

STRACO CORPORATION LIMITED

Registration Number: 200203482R

(Incorporated in the Republic of Singapore)

RESPONSE TO QUESTIONS FROM SIAS FOR THE ANNUAL GENERAL MEETING TO BE HELD ON 27 APRIL 2023

The Board of Directors (the “**Board**” or “**Directors**”) of Straco Corporation Limited (“**Straco**” or the “**Company**”, and together with its subsidiaries, the “**Group**”) would like to provide responses to the questions raised by Securities Investors Association (Singapore) (“**SIAS**”) for the Company’s Annual General Meeting to be held on 27 April 2023 as follows:

Question	Response
Questions from SIAS	
<p>Q1. During the financial year ended 31 December 2022, the group’s businesses in China were severely affected by the COVID-19 pandemic and the relevant measures put in place by local authorities. For Singapore Flyer, reported revenue was significantly higher, aided by the easing of COVID-19 measures by the authorities in Singapore.</p> <p>(i) Can management provide an update on the current sentiments on the ground in Shanghai, Xiamen, and Xi’an since the lifting of COVID measures in December 2022?</p> <p>(ii) How has discretionary consumption, especially in terms of pent-up demand for travel, rebounded in China following the reopening? Does management believe that the group’s assets will directly benefit from the “revenge travel” phenomenon?</p> <p>(iii) Has management observed any significant changes to consumption behavior and patterns with regard to discretionary spending in</p>	<p>(1) The lifting of COVID measures since December 2022, while widespread, was gradual. From our observations, the main sentiment driving consumption and discretionary spending was one of cautious optimism. However, the improvement in consumer confidence levels and the recent pace of recovery have been encouraging. We will need to monitor for a few more quarters to determine the extent of the effect that the reopening has on the tourism industry in general and our attractions in China. It was reported that the Chinese Government is prepared to introduce policies and measures to stimulate domestic consumption, given that the level of savings had increased amidst a drop in propensity to spend. We are of the view that the recent COVID-19 pandemic has had significant psychological and social effects on the population, and as stated above will continue to monitor these effects in the upcoming quarters.</p>

<p>China as a result of three years of living with the pandemic?</p> <p>(iv) Could management provide an update on the measures taken to enhance the Singapore Flyer's relevance to tourists? As the attraction has been in operation for over 15 years, has management observed any decline in its popularity among visitors to Singapore compared to newer tourist destinations?</p> <p>(v) Has management evaluated any distressed third-party assets that fit with the group's strategy</p>	<p>(2) Before the onset of the COVID-19 in 2020, Singapore Flyer had been earnings accretive, contributing to the Group's revenue and profitability. We believe that it remains one of Singapore's top 5 attractions for international tourists, and we have not observed any decline in its popularity among visitors to Singapore compared to newer tourist destinations. However, operations were severely disrupted during the COVID-19 pandemic and during a temporary closure due to technical issues that were subsequently rectified. Despite these difficulties, we had launched a new mid-sized attraction, Time Capsule in December 2020. This was part of our planned revitalization of the Singapore Flyer. With Singapore adjusting the Disease Outbreak Response System Condition (DORSCON) from yellow to green and the lifting of border controls, Singapore Flyer is ready to welcome international tourists once again.</p> <p>(3) The Company continues to be proactive in its growth strategy in seeking earning accretive projects that offer exceptional value with strong potential and limited risks. From time to time, management has evaluated business proposals, not necessarily relating to distressed assets. The Company will provide updates to shareholders where appropriate and has assessed that it does not have any meaningful updates to provide at this point in time.</p>
<p>Q2. As shown in Note 6, Depreciation and amortisation (page 112), the total depreciation and amortisation charge for the year was \$9.63 million (2021: \$11.35 million). (Source: company annual report) Further, in Note 16, it was disclosed that the depreciation charge for machinery (as part of property, plant and equipment) was</p>	

<p>\$2.74 million in 2021 and \$1.09 million in 2022.</p> <p>(i) Can the audit committee provide more information on the significant decrease in depreciation charges for machinery? Did the decrease result from changes in management's estimates of residual values, estimated useful lives, or depreciation method? Or was it due to older equipment being fully expensed?</p> <p>(ii) Could management clarify if changes in interest rates have an impact on lease liabilities, specifically the interest expense on lease liabilities, or if they are already fixed.</p>	<p>(1) There was no change in management's estimates of residual values, estimated useful lives of "PPE", nor depreciation method. The variance was a result of certain older equipment being fully depreciated</p> <p>(2) Interest expense on lease liabilities was fixed at the point of inception of lease. There was no material addition of new leases in FY2022 and therefore changes in interest rates did not have a material impact on lease liabilities.</p>
<p>Q3. On 11 January 2023, Singapore Exchange Regulation (SGX RegCo) announced that it will limit the tenure of independent directors (IDs) serving on the boards of listed issuers to nine years. This stemmed from recommendations by the Corporate Governance Advisory Committee (CGAC). There was broad market support for this change during the public consultation carried out by SGX RegCo. Mr Tan Boon Gin, CEO of SGX RegCo, also noted that the limit on tenure of IDs provides an opportunity for companies to inject new skills, experience and knowledge into their boards, all of which will be invaluable in guiding the business for the long term.</p> <p>(i) Has the nominating committee (NC) reviewed the current competency matrix of the board and identified any gaps in skills or competencies that need to be addressed in future</p>	<p>(1) The Board is committed to Board renewal, in line with prevailing regulations. The NC has assessed the current competency matrix of the board and is of the view that the current Board composition has the right mix of skills, competencies, knowledge, backgrounds and</p>

<p>director appointments? Two of the independent directors on the board have each served on the board for more than nine years. Mr Tay Siew Choon has been an independent director since November 2003 and was appointed as the lead independent director on 1 March 2014. Mr Lim Song Joo was appointed as a non-executive director in May 2011 and re-designated as an independent director on 29 February 2012.</p>	<p>expertise to meet the requirement of our Group's operations.</p> <p>(2) At the Company's AGM on 27 April 2021, both Mr Tay Siew Choon and Mr Lim Song Joo were re-elected as independent non-executive directors of the Company via a two-tier voting process as specified in the SGX Listing Manual and both Mr Tay and Mr Lim are eligible to continue as independent non-executive directors of the Company until the AGM for financial year 2023 to be held in April 2024. The NC continuously monitors the directors' suitability to serve on the Board, and has assessed and approved the continued appointment of Mr Tay Siew Choon and Mr Lim Song Joo as independent non-executive directors of the Company for such period.</p>
<p>(ii) What is the progress made in identifying and appointing new directors to the board to ensure diversity and independent perspectives?</p>	<p>(3) The NC shall where deemed necessary or desirable identify and evaluate suitable candidates in line with the approach set out at paragraph (4) directly below. The NC does not currently deem it necessary nor desirable to appoint new directors to the current board. In addition to the competencies of the current board being satisfactory (as set out in paragraph (1)), the NC is of the view that the board is sufficiently diverse. The NC has observed that each director contributes meaningfully and objectively to the board, while collaborating effectively with the rest of the board. While the tenure of Mr Tay Siew Choon and Mr Lim Song Joo as independent non-executive directors will end at the AGM for the financial year 2023 to be held in April 2024, the NC will continue to identify and assess suitable new candidates to be appointed as independent directors prior to such date as soon as it is practicable.</p>
<p>(iii) Can the nominating committee elaborate on the search and nomination process for directors, particularly independent directors? Will the committee engage a third-party search firm and/or professional organisation to</p>	<p>(4) The NC takes the lead in identifying and evaluating suitable candidates based on selection criteria determined in consultation with the Board. In the nomination and selection process, the NC reviews the composition of the Board taking into consideration the mix of independence, skills, competencies, knowledge, backgrounds and expertise of the candidates to enhance the Board's capabilities.</p>

<p>broaden its search for potential candidates?</p>	<p>The NC also considers the Group's business strategies and long-term success. This enables the NC to source for candidates who possess the traits, knowledge and abilities that will contribute to the Board's activities and the strategic business areas of the Group. The NC will also consider other aspects of diversity such as gender, age and other personal attributes. In sourcing for independent directors, the NC will assess that potential candidates meet the independence threshold prescribed by the SGX and that they would not allow their objectivity to be compromised while carrying out their responsibilities as an independent director. The NC will have, at its disposal, the liberty to engage a third-party search firm or professional body to broaden its search for potential candidates as it deems fit.</p>
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By Order of the Board

Lotus Isabella Lim Mei Hua
Company Secretary

20 April 2023