable causes and the community at large.

In 2018, we continue to find the material ESG factors identified in our inaugural Sustainability Report 2017 to be relevant. Supported by the Sustainability Steering Committee ("SSC"), the Board continues to oversee the management of ESG risks and opportunities. The disclosures of sustainability performance and targets in this report are approved by the Board.

We look forward to sharing the progress of our sustainability journey with you in our next Sustainability Report.

2018 At a Glance

Material factor	Indicator	Performance for 2018	Target for 2018	Target for 2019
Environmental				
Energy	Energy intensity	4,618 MJ / hour of operation	Achieved - Maintain 2017 energy intensity level - 5,118 MJ / hour of operation	Maintain or reduce energy intensity from the baseline year of 2017 intensity
Water Management	Water withdrawal	237 ML	Missed - Maintain 2017 levels of water consumption – 231 ML	Maintain or reduce water intensity from the baseline year of 2017 intensity
	Water intensity	18.6 m^3 / hour of operation		
Animal Sourcing and Wellbeing	Use of global standards	Followed accepted global standards, where available and relevant, for responsible animal sourcing and animal wellbeing	Achieved - Continue to practice responsible sourcing of animals and explore new ways to further enhance the wellbeing of our animals	Continue to practice responsible sourcing of animals and explore new ways to further enhance the wellbeing of our animals
Social				
Talent Retention and Training	Average monthly new hires rate	2.1%	Achieved - Continue to provide fair and competitive compensation to employees	Maintain current average hours of training per employee and provide performance review to all eligible permanent employees
	Average monthly turnover rate	2.2%		
	Average training hours per employee, per year	11 hours		
	Percentage of eligible permanent employees receiving regular performance review	100%		
Health and Safety	Number of workplace fatalities	0	Achieved - Continue to provide relevant training on health and safety and aim to maintain zero work-related fatalities	Continue to provide relevant training on health and safety and aim to maintain zero work-related fatalities
	Number of high-consequence workplace injuries	1		
	Accident Frequency Rate	3.4		

Material factors	Indicator	Performance for FY2018	Target for 2018	Target for FY2019
Local Communities	Initiatives on conservation education and research, and charitable events	Singapore Flyer achieved 286 volunteer hours. Underwater World Xiamen organised 12 educational programmes with 2,267 participants Shanghai Ocean Aquarium organised 16 educational programmes during the year	Missed - Singapore Flyer: commit at least 300 volunteer hours for charitable causes Achieved - Underwater World Xiamen: continue their efforts in conservation education, targeting to reach out to at least 1,700 recipients Achieved - Shanghai Ocean Aquarium: organise at least 10 educational programmes	Continue to support conservation and contribute back to society • Singapore Flyer: host at least 2 CSR ("Corporate Social Responsibility") events for charitable causes • Underwater World Xiamen: continue collaborate with partner institutions to create unique educational experience for the local community • Shanghai Ocean Aquarium: organise 10-15 educational programmes
Governance				
Regulatory Compliance	Number of environmental and socio-economic non-compliance	Zero environmental and socio-economic non-compliance	Achieved - Zero environmental and socio-economic non-compliance	Uphold the same high standard of conduct and maintain zero non-compliance

About This Report

This sustainability report encapsulates the sustainability practices and performance of Straco from 1st January 2018 to 31st December 2018 ("2018"). The report covers the listed entity, Straco Corporation Limited, and its three main revenue-generating assets, Shanghai Ocean Aquarium ("SOA"), Underwater World Xiamen ("UWX") and Singapore Flyer ("SF"). As the corporate headquarters consume insignificant amount of environmental resources, "Energy" and "Water Management" sections in this report solely focus on the three above-mentioned assets, SOA, UWX and SF. Meanwhile, "Animal Sourcing and Wellbeing" section is only applicable to the two aquariums, SOA and UWX.

This report is aligned with the reporting requirements of SGX Listing Rules 711A and 711B and prepared with reference to the GRI Standards, a globally recognised framework to report on ESG issues. This report references the following GRI Standards and topic-specific Disclosures:

- Disclosure 302-1 and 302-3 from GRI 302: Energy 2016
- Disclosure 303-3 and 303-4 from GRI 303: Water and Effluents 2018
- Disclosure 307-1 from GRI 307: Environmental Compliance 2016
- Disclosure 401-1 from GRI 401: Employment 2016
- Disclosure 403-9 from GRI 403: Occupational Health and Safety 2018
- Disclosure 404-1 and 404-3 from GRI 404: Training and Education 2016
- Disclosure 413-1 from GRI 413: Local Communities 2016
- Disclosure 419-1 from GRI 419: Socioeconomic Compliance 2016

All information is disclosed in good faith to the best of our knowledge. No external assurance has been sought for this report. Straco welcomes your feedback. Please forward enquiries and feedback to contact@stracocorp.com.

Stakeholder Engagement

Open and relevant engagement is essential to create value for Straco's key stakeholders. This engagement communicates expectations and supports improvement in our sustainability practices. The following table identifies Straco's key stakeholders and shows how they are engaged.

Stakeholders	Main objective	Engagement methods	Frequency
Customer	To understand customer expectations and enrich customer experience	• Feedback box • Customer review on official website • Market research and analysis	• Throughout the year • At least once a year
Local Communities	To contribute to local communities through conservation education and research, as well as charitable activities	• Education programmes • Charitable events	• Throughout the year
Employees	To create a safe, inclusive and rewarding working environment to sustain employee morale	• Safety training • Training or skill upgrading • Suggestion box • Workers' Union meeting on employee welfare • Team bonding activities	• Throughout the year • Bimonthly to twice a year • Once to twice a year
Investors/ Shareholders	To disseminate accurate and timely information on the company's progress and direction	• Release of financial results and other relevant disclosures through SGXNet and Straco's website • Annual General Meeting • Participation in non-deal road show • Meeting with investors and stock analysts	• Throughout the year • Once a year • Ad hoc • Throughout the year

Material ESG Factors

To determine ESG factors of significant interest to our business and key stakeholders, Straco conducted a materiality assessment workshop in preparation of its inaugural Sustainability Report for FY2017. The assessment was guided by the GRI Principles of Materiality and Stakeholder Engagement. Eight material factors were identified from the assessment:

Aspect	Material ESG Factors
Economic	• Economic Performance
Environmental	• Energy • Water Management • Animal Sourcing and Wellbeing
Social	• Talent Retention and Training • Health and Safety • Local Community (including conservation education and research)
Governance	• Regulatory Compliance

This year, Straco found that the material ESG factors identified continue to be relevant. Going forward, Straco will regularly review its material ESG factors to ensure their pertinence.

Economic Performance

In 2018, despite the shadow of the protracted US-China trade tensions, Straco witnessed another year of profitable performance, fuelled by a buoyant tourism markets both in China and Singapore.

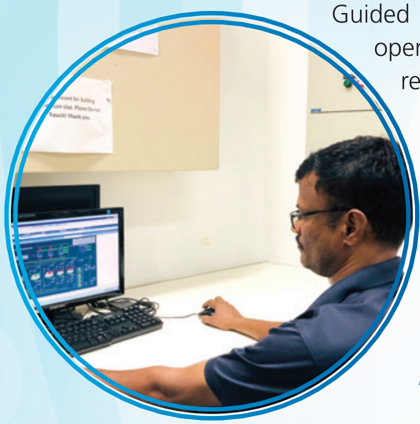
In anticipation of changing market conditions and customer behaviour, Straco proactively adapted its operations to stay relevant, which included greater collaborations with online travel agents and greater compatibility with mobile payment modes. Meanwhile, Straco continued making progress in our major asset enhancement programmes to improve customer experience. On top of organic growth, Straco keeps a lookout for new leads for potential tourism investments. We remained prudent and disciplined in our investment assessment, with an emphasis on sustainable returns and ESG considerations.

Overall, with the exception of the Singapore operation, which was impacted by two months of ride operation suspension, Straco's performance remained resilient and continued to generate sustainable margins at both the operating and net income levels. During the year, Straco generated a revenue of S$117.88 million and net profits of S$41.84 million. Details of the financial performance in 2018 can be found in the "Financial Review" section of this Annual Report.

Straco recognises the importance of sustainable development in keeping our business relevant and resilient. Through our continued commitment to ESG considerations, we aspire to differentiate our services, keep our team strong and maintain robust economic performance in the long run.

Energy

Energy and associated greenhouse gas ("GHG") emissions are emerging global concerns. To play our part in combating global climate change, Straco strives to conserve energy and reduce our GHG emissions.



Guided by formal energy management frameworks, the operational teams in SOA, UWX and SF actively monitor, report and review their energy consumption. Equipment is regularly maintained to ensure compliance with energy efficiency standards. Consumption trends are also closely analysed to identify potential areas of improvement. In 2018, Straco carried out a few key energy-saving initiatives:

Figure 1 An employee at SF checking energy performance of equipment

- Singapore Flyer: implemented an Energy Policy Statement and Guidelines for Offices to encourage energy conservation in office administration
- UWX: upgraded to variable-speed escalators, which will slow down or stop when there are few passengers and will be automatically re-activated when there is traffic
- UWX: replaced aquarium lights from metal-halide lights to more energy-efficient LEDs
- UWX: in summer, scheduled the cooling operation of air source heat exchanger to night time, when the ambient temperature was lower and thus leading to reduced energy consumption for cooling
- SOA: replaced exterior landscape lamps with LED lights and installed centralised switch system, in support of the city-wide initiative to upgrade landscape lighting by the Shanghai municipal government
- SOA: optimised energy efficiency of the Life Support System ("LSS"), as elaborated in the case study on the right

Case Study: Optimising energy efficiency of the Life Support System ("LSS")

The LSS in SOA is a closed-loop water circulation system to sustain the suitable aquatic environment for animals. Considering the diverse range of animals kept in SOA, there are complex requirements regarding the water temperature and water quality. Thus, a sizeable number of electrical appliances are required for water filtration, sterilisation and temperature control.

Recognising LSS as a major consumer of electricity, in 2018, SOA conducted a thorough system review and identified significant areas for improvement. SOA has increased energy efficiency of LSS by improving system layout, trimming unnecessary electrical appliances and using energy-saving spare parts, as illustrated below:

- *regularly cleaned and maintained the filtration system to reduce water resistance thus reduce the energy demand to pump water through the system*
- *installed variable-voltage water pumps, which can operate at lower power depending on demand*
- *combined water circulation system for special exhibition aquariums and centralise the cooling/heating of water, thus eliminated multiple individually-operating water heat exchangers*
- *adopted a dual water temperature scheme according to seasons (For details, please refer to "Animal Sourcing and Wellbeing" section of the report)*
- *undertook a major initiative to improve energy efficiency of the sterilisation system. In the LSS, ultraviolet lamps and ozone are used to remove unwanted microbes and maintain water quality. Based on past experience, literature review and pilot project, SOA has successfully identified key action points for higher energy and sterilisation efficiency. The identified action points were gradually rolled out to the whole LSS network. As a result, SOA has reduced the number of ultraviolet lamps from 326 to 162, significantly improving energy efficiency and reducing cost.*

In 2018, Singapore Flyer (managed by "Straco Leisure Pte Ltd) joined the Ministry of the Environment and Water Resources ("MEWR") of Singapore to pledge its commitment to Climate Action SG. This was a national initiative to raise awareness on climate change and promote emission reduction among corporates. Please refer to our pledge[1] and action goals below.

In 2018, SOA, UWX and SF consumed 58,753,461[2] mega joule ("MJ") of energy. Electricity usage accounted for more than 98.5% of total energy consumption, together with other energy sources including Liquefied Natural Gas (LNG), town gas (Singapore) and diesel. Compared to 2017, there was a 9% decrease in total energy consumption and the energy intensity decreased 10% from 5,118 MJ per hour of operation in 2017 to 4,618 MJ per hour of operation in 2018. Thus, Straco is pleased to report that it has achieved and exceeded its energy target set for 2018, which is to maintain 2017 energy intensity level. Going forward, Straco aims to maintain or reduce energy intensity from the baseline year of 2017 intensity.

SINGAPORE FLYER
a moving experience at every turn

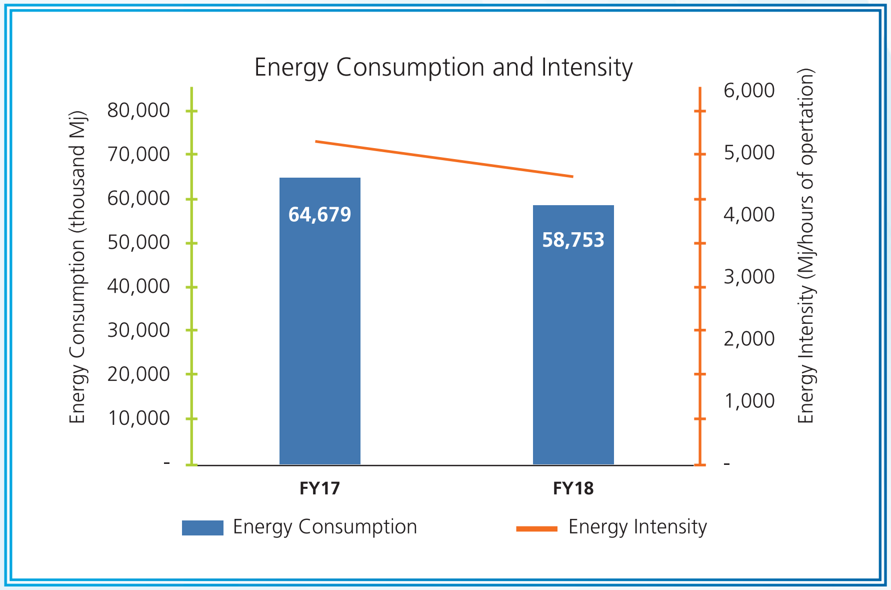
STRACO LEISURE PTE LTD

Our climate action pledge
The company is committed to continuously improving our performance and reducing the usage of energy (Electricity, Water and Gases), and will make strenuous efforts towards improving energy management within the operations and work towards energy-efficient best practices where cost-effective. We believe that everyone in our company shares the responsibilities for protecting the environment. The following steps should be practiced to support the policy:

1.1 Develop a corporate culture of responsible management of energy by educating, involving and motivating our employees
1.2 Purchase energy at the most effective cost and reduce energy usage where possible
1.3 Implement a Continuous Energy Improvement program, monitoring and reporting procedures to communicate our performance within the company

Our climate action goals for 2018
Reduce carbon footprint by 1%

Figure 2 Singapore Flyer's Climate Action pledge in 2018



[1] To view the pledge gallery, please visit https://www.mewr.gov.sg/pledge-gallery

[2] In 2018, the giant observation wheel at Singapore Flyer suspended its operation for 2 months. However, other facilities, including food and beverage outlets and shops, were still open during the period. Therefore, energy consumption should be interpreted with this consideration in mind.

Water Management

Water is a key resource essential for Straco's day-to-day operation. Straco is committed to conserving water and preventing water pollution. Recognising water as a shared resource, we consider both our water withdrawal and discharge with the interest of local community and local ecosystem in mind. Moreover, water consumption at our assets is often subjected to consumption quota or tiered-pricing. Therefore, water conservation also presents opportunities for cost savings.

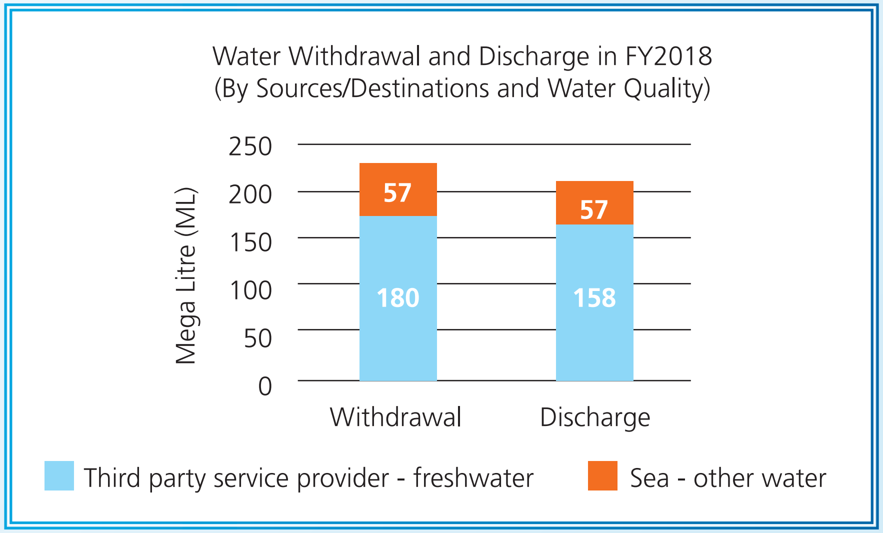
Our operation teams continue to exercise water-efficient practices and track water consumption. Our assets were installed with water efficient fittings and we conducted regular equipment maintenance. As for discharge, Straco closely monitors water quality of discharge to avoid pollution. Our effluent is either treated in-house or sent to third party water treatment facilities in compliance with local environmental standards. Across our main operation sites, we adhere to reporting obligations regarding water consumption and water discharge quality to be accountable for our water management.

Singapore Flyer ("SF") has adopted a Water Efficiency Management Plan (WEMP) in support of the national water conservation movement. Detailing water management policies and practices, the WEMP is submitted annually to the Public Utility Board (PUB) for review. Key initiatives include using recycled water NEWater for landscape irrigation, raising public awareness through education and using water-efficient fittings.

In our aquariums, the LSS allows water to be filtered and re-circulated within the system, thus conserving water withdrawal. Underwater World Xiamen (UWX) leverages on its proximity to the sea to use treated natural seawater for the aquarium. This minimises the disturbance to local freshwater supplies. In Shanghai Ocean Aquarium (SOA), due to the lack of nearby natural saltwater resources, artificial saltwater is manufactured from municipal water. SOA adopts a closed-loop concept in its LSS and uses a significant amount of recycled treated water.

All our major locations of operation are categorised under "Areas of High or Extremely High Water Stress" by the World Resource Institute's "Aqueduct Water Risk Atlas". In 2018, overall, SOA, UWX and SF[3] withdrew 237 mega litres (ML) of water, comprising 180 ML of municipal water and 57 ML of water from the sea. There was a 2% increase in the amount of water withdrawal as compared to 2017 level and water intensity increased slightly from 18.3 m^3 per hour of operation in 2017 to 18.6 m^3/hour in 2018. The 2018 target of maintaining 2017 water consumption level was not met. In 2019, Straco aims to maintain or reduce water intensity from the baseline year of 2017 intensity.

For the discharge of effluents, 158 ML of used freshwater[4] was sent to third party water treatment facilities and 57 ML of other water[5] was discharged to the sea.



[3] *In 2018, the giant observation wheel at Singapore Flyer suspended its operation for 2 months. However, other facilities, including food and beverage outlets and shops, were still open during the period. Therefore, water withdrawal and discharge should be interpreted with this consideration in mind.*

[4] *Based on GRI Standards (2018), freshwater is defined as water with concentration of total dissolved solid equal or below 1000 mg / L.*

[5] *Based on GRI Standards (2018), other water is defined as water with concentration of total dissolved solid more than 1000 mg / L.*

Animal Sourcing and Wellbeing[6]

Biodiversity and the health of natural ecosystems are increasingly of global concern. As the operator of two public aquariums, our key stakeholders are expecting greater commitment from Straco regarding conservation and biodiversity.

Straco pledges to obtain animals from ethical and sustainable sources in line with national and international legislation. For animals kept in our aquariums, we strive to provide them with a healthy and low stress environment, while encouraging natural behaviours. We also avoid controversial species, such as dolphins and whales, which are arguably less suitable for captivity.

Our commitment:

We do not practice punitive animal training. We refrain from conducting animal performances purely for entertainment purposes, instead, we focus on displaying natural behaviours for education.

Responsible Sourcing

Our main sources of animals include in-house breeding programmes, certified suppliers, donations from civic society, as well as fishery rescues. Straco diligently tracks and manages the method of acquisition and origin of animals, particularly for endangered species falling under the CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora)[7] or national conservational schemes. All protected species are obtained through legitimate sources and endorsed with the necessary permits. When practical, Straco prefers the use of more sustainable alternatives to minimise the impact of removal from natural ecosystems. For example, we use artificial corals in our displays, thus preventing their removal from wild habitats. Our aquariums are subjected to stringent government supervision regarding animal sourcing and have passed various spot checks and routine inspections without any breaches found.

Straco invests in a wide range of breeding programmes for marine life, focusing on endangered species. Artificial breeding enable inter-aquarium exchange and alleviate the demand for wild aquatic animals, thus protecting the wild population. Through in-depth research on the target species' preferred living conditions, including environmental features, animal behaviours, water quality and nutrition, Straco has gained considerable progress in its artificial breeding endeavours. In 2018, SOA has successfully bred 5,648 animals of 27 species, including 7 new species. The key species include leopard shark, cownose ray and pacific sea nettle, among other species like short-tailed pipe fish, lined seahorse, freshwater angelfish and brown-banded bamboo shark.

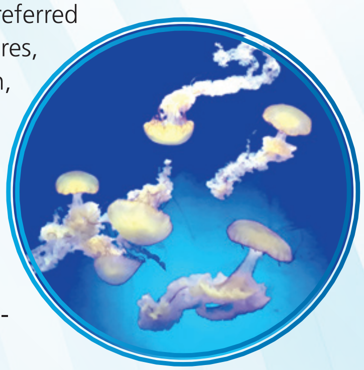


Figure 3 Pacific sea nettle breeding in progress

Animal Wellbeing

Supported by a team of professional curators and veterinarians, Straco undertakes responsible care of animals kept in captivity. Our aquariums strictly follow the national standards on animal keeping. We have formalised our practices in the form of a set of standard operating procedures ("SOPs"). These SOPs provide technical and managerial guidance on key processes such as quarantine, health monitoring, water quality control, animal nutrition and environmental enrichment.

[6] *This chapter focuses on Straco's two aquariums, SOA and UWX only.*

[7] *CITES is an international agreement between governments, with the principal aim to prevent the international trade in specimens of wild animals and plants from threatening their survival. For the many non-endangered wildlife species in trade, the existence of an agreement adds extra assurance of the sustainability of the trade in the long run.*

SOA: Dual water temperature scheme for energy efficiency and environmental enrichment

Many of our marine species require a specific range of water temperature to thrive. Since SOA is located in a temperate region, there is a need to cool or warm the water according to the seasons. Since May 2018, SOA has rolled out a dual water temperature scheme for energy efficiency and environmental enrichment. Riding on our existing knowledge the respective temperature range for different animals, in warmer months during summer (May to October), the target water in our heat exchangers is set at the upper limit of tolerable temperature of that particular animal. In colder months during winter (October to May), water temperature is set at the lower limit. Reducing the temperature gradient between ambient environment and the aquarium water, this initiative reduces the energy demand for cooling in summer and heating in winter.

At the same time, the dual temperature scheme mimics the temperature change in many species' natural environment and can bring about a range of health benefits. Guided by a deep understanding of the tolerable temperature range of different animals, the variation in aquarium water temperature serves as a beneficial environmental stimulus to trigger adaptive responses from animals, helping to strengthen their immune systems and resilience against diseases. For some animals, the dual temperature scheme is more conducive for growth, as it helps to discourage overeating, a condition more commonly observed under a constant temperature scheme. Furthermore, for certain animals, such as the Chinese giant salamanders and Chinese alligators, the seasonable change of temperature plays an essential part in their reproductive development or reproductive cycles.

Our aquatic department is committed to providing a healthy living environment for our animals. New animals are quarantined to detect potential diseases for treatment before being displayed in the aquarium. Water quality is tested and reported regularly to ensure a healthy living environment. Our veterinarians conduct routine health monitoring and spot checks of our animals to identify any potential disease for treatment. Mortality rate is closely tracked and population size assessment and forecasting are carried out for key species.

Balanced nutrition is key to ensure animal wellbeing. Guided by professional husbandry standards, we have developed well-structured feeding plans, for different animals. To prevent parasites and harmful bacteria often associated with frozen fresh baits, our aquariums practice stringent quality control and conducts in-house lab tests for incoming feed. Moreover, we seek to re-create the natural living conditions by adding various nutritional additives to provide optimal living conditions. Our additives are sourced from an internationally recognised animal nutrition specialist, Mazuri®, which has been certified with Food Safety System Certification ("FSSC") and has passed anti-drug and anti-hormone testing.

Going forward, we will continue to practice responsible sourcing of animals, taking into consideration the local context and latest conversation status updates. Meanwhile, we will also continue to invest in research and environmental enrichment to encourage natural behaviours and enhance animal wellbeing.

Talent Retention and Training

Human capital is a key asset to Straco. We believe that a culture of employee engagement, a robust incentive system and targeted training programs will allow us to attract and retain the right talent.

Hiring and retention

Straco's human resource policies are grounded in the principles of transparency and equal opportunity. All qualified candidates will be considered for employment without discrimination. In our job recruitment advertisements, all discriminatory clauses on nationality, gender and appearances are strictly prohibited. Straco collaborates with universities, online hiring platforms and recruitment agencies for our hiring needs.

We are committed to creating a diversified and inclusive workplace where each individual's unique talents, experiences and perspectives are respected. As of 31 December 2018, we have a total of 9 Directors[8] and 501 permanent employees, as shown in the chart below. We have an approximately equal gender split at most employee levels, with a slightly higher proportion of males at the senior management level. Age groups are well distributed with older age groups better represented at more senior levels.

Board of Directors

By Gender
Female: 2
Male: 7

By Age Group
<30 years old: 0
30 – 50 years old: 2
> 50 years old: 7

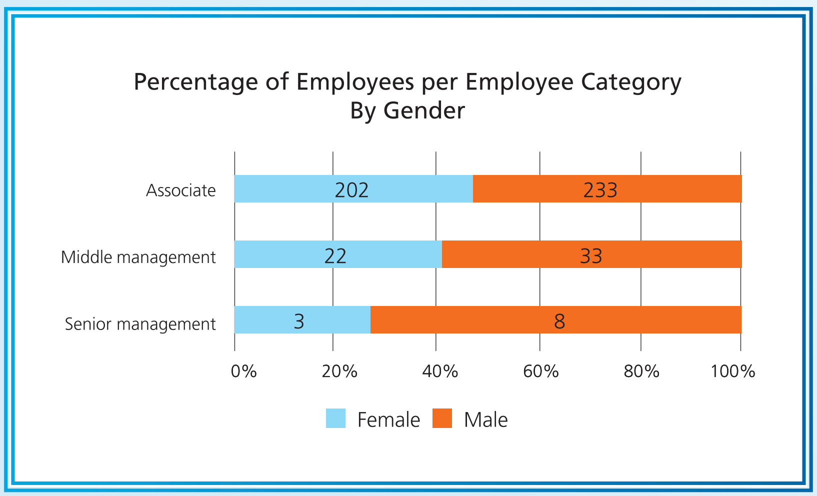
Employees

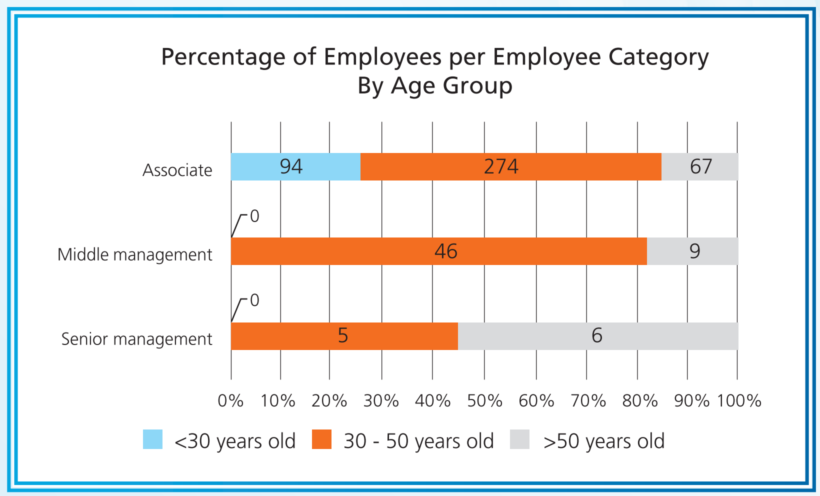
By Location
China: 346
Singapore: 155

By Gender
Female: 227
Male: 274

By Employee Category
Senior Management: 11
Middle Management: 55
Associate: 435

By Age Group
<30 years old: 94
30 – 50 years old: 325
> 50 years old: 82





[8] *Information pertaining to Board of Directors is applicable for Straco Corporation Limited.*

Talent Retention and Training

We reward our employees with competitive salaries in line with market standards. Compensation to an individual employee is objectively determined based on position, competency and performance. Furthermore, employees are also entitled to a variety of benefits, including medical insurance, social insurance, housing allowance, paid leave, complimentary tickets to attractions, team-building trips and tokens of appreciations. To protect the interest of our employees, we provides feedback channels for employees to express their views and concerns. Examples of communication channels include:

- Representations in workers' unions
- Website feedback portals
- Suggestion boxes

Figure 4 Team-building trip for UWX employees

SOA: caring for our colleagues

In 2018, an employee of SOA was unfortunately diagnosed with cancer and was hospitalised. Showing support and genuine concern for the fellow colleague, employees of SOA spontaneously organised fundraising events within the company and paid frequent condolence visits to the patient. Meanwhile, our employees also obligingly provided assistance in obtaining medical insurance claims and helped to appeal for financial bursaries from trade union. This incident was a testimony of the caring culture within SOA. It showcased the strong sense of compassion and team bond within our company.

The Human Resource ("HR") Department closely monitors the new hires and turnover rate to have a strategic planning of our workforce. In 2018, our average monthly rate of new employee hires stood at 2.1%. Our average monthly turnover rate recorded 2.2 %. The table below provides a breakdown by age, gender and region.

FY2018	Monthly new hires rate	Monthly turnover rate
By age group		
< 30 years old	4.4%	4.5%
30 - 50 years old	1.6%	1.5%
> 50 years old	1.9%	2.3%
By gender		
Male	1.7%	1.7%
Female	2.6%	2.9%
By region		
China	2.3%	2.4%
Singapore	1.7%	1.9%
Overall		
Overall	2.1%	2.2%

Training

Grooming competent and motivated employees is one of our priorities. We aim to provide our employees with opportunities for systematic, long-term and continued training. Our training and development programs are tailored to the different professional and learning needs of our employees. Examples of training programmes available in 2018 are illustrated in the table below.

Type	Training programmes available
Orientation	• New staff orientation • Employee code of conduct • Corporate culture induction • Volunteers induction programme
Capacity Building	• Personal grooming • Managerial and leadership skills
Service Quality	• Service etiquettes • Service recovery: how to effectively handle complains • Business English
Aquarium Curation	• Animal keeping SOPs • Understanding Life Support System (LSS) • Water quality testing and control • Skills for guiding educational tours • Conservation biology • Fish digestive systems and nutritional science • Fish anatomy and prevention of common diseases • Diver certification courses • Servicing of diving equipment
Health and Safety	• First Aid • Fire drill SOPs • Food safety • Safety SOPs for aquatic department
Specialised Training	• Procurement skills and SOPs • HR IT Management System • Continued training for accountants • Microsoft Excel

Talent Retention and Training

We also support employees to take part in external trainings, building up their managerial and technological capacities. Straco recognises the achievement in training and education, by offering preferential compensation and promotional opportunity to employees who undergo skills upgrades. In 2018, on average, our permanent employees received 11 hours of training, with a breakdown shown in the table below.

FY2018	Average hours of training per permanent employee per year
By gender	
Female	11 hours
Male	10 hours
By employee category	
Associate	9 hours
Middle management	17 hours
Senior management	29 hours
Overall	
Overall	11 hours

SOA: grooming future leaders

Grooming a talent pool provides a solid foundation for Straco to realise its strategic goals and future growth. SOA enrolled its middle management of high calibre in open courses provided by Shanghai Jiaotong University Overseas Education College. Considering both the learning needs and job requirement, this training programme recommended personalised curriculum for each individual employee. For managerial candidates, the programme focused on refining business acumen and leadership. For technical leaders, the programme offered professional upgrading specific to their job functions, such as finance, human resource management and marketing etc. In 2018, a total of 23 employees from SOA were enrolled in 38 training sessions. Based on post-training feedback, our employees gave an unequivocal positive rating of 91.5 (out of 100), appraising the programme as "highly professional", "inspiring" and "useful and relevant". In 2019, SOA aims to offer least 70 external training sessions to its employees.

To further support the professional growth of our employees, Straco provides regular performance reviews to communicate employees' performance and career goals. The results of our employee appraisals can help Straco make informed decisions on promotion, transfer, remuneration adjustment and training planning. In its effort to continually improve the transparency and fairness of the appraisal system, Straco conducts annual process review. The process review draws from past experience and feedback to identify areas for improvement. The proposed improvement will be reported to the Corporate Headquarters for approval and will subsequently be incorporated into Straco's formal HR polices. In 2018, 100% of eligible permanent employees[9] have received at least one performance review.

In 2019, we target to maintain current average hours of training per employee and provide performance review to all eligible permanent employees.

[9] *Exclude permanent employees who were under probation.*

Health and Safety

The safety and wellbeing of our employees and visitors are of the utmost importance. We have established SOPs and contingency plans to prevent and minimise health and safety risks. Occupational health and safety risk assessments are conducted, reviewed and updated regularly. To improve accountability, we also provide an open channel of communication to gather feedback on safety and health related issues. In 2018, in recognition of its robust occupational health and safety management, Singapore Flyer has successfully renewed its OHSAS 18001 and BizSafe level Star certification.

We have ensured that all employees have received compulsory health and safety training prior to the commencement of their work. Extra precautions are in place for work with higher inherent risks, such as the operation of machinery, handling of animals, as well as scuba diving, as described in the case study below.

Straco seeks to protect the health and safety of customers. As we operate tourist attractions with a high traffic, we place high importance on fire safety. Our safety equipment is inspected regularly and upgraded whenever necessary. To reinforce emergency preparedness, company-wide fire drills are conducted regularly. Straco's employees have received the necessary fire safety training to facilitate a safe evacuation for all. For example, in SF, Company Emergency Response Team (CERT) received fire-fighting training and underwent refresher courses on a regular basis.

Meanwhile, Straco equips its employees with necessary First Aid skills to help those in need. In SF, AED (Automated External Defibrillators) refresher courses are conducted for all employees on an annual basis. One out of twenty employees is a Certified First Aider. To facilitate swift emergency response and provide constant surveillance, our premises are installed with sophisticated networks of CCTVs.

In 2018, there were zero workplace fatalities. However, we regret to report one high consequence workplace injury[10] in UWX during which an employee was involved in traffic accident after office hour and had to be hospitalised. The company provided assistance in processing the insurance claim and offered extended paid sick leave to support the employee through challenging times. The employee has since steadily recovered and is expected to return to work soon. The accident frequency rate (AFR) for permanent employees was 3.4[11]. In 2018, we have achieved our target set for the year, which was to continue to provide relevant training on health and safety and maintain zero workplace fatalities. We aim to achieve the same target for 2019.

SOA: Emphasis on divers' health and safety

In our line of business, scuba diving is one of the most common tasks in the Aquatic Department. Scuba divers help to clean the tanks, feed the animals, conduct underwater tasks and assist underwater medical treatment. On top of the buddy system implemented for divers, SOA also enrolled divers in First Aid courses in view of the potential risks arising from scuba diving. In the unlikely event of accident, SOA will have the basic skills for timely emergency attention to divers, before the arrival of professional medical help and thus reducing safety risks.

Furthermore, SOA also took precautions to promote divers' health. When working underwater, divers are subjected to higher pressure and higher levels of dissolved gas in their bodies. During ascent, while oxygen and carbon dioxide can often be assimilated into the body, there is a chance that elevated nitrogen concentration in blood stream can come out of solution as air bubbles, thus leading to symptoms described as "decompression sickness". Decompression sickness can be effectively prevented by safe diving practices such as safety stops. In SOA, all divers were educated about the potential side effects of decompression sickness and preventive measures. Furthermore, SOA offered hyperbaric oxygen chamber as a precautionary treatment for all scuba divers. This treatment helps to improve blood vessel and immune system health, and increases divers' resilience to decompression sickness.

Figure 5 Divers in SOA receiving hyperbaric chamber treatment

[10] *A workplace injury is any personal injury or death resulting from a workplace accident, including work-related traffic injuries. A high-consequence workplace injury is a work-related injury that results in a fatality or in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months.*

[11] *As per definition of Ministry of Manpower (MOM) of Singapore, Accident Frequency Rate = Number of Reportable Injuries / Number of Man-hours Worked ×1,000,000. A reportable injury is any workplace or work-related traffic injury that results in at least 24 hours of hospitalisation or more than 3 days of MC due to a single work-related accident (whether consecutive or not).*

Local Community

As a responsible corporate citizen, Straco strives for positive environmental and social impacts. Our aquariums commit themselves as ambassadors for marine conservation and seek to play their parts in education and research. Across its assets, Straco contributes to social causes.

Conservation Education and Research

Our aquariums strive to inspire passion for marine conservation through educational programs. In 2018, SOA and UWX continue to organise a range of in-house tours and outreach programs. Below are four examples of the educational programs during 2018:

1. SOA: Night Adventures in SOA

In July 2018, SOA organised a series of night-time adventures. A total of eight night tours, one overnight stay and two behind-the-scenes tours were conducted. These programmes integrated a multitude of experiential and exploratory elements, including guided walks, behind-the-scene visits, interactive games and multi-media presentations. Together, these elements created an engaging and educational visitor experience. In 2018, more than 300 visitors have enjoyed this unique experience.

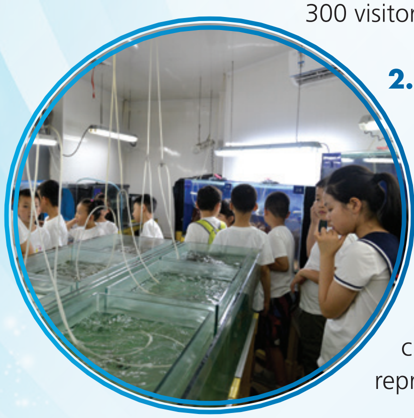


Figure 6 SOA conducting a behind-the-scene tour

2. SOA: Little Aquarium Curator

Through the online Wechat platform, SOA has recruited a group of children to participate in the "Little Aquairum Curator" program. Through behind-the-scene tours, this program introduced participants to the daily routine and responsbilibilites of an aquarium curator. In the process, they learned about fish reproduction, health and LSS. They were also offered hands-on activities for children to conduct water quality tests and observe brine shrimp under microscopes. This program created an engaging learning experience and inspired curiority among its participants.

Figure 7 Participants of the "Little Aquarium Curator" programme testing water quality

3. UWX: Family Science Day

In May 2018, UWX collaborated with Xiamen University Natural History Museum to jointly organise a Family Science Day. A total of 20 families from Xiamen Changle Community participated in the event. Participants first visited Xiamen University Natural History Museum, during which they were introduced to a variety of terrestrial, aerial and aquatic specimen and their respective ecological roles. Subsequently, those families were invited to UWX for a guided tour. The tour concluded with an interactive pop quiz on marine science. This program was well received by those families who provided positive feedback following their participation.

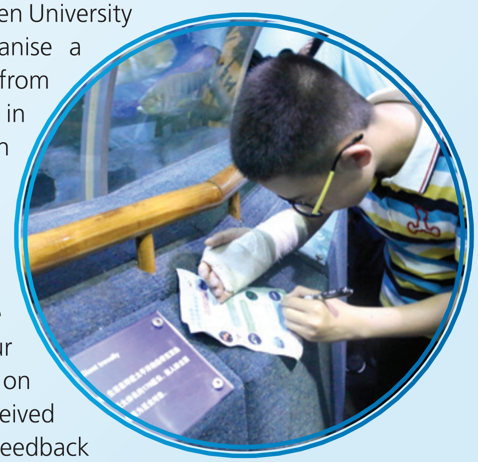


Figure 8 A participant of "Family Science Day" filling in pop quiz

4. UWX: School outreach program – The Wonders of Coral Reefs

In October 2018, our science and educational team from UWX conducted a guest lecture on "The Wonders of Coral Reefs" in Bingbei Primary School. Aided by an engaging set of presentation materials and coral skeleton specimens, UWX introduced the basic science and ecological importance of coral reefs. The program also highlighted threat of ocean acidification on the health of coral reefs and called for actions against global climate change.

Furthermore, Straco also engages in various research programs. Researches on animal physiology and reproduction contribute to the body of scientific knowledge and helped to advance biodiversity conservation. In 2018, "A case study of open abdominal wound treatment for honeycomb moray", authored by SOA's Director of SOA Aquatic Department, Ye Zhi, was awarded "Outstanding Research Paper" in the Annual Academic Conference of China Aquarium Association ("CAA").

Figure 9 UWX launching Conservation Month for Aquatic Wildlife

Figure 10 SOA releasing turtles back to the sea under the facilitation of Bureau of Fisheries

With a wealth of expertise in wildlife biology and veterinary science, Straco's aquariums collaborates with local wildlife departments and contributes to wildlife rescue missions. In October 2018, the nation-wide "Conservation Month for Aquatic Wildlife" was launched to raise awareness on aquatic biodiversity and the treatment of aquatic pollution. Both UWX and SOA actively participated in the initiative. Between 2017 and 2018, UWX has housed 18 rescued turtles and assisted in their rehabilitation. With their health restored, UWX released those turtles back to the seas during the conservation month. UWX also took this opportunity to advocate the reduced use of plastic bags, educating the public on the potential threats of marine debris on wildlife. UWX supported the municipal commitment to spread the message across "Four Zones" (including School Zone, Community Zone, Scenic Areas Zone and Fishery Zone). Similarly, under the facilitation of Bureau of Fisheries, SOA also released four turtles back to the wild. These turtles were carefully evaluated based on their health conditions and survival skills, and were deemed suitable for release. Educational booth were also set up at the entrance to SOA to raise awareness on marine conservation among visitors.

Social Charity

Straco is committed to serving the local community through charitable activities. Below are the highlights in 2018.

1. SOA: Complimentary visits offered to the local community

In 2018, SOA supported "Visitor One Pass" initiative organised by The Association of Shanghai Scientific Education Bases. "Visitor One Pass" is a universal attraction pass given to underprivileged community, in its effort to increase social inclusiveness and promote scientific education. During the year, SOA provided 15,000 visits free of charge for these pass holders.

2. UWX: Educational tour for "de facto orphans"

UWX hosted free educational tour for underprivileged children from the Nanping County. These children are considered "de facto orphans", having a living parent or parent(s) but are unable or unwilling to raise them. The group has been increasingly marginalised as they are not eligible for government subsidies or formal adoption because their parents are alive, while in reality, they are largely neglected. Companionate to their social stigma, local volunteer association organised a special summer field trip "Dream about the Sea" for these children. They were brought from their mountainous hometown to the coastal city Xiamen to have their first "sea experience". The tour in UWX fulfilled their curiosities about the underwater world and inspired awes from the participating children. Moreover, UWX also aimed to raise social awareness on the plight of these children and call for assistance from the wider civic society.

Figure 11 Children from the "Dream about the Sea" programme visiting UWX

3. SF: Concession tickets for elderlies

In April 2018, the Flyer Management extended a concessionary rate to over 1,000 elderlies and volunteers from Project C.A.R.E. This project was jointly set up by the Singapore Federation of Chinese Clan Associations and Singapore Chinese Chamber of Commerce and Industry to help elderlies from the lower income group. This initiative aimed to provide the elderlies an enjoyable enrichment activity and encourage the appreciation of their contribution towards nation-building.

Figure 12 Senior citizens from Project C.A.R.E. enjoying a complimentary ride on Singapore Flyer

4. SF: Complimentary rides for children

In December 2018, Singapore Flyer sponsored "The More We Get Together", a volunteer-led project to help underprivileged children. By sponsoring flight tickets and event space, more than 40 families from the Children's Wishing Well and Yayasan Mendaki enjoyed the skyline of Singapore on Straco's giant observation wheel, after reading about Singapore Flyer from the "Timmy and Tammy" series. This initiative aimed to foster stronger family bonds within the participating families, offer a unique and enriching experience for the children, as well as to cultivate a love for reading from a young age.

In 2018, Straco continued its commitment to support conservation and contribute back to society. During the year, UWX organised 12 educational programs with 2,267 participants, exceeding its target of reaching out to 1,700 individuals. Similarly, SOA also organised 16 programs during the year, exceeding its target of 10 programs. SF has achieved 286 volunteer hours for charitable causes, only marginally short of its 300 hours target.

Going forward, Straco will remain committed to the cause of conservation and social responsibility. In 2019, UWX will continue collaborations with partner institutions to create unique educational experiences for the local community, while SOA targets to organise 10 to 15 educational programs. As for SF, it aims to host at least 2 CSR events for charitable causes in 2019.

Figure 13 Group photo of participants and volunteers of the "The More We Get Together" programme

Regulatory Compliance

Committed to sustainable development, Straco exercises strong corporate governance to manage the company's ESG performance. We continue to strengthen our internal control and risk management, to adhere to relevant laws and regulations and uphold a high level of business ethics.

At Straco, we actively identify and manage our regulatory risks. We adhere to relevant environmental and socioeconomic laws concerning a range of issues like effluent discharge, labour practices, marketing and labelling, health and safety, animal sourcing, as well as animal wellbeing and prevention of zoonotic diseases. Relevant topics are covered in our employee induction programme and formalised as part of our employee conduct. As part of the assurance and monitoring process, Straco have established whistle-blowing channels for employees to report any impropriety in good faith.

Straco acknowledges the changing regulatory landscape. The management team monitors changes to the applicable laws and regulations and relevant matters are discussed during management meetings. We update our internal risk management policies and employee communications accordingly to keep abreast of regulatory changes. For example, as circumstances evolve and more population studies are carried out, the conservation status of animals in CITES are subjected to continued updates. In response, Straco's aquariums closely follow the latest updates of CITES requirements and conduct thorough supplier due diligence before acquiring animals. We also make sure all voluntary and mandatory licenses are updated as necessary.

In 2018, there was no incidence of non-compliance with environmental and socio-economic laws and regulations which resulted in significant fines or sanctions. Thus, Straco has achieved its target set for the year. In the coming year, Straco intends to achieve the same target.

Awards and Recognitions

In 2018, Straco has received a number of awards in recognition of its achievement in sustainability. Below are some examples:

SHANGHAI OCEAN AQUARIUM

- National Science Education Base
- National Marine Science Education Base
- Shanghai Science Education Base
- Shanghai Pudong Environmental Education Base
- Shanghai Pudong Patriotic Education Base
- Outstanding Team by Association of Shanghai Scientific Education Bases
- Outstanding Team in 2018 Pudong Science Festival
- Outstanding Educational Base in Shanghai Pudong Region
- Outstanding Employer for Youth Part-timers during Summer Holiday
- 3rd place in the Assessment of Shanghai Pudong Scientific Education Bases, awarded 30,000 RMB cash prize

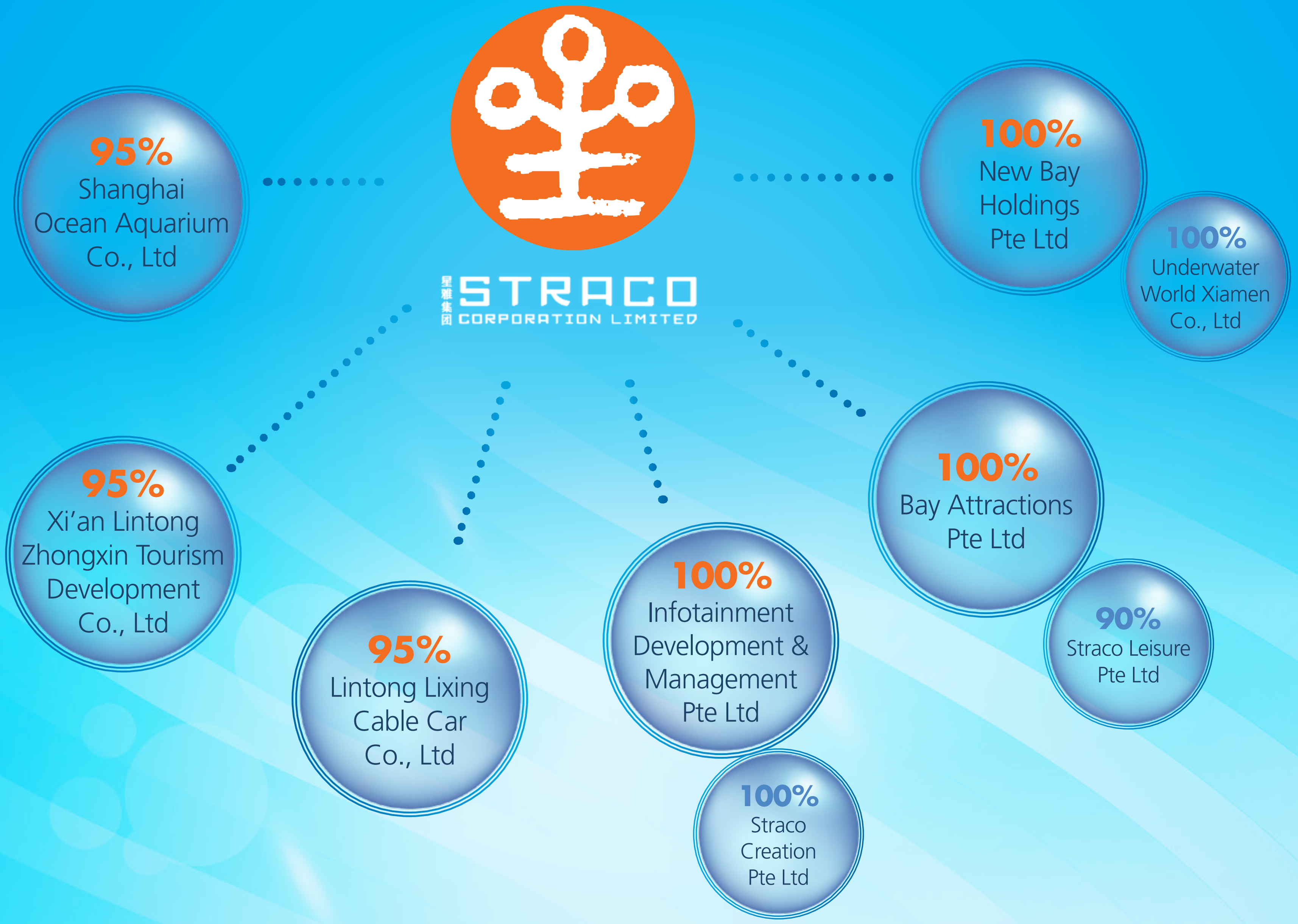
UNDERWATER WORLD XIAMEN

- Xiamen Ocean Awareness Education Base
- Honorary Certificate for Charitable Contributions
- Honorary Sponsor for Educational Causes

SINGAPORE FLYER

- Certificate of Environmental Excellence (Year 2017) by Chiang Kiong Maintenance Pte Ltd
- OHSAS 18001 Health and Safety Management System
- BizSafe Star Certification by Workplace Safety and Health Council

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 2018, 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	-
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 Shareholders' Meetings;
- Approval of Corporate Strategies;
- Material Acquisitions and Disposal of assets;

Corporate Governance

- 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, divestments, 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 six non-executive Directors. Of the six non-executive Directors, four are independent Directors, making up more than 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 and the Listing Rule 210 (5)(d)(i) and (ii). The Independent Directors have confirmed that they do not have any relationship with the Company, its related companies, its officers or its 5% 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 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.

Corporate Governance

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 seven 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 14.3% 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.

Corporate Governance

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 57 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 Wu Hsioh Kwang, Dr Choong Chow Siong, and Mr Hee Theng Fong will be retiring at the forthcoming AGM, pursuant to the requirements of Article 95 of the Company's Constitution. Article 95 provides that at least one-third of the Directors shall retire from office at every annual general meeting.

Dr Choong Chow Siong has advised the Board that he will not be seeking re-election as a Director of the Company.

Mr Wu Hsioh Kwang and Mr Hee Theng Fong will be seeking re-election as Directors, pursuant to Article 95 of the Company's Constitution, at the forthcoming AGM.

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.

Corporate Governance

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.

Corporate Governance

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.

Corporate Governance

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 2018, 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 2018, 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	63%	37%	-	1,559
Li Weiqiang	-	50%	50%	56
Chua Soh Har	-	42%	58%	66
Tay Siew Choon	-	28%	72%	100
Lim Song Joo	-	33%	67%	86
Choong Chow Siong	-	35%	65%	81
Hee Theng Fong	-	35%	65%	81
Wu Xiuyi	60%	40%	-	305
Wu Xiuzhuan	59%	41%	-	268

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 2019.

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 2018 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 2018.

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 2018, 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 2018 amounted to $1.80 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 2018.

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 128 to 138 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.

Corporate Governance

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 2018 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 65 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 to provide tax compliance and advisory services at an aggregate fee of $11,200. 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 2018 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 2018 (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	125	N.A. – the Company does not have a shareholders' mandate for interested person transactions
Shanghai Surpass Corp. Ltd	273	
Eversheds Harry Elias LLP	112	

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 2018 or if not then subsisting, entered into since the end of the previous financial year ended 31 December 2017.

Financial Review

Directors' Statement

For the financial year ended 31 December 2018

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2018 and the statement of financial position of the Company as at 31 December 2018.

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 69 to 144 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 2018 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
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' Statement
For the financial year ended 31 December 2018

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 31.12.2018	At 1.1.2018 or date of appointment, if later	**At 31.12.2018**	At 1.1.2018 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	**1,820,000**	1,490,000	**-**	-
Choong Chow Siong	**1,820,000**	1,490,000	**-**	-
Lim Song Joo	**1,224,000**	1,224,000	**-**	-
Wu Xiuyi (Alternate Director to Wu Hsioh Kwang)	**34,605,000**	34,005,000	**-**	-
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 31.12.2018	At 1.1.2018 or date of appointment, if later
Name of Directors		
Wu Hsioh Kwang (also the controlling shareholder of the Company)	**3,800,000**	3,200,000
Li Weiqiang	**988,000**	758,000
Chua Soh Har	**1,318,000**	1,088,000
Tay Siew Choon	**1,318,000**	1,418,000
Lim Song Joo	**724,000**	494,000
Choong Chow Siong	**1,318,000**	1,418,000
Hee Theng Fong	**460,000**	230,000
	9,926,000	8,606,000
Alternate Directors and associates of controlling shareholder		
Wu Xiuyi	**2,204,000**	2,374,000
Wu Xiuzhuan	**1,750,000**	1,320,000
	3,954,000	3,694,000

(c) The directors' interests in the ordinary shares and convertible securities of the Company as at 21 January 2019 were the same as those as at 31 December 2018.

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 2017 and 31 December 2018 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 2018, a total of 29,150,000 (2017: 27,310,000) were allotted pursuant to options which had been exercised and a total of 1,920,000 (2017: 1,920,000) had lapsed/expired under the 2004 Scheme. Options to subscribe for a total of 1,050,000 (2017: 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 2018, a total of 2,814,000 (2017: 2,814,000) were allotted pursuant to options which had been exercised and a total of 1,344,000 (2017: 850,000) had lapsed/expired under the 2014 Scheme. Options to subscribe for a total of 24,928,000 (2017: 20,102,000) which have not yet been exercised remained outstanding.

Directors' Statement
For the financial year ended 31 December 2018

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 31.12.2018	Aggregate granted since commencement of scheme to 31.12.2018	Aggregate exercised/forfeited since commencement of scheme to 31.12.2018	Aggregate outstanding as at 31.12.2018
Wu Hsioh Kwang (also the controlling shareholder of the Company)	600,000	7,700,000	(3,900,000)	3,800,000
Li Weiqiang	230,000	1,318,000	(330,000)	988,000
Chua Soh Har	230,000	1,948,000	(630,000)	1,318,000
Tay Siew Choon	230,000	2,938,000	(1,620,000)	1,318,000
Lim Song Joo	230,000	1,948,000	(1,224,000)	724,000
Choong Chow Siong	230,000	2,938,000	(1,620,000)	1,318,000
Hee Theng Fong	230,000	460,000	-	460,000
	1,980,000	19,250,000	(9,324,000)	9,926,000
Alternate Directors and Associates of controlling shareholder				
Wu Xiuyi	430,000	3,944,000	(1,740,000)	2,204,000
Wu Xiuzhuan	430,000	2,050,000	(300,000)	1,750,000
	860,000	5,994,000	(2,040,000)	3,954,000

The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the Scheme, shall not exceed 15% of the issued shares of the Company on the day preceding that date.

No participant under the Schemes has received 5% or more of the total number of shares under option available under the Schemes, during the financial year under review.

Share options (continued)

(a) Straco Share Option Scheme (continued)

During the financial year, 1,840,000 treasury shares of the Company were re-issued upon exercise of the options by:

Options holders of	No. of ordinary shares 2018	Exercise price $
2004 Scheme		
08/05/2012	380,000	0.196
06/05/2013	1,460,000	0.311
	1,840,000	

(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 31.12.2018	Exercise price	Exercise period
2004 Scheme			
08/05/2012	300,000	0.196	09/05/2013 to 08/05/2022
06/05/2013	750,000	0.311	07/05/2014 to 06/05/2023
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	2,440,000	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
21/05/2018	2,840,000	0.780	22/05/2019 to 21/05/2023
21/05/2018	2,250,000	0.780	22/05/2019 to 21/05/2028
	25,978,000		

Directors' Statement
For the financial year ended 31 December 2018

Audit and Risk Committee

The members of the Audit and 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 and Risk Committee were independent non-executive directors.

The Audit and 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;
- the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2018 before their submission to the Board of Directors; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit and 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.

Directors' Statement
For the financial year ended 31 December 2018

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

15 March 2019

Independent Auditor's 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 Singapore Financial Reporting Standards (International) ("SFRS(I)s") 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 2018 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 financial year ended 31 December 2018;
- the consolidated statement of financial position of the Group as at 31 December 2018;
- the statement of financial position of the Company as at 31 December 2018;
- the consolidated statement of changes in equity of the Group for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial 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.

Independent Auditor's Report

To the members of Straco Corporation Limited

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 judgements; 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 2018. 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 2018, the carrying value of property, plant and equipment and investment property amounted to $113.5 million and $45.8 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.

Independent Auditor's Report

To the members of Straco Corporation Limited

Other Information

Management is responsible for the other information. The other information comprises all the sections of the annual report but does not include the financial statements and our auditor's report thereon. We obtained the other information (excluding Shareholding Statistics) prior to the date of this auditor's report. The Shareholding Statistics of the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do 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, 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 SFRS(I)s, 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 Auditor's 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, 15 March 2019

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2018

	Note	**2018**	2017
		$	$
Revenue	4	**117,879,947**	128,443,129
Other income	5	**6,929,247**	6,561,827
Expenses			
Depreciation and amortisation	6	**(9,636,092)**	(12,940,641)
Changes in inventories and purchases of goods		**(2,965,308)**	(3,447,412)
Consultancy		**(924,027)**	(810,936)
Sales and marketing		**(2,239,395)**	(1,595,786)
Exchange losses - net		**(1,077,959)**	(349,166)
Operating lease		**(7,156,987)**	(7,290,912)
Property and other taxes		**(1,782,815)**	(2,031,589)
Repair and maintenance		**(4,552,755)**	(4,614,323)
Employee compensation	7	**(23,187,272)**	(23,037,583)
Utilities		**(2,683,857)**	(2,759,263)
Loss on disposal of property, plant and equipment		**(921,639)**	(37,000)
Impairment loss on property, plant and equipment		**-**	(260,581)
Other operating expenses		**(1,854,974)**	(2,090,008)
Other administrative expenses		**(2,128,604)**	(2,035,815)
Finance cost		**(1,225,335)**	(1,245,106)
Profit before income tax		**62,472,175**	70,458,835
Income tax expense	8	**(18,335,033)**	(19,843,702)
Total profit		**44,137,142**	50,615,133
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
- losses		**(3,877,043)**	(2,630,893)
Other comprehensive loss, net of tax		**(3,877,043)**	(2,630,893)
Total comprehensive income		**40,260,099**	47,984,240

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

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2018

	Note	2018 $	2017 $
Profit attributable to:			
Equity holders of the Company		**41,835,152**	47,739,082
Non-controlling interests		**2,301,990**	2,876,051
		44,137,142	50,615,133
Total comprehensive income attributable to:			
Equity holders of the Company		**38,102,471**	45,204,798
Non-controlling interests		**2,157,628**	2,779,442
		40,260,099	47,984,240
Earnings per share for profit attributable to equity holders of the Company (cents per share)			
Basic earnings per share	9	**4.86**	5.55
Diluted earnings per share	9	**4.85**	5.53

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

Statement of Financial Position - Group

As at 31 December 2018

	Note	31 December 2018 $	31 December 2017 $	1 January 2017 $
ASSETS				
Current assets				
Cash and cash equivalents	10	**202,695,371**	191,413,952	164,234,211
Trade and other receivables	11	**6,811,942**	6,047,281	4,807,032
Inventories	12	**2,195,486**	2,096,068	2,112,952
		211,702,799	199,557,301	171,154,195
Non-current assets				
Investment property	14	**45,761,625**	46,925,760	48,369,630
Property, plant and equipment	15	**113,539,982**	118,229,524	127,443,494
Intangible assets and goodwill	16	**1,977,978**	2,587,760	3,197,542
		161,279,585	167,743,044	179,010,666
Total assets		**372,982,384**	367,300,345	350,164,861
LIABILITIES				
Current liabilities				
Trade and other payables	17	**10,729,135**	11,204,634	10,574,930
Current income tax liabilities	8(b)	**2,224,988**	2,453,498	2,076,758
Borrowings	18	**12,000,000**	12,000,000	12,000,000
		24,954,123	25,658,132	24,651,688
Non-current liabilities				
Borrowings	18	**25,900,000**	37,900,000	49,900,000
Deferred income		**187,863**	184,486	258,789
Deferred income tax liabilities	19	**21,455,843**	20,942,340	18,654,346
Provision for reinstatement cost	20	**5,183,929**	4,223,472	4,100,060
		52,727,635	63,250,298	72,913,195
Total liabilities		**77,681,758**	88,908,430	97,564,883
NET ASSETS		**295,300,626**	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	76,985,514
Other reserves	22	**13,827,352**	17,457,491	18,855,470
Retained profits		**192,630,954**	172,459,776	146,297,444
		283,443,820	266,902,781	242,138,428
Non-controlling interests		**11,856,806**	11,489,134	10,461,550
Total equity		**295,300,626**	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 2018

	Note	31 December 2018 $	31 December 2017 $	1 January 2017 $
ASSETS				
Current assets				
Cash and cash equivalents	10	**46,074,523**	24,339,816	16,349,546
Trade and other receivables	11	**555,411**	610,906	506,743
		46,629,934	24,950,722	16,856,289
Non-current assets				
Investments in subsidiaries	13	**76,070,954**	76,070,954	76,070,954
Property, plant and equipment	15	**2,024,509**	2,086,272	2,146,193
Loans and advances to subsidiaries		**26,750,000**	27,059,255	27,059,255
		104,845,463	105,216,481	105,276,402
Total assets		**151,475,397**	130,167,203	122,132,691
LIABILITIES				
Current liabilities				
Trade and other payables	17	**1,465,110**	1,541,852	1,377,117
Current income tax liabilities	8(b)	**84,606**	77,478	-
Total liabilities		**1,549,716**	1,619,330	1,377,117
NET ASSETS		**149,925,681**	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	76,985,514
Other reserves	22	**2,902,036**	2,908,033	1,839,526
Retained profits		**70,038,131**	48,654,326	41,930,534
Total equity		**149,925,681**	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 2018

		← 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
		$	$	$	$	$	$	$	$	$	$
At 1 January 2018		**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**
Profit for the year		-	-	-	-	-	-	41,835,152	41,835,152	2,301,990	44,137,142
Other comprehensive loss for the year		-	-	-	-	(3,732,681)	-	-	(3,732,681)	(144,362)	(3,877,043)
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**(3,732,681)**	**-**	**41,835,152**	**38,102,471**	**2,157,628**	**40,260,099**
Dividend to non-controlling shareholders of subsidiaries		-	-	-	-	-	-	-	-	(1,789,956)	(1,789,956)
Dividend relating to 2017 paid	23	-	-	-	-	-	-	(21,555,435)	(21,555,435)	-	(21,555,435)
Treasury shares purchased	21(a)	-	(1,274,990)	-	-	-	-	-	(1,274,990)	-	(1,274,990)
Share options exercised	21(a)	-	923,108	-	-	-	(394,568)	-	528,540	-	528,540
Share-based payment transactions	7	-	-	740,453	-	-	-	-	740,453	-	740,453
Transfer to general reserve fund		-	-	-	108,539	-	-	(108,539)	-	-	-
Total transactions with owners, recognised directly in equity		**-**	**(351,882)**	**740,453**	**108,539**	**-**	**(394,568)**	**(21,663,974)**	**(21,561,432)**	**(1,789,956)**	**(23,351,388)**
At 31 December 2018		**76,985,514**	**(4,547,241)**	**8,825,879**	**16,412,024**	**(5,486,708)**	**(1,376,602)**	**192,630,954**	**283,443,820**	**11,856,806**	**295,300,626**

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

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2018

	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							→		
		$	$	$	$	$	$	$	$	$	$
At 1 January 2017		**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 loss 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 subsidiaries		-	-	-	-	-	-	-	-	(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)**
At 31 December 2017		**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 Cash Flows

For the financial year ended 31 December 2018

	Note	**2018**	2017
		$	$
Cash flows from operating activities			
Total profit		**44,137,142**	50,615,133
Adjustments for:			
- Income tax expense		**18,335,033**	19,843,702
- Depreciation of property, plant and equipment		**7,573,560**	10,886,989
- Depreciation of investment property		**1,452,750**	1,443,870
- Amortisation of intangible assets		**609,782**	609,782
- Equity-settled shared-based payment transactions		**740,453**	1,003,969
- Amortisation of government grants		**(59,278)**	(70,034)
- Loss on disposal of property, plant and equipment		**921,639**	37,000
- Impairment loss on property, plant and equipment		**-**	260,581
- Interest income		**(4,699,941)**	(4,296,876)
- Interest expenses		**1,225,335**	1,245,106
- Unrealised currency translation losses		**1,156,857**	336,342
		71,393,332	81,915,564
Change in working capital			
- Inventories		**(136,002)**	(1,132)
- Trade and other receivables		**(1,575,381)**	596,028
- Trade and other payables		**(258,658)**	717,377
Cash generated from operations		**69,423,291**	83,227,837
Income tax paid		**(17,988,946)**	(17,148,567)
Net cash provided by operating activities		**51,434,345**	66,079,270
Cash flows from investing activities			
Additions to property, plant and equipment		**(4,230,985)**	(2,585,566)
Disposal of property, plant and equipment		**1,586**	2,391
Interest received		**5,359,370**	2,415,873
Net cash provided by/ (used in) investing activities		**1,129,971**	(167,302)

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2018

	Note	2018 $	2017 $
Cash flows from financing activities			
Proceeds from exercise of share options		**528,540**	860,960
Repurchase of own shares		**(1,274,990)**	(796,423)
Repayment of borrowings		**(12,000,000)**	(12,000,000)
Interest paid		**(1,086,512)**	(1,120,640)
Dividends paid to equity holders of the Company		**(21,555,435)**	(21,508,951)
Dividends paid to non-controlling interests		**(1,789,956)**	(1,751,858)
Net cash used in financing activities		**(37,178,353)**	(36,316,912)
Net increase in cash and cash equivalents		**15,385,963**	29,595,056
Cash and cash equivalents			
Beginning of financial year	10	**190,413,952**	163,234,211
Effects of currency translation on cash and cash equivalents		**(4,104,544)**	(2,415,315)
End of financial year	10	**201,695,371**	190,413,952

Reconciliation of liabilities arising from financing activities

	1 January 2018 $	Principal payments $	31 December 2018 $
Bank borrowings	47,000,000	(12,000,000)	35,000,000

	1 January 2017 $	Principal payments $	31 December 2017 $
Bank borrowings	59,000,000	(12,000,000)	47,000,000

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

Notes to the Financial Statements

For the financial year ended 31 December 2018

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 (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) 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.

2.2 Adoption of SFRS(I)

As required by the listing requirements of Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the year ended 31 December 2018 are the first set of financial statements the Group prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards ("SFRS").

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of SFRS(I)*.

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

Notes to the Financial Statements

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.2 Adoption of SFRS(I) (continued)

The Group's opening balance sheet has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I) ("date of transition").

(a) Optional exemptions applied

SFRS(I) 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group has applied the following exemptions in preparing this first set of financial statements in accordance with SFRS(I):

(i) Business combinations

SFRS(I) 3 *Business Combinations* has not been applied to business combinations that occurred before the date of transition on 1 January 2017. The same classification as in its previous SFRS financial statements has been adopted.

The Group has not applied SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I) on 1 January 2017. Such fair value adjustments and goodwill continue to be accounted for using the same basis as under SFRS 21.

(ii) Leases

The Group has not reassessed the determination of whether an arrangement contained a lease in accordance with SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease.*

(iii) Short-term exemption on adoption of SFRS(I) 9 *Financial Instruments*

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments*: Disclosure to the extent that the disclosures required by SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within scope of SFRS(I) 9.

(b) Reconciliation of the Group's equity reported in accordance with SFRS to SFRS(I)

There were no material adjustments to the Group's equity arising from the transition from SFRS to SFRS(I) and adoption of SFRS(I) 15.

(c) Reconciliation of the Group's total comprehensive income reported in accordance with SFRS to SFRS(I)

There were no material adjustments to the Group's total comprehensive income arising from the transition from SFRS to SFRS(I) and adoption of SFRS(I) 15.

(d) There were no material adjustments to the Group's statement of cash flows arising from the transition from SFRS to SFRS(I).

2. Significant accounting policies (continued)

2.3 Revenue

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, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

(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 revenue

Sales of pre-sold tickets and annual passes are contract liabilities that are recognised and presented in trade and other payables (Note 17). 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.

2.4 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 on the statement of financial position and recognised in profit or loss on a systematic and rational basis over the useful lives of the assets.

2. Significant accounting policies (continued)

2.5 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 unless the transaction provides evidence of an impairment indicator of the transferred asset. 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.

2. Significant accounting policies (continued)

2.5 Group accounting (continued)

(a) Subsidiaries (continued)

(ii) Acquisitions (continued)

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 on acquisitions" (Note 2.7(a)) for the subsequent accounting policy on goodwill.

(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 2.10) 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.

2.6 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. The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset for purposes other than to produce inventories.

2. Significant accounting policies (continued)

2.6 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	5 to 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.

No depreciation is provided on construction in progress.

(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)

2.7 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.

(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

2.8 Finance income and finance costs

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

Finance costs comprise interest expenses on loans and borrowings and reinstatement costs.

2.9 Investment property

Investment property comprises 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.

2. Significant accounting policies (continued)

2.9 Investment property (continued)

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.

2.10 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.

2.11 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.

(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.

2. Significant accounting policies (continued)

2.11 Impairment of non-financial assets (continued)

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

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 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.

2.12 Financial assets

The accounting for financial assets before 1 January 2018 are as follows:

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)

2.12 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 Financial assets (continued)

The accounting for financial assets from 1 January 2018 are as follows:

(f) Classification and measurement

The Group classifies its financial assets in the following measurement category:

- Amortised cost

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

At subsequent measurement

(i) Debt instruments

Debt instruments mainly comprise of cash and cash equivalents and trade and other receivables.

The subsequent measurement category is depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

2. Significant accounting policies (continued)

2.12 Financial assets (continued)

(g) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 25 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(h) 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 debt instrument, 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.

2.13 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.

2.14 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-Group transactions are eliminated on consolidation.

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

(a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

(b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

Prior to 1 January 2018, financial guarantees were subsequently measured at the higher of (a) and the expected amounts payable to the banks in the event it is probable that the Company will reimburse the banks.

2. Significant accounting policies (continued)

2.15 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.

2.16 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.

2.17 Leases

(a) *When the Group is the lessee*

The Group leases land and office 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 lease term.

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. Significant accounting policies (continued)

2.18 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.

2.19 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 unutilised capital allowances, tax losses and donations 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)

2.20 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 and investment property 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 cost.

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

2.21 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.

2. Significant accounting policies (continued)

2.21 Employee compensation (continued)

(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.

2.22 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 statement of comprehensive income within "exchange losses - net".

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.

2. Significant accounting policies (continued)

2.22 Currency translation (continued)

(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 with loss of control of the foreign operation.

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.

2.23 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. Significant accounting policies (continued)

2.24 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.

2.25 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.

2.26 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 2018 $	Group 2017 $
Revenue from contracts with customers		
Ticketing	**107,376,394**	116,547,500
Retail	**5,168,344**	5,676,800
Food and beverages	**3,428,153**	3,809,494
Others	**760,735**	813,357
	116,733,626	126,847,151
Other revenue		
Rental from leases under investment property (Note 14)	**1,146,321**	1,595,978
	117,879,947	128,443,129

All the revenue from contracts with customers are recognised at a point in time.

5. Other income

	Group 2018 $	Group 2017 $
Interest income	**4,699,941**	4,296,876
Government grants	**172,723**	179,028
Rental income from sales counters	**1,505,516**	1,524,120
Miscellaneous	**551,067**	561,803
	6,929,247	6,561,827

6. Depreciation and amortisation

	Group	
	2018	2017
	$	$
Amortisation of intangible assets (Note 16)	**609,782**	609,782
Depreciation of property, plant and equipment (Note 15)	**7,573,560**	10,886,989
Depreciation of investment property (Note 14)	**1,452,750**	1,443,870
Total depreciation and amortisation	**9,636,092**	12,940,641

7. Employee compensation

	Group	
	2018	2017
	$	$
Wages and salaries	**18,263,536**	17,986,070
Employer's contribution to defined contribution plans	**3,168,894**	3,039,520
Other staff benefits	**1,014,389**	1,008,024
Share option expense (Note 21(b))	**740,453**	1,003,969
	23,187,272	23,037,583

8. Income taxes

(a) Income tax expense

	Group 2018 $	Group 2017 $
Tax expense attributable to profit is made out of:		
- Taxation for current financial year:		
Current income tax		
- Singapore	**206,243**	183,896
- Foreign	**15,164,265**	15,680,310
	15,370,508	15,864,206
Deferred income tax (Note 19)	**694,588**	2,452,538
Withholding tax	**2,445,696**	1,664,265
	18,510,792	19,981,009
- Under/(Over) provision in prior financial years:		
Current income tax	**5,326**	27,237
Deferred income tax (Note 19)	**(181,085)**	(164,544)
	(175,759)	(137,307)
Total tax expense	**18,335,033**	19,843,702

8. Income taxes (continued)

(a) Income tax expense (continued)

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	
	2018	2017
	$	$
Profit before tax	**62,472,175**	70,458,835
Tax calculated at tax rate of 17% (2017: 17%)	**10,620,270**	11,978,002
Effects of:		
- different tax rates in other countries	**4,855,672**	5,022,254
- tax incentives	**(36,823)**	(128,015)
- expenses not deductible for tax purposes	**867,274**	711,001
- income not subject to tax	**(57,704)**	(18,703)
- utilisation of previously unrecognised		
- tax losses	**-**	(28,631)
- capital allowances	**(3,582)**	(4,223)
- over provision of tax in prior financial years	**(175,759)**	(137,307)
- withholding tax	**2,233,124**	2,256,660
- others	**32,561**	192,664
Tax charge	**18,335,033**	19,843,702

8. Income taxes (continued)

(b) Movement in current income tax liabilities

	Group		Company	
	2018	2017	**2018**	2017
	$	$	**$**	$
Beginning of financial year	**2,453,498**	2,076,758	**77,478**	-
Currency translation differences	**(61,093)**	(30,400)	**-**	-
Income tax paid	**(15,552,480)**	(15,484,302)	**(77,478)**	(6,812)
Withholding tax paid	**(2,445,696)**	(1,664,265)	**(1,700,458)**	(1,664,265)
Income tax refunded	**9,229**	-	**9,229**	-
Tax expense	**17,816,204**	17,528,470	**1,785,064**	1,741,743
Under/(over) provision in prior financial years	**5,326**	27,237	**(9,229)**	6,812
End of financial year	**2,224,988**	2,453,498	**84,606**	77,478

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	
	2018	2017
Net profit attributable to equity holders of the Company ($)	**41,835,152**	47,739,082
Weighted average number of ordinary shares outstanding for basic earnings per share	**860,961,336**	859,798,808
Basic earnings per share (cents per share)	**4.86**	5.55

9. Earnings per share (continued)

(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	
	2018	2017
Net profit used to determine diluted earnings per share ($)	**41,835,152**	47,739,082
Weighted average number of ordinary shares outstanding for basic earnings per share	**860,961,336**	859,798,808
Adjustments for		
- Share options	**1,901,200**	3,710,520
	862,862,536	863,509,328
Diluted earnings per share (cents per share)	**4.85**	5.53

10. Cash and cash equivalents

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$	$	$	**$**	$	$
Cash at bank and on hand	**10,709,886**	10,791,641	8,425,447	**489,575**	3,167,651	630,990
Short-term bank deposits	**191,985,485**	180,622,311	155,808,764	**45,584,948**	21,172,165	15,718,556
	202,695,371	191,413,952	164,234,211	**46,074,523**	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		
	31 December		1 January
	2018	2017	2017
	$	$	$
Cash and bank balances (as above)	**202,695,371**	191,413,952	164,234,211
Less: Bank deposits pledged	**(1,000,000)**	(1,000,000)	(1,000,000)
Cash and cash equivalents per consolidated statement of cash flows	**201,695,371**	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 2.52% (31 December 2017: 2.55%; 1 January 2017: 2.58%) and 2.49% (31 December 2017: 3.79%; 1 January 2017: 2.65%), respectively. Interest rates reprice at intervals of between 1 week and 24 months.

11. Trade and other receivables

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$	$	$	**$**	$	$
Interest receivables	**2,947,128**	3,690,004	1,828,522	**40,131**	164,248	-
Trade receivables						
- Non-related parties	**740,592**	589,176	646,647	**-**	-	-
Amounts due from subsidiaries (non-trade)	**-**	-	-	**488,302**	417,273	482,218
	-	-	-	**488,302**	417,273	482,218
Other receivables	**2,136,355**	828,739	1,418,318	**-**	-	-
Less: Allowance for impairment of other receivables	**-**	-	(166,479)	**-**	-	-
	2,136,355	828,739	1,251,839	**-**	-	-
Deposits	**100,475**	164,839	241,421	**1,000**	1,000	1,000
Loans and receivables	**5,924,550**	5,272,758	3,968,429	**529,433**	582,521	483,218
Prepayments	**887,392**	774,523	838,603	**25,978**	28,385	23,525
	6,811,942	6,047,281	4,807,032	**555,411**	610,906	506,743

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

The carrying amount approximates fair value.

12. Inventories

	Group		
	31 December		1 January
	2018	2017	2017
	$	$	$
Consumables	**2,195,486**	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 $2,965,308 (2017: $3,447,412).

13. Investments in subsidiaries

	Company		
	31 December		1 January
	2018	2017	2017
	$	$	$
Equity investments at cost			
Beginning and end of financial year	**76,070,954**	76,070,954	76,070,954

13. Investments in subsidiaries (continued)

The Group had the following subsidiaries as at 31 December 2018 and 2017, and 1 January 2017:

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		
			31 December		1 January	31 December		1 January	31 December		1 January
			2018	2017	2017	**2018**	2017	2017	**2018**	2017	2017
			%	%	%	**%**	%	%	**%**	%	%
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**	100	100	**-**	-	-
Straco Creation Pte Ltd	Dormant	Singapore	**-**	-	-	**100**	100	100	**-**	-	-
New Bay Holdings Pte Ltd	Investment holding	Singapore	**100**	100	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	100	**-**	-	-
Lintong Lixing Cable Car Co Ltd[1]	Operation of cable car facilities	PRC	**95**	95	95	**95**	95	95	**5**	5	5
Shanghai Ocean Aquarium Co Ltd[1]	Development and operation of aquatic-related facilities	PRC	**95**	95	95	**95**	95	95	**5**	5	5
Xi'an Lintong Zhongxin Tourism Development Co Ltd[1]	Development and operation of tourism-related facilities	PRC	**95**	95	95	**95**	95	95	**5**	5	5
Bay Attractions Pte Ltd	Investment holding	Singapore	**100**	100	100	**100**	100	100	**-**	-	-
Straco Leisure Pte Ltd	Operation of a circular giant observation structure and provision of retail space	Singapore	**-**	-	-	**90**	90	90	**10**	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 $132,319,658 (31 December 2017: $139,449,714; 1 January 2017: $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.

	31 December		1 January
	2018	2017	2017
Carrying value of non-controlling interests	**$**	$	$
Shanghai Ocean Aquarium Co Ltd	**5,281,968**	5,348,316	5,239,590
Straco Leisure Pte Ltd	**6,162,081**	5,732,288	4,804,104
Other subsidiaries with immaterial non-controlling interest	**412,757**	408,530	417,856
Total	**11,856,806**	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			**Straco Leisure Pte Ltd**		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$	$	$	**$**	$	$
Current						
Assets	**91,425,991**	89,463,009	83,546,131	**24,665,913**	28,024,829	20,834,613
Liabilities	**(8,830,092)**	(8,961,620)	(8,283,850)	**(15,447,874)**	(15,868,980)	(15,559,963)
Total current net assets	**82,595,899**	80,501,389	75,262,281	**9,218,039**	12,155,849	5,274,650
Non-current						
Assets	**23,231,328**	26,649,414	29,788,311	**125,580,142**	128,657,873	136,438,227
Liabilities	**(187,864)**	(184,487)	(258,793)	**(73,187,196)**	(83,500,665)	(93,681,655)
Total non-current net assets	**23,043,464**	26,464,927	29,529,518	**52,392,946**	45,157,208	42,756,572
Net assets	**105,639,363**	106,966,316	104,791,799	**61,610,985**	57,313,057	48,031,222

13. Investments in subsidiaries (continued)

Summarised statement of comprehensive income

	Shanghai Ocean Aquarium Co Ltd		Straco Leisure Pte Ltd	
	For year ended 31 December		For year ended 31 December	
	2018	2017	**2018**	2017
	$	$	**$**	$
Revenue	**65,566,402**	67,911,869	**31,966,841**	41,241,679
Profit before income tax	**47,587,308**	50,297,964	**5,024,002**	10,977,433
Income tax expense	**(11,895,301)**	(12,578,884)	**(726,075)**	(1,695,598)
Post-tax profit from continuing operations	**35,692,007**	37,719,080	**4,297,927**	9,281,835
Currency losses arising from consolidation	**(2,686,647)**	(1,795,599)	**-**	-
Total comprehensive income	**33,005,360**	35,923,481	**4,297,927**	9,281,835
Total comprehensive income allocated non-controlling interests	**1,650,268**	1,796,174	**429,793**	928,184
Dividends paid to non-controlling interests	**1,716,616**	1,687,448	**-**	-

Summarised statement of cash flows

	Shanghai Ocean Aquarium Co Ltd		Straco Leisure Pte Ltd	
	For year ended 31 December		For year ended 31 December	
	2018	2017	**2018**	2017
	$	$	**$**	$
Cash flows from operating activities				
Cash generated from operations	**47,334,693**	52,221,446	**11,637,221**	21,306,741
Income tax paid	**(12,006,489)**	(12,345,376)	**-**	-
Net cash provided by operating activities	**35,328,204**	39,876,070	**11,637,221**	21,306,741
Net cash provided by/ (used in) investing activities	**1,366,164**	766,631	**(1,885,881)**	(829,425)
Net cash used in financing activities	**(33,890,703)**	(33,942,977)	**(13,086,512)**	(13,120,642)
Net increase/ (decrease) in cash and cash equivalents	**2,803,665**	6,699,724	**(3,335,172)**	7,356,674
Cash and cash equivalents at beginning of year	**84,926,940**	79,426,402	**24,606,929**	17,250,255
Exchange losses on cash and cash equivalents	**(2,515,066)**	(1,199,186)	**-**	-
Cash and cash equivalents at end of year	**85,215,539**	84,926,940	**21,271,757**	24,606,929

Notes to the Financial Statements
For the financial year ended 31 December 2018

14. Investment property

	Group	
	2018	2017
	$	$
Cost		
Beginning of financial year	**51,346,757**	51,346,757
Additions*	**288,615**	-
End of financial year	**51,635,372**	51,346,757
Accumulated depreciation		
Beginning of financial year	**4,420,997**	2,977,127
Depreciation charge (Note 6)	**1,452,750**	1,443,870
End of financial year	**5,873,747**	4,420,997
Net book value	**45,761,625**	46,925,760

*Included in additions in the year ended 31 December 2018 was an amount of $288,615 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	
	2018	2017
	$	$
Rental from leases under investment property (Note 4)	**1,146,321**	1,595,978
Direct operating expenses arising from:		
- Investment property that generates rental income	**908,353**	935,984

14. Investment property (continued)

At the reporting date, the details of the Group's investment property are 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 2018 is approximately $46,000,000 (31 December 2017: $46,500,000; 1 January 2017: $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. As at 31 December 2018 and 2017 and 1 January 2017, the fair values of the properties have been determined by Jones Lang Lasalle. 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.

As at 31 December 2017 and 1 January 2017, 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										
2018										
Cost										
Beginning 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
Currency translation differences	(941,539)	(192,147)	(182,294)	-	(195,503)	(18,952)	(1,204,536)	(209,710)	(101,212)	(3,045,893)
Additions	104,256	10,852	139,633	1,094,718	358,945	-	182,636	150,861	2,737,451	4,779,352
Disposals/ write-off	-	-	-	(277,612)	(297,978)	(992)	(44,410)	-	(633,777)	(1,254,769)
Reclassification	395,918	93,299	250,294	-	1,372,492	-	281,466	8,345	(2,401,814)	-
End of financial year	34,734,020	6,708,035	6,212,132	86,029,368	8,924,634	637,668	54,621,154	8,154,177	4,765,438	210,786,626
Accumulated depreciation										
Beginning 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
Currency translation differences	(498,444)	(177,821)	(152,002)	-	(128,921)	(17,181)	(894,412)	(197,454)	(7,549)	(2,073,784)
Depreciation charge (Note 6)	937,371	132,589	145,002	2,435,338	818,263	17,349	2,929,046	158,602	-	7,573,560
Disposals/ write-off	-	-	-	(31,207)	(267,984)	(892)	(31,461)	-	-	(331,544)
End of financial year	17,892,070	6,224,602	5,144,358	9,734,182	5,570,918	581,450	44,103,483	7,741,510	254,071	97,246,644
Net book value										
End of financial year	**16,841,950**	**483,433**	**1,067,774**	**76,295,186**	**3,353,716**	**56,218**	**10,517,671**	**412,667**	**4,511,367**	**113,539,982**

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 $	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**

(a) Included within additions is $548,367 (31 December 2017: $nil; 1 January 2017: $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 $76,411,329 (31 December 2017: $78,173,090; 1 January 2017: $83,826,246) (Note 18).

15. Property, plant and equipment (continued)

	Leasehold buildings $	Leasehold improvements $	Office equipment, furniture and fittings $	Total $
Company				
2018				
Cost				
Beginning of financial year	2,727,449	220,606	327,558	3,275,613
Additions	-	-	7,190	7,190
End of financial year	2,727,449	220,606	334,748	3,282,803
Accumulated depreciation				
Beginning of financial year	668,225	213,089	308,027	1,189,341
Depreciation charge	54,549	791	13,613	68,953
End of financial year	722,774	213,880	321,640	1,258,294
Net book value				
End of financial year	**2,004,675**	**6,726**	**13,108**	**2,024,509**
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**

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 2.6. 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 $	Total $
<u>Group</u>			
2018			
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	-	2,093,354	2,093,354
Amortisation charge (Note 6)	-	609,782	609,782
End of financial year	-	2,703,136	2,703,136
Net book value			
End of financial year	**1,419,013**	**558,965**	**1,977,978**
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**

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 2018 is determined in a similar manner as in 2017 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 2019 to 2023 (2017: 4% for the years 2018 to 2022); and
- A pre-tax discount rate of 5.60% (2017: 4.60%) 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's assessment of future industry trends and are based on both external and internal sources and both past performance (historical data) and its expectations for market development.

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

17. Trade and other payables

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$	$	$	**$**	$	$
Trade payables to:						
- non-related parties	**2,186,428**	2,440,477	2,383,832	**-**	-	-
Accrued expenses	**2,547,576**	2,547,402	2,275,134	**940,179**	1,004,104	825,006
Amounts due to subsidiaries (non-trade)	**-**	-	-	**507,526**	519,835	527,584
Salary payable	**2,149,272**	2,292,890	1,958,055	-	-	-
Deferred revenue	**830,839**	1,049,636	1,208,936	-	-	-
GST output tax payable	**651,441**	708,355	706,181	-	-	-
Unutilised government subsidies	**-**	61,382	62,345	-	-	-
Rental payable	**1,057,335**	1,024,081	843,205	-	-	-
Utilities payable	**107,537**	110,651	85,344	-	-	-
Other payables	**1,198,707**	969,760	1,051,898	**17,405**	17,913	24,527
Total trade and other payables	**10,729,135**	11,204,634	10,574,930	**1,465,110**	1,541,852	1,377,117

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

The carrying amount approximates fair value.

18. Borrowings

	Group		
	31 December		1 January
	2018	2017	2017
	$	$	$
Current			
Bank borrowings	**12,000,000**	12,000,000	12,000,000
Non-current			
Bank borrowings	**23,000,000**	35,000,000	47,000,000
Loan from shareholder of a subsidiary	**2,900,000**	2,900,000	2,900,000
	25,900,000	37,900,000	49,900,000
Total borrowings	**37,900,000**	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		
	31 December		1 January
	2018	2017	2017
	$	$	$
3 months or less	**35,000,000**	47,000,000	59,000,000

(a) Security granted

Total borrowings include secured liabilities of $35,000,000 (31 December 2017: $47,000,000; 1 January 2017: $59,000,000) for the Group. Bank borrowings of the Group are secured over the property, plant and equipment with carrying amount of $76,411,329 (31 December 2017: $78,173,090; 1 January 2017: $83,826,246) (Note 15), investment property with carrying amounts of $44,262,295 (31 December 2017: $45,667,447; 1 January 2017: $47,072,600) (Note 14), 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 3.11% (31 December 2017: 2.26%; 1 January 2017: 2.03%) 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		
	31 December		1 January
	2018	2017	2017
	$	$	$
Deferred income tax liabilities			
- To be settled within one year	**973,941**	1,509,438	1,499,084
- To be settled after one year	**20,481,902**	19,432,902	17,155,262
	21,455,843	20,942,340	18,654,346

Movement in deferred income tax account is as follows:

	Group	
	2018	2017
	$	$
Beginning of financial year	**20,942,340**	18,654,346
Tax charged to		
- profit or loss (Note 8(a))	**513,503**	2,287,994
End of financial year	**21,455,843**	20,942,340

Deferred income tax assets are recognised for unutilised capital allowances, tax losses and donations carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has the following items for which deferred income tax assets have not been recognised at the reporting date:

19. Deferred income tax liabilities (continued)

	Group		
	31 December		1 January
	2018	2017	2017
	$	$	$
- Unutilised capital allowances	**24,098,580**	26,796,359	18,862,793
- Unutilised tax losses	**1,979,881**	1,979,881	1,979,881
- Unutilised donations	**202,310**	152,310	77,310
	26,280,771	28,928,550	20,919,984

These items 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. These items have no expiry date except for donations, which will expire between 2020 and 2023.

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
	$	**$**	**$**
2018			
Beginning of financial year	15,468,073	5,474,267	20,942,340
Charged to			
- profit or loss	726,075	(212,572)	513,503
End of financial year	16,194,148	5,261,695	21,455,843
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

20. Provision for reinstatement cost

	Group 2018 $	Group 2017 $
Beginning of financial year	**4,223,472**	4,100,060
Provision made during year	**836,982**	-
Finance cost	**123,475**	123,412
End of financial year	**5,183,929**	4,223,472

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				
2018				
Beginning of financial year	868,929,580	(8,432,700)	76,985,514	(4,195,359)
Treasury shares purchased	-	(1,682,600)	-	(1,274,990)
Treasury shares re-issued	-	1,840,000	-	923,108
End of financial year	868,929,580	(8,275,300)	76,985,514	(4,547,241)
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)

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 1,682,600 (2017: 925,100) shares in the Company in the open market during the financial year. The total amount paid to acquire the shares was $1,274,990 (2017: $796,423) and this was presented as a component within shareholders' equity.

The Company re-issued 1,840,000 (2017: 2,414,000) treasury shares during the financial year pursuant to the Straco Share Option Scheme for a total consideration of $528,540 (2017: $860,960) upon the exercise of options by:

	No. of ordinary shares		Exercise price
Options holders of	**2018**	2017	$
2004 Scheme			
05/05/2011	-	350,000	0.176
08/05/2012	**380,000**	840,000	0.196
06/05/2013	**1,460,000**	560,000	0.311
2014 Scheme			
12/05/2014	-	400,000	0.630
12/05/2017	-	264,000	0.790
	1,840,000	2,414,000	

The cost of the treasury shares re-issued amounted to $923,108 (2017: $1,146,880). Accordingly, a loss on re-issue of treasury shares of $394,568 (2017: loss of $285,920) is recognised in the capital reserve (Note 22).

Notes to the Financial Statements
For the financial year ended 31 December 2018

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 executive directors and employees	$0.311	2,890,000	6 May 2023
Options granted on 12 May 2014:			
- to non-executive directors and controlling shareholders (and their associates)	$0.630	4,640,000	12 May 2019
- to executive directors and employees	$0.630	2,980,000	12 May 2024
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
Options granted on 21 May 2018:			
- to non-executive directors and controlling shareholders (and their associates)	$0.78	3,070,000	21 May 2023
- to executive directors and employees	$0.78	2,250,000	21 May 2028
Total share options		41,086,000	

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	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							
2018							
2004 Scheme							
08/05/2012	680,000	-	-	(380,000)	300,000	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	950,000	-	-	(200,000)	750,000	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	2,080,000	-	-	-	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	2,704,000	-	(264,000)	-	2,440,000	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	2,690,000	-	-	-	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
21/05/2018	-	3,070,000	(230,000)	-	2,840,000	0.78	22/05/2019 to 21/05/2023
21/05/2018	-	2,250,000	-	-	2,250,000	0.78	22/05/2019 to 21/05/2028
	22,992,000	5,320,000	(494,000)	(1,840,000)	25,978,000		

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							
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)

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

	Weighted average exercisable price 2018 $	**Number of options 2018 $**	Weighted average exercisable price 2017 $	Number of options 2017 $
Outstanding at 1 January	**0.7621**	**22,992,000**	0.6954	20,466,000
Exercised during the year	**0.2873**	**(1,840,000)**	0.3567	(2,414,000)
Forfeited during the year	**-**	**(494,000)**	-	(230,000)
Granted during the year	**0.7800**	**5,320,000**	0.8400	5,170,000
Outstanding at 31 December	**0.7989**	**25,978,000**	0.7621	22,992,000
Exercisable at 31 December	**0.8035**	**20,888,000**	0.7407	18,052,000

The options outstanding at 31 December 2018 have an exercise price in the range of $0.196 to $1.06 (31 December 2017: $0.196 to $1.06; 1 January 2017: $0.176 to $1.06) and a weighted average remaining contractual life of 3.27 years (31 December 2017: 4.78 years; 1 January 2017: 6.32 years).

The weighted average share price at the date of exercise for share options exercised in 2018 was $0.79 (31 December 2017: $0.81; 1 January 2017: $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	21 May 2018	21 May 2018	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	$0.1186	$0.1732	$0.1287	$0.1876	$0.2728	$0.3471	$0.2281	$0.08	$0.04
Share price	$0.77	$0.77	$0.84	$0.84	$0.785	$1.005	$0.645	$0.310	$0.180
Exercise price	$0.78	$0.78	$0.84	$0.84	$0.79	$1.06	$0.630	$0.311	$0.196
Expected volatility	21.21%	21.21%	21.30%	21.30%	60.61%	62.26%	62.24%	54.72%	49.56%
Expected option life	5 years	10 years	5 years	10 years	5-10 years	5-10 years	5-10 years	5-10 years	5-10 years
Expected dividends	3.25%	3.25%	2.98%	2.98%	3.18%	1.99%	3.10%	4.03%	4.17%
Risk-free interest rate	2.27%	2.67%	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 2018, the Group recognised share option expenses of $740,453 (2017: $1,003,969) in employee compensation (Note 7).

22. Other reserves

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$	$	$	**$**	$	$
Composition:						
Share option reserve	**8,825,879**	8,085,426	7,081,457	**8,825,879**	8,085,426	7,081,457
Capital reserve	**(1,376,602)**	(982,034)	(696,114)	**(1,376,602)**	(982,034)	(696,114)
General reserve	**16,412,024**	16,303,485	16,235,686	**-**	-	-
Currency translation reserve	**(5,486,708)**	(1,754,027)	780,257	**-**	-	-
Treasury shares	**(4,547,241)**	(4,195,359)	(4,545,816)	**(4,547,241)**	(4,195,359)	(4,545,817)
	13,827,352	17,457,491	18,855,470	**2,902,036**	2,908,033	1,839,526

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

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.

22. Other reserves (continued)

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	
	2018	2017
	$	$
Ordinary dividends paid		
Dividend paid in respect of the previous financial year of 2.5 cents (2017: 2.5 cents) per share	**21,555,435**	21,508,951

At the Annual General Meeting on 26 April 2019, a final dividend of 2.5 cents and a special dividend of 1.0 cent 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 2019.

24. Commitments

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

The Group leases land and office premises under operating leases. For leases of office premises, 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 $4,226,000 (31 December 2017: $4,414,000; 1 January 2017: $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.

24. Commitments (continued)

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

Straco Leisure Pte Ltd has 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		
	31 December		1 January
	2018	2017	2017
	$	$	$
Not later than one year	**2,578,154**	2,589,550	2,554,465
Between one and five years	**10,399,545**	10,420,323	10,347,271
Later than five years	**58,251,194**	61,376,639	64,213,869
	71,228,893	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:

	Group		
	31 December		1 January
	2018	2017	2017
	$	$	$
Not later than one year	**226,177**	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, 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 2018			
Financial assets			
Cash and cash equivalents	-	19,600	30,314,476
Receivables from subsidiaries	-	78	2,619,596
	-	19,678	32,934,072
Financial liabilities			
Payables to subsidiaries	(3,062,283)	(136,602)	(5,323,520)
Net financial (liabilities)/ assets	(3,062,283)	(116,924)	27,610,552
Currency exposure	**(3,062,283)**	**(116,924)**	**27,610,552**
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**

25. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	SGD $	USD $	RMB $
At 1 January 2017			
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**

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

	31 December		1 January
	2018 **RMB** **$**	2017 RMB $	2017 RMB $
Financial assets			
Cash and cash equivalents	**30,305,945**	6,138,206	12,702,617
Receivables from subsidiaries	**11,720**	12,068	12,257
	30,317,665	6,150,274	12,714,874
Financial liabilities			
Payables to subsidiaries	**(480,286)**	(494,555)	(502,304)
Net financial assets	**29,837,379**	5,655,719	12,212,570
Currency exposure	**29,837,379**	5,655,719	12,212,570

25. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If the USD and RMB both change against the SGD by 5% (31 December 2017: 5%; 1 January 2017: 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:

	31 December		1 January
	2018	2017	2017
	Profit after tax	Profit after tax	Profit after tax
	$	$	$
Group			
USD against SGD			
- Strengthened	**(4,852)**	(4,751)	(5,130)
- Weakened	**4,852**	4,751	5,130
RMB against SGD			
- Strengthened	**1,145,838**	140,180	412,286
- Weakened	**(1,145,838)**	(140,180)	(412,286)
Company			
RMB against SGD			
- Strengthened	**1,238,251**	234,712	506,822
- Weakened	**(1,238,251)**	(234,712)	(506,822)

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			**Company**		
	Nominal amount			**Nominal amount**		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$	$	$	**$**	$	$
Variable rate instruments						
Borrowings	**(35,000,000)**	(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% (31 December 2017: 1%; 1 January 2017: 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 31 December 2017 and 1 January 2017.

	Profit or loss	
	1% increase	**1% decrease**
	$	**$**
Group		
31 December 2018		
Variable rate instruments	**(290,500)**	**290,500**
31 December 2017		
Variable rate instruments	(390,100)	390,100
1 January 2017		
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 at the reporting date, there is no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the 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		
	31 December		1 January
	2018	2017	2017
	$	$	$
Corporate guarantee provided to bank on subsidiary's loan	**35,000,000**	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**		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$	$	$	**$**	$	$
Past due 31-60 days	**69,234**	134,494	5,821	**111,509**	164,248	-
Past due 61-90 days	**36,354**	39,727	579,107	**-**	-	-
Past due 91-180 days	**1,470,697**	101,179	84,123	**-**	-	31,319
Past due 181-365 days	**-**	29,502	-	**-**	-	-
Past due >365 days	**50,140**	61,849	93,568	**416,924**	417,273	450,899
	1,626,425	366,751	762,619	**528,433**	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**		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$	$	$	**$**	$	$
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 Written back/ utilised	**-**	(163,260)	-	**-**	-	(242,409)
End of financial year	**-**	-	166,479	**-**	-	-

25. Financial risk management (continued)

(b) Credit risk (continued)

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

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.

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.

In measuring the expected credit losses, trade debtors are grouped based on shared credit risk characteristics and days past due.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade debtors are written off when there is no reasonable expectation of recovery. There are no expected credit losses to be recognised as a result of management's assessment for the year ended 31 December 2018 and 2017.

(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.

25. Financial risk management (continued)

(c) Liquidity risk (continued)

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 2018			
Trade and other payables	(10,729,135)	-	-
Borrowings	(12,922,796)	(26,616,481)	-
At 31 December 2017			
Trade and other payables	(11,204,634)	-	-
Borrowings	(12,928,295)	(39,086,416)	-
At 1 January 2017			
Trade and other payables	(10,574,930)	-	-
Borrowings	(13,085,125)	(51,807,429)	-
Company			
At 31 December 2018			
Trade and other payables	(1,465,110)	-	-
Financial guarantee contracts	(35,000,000)	-	-
At 31 December 2017			
Trade and other payables	(1,541,852)	-	-
Financial guarantee contracts	(47,000,000)	-	-
At 1 January 2017			
Trade and other payables	(1,377,117)	-	-
Financial guarantee contracts	(59,000,000)	-	-

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For the financial year ended 31 December 2018

25. Financial risk management (continued)

(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:

	31 December		1 January
	2018	2017	2017
	$	$	$
Net profit before tax	**62,472,175**	70,458,835	68,210,894
Add/(Less):			
- Interest income	**(4,699,941)**	(4,296,876)	(3,598,251)
- Interest expense	**1,225,335**	1,245,106	1,613,633
- Loss on disposal of property, plant and equipment	**921,639**	37,000	10,610
- Exchange losses	**1,077,959**	349,166	35,143
Net operating income	**60,997,167**	67,793,231	66,272,029
Total shareholders' equity	**295,300,626**	278,391,915	252,599,978
Return on capital at 31 December	**20.7%**	24.4%	26.2%

The target of the Board of Directors is for employees of the Group to hold up to 10% of the Company's ordinary shares by 2024. Assuming that all current outstanding share options vest and are exercised, present employees will hold approximately 3.0% (31 December 2017: 2.6%; 1 January 2017: 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 15% and 25% (31 December 2017: 10% and 20%; 1 January 2017: 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.

25. Financial risk management (continued)

(d) Capital risk (continued)

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 2017 and 2018.

(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 SFRS(I), 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 and Risk Committee.

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.

Notes to the Financial Statements
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25. Financial risk management (continued)

(f) Financial instruments by category

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

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	**2018**	2017	2017
	$	$	$	**$**	$	$
Trade and other receivables	**5,924,550**	5,272,758	3,968,429	**529,433**	582,521	483,218
Loans and advances to subsidiaries	**-**	-	-	**26,750,000**	27,059,255	27,059,255
Cash and cash equivalents	**202,695,371**	191,413,952	164,234,211	**46,074,523**	24,339,816	16,349,546
Financial assets at amortised cost	**208,619,921**	196,686,710	168,202,640	**73,353,956**	51,981,592	43,892,019
Borrowings	**(37,900,000)**	(49,900,000)	(61,900,000)	**-**	-	-
Trade and other payables	**(9,898,296)**	(10,093,616)	(9,303,649)	**(1,465,110)**	(1,541,852)	(1,377,117)
Financial liabilities at amortised cost	**(47,798,296)**	(59,993,616)	(71,203,649)	**(1,465,110)**	(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	
	2018	2017
	$	$
Short-term employee benefits	**2,279,775**	1,907,876
Employer's contribution to defined contribution plans, including Central Provident Fund	**72,930**	72,930
Bonus and variable compensation	**1,100,913**	1,105,346
Directors' fees	**323,205**	338,000
Share option expense	**589,043**	780,930
	4,365,866	4,205,082

26. Related party transactions (continued)

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, 3,070,000 share options (2017: 2,920,000) with total fair value of $364,102 (2017: $375,804) 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 in People's Republic of China ("PRC"). 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 in Singapore.

Other operations include the operation of cable-car facility. None of these segments meets any of the quantitative thresholds for determining reportable segments in 2018 or 2017.

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.

27. Segment information (continued)

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**	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	$	$	**$**	$	**$**	$	**$**	$
External revenue	**81,030,610**	82,932,155	**31,966,841**	41,241,679	**4,882,496**	4,269,295	**117,879,947**	128,443,129
Interest income	**3,564,055**	3,211,717	**304,637**	317,252	**62,996**	60,987	**3,931,688**	3,589,956
Interest expense	**-**	-	**(1,225,335)**	(1,245,106)	**(8,453)**	(2,598)	**(1,233,788)**	(1,247,704)
Other material non-cash items								
- Depreciation and amortisation	**(3,434,932)**	(3,800,691)	**(5,888,059)**	(8,871,686)	**(234,053)**	(186,522)	**(9,557,044)**	(12,858,899)
Reportable segment profit before income tax	**57,490,651**	59,882,232	**5,024,002**	10,977,433	**2,577,515**	1,974,710	**65,092,168**	72,834,375
Reportable segment assets	**163,625,318**	173,451,226	**150,246,055**	156,682,702	**11,255,155**	10,310,469	**325,126,528**	340,444,397
Capital expenditure	**968,487**	720,101	**2,223,442**	1,091,632	**1,031,866**	765,439	**4,223,795**	2,577,172
Reportable segment liabilities	**11,596,749**	11,624,926	**88,635,070**	99,369,645	**3,692,685**	2,856,653	**103,924,504**	113,851,224

27. Segment information (continued)

(a) Reconciliations

(i) Segment profits

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

	2018	2017
	$	$
Segment profits for reportable segments	**65,092,168**	72,834,375
Unallocated:		
Head office and corporate expense	**(5,907,761)**	(5,718,975)
Interest and other income	**777,768**	720,837
Elimination on consolidation	**2,510,000**	2,622,598
Profit before tax	**62,472,175**	70,458,835

(ii) Segment assets

Segment assets are reconciled to total assets as follows:

	2018	2017
	$	$
Segment assets for reportable segments	**325,126,528**	340,444,397
Unallocated:		
Property, plant and equipment	**2,025,179**	2,097,036
Loan and advances to subsidiaries	**26,750,000**	27,059,257
Other amounts due from subsidiaries	**9,828,443**	9,275,269
Cash and bank balances	**48,102,664**	26,355,966
Others	**88,787**	218,550
Elimination on consolidation	**(38,939,217)**	(38,150,130)
	372,982,384	367,300,345

27. Segment information (continued)

(a) Reconciliations (continued)

(iii) *Segment liabilities*

Segment liabilities are reconciled to total liabilities as follows:

	2018 $	2017 $
Segment liabilities for reportable segments	**103,924,504**	113,851,224
Unallocated:		
Accruals and other payables	**1,776,988**	1,676,540
Amount due to subsidiaries	**5,451,545**	5,872,633
Deferred tax liabilities	**5,261,695**	5,474,267
Current tax liabilities	**206,243**	183,896
Elimination on consolidation	**(38,939,217)**	(38,150,130)
	77,681,758	88,908,430

(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	
	2018 $	2017 $
Singapore	**31,966,841**	41,241,679
PRC	**85,913,106**	87,201,450
	117,879,947	128,443,129

27. Segment information (continued)

(b) Geographical information (continued)

	Non-current assets	
	2018	2017
	$	$
Singapore	**127,605,321**	130,754,909
PRC	**33,674,264**	36,988,135
	161,279,585	167,743,044

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

28. New or revised accounting standards and interpretations

Below are the mandatory standards and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2019 and which the Group has not early adopted:

(a) SFRS(I) 16 *Leases* (effective for annual periods beginning on or after 1 January 2019)

SFRS(I) 16 will result in almost all leases being recognised on the balance sheet, 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.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for leases will be measured on transition as if the new rules had always been applied, at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

As at 31 December 2018, the Group has non-cancellable operating lease commitments of $71,228,893 (Note 24(a)). Of these commitments, approximately $4,180 relates to low-value leases which will be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately $33,655,000 on 1 January 2019 and lease liabilities of $33,940,000 (after adjustments for prepayments and accrued lease payments recognised). Net current assets will be $1,538,000 lower due to the presentation of a portion of the liability as a current liability.

The Group expects that net profit before tax will decrease by approximately $384,000 for 2019 as a result of adopting the new rules.

28. New or revised accounting standards and interpretations

(a) SFRS(I) 16 *Leases* (effective for annual periods beginning on or after 1 January 2019) (continued)

Operating cash flows will increase and financing cash flows decrease by approximately $1,538,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities, while the interest payment will be classified as cash flows from operating activities.

The Group's activities as a lessor are not material and the Group does not expect any significant impact on the financial statements.

(b) SFRS(I) INT 23 *Uncertainty Over Income Tax Treatments* (effective for annual periods beginning on or after 1 January 2019)

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

(i) how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;

(ii) that the entity should assume a tax authority will examine, the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored

(iii) that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment.

(iv) that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and

(v) that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The Group does not expect additional tax liability to be recognised arising from the uncertain tax positions on the adoption of the interpretation on 1 January 2019.

29. 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 15 March 2019.

Shareholdings Statistics

AS AT 15 MARCH 2019

Issued and fully paid up

Number of Issued Shares (excluding Treasury Shares)	:	860,654,280
Number (Percentage) of Treasury Shares	:	8,275,300 (0.96%)
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	22.05
3	STRACO (HK) LIMITED	143,990,540	16.73
4	UOB KAY HIAN PTE LTD	62,077,000	7.21
5	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	42,745,000	4.97
6	HSBC (SINGAPORE) NOMINEES PTE LTD	13,530,300	1.57
7	DBS NOMINEES PTE LTD	9,821,700	1.14
8	RAFFLES NOMINEES (PTE) LIMITED	7,657,400	0.89
9	BPSS NOMINEES SINGAPORE (PTE.) LTD.	5,640,900	0.66
10	TEH KIU CHEONG @TEONG CHENG @ CHENG CHIU CHANG	5,000,000	0.58
11	WU HSIOH KWANG @ NG HOK KUONG	3,900,000	0.45
12	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,796,100	0.32
13	CHOONG CHOW SIONG	1,820,000	0.21
14	TAY SIEW CHOON	1,820,000	0.21
15	WU XIUYI	1,740,000	0.20
16	PHILLIP SECURITIES PTE LTD	1,670,800	0.19
17	NG KIM	1,335,500	0.16
18	ZHAO AIMIN	1,320,000	0.15
19	GOH HAN PENG (WU HANPING)	1,314,700	0.15
20	LIM SONG JOO	1,224,000	0.14
	TOTAL	**814,092,980**	**94.57**

Shareholdings Statistics

AS AT 15 MARCH 2019

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	464	24.41	443,800	0.05
1,001 - 10,000	973	51.18	3,930,800	0.46
10,001 - 1,000,000	440	23.15	40,076,665	4.66
1,000,001 AND ABOVE	22	1.16	816,202,980	94.83
TOTAL	**1,901**	**100.00**	**860,654,280**	**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	22.05	-	-
3.	Straco (HK) Limited	143,990,540	16.73	-	-
4.	Wu Hsioh Kwang	7,888,000	0.92	470,349,980[1]	54.65
5.	Chua Soh Har	11,474,000	1.33	466,763,980[1]	54.23

Based on the information available to the Company as at 15 March 2019, approximately 14.59% 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 on 26 April 2019, at Amara Singapore, 165 Tanjong Pagar Road, Singapore 088539 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 2018 and the Directors' Statement and the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final one-tier tax exempt dividend of 2.5 cents per share for the financial year ended 31 December 2018. **(Resolution 2)**

3. To declare a special dividend of 1.0 cent per share for the financial year ended 31 December 2018. **(Resolution 3)**

4. To approve the Directors' fees of S$323,205/- for the financial year ended 31 December 2018 (31 December 2017: S$338,000/-). **(Resolution 4)**

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

   Mr. Wu Hsioh Kwang **(Resolution 5)**

   Mr. Hee Theng Fong **(Resolution 6)**

   Mr. Hee Theng Fong will, upon re-election as Director of the Company, remain as a member of the Audit and Risk and Nominating Committees and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

   Dr. Choong Chow Siong

   Dr. Choong Chow Siong has indicated that he will not be seeking re-election as a Director of the Company, and will cease to be a Director of the Company upon the conclusion of the Annual General Meeting.

6. 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)**

Notice of Annual General Meeting

AS SPECIAL BUSINESS

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

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

"That:

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

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

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

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

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

provided always that

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

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

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

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

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

(Resolution 8)

(See Explanatory Note 1)

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

"That:

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

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

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

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

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

(i) the date on which the next Annual General Meeting of the Company is held; or

(ii) the date by which the next Annual General Meeting of the Company is required by law or the Constitution of the Company to be held;

Notice of Annual General Meeting

(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)

BY ORDER OF THE BOARD

Lotus Isabella Lim Mei Hua
Company Secretary

11 April 2019

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 11 April 2019. 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 2018 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.

Notice of Annual General Meeting

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.

Additional Information on Directors Seeking Re-Election

Mr. Wu Hsioh Kwang and Mr. Hee Theng Fong are Directors due for retirement under rotation pursuant to Article 95 of the Constitution of the Company and will be seeking re-election at the forthcoming Annual General Meeting of the Company to be held on 26 April 2019 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Dr. Choong Chow Siong is also due for retirement as Director under rotation pursuant to Article 95 of the Constitution of the Company. Dr. Choong Chow Siong has indicated that he will not be seeking re-election as a Director of the Company.

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

	MR. WU HSIOH KWANG	MR. HEE THENG FONG
Date of Appointment	13 March 2003	29 April 2016
Date of last re-appointment	29 April 2016	28 April 2017
Age	68	64
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the contribution and performance, attendance, preparedness, participation, candour and suitability of Mr. Wu Hsioh Kwang for re-appointment as Executive Chairman of the Company. The Board have reviewed and concluded that Mr. Wu Hsioh Kwang possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the qualification, work experiences, contribution and performance, attendance, preparedness, participation, candour and suitability of Mr. Hee Theng Fong for re-appointment as Independent Director of the Company. The Board have reviewed and concluded that Mr. Hee Theng Fong possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.

Additional Information on Directors Seeking Re-Election

	MR. WU HSIOH KWANG	MR. HEE THENG FONG
Whether appointment is executive, and if so, the area of responsibility	Executive, Mr. Wu Hsioh Kwang is responsible for developing growth strategies for the Group's business.	Non-executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Chief Executive Officer, Executive Chairman, Director of the Board and member of Nominating Committee.	Independent Non-Executive Director, Member of Audit and Risk Committee and Nominating Committee.
Professional qualifications	Bachelor of Commerce degree from the former Nanyang University (Singapore)	LLB(Hons) from National University of Singapore (formerly known as University of Singapore) Dip. (PRC Law) from Suzhou University
Working experience and occupation(s) during the past 10 years	**March 2003 – Present** Executive Chairman and Chief Executive Officer of the Company	**January 2014 – Present** Consultant, Eversheds Harry Elias LLP **May 2011 – June 2014** Senior Partner, RHTLaw Taylor Wessing LLP **June 2008 – April 2011** Partner, Khattar Wong
Shareholding interest in the listed issuer and its subsidiaries	Please refer to Directors' Statement, Directors' interests in shares or debentures on pages 57 and 58 of this annual report	Please refer to Directors' Statement, Directors' interests in shares or debentures on pages 57 and 58 of this annual report
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr. Wu Hsioh Kwang is the spouse of Mdm. Chua Soh Har, non-executive director of the Company.	No.
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

Additional Information on Directors Seeking Re-Election

	MR. WU HSIOH KWANG	MR. HEE THENG FONG
Other Principal Commitments* Including Directorships#	**Past (for last 5 Years)** 1. Cartan Industries Limited **Present** 1. Infotainment Development & Management Pte Ltd 2. New Bay Holdings Pte Ltd 3. Bay Attractions Pte Ltd 4. Straco Leisure Pte Ltd 5. Lintong Lixing Cable Car Co. Ltd 6. Shanghai Ocean Aquarium Co. Ltd 7. Xi'an Lintong Zhongxin Tourism Development Co. Ltd 8. Underwater World Xiamen Co. Ltd 9. Jigongshan-Straco Cable-Car Co. Ltd 10. Lushan-Straco Cable Car Co. Ltd 11. Sound Trading (1975) Pte Ltd 12. Straco (HK) Ltd 13. Straco Holding (Pte) Ltd 14. Straco International Corporation Pte Ltd 15. Straco Cable-Car Investments Pte Ltd 16. Straco Synergies Pte Ltd 17. Business China 18. Singapore Chinese Chamber of Commerce and Industry, Council Member 19. Singapore Business Federation, First Vice-Chairman (China & North Asia Business Group) 20. Chinese Association of Enterprises with Foreign Investment (China), Vice-Chairman of the 4th Standing Committee 21. Sun Yat Sen Nanyang Memorial Hall, Chairman 22. NTU's Chinese Heritage Centre, Member of the Board of Governors 23. Confucius Institute, Board Member 24. Haas School of Business, Board Member 25. Singapore Chinese Orchestra, Vice-Chairman	**Past (for last 5 Years)** 1. Chinese Development Assistance Council (CDAC) 2. YHI International Ltd 3. First Resources Ltd 4. Datapulse Technology Ltd 5. Delong Holdings Ltd 6. Business China 7. NTUC Fairprice Co-operative Ltd 8. NTUC Fairprice Foundation Ltd **Present** 1. Tye Soon Ltd 2. China Jinjiang Environment Holding Company Ltd 3. Yanlord Land Group Ltd 4. APAC Realty Ltd 5. Haidilao International Holding Ltd 6. Singapore Chinese Cultural Centre 7. Singapore Medishield Life Council 8. Citizenship Committee of Inquiry (ICA) 9. F&H Singhome Fund II Ltd 10. F&H Singhome Fund III Ltd 11. Chua Foundation

Additional Information on Directors Seeking Re-Election

	MR. WU HSIOH KWANG	MR. HEE THENG FONG
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
c) Whether there is any unsatisfied judgment against him?	No	No
d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

Additional Information on Directors Seeking Re-Election

	MR. WU HSIOH KWANG	MR. HEE THENG FONG
e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No

Additional Information on Directors Seeking Re-Election

	MR. WU HSIOH KWANG	MR. HEE THENG FONG
i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No

Additional Information on Directors Seeking Re-Election

	MR. WU HSIOH KWANG	MR. HEE THENG FONG
k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of a listed company?	This relates to re-appointment of Director	This relates to re-appointment of Director
If yes, please provide details of prior experience.	N.A.	N.A.
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	N.A.	N.A.
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.

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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 26 April 2019 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 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 2018 and the Directors' Statement and Auditors' Report thereon.		
2.	To declare a first and final one-tier tax exempt dividend of 2.5 cents per share for the financial year ended 31 December 2018.		
3.	To declare a special dividend of 1.0 cent per share for the financial year ended 31 December 2018.		
4.	To approve the Directors' fees of S$323,205/- for the financial year ended 31 December 2018.		
5.	To re-elect Mr. Wu Hsioh Kwang pursuant to Article 95 of the Company's Constitution.		
6.	To re-elect Mr. Hee Theng Fong, 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 ______________ 2019

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 11 April 2019.

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 CORPORATION LIMITED

星 雅 集 团

(Company Registration No.200203482R)

(Incorporated in the Republic of Singapore on 25 April 2002)
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ANNUAL REPORT 2018