

STRACO CORPORATION LIMITED
Company Registration No.: 200203482R
(Incorporated in Singapore)

FIRST QUARTER ENDED 31 MARCH 2018 UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

INCOME STATEMENT

	1Q ended		
	31/03/2018	31/03/2017	<i>Change</i>
	S\$'000	S\$'000	%
Revenue	18,795	27,538	<i>(31.7)</i>
Other income	1,704	1,517	<i>12.3</i>
Less:			
Depreciation and amortisation expense	(2,862)	(3,203)	<i>(10.6)</i>
Changes in inventories and purchases of goods	(530)	(828)	<i>(36.0)</i>
Consultancy expense	(148)	(93)	<i>59.1</i>
Sales and marketing expenses	(647)	(377)	<i>71.6</i>
Exchange (losses)/ gains	178	(398)	<i>n.m.</i>
Loss on disposal of property, plant and equipment	(12)	(1)	<i>n.m.</i>
Operating lease expense	(1,473)	(1,519)	<i>(3.0)</i>
Property and other taxes	(429)	(459)	<i>(6.5)</i>
Repair and maintenance expenses	(1,114)	(1,109)	<i>0.5</i>
Staff cost	(5,425)	(5,909)	<i>(8.2)</i>
Utilities expense	(649)	(630)	<i>3.0</i>
Other operating expenses	(325)	(530)	<i>(38.7)</i>
Other administrative expenses	(465)	(469)	<i>(0.9)</i>
Operating profit	6,598	13,530	<i>(51.2)</i>
Finance costs	(269)	(296)	<i>(9.1)</i>
Profit before income tax	6,329	13,234	<i>(52.2)</i>
Tax expense	(2,817)	(3,755)	<i>(25.0)</i>
Profit for the period	3,512	9,479	<i>(62.9)</i>
Profit attributable to:			
Owners of the Company	3,554	8,913	<i>(60.1)</i>
Non-controlling interests	(42)	566	<i>n.m.</i>
Profit for the period	3,512	9,479	<i>(62.9)</i>

STATEMENT OF COMPREHENSIVE INCOME

	1Q ended		
	31/03/2018	31/03/2017	Change
	S\$'000	S\$'000	%
Profit for the period	3,512	9,479	(62.9)
Other comprehensive income/ (loss) for the period, net of tax			
Translation differences relating to financial statements of foreign subsidiaries	3,203	(4,073)	n.m.
Other comprehensive income/ (loss) for the period, net of tax	3,203	(4,073)	n.m.
Total comprehensive income for the period	6,715	5,406	24.2
Total comprehensive income attributable to:			
Owners of the Company	6,648	4,984	33.4
Non-controlling interests	67	422	(84.1)
Total comprehensive income for the period	6,715	5,406	24.2

n.m. – not meaningful

The profit before tax was arrived at after charging or (crediting) the following:-

	1Q ended	
	31/03/2018	31/03/2017
	S\$'000	S\$'000
Depreciation of property, plant and equipment	2,349	2,690
Depreciation of investment property	361	361
Amortisation of intangible assets	152	152
Interest income	(1,038)	(1,038)
Interest expense	269	296
Foreign exchange (gains)/ losses	(178)	398
Loss on disposal of property, plant and equipment	12	1
Government grant	(119)	(18)

Notes:

1. Interest income is mainly from fixed deposits placed with financial institutions.
2. Interest expense is mainly attributable to the long-term bank borrowing for the purpose of acquiring the assets of Singapore Flyer.
3. Foreign exchange (gains)/ losses arise mainly due to the movement of Renminbi against Singapore Dollars.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	As at	As at	As at	As at
	31/03/2018	31/12/2017	31/03/2018	31/12/2017
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	117,272	118,229	2,069	2,086
Investment property	46,565	46,926	-	-
Investments in subsidiaries	-	-	103,130	103,130
Intangible assets	2,435	2,588	-	-
	166,272	167,743	105,199	105,216
Current assets				
Inventories	2,083	2,096	-	-
Trade and other receivables	5,564	5,108	228	164
Loans and receivables from subsidiaries	-	-	418	418
Other current assets	1,288	939	51	29
Fixed deposits pledged	1,000	1,000	-	-
Cash and cash equivalents	192,951	190,414	24,799	24,340
	202,886	199,557	25,496	24,951
Total assets	369,158	367,300	130,695	130,167
Equity attributable to owners of the Company				
Share capital	76,985	76,985	76,985	76,985
Reserves	20,821	17,458	3,100	2,908
Retained earnings	175,937	172,461	49,426	48,655
	273,743	266,904	129,511	128,548
Non-controlling interests	11,483	11,489	-	-
Total equity	285,226	278,393	129,511	128,548
Non-current liabilities				
Borrowings	34,900	37,900	-	-
Deferred income	173	184	-	-
Deferred tax liabilities	21,229	20,942	-	-
Provision for reinstatement cost	4,223	4,223	-	-
	60,525	63,249	-	-
Current liabilities				
Trade and other payables	8,855	11,205	649	1,022
Amounts due to subsidiaries	-	-	535	520
Current tax liabilities	2,552	2,453	-	77
Current borrowings	12,000	12,000	-	-
	23,407	25,658	1,184	1,619
Total liabilities	83,932	88,907	1,184	1,619
Total equity and liabilities	369,158	367,300	130,695	130,167

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

	As at 31/03/2018		As at 31/12/2017	
	<u>Secured</u> S\$'000	<u>Unsecured</u> S\$'000	<u>Secured</u> S\$'000	<u>Unsecured</u> S\$'000
Amount payable in one year or less, or on demand	12,000	-	12,000	-
Amount payable after one year	32,000	2,900	35,000	2,900

Details of any collateral

The borrowings are secured by fixed and floating charges over certain assets of a subsidiary as well as corporate guarantee from the Company.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF CASH FLOWS		Q1 ended 31/3/2018	Q1 ended 31/3/2017
		S\$'000	S\$'000
Cash flows from operating activities			
Profit before income tax		6,329	13,234
Adjustments for:			
Amortisation of intangible assets		152	152
Depreciation of property, plant and equipment		2,349	2,690
Depreciation of investment property		361	361
Equity-settled share-based payment transactions		192	369
Loss on disposal of property, plant and equipment		12	1
Government grant utilised		(15)	(18)
Interest income		(1,038)	(1,038)
Interest expense		269	296
Exchange (gains)/ losses		(180)	346
Operating profit before working capital changes		8,431	16,393
Changes in working capital:			
Trade and other receivables		89	650
Inventories		34	28
Trade and other payables		(2,467)	(1,706)
Cash generated from operating activities		6,087	15,365
Income taxes paid		(2,476)	(3,676)
Net cash from operating activities		3,611	11,689
Cash flows from investing activities			
Purchase of property, plant and equipment		(730)	(701)
Interest received		231	565
Net cash used in investing activities		(499)	(136)
Cash flows from financing activities			
Dividend paid to non-controlling interests		(73)	(64)
Repayment of borrowings		(3,000)	(3,000)
Interest paid		(258)	(296)
Net cash used in financing activities		(3,331)	(3,360)
Net (decrease)/ increase in cash and cash equivalents		(219)	8,193
Cash and cash equivalents at beginning of the period		190,414	163,234
Effects of exchange rate fluctuations		2,756	(3,573)
Cash and cash equivalents at end of the period		192,951	167,854

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

(a) Group

(i)

	Share capital	Treasury shares	Capital reserve	Share option reserve	General reserve	Foreign currency translation reserve	Retained earnings	Total attributable to owners of the Company	Non-controlling Interests	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January 2018	76,985	(4,195)	(982)	8,085	16,304	(1,754)	172,460	266,903	11,489	278,392
Changes in equity for the period:										
Share-based payment transactions	-	-	-	192	-	-	-	192	-	192
Transfer to general reserve fund	-	-	-	-	77	-	(77)	-	-	-
Dividend to non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	(73)	(73)
Total comprehensive income for the period	-	-	-	-	-	3,094	3,554	6,648	67	6,715
At 31 March 2018	76,985	(4,195)	(982)	8,277	16,381	1,340	175,937	273,743	11,483	285,226

(ii)

	Share capital	Treasury shares	Capital reserve	Share option reserve	General reserve	Foreign currency translation reserve	Retained earnings	Total attributable to owners of the Company	Non-controlling Interests	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January 2017	76,985	(4,546)	(696)	7,081	16,236	780	146,298	242,138	10,462	252,600
Changes in equity for the period:										
Share-based payment transactions	-	-	-	369	-	-	-	369	-	369
Transfer to general reserve fund	-	-	-	-	68	-	(68)	-	-	-
Dividend to non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	(1,752)	(1,752)
Total comprehensive income for the period	-	-	-	-	-	(3,929)	8,913	4,984	422	5,406
At 31 March 2017	76,985	(4,546)	(696)	7,450	16,304	(3,149)	155,143	247,491	9,132	256,623

(b) Company

(i)

	Share capital	Treasury shares	Capital reserve	Share option reserve	Retained earnings	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January 2018	76,985	(4,195)	(982)	8,085	48,655	128,548
Share-based payment transactions	-	-	-	192	-	192
Total comprehensive income/ (loss) for the period	-	-	-	-	771	771
At 31 March 2018	76,985	(4,195)	(982)	8,277	49,426	129,511

(ii)

	Share capital	Treasury shares	Capital reserve	Share option reserve	Retained earnings	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January 2017	76,985	(4,546)	(696)	7,081	41,932	120,756
Share-based payment transactions	-	-	-	369	-	369
Total comprehensive income/ (loss) for the period	-	-	-	-	30,477	30,477
At 31 March 2017	76,985	(4,546)	(696)	7,450	72,409	151,602

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no share buyback and no share options being exercised in 1Q2018.

The Company's issued and fully paid up shares as at 31 March 2018 comprised 860,496,880 (31 March 2017: 859,007,980) ordinary shares and 8,432,700 (31 March 2017: 9,921,600) treasury shares.

As at 31 March 2018, options to subscribe for 22,992,000 (31 March 2017: 20,466,000) ordinary shares remain outstanding.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	As at 31/03/2018	As at 31/12/2017
Total number of issued shares	868,929,580	868,929,580
Less: Treasury shares	(8,432,700)	(8,432,700)
Total number of issued shares excluding treasury shares	860,496,880	860,496,880

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Treasury shares	No. of shares	S\$'000
Balance as at 31/12/2017 and 31/03/2018	8,432,700	4,195

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The financial statements have not been audited nor reviewed by the Company's auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has adopted the new Singapore Financial Reporting Standards (International) ("SFRS(I)") issued by the Singapore Accounting Standards Council which is identical to the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

Other than the adoption of the new SFRS(I)s, amendments and interpretations of SFRS(I)s which took effect from the current financial year, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period as compared with the audited financial statements for the financial year ended 31 December 2017.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

In adopting the new SFRS(I), the Group is required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*.

In addition, the Group have adopted the following new SFRS(I)s from the financial year beginning 1 January 2018:

- SFRS(I) 9 *Financial Instruments*
- SFRS (I) 15 *Revenue from Contracts with Customers*

The adoption of the above new SFRS(I)s is assessed to have no material impact on the Group's financial statements.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Earnings per share	Q1 ended	
	31/03/2018	31/03/2017
(a) Based on the number of ordinary shares in issue (cents)	0.41	1.04
(b) On fully diluted basis (cents)	0.41	1.03

The calculation of basic earnings per share for 1Q ended 31 March 2018 is based on the net profits attributable to shareholders for the 1Q ended 31 March 2018 divided by the weighted average number of ordinary shares outstanding of 860,496,880.

The calculation of basic earnings per share for 1Q ended 31 March 2017 is based on the net profits attributable to shareholders for the 1Q ended 31 March 2017 divided by the weighted average number of ordinary shares outstanding of 859,007,980.

The calculation of diluted earnings per share for 1Q ended 31 March 2018 is based on the net profits attributable to shareholders for the 1Q ended 31 March 2018 divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 863,618,738.

The calculation of diluted earnings per share for 1Q ended 31 March 2017 is based on the net profits attributable to shareholders for the 1Q ended 31 March 2017 divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 862,609,054.

- 7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**
- (a) current financial period reported on; and**
- (b) immediately preceding financial year.**

	Group		Company	
	31/03/2018	31/12/2017	31/03/2018	31/12/2017
Net asset value per ordinary share (cents) based on number of issued shares excluding treasury shares at the end of:	31.81	31.02	15.05	14.94

Net asset value per ordinary share was calculated based on 860,496,880 ordinary shares issued (excluding treasury shares) as at 31 March 2018 and 860,496,880 ordinary shares issued (excluding treasury shares) as at 31 December 2017.

- 8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Revenue

In the first quarter of FY2018, the Group achieved sales of \$18.8 million, 31.7% lower than the corresponding period in 1Q2017, mainly due to the more than two months suspension of rides at our Singapore Flyer since 25 January 2018 due to a technical issue. Shanghai Ocean Aquarium ("SOA") and Underwater World Xiamen ("UWX") also reported lower revenues this quarter on lower visitor numbers, as well as the value-added tax on ticket revenue being accounted for this year by SOA, as the tax waiver on ticket revenue for Shanghai educational bases for this year has not been issued yet.

Overall visitation to all our attractions was 0.80 million visitors for the quarter, 24.7% lower than the corresponding period in 1Q2017.

Operational Results

Total Expenses (excluding finance cost) for 1Q2018 was 13.90 million, a decrease of \$1.62 million, or 10.5% from 1Q2017. Cost of sales for 1Q2018 was lower than corresponding period, due to lower retail and F&B sales. Consultancy expenses increased, as 1Q2017 amount included a reversal of a previously accrued amount. Sales and marketing expenses for the quarter increased, mainly due to higher advertising and promotional expenses, higher service fee paid to ferry operators at UWX as more tickets were sold by them, and higher sales and operation taxes incurred this quarter as SOA accounted for the surtax on value-added tax payable on ticket revenue, as required by the Shanghai Municipal Tax bureau, while pending for the tax waiver on ticket revenue for this year to be issued. Exchange gain was recorded in this quarter, compared to an exchange loss in 1Q2017, as Renminbi currency strengthened against Singapore dollar.

Profit before tax was \$6.33 million for the current quarter, 52.2% lower than the profit before tax of \$13.23 million for 1Q2017, mainly attributable to the losses suffered by Singapore Flyer this quarter due to the rides suspension.

Balance Sheet items

Other current assets increased 37.2% from \$0.94 million at 31 December 2017 to \$1.29 million at 31 March 2018, mainly due to increase in prepayments.

Reserves increased 19.3% from \$17.46 million at 31 December 2017 to \$20.82 million at 31 March 2018, mainly due to the translation gain of \$3.09 million arising from the stronger RMB currency against SGD at the end of the current period compared to the end of last year; the increase in share option reserves of \$0.19 million during the period arising from share options granted in 2017, as well as an amount of \$0.08 million set aside by Lixing Cable Car from its 2016 profit which was distributed as dividend in this quarter.

Trade and other payables decreased 21.0% from \$11.21 million at 31 December 2017 to \$8.86 million at 31 March 2018, mainly due to the decrease in other payables and accruals as the performance bonus accrued in 2017 were paid out in the current quarter.

Cash flow Statement

The Group generated net cash from operating activities amounting to \$3.61 million for 1Q2018, compared to \$11.69 million generated in 1Q2017, as the ride operation at Singapore Flyer was suspended for more than two months this quarter. As at 31 March 2018, the Group's cash and cash equivalent balance amounted to \$192.95 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The Group did not previously disclose to shareholders any forecast or prospect statement with regard to the current quarter under review.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The National Bureau of Statistics of China reported that China's gross domestic product ("GDP") grew 6.8% in the first quarter of 2018 on strong consumer demand and robust property investment. Consumption, which accounted for 77.8% of economic growth in the first quarter, played a significant role in supporting the economy.

China's tourism industry is increasingly becoming a strategic pillar industry of the country. It was reported that in 2017, every Chinese person made 3.7 trips on average and that the industry's contribution to the national economy and job creation exceeded 10%. The country has declared the year 2018 as "Beautiful China – Year of Integrated Tourism", with the aim of a more balanced and sustainable tourism development and to better serve the demands of domestic and international travelers.

In Singapore, the economy grew 4.3% year-on-year in 1Q2018, based on advance estimates from the Ministry of Trade and Industry. On the tourism sector, the Singapore Tourism Board ("STB") reported that tourist arrivals and spending in 2017 hit a record high for the second year in a row year, with a year-on-year increase of 6.2% in overall number of arrivals to 17.4 million,

and a 3.9% year-on-year increase in tourism receipts to \$26.8 billion. For 2018, STB projected a 0-4% increase in visitor arrivals and 1-3% growth in tourism receipts.

At the Group level, the ride operation at Singapore flyer has resumed on 1 April 2018, after it received approvals from the authorities and that the necessary safety checks and tests have been carried out to the satisfaction of the Building and Construction Authority.

11. Dividend

(a) Current Financial Period Reported On

Any interim (final) dividend declared (recommended) for the current financial period reported on? None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? None

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared/ recommended for the current financial period.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No IPT mandate has been obtained.

14. Negative confirmation pursuant to Rule 705(5). (Not required for announcement on full year results).

To the best of our knowledge and belief, nothing has come to the attention of the Directors which may render the 1Q2018 financial results to be false or misleading in any material aspect.

On behalf of the Board

Wu Hsioh Kwang
Chairman

Lim Song Joo
Director

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

- 16. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Not applicable.

- 17. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Not applicable.

- 18. A breakdown of sales.**

Not applicable.

- 19. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

Not applicable.

- 20. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

Not applicable.

BY ORDER OF THE BOARD,

Lotus Isabella Lim Mei Hua
Company Secretary
10 May 2018