

# STRACO CORPORATION LIMITED

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



星雅集团  
STRACO

## PROSPECTUS DATED 10 FEBRUARY 2004

(Registered by the Monetary Authority of Singapore on 10 February 2004)

**This document is important. If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, or other professional adviser.**

We have made an application to the Singapore Exchange Securities Trading Limited ("SGX-ST") for permission to deal in, and for quotation of, all the ordinary shares of \$0.05 each (the "Shares") in the capital of Straco Corporation Limited (the "Company") already issued (inclusive of Vendor Shares as defined herein), the new Shares which are the subject of this Invitation (the "New Shares") and the Shares which may be issued upon the exercise of the options to be granted under the Straco Corporation Limited Share Option Scheme (the "Option Shares"). Such permission will be granted when we have been admitted to the Official List of the SGX-ST. **The dealing in and quotation of the Shares will be in Singapore dollars.**

Acceptance of applications will be conditional upon, *inter alia*, permission being granted by the SGX-ST to deal in, and for quotation of, all the existing issued Shares (inclusive of the Vendor Shares), the New Shares and the Option Shares. If the completion of the Invitation does not occur because the SGX-ST's permission is not granted or for any other reasons, monies paid in respect of any application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom and you will not have any claims against us, the Vendors or the Manager.

The SGX-ST assumes no responsibility for the correctness of any of the statements or opinions made or reports contained or opinions expressed in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiaries, our Shares (including the Vendor Shares) the New Shares or the Option Shares.

A copy of this Prospectus has been lodged with and registered by the Monetary Authority of Singapore ("the Authority"). The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act (Cap.289) of Singapore, or any other legal or regulatory requirements have been complied with. The Authority has not, in any way, considered the merits of our Shares (including the Vendor Shares), the New Shares or the Option Shares, being offered or in respect of which an invitation is made, for investment.

**Investing in our Shares involves risks, which are described in the section entitled "RISK FACTORS" of this Prospectus. No shares will be allotted or allocated on the basis of this Prospectus later than six months after the date of registration of this Prospectus.**

**Invitation in respect of 220,250,000 Shares of \$0.05 each comprising 177,000,000 New Shares and 43,250,000 Vendor Shares as follows:**

- (a) 22,025,000 Offer Shares at \$0.26 each by way of public offer;**
- (b) 198,225,000 Placement Shares by way of placement, comprising:**
  - (i) 192,719,000 Placement Shares at \$0.26 each; and**
  - (ii) 5,506,000 Reserved Shares at \$0.26 each reserved for our management, employees, non-Executive Directors, business associates and others who have contributed to our success,**  
**payable in full on application.**

Manager, Underwriter and Placement Agent



UOB ASIA LIMITED

Primary Sub-Underwriters and Primary Sub-Placement Agents



UNITED OVERSEAS BANK LIMITED

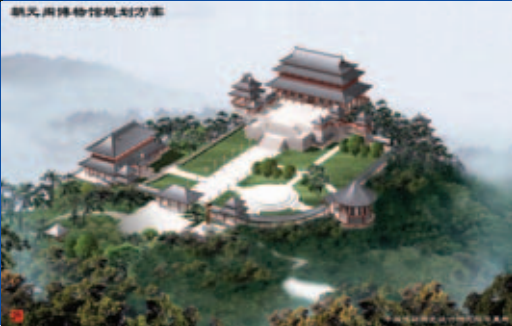
UOB Kay Hian

UOB KAY HIAN PRIVATE LIMITED









朝天宫博物馆规划方案



星雅集团  
STRACO

STRACO CORPORATION LIMITED

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

10 Anson Road, #30-15 International Plaza  
Singapore 079903

Tel: (65)6223 3082 Fax: (65)6223 3736

---

## CONTENTS

---

	<i>Page</i>
<b>CORPORATE INFORMATION .....</b>	<b>4</b>
<b>DEFINITIONS .....</b>	<b>6</b>
<b>SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS.....</b>	<b>11</b>
<b>SELLING RESTRICTIONS .....</b>	<b>12</b>
<b>DETAILS OF THE INVITATION</b>	
– Listing on the SGX-ST .....	13
– Indicative Timetable for Listing .....	15
<b>PLAN OF DISTRIBUTION .....</b>	<b>17</b>
<b>PROSPECTUS SUMMARY .....</b>	<b>19</b>
<b>THE INVITATION.....</b>	<b>23</b>
<b>INVITATION STATISTICS .....</b>	<b>25</b>
<b>RISK FACTORS .....</b>	<b>27</b>
<b>USE OF PROCEEDS .....</b>	<b>32</b>
<b>EXCHANGE RATES .....</b>	<b>33</b>
<b>DIVIDEND POLICY .....</b>	<b>34</b>
<b>SHARE CAPITAL .....</b>	<b>35</b>
<b>CAPITALISATION AND INDEBTEDNESS.....</b>	<b>37</b>
<b>SHAREHOLDERS</b>	
– Ownership Structure .....	39
– Selling Shareholders .....	40
– Moratorium .....	40
<b>DILUTION .....</b>	<b>41</b>
<b>RESTRUCTURING EXERCISE .....</b>	<b>42</b>
<b>GROUP STRUCTURE .....</b>	<b>44</b>
<b>GENERAL INFORMATION ON OUR GROUP</b>	
– History and Development of our Group .....	45
– Tourism Industry in the PRC .....	46
– Shanghai Ocean Aquarium Co., Ltd	
– Introduction to SOACL .....	47
– Location of SOA .....	48
– Infrastructure and Accessibility of SOA .....	48
– Overview of SOA.....	49



## CONTENTS

–	Target Market of SOA .....	54
–	Visitorship of SOA .....	56
–	Marketing and Promotion of SOA .....	56
–	Major Suppliers of SOA .....	57
–	Major Customers of SOA .....	57
–	Competitors of SOA .....	57
–	Competitive Strengths of SOA .....	58
–	Strategies and Future Plans of SOA .....	58
–	Xi'an Lintong Zhongxin Tourism Development Co., Ltd	
–	Introduction to CYG .....	60
–	Historical and Cultural Significance .....	60
–	Location of CYG .....	62
–	Infrastructure of Shaanxi .....	62
–	Overview of CYG .....	63
–	Target market of CYG .....	64
–	Marketing and Promotion of CYG .....	64
–	Competitors of CYG .....	65
–	Competitive Strengths of CYG .....	65
–	Strategies and Future Plans of CYG .....	66
–	Intellectual Property .....	67
–	Government Regulations .....	67
–	Properties .....	67
–	Prospects .....	68
–	Strategies and Future Plans of our Group .....	69
	<b>SELECTED PRO FORMA FINANCIAL INFORMATION .....</b>	<b>70</b>
	<b>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</b>	
–	Overview .....	72
–	Seasonality .....	74
–	Inflation .....	74
–	Foreign Exchange .....	74
–	Results of Operations .....	74
–	Review of Financial Position .....	78
–	Liquidity and Capital Resources .....	79
–	Capital Expenditures, Divestments and Commitments .....	80
	<b>DIRECTORS, MANAGEMENT AND STAFF</b>	
–	Directors .....	81
–	Management .....	83
–	Our Management Reporting Structure .....	86
–	Remuneration .....	86
–	Employees .....	87
–	Service Agreements .....	88
–	The Straco Scheme .....	88

---

## CONTENTS

---

<b>CORPORATE GOVERNANCE .....</b>	<b>93</b>
<b>INTERESTED PERSON TRANSACTIONS AND CONFLICT OF INTERESTS</b>	
– Interested Person Transactions .....	94
– Potential Conflict of Interests .....	96
– Review Procedures for Future Interested Person Transactions .....	98
<b>DESCRIPTION OF SHARES .....</b>	<b>99</b>
<b>EXCHANGE CONTROLS .....</b>	<b>103</b>
<b>TAXATION .....</b>	<b>104</b>
<b>CLEARANCE AND SETTLEMENT .....</b>	<b>107</b>
<b>GENERAL AND STATUTORY INFORMATION .....</b>	<b>108</b>
<b>APPENDIX I:</b>	
<b>TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE .....</b>	<b>I-1</b>
– Additional Terms and Conditions for Applications Using Application Forms .....	I-6
– Additional Terms and Conditions for Electronic Applications .....	I-9
– Steps for Electronic Applications through ATMS and the IB Website of UOB .....	I-14
<b>APPENDIX II:</b>	
<b>SUMMARY OF OUR ARTICLES OF ASSOCIATION .....</b>	<b>II-1</b>
<b>APPENDIX III:</b>	
<b>SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS .....</b>	<b>III-1</b>
<b>APPENDIX IV:</b>	
<b>RULES OF STRACO SCHEME .....</b>	<b>IV-1</b>
<b>APPENDIX V:</b>	
<b>REPORT ON EXAMINATION OF THE PRO FORMA FINANCIAL STATEMENTS OF THE GROUP .....</b>	<b>V-1</b>
<b>APPENDIX VI:</b>	
<b>VALUATION REPORTS .....</b>	<b>VI-1</b>

---

## CORPORATE INFORMATION

---

<b>BOARD OF DIRECTORS</b>	: Wu Hsioh Kwang (Executive Chairman)
	: He Ping (Non-Executive Director)
	: Guo Qiang (Non-Executive Director)
	: Cheong Kok Fu (Non-Executive Director)
	: Fu Xuezhong (Non-Executive Director)
	: Lee Eng Lock (Non-Executive Director)
	: Choong Chow Siong (Independent Director)
	: George Huang Chang Yi (Independent Director)
	: Tay Siew Choon (Independent Director)
<b>COMPANY SECRETARIES</b>	: Foo Soon Soo, FCIS, CPA, LLB (Hons)
	: Lotus Isabella Lim Mei Hua, ACIS
<b>REGISTERED OFFICE</b>	: 10 Anson Road #30-15 International Plaza Singapore 079903
<b>SHARE REGISTRAR AND SHARE TRANSFER OFFICE</b>	: Barbinder & Co. Pte Ltd 8 Cross Street #11-00 PWC Building Singapore 048424
<b>MANAGER, UNDERWRITER AND PLACEMENT AGENT</b>	: UOB Asia Limited 80 Raffles Place UOB Plaza Singapore 048624
<b>PRIMARY SUB- UNDERWRITERS AND PRIMARY SUB-PLACEMENT AGENTS</b>	: United Overseas Bank Limited 80 Raffles Place UOB Plaza Singapore 048624
	: UOB Kay Hian Private Limited 80 Raffles Place #30-01 UOB Plaza 1 Singapore 048624
<b>AUDITORS</b>	: PricewaterhouseCoopers Certified Public Accountants 8 Cross Street #17-00 PWC Building Singapore 048424



---

## CORPORATE INFORMATION

---

<b>SOLICITORS TO THE INVITATION</b>	:	Chang See Hiang & Partners 9 Temasek Boulevard #15-01 Suntec Tower 2 Singapore 038989
<b>LEGAL ADVISER TO OUR COMPANY ON PRC LAW</b>	:	Alliance Law Firm Suite 1910, Tower 2, Bright China Chang An Building, No. 7 Jianguomen Nei Avenue, Beijing 100005, China
<b>PRINCIPAL BANKERS</b>	:	United Overseas Bank Limited 80 Raffles Place UOB Plaza Singapore 048624
	:	Bank of Shanghai No. 585 Zhongshan Dong Er Rd, Shanghai, China 200010
<b>RECEIVING BANKER</b>	:	United Overseas Bank Limited 80 Raffles Place UOB Plaza Singapore 048624
<b>INDEPENDENT VALUER</b>	:	Chesterton International Property Consultants Pte Ltd 5 Temasek Boulevard #07-02 Suntec Tower Five Singapore 038985

---

## DEFINITIONS

---

In this Prospectus and the accompanying Application Forms, the following definitions apply where the context so admits:

### **General**

<i>"A.D."</i>	:	The abbreviation for "Anno Domini" (used in the Christian calendar when referring to a year after Jesus Christ was born)
<i>"Application Forms"</i>	:	The printed application forms to be used for the purpose of the Invitation and which form part of this Prospectus
<i>"Application List"</i>	:	The list of applications for subscription of the Invitation Shares
<i>"Article"</i>	:	The articles of association of the Company, as amended supplemented or modified from time to time
<i>"ATM"</i>	:	Automated teller machine of a Participating Bank
<i>"Audit Committee"</i>	:	Audit committee of the Company
<i>"Authority" or "MAS"</i>	:	The Monetary Authority of Singapore
<i>"B.C."</i>	:	The abbreviation for "Before Christ" (used in the Christian calendar when referring to a year before Jesus Christ was born)
<i>"Board"</i>	:	The board of Directors of the Company
<i>"CAGR"</i>	:	Cumulative average growth rate
<i>"CDP"</i>	:	The Central Depository (Pte) Limited
<i>"Chesterton International" or "Independent Valuer"</i>	:	Chesterton International Property Consultants Pte Ltd
<i>"Companies Act"</i>	:	The Companies Act of Singapore, Chapter 50
<i>"CPF"</i>	:	The Central Provident Fund
<i>"Controlling Shareholder"</i>	:	A person who holds directly or indirectly 15% or more of the nominal amount of all the voting shares in our Company; or in fact exercises control over our Company
<i>"Directors"</i>	:	The directors of our Company as at the date of this Prospectus
<i>"Executive Directors"</i>	:	The executive directors of our Company as at the date of this Prospectus
<i>"Electronic Applications"</i>	:	Applications for the Offer Shares made through an ATM or through Internet Banking Websites in accordance with the terms and conditions of this Prospectus
<i>"EPS"</i>	:	Earnings per Share

---

## DEFINITIONS

---

<i>“Executive Officers”</i>	:	The executive officers of our Group as at the date of this Prospectus
<i>“FIE”</i>	:	Foreign-investment enterprise
<i>“FY”</i>	:	Financial year ended or, as the case maybe, ending 31 December
<i>“GDP”</i>	:	Gross domestic product
<i>“Golden Week Holidays”</i>	:	The 3 week-long holidays beginning on the Chinese Spring Festival in January/February, the Labour Day in May and the National Day in October
<i>“Group”</i>	:	The pro forma group of companies comprising us and our subsidiaries, treated as if our Group structure had been in existence since 1 January 2000
<i>“Hua Qing Palace”</i>	:	华清宫, a group of halls and palaces consisting of CYG, Hua Qing Pool and other palace buildings
<i>“Independent Directors”</i>	:	The independent Directors as at the date of this Prospectus
<i>“Invitation”</i>	:	Our invitation to the public in Singapore to subscribe for the Invitation Shares at the Issue Price, subject to and on the terms and conditions of this Prospectus
<i>“Invitation Shares”</i>	:	The 220,250,000 Shares which are the subject of this Invitation, comprising 177,000,000 New Shares and 43,250,000 Vendor Shares
<i>“Issue Price”</i>	:	\$0.26 for each Invitation Share
<i>“Km”</i>	:	Kilometres
<i>“LIBOR”</i>	:	London Interbank Offered Rate
<i>“LSS”</i>	:	The Life Support System in SOA. A crucial system that reproduces ideal aquatic conditions within an artificial environment by using man-made components
<i>“LFT”</i>	:	Lujiazui Finance & Trade Zone
<i>“Latest Practicable Date”</i>	:	29 December 2003, being the latest practicable date prior to the date of lodgment of this Prospectus
<i>“Market Day”</i>	:	A day on which the SGX-ST is open for trading in securities
<i>“MRT”</i>	:	Mass Rapid Transit
<i>“m<sup>2</sup>”</i>	:	Square meters
<i>“m”</i>	:	Meters
<i>“New Shares”</i>	:	The 177,000,000 new Shares for which we invite applications to subscribe for pursuant to the Invitation, subject to and on the terms and conditions of this Prospectus

---

## DEFINITIONS

---

<i>“Non-Executive Directors”</i>	:	The non-executive directors of our Company (including Independent Directors) as at the date of this Prospectus
<i>“NTA”</i>	:	Net tangible assets
<i>“Offer”</i>	:	The offer by our Company of the Offer Shares to the public in Singapore for subscription at the Issue Price subject to and on the terms and conditions of this Prospectus
<i>“Offer Shares”</i>	:	22,025,000 of the Invitation Shares which are the subject of the Offer
<i>“Option Shares”</i>	:	The Shares which may be issued upon the exercise of the options which may be granted under the Straco Scheme.
<i>“Participating Banks”</i>	:	UOB and its subsidiary, Far Eastern Bank Limited (“UOB Group”), DBS Bank Ltd (including POSB) (“DBS”), and Oversea-Chinese Banking Corporation Limited (“OCBC”)
<i>“PBOC”</i>	:	People’s Bank of China
<i>“PER”</i>	:	Price earnings ratio
<i>“Placement”</i>	:	The placement of the Placement Shares by the placement agent(s) on behalf of our Company for subscription at the Issue Price subject to and on the terms and conditions of this Prospectus
<i>“Placement Price”</i>	:	\$0.26 for each Placement Share
<i>“Placement Shares”</i>	:	198,225,000 of the Invitation Shares (including the Reserved Shares), which are the subject of the Placement
<i>“PRC” or “China”</i>	:	People’s Republic of China, excluding Hong Kong Special Administrative Region and Macau Special Administrative Region for the purposes of this Prospectus and for geographical reference only
<i>“PRC Company Law”</i>	:	The Company Law of the PRC adopted at the Fifth Session of the Standing Committee of the Eight National People’s Congress and which became effective on 1 July 1994
<i>“Primary Sub-Placement Agents”</i>	:	UOB and UOB Kay Hian as primary sub-placement agents
<i>“Primary Sub-Underwriting Agents”</i>	:	UOB and UOB Kay Hian as primary sub-underwriting agents
<i>“Pudong New Area”</i>	:	Pudong New Area is located in Shanghai, next to the Huang Pu River. A more detailed description of the district can be found in “Location of SOA” on page 48 of this Prospectus
<i>“Reserved Shares”</i>	:	The 5,506,000 Placement Shares reserved for our management, employees, non-Executive Directors, business associates and others who have contributed to the success of our Group
<i>“Restructuring Exercise”</i>	:	The corporate restructuring exercise undertaken in connection with the Invitation as described under “Restructuring Exercise” on pages 42 to 43 of this Prospectus



---

## DEFINITIONS

---

<i>“SARS”</i>	:	Severe acute respiratory syndrome
<i>“SCCS”</i>	:	Securities Clearing & Computer Services (Pte) Ltd
<i>“Securities Account”</i>	:	The securities account maintained by a depositor with CDP but does not include a securities sub-account
<i>“Shares”</i>	:	Ordinary shares of \$0.05 each in the capital of our Company
<i>“STIC”</i>	:	STIC Investments Pte Ltd
<i>“Stock Exchange” or “SGX-ST”</i>	:	Singapore Exchange Securities Trading Limited
<i>“Straco Scheme” or “Scheme”</i>	:	The Straco Share Option Scheme
<i>“Tang Dynasty”</i>	:	Tang Dynasty (618 A.D. – 907 A.D.)
<i>“The Bund”</i>	:	The Puxi Waitan (浦西外滩)
<i>“UOB”</i>	:	United Overseas Bank Limited
<i>“UOB Asia”, “Manager”, “Underwriter” or Placement Agent”</i>	:	UOB Asia Limited
<i>“UOB KayHian”</i>	:	UOB KayHian Private Limited
<i>“USA”</i>	:	United States of America
<i>“Vendors”</i>	:	SHPL and CPGC
<i>“Vendor Shares”</i>	:	The 43,250,000 issued and fully paid-up Shares for which the Vendors invite applications to purchase pursuant to the Invitation, subject to and on the terms and conditions of this Prospectus
<i>“WHO”</i>	:	World Health Organisation
<i>“WTO”</i>	:	World Trade Organisation
<i>“ZYRT”</i>	:	Zhengzhou Yellow River Themepark Co., Ltd
<i>“per cent” or “%”</i>	:	Per centum or percentage
<i>“RMB” or “RMB cents”</i>	:	PRC renminbi and cents respectively
<i>“\$” or “SGD” and “cents”</i>	:	Singapore dollars and cents respectively
<i>“US\$” or “USD” and “US cents”</i>	:	United States dollars and cents respectively
<b><i>Companies and our Attractions</i></b>		
<i>“Attractions”</i>	:	The collective term used to describe SOA, CYG and LLC
<i>“CPGC”</i>	:	China Poly Group Corporation
<i>“CYG”</i>	:	Chao Yuan Ge scenic area (朝元阁风景区)

---

## DEFINITIONS

---

<i>"IDM"</i>	:	Infotainment Development & Management Pte Ltd
<i>"LLC"</i>	:	Lintong Lixing Cable Car Co., Ltd
<i>"SCL" or "Company"</i>	:	Straco Corporation Limited.
<i>"SHKL"</i>	:	Straco (HK) Limited
<i>"SHPL"</i>	:	Straco Holding Pte Ltd
<i>"SOA" or "Aquarium"</i>	:	Shanghai Ocean Aquarium
<i>"SOACL"</i>	:	Shanghai Ocean Aquarium Co., Ltd
<i>"ZTD"</i>	:	Xi'an Lintong Zhongxin Tourism Development Co., Ltd
<b><i>Theme Park Consultant</i></b>		
<i>"LOI"</i>	:	Living Ocean International Pty Ltd

The expressions "Depositor", "Depository Agent" and "Depository Register" shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Prospectus and the Application Forms to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Securities and Futures Act or any statutory modification thereof and used in this Prospectus and the Application Forms shall, where applicable, have the meaning assigned to it under the Companies Act, the Securities and Futures Act or such statutory modification, as the case may be.

Any reference in this Prospectus and the Application Forms to Shares being allotted and/or allocated to an applicant includes allotment and/or allocation to CDP for the account of that Applicant.

Any reference to a time of day in this Prospectus shall be a reference to Singapore time unless otherwise stated.

References in this Prospectus to "our", "us" and "we" or other grammatical variations thereof in this Prospectus shall, unless otherwise stated, mean our Company, our Group or any member of our Group as the context requires.

Certain names with Chinese characters have been translated into English names. Such translations are provided solely for the convenience of Singapore-based investors. They may not have been registered with the relevant PRC authorities and should not be construed as representations that the English names actually represent the Chinese characters.

---

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

---

All statements contained in this Prospectus, statements made in press releases and oral statements that may be made by us or our Directors, Executive Officers or employees acting on our behalf and are not statements of historical fact, constitute “forward-looking statements”. You can identify some of these statements by forward-looking terms such as “expect”, “believe”, “plan”, “intend”, “estimate”, “anticipate”, “may”, “will”, “would”, “could” or similar words. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, strategies, future plans and prospects are forward-looking statements.

These forward-looking statements, including statements as to our revenue and profitability, prospects, strategies, future plans and other matters discussed in this Prospectus regarding matters that are not historical facts are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by such forward-looking statements.

Some of these risk factors are discussed in more detail under “*Risk Factors*” on pages 27 to 31 of this Prospectus.

Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different than expected, expressed or implied by the forward-looking statements in this Prospectus, you are advised not to place undue reliance on these statements. Neither our Company, the Vendors, the Manager, Underwriter and Placement Agent nor any other person represents or warrants that our Group’s actual future results, performance or achievements will be as discussed in those statements.

Our actual results may differ materially from those anticipated in these forward-looking statements as a result of the risks faced by us. We, the Vendors and the Manager disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances. We are, however, subject to the provisions of the Securities and Futures Act and the Listing Manual of the SGX-ST regarding corporate disclosure. In particular, we are required by Section 241 of the Securities and Futures Act to lodge a supplementary or replacement document in respect of future developments, events or circumstances that occur prior to the close of the Invitation and that are required to be disclosed pursuant to law.

---

## **SELLING RESTRICTIONS**

---

This Prospectus does not constitute an offer, solicitation or invitation to subscribe for and/or purchase the Invitation Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been or will be taken under the requirements of the legislation or regulations of any jurisdiction, except for the filing and/or registration of this Prospectus in Singapore in order to permit a public offering of the Invitation Shares and the public distribution of this Prospectus in Singapore. The distribution of this Prospectus and the offering of the Invitation Shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who may come into possession of this Prospectus are required by the Company, the Vendors, the Manager, Underwriter and Placement Agent to inform themselves about, and to observe and comply with, any such restrictions.



---

## DETAILS OF THE INVITATION

---

### Listing on the SGX-ST

We have applied to the SGX-ST for permission to deal in and for quotation of, all our Shares already issued (including the Vendor Shares), the New Shares and the Option Shares. Such permission will be granted when our Company has been admitted to the Official List of the SGX-ST. Acceptance of applications will be conditional upon *inter alia*, permission being granted to deal in and for quotation of, all our existing issued Shares (including the Vendor Shares), the New Shares and the Option Shares. If the completion of the Invitation does not occur because the SGX-ST's permission is not granted or for any other reasons, monies paid in respect of any application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom and you will not have any claims against us, the Vendors or the Manager.

The SGX-ST assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiaries, our Shares (including the Vendor Shares), the New Shares or the Option Shares.

A copy of this Prospectus has been lodged with and registered by the Authority. The Authority assumes no responsibility for the contents of the Prospectus. Registration of the Prospectus by the Authority does not imply that the Securities and Futures Act, or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of our Shares (including the Vendor Shares), the New Shares or the Option Shares, as the case may be, being offered or in respect of which an invitation is made, for investment.

We are subject to the provisions of the Securities and Futures Act and the Listing Manual of the SGX-ST regarding corporate disclosure. In particular, if after this Prospectus is registered but before the close of the Invitation, our Company becomes aware of (a) a false or misleading statement or matter in this Prospectus; (b) an omission from this Prospectus of any information that should have been included in it under Sections 243 or 244 of the Securities and Futures Act; or (c) a new circumstance that has arisen since this Prospectus was lodged with the Authority and would have been required by Sections 243 or 244 of the Securities and Futures Act to be included in this Prospectus, if it had arisen before this Prospectus was lodged and that is materially adverse from the point of view of an investor, we may lodge a supplementary or replacement prospectus with the Authority pursuant to Section 241 of the Securities and Futures Act.

Where the Authority issues a stop order pursuant to Section 242 of the Securities and Futures Act, and applications to subscribe and/or purchase the Invitation Shares have been made prior to the stop order, then

- (a) in the case where the Invitation Shares have not been issued and/or sold to the applicants, the applications for the Invitation Shares pursuant to the Invitation shall be deemed to have been withdrawn and cancelled and our Company shall (as well as on behalf of the Vendors), within 14 days from the date of the stop order, pay to the applicants all monies the applicants have paid on account of their applications for the Invitation Shares; or
- (b) in the case where the Invitation Shares have been issued to the applicants, the issue of the Invitation Shares pursuant to the Invitation shall be deemed to be void and our Company shall, within 14 days from the date of the stop order, pay to the applicants all monies paid by them for the Invitation Shares; or
- (c) where the Invitation Shares have been sold to applicants, the sale of the Invitation Shares shall be deemed to be void and if documents purporting to evidence title have been issued to the applicants, our Company shall (as well as on behalf of the Vendors), within 7 days from the date of the stop order, inform all applicants to return such documents to our Company within 14 days from that date; and within 7 days from the date of receipt of such documents (if applicable) or the date of the stop order, whichever is later, pay to the applicants all monies the applicants have paid for the Invitation Shares.

---

## DETAILS OF THE INVITATION

---

This Prospectus has been seen and approved by our Directors and the Vendors and they individually and collectively accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge, information and belief, the facts stated and the opinions expressed in this Prospectus are fair and accurate in all material respects as at the date of this Prospectus and that there are no material facts the omission of which would make any statements in this Prospectus misleading.

Neither our Company, the Vendors, the Manager, Underwriter and Placement Agent nor any other parties involved in the Invitation is making any representation to any person regarding the legality of an investment in our Shares by such person under any investment or other laws or regulations. No information in this Prospectus should be considered as being business, legal or tax advice regarding an investment in our Shares. Each prospective investor should consult his own professional or other advisers for business, legal or tax advice regarding an investment in our Shares.

The Invitation Shares are offered for subscription and/or purchase solely on the basis of the information contained and the representations made in this Prospectus.

No person has been or is authorised to give any information or to make any representation not contained in this Prospectus in connection with the Invitation and, if given or made, such information or representation must not be relied upon as having been authorised by us, the Vendors, the Manager, Underwriter and Placement Agent. Neither the delivery of this Prospectus and the Application Forms nor any documents relating to the Invitation shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change in our affairs or in the statements of fact or information contained in this Prospectus since the date of this Prospectus. Where such changes occur, we may make an announcement of the same to the SGX-ST and/or MAS and will comply with the requirements of the Securities and Futures Act and/or any other requirements of the SGX-ST and/or MAS, including, if required, the lodgement of a supplementary document or replacement document pursuant to section 241 of the Securities and Futures Act. All applicants should take note of any such announcements and, upon the release of such an announcement, shall be deemed to have notice of such changes. Save as expressly stated in this Prospectus, nothing herein is, or may be relied upon as, a promise or representation as to our future performance or policies.

This Prospectus has been prepared solely for the purpose of the Invitation and may not be relied upon by any other persons other than the applicants in connection with their application for the New Shares or for any other purpose.

**This Prospectus does not constitute an offer, solicitation or invitation to subscribe for and/or purchase the Invitation Shares in any jurisdiction in which such offer, or solicitation or invitation is unlawful or unauthorised nor does it constitute an offer, solicitation or invitation to any person to whom it is unlawful to make such offer, solicitation or invitation.**

Copies of this Prospectus and the Application Forms may be obtained on request, subject to availability, from:

**UOB ASIA LIMITED  
1 Raffles Place  
#13-01 OUB Centre  
Singapore 048616**

and members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore. A copy of this Prospectus is also available on the SGX-ST website: [www.sgx.com](http://www.sgx.com).

---

## DETAILS OF THE INVITATION

---

The Application List will open at 10.00 a.m. on 10 February 2004 and will remain open until noon on the same day or for such further period or periods as our Directors and Vendors may, in consultation with UOB Asia, in their absolute discretion decide, subject to any limitation under all applicable laws. In the event a supplementary prospectus or replacement prospectus is lodged, the Application List will remain open for at least 14 days after the lodgement of the supplementary or replacement prospectus.

### Indicative Timetable for Listing

In accordance with the SGX-ST's News Release of 28 May 1993 on the trading of initial public offering shares on a "when issued" basis, an indicative timetable is set out for the reference of applicants:

Indicative time/date	Event
12.00 noon on 18 February 2004	Close of Application List
19 February 2004	Balloting of applications, if necessary (in the event of over-subscription for the Offer Shares)
9.00 a.m. on 20 February 2004	Commence trading on a "when issued" basis
2 March 2004	Last day of trading on a "when issued" basis
9.00 a.m. on 3 March 2004	Commence trading on a "ready" basis
8 March 2004	Settlement date for all trades done on a "when issued" basis and for trades done on a "ready" basis on 3 March 2004

The above timetable is only indicative as it assumes that the date of closing of the Application List is 18 February 2004, the date of admission of our Company to the Official List of the SGX-ST is 20 February 2004, the shareholding spread requirement will be complied with and the New Shares will be issued and fully paid-up prior to 20 February 2004. The actual date on which our Shares will commence trading on a "when issued" basis will be announced when it is confirmed by the SGX-ST.

The above timetable and procedures may be subject to such modification as the SGX-ST may, in its absolute discretion, decide, including the decision to permit trading on a "when issued" basis and the commencement date of such trading. **All persons trading in our Shares on a "when issued" basis do so at their own risk. In particular, persons trading in our Shares before their Securities Accounts with CDP are credited with the relevant number of Shares do so at the risk of selling Shares, which neither they nor their nominees, as the case may be, have been allotted and/or allocated or are otherwise beneficially entitled to. Such persons are also exposed to the risk of having to cover their net sell positions earlier if "when issued" trading ends sooner than the indicative date shown above. Persons who have a net sell position traded on a "when issued" basis should close their position on or before the first day of "ready" basis trading.**

Investors should consult the SGX-ST's announcement on the "ready" trading date on the Internet (at SGX-ST website [www.sgx.com](http://www.sgx.com)), INTV, the newspapers or check with their brokers on the date on which trading on a "ready" basis will commence.

In the event of any changes in the closure of the Application List or the time period during which the Invitation is open, we will publicly announce the same:

- (i) through MASNET announcement to be posted on the internet at the SGX-ST website [www.sgx.com](http://www.sgx.com); and
- (ii) in a local newspaper.

---

## DETAILS OF THE INVITATION

---

We will publicly announce the level of subscription and the results of the distribution of the Invitation Shares and the basis of allotment and/or allocation of the Invitation Shares pursuant to the Invitation, as soon as it is practicable after the close of the Application List:

- (i) through MASNET announcement to be posted on the Internet at the SGX-ST website, [www.sgx.com](http://www.sgx.com); and
- (ii) in a local newspaper.



---

## PLAN OF DISTRIBUTION

---

The Invitation is for 220,250,000 Invitation Shares offered in Singapore by way of public offer and placement comprising 22,025,000 Offer Shares and 198,225,000 Placement Shares (including 5,506,000 Reserved Shares) managed and underwritten by UOB Asia.

The Issue Price was determined by us and the Vendors, in consultation with the Manager, based on the prevailing local and global market conditions and estimated demand for our Shares determined through a book-building process. The Issue Price is the same for all the Invitation Shares and is payable in full on application.

### **Offer Shares**

Pursuant to the Management and Underwriting Agreement entered into between our Company, the Vendors and UOB Asia as set out on pages 115 and 116 of this Prospectus, we have appointed UOB Asia to manage the Invitation and to underwrite the 22,025,000 Offer Shares. UOB Asia will receive a management fee and an underwriting commission of 2.25% of the Issue Price for the Offer Shares payable by us for subscribing and/or procuring subscribers for any Offer Shares not subscribed for by the public and will pay or procure payment to us for such Offer Shares. UOB Asia may, at its absolute discretion, appoint one or more sub-underwriters for the Offer Shares, including UOB and UOB Kay Hian. Members of the public may apply for the Offer Shares by way of printed Application Forms or by Electronic Application as described under “Terms, Conditions and Procedures for Application” as set out in Appendix I of this Prospectus.

In the event of an under-subscription for the Offer Shares at the close of the Application List, that number of Offer Shares not subscribed for shall be made available to satisfy excess applications for the Placement Shares to the extent there is an over-subscription for the Placement Shares as at the close of the Application List.

In the event of an over-subscription for the Offer Shares at the close of the Application List and/or the Placement Shares are fully subscribed as at the close of the Application List, the successful applications for the Offer Shares will be determined by ballot in such reasonable manner as determined by our Company and the Vendors, and the basis of allotment shall be decided by our Company and the Vendors after consultation with the Manager and the SGX-ST.

### **Placement Shares**

Pursuant to the Placement Agreement entered into between our Company, the Vendors and UOB Asia as set out on pages 115 and 116 of this Prospectus, UOB Asia agreed to subscribe and/or procure subscribers for the 198,225,000 Placement Shares (including 5,506,000 Reserved Shares) for a placement commission of 1.5% of the Issue Price for the Placement Shares payable by us. UOB Asia may, at its absolute discretion, appoint one or more sub-placement agents for the Placement Shares. Applications for Placement Shares may only be made by way of printed Application Forms as described under “Terms, Conditions and Procedures for Application” as set out in Appendix I of this Prospectus.

In the event of an under-subscription for the Placement Shares at the close of the Application List, that number of Placement Shares not subscribed for shall be made available to satisfy excess applications for the Offer Shares to the extent that there is an over-subscription for the Offer Shares at the close of the Application List.

Subscribers of Placement Shares (excluding Reserved Shares) may be required to pay brokerage of 1.0 per cent. of the Issue Price.

### **Reserved Shares**

5,506,000 Placement Shares shall be reserved for our management, employees, non-Executive Directors, business associates and others who have contributed to our Group’s success at the Issue Price. However, none of them will be offered more than 5% of the total Invitation size or 11,012,500 Invitation Shares

---

## PLAN OF DISTRIBUTION

---

Each of the non-Executive Directors, namely Mr He Ping, Mr Guo Qiang, Mr Cheong Kok Fu, Mr Fu Xuezhong, Mr Lee Eng Lock, Dr Choong Chow Siong, Mr George Huang Chang Yi and Mr Tay Siew Choon, will be offered 200,000 Reserved Shares. None of the Reserved Shares is subject to any moratorium and may be disposed of after the admission of our Company to the Official List of the SGX-ST.

In the event that any of the Reserved Shares are not taken up, they will be made available to satisfy excess applications for the Placement Shares (if any) or in the event of an under-subscription for the Placement Shares, to satisfy excess applications made by members of the public in Singapore for the Offer Shares.

We are not aware of any person (including shareholders, directors or employees of our Company) who intends to subscribe for more than 5% of the Invitation Shares. However, while in the process of assessing market demand for our Shares, there may be person(s) who may indicate his interest to subscribe for Shares amounting to more than 5% of the Invitation Shares. If such person(s) were to make an application for more than 5% of the Invitation Shares and subsequently allotted and/or allocated such number of Shares, we will make the necessary announcements at an appropriate time. The final allotment and/or allocation of Shares will be in accordance with the shareholding spread and distribution guidelines as set out in clause 210 of the SGX-ST Listing Manual.

Further, no Shares shall be allotted and/or allocated on the basis of this Prospectus later than six months after the date of registration of this Prospectus.

---

## PROSPECTUS SUMMARY

---

The following summary highlights certain information found in greater detail elsewhere in this Prospectus. In addition to this summary, we urge you to read the entire Prospectus carefully, especially the section on “Risk Factors”, before deciding to invest in our Shares.

### OVERVIEW OF OUR GROUP

#### OUR GROUP

Our Company was incorporated in Singapore on 25 April 2002 as a private limited company. Subsequent to the Restructuring Exercise, our Group comprises Shanghai Ocean Aquarium Co., Ltd, Lintong Lixing Cable Car Co., Ltd, Xi'an Lintong Zhongxin Tourism Development Co., Ltd and Infotainment Development & Management Pte Ltd. Our Group is principally engaged in the development and operation of tourism-related activities (please see “Group Structure” on page 44 and “History and Development of our Group” on page 45 of this Prospectus for further details).

#### OUR COMPETITIVE STRENGTHS

We believe our competitive strengths are as follows:-

#### ***Our Attractions are strategically located at popular and established tourist routes to achieve high levels of visitorship***

Our Attractions are strategically positioned and easily accessible. Our Attractions are also based on themes that are popular in their specific locations.

- SOA is located in the Lujiazui Finance & Trade Zone of the Pudong New Area, in close proximity to The Bund. Both are areas designated by the Shanghai government as tourist destinations. SOA is **situated within walking distance** from popular tourist destinations such as **The Bund**, the **Oriental Pearl TV Tower** and the **Jin Mao Building**. As such, SOA is able to contribute to the collective efforts of all these attractions to draw visitors to the area and at the same time, tap into the visitor-flows that have been established by these existing attractions. In addition, SOA is easily accessible by the various modes of transport including the MRT.
- CYG is located approximately midway up on Lishan Mountain in the Lintong district of Shaanxi Province. It is about 30km from Shaanxi's capital city, Xi'an, **en-route to the well-known “Terracotta Warriors Museum”**. CYG will showcase reconstructed replicas of some of the major buildings within the **Hua Qing Palace** at their **original sites**. The historical and cultural significance of the surrounding area of Xi'an City is described in the section under “*Historical and Cultural Significance*” on pages 60 and 61

#### ***Our Attractions provide unique experiences to visitors***

Our Attractions provide visitors with unique and enriching experiences that cannot be easily replicated.

- SOA is the largest ocean aquarium in Shanghai. It showcases a wide array of fishes and marine life. Currently, our exhibits include **over 10,000** fishes and marine livestock of **over 350** different species, including rare and exotic species, from all over the world. It also houses a **155m long underwater viewing tunnel**, which is **one of the longest in the world**.
- The reconstructed replicas of some major buildings within the Hua Qing Palace to be showcases by CYG will stand at their **original sites** on the **famous Lishan Mountain**, and will present **Tang civilisation**, history and culture. The Company has also obtained exclusive permission from the PRC Cultural Bureau to display preserved **historical relics** unearthed from the CYG site on Lishan Mountain. The display of such historical relics will further enhance the uniqueness of CYG. Special attention will be paid to historical details painstakingly researched by historians and archaeologists to ensure the authenticity of the reconstruction.

---

## PROSPECTUS SUMMARY

---

- LLC provides the only means of efficient and comfortable transportation by way of cable car from the foot of the Lishan Mountain to CYG, which is located on mid-level of the Lishan Mountain.

### ***High barriers to entry for new competitors***

Apart from the strategic locations of and unique experiences provided by our Attractions (as described previously), our timely entry into the respective markets, the need to obtain and the difficulties of obtaining government approvals, permits and licences, and the substantial development and construction costs for each of our Attractions all present substantial entry barriers to new competitors.

### ***Strong support from the PRC provincial and municipal governments for the development and operation of our Attractions***

The development and operation of our Attractions have been encouraged and supported by their respective municipal and provincial PRC governments. In fact, they are our local partners for LLC and ZTD. We have established good working relationships with the local authorities in Shanghai and Shaanxi and they have provided us with invaluable advice and guidance in the development of our Attractions.

### ***Our controlling/founder shareholders have extensive experience in the PRC***

Our Executive Chairman Mr Wu Hsioh Kwang, who is a controlling shareholder of our Company, has had business operations in China since 1980. We are able to leverage on his experience, knowledge and expertise for the development and management of current and future projects in the PRC and the rest of Asia. Our PRC shareholder CPGC is a large state-owned enterprise, which is owned and supervised by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. CPGC has an asset base in excess of RMB10 billion based on its latest annual report.

Please refer to pages 58 and 65 for further details on our competitive strengths.

### **OUR PROSPECTS**

The primary target market for our Attractions is the domestic tourist market. Our Directors are positive on the prospects of our Attractions due to the following factors:-

- (i) Development of the tourism industry in China;
- (ii) China's hosting of widely publicised international events such as the 2008 Olympic Games in Beijing, and the 2004 Formula One Grand Prix and 2010 World Expo in Shanghai;
- (iii) China's entry into the WTO;
- (iv) Increasing affluence and changing lifestyle within the PRC;
- (v) Potential of China's rich and varied tourist attractions; and
- (vi) Importance of tourism industry to the PRC government and its various initiatives undertaken to develop and grow the industry.

The above factors would result in an increase in tourism in the PRC in general, and in particular an increase in domestic tourists within the PRC. The domestic tourist market is important to us because of its potential given the large population and the increasing affluence and changing lifestyle within the PRC.



---

## PROSPECTUS SUMMARY

---

### OUR STRATEGIES AND FUTURE PLANS OF OUR GROUP

We have identified the following strategies and future plans of our Group:-

- (i) We intend to leverage on our strengths and track records to further expand and enhance the facilities provided by our Attractions, so as to grow and maximise their full potential;
- (ii) We intend to explore opportunities to either develop and operate tourism-related projects, or acquire such attractions or their management rights in and outside of China, particularly in the Asian region; and
- (iii) There are numerous famous historical sites in China. We intend to explore the opportunities to re-package some of these historical sites that have good tourism potential by improving their presentation.

With our experience and expertise, we intend to grow our business through such strategies.

Please refer to page 69 for further details on our strategies and future plans.

### WHERE YOU CAN FIND US

Our principal and registered office is located at 10 Anson Road, #30-15 International Plaza, Singapore 079903. Our telephone number is 6223 3082.

## PROSPECTUS SUMMARY

### SUMMARY FINANCIAL DATA

You should read the following summary financial data in conjunction with the full text of the Prospectus, including the pro forma financial statements as set out in Appendix V of this Prospectus.

PRO FORMA INCOME STATEMENTS <sup>(1)</sup>	← Audited → Year ended December			Unaudited 6 months period ended 30 June 2002	Audited 6 months period ended 30 June 2003
	FY2000	FY2001	FY2002		
<b>\$'000</b>					
Sales	971	892	28,075	15,492	6,639
Other operating income	257	255	396	252	2,451
Operating (loss)/profit	(1,951)	(2,219)	11,767	8,161	1,910
(Loss)/profit before tax	(1,435)	(2,293)	9,506	7,050	912
Net (loss)/profit attributable to shareholders	(1,300)	(1,938)	7,683	5,735	999
Net (loss)/profit per Share (in cents) <sup>(2)</sup>	(0.19)	(0.28)	1.11	0.83	0.14

**Notes:**

- (1) The financial results of our Group for the periods under review have been prepared on the basis that our Group has been in existence since 1 January 2000.
- (2) For comparative purposes, basic EPS is computed based on the pre-Invitation share capital of 691,929,580 shares.
- (3) There was no change in our accounting policy for the financial periods under review.

PRO FORMA BALANCE SHEETS <sup>(1)</sup>	As at 31 December 2002	As at 30 June 2003
<b>\$'000</b>		
Property, plant and equipment	74,278	75,946
Deferred tax asset	415	478
Net current assets	270	7,345
Borrowings – non current	(40,974)	(46,046)
Net assets	33,989	37,723
Minority interests	(1,793)	(1,785)
Pro forma Shareholders' equity	32,196	35,938
NTA per Share (cents) <sup>(2)</sup>	4.65	5.19

**Notes:**

- (1) The financial positions of our Group as at 31 December 2002 and 30 June 2003 been prepared on the basis that our Group has been in existence on those dates.
- (2) For comparative purposes, NTA per share is computed based on the pre-Invitation share capital of 691,929,580 shares.

## THE INVITATION

Issue Size	:	<p>220,250,000 Invitation Shares comprising 177,000,000 New Shares and 43,250,000 Vendor Shares offered in Singapore by way of public offer and placement managed and underwritten by UOB Asia comprising 22,025,000 Offer Shares and 198,225,000 Placement Shares (including 5,506,000 Reserved Shares).</p> <p>The New Shares, upon issue and allotment, will rank <i>pari passu</i> in all respects with the existing issued Shares.</p>
Issue Price	:	\$0.26 for each Invitation Share
Purpose of the Invitation	:	<p>Our Directors consider that the listing of our Company and the quotation of our Shares on the SGX-ST will enhance our public image locally and overseas and enable us to tap the capital markets for the expansion of our operations. The Invitation will also provide members of the public, our management, employees, non-Executive Directors, and business associates as well as those who have contributed to our success with an opportunity to participate in the equity of our Company.</p>
Use of proceeds	:	<p>The net proceeds from the issue of the New Shares (after deducting estimated issue expenses to be borne by our Company in relation to the Invitation) is approximately \$41.5 million, which we intend to use in the manner set out below. The estimated issue expenses of approximately \$4.5 million excludes the underwriting and placement commissions and brokerage on the Vendor Shares, which will be borne by the Vendors.</p> <ul style="list-style-type: none"> <li>(a) approximately \$6.5 million will be used to develop CYG;</li> <li>(b) \$5.0 million will be used to partially repay our shareholders' loans;</li> <li>(c) approximately \$25.0 million will be used for expansion in tourism-related businesses within the PRC and in other parts of Asia; and</li> <li>(d) the balance will be used for working capital purposes.</li> </ul> <p>Details of the above are set out under “<i>Use of Proceeds</i>” on page 32, “<i>Strategies and Future Plans of SOA</i>” on pages 58 and 59, “<i>Strategies and Future Plans of CYG</i>” on page 66 and “<i>Strategies and Future Plans of our Group</i>” on page 69 of this Prospectus</p> <p>Pending the deployment of the net proceeds from the issue of the New Shares as aforesaid, the funds will be placed in short-term deposits or money market instruments as our Directors may deem fit.</p>
Reserved Shares	:	<p>Out of the 198,225,000 Placement Shares, 5,506,000 Placement Shares will be reserved for our management, employees, non-Executive Directors, business associates and others who have contributed to our success.</p>

---

## THE INVITATION

---

The number of Reserved Shares that have been reserved for subscription by our non-Executive Directors are as follows:

<u>Name</u>	<u>Number of Reserved Shares</u>
He Ping	200,000
Guo Qiang	200,000
Cheong Kok Fu	200,000
Fu Xuezhong	200,000
Lee Eng Lock	200,000
Choong Chow Siong	200,000
George Huang Chang Yi	200,000
Tay Siew Choon	200,000

Please refer to “*Plan of Distribution*” on pages 17 and 18 of this Prospectus for details on our offer of Reserved Shares.

- Listing status : Prior to the Invitation, there had been no public market for our Shares. Our Shares will be quoted on the SGX-ST, subject to admission of our Company to the SGX-ST and permission for dealing in and for quotation of our Shares being granted by the SGX-ST.
- Dividend policy : We have not paid dividends in the past. Our decision to declare or pay dividends and the amount of any dividends will depend on a number of factors, including our:
- (a) earnings;
  - (b) cash flow;
  - (c) financial condition;
  - (d) projected levels of capital expenditures; and
  - (e) investment plans.
- Risk factors : Investing in our Shares involves risks which are described under “*Risk Factors*” on pages 27 to 31 of this Prospectus.

---

## INVITATION STATISTICS

---

<b>Issue Price</b>	\$0.26
--------------------	--------

### NTA

NTA per Share based on the pro forma balance sheet of our Group as at 30 June 2003 as adjusted for the stock split and Restructuring Exercise:

- |                                                                                                                                                                    |            |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| (a) before adjusting for the estimated net proceeds from the issue of the New Shares and based on our Company's pre-Invitation share capital of 691,929,580 Shares | 5.19 cents |
| (b) after adjusting for the estimated net proceeds from the issue of the New Shares and based on our Company's post-Invitation share capital of 868,929,580 Shares | 8.91 cents |

Premium of Issue Price of \$0.26 over the NTA per Share:

- |                                                                                                                                                                    |                  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| (a) before adjusting for the estimated net proceeds from the issue of the New Shares and based on our Company's pre-Invitation share capital of 691,929,580 Shares | 400.96 per cent. |
| (b) after adjusting for the estimated net proceeds from the issue of the New Shares and based on our Company's post-Invitation share capital of 868,929,580 Shares | 191.81 per cent. |

### Earnings

Historical net EPS for FY2002 based on our Company's pre-Invitation share capital of 691,929,580 Shares	1.11 cents
---------------------------------------------------------------------------------------------------------	------------

Adjusted historical net EPS for FY2002 had the Service Agreements set out on page 88 of this Prospectus been in place from the beginning of FY2002 and based on our Company's pre-Invitation share capital of 691,929,580 Shares	1.01 cents
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------

### Price Earnings Ratio

Historical price earnings ratio based on the Issue Price of \$0.26 and the historical net EPS for FY2002	23.42 times
----------------------------------------------------------------------------------------------------------	-------------

Adjusted historical price earnings ratio based on the Issue Price of \$0.26 and the adjusted historical net EPS for FY2002 had the Service Agreements set out on page 88 of this Prospectus been in place from the beginning of FY2002	25.74 times
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------

### Net Operating Cash Flow <sup>(1)</sup>

Historical net operating cash flow per Share for FY2002, based on our Company's pre-Invitation share capital of 691,929,580 Shares	1.60 cents
------------------------------------------------------------------------------------------------------------------------------------	------------

Adjusted historical net operating cash flow per Share for FY2002 had the Service Agreements set out on page 88 of this Prospectus been in place from the beginning of FY2002, and based our Company's pre-Invitation share capital of 691,929,580 Shares	1.50 cents
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------

### Price to Cash Flow Ratio

Historical price to net operating cash flow per Share for FY2002 based on our Company's pre-Invitation share capital of 691,929,580 Shares	16.25 times
--------------------------------------------------------------------------------------------------------------------------------------------	-------------

---

## INVITATION STATISTICS

---

Adjusted historical price to net operating cash flow per Share for FY2002 had 17.33 times the Service Agreements set out on page 88 of this Prospectus been in place from the beginning of FY2002, and based our Company's pre-Invitation share capital of 691,929,580 Shares

### **Market Capitalisation**

Our market capitalisation based on our Company's post-Invitation share capital of 868,929,580 Shares and the Issue price of \$0.26 \$225.92 million

### **Notes:**

- (1) Net operating cash flow is defined as net profit after adjusting for depreciation.



---

## RISK FACTORS

---

Investors should consider carefully the following risk factors and all other information contained in this Prospectus, before deciding to invest in our Shares. You should also note that certain of the statements set forth below constitute “forward-looking statements” that involve risks and uncertainties.

If any of the following risk factors and uncertainties develops into actual events, our business, financial condition, results of operations or cash flows may be adversely affected. In such circumstances, the trading price of our Shares could decline and investors may lose all or part of their investment. To the best of our Directors’ knowledge, information and belief, all the risk factors that are material to investors in making an informed judgement have been set out below.

### **RISKS RELATING TO THE TOURISM INDUSTRY AND OUR BUSINESS**

#### **We are dependent on SOACL**

In FY2002, SOACL contributed 97.4% and 100.4% of our Group’s pro forma sales and net profit respectively. Going forward, we expect SOACL to continue to be the main contributor to our Group’s sales and net profit for at least the next two years. Hence, our Group’s profitability is dependent on the financial performance of SOACL. Any deterioration in the financial performance of SOACL would adversely affect our Group’s financial performance.

#### **We may not be able to achieve the traffic volumes projected by Chesterton International**

The projections of traffic volumes to our Attractions were prepared by Chesterton International in their expert capacity as independent valuer in connection with this Invitation under Appendix VI of this Prospectus. These projections were derived by Chesterton International based on its independent assessment of relevant information and resources available to them. These projections were prepared using analytical methods and financial models based on certain bases and assumptions considered appropriate by Chesterton International based on its professional judgement and experience.

There can be no assurance that these projections will be achieved. Traffic volumes for our Attractions are influenced by the following factors which are difficult to quantify and qualify at the point of valuation. These factors are as follows:

- General economic conditions in the PRC in the future which will affect visitor spending on admission ticket, retail and F&B items;
- Political stability and certainty in the PRC in the future which will affect foreign tourist arrivals and domestic tourism;
- Future threat of terrorism or “war” which will affect tourist arrivals and domestic tourism;
- External factors such as SARS or other epidemics which discourage people from travelling outdoors;
- External competition such as new and more sophisticated attractions being built near to our Attractions and operated by other operators at more competitive ticket price structures; and
- Failure of the future management, marketing and promotional efforts directed towards the Attractions.

#### **Aversion to travel resulting from security threats or viral outbreaks could affect our operations and financial performance**

Recent global threats to security resulting from incidents such as the 9/11 incident (attack in USA on 11 September 2001) and the bombing in Bali in October 2002 had resulted in a noticeable decline in international travel worldwide due to concerns regarding safety and security. In addition, the outbreak of SARS in first half of 2003 has also contributed to the decline in domestic and international travel due to health concerns and travel advisories issued by the WHO. The outbreak of SARS had also resulted in certain travel restrictions imposed within the PRC. Going forward, any occurrence of such incidences concerning security threats or viral outbreaks could result in significant decrease in visitors, whether domestic or international. This would have adverse effects on our operations and financial performance.

---

## RISK FACTORS

---

### **We are exposed to risks associated with maintaining fishes and marine livestock**

SOA's ability to attract visitors is dependent on its fishes and marine livestock exhibits. Maintaining fishes and marine livestock entails numerous considerations such as ensuring an ideal environment for the fishes and marine livestock, preventing the spread of diseases and proper handling of fishes and marine livestock. We have a quarantine system, which is designed to prevent the introduction and spread of diseases to SOA's fishes and marine livestock. Our LSS and Aquarium laboratory are designed to maintain an environment that fishes and marine livestock could thrive in (please see "*Aquarium Development and Maintenance Works*" on page 54 of this Prospectus for more details). Any disruption or breakdown in these systems will adversely affect the living conditions of the fishes and marine livestock and their survival. Any major loss of fishes and marine livestock will adversely affect our Group's financial performance through a decline in the number of visitors and the expenditure involved in the replacement of the fishes and marine livestock.

### **We are exposed to risks of cost overruns in the development of our Attractions and future projects**

In the development of our Attractions and future projects, there may be risk of delays in construction as a result of, *inter alia*, delays in obtaining the necessary approvals, permits and licences, shortages of construction materials, unavailability and inefficiency of equipment and labour, disputes with workers or contractors, inclement weather, natural disasters, accidents and other unforeseen difficulties or circumstances. Further, there may be unexpected price increases in building materials. As a result, there could be possible delays in construction and cost overruns, which would adversely affect our Group's financial performance.

### **We are exposed to construction defects**

As is common in construction projects, our Group may be exposed to the risk of having poor quality materials used and/or poor workmanship employed in the construction of our attractions. Should there be any defects discovered after the warranty period, our Group will have to rectify such defects (if any) at our own costs.

### **Our future growth and prospects are dependent on key personnel**

Our future success is dependent on the continued efforts and active involvement of key personnel including our Executive Chairman Mr Wu Hsioh Kwang and management of our Group, who have been instrumental in driving our Group's strategy, development and operations.

The loss of service of our key personnel without a timely and suitable replacement may have an adverse impact on our business. Details on the work experience of our key personnel are disclosed under "*Directors, Management and Staff*" on pages 81 to 85 of this Prospectus.

### **We are exposed to operational and other risks**

The operations of our Attractions and future projects and the support services provided to our Attractions and future projects could be disrupted by power failure, labour disputes, civil unrests, and catastrophic events such as landslides, land shift, floods and earthquakes, which could also cause structural damage to our Attractions and future projects.

SOACL and LLC have each taken up appropriate insurance coverage against equipment breakdown and damage to or loss of property. In addition, SOACL has taken up insurance for loss of income should such event occurs. There is no limit to the number of claims during the period of coverage. To date, there has not been any material claim against such insurance.

We review our insurance policies annually to ensure sufficient coverage to satisfy our business requirements. However, in the event that our insurance does not adequately cover our losses arising from damage to our Attractions, our financial performance would be adversely affected.

---

## RISK FACTORS

---

### **We are exposed to claims arising from injuries to the public sustained within our Attractions and future projects**

Visitors to our Attractions and future projects may suffer injuries within our Attractions and future projects due to, *inter alia*, equipment failure, inclement weather, natural disasters and structural defects. SOACL and LLC have each taken up appropriate public liability insurance. There is no limit to the number of separate accidents covered during each period of insurance. To date, no claims have been made by our Group under such public liability insurance.

We review our insurance policies annually to ensure sufficient coverage to satisfy regulatory and business requirements. However, in the event that our insurance does not adequately cover our liability arising from such accidents, our financial performance would be adversely affected.

Any accidents occurring within our Attractions and future projects for which we are liable could also result in an increase in our insurance premium, which would adversely affect our financial results.

### **We may not be able to raise further capital through issuance of securities, bank borrowings or shareholders' loans, which could affect our business.**

As at the Latest Practicable Date, we had term loans of \$46.4 million fully drawn down, of which \$38.2 million is still outstanding. We have no other credit facilities.

We expect the net proceeds from this Invitation, cash from operations and borrowings under our current credit facilities to be sufficient to meet our present working capital and capital expenditure requirements. However, going forward, in the event that our Group's internally generated cash is not sufficient to fund our expansion, and if we are not able to raise funds through equity issuance, bank borrowings, or shareholders' loan, we may not be able to expand our business, capitalise on future opportunities or respond to competition or unanticipated expenditures, all of which could seriously affect our business and financial performance.

## **COUNTRY AND REGULATORY RISKS**

### **We face political, economic and social risks in respect of our operations in the PRC**

In general, any unfavourable changes to the political, economic, legal, regulatory or social policies or conditions in the PRC and other countries where we operate arising from its ongoing economic reforms and/or a change in political leadership may have an adverse impact on our Group's operations. For example, the imposition of macro-economic austerity measures by the PRC government may spark off unemployment and inflation and cause social tensions and unrests, which may lead to disruptions in the economy. Such prolonged and widespread disruptions may result in a less favourable business environment for our Group and may also adversely affect our Group's operations and financial performance.

### **The withdrawal of tax concessions would adversely affect our Group's financial performance**

SOACL enjoys a prevailing tax rate of 15% under the preferential policy currently implemented in Pudong New Area. The business valuation of our Group conducted by Chesterton International as set out on Appendix VI of this Prospectus, assumes that the tax concessions enjoyed by our PRC subsidiaries will subsist for the periods as stated therein. There is no assurance that the tax concessions granted by the PRC Government will continue in the future. Therefore, as and when these existing tax concessions expire or are discontinued, our Group's effective tax rate will increase and this will have an adverse impact on our Group's financial performance.

---

## RISK FACTORS

---

### **Uncertainty in the PRC legal system may affect us**

Prior decisions regarding the administration of PRC laws and regulations by the PRC courts may be cited as authority but they do not have any effect as binding precedents. As such, the outcome of dispute resolutions may not be as consistent or predictable as compared to other more developed jurisdictions. Further, it may be difficult to obtain a swift and equitable enforcement of laws in the PRC or to obtain enforcement of a judgement in the PRC by a court of another jurisdiction. In addition, there is no assurance that our Group's businesses, operations and financial performance would not be adversely affected by delays in obtaining state approvals, permits and licenses, introduction of new laws, changes to existing laws or interpretations thereof, and pre-emption of provincial or local laws by national laws.

There is no assurance of the fulfilment or timely execution of undertakings, assurances, confirmations or other notices (collectively referred to as "Undertakings") given by the local, municipal or provincial governments in the PRC, for example, there may be special circumstances occurring in the future resulting in such Undertakings breaching newly issued policy or found to be against public policy, or the local governments being unable to fulfil its obligations under the Undertakings. Despite such Undertakings being legal and valid, there is no assurance that the PRC courts will enforce such Undertakings against the relevant local, municipal or provincial governments, for example, new laws, regulations or policies issued or promulgated may result in the cancellation or repeal of the existing laws or regulations under which the Undertakings were given. Accordingly, our Group's financial performance would be adversely affected if any Undertaking is not fulfilled or is not fulfilled on a timely basis.

### **We are subject to foreign exchange controls**

Pursuant to foreign exchange reforms, the conversion of RMB into foreign currencies is regulated by the State Administration of Foreign Exchange, which operates under the supervision of the PBOC. On 3 June 1999, the PBOC announced that all conversion of RMB will have to take place within the PRC (the Regulations on the Administration of Foreign Exchange Settlement, Payment and Sale was issued on 20 June 1996 by the PBOC and came into effect on 1 July 1996). In the event that there are changes to the current foreign exchange rulings with respect to current account transactions, our PRC subsidiaries might not be able to source sufficient foreign exchange to pay dividends or to satisfy their foreign exchange requirements.

Individual provinces or municipalities are allocated a limited amount of foreign reserves, which could result in an inability by the local banks to issue sufficient foreign currency (such as USD) for the distribution of dividends.

### **We are exposed to foreign exchange fluctuations**

Our Group's operations are conducted in the PRC and our revenues and expenses are matched and denominated in RMB while we have shareholders' loans denominated in USD and RMB. In addition, our financial statements are reported in SGD. As a result, we are exposed to foreign exchange translation risks as our overall financial performance is largely dependent on the foreign exchange rate ruling on the translation dates.

Any unfavourable fluctuations of RMB and/or USD against SGD would adversely affect the value of our net assets and income derived from our operations in the PRC.

### **Our operations are dependent on our ability to renew operating approvals, permits and licences**

Our Attractions have been granted business licences to operate the respective projects for fixed periods of between 40 and 50 years. These business approvals, permits and licences are subject to standard annual inspections and endorsements by the relevant authorities. Such inspections include matters relating to health, safety and fire precautionary measures. The failure to pass the annual inspections and withdrawal of the approvals, permits and licences would adversely affect our operations and financial performance.

---

## RISK FACTORS

---

### **RISKS RELATING TO OWNERSHIP OF OUR SHARES**

#### **There has been no prior market for our Shares and this offering may not result in an active or liquid market for these securities**

Prior to this Invitation, there has not been a public market for our Shares. Therefore, we cannot assure investors that an active public market will develop or be sustained after this Invitation. The Issue Price was determined by negotiations between the Manager, our Company and the Vendors and may not be indicative of prices that will prevail in the trading market. Investors may not be able to resell their Shares at or above the Issue Price. Volatility in the trading price of our Shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results.

#### **Control by our existing shareholders may limit your ability to influence the outcome of decisions requiring the approval of shareholders**

Upon the completion of this Invitation, the existing shareholders, SHPL, CPGC and SHKL, will have voting control in the aggregate of approximately 74.6% of our Company's enlarged share capital and, if they act together, will be able to significantly influence the aspects of our Company's affairs and business which require the approval of shareholders such as the election of Directors, capital restructuring and the entry into business ventures.

#### **Future sales or availability of our Shares may exert a downward pressure on our share price**

Any future sale or availability of Shares may exert a downward pressure on our share price. The sale of a significant amount of our Shares in the public market after the Invitation, or the perception that such sales may occur could have a material adverse effect on the market price of our Shares. These factors also affect our ability to sell additional equity securities. Except as otherwise described in the section entitled "*Moratorium*" on page 40 of this Prospectus, there are no other restriction on the ability of the shareholders to sell their Shares either on SGX-ST or otherwise.

---

## USE OF PROCEEDS

---

The net proceeds from the issue of the New Shares are estimated to be approximately \$41.5 million. The net proceeds represent the amount that we will receive after deducting \$4.5 million pursuant to the payment of underwriting and brokerage commissions, professional fees and other transaction expenses related to the Invitation.

We intend to use the net proceeds from the Invitation as follows:

- (a) approximately \$6.5 million will be used to develop CYG;
- (b) \$5.0 million will be used to partially repay our shareholders' loans;
- (c) approximately \$25.0 million will be used for expansion. We plan to undertake other projects in tourism-related businesses within the PRC and other parts of Asia. We have identified potential projects and will provide more information regarding these projects when details are finalised; and
- (d) the balance will be used for working capital purposes.

Please refer to the sections "*Strategies and Future Plans of SOA*" on pages 58 and 59, "*Strategies and Future Plans of CYG*" on page 66 and "*Strategies and Future Plans of our Group*" on page 69 of this Prospectus. As at the Latest Practicable Date, the shareholders' loans amount to \$13.6 million (please see "Capitalisation and Indebtedness" on page 38 of this Prospectus for details).

Pending the deployment of the net proceeds from the issue of the New Shares as aforesaid, the funds will be placed in short-term deposits or money market instruments as our Directors may deem fit.



---

## EXCHANGE RATES

---

The exchange rates used to translate the financial statements of our foreign subsidiaries as applied in this prospectus are as follows:

	<b>← RMB/\$ Rate →</b>	
	<b>Average</b>	<b>Closing</b>
6 months ended June 2003	4.739	4.714
FY2002	4.649	4.775
FY2001	4.623	4.486
FY2000	4.761	4.787

In certain parts of the Prospectus, we have translated RMB amounts into SGD for the convenience of potential investors of our Company. Unless otherwise noted, the exchange rate as at 30 June 2003 of 4.714 is used for the translation for RMB into SGD. The exchange rate for RMB/SGD as at the Latest Practicable Date is 4.868.

---

## DIVIDEND POLICY

---

We have not paid any dividends in the past and we currently do not have a fixed dividend policy.

We may declare annual dividends with the approval of our shareholders in a general meeting, but the amount of such dividends shall not exceed the amount recommended by our Directors. Our Directors may also declare an interim dividend from time to time.

We will pay future dividends as and when recommended by our Directors and approved by our shareholders. Any such dividend payments will be subject to the level of our future earnings, cash flow, financial condition, projected levels of capital expenditures and investment plans, including such legal or contractual restrictions as may apply from time to time. Such legal or contractual restrictions may include loan covenants and PRC statutory requirements on maintenance of reserves out of retained earnings that cannot be distributed as dividends.

For information relating to taxes payable on dividends, see “*Taxation*” on page 104 of this Prospectus.

---

## SHARE CAPITAL

---

Our Company was incorporated in Singapore on 25 April 2002 under the Companies Act as a private limited company under the name of Straco Corporation Private Limited. We were converted to a public limited company and our Company's name was changed to Straco Corporation Limited on 19 January 2004.

As at 30 June 2003, our authorised share capital was \$100,000 comprising 100,000 ordinary shares of \$1.00 each and our issued and paid-up capital was \$2.00 comprising 2 ordinary shares of \$1.00 each.

At an extraordinary meeting held on 18 July 2003, our shareholders approved, *inter alia*, the increase of our authorised share capital from \$100,000 divided into 100,000 shares of \$1.00 each to \$200,000,000 divided into 200,000,000 ordinary shares of \$1.00 each.

At a further extraordinary general meeting held on 12 January 2004, our shareholders approved, *inter alia*, the following:

- (a) the sub-division of each ordinary share of \$1.00 each in our authorised and issued share capital into 20 ordinary shares of \$0.05 each;
- (b) the conversion of our Company into a public limited company and the consequential change of name to Straco Corporation Limited;
- (c) the adoption of the Straco Scheme;
- (d) the adoption of a new set of Articles of Association;
- (e) that authority be given pursuant to Section 161 of the Companies Act to our Directors to allot and issue 177,000,000 New Shares which are the subject of the Invitation, on the basis that the New Shares when allotted, issued and fully-paid, will rank *pari passu* in all respects with the existing Shares; and
- (f) that authority be given pursuant to Section 161 of the Companies Act to our Directors to allot and issue shares and/or convertible securities at any time (whether by way of rights, bonus or otherwise) and upon such terms and conditions whether in cash or otherwise and for such purposes and to such persons as our Directors may in their absolute discretion deem fit provided that the aggregate number of shares and/or convertible securities to be issued pursuant to such authority does not exceed 50.0% of the post-Invitation issued share capital of our Company and provided that the aggregate number of shares and/or convertible securities to be issued other than on a pro-rata basis to our then existing shareholders of our Company shall not exceed 20.0% of the issued share capital of the post-Invitation issued share capital of our Company, and that such authority shall remain in force until the earlier of the following:-
  - (a) the conclusion of the next annual general meeting of our Company following the passing of the resolution by the shareholders at which time it shall lapse, unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; and
  - (b) the shareholders by ordinary resolution in a general meeting revoking or varying such authority.

For the purpose and pursuant to Rule 806(3) and Rule 806(4) of the SGX-ST Listing Manual, the post-Invitation issued share capital of the Company shall mean its enlarged issued and paid-up share capital after the Invitation after adjusting for the conversion of any convertible securities and employee share options on issue as at the date of passing of this resolution and any subsequent consolidation or sub-division of Shares.

---

## SHARE CAPITAL

---

As at the date of this Prospectus, there is only one class of issued shares in the capital of our Company, being ordinary shares of \$0.05 each. A summary of the Articles relating to the voting rights of shareholders is set out in Appendix II on pages II-8 and II-9 of this Prospectus. There are no founders, management, deferred or unissued Shares reserved for issuance for any purpose.

Details of changes in our issued and paid-up capital since 30 June 2003, being the date of the last audited financial statements of our Company and immediately after the Invitation, are as follows:

	Number of Shares	\$
Issued and fully paid ordinary shares of \$1.00 each as at 30 June 2003	2	2
Issue of new ordinary shares of \$1.00 each pursuant to the Restructuring Exercise	34,596,477	34,596,477
	<u>34,596,479</u>	<u>34,596,479</u>
Sub-division of each ordinary share of \$1.00 each into 20 ordinary shares of \$0.05 each	691,929,580	34,596,479
New ordinary shares of \$0.05 each to be issued pursuant to the Invitation	177,000,000	8,850,000
Post-Invitation share capital	<u>868,929,580</u>	<u>43,446,479</u>

## CAPITALISATION AND INDEBTEDNESS

The following table shows our cash and cash equivalents and capitalisation;

- (i) on an actual basis as at 30 June 2003; and
- (ii) on an actual basis as at 30 November 2003;
  - (a) as adjusted to reflect the stock split and the Restructuring Exercise; and
  - (b) as adjusted to give effect to the issue of 177,000,000 New Shares pursuant to the Invitation and the application of the net proceeds.

<b>\$'000</b>	<b>As at 30 June 2003 as adjusted for the stock split and the Restructuring Exercise</b>	<b>As at 30 November 2003 (unaudited)</b>	<b>As adjusted for the Invitation (unaudited)</b>
Cash and cash equivalents	16,220	23,840	65,360
Short term debt:			
Secured	–	8,349	8,349
Unsecured <sup>(1)</sup>	7,309	7,309	–
	7,309	15,658	8,349
Long term debt:			
Secured	39,456	30,474	30,474
Unsecured <sup>(1)</sup>	6,590	6,570	6,570
	46,046	37,044	37,044
<b>Total Borrowings</b>	<b>53,355</b>	<b>52,702</b>	<b>45,393</b>
<b>Minority interests</b>	<b>1,785</b>	<b>1,885</b>	<b>1,885</b>
Share capital and reserves:			
Share capital	34,597	34,597	76,116
Foreign currency translation reserves	440	(128)	(128)
Retained profits	901	2,747	2,747
<b>Interest of shareholders of the Company</b>	<b>35,938</b>	<b>37,216</b>	<b>78,735</b>
<b>Total capitalisation and indebtedness</b>	<b>107,298</b>	<b>115,643</b>	<b>191,373</b>

**Note**

- (1) The unsecured debts refer to shareholders' loans.

As at 30 June 2003, we have two term loans amounting to \$39.5 million and shareholders' loans of \$13.9 million. The term loans are secured against assets of SOACL and is payable by half-yearly instalments with the next instalment due on 21 July 2004 and the last instalment to be made in FY2005. The interest rates on the two term loans as at 30 June 2003 were 5.02% and 5.58% respectively.

Under the terms of the Assignment Agreement dated 18 July 2003 between our Company and SHPL and SHKL, the shareholders' loans of \$10.2 million assigned to our Company are interest free and are to be paid within 2 years from the date of the assignment. In addition, there is a loan of \$3.7 million granted to SOACL by CPGC, which is payable by quarterly instalment with effect from 2006. This loan is unsecured and interest free.

---

## CAPITALISATION AND INDEBTEDNESS

---

We intend to utilise \$5.0 million of the Invitation proceeds to partially repay the shareholders' loans (please see "Use of Proceeds" on page 32 of the Prospectus). Out of the shareholders' loan of \$10.2 million to our Company was an advance by shareholders of \$2.3 million to pay for listing expenses, which would be settled using the Invitation proceeds as part of the listing expenses.

As at the Latest Practical Date, we have two term loans amounting to \$38.2 million and shareholders' loans of \$13.6 million. The term loans are secured against assets of a subsidiary of our Group and is payable by half-yearly instalments with the next instalment due on 21 July 2004 and the last instalment to be made in FY2005. The interest rates on the two term loans as at the Latest Practical Date were 5.02% and 5.58% respectively.

### CONTINGENT LIABILITIES

As at the Latest Practicable Date, our Group does not have any unsecured contingent liabilities.



## SHAREHOLDERS

### OWNERSHIP STRUCTURE

The Shares held by our Directors and substantial shareholders do not carry different voting rights from the New Shares.

To the best of the knowledge, information and belief of our Directors and saved as disclosed below, our Company is not directly or indirectly owned or controlled by another corporation, government or other natural or legal person whether severally or jointly.

The substantial shareholders and Directors of our Company and their respective shareholdings immediately before and after the Invitation are set out below:

	Before the Invitation (as at the Latest Practicable Date)				After the Invitation			
	(Direct Interest)		(Deemed Interest)		(Direct Interest)		(Deemed Interest)	
	Number of ordinary shares	%	Number of ordinary shares	%	Number of ordinary shares	%		
<b>Director</b>								
Mr Wu Hsioh Kwang <small>(1) (2) (3)</small>	—	—	489,470,980	70.7			458,875,980	52.8
<b>Substantial shareholders</b>								
SHPL <sup>(1) (2)</sup>	345,480,440	49.9			314,885,440	36.2		
CPGC <sup>(4)</sup>	202,458,600	29.3			189,803,600	21.8		
SHKL <sup>(1) (3)</sup>	143,990,540	20.8			143,990,540	16.6		
Mdm Chua Soh Har <sup>(2) (3)</sup>	—	—	489,470,980	70.7			458,875,980	52.8
<b>Public <sup>(5)</sup> (including Reserved Shares)</b>	—	—			<b>220,250,000</b>	<b>25.4</b>		
<b>Total</b>	<b>691,929,580</b>	<b>100.0</b>			<b>868,929,580</b>	<b>100.0</b>		

#### Notes:

- Pursuant to section 4 of the Securities and Futures Act, Mr Wu Hsioh Kwang is deemed interested in the Shares held by SHPL and SHKL. Accordingly, Mr Wu Hsioh Kwang is also a substantial shareholder of our Company.
- SHPL is owned by Mr Wu Hsioh Kwang (85%) and Mdm Chua Soh Har (15%). Mdm Chua Soh Har is the spouse of Mr Wu Hsioh Kwang.
- SHKL is owned by Mr Wu Hsioh Kwang (70%) and Mdm Chua Soh Har (30%). Pursuant to section 4 of the Securities and Futures Act, Mdm Chua Soh Har is deemed interested in the Shares held by SHKL.
- CPGC is a PRC state-owned enterprise that is owned and supervised by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.
- Mr He Ping, Mr Guo Qiang, Mr Cheong Kok Fu, Mr Fu Xue Zhang, Mr Lee Eng Lock, Dr Choong Chow Siong, Mr George Huang Chang Yi and Mr Tay Siew Choon, who are non-Executive Directors, will each be offered 200,000 Reserved Shares. The aggregate number of Reserved Shares to be offered to all of them is 1,600,000 Shares. If they were to subscribe for the Reserved Shares, they may dispose of or transfer all or part of their Shares after the admission of our Company to the Official List of the SGX-ST.

Saved as disclosed above, none of our Directors and substantial shareholders are related to each other.

## SHAREHOLDERS

### SELLING SHAREHOLDERS

Details of the existing shareholders who will be selling their shares in the Invitation are set out below:

Name	Address	Position or Material relationship with our Company	Number of Shares offered	Number of Shares offered as a % of pre-Invitation share capital (%)	Number of Shares offered as a % of post-Invitation share capital (%)
SHPL	10 Anson Road #30-14 International Plaza Singapore 079903	Substantial Shareholder	30,595,000	4.4	3.5
CPGC	12/F POLY PLAZA, 14 Dongzhimen Nandajie Beijing, China 100027	Substantial Shareholder	12,655,000	1.8	1.5

### MORATORIUM

To demonstrate their commitment to our Group, our Company's substantial shareholders, namely SHPL, CPGC and SHKL, who will in aggregate hold 648,679,580 Shares in our Company, representing approximately 74.6% of our Company's enlarged issued and paid-up capital after the Invitation, have undertaken not to dispose of or transfer any part of their respective shareholdings in our Company for a period of six months from the date of our Company's admission to the Official List of SGX-ST and, for a further period of six months thereafter, not to dispose of or transfer more than 50.0% of their respective original interests (adjusted for any bonus issue or subdivision) in our Company which they had immediately after the Invitation.

Mr Wu Hsioh Kwang and Mdm Chua Soh Har, who in aggregate own 100.0% of both SHPL and SHKL, have each undertaken not to dispose of any part of their respective shareholdings in SHPL and SHKL for a period of twelve months from the date of our Company's admission to the Official List of the SGX-ST.

CPGC is a large state-owned enterprise, which is owned and supervised by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC ("SASAC"). Alliance Law Firm, our legal adviser on PRC law, has advised us that it is not possible for the SASAC to dispose of its ownership in CPGC by selling unless there is a material change in the current relevant PRC laws and policies. On that basis, we have sought a waiver from the SGX-ST in respect of Rule 228 of the Listing Manual to exempt SASAC from having to give an undertaking not to transfer or dispose of any of its interest in CPGC. SGX-ST has granted us a waiver from Rule 228 of the Listing Manual relating to SASAC's interests in CPGC subject to the condition that there be no change in the relevant PRC laws and policies governing SASAC's ability to dispose of its ownership in CPGC within the period of 12 months after admission of our Company to the Official List of the SGX-ST.

## DILUTION

Dilution is the amount by which the Issue Price paid by the subscribers of our Shares in this Invitation exceeds the NTA per Share after the Invitation. Our NTA per Share as at 30 June 2003 adjusted for the stock split and Restructuring Exercise before adjusting for the net proceeds from the Invitation and based on the pre-Invitation issued and paid up share capital of 691,929,580 Shares was 5.19 cents per Share.

Pursuant to the Invitation in respect of 177,000,000 New Shares at the Issue Price, our NTA per Share after adjusting for the estimated proceeds from the Invitation and based on the post-Invitation issued and paid-up share capital of 868,929,580 Shares would have been 8.91 cents. This represents an immediate increase in NTA per Share of 3.72 cents to our existing shareholders and an immediate dilution in NTA per Share of 17.09 cents or approximately 65.7% to our new investors.

The following table illustrates the dilution per Share:

	Cents
Issue Price per Share	26.0
NTA per Share as of 30 June 2003 (as adjusted for the stock split and Restructuring Exercise based on the pre-Invitation share capital of 691,929,580 Shares)	5.19
Increase in NTA per Share attributable to existing investors	3.72
NTA per Share after the Invitation	8.91
Dilution in NTA per Share to new public investors	17.09

The following table summarises as of the Latest Practicable Date the total number of Shares issued by us, the total consideration paid to us and the average price paid per Share by our existing shareholders and by our new investors in the Invitation.

	Number of Shares	%	Consideration (\$)	Average price Per Ordinary Share (Cents)
Existing shareholders	691,929,580	79.6	34,596,479	5.0
Less: Sale of Vendor Shares	(43,250,000)	(5.0)	(11,245,000)	(26.0)
New investors <sup>(1)</sup>	220,250,000	25.4	57,265,000	26.0
Total	868,929,580	100.0	80,616,479	9.3

**Note:**

- (1) This includes 1,600,000 Reserved Shares which our Company intends to offer to non-Executive Directors (please refer to note 1 of "Ownership Structure" on page 39 of this Prospectus).

## RESTRUCTURING EXERCISE

### RESTRUCTURING EXERCISE

Our Company undertook a restructuring exercise (the “Restructuring Exercise”) in preparation for our listing on the SGX-ST. The details of the Restructuring Exercise are set out below.

- (a) Pursuant to a Pre-Listing Shareholders’ Agreement dated 18 July 2003 between our Company (as purchaser) and SHPL, CPGC and STIC (as vendors) (collectively, the “Former Shareholders”), our Company agreed to purchase from the Former Shareholders (a) 100% of the issued share capital of IDM, (b) 95% of the issued capital of LLC, (c) 95% of the issued capital of SOACL, (d) 95% of the issued capital of ZTD, and (e) 70% of the issued capital of ZYRT. In payment of the consideration, our Company allotted and issued to the Former Shareholders its shares (“Consideration SCL Shares”) based on the audited NTA of the respective companies as at 31 December 2002 such that each of SHPL, CPGC and STIC will, on completion of the abovementioned purchase, hold 49.93%, 29.26% and 20.81% of SCL’s issued share capital respectively. Upon the divestment by STIC of its entire interest in our Company, STIC on 18 July 2003 irrevocably authorised and directed our Company to issue its portion of the Consideration SCL Shares to SHKL. In connection with the divestment of STIC’s interest in the Company, STIC transferred its rights in respect of loans granted to IDM, SOACL and ZYRT to SHKL. The Consideration SCL Shares of 17,274,020, 10,122,930 and 7,199,527 were subsequently issued to SHPL, CPGC and SHKL respectively on 27 October 2003. In addition, each of Mr Wu Hsioh Kwang and Mr Amos Ng transferred 1 ordinary share of \$1.00 each in the capital of the Company to SHPL.
- (b) As part of the Restructuring Exercise, our Company entered into various assignment agreements with the Former Shareholders pursuant to which the following loans were assigned to our Company. These loans are non-interest-bearing and are to be fully repaid within two years.

Details of Assignment	Loan Amount	Debtor	Assignors
Deed of Assignment dated 18 July 2003	(1) \$461,300 (2) \$67,596.21	IDM	(1) STIC <sup>(1)</sup> (2) Singapore Technologies Industrial Corporation Limited <sup>(1)</sup>
Deed of Assignment dated 18 July 2003	US\$1,200,000	SOACL	STIC <sup>(1)</sup>
Assignment Agreement dated 18 July 2003	(1) \$1,131,200 (2) US\$2,700,000	(1) IDM (2) SOACL	SHPL
Assignment Agreement dated 18 July 2003	\$649,160.72	IDM	Ringo Trading Limited <sup>(2)</sup>
Assignment Agreement dated 18 July 2003	US\$605,855.84	LLC	SHPL
Deed of Assignment dated 18 July 2003	US\$2,894,919	ZYRT	STIC <sup>(1)</sup>
Assignment Agreement dated 18 July 2003	US\$2,925,000	ZYRT	SHPL

Notes:

- (1) Both STIC and Singapore Technologies Industrial Corporation Limited are part of the Singapore Technologies group of companies. In connection with the divestment of its entire stake in our Company and pursuant to the assignments, our Company had agreed with STIC to repay the loans to SHKL.
- (2) Ringo Trading Limited is a subsidiary of CPGC.

---

## RESTRUCTURING EXERCISE

---

- (c) In connection with the ZYRT Divestment as described in paragraph (d) below, our Company entered into the following agreements:
- Re-assignment Agreement dated 27 September 2003 pursuant to which our Company re-assigned to SHKL the loan of US\$2,894,919 as described in paragraph (b) above.
  - Re-assignment Agreement dated 27 September 2003 with SHPL pursuant to which our Company re-assigned to SHPL the loan of US\$2,925,000 as described in paragraph (b) above.
- (d) On 27 September 2003, our Company entered into a Share Rights Transfer Agreement and a Share Rights Entrustment Agreement with Heng Sheng International Group (which is not related to any of the directors or substantial shareholders of our Company) pursuant to which our Company sold its 70% interest in the capital of ZYRT to Heng Sheng International Group at a consideration of US\$1.00 (the “ZYRT Divestment”). Under the terms of the Share Rights Transfer Agreement, Heng Sheng International agreed, *inter alia*, to cause the repayment to SHPL an amount of RMB33,887,800 in full and final settlement of the loans, as mentioned in paragraph (c) above, made by SHPL and SHKL to ZYRT.

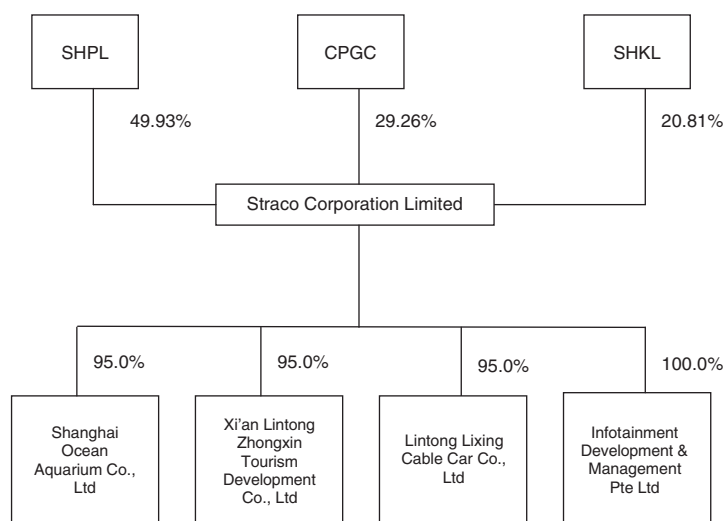
We acquired ZYRT for a nominal sum of \$3.00 pursuant to the Restructuring Exercise on 18 July 2003. The principal activities of ZYRT are the development and operation of a theme park in Zhengzhou, Henan Province.

ZYRT had been incurring losses since it commenced operations in 1998. Subsequent to the Restructuring Exercise on 18 July 2003, we received an offer from Heng Sheng International Group to acquire our entire interests in ZYRT. Having considered the offer and after taking into consideration the ongoing loss making operations of ZYRT and the long gestation period required for the project to realize its potential, we agreed to divest our entire interests in ZYRT to Heng Sheng International Group for a cash consideration of US\$1.00 and for Heng Sheng International Group to assume all the liabilities of ZYRT.

## GROUP STRUCTURE

### GROUP STRUCTURE

Our Group structure as at the date of this Prospectus is as follows:



The details of our Group as at the date of this Prospectus is 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	Investment Holding Company	10 Anson Road, #30-15 International Plaza, Singapore 079903	–
Shanghai Ocean Aquarium Co., Ltd	18 December 1995 PRC	Development and operation of aquatic-related facilities	No. 158, Yin Cheng North Road, Pudong New Area, Shanghai, PRC	95.0% (The remaining 5.0% is owned by CPGC)
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	95.0% (The remaining 5.0% is owned by Lintong Huaqing Investment Co., Ltd.)
Lintong Lixing Cable Car Co., Ltd	31 March 1992 PRC	Operation of cable car facilities	No. 25, Huaqing Road, Lintong, Xi'an, PRC	95.0%(The remaining 5.0% is owned by Lintong Huaqing Investment Co., Ltd.)
Infotainment Development & Management Pte Ltd	3 February 1996 Singapore	Provision of management and consulting services and overall project management to the Group and third parties	10 Anson Road, #30-15 International Plaza, Singapore 079903	100.0%



---

## GENERAL INFORMATION ON OUR GROUP

---

### HISTORY AND DEVELOPMENT OF OUR GROUP

Our Company was incorporated in Singapore on 25 April 2002 as a private limited company. Pursuant to the Restructuring Exercise, our Company became the direct holding company of SOACL, ZTD, LLC and IDM (please see “*Restructuring Exercise*” on pages 42 and 43 of this Prospectus).

Our Group is principally engaged in the development and operation of tourism-related attractions.

Our Group ventured into the development and operation of tourism-related attractions in the early 1990s. In response to the opening of the China market, we identified the opportunity for developing tourism-related projects in the PRC. Three FIEs were established to own, develop and operate various projects in the PRC. Summaries of the history of these subsidiaries are set out below.

#### *Shanghai Ocean Aquarium Co., Ltd*

In 1995, our then shareholders participated in an international tender exercise organised by Shanghai Lujiazui Finance and Trade Development Co., Ltd to develop and operate a world-class tourist attraction in LFT (please see “*Location of SOA*” for more details on LFT). Based on the results of the tender exercise, SOACL successfully won the mandate to develop and operate an ocean aquarium on the vacant plot next to the Oriental Pearl TV Tower in LFT for a period of 40 years commencing from 18 November 1997. SOACL was incorporated on 18 December 1995 as an FIE to exist for a period of 40 years. The ocean aquarium was eventually opened to the public on 7 February 2002. SOA exhibits more than 10,000 fishes and marine livestock of approximately 350 different species and houses one of the world’s longest underwater viewing tunnel at 155m in length.

#### *Xi’an Lintong Zhongxin Tourism Development Co., Ltd*

In 1995, our then shareholders were invited by the Lintong district government to participate in the reconstruction and development of the Hua Qing Palace from the Tang Dynasty at its original site on Lishan Mountain in the Lintong district of Shaanxi Province. ZTD was incorporated on 25 December 1995 as an FIE to exist for a period of 50 years for the purpose of developing and operating CYG. In addition, we have obtained exclusive permission from the PRC Cultural Bureau to display preserved relics unearthed from the CYG site on Lishan Mountain for 50 years commencing from 1995. CYG will consist of reconstructed replicas of some of the major buildings within the Hua Qing Palace. We intend to use hi-tech devices to produce special light and sound effects as well as Tang-style song and dance performances to showcase life during the Tang Dynasty. However, the development of CYG was delayed by the discovery and subsequent excavation of relics found on site and the relocation of a temple occupying the site until 2002. Consequently, our Group only obtained the certificate of land use rights in July 2003. The development of the project is underway and the project is expected to begin operations in the first quarter of 2006.

#### *Lintong Lixing Cable Car Co., Ltd*

In the early 1990s, as part of the Lintong district government’s overall plan to develop Lishan Mountain as a tourist destination, our then shareholders successfully secured the rights to develop and operate the only cable car service to ferry visitors up and down Lishan Mountain. Lishan Mountain is located in Lintong district in Shaanxi province and is approximately 30km from Xi’an city, which is the capital of Shaanxi. Lishan Mountain is the historical site of the Tang Dynasty’s Hua Qing Palace. LLC was incorporated on 31 March 1992 as an FIE to exist for a period of 50 years for the purpose of developing and operating the cable car. The cable car service began its operations in 1993. LLC was initially granted an operating licence for 15 years, which was subsequently extended to 30 years and then to 50 years. With the latest revision, the operating licence will expire in year 2042.

#### *Infotainment Development & Management Pte Ltd*

IDM was incorporated in Singapore on 3 February 1996 to provide overall project management for projects under the Group as well as management and consulting services such as market research and feasibility studies to our Group and third parties. IDM is also responsible for sourcing investment opportunities for the Group in the tourism-related industry.

---

## GENERAL INFORMATION ON OUR GROUP

---

### TOURISM INDUSTRY IN THE PRC

The Asia Pacific region entertained a record 130.6 million international tourists in 2002, which is an increase of 7.9% from the previous year (*Source: World Tourism Organisation News Release dated 27 January 2003*). According to World Tourism Organisation, China was ranked 5<sup>th</sup> in the world's top tourism destinations in 2001, with 33.2 million international tourist arrivals. The following table sets forth the increasing numbers of China's international tourist arrivals and tourism receipts from 2000 to 2002, based on information from the World Tourism Organisation.

<u>Year</u>	<u>International Tourist Arrivals</u>	<u>International Tourist Receipts</u>
	<u>No. of tourists</u> <u>('million)</u>	<u>US\$</u> <u>('billion)</u>
2000	31.2	16.2
2001	33.2	17.8
2002	36.8	20.4

The PRC government's efforts in opening up the China market, China's entry into the WTO, the 2008 Olympic Games to be held in Beijing, the 2004 Formula One Grand Prix and 2010 World Expo to be held in Shanghai are positive signs for further increases in tourist arrivals.

### SHANGHAI

The number of tourists from other provinces in China visiting Shanghai in 2002 was 68.0 million, up from 64.7 million in the previous year. Total spending by domestic tourists amounted to approximately RMB99.4 billion in 2002. The number of foreign tourists passing through the Shanghai customs reached a high of 2.7 million, which is an increase of 33.4% from the previous year. Foreign exchange earnings from international tourism amounted to US\$2.3 billion in 2002, representing a 25.8 percent increase from the previous year (*Source: Shanghai Municipal Statistics Bureau*).

### XI'AN

In Xi'an, there were approximately 17.5 million tourists in 2001. Of these, 16.9 million were domestic tourists from other parts of China, which is a 12.2% increase as compared to 2000. Foreign exchange earnings from international tourism amounted to US\$300 million in 2001, representing a 7.4% increase from the previous year (*Source: Xi'an Statistical Yearbook 2002*).

On the whole, the first half of 2003 saw international tourism being affected by the Iraq conflict and SARS. As a result of travel advisories issued by the WHO against certain locations in the country, and the travel curbs issued by the Chinese government, the PRC reported declines in tourist arrivals in the first half of 2003. In June 2003, WHO lifted these travel advisories. The China National Tourism Administration has since formulated new initiatives to rebuild inbound and outbound tourism with good service quality and amenities.

---

## GENERAL INFORMATION ON OUR GROUP

---

### SHANGHAI OCEAN AQUARIUM CO., LTD

#### INTRODUCTION TO SOACL

Shanghai is not endowed with natural attractions and has few major man-made attractions. As part of the city planning, the government has designated a section of LFT for the development of a cluster of tourist attractions. One of the first governmental initiatives was to call for an international tender in 1995 to develop and operate a world-class tourist attraction. Having won the tender, SOACL was set up to develop and operate an ocean aquarium next to Shanghai's landmark Oriental Pearl TV Tower.

The Aquarium was officially opened to the public on 7 February 2002. As at the Latest Practicable Date, SOA is the largest aquarium in Shanghai and is situated approximately 1km across the Huangpu River from The Bund.



Shanghai Ocean Aquarium (external) with Oriental Pearl TV Tower in the background

---

## GENERAL INFORMATION ON OUR GROUP

---

### LOCATION OF SOA

As the financial centre of China, Shanghai is the most modern and cosmopolitan city in the PRC. It is one of the four cities under the direct administration of the PRC Central Government and one of the most populated cities in the PRC with a population of approximately 13.3 million based on registered residents in 2002. The city has the highest GDP per capita in the PRC of RMB37,382 in 2001. GDP per capita grew another 8.7 percent to reach RMB40,646 in 2002. (*Source: Statistical Yearbook of Shanghai and State Statistical Bureau*).

On 1 January 1993, the Shanghai Pudong New Area Administration (“Administration”) was established with the support of the PRC Central Government. This Administration enjoyed relatively independent administrative power to develop Pudong New Area into a special economic zone. Within the Pudong New Area are four national development zones, namely LFT, Zhangjiang High-Tech Park, Waigaoqiao Free Trade Zone and Jinqiao Export Processing Zone. The Pudong New Area currently has a land size of approximately 533 km<sup>2</sup>.



Shanghai's skyline as viewed from The Bund towards  
the Oriental Pearl TV Tower and Pudong New Area

### INFRASTRUCTURE AND ACCESSIBILITY OF SOA

#### **Shanghai's Infrastructure**

Shanghai's two international airports, namely Hongqiao Airport at Puxi and the Pudong International Airport, serve more than 40 airline companies providing over 300 routes to over 30 cities worldwide. In addition, Hongqiao Airport and Pudong International Airport have domestic flights serving 46 and 21 cities in China respectively. There are many departing and arriving flights in a day to and from the major cities in China like Beijing, Guangzhou, Shenzhen and Dalian. There are more than 70 trains operating daily from Shanghai to and from various parts of China. In addition, there are daily coach services to and from major cities such as Suzhou, Nanjing, Hangzhou and Wuxi. Shanghai has 319 star-rated hotels with a total of approximately 53,800 rooms (*Source: Statistical Yearbook of Shanghai 2002*). Further, there are over 300 travel agencies offering tours conducted in numerous languages including English, German, French and Japanese.



---

## GENERAL INFORMATION ON OUR GROUP

---

### Accessibility of SOA

SOA is easily accessible by both private and public transport by land (via private vehicles, MRT, buses, taxis and The Bund Tourist Tunnel) and sea (via the ferry services from Puxi). There are numerous links between Puxi and Pudong New Area in the form of suspension bridges (Nanpu Bridge, Yangpu Bridge, and Lupu Bridge), river tunnels and ferry services across the Huangpu River.

The Bund Tourist Tunnel (观光隧道), which is situated along The Bund, provides automated carriages to transport passengers to the Pudong New Area via a tunnel under the Huangpu River. The journey takes less than 5 minutes. The exit of The Bund Tourist Tunnel at the Pudong New Area is approximately 10 minutes' walking distance from the Aquarium.

There is also an MRT station within 5 minutes' walking distance from the Aquarium.

### OVERVIEW OF SOA

#### Key Features

SOA is one of the largest indoor, closed-system aquariums in the world. Built to international standard with a designed capacity of approximately 21,000 visitors a day, the 5-level Aquarium covers approximately 12,000m<sup>2</sup> of land area. The total built-up area is about 20,000m<sup>2</sup>. SOA also features underwater viewing tunnels with a combined length of 155m, which is one of the longest in the world. The panoramic view (up to 270-degree) offered by the underwater viewing tunnel allows visitors to experience the fishes and marine life in close proximity. The underwater viewing tunnels were designed to provide visitors with a surreal experience of "exploring the ocean".

The Aquarium is divided into 8 zones with 28 themed exhibition areas, displaying an extensive collection of exhibits of more than 350 species and totalling more than 10,000 fishes and marine livestock from all over the world. Our exhibits include rare and exotic species.

SOA also has the following key features:

- 34 viewing tanks with a total capacity to hold approximately 6.3 million litres of water;
- A unique display concept where many of the viewing tanks showcase aquatic life in a habitat complete with landscape designed to simulate the place of origin;
- A travelator to transport visitors through the 155m underwater viewing tunnels giving them a wide-angle (up to 270-degree) view of aquatic life. At the same time, it creates for visitors a sensation of "walking among the aquatic life";
- A souvenir shop selling a wide variety of merchandise associated with aquatic life such as soft-toys and books; and
- A food and beverage outlet serving various oriental and western cuisines.

---

## GENERAL INFORMATION ON OUR GROUP

---

The following are some photographs taken of SOA:



A diver inside the viewing tank



270-degree view offered by the travelator

---

## GENERAL INFORMATION ON OUR GROUP

---

### Layout of the Aquarium

SOA's theme, "Across Continents – Through the Worlds of Water", offers an entertaining and educational experience on aquatic life. The layout of SOA comprises 8 "zones", namely China Zone, Amazon Zone, Australian Zone, African Zone, Coldwater Zone, Polar Zone, Sea & Shore Zone and Deep Ocean Zone. Each "zone" features exhibits which are unique to their respective regions and include both rare and exotic species.

The journey through the Aquarium starts with the China Zone on the third level and ends with the Deep Ocean Zone in basement two. As visitors move through the various "zones", they experience the sensation of "descending deeper into the ocean", culminating in the sensation of "walking among the fishes and marine life".



View from an underwater tunnel

Throughout the tour, visitors are immersed in sights and sounds that simulate the original natural environment of the exhibits so as to provide a sense of realism.



---

## GENERAL INFORMATION ON OUR GROUP

---



China Zone



Sea and  
Shore Zone

Deep Ocean Zone



---

## GENERAL INFORMATION ON OUR GROUP

---

African Zone



Polar Zone



Amazon Zone



---

## GENERAL INFORMATION ON OUR GROUP

---

### **The Marine Education Centre**

The Marine Education Centre has a seating capacity of 200 people and screens on a daily basis marine-related programmes. These programmes are provided by the National Geographic Society to SOA free of charge. There is also a touch-pool that contains baby leopard sharks, baby sea turtles, starfishes as well as other fishes and a mobile marine laboratory to educate students.

Since SOA began operations in February 2002, it has conducted many programmes for students through the Marine Education Centre. In addition, SOA publishes training materials and guidebooks for students and teachers. SOA also organises many exhibitions to introduce aquatic life and marine conservation to students and the public.

Presently, SOA has been accredited as a National Marine Education Base (awarded by China Marine Society) since 2002 and as a Shanghai Municipal Science Education Base (awarded by Shanghai Municipal Education Bureau and Shanghai Municipal Science and Technology Bureau) since 2003.

### **Aquarium Development and Maintenance Works**

During the development stage, we engaged Living Ocean International Pty. Ltd., an Australian company with an established track record in oceanarium and aquarium development to provide a turnkey solution in the development of the Aquarium, including the design and development of the LSS, the standard operating manuals, the maintenance programme of the LSS, the aquarium quarantine system and the aquarium laboratory.

As SOA does not have ready access to natural seawater, the LSS is crucial in reproducing the delicate aquatic conditions critical for sustaining our fishes and marine exhibits as they are generally sensitive to their living conditions. Factors that affect the fishes and marine livestock's living conditions include level of salinity, temperature, toxic chemicals, metabolites, sound and vibration, water quality, pressure, lighting and the presence of respiratory gases. The LSS includes a filtration system to trap and control harmful waste materials that circulate in the seawater.

Further, to prevent introduction of viruses and diseases to the existing exhibits, we quarantine and observe newly acquired fishes and marine livestock for an average period of four weeks in our quarantine tanks before we introduce them into the viewing tanks. The quarantine tanks also help to acclimatise the newly acquired fishes and marine livestock to their new habitat. This will help to reduce incidences of viruses and diseases as fishes and marine livestock are very susceptible to viruses and diseases when stressed. Also, the filtration system for each quarantine and viewing tank is on a stand-alone basis to prevent any cross-contamination between tanks.

### **TARGET MARKET OF SOA**

During its first year of operations (February to December 2002), SOA received approximately 1.4 million visitors including domestic and foreign visitors. The peak seasons for SOA, as with all other tourist attractions in China, are during the Golden Week Holidays.

#### **Primary Target Market**

SOA's primary target market is the domestic tourist market derived from the following geographical regions:

- (1) Shanghai
- (2) Zhejiang and Jiangsu provinces (surrounding Shanghai)
- (3) The rest of China

---

## GENERAL INFORMATION ON OUR GROUP

---

### Shanghai

In 2002, the registered population of Shanghai was approximately 13.3 million, while the number of domestic tourists from other parts of China was approximately 68.0 million. (*Source: Shanghai Statistical Yearbook 2002*)

In 2002, Shanghai had a per capita GDP of RMB40,646, which was one of the highest in China. The average per capita disposable incomes for urban and rural households in China were RMB13,250 and RMB6,212 respectively. (*Source: Shanghai Statistical Yearbook 2002*)

Per capita annual consumption expenditure on education, cultural and recreation by the urban and rural households increased over a 12-year period from 1990 to 2002 by a CAGR of 17.9% and 22.3% respectively. (*Source: Shanghai Statistical Yearbook 2002*)

### Zhejiang and Jiangsu provinces

Zhejiang and Jiangsu are the two provinces closest to Shanghai and the majority of the cities in these provinces are within four hours of land transportation to Shanghai. Both provinces have populations of approximately 46.5 million and 73.8 million respectively. In 2002, the per capita GDP for Zhejiang and Jiangsu provinces were approximately RMB16,570 and RMB14,397 respectively (*Source: Zhejiang and Jiangsu Provincial Bureaus of Statistics*).

### The rest of China

In 2002, China had a GDP of RMB10,239.8 billion, which was an increase of 8.0% as compared to that in 2001 (*Source: National Bureau of Statistics of China*). The GDP of China is expected to grow by 7.5% annually in the next four years till 2006. Excluding Shanghai and Zhejiang and Jiangsu provinces, the per capita GDP for the rest of China was RMB8,169 in 2002. The rising affluence and increasing standards of living in China would provide the basis for growth in domestic tourism.

### Secondary Target Market

SOA's secondary target market comprises foreign visitors visiting Shanghai. The number of foreign visitors to Shanghai was about 2.7 million in 2002, representing a 33.4% increase as compared to 2001. These foreign visitors stayed an average of 3.6 days in Shanghai in 2002 (please refer to "*Tourism Industry in the PRC*" on page 46 of this Prospectus). (*Source: Shanghai Statistical Yearbook 2002*)



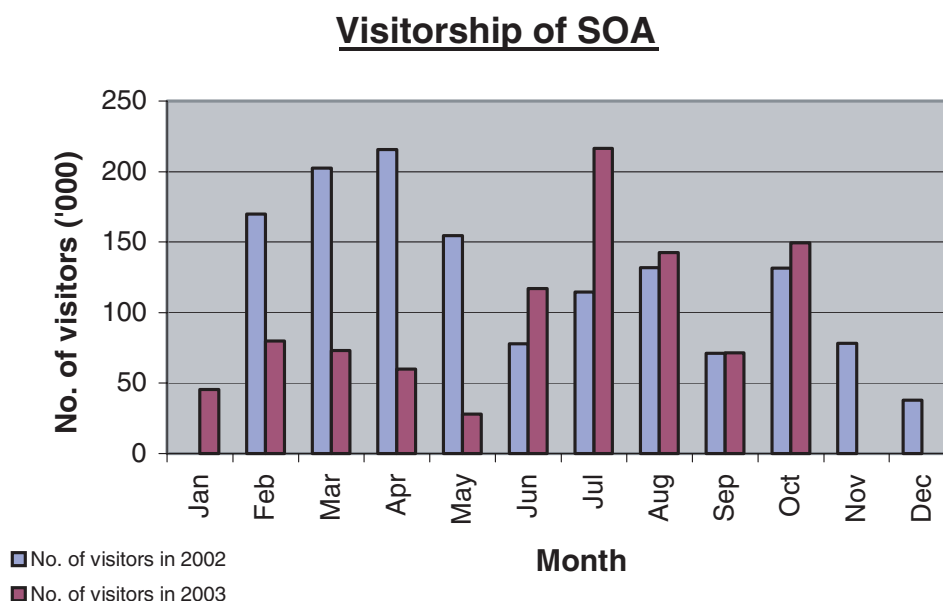
---

## GENERAL INFORMATION ON OUR GROUP

---

### VISITORSHIP OF SOA

The graph below illustrates the monthly number of visitors to SOA since it commenced operations in February 2002.



From February to May 2002, SOA received more than 150,000 visitors each month. The strong visitorship numbers can be largely attributed to the advertising and promotional activities during the launch of the Aquarium. In addition, this period coincided with the schools' spring excursions in April and the Golden Week Holiday in May which begins on Labour Day. Low visitorship towards the end of 2002 was due to the start of the winter season in China.

The lower number of visitors in the first five months of 2003 was mainly due to SARS. The internal travel curbs issued by the Chinese government and the travel advisories issued by the WHO against certain locations in China, as a precautionary measure against SARS, contributed to the low visitorship from January to May 2003. In June 2003, WHO lifted its travel advisories and the number of visitors to SOA increased between June and October 2003 to even higher levels as compared with the same periods in 2002.

### MARKETING AND PROMOTION OF SOA

We aim to promote SOA as a world-class ocean aquarium providing a unique, enriching and educational experience to visitors. In 2002, SOA's visitorship profile consisted of walk-in customers, companies, referrals from travel agencies and students, which accounted for 58.1%, 12.7%, 9.7% and 19.5% respectively of the total number of visitors to SOA.

Our marketing and promotional activities include the following:

- Obtain positive media coverage on SOA, especially on special events, through press releases and media news coverage. Such events may include the arrival of rare exhibits, visits by foreign dignitaries and anniversary celebrations;
- Deploy media dollars effectively to create maximum awareness in our target markets such as advertising on popular modes of public transport including buses and trains, TV, and through posters and pamphlets at strategic locations including hotels and airports;
- Develop a bilingual corporate website, providing information on latest events and promotions. In addition, the website will also provide information on existing and new aquatic exhibits. The website is also an important tool for us to gather visitor feedback and to provide the latest information on promotional activities;

---

## GENERAL INFORMATION ON OUR GROUP

---

- Collaborate with other major attractions in Shanghai such as the Oriental Pearl TV Tower and the Jin Mao Building through joint marketing programmes;
- Organise special events to increase awareness of and to promote SOA. Such events may include treasure hunt contests and themed maritime and marine exhibitions;
- Market SOA as a venue for corporate events such as annual dinner and dances, product launches and staff incentive trips (e.g. family day). Presently, we have a dedicated sales team to service this market segment;
- Tie-up with traditional sales channels such as travel agencies and tourist organisations including the Shanghai Tourism Bureau to establish a wider distribution network for our ticket sales to target groups. Currently, we have a dedicated sales team focusing on developing and expanding this area; and
- Collaborate with education ministries to organise educational field trips and programmes for schools. These programmes may include summer and winter camps, night camps, and mobile exhibitions and talks at schools.

### MAJOR SUPPLIERS OF SOA

Our main purchases are ingredients for the manufacture of artificial seawater, fishes and marine livestock, merchandise for sale and food and beverage supplies.

Our suppliers who accounted for 5% or more of our purchases in FY2002 include Cairns Marine (10%), Shark Aquarium (8%), Dynasty Marine (8%) and Ang Fishery (7%). Our purchases of fishes and marine livestock from these suppliers are for exhibition and not for resale.

Our Group does not depend on a single supplier for our fishes and marine livestock, merchandise for sale, and food and beverage supplies. We do not enter into long-term supply contracts for these purchases. These supplies can be easily sourced from alternative suppliers. We purchase from suppliers who are able to offer us the best terms and the required quality.

### MAJOR CUSTOMERS OF SOA

None of our customers accounted for 5% or more of our sales in FY2002.

### COMPETITORS OF SOA

Our only direct competitor in Shanghai is Chang Feng Ocean World ("Chang Feng"), which is situated in the western suburbs of Shanghai and approximately 10km from The Bund. Chang Feng commenced operations in June 1999 and has a 30m travelator.

SOA is located in close proximity to other popular tourist attractions. Although these attractions compete for the same tourist dollar, they complement our operations by forming a cluster of tourist attractions in the vicinity. In addition, we have joint marketing and promotional activities with some of these tourist attractions, such as offering joint ticketing packages to multiple tourist attractions. Some of these tourist attractions include the following:

(i) Oriental Pearl TV Tower 东方明珠电视塔

The Oriental Pearl TV Tower is a landmark in Shanghai. Standing at approximately 468m, the Oriental Pearl TV tower is the tallest TV tower structure in Asia and one of the tallest in the world. The Oriental Pearl TV Tower provides a panoramic view of the city.

---

## GENERAL INFORMATION ON OUR GROUP

---

(ii) Jin Mao Building 金茂大厦

Standing at about 421m, the 88-storey Jin Mao Building is the fourth tallest building in the world. The building houses Grand Hyatt Shanghai, which is the tallest hotel in the world, as it occupies the top 35 floors of the Jin Mao Building. Like the Oriental Pearl TV Tower, visitors to the Jin Mao Building can enjoy an unobstructed view of the city.

### COMPETITIVE STRENGTHS OF SOA

***SOA is strategically located to benefit from heavy tourist traffic***

SOA is situated within LFT. It directly faces The Bund from across the Huangpu River. SOA is also within walking distance from the Oriental Pearl TV Tower and the Jin Mao Building. As such, SOA is able to tap into the flow of visitors to these attractions.

***SOA is easily accessible***

As mentioned under “Infrastructure and Accessibility of SOA” on pages 48 and 49 of this Prospectus, the central location of SOA in the LFT and the established transport system in Shanghai makes SOA easily accessible via various modes of transportation such as public buses, taxis, The Bund Tourist Tunnel and ferry. There is also an MRT station within 5 minutes’ walking distance from the Aquarium.

***High barriers of entry for potential competitors***

The prime location of SOA and its timely entry into Shanghai have created high barriers of entry for potential competitors seeking to leverage on the established flow of visitors to the vicinity of SOA. Further, the high development, research and construction costs for an aquarium having the size and quality of SOA will also present substantial entry barriers to potential competitors.

***International recognition of SOA***

Within a short span of less than 2 years since opening, SOA has gained recognition as a quality aquarium. It won the bid to host the 7<sup>th</sup> International Aquarium Congress (“IAC”) in 2008. SOA will be the first public aquarium in China and South-east Asia to host such an event.

Since its creation in 1960 in Monaco, the IAC meeting has become a major international event providing a forum for public aquarium operators in the world to exchange information and experience, as well as to promote the industry.

The past two decades have been a time of tremendous growth for public aquariums around the world. In 1996, it was decided that the IAC would be held once in every four years in selected countries around the world. To date, there had been 5 IACs held, each graced by renowned personages. At the 4<sup>th</sup> IAC in Japan, Japan’s Emperor Akihito and his royal family were invited as guests of honour.

Notwithstanding strong competition from famous public aquariums in countries like Japan, Italy, South Africa and other aquariums in China, SOA was awarded on 27 November 2002 the honour to host the 7<sup>th</sup> IAC in 2008.

### STRATEGIES AND FUTURE PLANS OF SOA

Our Group has identified the following future plans for SOA:

(i) Maintain a wide variety of both fishes and marine exhibits

We have put in place a program to source for new fishes and marine exhibits.



---

## GENERAL INFORMATION ON OUR GROUP

---

(ii) Collaboration with other aquariums and related organisations around the world

We plan to collaborate with other aquariums and related organisations all over the world and arrange for exchanges of fishes and marine exhibits to broaden the variety of exhibits at SOA. These exchanges will help contribute to the appreciation and discovery of aquatic life all over the world and at the same time, provide a source of new exhibits for SOA.

Further, we plan to form alliances with research and educational institutions to undertake aquatic and marine research and to promote the appreciation of aquatic and marine life and conservation.

(iii) Joint marketing with neighbouring attractions

We plan to continue with and to expand our existing joint marketing efforts with other major attractions in Shanghai, such as The Bund Tourist Tunnel, Oriental Pearl TV Tower and Jin Mao Building, to achieve a win-win situation for all parties.

(iv) Expansion through development and acquisitions

We are exploring opportunities to develop aquariums in Asia and acquire other aquariums or their management rights. With our experience and expertise, we intend to grow our business through such strategies.

(v) Maximise revenue sources

Our strategy is to expand our existing range of merchandise in our souvenir shop to increase our revenues. We are planning to develop a new range of merchandise under our SOA brand name including home decor items, stationery, apparels, toys and jewellery.

(vi) Proposed development of Marine Mammal Park

SOA is currently exploring the development of a Marine Mammal Park as an extension of the present SOA. Under the conceptual plans, the proposed Marine Mammal Park and the existing aquarium would provide a wide range of exhibits and programmes, including marine mammal shows and opportunities to interact with such marine mammals. Our Directors believe that a Marine Mammal Park will serve to complement and enhance SOA's operations and reputation as an integrated world-class aquarium.

---

## GENERAL INFORMATION ON OUR GROUP

---

### **XI'AN LINTONG ZHONGXIN TOURISM DEVELOPMENT CO., LTD (“ZTD”)**

#### INTRODUCTION TO CYG

In 1993, LLC was incorporated to operate a cable car service to ferry visitors from the base of Lishan Mountain to the mid-level of the mountain. The cableway is about 1,500m long and a one-way trip takes about five to ten minutes. The cable car service is capable of transporting about 1,200 passengers per hour.

LLC will be an integral part of the operations of CYG (references to CYG include LLC).

Realising the tourism development potential of Lishan Mountain, ZTD was established in 1995 to develop and operate CYG. CYG will be a historical and cultural theme park featuring reconstructed replicas of some of the major buildings within the Hua Qing Palace on Lishan Mountain in the Lintong district of Shaanxi Province. CYG will occupy a land area of about 43,010m<sup>2</sup> leveraging on the rich historical and cultural prominence of the Lintong district and its surrounding area including Shaanxi's capital city, Xi'an.

The reconstructed historical buildings will showcase the unique architectural structures of the Tang Dynasty, the golden era in Chinese history, at their original sites. In addition, CYG has obtained exclusive permission from the State Administration of Cultural Heritage of the PRC to display relics unearthed from the CYG site on Lishan Mountain. CYG is expected to be completed in the first quarter of 2006.

#### HISTORICAL AND CULTURAL SIGNIFICANCE

Along with Rome and Athens, Xi'an is one of the ancient capitals of the world. Xi'an is a natural museum of priceless relics and historical monuments that showcase the history of China as the city had witnessed 12 feudal dynasties built over 30 centuries, which eventually ended with the fall of the Tang dynasty in 10<sup>th</sup> century A.D.

The Shaanxi province has an extensive array of historical and cultural sites and artefacts representing various historical periods of China's history. The province is ranked first in the national list for density, quantity and grade of cultural relics. (*Source: China Council for the Promotion of International Trade*).

Historical records and unearthed relics have enabled archaeologists to conclude that humans have inhabited Lishan Mountain and its surrounding area for approximately the last 6,000 years. In addition, several dynasties had built their palaces on Lishan Mountain, some of which were built over 2,800 years ago. Currently, none of these palaces still exist. Some of the earliest natural hot spring bathhouses have also been unearthed at the foot of Lishan Mountain. The burial site of Emperor Liu Qi, the fourth Emperor of the Western Han Dynasty (206 B.C. to 25 A.D.), was recently discovered about 20km from Xi'an city.

---

## GENERAL INFORMATION ON OUR GROUP

---

Approximately 10 minutes' drive from Lishan Mountain is the resting place of Emperor Qin Shihuang. In 221 B.C., Emperor Qin united China after having conquered the other six feudal states, and brought an end to the riotous Warring States period (476 B.C to 221 B.C.). Subsequently, he established the Qin Dynasty (221 B.C. to 206 B.C.) and called himself Shi Huang Di (First Emperor), historically known as Qin Shihuang or the First Emperor of the Qin Dynasty. Approximately 1.5km east of Emperor Qin Shihuang's Mausoleum is the Terracotta Warriors Museum. The terracotta warriors and horses are arranged in battle formations of the imperial guards during the Qin Dynasty and are considered as one of the significant archaeological excavations of the 20<sup>th</sup> Century.



Terracotta Warriors

During the Han (206 B.C. to A.D.220) and Tang Dynasties, Xi'an was an important international economic and cultural link between China and other surrounding countries. The famous "Silk Road", a crucial link between the east and west, was formed when Zhang Qian, a diplomat during the Han Dynasty, successfully created alliances with and developed a trading route to the west.

The Tang Dynasty, with its capital at Chang'an (currently known as Xi'an), was regarded as the high point in Chinese civilisation. The Tang Dynasty was the golden age of literature and art. Buddhism flourished during the Tang Dynasty and became a permanent part of Chinese culture. Block printing was invented, making the written word available to greater audiences. Confucian literature was also perfected during this dynasty. Emperor Tang Minghuang (who reigned from A.D.712 – A.D.756) was an outstanding patron of the arts. During Emperor Tang Minghuang's sixth year reign as ruler, he started to extend existing palace structures on Lishan Mountain. He constructed new palace buildings on Lishan Mountain and transformed hot springs into bathing pools for his concubine, Yang Guifei (one of the four legendary beauties in Chinese history). Emperor Tang named the extended palace buildings as "Hua Qing Palace".

In modern history, Lintong is well known for being the place where Chiang Kai Shek (1887 – 1975), the leader of the Kuomintang or the Nationalist Party of China, was detained in 1936 (the "Xi'an Incident") and forced to co-operate with the communists to fight against the Japanese invasion.

---

## GENERAL INFORMATION ON OUR GROUP

---



Hua Qing Pool

### LOCATION OF CYG

CYG is located midway up Lishan Mountain in the Lintong district of the Shaanxi Province. It is about 30km from Shaanxi's capital city, Xi'an. Shaanxi Province is situated in the heart of China and it borders Inner Mongolia, Shanxi, Henan, Hubei, Sichuan, Gansu and Ningxia. As the Yellow River runs across the province, Shaanxi is considered as one of the important cradles of ancient Chinese civilisation.

### INFRASTRUCTURE OF SHAANXI

Shaanxi has more than 120 tourist agencies with more than 2,000 tour guides who are conversant in numerous languages, including English, Japanese, French, German, Italian, Korean and Vietnamese. There are more than 90 hotels with over 16,000 rooms that cater to visitors to Shaanxi. The provincial government has also established a transport network that extends to and from Xi'an in all directions. (*Source: Xi'an Statistical Yearbook 2002*)

Xi'an Xianyang International Airport, which was newly enlarged, is the largest hub for air transport in the northwest region of China with an average annual load of 240,000 flights and average annual turnover of 23.5 million passengers. The Xi'an railway station is also the largest hub for railway transport in the northwest region of China with 11 trunk and feeder railway lines across the province.

Further, there is a highway system connecting Xi'an to its surrounding cities and provinces.



---

## GENERAL INFORMATION ON OUR GROUP

---

### OVERVIEW OF CYG

CYG will consist of reconstructed replicas of some of the major buildings within the Hua Qing Palace at their original sites. In addition, ZTD has obtained exclusive permission from the PRC Cultural Bureau to display preserved relics unearthed from the CYG site on Lishan Mountain for 50 years commencing from 1995.

The buildings to be erected within CYG are the famous Chao Yuan Ge (Chao Yuan Pavillion), Chang Sheng Dian (Longevity Palace), Wang Jing Lou (Observatory Tower), Bai Liao Ting (Hundred Officials Hall) and Li Zhi Lou (Lychee Tower). The estimated cost of developing CYG is US\$8 million. The development cost will be funded using the existing US\$3.75 million equity in ZTD, \$6.5 million from the Invitation proceeds, and the remaining balance of approximately \$0.7 million from either internally generated resources or external borrowings.



An artist's Impression of CYG

A description of the buildings at CYG is as follows:

(i) Chao Yuan Ge (Chao Yuan Pavillion) 朝元阁

The grandiosity of Chao Yuan Ge was depicted in Tang poetry. Emperor Tang Minghuang, who was a devout Taoist, built the original pavilion on one of the peaks of the Lishan Mountain range in an attempt to meet supernatural beings. Our proposed reconstructed pavilion will have a built-up area of about 1,250m<sup>2</sup> and will house an exhibition hall on its first storey to illustrate the history of Lao Tze, who is regarded as the founder of Taoism. The second storey will display excavated relics and walls decorated with carvings and paintings.

(ii) Chang Sheng Dian (Longevity Palace) 长生殿

Chang Sheng Dian was documented in a well-known poem about the rendezvous of Emperor Tang Minghuang and his favourite concubine Yang Guifei. The single-story building with a proposed built-up area of about 600m<sup>2</sup> will be the main attraction of CYG. Using modern technology that produces special light and sound effects, its interior will display a series of scenes depicting the famous love story of Emperor Tang Minghuang and Yang Guifei.

---

## GENERAL INFORMATION ON OUR GROUP

---

(iii) Bai Liao Ting (Hundred Officials Hall) 百僚厅

Bai Liao Ting, which used to be the resting place for the accompanying officials of Emperor Tang, with a proposed built-up area of about 400m<sup>2</sup>, will house souvenir shops, and food and beverage outlets providing unique dishes from the Tang Dynasty era. In addition, there will also be fast-food restaurants, snack counters and teahouses.

(iv) Wang Jing Lou (Observatory Tower) 望京楼

Wang Jing Lou will be a three-storey tower with a proposed built-up area of about 600m<sup>2</sup>. The first storey will be a dancing hall for troupes to perform classical dances from the Tang Dynasty era. Retail shops will be located on the second storey while the third storey provides a view of Xi'an city. The compound in front of the building will be used for parades and street performances.

(v) Li Zhi Lou (Lychee Tower) 荔枝楼

This two-storey building is famous for the story of Yang Guifei and her favourite fruit, lychee. With a proposed area of about 400m<sup>2</sup>, it will be used as a souvenir and retail shop for paintings and calligraphy.

### TARGET MARKET OF CYG

Xi'an is one of the seven cities most frequented by visitors in the PRC. Xi'an attracted 17.5 million visitors in 2001, out of which 0.7 million were foreign visitors (*Source: Xi'an Statistical Yearbook 2002*).

#### **Primary Target Market**

CYG's primary target market comprises domestic tourists from all parts of China. In 2001, approximately 16.9 million domestic tourists visited Xi'an (please refer to "*Target Market of SOA*" on page 55 for further information on the potential domestic tourist market). (*Source: Xi'an Statistical Yearbook 2002*)

#### **Secondary Target Market**

CYG's secondary market comprises foreign visitors visiting Xi'an. The number of foreign visitors to Xi'an was about 0.7 million in 2001, representing a 3.3% increase as compared to 2000. In addition, the foreign visitors stayed an average of 2.4 days in Xi'an in 2001 (please refer to "*Tourism Industry in the PRC*" on page 46 of this Prospectus). (*Source: Xi'an Statistical Yearbook 2002*)

### MARKETING AND PROMOTION OF CYG

We aim to promote CYG as a "must see" cultural attraction using hi-tech devices to produce special light and sound effects and leveraging on the rich historical and cultural significance of Xi'an city and the Lintong district. We expect to engage in the following marketing and promotional activities:

- Obtain positive media coverage on CYG, especially on special events through press releases and media news coverage. Such events may include opening day and anniversary celebrations.
- Deploy media dollars effectively to create maximum awareness in our target markets by advertising on popular modes of public transport including buses and trains, TV and through posters and pamphlets at strategic locations including hotels and airports.
- Develop a bilingual corporate website providing information on latest events and promotions. In addition, the website will also provide information on the rich cultural history of Xi'an. The website is also an important tool for us to gather feedback from visitors and to provide the latest information on promotional activities.

---

## GENERAL INFORMATION ON OUR GROUP

---

- Tie-up with traditional sales channels such as travel agencies and tourist organisations including Shaanxi Tourism Board to establish a wider distribution network for our ticket sales to target groups.
- Collaborate with other major attractions in the vicinity such as the Terracotta Warriors Museum, the Hua Qing Pool and Emperor Qin Shihuang's Mausoleum through joint marketing programmes.

### COMPETITORS OF CYG

The majority of our competitors are cultural and historical sites located around Xi'an. The following list of competitors are mainly involved in the management of tourism-related and cultural venues. While these competitors compete for the same tourist dollar, they also complement our operations by forming a cluster of tourist attractions in the vicinity. In addition, we may have joint marketing and promotional activities with some of these tourist attractions.

(i) Terracotta Warriors Museum

Located about 10 minutes' drive east of CYG, the Terracotta Warriors Museum is the most popular attraction in Shaanxi. It attracted approximately 2.0 million and 2.1 million visitors in 2001 and 2002 respectively. (Source: *Lintong District Tourism Office*)

(ii) Hua Qing Pool

The restored Hua Qing Pool was originally built by Emperor Tang Minghuang for his concubine Yang Guifei. Hua Qing Pool was part of the original Hua Qing Palace. Situated at the foot of Lishan Mountain, Hua Qing Pool had about 1.3 million visitors in each of 2001 and 2002. (Source: *Lintong District Tourism Office*)

(iii) Emperor Qin Shihuang's Mausoleum

Approximately 10 minutes' drive from Lishan Mountain is Emperor Qin Shihuang's mausoleum, which occupies an area of about 56.3km<sup>2</sup> (please refer to "*Historical and Cultural Significance*" on pages 60 and 61 for more details). It attracted about 0.6 million visitors in both 2001 and 2002 respectively. (Source: *Lintong District Tourism Office*)

### COMPETITIVE STRENGTHS OF CYG

#### ***CYG is strategically located to attract visitors***

Visitors are attracted to Xi'an as it is regarded as one of the most important cradles of ancient Chinese civilisation (please see "*Historical and Cultural Significance*" on pages 60 and 61 of this Prospectus). CYG is close to various historical and cultural landmarks such as Hua Qing Pool, Emperor Qin Shihuang's Mausoleum and the Terracotta Warriors Museum. In fact, CYG is located next to Hua Qing Pool. As such, CYG will be able to leverage on its close proximity to these cultural and historical landmarks and tap into the flow of visitors to these attractions.

#### ***CYG will showcase replicas of major buildings from the Tang Dynasty at their original sites***

Visitors to CYG will be able to see reconstructed replicas of major buildings from the Tang Dynasty at their original site on Lishan Mountain. Further, we intend to use high-tech devices to produce special light and sound effects to enable visitors to experience life during the Tang Dynasty. In addition, visitors will be able to interact with actors dressed in period costumes, sample food and enjoy cultural performances of the Tang era.

#### ***High barriers of entry for potential competitors***

CYG sits on the site where the original Hua Qing Palace was located. Furthermore, CYG has been given the rights to display relics unearthed from the CYG site on Lishan Mountain. A combination of these factors will prevent potential competitors from embarking on a similar project.



---

## GENERAL INFORMATION ON OUR GROUP

---

### STRATEGIES AND FUTURE PLANS OF CYG

Our Group has identified the following future plans for CYG:

(i) Joint marketing with neighbouring attractions

We will leverage on our close proximity to established attractions such as the Terracotta Warriors Museum, Hua Qing Pool and Emperor Qin Shihuang's Mausoleum to engage in joint marketing activities to attract visitors. Such activities may include joint ticketing and advertising.

(ii) Evening cultural activities

We have plans to promote evening cultural activities at CYG as part of the new night attractions in Lintong district as there are currently limited night attractions in both Lintong district and Xi'an.

(iii) Employ special effects to create a more realistic experience

We intend to employ a wide array of special effects including pyrotechnic, lighting and mechanical equipment to "transport our visitors back to the Tang Dynasty" so that they can have a more realistic experience of life in that era.

(iv) Commercial complex opposite Hua Qing Pool

We have obtained the land-use rights to a plot of land of 4,669.2m<sup>2</sup> located along the main road opposite Hua Qing Pool. We are exploring the possibility of developing a commercial complex, which houses retail, food and beverage outlets, as well as an exhibition area to showcase some of the attractions of CYG.

## GENERAL INFORMATION ON OUR GROUP

### INTELLECTUAL PROPERTY

We have applied for registration of the proprietary trademark below under Class 41 in China on 20 June 2002. This is to prevent others from using similar or identical marks to mislead and misrepresent to the public that their services are associated with that of ours.



### GOVERNMENT REGULATIONS

Company Name	Country of Operation	Name of Licence	Nature of Licence	Expiry Date
LLC	PRC	Certificate of Qualification on Security Inspection for Passenger Cable Car <sup>(1)</sup>	Permit to operate cable cars	19 November 2004

**Note:**

- (1) This certificate is issued by the local branch of the General Administration of Quality Supervision Inspection and Quarantine ("AQSIQ") pursuant to the Rules on Quality Supervision and Safety Inspection of Special Equipment (the "Rules") promulgated by the State Council of the PRC on 29 June 2000 effective on 1 October 2000. Under the Rules, LLC shall submit its application for renewal 3 months before the expiry date. Upon inspection of the cable cars by AQSIQ, AQSIQ shall issue the certificate. The duration of the permit is 3 years.

### PROPERTIES

We own the following leasehold land and buildings in PRC:

Location	Approximate Land area (m <sup>2</sup> )	Tenure	Net Book Value as at 30 June 2003 (\$'000)	Description
<b>Shanghai Ocean Aquarium Co., Ltd</b>				
No. 158, Yin Cheng North Road, Pudong New Area, Shanghai, PRC	22,413.0	N.A. <sup>(1)</sup>	25,518	Building
<b>Xi'an Lintong Zhongxin Tourism Development Co., Ltd</b>				
No. 25 Huaqing Road Lintong, Xi'an PRC <sup>(3)</sup>	43,010.7	50 years up to 28 November 2051	N.A. <sup>(2)</sup>	Land
No. 25 Huaqing Road Lintong, Xi'an PRC <sup>(3)</sup>	4,669.2	50 years up to 28 November 2051	N.A. <sup>(2)</sup>	Land
<b>Lintong Lixing Cable Car Co., Ltd</b>				
Middle Section, Huaqing Road, Lintong, Xi'an PRC	17,270.5	Land use period is limited to the duration of business licence expiring on 30 March 2042	464	Land
Middle Section, Huaqing Road, Lintong, Xi'an PRC	1,419.6	50 years up to 30 March 2042	650	Building

## GENERAL INFORMATION ON OUR GROUP

### Notes:

- (1) The building sits on a piece of land, which has a land-use right of 50 years. Shanghai Lujiazui Finance & Trade Zone Development Company Ltd ("Lujiazui") leased the land to SOACL for 40 years commencing from 18 November 1997 under the Land-Use Right Leasing Agreement dated 3 November 1997 ("Agreement"). Upon the expiry of the 40-year lease, Lujiazui shall agree to extend the lease for another 10 years. The terms for renewal of the 40-year lease such as rental and duration of the lease, are subject to negotiation. Under the Agreement, Lujiazui is required to apply to the State for the renewal of the land-use right before expiration. If Lujiazui waives its right to apply to the State for the renewal of the land-use right, SOACL may apply to the State for the acquisition of the land-use right.
- (2) The land-use rights were acquired for a total consideration of \$1.7 million only in July 2003. As such, the cost was not reflected in our pro forma balance sheet for the six months period ended 30 June 2003.
- (3) The 43,010.7m<sup>2</sup> parcel of land is on the mid-level of Lishan Mountain and is the original site of CYG. The smaller parcel of land is situated at the foot of Lishan Mountain.

Our properties are stated at cost less accumulated depreciation. Please refer to Appendix V on pages V-25 to V-28 of this Prospectus for information on our property, plant and equipment and the encumbrances on our property, plant and equipment.

We currently lease the following properties:

Location	Use	Area (square metre)	Term	Rental	Lessor
Lujiazui Central Financial District <sup>(1)</sup>	Operating Premises	12,094.0	40 years up to 17 November 2037	6.5% of total revenue of SOACL	Shanghai Lujiazui Finance & Trade Zone Development Company Ltd
10 Anson Road #30-15, International Plaza Singapore 079903	Operating Premises	175.0	1 November 2003 to 30 April 2005	\$4,709.25 per month	CIGA Investment Pte Ltd

### Note:

- (1) See Note (1) above.

## PROSPECTS

In FY2003, our sales in the first half of the year were adversely affected by the occurrence of SARS as disclosed under "Visitorship of SOA" on page 56 of this Prospectus. However, visitorship improved from June to October versus the corresponding months in the previous financial year. Despite the improvements in visitorship post-SARS, our Directors expect our overall sales in FY2003 to be substantially lower than FY2002.

Most of our operating costs are fixed in nature. In FY2003, we expect our fixed costs to remain relatively stable and our variable costs to correlate with our sales.

Our Directors are positive on the prospects of our Attractions due to the following factors:-

- (i) Development of the tourism industry in China

Our Directors believe that the tourism market in China will continue to grow healthily due to the steady growth of the PRC economy. Since the opening and expansion of the China market and the subsequent introduction of the Golden Week Holidays by the Chinese government to stimulate domestic consumption in 1999, the China tourism market has expanded rapidly. In 2002, domestic and international tourism grew by about 12% and 10% to approximately 877.8 million and 97.9 million tourists respectively. Out of the total number of international tourists, 36.8 million stayed at least one night. (*Source: National Bureau of Statistics of China*)

---

## GENERAL INFORMATION ON OUR GROUP

---

(ii) China's hosting of widely publicised international events

China has won the bid to host various high-profile international events such as the 2008 Olympic Games in Beijing, and the 2004 Formula One Grand Prix and 2010 World Expo in Shanghai. These events are expected to attract a significant number of domestic and international tourists to these cities. In addition, these events are expected to attract more investments. Our Directors believe that these events and potential investments will result in the enhancement of infrastructures, such as roads and hotels, which will benefit the tourism industry in China in the long run.

(iii) China's entry into the WTO

China became a member of the WTO on 11 December 2001 and has agreed to undertake a series of measures to liberalise its tariff regime. Our Directors believe that such liberalisation would lead to an increase in foreign investments resulting in rising affluence and higher standards of living. In 2002, China attracted approximately US\$52.7 billion direct foreign investments.

(iv) Increasing affluence and changing lifestyle within the PRC

With rising affluence and higher standards of living, the Chinese are beginning to travel more within and outside of China. In 2002, GDP grew by 8% and tourism revenue accounted for approximately 5.4% of total GDP. In the next four years till 2006, GDP is expected to grow by an average of 7.5% annually (*Source: The World Bank*). As a result, our Directors believe that the domestic tourism market will continue to grow at a healthy rate.

(v) Potential of China's rich and varied tourist attractions

China is a vast country, rich in tourism resources. It has a good mix of scenic spots, historical sites, spectacular landscapes and an interesting variety of culture and customs. Further, China is one of the world's most ancient civilisations with a recorded history of nearly 5,000 years. The historical significance of China is unique.

(vi) Government's initiatives to develop and grow the tourist industry

Tourism is an important industry for China. Our Directors understand that in 2002, tourism revenue amounted to over RMB557 billion, which is approximately 5.4% of the nation's GDP. The China National Tourism Administration ("CNTA") is the body responsible for the development, promotion and regulation of the China tourism industry. CNTA has come up with a five-year plan (2001 to 2005) to develop the tourism industry in China. Various plans in the pipeline include quality standardization for the tourism industry, environmental protection, sustainable development of the tourism industry and improved tourism infrastructure.

## STRATEGIES AND FUTURE PLANS OF OUR GROUP

We intend to leverage on our strengths and track records in developing and operating tourism-related attractions, to further expand and enhance the facilities provided by our Attractions so as to maximise their full potential.

We recognise the tremendous potential for the development of tourism-related projects in China, notably in the north-western region which comprises 6 provinces including Shaanxi and Xinjiang, the south-western region which comprises 5 provinces including Sichuan and Yunan, and the north-eastern region which comprises 3 provinces including Liaoning. We intend to explore opportunities to develop and operate tourism-related projects in these regions as well as such projects outside of China, particularly in the Asian region. We are also exploring opportunities to acquire attractions or their management rights.

China has more than 5,000 years of history with numerous historical sites. We intend to explore the opportunities to repackage some of these historical sites that have good tourism potential by improving their presentation.

With our experience and expertise, we intend to grow our business through such strategies.

## SELECTED PRO FORMA FINANCIAL INFORMATION

The following tables present selected pro forma income statements of our Group for the financial years ended 31 December 2000, 2001 and 2002 and for the six months ended 30 June 2002 and 2003, and pro forma balance sheets as at 31 December 2002 and 30 June 2003. These selected pro forma income statements and pro forma balance sheets should be read in conjunction with the Report on Examination of the Pro Forma Financial Statements of our Group as set out in Appendix V on pages V-1 to V-33 of this Prospectus.

Pro Forma Income Statements <sup>(1)</sup>	Audited Year ended 31 December			Unaudited 6 months ended 30 June 2002	Audited 6 months ended 30 June 2003
\$'000	FY2000	FY2001	FY2002		
Sales	971	892	28,075	15,492	6,639
Other operating income	257	255	396	252	2,451
Operating expenses	(869)	(855)	(12,808)	(5,166)	(5,212)
Administrative expenses	(1,511)	(1,010)	(2,905)	(1,384)	(1,968)
Other operating expenses	(799)	(1,501)	(991)	(1,033)	—
Operating (loss)/ profit	(1,951)	(2,219)	11,767	8,161	1,910
Finance income/(costs) (net)	516	(74)	(2,261)	(1,111)	(998)
(Loss)/profit before tax	(1,435)	(2,293)	9,506	7,050	912
Tax	118	282	(1,431)	(1,028)	56
(Loss)/profit after tax	(1,317)	(2,011)	8,075	6,022	968
Minority interest	17	73	(392)	(287)	31
Net (loss)/profit	(1,300)	(1,938)	7,683	5,735	999
Basic EPS (cents) <sup>(2)</sup>	(0.19)	(0.28)	1.11	0.83	0.14

**Notes:**

- (1) The pro forma financial statements of our Group for the period under review have been prepared on the basis that our Group has been in existence throughout the period under review.
- (2) For comparative purposes, basic EPS is computed based on the pre-Invitation share capital of 691,929,580 shares.

## SELECTED PRO FORMA FINANCIAL INFORMATION

Pro Forma Balance Sheets <sup>(1)</sup>	Audited as at	
\$'000	31 December 2002	30 June 2003
<b>Current assets</b>		
Cash and cash equivalents	17,328	16,220
Receivables	29	105
Inventories, at cost	254	373
Other current assets	4,533	6,903
	22,144	23,601
<b>Non-current assets</b>		
Property, plant and equipment	74,278	75,946
Deferred tax asset	415	478
	74,693	76,424
<b>Current Liabilities</b>		
Trade payables	8,593	7,647
Provision for current tax	318	—
Accrued expenses and other payables	1,239	1,300
Borrowings	11,724	7,309
	21,874	16,256
<b>Non-current liabilities</b>		
Borrowings	40,974	46,046
<b>Net Assets</b>	<b>33,989</b>	<b>37,723</b>
<b>Share capital and reserves</b>		
Share Capital	31,607	34,597
Foreign currency translation reserves	873	440
(Accumulated losses)/retained profits	(284)	901
Shareholders' fund	32,196	35,938
Minority interests	1,793	1,785
	<b>33,989</b>	<b>37,723</b>
NTA per Share (cents) <sup>(2)</sup>	4.65	5.19

**Notes:**

- (1) The pro forma balance sheets of our Group as at the end of the periods under review have been prepared on the basis that our Group has been in existence as at those dates.
- (2) For comparative purposes, NTA per share is computed based on the pre-Invitation share capital of 691,929,580 Shares.

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

---

*The following discussion should be read in conjunction with the selected pro forma income statements of our Group for the financial years ended 31 December 2000, 2001 and 2002 and for the six months ended 30 June 2002 and 2003, and pro forma balance sheets as at 31 December 2002 and 30 June 2003 presented elsewhere in this Prospectus. These selected pro forma income statements and pro forma balance sheets should be read in conjunction with the Report on Examination of the Pro Forma Financial Statements of our Group and the notes thereto which are included in Appendix V of this Prospectus.*

### OVERVIEW

#### Sales

We are principally engaged in the development and operation of tourism related activities. We commenced operations at LLC in 1993. SOACL started operations in February 2002.

Our principal source of revenue is derived mainly from (i) the sale of tickets to our Attractions (ii) the sale of merchandise and (iii) the sale of food and beverages at our Attractions. Our primary target market is the domestic PRC market while our secondary target market comprises foreign visitors from overseas. All our revenue is derived from our Attractions based in the PRC. During FY2002, ticket sales made up 90.7% of our total sales revenue, sale of merchandise made up 6.8% while sales at our food and beverage outlets contributed the remaining 2.5%. All our sales are mainly on cash basis except for some credit sales to travel agencies and corporate accounts, which amounted to 1.6% of our Group sales in FY2002. Our normal credit term is one month. SOACL contributed approximately 97.4% of the total revenue in FY2002, the year that it started operations. Prior to FY2002, our source of revenue was derived from ticket sales in LLC.

\$	FY2000	FY2001	FY2002	1H2002 <sup>(1)</sup>	1H2003
Ticketing	970,656	892,187	25,452,043	14,441,828	6,156,041
Retail	—	—	1,899,329	654,420	328,016
Food & Beverage	—	—	723,307	396,175	155,154
	<b>970,656</b>	<b>892,187</b>	<b>28,074,679</b>	<b>15,492,423</b>	<b>6,639,211</b>

#### Note

(1) The numbers for 1H2002 are unaudited management numbers.

Our Directors believe that SOACL will continue to be the major contributor to our revenue in the next two years.

We recognise revenue from the sale of the tickets upon usage or expiry of the tickets. We recognise revenue from the sale of merchandise upon delivery of products. For our services rendered, revenue is recognised upon performance of our services to customers, after eliminating inter-group sales.

Our sales revenue is dependent on the following factors: -

- (i) Our ability to attract both domestic and overseas visitors to our Attractions through our extensive marketing and promotional initiatives.
- (ii) As the majority of our sales revenue is derived from the sale of tickets to our Attractions, our ability to price our tickets attractively and reasonably will affect our sales revenue and profitability. The Municipal Price Administration Bureau sets the maximum price of which our Attractions can charge but does not set the minimum price. The aim of the Municipal Price Administration Bureau is to ensure price stabilisation and prevent profiteering. As such, we believe that the Municipal Price Administration Bureau is unlikely to reduce our ticket pricing unless there are signs that we are



---

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

---

profiteering from ticket sales which, given the nature of our operations as a tourist attraction, is unlikely. However, we can apply for revisions to the maximum price set by the Municipal Price Administration Bureau, which would take into consideration factors such as the rate of inflation, the operator's obligations and the affordability of the visitors.

- (iii) As our primary target market is the domestic PRC market, the general economy of the PRC will determine our customers' spending power at our Attractions. We believe that the rising affluence and higher standard of living enjoyed by the population will propel the growth of the domestic tourism market, which will also positively affect our sales revenue.

### Other Operating Income

Other operating income comprises mainly management fees charged by IDM for providing project and management advisory services to ZYRT.

### Operating Expenses

As a result of SOACL starting operations in February 2002, operating expenses in FY2002 comprised mainly depreciation, utilities, land rental, staff costs and cost of merchandise for resale, which in aggregate accounted for 71.3% of total operating expenses. Prior to FY2002, operating expenses comprised mainly depreciation, sales incentives and staff costs. These expenses accounted for 83.8% and 77.9% of total operating expenses in FY2000 and FY2001 respectively.

Except for land rental, cost of merchandise for resale, sales incentives and sales tax, which vary with the level of sales and accounted for 32.1% of operating expenses, the rest of our operating expenses are mostly fixed in nature.

We depreciate our cost of property, plant and equipment over their expected useful lives as set out below:

Leasehold land and buildings	20 to 50 years
Leasehold improvement	10 years
Cable car equipment	20 years
Office equipment, furniture and fittings	3 to 5 years
Motor vehicles	5 to 8 years
Machinery	10 to 20 years
Fishes and marine livestock	5 years

### Administrative Expenses

Administrative expenses comprised mainly staff costs, consultancy fees and provisions for doubtful debts. These components accounted for 58.1%, 67.6% and 73.1% of total administrative expenses in FY2000, FY2001 and FY2002 respectively.

### Other Operating Expenses

Other operating expenses comprised the write-off of pre-operating expenses.

### Finance Income/(Costs) – Net

Finance income/(costs)-net comprised mainly interest expense for term loans net of interest income earned on bank deposits. We earned interest income in respect of deposits placed with approved financial institutions. Interest expenses relate to our loans from approved financial institutions and our shareholders. The finance income/(costs)-net is also adjusted for foreign exchange differences.

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

---

### **Tax**

Our Group's operating profit is subject to the prevailing tax rate applicable to the respective jurisdictions in which we operate.

SOACL is subject to the prevailing preference tax rate for Pudong New Area of 15% while IDM is subject to the prevailing tax rate in Singapore. ZTD is currently under development while LLC is in a tax loss position and as such, both companies are currently not liable for tax.

### **Minority Interest**

We record minority interest as we own 95% of our subsidiary companies in the PRC.

### **SEASONALITY**

Our sales are normally higher during the weekends and the three Golden Week holidays, namely, the Chinese Spring Festival in January/February, Labour Day in May and the National Day in October.

### **INFLATION**

The financial impact of inflation over the financial years under review was not significant.

### **FOREIGN EXCHANGE**

Our Group's foreign currency exposures arose mainly from the exchange rate movements of the SGD, USD and RMB. For the purposes of preparing our Group financial statements, the assets and liabilities of foreign subsidiaries are translated into SGD at the exchange rate prevailing at the balance sheet date, and the results of the foreign subsidiaries are translated using the average monthly exchange rates for the financial year. The exchange differences arising from the translation of the foreign subsidiaries are taken directly to the foreign currency translation reserve.

## **RESULTS OF OPERATIONS**

### **FY2001 versus FY2000**

#### **Sales revenue**

Our Group revenue decreased by \$0.1 million or 8.1% to \$0.9 million in FY2001, primarily due to a decline in visitors to LLC in FY2001 compared to FY2000. As a result of the increase in entrance fees to the Lishan Reserve Park, one of the attractions on Lishan Mountain, the number of visitors to Lishan Mountain decreased, which affected the visitorship to LLC.

#### **Other operating income**

There were no material movements in other operating income for both FY2000 and FY2001.

#### **Operating expenses**

There were no material movements in the operating expenses for both FY2000 and FY2001.

#### **Administrative expenses**

Administrative expenses decreased by \$0.5 million or 33.2% to \$1.0 million in FY2001 mainly due to a fall in provision for doubtful debts of \$0.3 million and an exchange loss of \$0.3 million in FY2000 arising from translation of inter-company balances, which were partly offset by an increase in salary cost of \$0.1 million. The increase in salary was due to a full year salary charged during FY2001 for an Executive Officer who joined our Group in September 2000.

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

---

### Other operating expenses

Other operating expenses increased in FY2001 by \$0.7 million or 87.9% to \$1.5 million as a result of an increase in pre-operating expenses in SOACL by \$0.7 million. The increase in pre-operating expenses incurred by SOACL was mainly due to the staff cost and other expenses such as utilities and office supplies incurred in preparation for the Aquarium's commencement of operations in February 2002.

### Finance income/(costs) – net

Finance income/(costs)-net for FY2000 and FY2001 are as follow: -

	FY2000 \$'000	FY2001 \$'000
Exchange loss	(5)	(44)
Interest expense	(149)	(205)
Interest income	670	175
	<hr/>	<hr/>
	516	(74)
	<hr/>	<hr/>

Interest income decreased by \$0.5 million is mainly due to the decrease in interest rate from 1.5% in FY2000 to 0.4% in FY2001. In addition, fixed deposits placed with financial institutions reduced from \$11.1 million in FY2000 to \$9.2 million in FY2001.

Interest expense increased in FY2001 as a result of the draw down of bank loans. The bank loans totalling \$47.9 million drawn down over a period of 9 months from April 2001 was for payment of construction costs of SOA. The interest incurred on these loans were substantially capitalised as part of the construction costs. However, a small portion of the loans was utilised for pre-operating expenses and the interest incurred thereof was expensed.

### Loss before tax

Loss before tax widened by \$0.9 million or 59.8% to \$2.3 million in FY2001. This was due mainly to a decrease in Group revenue of \$0.1 million, an increase in other operating expenses of \$0.7 million, and a decrease in net interest income of \$0.6 million, which were partially offset by the decrease in administrative expenses of \$0.5 million.

### Tax

The deferred tax benefit increased by \$0.2 million to \$0.3 million is due to an increase in the recognition of temporary differences of certain deductible expenses.

### FY2002 versus FY2001

#### Sales revenue

Group revenue increased by \$27.2 million to \$28.1 million in FY2002 is primarily due to SOACL commencing operations in February 2002. Our Group recorded an increase in sales revenue from tickets, merchandise and food and beverages of \$24.6 million, \$1.9 million and \$0.7 million respectively. SOACL's total revenue for FY2002 was approximately \$27.3 million. We recorded a decrease in sales revenue of \$0.1 million for LLC due to a decline in visitorship. As a result of renovations and reconstruction works on some of the attractions on Lishan Mountain, the number of visitors to Lishan Mountain decreased, which affected the visitorship to LLC.

#### Other operating income

Other operating income increased in FY2002 by \$0.1 million due mainly to a write-back of both consultancy fees and commission payable by IDM amounting to \$0.1 million.

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

---

### Operating expenses

The increase in operating expenses of \$11.9 million to \$12.8 million in FY2002 was in line with the commencement of operations by SOACL in February 2002.

SOACL recorded operating expenses of \$12.1 million in FY2002. The main components of the operating expenses incurred by SOACL were depreciation, utilities, land rental, cost of merchandise for resale, cost of food and beverage supplies, aquarium costs, advertising and promotion expenses, and sales tax, which in aggregate accounted for \$10.0 million or approximately 82.6% of SOACL's operating expenses. Higher operating expenses incurred by SOACL was partially offset by the \$0.2 million decrease in expenses in LLC due to the decrease in sales incentives and staff costs.

### Administrative expenses

Administrative expenses increased by \$1.9 million to \$2.9 million in FY2002 due mainly to the commencement of operations by SOACL in February 2002. SOACL recorded \$1.8 million in administrative expenses comprised mainly staff costs, consultancy fees and depreciation, which in aggregate accounted for 78.5% of SOACL's total administrative expenses. In addition, there was an increase in provision for doubtful debts of \$0.1 million for IDM.

### Other operating expenses

Other operating expenses decreased by \$0.5 million to \$1.0 million in FY2002 because of the decrease in pre-operating expenses such as staff costs, utilities and office supplies resulting mainly from the commencement of operations by SOACL in February 2002.

### Finance income/(costs) – net

Finance income/(costs)-net for FY2001 and FY2002 are as follow: -

	FY2000 \$'000	FY2001 \$'000
Exchange (loss)/gain	(44)	13
Interest expense	(205)	(2,631)
Interest income	175	357
	<hr/>	<hr/>
	(74)	(2,261)

The increase in interest income of \$0.2 million was mainly due to higher cash balances resulting from higher cash generated from operations.

Interest expense increased by \$2.4 million to \$2.6 million mainly because the interest incurred on bank loans were expensed off since the commencement of operations by SOACL in February 2002. In FY2001, the majority of the interest expense was capitalised into construction costs.

### (Loss)/profit before tax

The profit before tax of \$9.5 million in FY2002 as compared to the loss before tax of \$2.3 million in FY2001 was mainly due to the increase in sales and other operating income of \$27.2 million and \$0.1 million respectively, and a decrease in other operating expenses of \$0.5 million. These were partially offset by the increase in operating, administrative and net finance expenses of \$11.9 million, \$1.9 million and \$2.2 million respectively.

### Tax

Our Group incurred tax expense of \$1.4 million in FY2002 as a result of the profit contributed by SOACL's operations. SOACL is taxed at a corporate tax rate of 15%.

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

---

### 6 months ended 30 June 2003 ("1H2003") versus 6 months ended 30 June 2002 ("1H2002")

#### Sales revenue

Our Group revenue decreased by \$8.9 million or 57.1% to \$6.6 million during 1H2003 mainly due to the decline in visitor numbers to SOA from 0.8 million in the first six months of 2002 to 0.4 million visitors in the same period in 2003. This decline was attributed to the effect of SARs in the first six months of 2003, which resulted in inter-province travel restrictions and the cancellation of the Golden Week Holidays in May, which is one of our peak periods for visitors. In order to arrest the decline in visitorship, SOACL adopted a temporary price reduction strategy of 10%. In addition, we also recorded a decrease in sales revenue of \$0.2 million for LLC due to a decline in visitorship resulting from the effect of SARS.

#### Other operating income

The increase in other operating income by \$2.2 million to \$2.5 million was mainly due to a \$1.7 million write-back of provision for doubtful debts, a recovery of expenses of \$0.2 million and a tax rebate of \$0.4 million. This was offset by a write back of both consultancy fees and commission payable by IDM of \$0.1 million in 1H2002, which did not recur in 1H2003.

#### Operating expenses

There were no material movements in overall operating expenses between 1H2002 and 1H2003 despite the fall in revenue. Variable operating expenses fell by \$1.1 million due to the decrease in sales. On the other hand, fixed expenses such as aquarium costs, depreciation, utilities, and advertising and promotion expenses increased by \$0.7 million, \$0.1 million, \$0.1 million and \$0.2 million respectively. The increase in aquarium costs was mainly due to the increase in amortisation of fishes and marine livestock by \$0.6 million and the increase in the cost of manufacturing seawater by \$0.1 million. Amortisation of fishes and marine livestock increased due to more fishes and marine livestock. The cost of manufacturing seawater increased due to the increased frequency in the changing of seawater for the marine exhibits to improve water quality. The increase in depreciation and utilities were mainly due to full six months operations in 1H2003 as compared to five months operations in 1H2002 for SOACL. Advertising and promotion expenses increased as SOACL took on more advertising and promotional activities as a means to counteract the decline in visitorship as a result of SARs.

#### Administrative expenses

Administrative expenses increased by \$0.6 million to \$2.0 million in 1H2003 mainly due to full six months operations in 1H2003 as compared to five months operation in 1H2002 for SOACL. In addition, there was an increase in the provision for doubtful debts of \$0.1 million in 1H2003.

#### Other operating expenses

Other operating expenses decreased by \$1.0 million. This is because there were no pre-operating expenses for SOACL in 1H2003 as compared to \$1.0 million pre-operating expenses in 1H2002.

#### Finance income/(costs) – net

Net finance cost decreased by \$0.1 million in 1H2003 mainly due to a decrease in interest expense of a similar amount as a result of the repayment of bank loan of RMB40 million in October 2002 and the decrease in interest rates from between 5.58% and 6.03% in 1H2002 to between 5.022% and 5.58% in 2H2003.

#### Profit before tax

Profit before tax decreased by \$6.1 million or 87.1% to \$0.9 million in 1H2003. This was a result of the decrease in sales revenue of \$8.9 million due to SARS, which was partially offset by the increase in other income of \$2.2 million and a decrease in other operating expenses and net finance cost of \$0.6 million.

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

---

### Tax

The Group derived a deferred tax benefit in 1H2003 despite achieving a profit before tax of \$0.9 million. The deferred tax benefit was mainly due to the recognition of temporary difference of certain deductible expenses.

### REVIEW OF FINANCIAL POSITION

#### Current Assets

Current assets comprise mainly cash and cash equivalents, receivables, inventories, and other current assets. Receivables relate to amounts due from travel agents who were given short-term credits for their purchases of admission tickets to SOA. Inventories relate to merchandise, food and beverage supplies, and fish feed.

Other current assets comprise mainly other receivables, prepayments and prepaid tax. Other receivables relate mainly to (1) management fees charges to, and expenses paid on behalf of, ZYRT (less provision for doubtful debts), and (2) expenses incurred for the listing exercise to be offset against the share premium account upon our listing. Prepayments comprise mainly prepayments made for the purchases of fishes and marine livestock.

Current assets increased by \$1.5 million to \$23.6 million as at 30 June 2003. This was due to increases in other current assets, receivables and inventories of \$2.4 million, \$0.1 million and \$0.1 million respectively. These were partially offset by a decrease in cash and cash equivalents of \$1.1 million. The increase in other current assets was due to additional management fees charged to ZYRT and a write-back of provision for doubtful debts of \$1.6 million, and additional listing expenses incurred during the period. The increase in prepayments was in line with the increase in purchases of fishes and marine livestock. The increase in receivables was in line with the increase in ticket sales to travel agencies while the increase in inventories was in line with the expected increase in number of visitors for the month of July.

#### Non-current Assets

Non-current assets comprise property, plant and equipment, construction in progress and deferred tax asset. Owing to the capital-intensive nature of our operations, property, plant and equipment made up 99.4% of non-current assets both as at 31 December 2002 and 30 June 2003 respectively. Property, plant and equipment consist mainly of leasehold building, land use rights, aquarium related equipment, cable car equipment, electronic equipment, furniture and fitting, motor vehicle and fishes and marine livestock.

Property, plant and equipment increased by \$1.7 million to \$75.9 million as at 30 June 2003. The increase was mainly attributed to adjustment arising from the Restructuring Exercise of \$2.3 million, net exchange translation gain of \$1.0 million and new additions which amounted to \$0.6 million. This was partially offset by a depreciation charge of \$2.2 million.

There were no material movements in construction in progress and deferred tax asset between 31 December 2002 and 30 June 2003.

#### Current Liabilities

Current liabilities comprise mainly trade payables, provision for current tax, accrued expenses and other payables, and borrowings.

Current liabilities decreased by \$5.6 million to \$16.3 million as at 30 June 2003. The decrease was mainly due to a decline in borrowings, trade payables and provision for tax of \$4.4 million, \$0.9 million and \$0.3 million respectively. Borrowings decline due to the rescheduling of \$8.4 million bank loan repayments as part of our Group's funding requirement review (please refer to page V-28 of Appendix V



---

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

---

for the Repayment Schedule). In addition, there was a reclassification of a shareholder's loan of \$1.0 million to non-current liability as the loan is not expected to be repaid within the next 12 months. These are partially offset by the reclassification of shareholders' loans of \$5.0 million to current liabilities as our Group intends to repay these loans with part of the Invitation proceeds. Further, trade payables relating mainly to construction costs outstanding in SOACL decreased by \$0.9 million and there was no provision for current tax because our Group was not in a taxable position for the period.

There were no material movements in other payables and accruals, which relate mainly to salary payable, customer advances, professional fee payable, accrued expenses and advanced billings.

### Non current liabilities

Non-current liabilities increased by \$5.1 million to \$46.0 million as at 30 June 2003. The increase was due to the rescheduling of bank loan repayments and the reclassification of shareholders' loans as discussed above. In addition, there was an exchange loss of \$0.7 million arising from the translation of borrowings from RMB or USD (as the case may be) to SGD.

### Share capital and reserves

Share capital and reserves comprise share capital, foreign currency translation reserves, and accumulated losses/retained earnings. Share capital and reserves rose by \$3.7 million to \$35.9 million as at 30 June 2003 due to the adjustment of \$2.7 million resulting from the Restructuring Exercise and a profit of \$1.0 million in 1H2003 (please refer to Appendix V on page V-15 for more details on the Restructuring Exercise).

## LIQUIDITY AND CAPITAL RESOURCES

A summary of our cash flow for FY2002 and 1H2003 follows:

	<i>FY2002</i> \$' 000	<i>1H2003</i> \$' 000
Operating cash flow before working capital changes	14,860	4,217
Net cash provided by operating activities	5,805	446
Net cash used in investing activities	(2,315)	(418)
Net cash used in financing activities	(11,496)	(1,136)
Net decrease in cash and cash equivalent at the end of the period	(8,006)	(1,108)
Cash and cash equivalent at the beginning of the period	25,334	17,328
Cash and cash equivalent at the end of the period	17,328	16,220

Our operations were funded through cash generated from operating activities.

Cash generated from our operations is mainly derived from our ticket sales. Our main use of cash has been for the purchase of merchandise for sale, cost of utilities, payment of land rental and staff costs, and our working capital requirements. In 1H2003, our operating cash flow before working capital changes was \$4.2 million, a decrease of \$10.6 million from FY2002. This was mainly due to the six-month operation of SOACL in 1H2003 as compared to full year operation in FY2002. Our operating cash flow was further reduced to \$0.4 million by (1) an increase in receivables and other assets of \$2.3 million, (2) an increase inventories of \$0.1 million, (3) a decrease in payables of \$0.9 million and (4) \$0.5 million tax paid.

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

---

Net cash used in investing activities was mainly for the purchase of fixed assets. In 1H2003, the net cash used in investing activities decreased by \$1.9 million from \$2.3 million in FY2002 to \$ 0.4 million as a result of the decrease in purchase for fixed assets of \$2.1 million. This was partially offset by the decrease in interest income of \$0.2 million in 1H2003.

Net cash used in financing activities was mainly for the repayment of borrowings and interest paid. Net cash used in financing activities was \$10.4 million lower in 1H2003 as compared with FY2002 due to higher interest paid of \$1.5 million and repayment of borrowings of \$9.0 million, which were partially offset by additional draw down in borrowings of \$0.1 million in FY2002.

As at the Latest Practicable Date, we do not have any unused credit facilities. We have a term loan of RMB226 million of which RMB186 million is still outstanding. We have cash and cash equivalents of \$24.1 million as at the Latest Practicable Date.

Based on the above and to the best of their knowledge, information and belief, our Directors are of the opinion that after taking into account the present bank facilities and our Group's internal resources, our Group has adequate working capital for our present requirements.

### CAPITAL EXPENDITURES, DIVESTMENTS AND COMMITMENTS

#### Capital Expenditures

Our major capital expenditure comprises mainly addition of leasehold land and buildings, leasehold improvement, office equipment, furniture and fittings, machinery and fishes and marine livestock (collectively "Property, Plant and Equipment"). These assets are mostly situated in the PRC and are financed mainly by both shareholders' equity and loans, and bank borrowings.

In FY2000, SOACL incurred capital expenditures of approximately \$20.9 million for the construction of our Aquarium.

In FY2001, SOACL incurred capital expenditures of \$44.9 million as our Aquarium was still under construction.

In FY2002, our Group incurred capital expenditures of \$2.7 million. The bulk of the capital expenditure was for the construction \$1.9 million by SOACL and the purchase of furniture, fixture, and fittings of \$0.8 million.

In 1H2003, our Group incurred capital expenditure of \$0.5 million for the purchase of machinery by SOACL.

#### Divestments

We did not have any material divestment during the past three financial years ended 31 December 2002 and 1H2003 and we do not have any material capital divestment in progress.

#### Commitments

As at 30 June 2003, we have a commitment to acquire the land use rights for the development of CYG amounting to \$1.7 million. The acquisition was made in July 2003 and was funded through shareholders' equity. ZTD has not awarded any material contracts for the construction of CYG. Tenders are expected to be called in FY2004. While the total capital expenditure for the construction to be incurred in the next 12 months from 30 June 2003 has not been determined, the total construction costs for CYG is estimated to be approximately \$10 million (please refer to page VI-35 of in the Valuation Reports contained in Appendix VI of the Prospectus for more details). The capital expenditure for CYG is expected to be funded through shareholders' fund and \$6.5million of the IPO proceeds.

As at the latest practical date, we do not have any material capital commitment.

---

## DIRECTORS, MANAGEMENT AND STAFF

---

### DIRECTORS

<u>Name</u>	<u>Age</u>	<u>Address</u>	<u>Principal Country of Residence</u>	<u>Principal Occupation</u>
Wu Hsioh Kwang	52	100 Gallop Park Road Singapore 258994	Singapore	Executive Chairman
He Ping	57	Poly Plaza, 14 Dongzhimen Nandajie, Dongcheng District, Beijing 100027, China	China	President of CPGC
Guo Qiang	51	Poly Plaza, 14 Dongzhimen Nandajie, Dongcheng District, Beijing 100027, China	China	Vice President of CPGC
Cheong Kok Fu	54	20 Toh Heights Singapore 507821	Singapore	Lawyer
Fu Xuezhong	63	2-1207, 5 Zi Fang Lu, Chaoyang District, Beijing 100021, China	China	Retired Ambassador
Lee Eng Lock	53	58, South Buona Vista Road, #01-03, Vista Park Singapore 118171	Singapore	Engineer
Choong Chow Siong	51	10 Anson Road #37-04 International Plaza Singapore 079903	Singapore	Certified Public Accountant (Practising Member)
George Huang Chang Yi	53	1 Namly Close, Singapore 267588	Singapore	Managing Director of Amoy Canning Corpn (S) Ltd
Tay Siew Choon	55	6 Third Avenue, Singapore 266579	Singapore	Chief Operating Officer of Singapore Technologies Pte Ltd

Our Directors' business and working experience are set out below:

**Mr Wu Hsioh Kwang** was appointed as the Executive Director of the Company in March 2003. Mr Wu is responsible for the overall strategic directions and oversees the management of the Group. As an entrepreneur, he first ventured into the China market in 1980. Since then as an entrepreneur, he has spent half his time in China and, through his various investments and businesses there, accumulated valuable experience in exploring and developing new businesses in China. Over the last 23 years, during which China had undergone a series of economic reforms, he has established an extensive network with various enterprises in China. He is the founder of all our Attractions in China, from conceptualisation to completion, and has been instrumental in their success. In 1992, he spearheaded the Group's first project in the China tourism industry when he set up LLC to develop and operate the cable car business in Lintong district, Xi'an. In 1995, he led a consortium comprising large Singapore and China enterprises to win the bid to build and operate SOA. Mr Wu graduated from the Nanyang University with a Bachelor of Commerce degree in 1974.

---

## DIRECTORS, MANAGEMENT AND STAFF

---

**Mr He Ping** was appointed as our non-Executive Director in July 2003. Mr He is the Vice Chairman and President of CPGC. CPGC is a state-owned enterprise with business portfolios straddling major cities in China as well as Hong Kong. CPGC is owned and supervised by the State-owned Assets Supervision and Administration Commission of the State Council, the PRC. Mr He is also the Vice Chairman of Continental Mariner Investment Co., Ltd., a company listed on the Hong Kong Stock Exchange. Prior to his current appointment, he was the Vice Chairman and President of Poly Technologies, Inc from 1984 to 1989. Mr He has extensive experience in managing conglomerates in China. Under his directions and management, CPGC has expanded the scope of its business to cover import and export trade, cultural and tourism businesses, real estate development and property management services, and infrastructure construction and related R&D services. Mr He graduated from Harbin Engineering University in 1971 with an Engineering degree.

**Mr Guo Qiang** was appointed as our non-Executive Director in July 2003. He is the Vice President of CPGC. Before his current appointment, Mr Guo was the Director General of the Department of Corporate Development of CPGC from 1993 to 2003. As the Vice President of CPGC, he assists Mr He in formulating CPGC's development strategies and developing new businesses. Mr Guo graduated from the Northeastern University in China in 1976 with a degree in Engineering. He also has a Master degree in Business Administration from the National Academy of Education Administration.

**Mr Cheong Kok Fu** was appointed as our non-Executive Director in October 2003. Mr Cheong has been practicing as an advocate and solicitor since 1973 and he is presently a sole proprietor in Guofu. Mr Cheong is a Fellow of the Singapore Institute of Arbitrators and a Member of the Singapore Institute of Directors. Mr Cheong graduated from the University of Singapore in 1972 with an LLB (Hons) degree. He obtained a Diploma BA and an LLM from National University of Singapore in 1987 and 1989 respectively.

**H.E. Fu Xuezhong** was appointed as our non-Executive Director in October 2003. Since his graduation from Beijing Foreign Studies University (then Beijing Foreign Language Institute) in 1963, he was with the Foreign Ministry of the PRC holding numerous appointments including Director General of Asian Department, Ambassador ranking Representative of the PRC to the Supreme National Council of Cambodia, and Ambassador Extraordinary and Plenipotentiary of the PRC to Thailand. He also served as the Ambassador Extraordinary and Plenipotentiary of the PRC to Singapore from 1995 to 1997. During his term as Ambassador to Singapore, he has contributed to the enhancement of bilateral political and economic relationships between the two countries.

**Mr Lee Eng Lock** was appointed as our non-Executive Director in October 2003. Mr Lee is the founder and Chief Technology Officer of E-Cube Pte Ltd. A leading designer of cleanrooms, Mr Lee had designed over 50 cleanrooms and was consulted by high technology companies such as Hewlett-Packard and AT&T in their expansion into Asia. Mr Lee had also published many articles and given many seminars and workshops on cleanroom design. Mr Lee was with the Economic Development Board as a Project Engineer until 1978 when he joined Lullamotion (S) Pte Ltd as an Engineering Sales Manager in that year. From 1982 to 1986, he was a Technical Manager with Jurong Environmental Engineering Pte Ltd. He joined Nexus Technology (S) Pte Ltd as a General Manager in 1986 and worked for about 2 years before joining Supersymmetry Services Pte Ltd as a Technical Director in 1988. Mr Lee is a member of several professional bodies including the Diagnostics Project for Building Commissioning and Operation at Lawrence Berkeley National Laboratories, Singapore Environmental Council and Building Measurement and Verification Protocols (USA). Mr Lee obtained a Bachelor of Science in Mechanical Engineering from Surrey University in 1972 under a Colombo Plan Scholarship.

**Dr Choong Chow Siong** was appointed as our Independent Director in October 2003. Dr Choong is an audit partner and has over 20 years of audit experience. He is the co-author of a book entitled *Revenue Accounting and the 5R Revenue Theory for Management Reporting* published in 2001. Dr Choong is a certified public accountant. He is a member of the Chartered Institute of Arbitrators (UK) and a member of the Singapore Institute of Arbitrators. Dr Choong graduated from Nanyang University (Singapore) in 1974 with a Bachelor of Commerce (Accountancy) degree. He obtained a Master of Arts in Finance and Accounting from Leeds Metropolitan University (UK) in 1996 and a Doctor of Philosophy in Accounting from the American World University in 1999.

---

## DIRECTORS, MANAGEMENT AND STAFF

---

**Mr George Huang Chang Yi** was appointed as our Independent Director in October 2003. Mr Huang has been a director of Amoy Canning Corpn (S) Ltd since 1988 and its Managing Director since 1999. Mr Huang sits on the board of directors of various private and public companies in Singapore, Malaysia and Australia. He is also the Chairman of Singapore Food Industries Limited. Mr Huang holds various trade and professional appointments including being a member of the Panel of Advisors of Chartered Management Institute (Singapore Branch), Vice President of Singapore Manufacturers' Federation, and a member of Singapore National Committee for Pacific Economic Cooperation. Mr Huang has been the Honorary Consul-General of The Federal Democratic Republic of Ethiopia to Singapore since 1997 and Honorary Business Ambassador, Queensland Government, Australia to Singapore since 2000. Mr Huang is both a Fellow of the Chartered Management Institute, UK and the Singapore Institute of Directors. Mr Huang graduated from University of Canterbury, New Zealand in 1971 with a Bachelor of Arts degree.

**Mr Tay Siew Choon** was appointed as our Independent Director in November 2003. Prior to his current position, Mr Tay was the director and Group General Manager of South Pacific Textiles Ind Bhd Group and held various senior management positions in the Singapore Technologies Group. Since 2000, Mr Tay has been the Managing Director and Chief Operating Officer of Singapore Technologies Pte Ltd and Deputy Chairman and Chief Executive Officer of Green Dot Capital Pte Ltd. Mr Tay sits on the board of various companies including Singapore Technologies Pte Ltd, Singapore Computer System Limited, SNP Corporation Ltd, SembCorp Industries Ltd, Chartered Semiconductor Manufacturing Ltd, ST Assembly Test Services Ltd, Vertex Venture Holdings Ltd and ST Telemedia Pte 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 degree from the former University of Singapore in 1971.

### MANAGEMENT

Our Executive Chairman Wu Hsioh Kwang and our experienced and qualified team of Executive Officers are responsible for the different functions of our Group. The particulars of the Executive Officers are set out below:

#### Executive Officers

<u>Name</u>	<u>Age</u>	<u>Address</u>	<u>Principal Country of Residence</u>	<u>Principal Occupation</u>
Phua Tin How	53	2 Grove Drive, Singapore 279043	Singapore	Group President
Amos Ng Chiau Meng	43	29A Hillview Ave #05-09 Singapore 669562	Singapore	Senior Vice President (Finance & Administration)
Ho Keng Soon	45	71 Marine Parade Drive #15-234 Singapore 440071	Singapore	Senior Vice President (Operations) General Manager, SOACL
Zhang Quan	37	7-1104, Puhuangyu Road, Beijing 100075, China	China	Senior Vice President (Corporate Development)
Carol Liew Shue Ching	35	808 Thomson Road #16-18 Singapore 298190	Singapore	Vice President (Finance) Financial Controller, IDM
Wang Liang	48	No. 158 Yin Cheng Road (N), Pudong New Area, Shanghai 200120, China	China	Vice President (Operations) Deputy General Manager, SOACL



---

## DIRECTORS, MANAGEMENT AND STAFF

---

<u>Name</u>	<u>Age</u>	<u>Address</u>	<u>Principal Country of Residence</u>	<u>Principal Occupation</u>
Lee Poh Hoon	50	26, Mayflower Place Singapore 568707	Singapore	Vice President (Operations) Deputy General Manager, SOACL
Zhao Aimin	51	5522 Hua Qing Yuan, Chezhang Rd, Lintong District, Xi'an 710600, China	China	Deputy General Manager, ZTD and LLC
Michael Donald Stewart	42	1502 Chang Yi Road, Pudong, Shanghai 200120, China	China	Curator, SOACL

Our Executive Officers' working and business experience are set out below:

**Mr Phua Tin How** was appointed as our Group President in June 2003. He reports to our Executive Chairman and assists the Board in setting the strategic direction of and manages the overall business of our Group. He is currently a director with several companies in Singapore, including L.C. Development Ltd and YHI International Limited. He also sits on the Board of CSSD, the company responsible for developing the Suzhou Industrial Park and is a director of the National Environment Agency. He is also the Chairman of SLF International and Vice-Chairman of Network China, International Enterprise Singapore. In 1993, he was appointed as Principal Private Secretary to the Deputy Prime Minister in the Prime Minister's Office. From 1993 to 1994, Mr Phua served as Principal Private Secretary to the President of Singapore. From 1994 to 2002, he was the Group President of DelGro Corporation and concurrently the President and CEO of SBS Transit Ltd. He holds a Master in Business Administration from INSEAD, France under a Singapore government scholarship and a Bachelor of Science (Honours) from the University of Singapore.

**Mr Amos Ng Chiau Meng**, the Senior Vice President, Finance & Administration, joined our Group in September 2000. Mr Amos Ng is overall responsible for the finance, accounts, statutory compliance and corporate governance of our Group. He also manages our Company's human resource and administration. Prior to joining our Group in 2000, Mr Ng was with Neptune Orient Lines Ltd from 1989 to 1996 during which he was the Senior Manager for finance and administration for the logistic and distribution centre. He joined the Scandinavia Warehouses Pte Ltd as the General Manager from 1996 to 1997. From 1997 to 2000 Mr Ng was with PSA Corporation Ltd holding various positions, including the General Manager of China Merchants - PSA Logistics Network Co, in Shanghai between 1999 and 2000. Mr Ng is a Certified Accountant with the Chartered Association of Certified Accountants and a member of the Institute of Certified Public Accountants of Singapore.

**Mr Ho Keng Soon** was appointed as the Senior Vice President, Operations of our Group in September 2003. He concurrently holds the position of General Manager of SOACL and has overall responsibility for the operations and management of our projects. Prior to joining our Group in 2003, Mr Ho was the Group Vice President of Wing Shing International (BVI) from 1992 to 1997. He was the General Manager of Singapore Cable Car Pte Ltd from 1997 to 2003. Mr Ho has both Masters and Bachelor degrees in Business Administration from Schiller International University, Heidelberg, Germany.

**Mr Zhang Quan**, the Senior Vice President, Corporate Development, joined our Group in January 1997. He is responsible for developing our Group's businesses in China. Mr Zhang was with the Ministry of Foreign Trade & Economic Cooperation (MOFTEC) of the PRC from 1988 to 1994 as a section chief of the European Department responsible for developing bilateral economic and diplomatic relations with Nordic countries. From 1994 to 1997, he was the personal assistant to the chairman of Straco Investment Pte Ltd where he was responsible for managing all the businesses of the company in China. From 1997 to 2003, he was the Director of Business Development of IDM. Mr Zhang has extensive relations with the Chinese government both at central and local levels. Mr Zhang holds a Bachelor of Arts degree from Beijing Foreign Studies University.



---

## DIRECTORS, MANAGEMENT AND STAFF

---

**Ms Liew Shue Ching Carol** was appointed as the Vice President, Finance of our Group and the Financial Controller of IDM in September 2003. Ms Liew oversees the Group financial reporting and provides financial advisory support to our subsidiaries. Ms Liew joined Coopers & Lybrand Audit department in 1993. In 1999, Ms Liew was transferred to PricewaterhouseCoopers Corporate Finance Pte Ltd where she was the manager of various projects including initial public offerings, providing of independent financial advisory services to listed companies, business valuations, and business reviews and restructuring until 2003. Ms Liew is a member of CPA Australia and holds a Bachelor degree in Commerce from the University of Western Australia.

**Mr Wang Liang**, the Vice President, Operations of our Group and the Deputy General Manager of SOACL, joined our Group in January 1997. Mr Wang is responsible for the administration, finance and human resource functions of SOACL. Prior to joining SOACL in 1997, he was a senior officer in the Beijing Municipal Commission of Foreign Trade and Economic Cooperation from 1991 to 1992. In 1992, he joined CPGC and was the Manager of its Russian Trading Department. From 1995 to 1996, he was appointed as the Manager of CPGC's Shanghai Office. Mr Wang holds a diploma in engineering from Aeronautical Technology Institute of People's Liberation Army (Navy).

**Mr Lee Poh Hoon**, the Vice President, Operations of our Group and Deputy General Manager of SOACL, joined our Group in January 2000. Mr Lee has more than 20 years of experience in marketing, business development and customer service in various local, regional and multinational companies. In 1980, he was the Marketing Executive for Coca-Cola Export Corporation. From 1982 and 1984, Mr Lee was the product Manager with France Scott Pte Ltd. From 1984 to 1993 he was the Marketing Manager for Hawley & Hazel (manufacturer of Darkie dental care products). In 1993, Mr Lee was appointed the General Sales Operations Manager of F&N Coca-Col Pte Ltd. In 1997, he joined the Singapore Telecommunications Group where he was the General Manager of its equipment retail arm and the Senior Director (Sales, Marketing and Customer Service) of its Mobile service subsidiary. Mr Lee has a Bachelor of Commerce (Honours) degree from Nanyang University (Singapore).

**Mr Zhao Aimin**, the Deputy General Manager of ZTD and LLC, joined our Group in March 1992. Mr Zhao oversees the operation of LLC and the development of CYG. Prior to joining our Group in 1992, Mr Zhao was the Deputy General Manager of Hua Qing Pool Company from 1985 to 1990 and the Deputy Director of Lintong Cultural Heritage Bureau from 1990 to 1992. Mr Zhao graduated from the Chinese Communist Party College of Xi'an in 1989.

**Mr Michael Donald Stewart** joined us as the Curator for SOACL in September 2002 and has overall responsibility for the running of the Curatorial Department of our Aquarium. Mr Stewart has vast experience in the public aquarium and aquaculture business. He was the Production Manager of Hong Kong Fish Farming Industrial Co., Ltd from 1984 to 1986, the General Manager of Blue Whale Aquaculture Co., Ltd, Hong Kong from 1986 to 1987, and the Curator of Aquarium of the Ocean Park Corporation, Hong Kong from 1987 and 2000. He was the Consulting Director for the Aquarium Company Limited, Hong Kong from 2000 to 2002. Mr Stewart holds a Diploma in Fishery Management from the Royal Hampshire College of Agriculture, United Kingdom. He has published several papers on aquatic life.

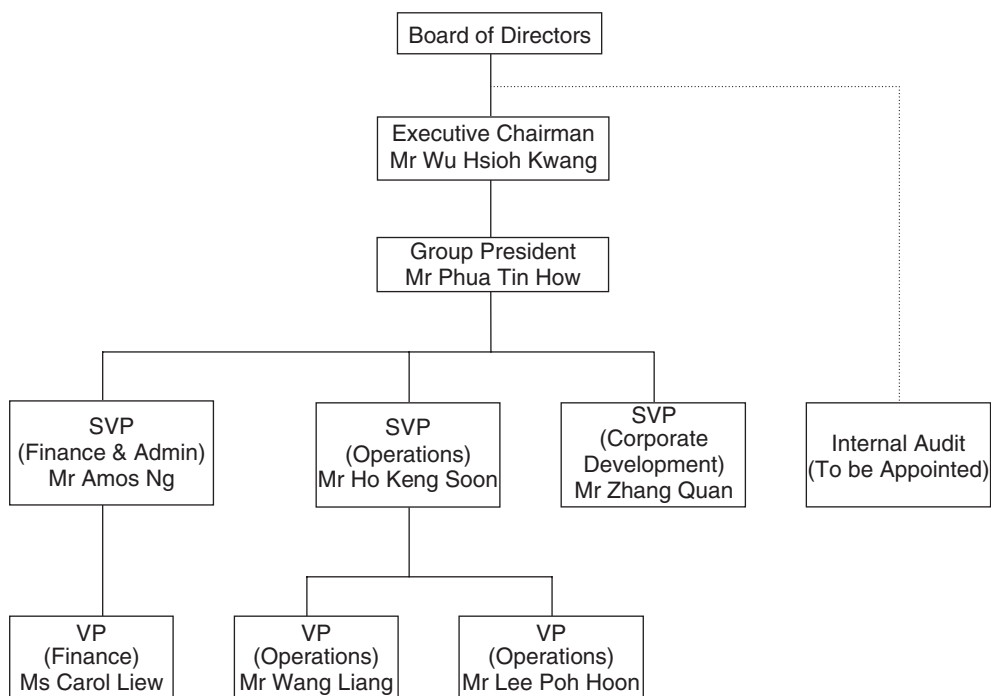
None of our Directors and Executive Officers is related to each other or the substantial shareholders.

To the best of their knowledge, information and belief, our Directors are not aware of any arrangements or undertakings with any substantial shareholders, customers, suppliers or others pursuant to which any of our Directors or Executive Officers was appointed.

## DIRECTORS, MANAGEMENT AND STAFF

### OUR MANAGEMENT REPORTING STRUCTURE

The following chart shows our management reporting structure as at the Latest Practicable Date.



### REMUNERATION

#### Directors

None of our Directors were paid any remuneration for FY2001, FY2002 and the current financial year.

#### Management

The remuneration paid to our Executive Officers for services rendered to us and our subsidiaries on an individual basis and in remuneration bands during FY2001 and FY2002 and the estimated remuneration for the current financial year are as follows:

	FY 2001	FY 2002	FY 2003 (Estimated)
Phua Tin How <sup>(1)</sup>	—	—	Band A <sup>(2)</sup>
Ho Keng Soon	—	—	Band A
Amos Ng Chiau Meng <sup>(3)</sup>	Band A	Band A	Band A
Lee Poh Hoon	Band A	Band A	Band A
Michael Donald Stewart	—	Band A	Band A
Zhang Quan	Band A	Band A	Band A

#### **Notes:**

- (1) Mr Phua joined the Company in June 2003. He would ordinarily be classified under Band B if he had joined our Company in January 2003. Band B means between \$250,000 and \$499,999.
- (2) Band A means up to \$249,999.
- (3) Mr Ng was a director of our Company until 18 July 2003.

We have not set aside any amounts to provide for pension, retirement or similar benefits.

---

## DIRECTORS, MANAGEMENT AND STAFF

---

### EMPLOYEES

As at 31 December 2002, we had a workforce of 265 full-time and 40 part-time employees. The relationship and co-operation between the management and employees have been good and this is expected to continue in the future. There has not been any incidence of work stoppages or labour disputes, which affected our operations.

Our Group is only engaged in the operation of the Attractions. The geographical breakdown and functional distribution of our full-time employees as at 31 December 2000, 2001 and 2002, and as at 30 June 2003 were as follows:

	FY2000	FY2001	FY2002	1H2003
<b>Function</b>				
<u>Management</u>				
PRC	3	3	3	5
Singapore	4	5	5	4
<u>Finance and Administration</u>				
PRC	16	38	45	49
Singapore	1	3	3	4
<u>Operations</u>				
PRC	11	113	112	113
Singapore	0	0	0	0
<u>Sales</u>				
PRC	7	23	24	19
Singapore	0	0	0	0
<u>Technical</u>				
PRC	10	64	73	69
Singapore	0	0	0	0
<b>Total</b>	<b>52</b>	<b>249</b>	<b>265</b>	<b>263</b>

The geographical breakdown of our part-time employees as at 31 December 2000, 2001 and 2002, and as at 30 June 2003 were as follows:

	FY2000	FY2001	FY2002	1H2003
PRC	3	43	40	12
Singapore	0	0	0	0
<b>Total</b>	<b>3</b>	<b>43</b>	<b>40</b>	<b>12</b>

---

## DIRECTORS, MANAGEMENT AND STAFF

---

### SERVICE AGREEMENTS

On 7 January 2004, our Company entered into separate service agreements (the “Service Agreements”) with Mr Wu Hsioh Kwang and Mr Phua Tin How (each an “Executive”) under which they were appointed as Executive Chairman and Group President respectively.

The Service Agreements shall take effect from the date of listing and quotation of our Company on the SGX-ST. The duration of their employment shall be for an initial term of 3 years (unless otherwise terminated by either party giving not less than three months’ notice to the other). Their terms are renewed automatically for successive periods of one year each, commencing from the next day after the expiry of their then current term of employment. Each Service Agreement may be terminated by our Company by summary notice upon the occurrence of certain events, such as criminal conviction, grave misconduct or material breach of obligation under the Service Agreement. None of the Executives will be entitled to any benefits upon termination of his Service Agreement.

Under the Service Agreements, Mr Wu Hsioh Kwang and Mr Phua Tin How are entitled to monthly salaries of \$35,000 and \$30,000 respectively and a thirteen-month bonus in respect of each completed year of service. Each Executive will also be reimbursed all travelling, hotel, entertainment and such other out-of-pocket expenses reasonably incurred by the Executive in the discharge of his duties based on our Company’s prevailing policies. Their salary and benefits may be revised at the discretion of the Remuneration Committee and endorsed by the Board. Each Executive may also be paid discretionary bonuses or be granted share options for any financial year, at the discretion of the Remuneration Committee and endorsed by the Board. A Director may not vote on any resolution of the Board regarding the amount of bonus payable to him.

Had the proposed Service Agreements been in force at the beginning of FY2002, the total remuneration payable to each of the Executives would have been \$0.9 million instead of nil and the profit before tax for FY2002 would have been \$8.6 million instead of \$9.5 million.

### THE STRACO SCHEME

The Scheme will provide eligible participants with an opportunity to participate in the equity of our Company. The Scheme, which forms an integral and important component of our compensation plan, is designed to primarily reward and retain employees in our Company whose services are vital to our well being and success. As at the date of this Prospectus, no options have been granted under the Scheme. Full details of the Scheme are found in Appendix IV of this Prospectus. Unless otherwise defined under the section on “*Definitions*”, terms defined in this section bear the meanings ascribed to them in Appendix IV. A summary of the rules of the Straco Scheme is set out below.

#### Eligible Persons

The following persons are eligible to participate in the Scheme.

- (i) Executive Directors and Employees of our Group

The extension of the Scheme to this class of participants is to allow us to have an equitable system to reward employees who have made and who continue to make important contributions to the long-term growth of our Group. The Scheme will also serve to attract, retain and provide incentives to its participants to higher standards of performance as well as encourage greater dedication and loyalty by enabling our Company to give recognition to past contributions and services as well as motivating them to contribute towards our long-term prosperity.

---

## DIRECTORS, MANAGEMENT AND STAFF

---

### (ii) Non-Executive Directors

Our non-Executive Directors come from different disciplines with different working experience and expertise. As such, they are able to provide our Company with valuable support and business opportunities and alliances for the furtherance of our Company, as well as to contribute the wealth of their experience and expertise to the Board for the benefit of our Group. Further, by granting our Company the ability to supplement the current cash based remuneration of a fixed amount per annum by way of director's fees to non-Executive Directors for their services, our Company will be able to remain competitive in the total remuneration of our non-executive Directors when other listed companies also offer share options to their non-executive Directors. This will help enhance the growth and long-term profitability of our business. In addition, by including non-Executive directors in the Scheme, we will be given the flexibility to consider, in the future, compensating non-executive Directors for their services in cash or share options.

However, any options that may be offered and granted to any non-Executive Director will comprise only a relatively small percentage of the total options that would be offered and granted under the Scheme because the non-Executive Directors will not be involved in the daily operations of our Group. Options will be granted to the non-Executive Directors only as a small token of our Company's appreciation for their contributions.

Further, our Directors intend to grant options to non-Executive Directors to subscribe for a nominal number of Shares only so as to minimise the potential conflicts of interests and not to compromise the independence of the non-Executive Directors. Our non-Executive Directors may be appointed as members of the Remuneration Committee for the administration of the Scheme from time to time. However, Rule 13.1 of the Scheme provides that no member of the Remuneration Committee shall participate in any deliberation or decision in respect of options to be granted to him or held by him.

For non-Executive Directors, no decision has yet been made by our Company on the terms of the grant of options and on whether options will be granted at a discount to the market price. Should our Company decide to grant options to them at a discount, such decision would be based on factors such as the individual performance of the non-executive Directors and their contribution to the success and development of our Company and/or our Group.

### (iii) Associated Company Employees

We recognise that it is important to the well-being and stability of our Group that we acknowledge the services and contributions that may be made by our Associated Company Employees in the future so that our Group will continue to receive their support and contributions.

By implementing the Scheme, our Company will have a means of providing such Associated Company Employees with an opportunity to share in the success and achievements of our Group as well as the performance of our Company through participation in the equity of our Company without direct cost to our Company's profitability even though they are not executive directors or employees of our Group. They are nevertheless closely associated with our Group and our business operations. It is hoped that by doing so, we will also strengthen our working relationships with the participants by inculcating in them a stronger and more lasting sense of identification with our Group.

### Administration of the Scheme

The Scheme shall be administered by the Remuneration Committee comprising Directors with powers to determine *inter alia* the eligibility of individuals for participation in the Scheme and the number of options to be offered.

---

## DIRECTORS, MANAGEMENT AND STAFF

---

### Size of the Scheme

The total number of new Shares that may be issued pursuant to the Scheme shall not exceed 15% of the issued share capital of our Company on the day preceding that date of any grant of options.

Our Company believes that this 15% limit gives our Company sufficient flexibility to decide upon the number of option Share to offer to its existing and new employees. The number of eligible participants is expected to grow over the years. Our Company, in line with our goals of ensuring sustainable growth, is constantly reviewing our position and considering the expansion of our talent pool which may involve employing new employees. The employee base and thus the number of eligible participants will increase as a result. If the number of options available under the Scheme is limited, our Company may only be able to grant a small number of options to each eligible participant, which may not be a sufficiently attractive incentive. Our Company is of the view that we should have sufficient number of options to offer to new employees as well as to existing ones. The number of options offered must also be significant enough to serve as a meaningful reward for contribution to our Group.

### Exercise Price

The exercise price to be paid for each Share on the exercise of an option shall be determined by the Remuneration Committee in its absolute discretion and fixed by the Remuneration Committee (i) at a price which is equivalent to the average of the last dealt prices for the Shares on the SGX-ST for the last 5 consecutive market days immediately preceding the relevant date of grant of the option (the "Market Price"); or (ii) at a price that is set at a discount to the Market Price provided that the maximum discount shall not exceed 20% of the Market Price. However, such discount must be approved by the shareholders in a general meeting.

### Grant of Options

The Remuneration Committee may grant options at any time during the period when the Scheme is in force, provided that in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made, options may only be granted on or after the eighth market day from the date on which the aforesaid announcement is released.

### Maximum Entitlements

The number of Shares to be a participant shall be determined by the Remuneration Committee at its absolute discretion after taking into account criteria such as the performance of that participant.

### Termination of Options

Special provisions in the rules of the Scheme deal with the lapse of options in circumstances which include the termination of the participant's employment in our Group, the bankruptcy or death of the participants, and a take-over or winding-up of our Company.

### Acceptance of Options

The grant of options shall be accepted within 30 days from the date of the offer. Offers of options made to grantees, if not accepted as provided under the rules of the Scheme, will lapse. Upon the acceptance of the offer, the grantee must pay our Company a consideration of \$1.00.

### Grant of Options with a Discounted Exercise Price

The ability to offer options to participants of the Scheme with exercise prices set at a discount to the prevailing market prices of the Shares will operate as a means to recognise the performance of participants as well as to motivate them to continue to excel while encouraging them to focus more on improving the profitability and return of our Group above a certain level which will benefit all shareholders when these are eventually reflected through share price appreciation. Discounted options would be perceived in a more positive light by the participants, inspiring them to work hard and produce results in order to be offered options at a discount as only employees who have made outstanding contributions to the success and development of the Group will be granted options at a discount.



---

## DIRECTORS, MANAGEMENT AND STAFF

---

The flexibility to grant options with discounted prices is also intended to cater to situations where the stock market performance has overrun the general market conditions. In such events, the Remuneration Committee will have absolute discretion to:-

- (a) grant options set at a discount to the Market Price of a Share (subject to a maximum limit of 20%); and
- (b) determine the participants to whom, and the options to which, such reduction in exercise prices will apply.

In determining whether to give a discount and the quantum of the discount, the Remuneration Committee shall be at liberty to take into consideration factors including the performance of our Company, our Group, the performance of the participant concerned, the contribution of the participant to the success and development of our Group and the prevailing market conditions.

It is envisaged that our Company may consider granting the options with exercise prices set at a discount to the Market Price of the Shares prevailing at the time of grant under circumstances including (but not limited to) the following:-

- (a) where, due to speculative forces in the stock market resulting in an overrun of the market, the market price of the Shares at the time of the grant of options is not a true reflection of the financial performance of our Company;
- (b) to enable our Company to offer competitive remuneration packages in the event that the practice of granting options with exercise prices that have a discount element becomes a general market norm. As share options become more significant components of executive remuneration packages, a discretion to grant options with discounted prices will provide our Company with a means to maintain the competitiveness of our Group compensation strategy; and/or
- (c) where our Group needs to provide more compelling motivation for specific business units to improve their performance, grants of share options with discounted exercise prices will help to align the interests of employees to those of the shareholders by encouraging them to focus more on improving the profitability and return of our Group above a certain level which will benefit all shareholders when these are eventually reflected through share price appreciation, as such options granted at a discount would be perceived more positively by the employees who receive such options.

The Remuneration Committee will determine on a case-by-case basis whether a discount will be given, and if so, the quantum of the discount, taking into account the objective that is desired to be achieved by our Company and the prevailing market conditions. As the actual discount given will depend on the relevant circumstances, the extent of the discount may vary from one case to another, subject to a maximum discount of 20% of the Market Price of a Share described above.

The discretion to grant options to subscribe for Shares at an exercise price set at a discount to the market price will, however, be used judiciously. The amount of the discount may vary from one offer to another, and from time to time, subject to a limit of 20% on the quantum of discount in respect of options granted under the Scheme.

Such flexibility in determining the quantum of discount would enable the Remuneration Committee to tailor the incentives in the grant of options to be commensurate with the performance and contribution of each individual participant. By individually recognising the degree of performance and contribution of each participant, the granting of options at a commensurate discount would enable the Committee to provide incentives for better performance, greater dedication and loyalty of the participants.

Our Company may also grant options without any discount to the market price. Additionally, our Company may, if it deems fit, impose conditions on the exercise of the options (whether such options are granted at the market price or at a discount to the market price), such as restricting the number of Shares for which the option may be exercised during the initial years following its vesting.

---

## DIRECTORS, MANAGEMENT AND STAFF

---

### Cost of Options Granted Under the Scheme to our Company

Any options granted under the Scheme would have a fair value. In the event that such options are granted at prices below the fair value of the options, there will be a cost to our Company. The amounts of such costs may be more significant in the case of options granted with exercise prices set at a discount to the prevailing market price of the Shares. The cost to our Company of granting options under the Scheme would be as follows:-

- (a) the exercise of an option at the exercise price would translate into a reduction of the proceeds from the exercise of such option, as compared to the proceeds that our Company would have received from such exercise had the exercise been made at the prevailing market price of the Shares. Such reduction of the exercise proceeds would represent the monetary cost to our Company;
- (b) as the monetary cost of granting options with a discounted exercise price is borne by our Company, the earnings of our Company would effectively be reduced by an amount corresponding to the reduced interest earnings that our Company would have received from the difference in proceeds from exercise price with no discount versus the discounted exercise price. Such reduction would, accordingly, result in the dilution of our Company's EPS; and
- (c) the effect of the issue of new Shares upon the exercise of options, is that the Company's NTA per Share will increase if the exercise price is above the NTA per Share and decrease, if the exercise price is below the NTA per Share.

The costs as discussed above would only materialise upon the exercise of the relevant options. Currently, the Financial Reporting Standards ("FRS") is silent on the recognition and measurement for shares-based awards granted to employees. Accordingly, companies have not recognised any compensation expenses relating to share options granted to their employees in their financial statements. However, share options have value because the option to buy a company's share for a fixed price during an extended future time period is a valuable right, even if there are restrictions attached to such an option. If the FRS is revised such that our Company is required to account for shares-based awards granted to our employees, the cost of granting options will affect our financial results as this cost to our Company would be required to be charged to our Company's profit and loss account at the time the options are granted. Even if the options are not granted at a discount, there would be a cost to the Company though this cost is not required to be charged to the Company's profit and loss account under the FRS. Subject as aforesaid, as and when options are exercised, the cash inflow will add to the NTA of our Company and its share capital base will grow. Where options are granted with exercise prices that are set at a discount to the market prices for the Shares prevailing at the time of the grant of such options, the amount of the cash inflow to the Company on the exercise of such options would be diminished by the quantum of the discount given, as compared with the cash inflow that would have been receivable by the Company had the options been granted at the market price of the Shares prevailing at the time of the grant.

Details of the number of options granted pursuant to the Scheme, the number of options exercised and the exercise price (as well as any applicable discounts) will be disclosed in our annual report.

### Duration of the Scheme

The Scheme shall continue in operation for a maximum duration of 10 years commencing on the date on which the Scheme is adopted by our Company in general meeting, provided that the Scheme may continue beyond the above-stipulated period with the approval of our Company's shareholders by ordinary resolution in a general meeting and of any relevant authorities which may then be required.

---

## CORPORATE GOVERNANCE

---

Our Articles provide that our Board will consist of not less than two Directors. Pursuant to our Articles, every Director shall retire from office at least once every 3 years. For this purpose, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number rounded to the nearest one-third) shall retire from office at each annual general meeting. The Directors who retire are eligible to stand for re-election.

Our Directors recognize the importance of corporate governance and the offering of high standards of accountability to the shareholders of our Company, and will follow closely the best practice outlined in the Best Practices Guide issued by SGX-ST. Our Board has formed three committees: (i) the Audit Committee; (ii) the Remuneration Committee; and (iii) the Nominating Committee.

### **Audit Committee**

Our Audit Committee comprises Dr Choong Chow Siong, Mr Guo Qiang and Mr George Huang Chang Yi. The Chairman of our Audit Committee is Dr Choong Chow Siong. Our Audit Committee shall meet periodically to perform the following functions:

- (a) review with the external auditors the audit plan, and the results of our external auditors' examination and evaluation of our system of internal controls;
- (b) review the financial statements and the external auditors' report on those financial statements, before submission to the Board for approval;
- (c) review the co-operation given by our management to our auditors;
- (d) nominate the appointment and re-appointment of the external auditors to the Board;
- (e) review interested person transactions, if any;
- (f) review internal audit reports and internal audit plans of our Group; and
- (g) generally undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, and by such amendments made thereto from time to time.

Apart from the duties listed above, our Audit Committee shall 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 has or is likely to have a material impact on our Group's operating results and/or financial position. Each member of our Audit Committee shall abstain from voting on any resolutions in respect of matters in which he is interested.

### **Remuneration Committee**

Our Remuneration Committee comprises Mr Tay Siew Choon, Mr Wu Hsioh Kwang and Mr He Ping. Mr Tay Siew Choon will be the Chairman of our Remuneration Committee. Our Remuneration Committee will recommend to our Board a framework of remuneration for the Directors and key executives, and determine specific remuneration packages for each Executive Director. The recommendations of our Remuneration Committee shall be submitted for endorsement by the Board. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options issued under our Straco Scheme and benefits in kind shall be covered by our Remuneration Committee. Each member of the Remuneration Committee shall abstain from voting on any resolutions in respect of his remuneration package.

### **Nominating Committee**

Our Nominating Committee comprises Mr George Huang Chang Yi, Mr Wu Hsioh Kwang and Mr Tay Siew Choon. The Chairman of our Nominating Committee is Mr George Huang Chang Yi. Our Nominating Committee will be responsible for (i) re-nomination of our Directors; (ii) determining annually whether or not a Director is independent; and (iii) deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director.

Our Nominating Committee will decide how the Board's performance is to be evaluated subject to the approval of the Board. The Board will also implement a process to be carried out by our Nominating Committee for assessing the effectiveness of the Board as a whole. Each member of our Nominating Committee shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.

---

## INTERESTED PERSON TRANSACTIONS AND CONFLICT OF INTERESTS

---

### INTERESTED PERSON TRANSACTIONS

In general, transactions between our Group and any of its interested persons (namely, the Directors, Executive Officers or Controlling Shareholders of our Company or the associates of such Directors, Executive Officers or Controlling Shareholders) are known as Interested Person Transactions ("Interested Person Transactions"). The following discussion on material Interested Person Transactions for the last three financial years and for the period ended on the Latest Practicable Date is based on our pro forma Group and interested persons are construed accordingly.

Save as disclosed below and under the section on "*Restructuring Exercise*" on pages 42 and 43 of this Prospectus, our Group does not have any material transactions with any of our interested persons for the last three financial years and for the period ended on the Latest Practicable Date.

#### Technical and Management Consulting Services Agreement

IDM had a Technical and Management Consulting Services Agreement with ZYRT dated 1 January 1997 which was renewed on 1 January 2002, under which IDM provided technical and management consulting and support services to ZYRT and for which ZYRT paid a management fee of \$250,000 per annum. This contract was terminated on 1 October 2003. The total amount of fees charged to ZYRT for FY2000, FY2001, FY2002 and the period ended on the Latest Practicable Date were as follows:

	FY2000 (\$)	FY2001 (\$)	FY2002 (\$)	Period ended on the Latest Practicable Date (\$)
Total amount of fees charged to ZYRT	250,000	250,000	250,000	187,500

#### Cash advance and Payment of Expenses on Behalf of ZYRT

In conjunction with the technical and management consulting and support services, IDM has made payments of expenses on behalf of ZYRT and made cash advances to assist ZYRT in the management of its cash flows. These cash advances were non-interest bearing. With the divestment of ZYRT, both payments of expenses on behalf of and cash advance to ZYRT have ceased in September 2003 and the amounts due from ZYRT have been settled in full on 27 October 2003. The total amounts of payment of expenses and cash advances made to ZYRT for FY2000, FY2001, FY2002 and the period ended on the Latest Practicable Date were as follows:

	FY2000 (\$)	FY2001 (\$)	FY2002 (\$)	Period ended on the Latest Practicable Date (\$)
Payment of expenses on behalf of ZYRT	89,616	112,213	90,038	87,601
Cash advances to ZYRT	73,445	—	—	20,964

#### Loans to ZYRT

SOACL had through Bank of Shanghai made loans to ZYRT. These loans were interest bearing at a nominal rate of 0.5% per annum. With the divestment of ZYRT, these loans have been settled in full on 23 October 2003.

## INTERESTED PERSON TRANSACTIONS AND CONFLICT OF INTERESTS

The total amount of loans made to ZYRT for FY2000, FY2001, FY2002 and the period ended on the Latest Practicable Date were as follows:

	FY2000 (\$)	FY2001 (\$)	FY2002 (\$)	Period ended on the Latest Practicable Date (\$)
Loans made to ZYRT	–	–	483,770	212,134

### Shareholder's Loan to SOACL

SOACL entered into a Loan Agreement with CPGC on 23 August 2000. CPGC is a shareholder of SOACL. Under the terms of the Loan Agreement, CPGC granted an interest free loan of USD2,100,000 (approximately \$3.7 million) (Please refer to “*Capitalisation and Indebtedness*” on pages 37 and 38 of the Prospectus) to SOACL. The loan is payable effective from 2006. For details of the repayments, please see Appendix V on page V-29. As at the Latest Practicable Date, there has been no repayment of the loan by SOACL to CPGC.

### Import Agency Agreements between SOACL and Shanghai Poly Technology Co., Ltd (“Shanghai Poly”)

SOACL entered into the Agency Agreement for Importing Artificial Sea Salt dated 24 August 2001 with Shanghai Poly, a subsidiary of CPGC, and the Agency Agreement for Importing Diving Appliances/Equipment dated 12 November 2001 also with Shanghai Poly pursuant to which Shanghai Poly, acting as the main import agent, imported certain commodities such as artificial sea salt and diving appliances and equipment from outside of the PRC for use by SOACL. The total amounts paid by SOACL to Shanghai Poly under the Agency Agreement for Importing Artificial Sea Salt and the Agency Agreement for Importing Diving Appliances/Equipment for each of the last three financial years ended 31 December 2002 and for the period ended on the Latest Practicable Date are set out below.

	FY2000 (\$)	FY2001 (\$)	FY2002 (\$)	Period ended on the Latest Practicable Date (\$)
Total amounts paid by SOACL to Shanghai Poly	N.A.	397,570	58,143	127,706

This arrangement with Shanghai Poly is expected to continue in the future. For future transactions with Shanghai Poly, our Group will adhere to the review procedures for Interested Person Transactions set out under “*Review Procedures for Future Interested Person Transactions*” on page 98 of this Prospectus.

### Legal Services

Our non-Executive Director Mr Cheong Kok Fu is the sole proprietor of Guofu, Advocates and Solicitors. Guofu had rendered legal services to IDM, SOACL and ZTD. The total amount of fees paid to Guofu for the provision of legal services to IDM, SOACL and ZTD for FY2000, FY2001, FY2002 and the period ended on the Latest Practicable Date were as follows:

	FY2000 (\$)	FY2001 (\$)	FY2002 (\$)	Period ended on the Latest Practicable Date (\$)
Total amount of fees paid to Guofu	1,280	–	8,040	23,350

Our Group may engage the services of Guofu as and when the need arises. In the event that our Group does engage the services of Guofu, our Group will adhere to the review procedures for Interested Person Transactions set out under “*Review Procedures for Future Interested Person Transactions*” on page 98 of this Prospectus.

---

## INTERESTED PERSON TRANSACTIONS AND CONFLICT OF INTERESTS

---

### Engineering and Consultancy Services

Our non-Executive Director Mr Lee Eng Lock is a director of Electric Eye Pte Ltd (“Electric Eye”). Electric Eye had rendered engineering and consultancy services to SOACL. The total amount of fees paid to Electric Eye for the provision of engineering and consultancy services to SOACL for FY2000, FY2001, FY2002 and the period ended on the Latest Practicable Date were as follows:

	FY2000 (\$)	FY2001 (\$)	FY2002 (\$)	Period ended on the Latest Practicable Date (\$)
Total amount of fees paid to Electric Eye	–	–	27,000	3,000

Our Group may engage the services of Electric Eye as and when the need arises. In the event that our Group does engage the services of Electric Eye, our Group will adhere to the review procedures for Interested Person Transactions set out under “*Review Procedures for Future Interested Person Transactions*” on page 98 of this Prospectus.

### Tenancy Agreement

Mdm Chua Soh Har, the spouse of Mr Wu Hsioh Kwang and a director of IDM, is the owner of the property known as 10 Anson Road, #45-03, International Plaza, Singapore 079903 and had leased the property to IDM during the period from 1 September 2000 to 31 March 2001 at a monthly rental of \$2,300 as accommodation for the Group's employee.

The transactions mentioned above were conducted at arm's length and on normal commercial terms.

## POTENTIAL CONFLICT OF INTERESTS

### Mr Wu Hsioh Kwang

Mr Wu Hsioh Kwang, one of our Directors and substantial shareholders, has an interest of 80% in the capital of Jigongshan-Straco Cablecar Co. Ltd, Henan (“JSC”) as at the date hereof. The remaining 20% in the capital of JSC is held by the local Chinese joint venture partner in whom Mr Wu Hsioh Kwang has no interest. JSC is a joint venture company established by the local Chinese joint venture partner and Straco International Corporation Pte Ltd (“Straco International”) for the purpose of owning and operating a cable car transportation business in Jigong Mountain in Henan province, China. Mr Wu Hsioh Kwang's interest in JSC arises by way of an investment in JSC through Straco International, the entire shareholding of which is held by him and his spouse. He is a non-executive director and Chairman of JSC and has no day to day involvement in the operations of JSC nor is he involved in contract negotiations or executive decisions carried out by JSC. The day to day management of JSC is carried out by the local management of JSC. Jigong Mountain is situated approximately 736 km from Lishan Mountain. Jigong Mountain is a tourist attraction. While JSC owns the cable car transportation business at Jigong Mountain, it does not own the tourist attractions at Jigong Mountain. The owners of these attractions are third parties in whom Mr Wu Hsioh Kwang has no interest and who are not related to our Group.

Wu Hsioh Kwang also has an interest of 65.8% in the capital of Lushan-Straco Cablecar Co. Ltd, Jiangxi (“LSC”) as at the date hereof. The remaining 34.2% in the capital of LSC is held by the local Chinese joint venture partner in whom Mr Wu Hsioh Kwang has no interest. LSC is a joint venture company established by the local Chinese joint venture partner and Straco International for the purpose of owning and operating a cable car transportation business in Lushan Mountain in Jiangxi province, China. Mr Wu Hsioh Kwang's interest in LSC arises by way of an investment in LSC through Straco International. He is a non-executive director and Vice-Chairman of LSC and has no day to day involvement in the operations of LSC nor is he involved in contract negotiations or executive decisions carried out by LSC. The day to



---

## INTERESTED PERSON TRANSACTIONS AND CONFLICT OF INTERESTS

---

day management of LSC is carried out by the local management of LSC. Lushan Mountain is situated approximately 1,000 km from Lishan Mountain. Lushan Mountain is a tourist attraction. While LSC owns the cable car transportation business at Lushan Mountain, it does not own the tourist attractions at Lushan Mountain. The owners of these attractions are third parties in whom Mr Wu Hsioh Kwang has no interest and who are not related to our Group.

To date, no transactions have been entered into between any of the companies within our Group and any of JSC or LSC. Our directors are of the view that that is no potential conflict of interests between our business and the business carried out by JSC and LSC because JSC and LSC are in the cable car transportation business and are not in the business of developing and operating tourism-related attractions.

### Mr Tay Siew Choon

Mr. Tay Siew Choon, one of our non-Executive Directors, is a director in several companies in the Singapore Technologies group of companies. The Singapore Technologies group of companies may have investments in tourism-related businesses. As at the Latest Practical Date, Mr Tay Siew Choon is not involved as a director or shareholder of any company which is in the tourism-related business. Our Directors are of the view that there is no potential conflict of interests created by Mr Tay Siew Choon's involvement in companies in the Singapore Technologies group of companies and his position as a Director of our Company given the size and diversity of businesses of the Singapore Technologies group of companies and that he is only one of a number of directors within the Singapore Technologies group of companies. Nonetheless, Mr Tay Siew Choon will declare to us his interests in the event that he becomes aware of a potential conflict of interest and will also ensure that he does not participate in our decision-making process in such event.

### CPGC

CPGC is a PRC state-owned enterprise that is owned and supervised by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. CPGC has diverse businesses. However, it presently does not have any businesses similar to the Group.

Save as disclosed above and under the section on "Restructuring Exercise" on pages 42 and 43 of this Prospectus:-

- (a) none of our Directors, Executive Officers, substantial shareholders or any of their associates had or has any interest, direct or indirect, in any material transactions to which our Group was or is to be a party;
- (b) none of our Directors, Executive Officers, substantial shareholders or any of their associates has any interest, direct or indirect, in any company carrying on the same business or a similar trade which competes materially and directly with the existing business of our Group; and
- (c) none of our Directors, Executive Officers, substantial shareholders or any of their associates has any interest, direct or indirect, in any company that is our customer or supplier of goods and services.

---

## INTERESTED PERSON TRANSACTIONS AND CONFLICT OF INTERESTS

---

### REVIEW PROCEDURES FOR FUTURE INTERESTED PERSON TRANSACTIONS

Our Audit Committee will review all procedures and guidelines of existing and future interested person transactions ("Interested Person Transactions"), if any, to ensure that they are carried out at arm's length, on normal commercial terms and are not prejudicial to the interests of our shareholders as follows:

- (1) All Interested Person Transactions above \$100,000 are to be approved by an approved Director who shall not be an interested person in respect of the particular transaction. Any contracts to be made with an interested person shall not be approved unless the pricing is determined in accordance with our usual business practices and policies, consistent with the usual margin given or price received by us for the same or substantially similar type of transactions between us and unrelated parties and the terms are not more favourable to the interested person than those extended to or received from unrelated parties.

For the purposes above, where applicable, contracts for the same or substantially similar type of transactions entered into between us and unrelated third parties will be used as a basis for comparison to determine whether the price and terms offered to or received from the interested person are no more favourable than those extended to unrelated parties.

- (2) In addition, we shall monitor all related Interested Person Transactions entered into by us categorising the transactions as follows:
  - (a) a category 1 Interested Person Transaction is one where the value thereof is equal to or more than 5% of the NTA of our Group based on the latest audited accounts; and
  - (b) a category 2 Interested Person Transaction is one where the value thereof is less than 5% of the NTA of our Group based on the latest audited accounts.

Category 1 Interested Person Transactions must be approved by the Audit Committee prior to entry. Category 2 Interested Person Transactions need not be approved by the Audit Committee prior to entry but shall be reviewed on a quarterly basis by the Audit Committee.

Our Audit Committee will also review all Interested Person Transactions to ensure that the then prevailing rules and regulations of the SGX-ST (in particular Chapter 9 of the SGX-ST Listing Manual) are complied with, and if required, we will seek our shareholders' approval (where necessary) for such transactions. In the event that a member of our Audit Committee is interested in any of the Interested Person Transactions, he will abstain from reviewing that particular transaction.

Our Audit Committee is of the view that the above guidelines and procedures are sufficient to ensure that any Interested Person Transactions will be on normal commercial terms and will not be prejudicial to our shareholders.

---

## DESCRIPTION OF SHARES

---

The following statements are brief summaries of the rights and privileges of our shareholders as conferred by the laws of Singapore and our Articles. These statements summarise the material provisions of our Articles but are qualified in entirety by reference to our Articles, a copy of which will be available for inspection at our registered office during normal business hours for a period of six months from the date of registration this Prospectus by MAS.

### Ordinary Shares

All our Shares are in registered form. We may, subject to the provisions of the Companies Act and the rules of the SGX-ST, purchase our own Shares. However, we may not, except in circumstances permitted by the Act, grant any financial assistance for the acquisition or proposed acquisition of our own Shares.

### New Shares

New Shares may only be issued with the prior approval of our shareholders in a general meeting. The aggregate number of Shares to be issued pursuant to such approval may not exceed 50% (or such other limit as may be prescribed by the SGX-ST from time to time) of our issued share capital for the time being, of which the aggregate number of Shares to be issued other than on a *pro rata* basis to our shareholders may not exceed 20% (or such other limit as may be prescribed by the SGX-ST from time to time) of our issued share capital for the time being. The approval, if granted, will lapse at the conclusion of our annual general meeting following the date on which the approval was granted or the date by which the annual general meeting is required by law to be held, whichever is earlier. Subject to the foregoing, the provisions of the Companies Act and any special rights attached to any class of shares currently issued, all new Shares are under the control of our Board who may allot and issue the same with such rights and restrictions as they may think fit.

### Shareholders

Only persons who are registered in our register of shareholders and, in cases in which the person so registered is the CDP, the persons named as the Depositors in the Depository Register maintained by the CDP for our Shares, are recognised as our shareholders. We will not, except as required by law, recognise any equitable, contingent, future or partial interest in any Share or other rights for any Share other than the absolute right thereto of the registered holder of the Share or of the person whose name is entered in the Depository Register for that Share. We may close our register of shareholders for any time or times if we provide the Registry of Companies and Businesses with at least 14 days' notice and the SGX-ST at least 10 clear Market Days' notice. However, the register may not be closed for more than 30 days in aggregate in any calendar year. We typically close the register to determine our shareholders' entitlement to receive dividend and other distributions.

### Transfer of Ordinary Shares

There is no restriction on the transfer of fully paid issued Shares except where required by law or the listing rules or by-laws of any stock exchange on which our Company is listed. Our Board may decline to accept to register any transfer of Shares which are not fully paid Shares or Shares on which we have a lien. Shares may be transferred by a duly signed instrument of transfer in a form approved by any stock exchange on which our Company is listed. Our Board may also exercise their discretion to decline to register any instrument of transfer unless, among other things, it has been duly stamped and is presented for registration together with the share certificate and such other evidence of title as they may require. We will replace lost or destroyed certificates for our Shares if we are properly notified and the applicant pays a fee which will not exceed \$2 and furnishes any evidence and indemnity that our Board may require.

### General Meetings of Shareholders

We are required to hold an annual general meeting every year. Our Board may convene an extraordinary general meeting whenever it thinks fit and must do so if our shareholders representing not less than 10% of the total voting rights of all our shareholders request in writing that such a meeting be held. In addition, two or more of our shareholders holding not less than 10% of our issued share capital may call for a meeting. Unless otherwise required by law or by our Articles, voting at general meetings is by ordinary

---

## DESCRIPTION OF SHARES

---

resolution, requiring an affirmative vote for a simple majority of the votes cast at that meeting. An ordinary resolution suffices, for example, for the appointment of the directors. A special resolution, requiring the affirmative vote of at least 75% of the votes cast at that meeting, is necessary for certain matters under Singapore law, including voluntary winding up, amendments to our Memorandum of Association and our Articles, a change of our corporate name and a reduction in our share capital, share premium account or capital redemption reserve fund. We must give at least 21 days' notice in writing for every general meeting convened for the purpose of passing a special resolution. Ordinary resolutions generally require 14 days' notice in writing. The notice must be given to each of our shareholders who have supplied us with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting and, in the case of special business, the general nature of that business.

### Voting rights

A holder of our Shares is entitled to attend, speak and vote at any general meeting, in person or by proxy. Proxies need not be shareholders. A person who holds Shares through the SGX-ST book-entry settlement system will only be entitled to vote at a general meeting as a shareholder if his name appears on the Depository Register maintained by the CDP 48 hours before the general meeting. Except as otherwise provided in our Articles, two or more shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Articles, on a show of hands, every shareholder present in person and by proxy shall have one vote (provided that in the case of a shareholder who is represented by two proxies, only one of the two proxies as determined by that shareholder or, failing such determination, by the Chairman of the meeting in his sole discretion shall be entitled to vote on a show of hands), and on a poll, every shareholder present in person or by proxy shall have one vote for each Share which he holds or represents. A poll may be demanded in certain circumstances including by the Chairman of the meeting or by any shareholder present in person or by proxy and representing not less than 10% of the total voting rights of all shareholders having the right to attend and vote at the meeting or by any two shareholders present in person or by proxy and entitled to vote. In the case of a tie vote, whether on a show of hands or a poll, the Chairman of the meeting shall be entitled to a casting vote.

### Dividend

We may, by ordinary resolution of our shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board. We must pay all dividends out of our profits; however, we may capitalise our share premium account and apply it to pay dividends, if the issue of Shares to our shareholders satisfies such dividends. See "*Bonus and Rights Issue*" below. All dividends are paid *pro rata* among our shareholders in proportion to the amount paid up on each shareholder's Shares, unless the rights attaching to an issue of any Share provide otherwise. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each shareholder at his registered address. Notwithstanding the foregoing, the payment by us to CDP of any dividend payable to a shareholder whose name is entered in the Depository Register shall, to the extent of payment made to CDP, discharge us from any liability to that shareholder in respect of that payment.

### Bonus and Rights Issue

Our Board may, with the approval of our shareholders at a general meeting, capitalize any reserves or profits (including profits or monies carried and standing to any reserve or to the share premium account) and distribute the same as bonus shares credited as paid-up to our shareholders in proportion to their shareholdings. Our Board may also issue rights to take up additional Shares to shareholders in proportion to their shareholdings. Such rights are subject to any conditions attached to such issue and the regulations of any stock exchange on which we are listed.

### Takeovers

The Securities and Futures Act and the Singapore Code on Takeovers and Mergers (the "Code") regulate the acquisition of ordinary shares of public companies and contain certain provisions that may delay, deter or prevent a future takeover or change in control of our Company. Under the Code, any person acquiring an interest, either on his own or together with other parties acting in concert with him, in 30% or more of our voting shares must extend a takeover offer for the remaining voting shares in accordance

---

## DESCRIPTION OF SHARES

---

with the provisions of the Code. A mandatory takeover offer is also required to be made if a person holding, either on his own or together with parties acting in concert with him, between 30% and 50% of the voting shares acquires additional voting shares representing more than 1% of the voting shares in any six-month period. "Parties acting in concert" include, unless the contrary is established, a company and its related and associated companies, a company and its directors (including their close relatives and related trusts), a company and any of its pension funds, a person and any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, and a financial adviser and its client in respect of shares held by the financial adviser, including a stockbroker and shares held by all the funds which the financial adviser manages on a discretionary basis, where the shareholdings of the financial adviser and any of those funds in the client total 10% or more of the client's equity share capital, a director of a company (together with their close relatives, related trusts and companies controlled by any such directors, their close relatives and related trust) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent, partners and an individual, his close relatives, his related trust, any person who is accustomed to act in accordance with his instruction and companies controlled by him (or his close relatives, his related trust or any person who is accustomed to act in accordance with his instruction).

### Liquidation or Other Return of Capital

If we liquidate or in the event of any other return of capital, holders of our Shares will be entitled to participate in any surplus assets in proportion to their shareholdings, subject to any special rights attaching to any other class of shares.

### Indemnity

As permitted by Singapore law, our Articles provide that, subject to the Companies Act, our Board and officers shall be entitled to be indemnified by us against any liability incurred in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to have been done as an officer, director or employee and in which judgment is given in their favour or in which they are acquitted or in connection with any application under any statute for relief from liability in respect thereof in which relief is granted by the court. We may not indemnify our Directors and officers against any liability which by law would otherwise attach to them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to us.

### Limitations on Rights to Hold or Vote Shares

Except as described in "*Voting Rights*" and "*Takeovers*" above, there are no limitations imposed by Singapore law or by our Articles on the rights of non-resident shareholders to hold or vote our Shares.

### Minority Rights

The rights of minority shareholders of Singapore-incorporated companies are protected under Section 216 of the Companies Act, which gives the Singapore courts a general power to make any order, upon application by any of our shareholders, as they think fit to remedy any of the following situations:

- our affairs are being conducted or the powers of our Board are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of the shareholders; or
- we take or threaten to take an action or our shareholders pass or propose to pass a resolution, which unfairly discriminates against or is otherwise prejudicial to one or more of our shareholders, including the applicant.

Singapore courts have a wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Companies Act itself. Without prejudice to the foregoing, Singapore courts may:

- direct or prohibit any act or cancel or vary any transaction or resolution;
- regulate the conduct of our affairs in future;

---

## DESCRIPTION OF SHARES

---

- authorise civil proceedings to be brought in our name or on our behalf, by a person or persons and on such terms as the court may direct;
- provide for the purchase of a minority shareholder's Shares by our other shareholders or by us, and in the case of a purchase of Shares by us, a corresponding reduction of our share capital; or
- provide that we be wound up.



---

## EXCHANGE CONTROLS

---

Most of our PRC subsidiaries' revenues and operating expenses are denominated in RMB.

Currently, RMB cannot be freely converted into foreign currency. The conversion of RMB into foreign currency is regulated by the PBOC and the State Administration of Foreign Exchange ("SAFE"). Pursuant to the Regulations on the Administration of Foreign Exchange Settlement, Payment and Sale (结汇、售汇及付汇管理规定), effective on 1<sup>st</sup> July, 1996, foreign exchange required for the payment of dividends to foreign investors by the FIEs, may be purchased from designated foreign exchange banks upon presentation of board resolutions authorizing the distribution of profits or dividends of the FIEs concerned if they are permitted to maintain accounts at designated PRC foreign exchange banks.

Nevertheless, there can be no assurance that there will be sufficient foreign exchange to satisfy exchange liabilities under "current account transactions" (as defined in the applicable regulations). Furthermore, there can be no assurance that the FIEs will be able to obtain sufficient foreign exchange to pay dividends or satisfy their foreign exchange requirements in the future. Foreign exchange transactions under the "capital account" (as defined in the applicable regulations) continue to be subject to limitations and require approvals of the SAFE, which could affect the receipt and payments of foreign exchange by our Group for loans, capital contributions, purchase of fixed assets and other capital account transactions.

The value of the RMB is subject to changes in the PRC government policies and to international economic and political developments. A devaluation of approximately 50% of the RMB against the USD occurred on 3 January 1994 in connection with the adoption of the new unitary managed floating rate exchange system. Since 1994, the official exchange rate for the conversion of the RMB to the USD generally has been stable. However, there can be no assurance that the RMB will not become volatile against other currencies or the pressure to revalue the RMB will not increase. For further information, see Appendix III on pages III-3 and III-4 of this Prospectus).

---

## TAXATION

---

The following is a discussion of certain tax matters arising under the current tax laws in Singapore and is not intended to be and does not constitute legal or tax advice. While this discussion is considered to be a correct interpretation of existing laws in force as at the Latest Practicable Date, no assurance can be given that courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws will not occur.

The discussion is limited to a general description of certain tax consequences in Singapore with respect to the holding and disposal of the Shares by Singapore investors, and does not purport to be a comprehensive nor exhaustive description of all of the tax considerations that may be relevant to a decision to purchase the Shares. Prospective investors should consult their tax advisers regarding Singapore tax and other tax consequences of holding and disposing of the Shares. It is emphasised that neither our Company, our Directors nor any other persons involved in the Invitation accepts responsibility for any tax effects or liabilities resulting from the subscription for and/or purchase, holding or disposal of the Shares. Dividends payable by our Company on the Shares will be declared in Singapore dollars and paid to shareholders in Singapore dollars.

### **Singapore Taxation**

#### ***Income Tax***

Taxpayers who are residents in Singapore for tax purposes are subject to Singapore income tax on income accrued in or derived from Singapore and, with certain exceptions, on income received in Singapore from outside Singapore.

Companies which are not residents in Singapore are subject to Singapore income tax on income accrued in or derived from Singapore, and with certain exceptions, on income received in Singapore from outside Singapore. Individuals who are not residents in Singapore are, with certain exceptions, subject to Singapore income tax on income accrued in or derived from Singapore.

A company is a resident in Singapore if the control and management of its business is exercised in Singapore. An individual is a resident in Singapore if in the year preceding the year of assessment, resides in Singapore or if he is physically present or exercises an employment (other than as a director of a company) in Singapore for 183 days or more during the year preceding the year of assessment.

The corporate tax rate in Singapore is currently 22% after allowing for tax exemption on three-quarters of up to the first \$10,000 and up to one-half of the next \$90,000 of a company's chargeable income. The above tax exemption does not apply to Singapore dividends received by companies. In the Budget Statement 2003 announced on 28 February 2003, the Finance Minister has reaffirmed the Government's intention to bring the corporate tax rate down to 20% by year of assessment 2005.

For an individual who is a resident in Singapore, the rate of tax will vary according to his chargeable income but is subject to a maximum tax rate of 22%. In the Budget Statement 2003 announced on 28 February 2003, the Finance Minister has also reaffirmed the Government's intention to bring the top personal tax rate down to 20% by year of assessment 2005.

#### ***Dividend Distributions***

The management and control of the business of the Company will be exercised in Singapore. As such, the Company will be treated as a resident in Singapore for tax purposes.

Dividends received by the Company in Singapore from its PRC subsidiaries are exempt from Singapore income tax.

As the Company is under one-tier corporate tax system, dividends paid by the Company out of its profits (including foreign dividend income received from its PRC subsidiaries) would be considered as Singapore dividends and are exempt from Singapore income tax in the hands of the shareholders. Such dividends are unfranked with no tax credit attached.

---

## TAXATION

---

### ***Gains on Disposal of the Shares***

Singapore does not impose tax on capital gains. However, where the gains are considered as income from the carrying on of a trade, such gains are regarded as income and are subject to tax.

Any gains from the disposal of the Shares are not taxable in Singapore if they are regarded as gains of a capital nature. Where the seller is regarded as having derived the gains of an income nature, such gains would be taxable.

### ***Bonus shares***

Any bonus shares received by the shareholders are not taxable.

### ***Stamp duty***

There is no stamp duty payable on the subscription of the Shares.

Stamp duty is payable on the instrument of transfer of the Shares at the rate of \$0.20 for every \$100.00 or any part thereof, computed on the consideration or market value of the Shares, whichever is higher. The purchaser is liable for stamp duty unless there is an agreement to the contrary. No stamp duty is payable if no instrument of transfer is executed. If the instrument of transfer is executed outside Singapore, stamp duty is payable if it is received in Singapore.

The above stamp duty is not applicable to scripless transfer of the Shares through the CDP system.

### ***Estate duty***

Estate duty is payable on the principal value of all property settled or not settled which passes on the death of a person who was domiciled in Singapore at the rate of 5% on the first \$12,000,000 and the remainder at 10%, subject to certain specific exemption mentioned below. Property includes movable and immovable property situated in Singapore and the proceeds of the sale thereof, and in the case of a deceased person who was at the time of his death domiciled in Singapore, movable property wherever it may be. Movable property situated in Singapore owned by a deceased who was not domiciled in Singapore is exempt from estate duty.

As the Company maintains a share register in Singapore, the Shares should be regarded as a movable property situated in Singapore for the purpose of estate duty.

Subject to certain conditions, estate duty is not payable on the following:

- a) \$9,000,000 of the aggregate value of the deceased's interest in residential house(s) whether occupied by the deceased or not;
- b) \$600,000 of the aggregate value of all other property, including any interest in any other non-residential dwelling house(s) owned by the deceased; and
- c) the excess over \$600,000, if any, of the aggregate amount standing to the credit or the deceased at the time of his death in the CPF or in any designated pension or provident fund subject to certain conditions.

Prospective purchasers of the Shares who are Individuals, whether or not domiciled in Singapore, should consult their own tax advisors regarding the Singapore estate duty consequences of their investment.

---

## TAXATION

---

### ***Goods and Services Tax***

The sale of shares to Singapore investors or through SGX-ST is exempted from GST. However, this exemption does not apply to related share transaction costs such as brokerage commissions and clearing fees. Brokerage commissions charged by a GST-registered broker and clearing fees arising from shares traded through SGX-ST will be subject to the prevailing GST rate in respect of transactions undertaken by Singapore investors and is subject to 0% GST in respect of transaction undertaken by overseas investors.

---

## CLEARANCE AND SETTLEMENT

---

Upon listing and quotation on SGX-ST, our Shares will be traded under the book-entry settlement system of the CDP, and all dealings in and transactions of the Shares through SGX-ST will be effected in accordance with the terms and conditions for the operation of securities accounts with the CDP, as amended from time to time.

Our Shares will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through depository agents, securities accounts with CDP. Persons named as direct securities account holders and depository agents in the depository register maintained by the CDP, rather than CDP itself, will be treated, under our Articles and the Companies Act, as members of the Company in respect of the number of Shares credited to their respective securities accounts.

Persons holding the Shares in securities account with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will, however, not be valid for delivery pursuant to trades transacted on SGX-ST, although they will be *prima facie* evidence of title and may be transferred in accordance with our Articles. A fee of \$10.00 for each withdrawal of 1,000 Shares or less and a fee of \$25.00 for each withdrawal of more than 1,000 Shares is payable upon withdrawing the Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of \$2.00 or such other amount as our Directors may decide, is payable to the share registrar for each share certificate issued and a stamp duty of \$10.00 is also payable where our Shares are withdrawn in the name of the person withdrawing our Shares or \$0.20 per \$100.00 or part thereof of the last-transacted price where it is withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on SGX-ST must deposit with CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of CDP, and have their respective securities accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of \$20.00 is payable upon the deposit of each instrument of transfer with CDP.

Transactions in the Shares under the book-entry settlement system will be reflected by the seller's securities account being debited with the number of Shares sold and the buyer's securities account being credited with the number of Shares acquired. No transfer of stamp duty is currently payable for the Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in our Shares on the SGX-ST is payable at the rate of 0.05% of the transaction value subject to a maximum of \$200.00 per transaction. The clearing fee, instrument of transfer deposit fee and share withdrawal fee may be subject to the prevailing Goods and Services Tax rate.

Dealings of our Shares will be carried out in Singapore dollars and will be effected for settlement by CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the following business day. CDP holds securities on behalf of investors in securities accounts. An investor may open a direct account with CDP or a sub-account with a CDP agent. The CDP agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

---

## GENERAL AND STATUTORY INFORMATION

---

### INFORMATION ON DIRECTORS AND EXECUTIVE OFFICERS

1. The name, age, address, principal occupation and business and working experience of each of our Directors and Executive Officers are set out on pages 81 to 85 of this Prospectus.
2. The present and past directorships other than directorships held in our Company (held in the five years preceding the Latest Practicable Date) of each of our Directors in other companies are as follows:

<u>Name</u>	<u>Other Directorships</u>	<u>Past Directorships</u>
Wu Hsioh Kwang	Cartan Industries Ltd IDM Jigongshan-Straco Cable-Car Co., Ltd (Henan) LLC Lushan-Straco Cable-Car Co., Ltd (Jiangxi) SHPL SOACL Sound Trading (1975) Pte Ltd Straco International Corporation Pte Ltd ST-Straco Pte Ltd ZTD SHKL	China Bloom Investment Ltd Fuzhou Arts & Crafts Pte Ltd Sound Trading (Pte) Ltd Straco Investment (China) Pte Ltd Straco Investment Pte Ltd Straco International Investment & Management Pte Ltd ZYRT Shanghai Globe Trade Co.
He Ping	Continental Mariner Investment Company Limited CPGC Ringo Trading Limited	NIL
Guo Qiang	Ringo Trading Limited SOACL	NIL
Cheong Kok Fu	Four Gold ABC Pte Limited Four Gold AMK Pte Limited Four Gold AMI Pte Limited Four Gold Avtech Pte Limited Four Gold Creative Pte Limited Four Gold Huayu Pte Limited Four Gold OG Pte Limited Management Action Consultants Pte Ltd Multiactive Technology Pte Ltd	Delimart Trading Pte Ltd (struck off) Leyden Investmetn Pte Ltd (struck off) Stephen McLaren Consultants Pte Ltd Worldmart Trading Pte Ltd (struck off)
Fu Xuezhong	NIL	NIL
Lee Eng Lock	E-Cube Pte Ltd E-Cube Holdings Pte Ltd E-Eye Sdn Bhd Electric Eye Pte Ltd Enceff Sdn Bhd Enerlab Sdn Bhd Escoone Technology Pte Ltd (voluntary liquidation) Honest Achievement Sdn Bhd SS Holdings Pte Ltd Zeus Research Pte Ltd	Supersymmetry Technology Sdn Bhd (voluntary liquidation) Supersymmetry Services Pte Ltd
Choong Chow Siong	AnnAik Limited CSI Management Audit (S) Pte Ltd	Network Universal Consultants Singapore Pte Ltd (voluntary striking off) Tse Hsien Tsung Foundation Ltd (voluntary liquidation)



---

## GENERAL AND STATUTORY INFORMATION

---

<u>Name</u>	<u>Other Directorships</u>	<u>Past Directorships</u>
George Huang Chang Yi	Achico Sdn Bhd Amoda Sdn Bhd Amoy Canning Corp Australia Pty Ltd Amoy Canning Corpn (M) Bhd Amoy Canning Corpn (S) Ltd Amoy Investments Pte Ltd Amoy Properties (Asia) Pte Ltd Amoy Property Pte Ltd Besthaven Pty Ltd Chinese Opera Institute Cypress Lakes Group Limited (alternate director) Ee Hoe Hean Club Fei Marketing Pte Ltd Gehuchy Enterprises Pte Ltd Glowtec Environmental Engineering Pte Ltd Gomoi Sdn Bhd Kusu Investment Pte Ltd New Zealand Dairy Supplies (S) Pte Ltd Singapore Food Industries Limited Singapore Manufacturers' Services Pte Ltd ST Agritech International Pte Ltd Terene Seow Agency Pte Ltd The Amoy Canning Holdings (S) Ltd	Amoy Brands Pte Ltd Amoy Food Manufacturing Pte Ltd Amoy Marketing Pte Ltd Cypress Lakes Group Limited Gomoi Pte Ltd Malayapine Estates Sdn Bhd Management Action Institute Pte Ltd Singapore Food Consortium Pte Ltd
Tay Siew Choon	Chartered Semiconductor Manufacturing Ltd DSO National Laboratories Green Dot Capital Pte Ltd Green Dot Capital (Mauritius) Limited Green Dot Internet Services Pte Ltd Green Dot Investments Pte Ltd Green Dot Payment Services Pte Ltd Neopets.com. Inc Nexgen Financial Holdings Limited Nexgen Risk Management Limited SembCorp Industries Ltd Singapore Computer Systems Limited Singapore Technologies Pte Ltd Singapore Technologies Capital Services Pte Ltd Singapore Technologies Electronics Holdings Pte Ltd Singapore Technologies Semiconductors Pte Ltd Singapore Technologies Telemedia Pte Ltd SNP Corporation Ltd SNP LeeFung Holdings Limited ST Assembly Test Services Ltd ST Fund Management Pte Ltd STT Communications Ltd Tau Therapeutics Pte Ltd Vertex Asia Limited Vertex China Technology Ltd Vertex China Technology Management Pte Ltd Vertex Investment (II) Ltd	Cathech Investments Ltd D2K Pte Ltd IDM SOACL Singapore Food Industries (Pte) Ltd

---

## GENERAL AND STATUTORY INFORMATION

---

<u>Name</u>	<u>Other Directorships</u>	<u>Past Directorships</u>
	Vertex Investment (III) Ltd Vertex Management (II) Pte Ltd Vertex Management (III) Ltd Vertex Management (III) Pte Ltd Vertex Management Pte Ltd Vertex Technology Fund (II) Ltd Vertex Technology Fund (III) Ltd Vertex Technology Fund Ltd Vertex Venture Holdings Ltd Vickers Capital Limited	

3. The present and past directorships (held in the five years preceding the Latest Practicable Date) of each of our Executive Officers are as follows:

<u>Name</u>	<u>Other Directorships</u>	<u>Past Directorships</u>
Phua Tin How	China-Singapore Suzhou Industrial Park Development Pte Ltd L.C. Development Ltd National Environmental Agency Singapore-Suzhou Township Development Pte Ltd SLF International Pte Ltd YHI International Ltd	Boon Lay Executive Condominium Pte Ltd Braddell Plc CityCab Pte Ltd CityFleet (UK) Pte Ltd CityLimo Auto Credit Pte Ltd CityLimo Car Care Pte Ltd CityLimo Leasing Pte Ltd CityLimo Rent-A-Car Pte Ltd Computer Cab Plc DelGro Assessment Centre Pte Ltd DelGro (China) Pte Ltd DelGro Corporation Limited DelGro Engineering Pte Ltd DelGro (Guangzhou) Pte Ltd DelGro Investments Pte Ltd Eukay Properties Pte Ltd EZCard Pte Ltd L.C. Hotels Pte Ltd Marylebone Investment Pte Ltd Marylebone Two Pte Ltd Metroline Plc Monteria Pte Ltd SBS Leisure Pte Ltd SBS Taxi (Pte) Ltd SBS Transit Ltd Singapore Airport Bus Services Ltd Singapore Sightseeing Tour East Pte Ltd Transit Link Pte Ltd Waterbank Properties (S) Pte Ltd Waterdale Development Pte Ltd Waterspring Investment Pte Ltd
Amos Ng Chiau Meng	NIL	Straco Corporation Private Limited
Ho Keng Soon	NIL	NIL
Zhang Quan	LLC SOACL ZTD	NIL

---

## GENERAL AND STATUTORY INFORMATION

---

<b><u>Name</u></b>	<b><u>Other Directorships</u></b>	<b><u>Past Directorships</u></b>
Liew Shue Ching Carol	NIL	NIL
Wang Liang	NIL	NIL
Lee Poh Hoon	NIL	Straco Corporation Private Limited
Zhao Aimin	LLC Xi'an Lintong Hua Qing Investment Co., Ltd ZTD	NIL
Michael Donald Stewart	NIL	NIL

4. None of our controlling shareholders, Directors and Executive Officers is or was involved in any of the following events:

- (i) during the last ten years, a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner;
- (ii) during the last ten years, a petition under any law of any jurisdiction filed against a corporation of which he was a director or key executive for the winding-up of that corporation on the ground of insolvency;
- (iii) any unsatisfied judgments against him;
- (iv) a conviction of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment for three months or more, or any criminal proceedings (including any pending criminal proceedings which he is aware of) for such purpose;
- (v) a conviction 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 any criminal proceedings (including pending criminal proceedings which he is aware of) for such breach;
- (vi) during the last ten years, judgement entered against him in any civil proceeding 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 any civil proceedings (including any pending civil proceedings which he is aware of) involving an allegation of fraud, misrepresentation or dishonesty on his part;
- (vii) a conviction in Singapore or elsewhere of any offence in connection with the formation or management of any corporation;
- (viii) disqualification from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (ix) the subject of any order, judgement or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity; and
- (x) to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of affairs of
  - (a) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or

---

## GENERAL AND STATUTORY INFORMATION

---

- (b) any corporation or partnership 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 the period when he was so concerned with the corporation or partnership.

5. We have not paid any remuneration to our Directors for services rendered in all capacities to our Company and our subsidiaries for the last financial year ended 31 December 2002 and the current financial year.
6. Save as disclosed under "*Service Agreements*" on page 88 of this Prospectus, there are no existing or proposed service agreements between our Executive Directors or Executive Officers and our Company or any of our subsidiaries.
7. There is no shareholding qualification for Directors under the Articles.
8. No option to subscribe for shares in, or debentures of, our Company or any of our subsidiaries has been granted to, or was exercised by, any of our Directors or Executive Officers within the last financial year.
9. None of our Directors is interested, directly or indirectly, in the promotion of, or in any property or assets which have, within the two years preceding the date of this Prospectus, been acquired or disposed of by or leased to, our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries.
10. Save as disclosed under "*Potential Conflict of Interests*" on pages 96 and 97 of this Prospectus, none of our Directors or Executive Officers or substantial shareholders of our Company has any substantial interest, direct or indirect, in any company carrying on a similar trade as our Company or our subsidiaries.
11. The interests of our Directors and substantial shareholders in our Shares as at the Latest Practicable Date are set out under "*Ownership Structure*" on page 39 of this Prospectus. By way of additional disclosure, Madam Chua Soh Har, who is the wife of Mr. Wu Hsioh Kwang, is the non-executive director of IDM, SOACL, ZTD and LLC. Ms Wu Xiuyi, who is the daughter of Mr Wu Hsioh Kwang, is the non-executive director of SOACL.
12. No sum or benefit has been paid or is agreed to be paid to any Director or expert, or to any firm in which such Director or expert is a partner or any corporation in which such Director or expert holds shares or debentures, in cash or shares or otherwise, by any person to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him or by such firm or corporation in connection with the promotion or formation of our Company.
13. Save as disclosed under "*Interested Person Transactions*" on pages 94 to 96 of this Prospectus, none of our Directors has any interest in any existing contract or arrangement, which is significant in relation to the business of our Company and our subsidiaries, taken as a whole.

### SHARE CAPITAL

14. Our Company was incorporated in the Republic of Singapore on 25 April 2002 under the Companies Act as a private company limited by shares. As at the date of incorporation, we had an authorised share capital of \$100,000 comprising 100,000 ordinary shares of \$1.00 each.
15. At an extraordinary general meeting held on 18 July 2003, the authorised share capital of the Company was increased from \$100,000 comprising 100,000 shares of \$1.00 each to \$200,000,000 comprising 200,000,000 ordinary shares of \$1.00 each.

---

## GENERAL AND STATUTORY INFORMATION

---

16. As at the Latest Practicable Date, there is only one class of shares in the capital of our Company. There are no founder, management or deferred shares. The rights and privileges attached to our Shares are stated in the Articles.
17. Save as disclosed below and under “*Share Capital*” on pages 35 and 36 of this Prospectus, the changes in the issued and paid-up share capital of our Company and subsidiaries within the three years preceding the date of lodgment of this Prospectus are set out below:

### Company

Date of issue	Number of shares issued	Issue price of each share	Purpose	Resultant issued share capital
25 April 2002	2	\$1.00	New shares issued on incorporation	\$2.00
27 October 2003	34,596,477	\$1.00	Shares issued to SHPL, CPGC and SHKL pursuant to the Pre-Listing Shareholders' Agreement	\$34,596,479

### ZTD

On 5 December 2000, following a review of its development plan, ZTD applied and was granted approval to reduce its registered capital from USD5 million to USD3.75 million.

18. Save as disclosed in paragraph 17 above and under “*Share Capital*” on pages 35 and 36 of this Prospectus, no shares in, or debentures of, our Company or any of our subsidiaries have been issued, or are proposed to be issued, as fully or partly paid for cash or for a consideration other than cash, during the last three years.
19. Save as disclosed under “*The Straco Scheme*” on pages 88 to 92 of this Prospectus, no person has been, or is entitled to be, granted an option to subscribe for shares in, or debentures of, our Company or any of our subsidiaries.

### **BANK BORROWINGS AND WORKING CAPITAL**

20. Save as disclosed under “*Capitalisation and Indebtedness*” on pages 37 and 38 and in the Appendix V on pages V-27 to V-30 of this Prospectus, our Group had no other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trading bills) or acceptance credits, mortgages, charges, hire purchase commitments, guarantees or other contingent liabilities as at the Latest Practicable Date.
21. In the opinion of our Directors, no minimum amount must be raised by the issue of the New Shares in order to provide the sums required to be provided in respect of each of the following:
- (a) the purchase price of any property purchased or to be purchased which is to be defrayed in whole or in part out of the proceeds of the issue of the New Shares;
  - (b) estimated expenses (including underwriting commission and brokerage) for the Invitation payable by our Company;
  - (c) the repayment of any money borrowed by our Company in respect of any of the foregoing matters; and
  - (d) working capital.

---

## GENERAL AND STATUTORY INFORMATION

---

Although no minimum amount must be raised by our Company from the Invitation in order to provide for the items set out above, the estimated amount to be provided for the item set out in sub-paragraph (b) is approximately \$4.5 million. Such amount is proposed to be provided out of the proceeds of the Invitation or, in the event the Invitation is cancelled, out of our existing banking facilities and/or funds generated from operations. No amounts are to be provided for the items set out in paragraphs (a), (c) and (d) above out of other sources of funding.

22. Based on the above and to the best of their knowledge, information and belief, our Directors are of the opinion that after taking into account the present bank facilities and the Group's internal resources, the Group has adequate working capital for our present requirements.

### MATERIAL CONTRACTS

23. The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by our Company and our subsidiaries within the two years preceding the Latest Practicable Date and are or may be material:
- (a) Pre-Listing Shareholders' Agreement dated 18 July 2003 between SCL (as purchaser) and SHPL, CPGC and STIC (as vendors) relating to the Restructuring Exercise.
  - (b) Deed of Assignment dated 18 July 2003 between SCL, and STIC and Singapore Technologies Industrial Corporation Limited pursuant to which STIC and Singapore Technologies Industrial Corporation Limited assigned their rights in respect of their loans of \$461,300 and \$67,596.21 respectively to SCL.
  - (c) Deed of Assignment dated 18 July 2003 between SCL and STIC pursuant to which STIC assigned its rights in respect of a loan of US\$1,200,000 to SCL.
  - (d) Assignment Agreement dated 18 July 2003 between SCL and SHPL pursuant to which SHPL assigned its rights in respect of a loan of US\$605,855.84 to SCL.
  - (e) Assignment Agreement dated 18 July 2003 between SCL and Ringo Trading Limited pursuant to which Ringo Trading Limited assigned its rights in respect of a loan of \$649,160.72 to SCL.
  - (f) Assignment Agreement dated 18 July 2003 between SCL and SHPL pursuant to which SHPL assigned its rights in respect of a loan of US\$2,925,000 to SCL.
  - (g) Deed of Assignment dated 18 July 2003 between SCL and STIC pursuant to which STIC assigned its rights in respect of a loan of US\$2,894,919 to SCL.
  - (h) Assignment Agreement dated 18 July 2003 between SCL and SHPL pursuant to which SHPL assigned its rights in respect of the loans of \$1,131,200 and US\$2,700,000 to SCL.
  - (i) Re-assignment Agreement dated 27 September 2003 between SCL and SHPL pursuant to which SCL re-assigned its rights in respect of a loan of US\$2,925,000 to SHPL.
  - (j) Re-assignment Agreement dated 27 September 2003 between SCL and SHKL pursuant to which SCL re-assigned its rights in respect of a loan of US\$2,894,919 to SHKL.
  - (k) Share Rights Transfer Agreement dated 27 September 2003 between SCL and Heng Sheng International Group relating to the divestment of ZYRT by SCL.
  - (l) Share Rights Entrustment Agreement dated 27 September 2003 between SCL and Heng Sheng International Group relating to the divestment of ZYRT by SCL.



---

## GENERAL AND STATUTORY INFORMATION

---

- (m) Depository Agreement dated 10 January 2004 entered into between SCL and CDP pursuant to which CDP agreed to act as the share depository for our Company.
- (n) Management and Underwriting Agreement dated 10 January 2004 entered into between SCL, the Vendors and UOB Asia, pursuant to which UOB Asia agreed to manage and underwrite the Invitation; and
- (o) Placement Agreement dated 10 January 2004 entered into between SCL, the Vendors and UOB Asia, pursuant to which UOB Asia agreed to subscribe for or procure subscriptions for the Placement Shares.

### LITIGATION

24. Neither our Company nor any of our subsidiaries is engaged in any legal or arbitration proceedings, including those which are pending or known to be contemplated, which may have or have had in the last 12 months before the date of lodgment of this Prospectus, a material effect on the financial position or profitability of our Company or any of our subsidiaries.

### MANAGEMENT, UNDERWRITING AND PLACEMENT ARRANGEMENTS

25. Pursuant to the Management and Underwriting Agreement dated 10 January 2004 (the “Management and Underwriting Agreement”) entered into between our Company, the Vendors and UOB Asia as the Manager and the Underwriter and UOB as the Receiving Banker, our Company and the Vendors appointed UOB Asia to manage the Invitation. UOB Asia will receive a management fee from our Company for its services rendered in connection with the Invitation.

Pursuant to the Management and Underwriting Agreement, UOB Asia has agreed to underwrite the Offer Shares for an underwriting commission of 2.25 per cent of the Issue Price for each Offer Share payable by our Company and the Vendors in proportion to the number of Invitation Shares offered by each of them pursuant to the Invitation (“Agreed Proportion”). UOB Asia may, at its absolute discretion appoint one or more sub-underwriters to sub-underwrite the Offer Shares.

26. Pursuant to the Placement Agreement dated 10 January 2004 (the “Placement Agreement”) entered into between our Company, the Vendors and UOB Asia as the Placement Agent, UOB Asia agreed to subscribe for and/or procure subscribers for the Placement Shares for a placement commission of 1.5 per cent of the Issue Price for each Placement Share, to be paid by our Company and the Vendors in the Agreed Proportion. UOB Asia may, at its absolute discretion appoint one or more sub-placement agents for the Placement Shares.
27. Brokerage will be paid by our Company and the Vendors in the Agreed Proportion at the rate of 0.25 per cent of the Issue Price for each Offer Share and 1.0 per cent. of the Issue Price for each Placement Share. In respect of the Offer Shares, the brokerage will be paid to members of the SGX-ST, merchant banks and members of the Association of Banks in Singapore in respect of successful applications made on Application Forms bearing their respective stamps, or to Participating Banks in respect of successful applications made through Electronic Applications at their respective ATMs. In respect of the Placement Shares, the brokerage will be paid to the placement agents in accordance with the Placement Agreement.
28. The Management and Underwriting Agreement may be terminated by UOB Asia at any time on or before the close of the Application List, if:
- (a) there shall have been, since the date of the Management and Underwriting Agreement:
    - (i) any material adverse change, or any development involving a prospective material adverse change, in the condition (financial or otherwise), performance or general affairs of our Company or of our Group as a whole;

---

## GENERAL AND STATUTORY INFORMATION

---

- (ii) any introduction or prospective introduction of or any change or prospective change in any legislation, regulation, order, policy, rule, guideline or directive (whether or not having the force of law and including, without limitation, any directive or request issued by the Authority, the Securities Industry Council of Singapore or the SGX-ST) or in the interpretation or application thereof by any court, government body, regulatory authority or other competent authority;
  - (iii) any change, or any development involving a prospective change, in local, national, regional or international financial (including stock market, foreign exchange market, inter-bank market or interest rates or money market), political, industrial, economic, legal or monetary conditions, taxation or exchange controls;
  - (iv) any occurrence or any local, national or international outbreak or escalation of hostilities, insurrection or armed conflict (whether or not involving financial markets);
  - (v) any other occurrence of any nature whatsoever, which event or events shall in the reasonable opinion of UOB Asia (1) result or be likely to result in a material adverse fluctuation or adverse conditions in the stock market in Singapore or overseas; or (2) be likely to materially prejudice the success of the subscription or offer of the Invitation Shares (whether in the primary market or in respect of dealings in the secondary market); or (3) make it impracticable, inadvisable, inexpedient or uncommercial to proceed with any of the transactions contemplated in the Management and Underwriting Agreement; or (4) be likely to have a material adverse effect on the business, trading position, operations or prospects of our Company or of our Group as a whole; or (5) be such that no reasonable underwriter would have entered into the Management and Underwriting Agreement; or (6) make it uncommercial or otherwise contrary to or outside the usual commercial practices of underwriters in Singapore for the Underwriter to observe or perform or be obliged to observe or perform the terms of the Management and Underwriting Agreement; or
  - (vi) the issue of a stop order by the Authority in accordance with Section 242 of the Securities and Futures Act (notwithstanding that a supplementary or replacement prospectus is subsequently registered with the Authority pursuant to Section 241 of the Securities and Futures Act);
- (b) if there comes to the notice of UOB Asia (1) any statement contained in this Prospectus or application forms relating hereto which in the sole and absolute opinion of UOB Asia has become untrue, incorrect or misleading in any material respect or (2) matters have arisen or have been discovered, which would, if this Prospectus was to be issued at that time, constitute in the sole and absolute opinion of UOB Asia, a material omission of such information, and the Company or fails to lodge a supplementary or replacement prospectus or document within a reasonable time after being notified of such a material misrepresentation or omission or fails to promptly take such steps as UOB Asia may reasonably require to inform investors of the lodgement of such a supplementary prospectus or document. In such an event, UOB Asia reserves the right, at its absolute discretion to cancel the Invitation and any application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to the applicants for the Invitation Shares by ordinary post or telegraphic transfer at the applicant's own risk within fourteen days of the termination of the Invitation.
29. The Placement Agreement is conditional upon the Management and Underwriting Agreement not having been terminated or rescinded pursuant to the provisions of the Management and Underwriting Agreement. In the event that the Management and Underwriting Agreement is terminated, our Company reserves the right, at the absolute discretion of our Directors and the Vendors, to cancel the Invitation.

---

## GENERAL AND STATUTORY INFORMATION

---

30. UOB Asia, the Manager, is a wholly owned subsidiary of UOB. UOB, which is also acting as one of our Primary Sub-Underwriters and as one of our Primary Sub-Placement Agents, is one of our principal bankers and has granted us banking facilities. UOB Kay Hian, an associated company of UOB, is also one of our Primary Sub-Underwriters and Primary Sub-Placement Agents. Save as disclosed above, we do not have any material relationship with any of the Manager, Underwriters or Placement Agents.

### MISCELLANEOUS

31. The nature of the business of our Company has been stated earlier in this Prospectus. The corporations which by virtue of Section 6 of the Companies Act are deemed to be related to our Company are set out below:
- (a) IDM
  - (b) LLC
  - (c) SOACL
  - (d) ZTD
32. The time of opening of the Application List is set out on page 15 of this Prospectus.
33. The amount payable on application is \$0.26 for each Offer Share and Placement Share.
34. There has been no previous issue of Shares by our Company or offer for sale of our Shares to the public within the two years preceding the date of this Prospectus.
35. The expenses in connection with the Invitation of approximately \$4.5 million, including underwriting and placement commissions, brokerage, management fees, auditors' fee, solicitors' fee, and all other incidental expenses can be broken down as follows:

	\$'000
Initial Listing Fee	26
Professional Fees	2,303
Underwriting and placement commissions and brokerage	1,151
Miscellaneous expenses	1,020
	<hr/>
Total estimated expenses	4,500
	<hr/>

The listing fee, professional fees and miscellaneous expenses will be borne by our Company. The underwriting and placement commissions and brokerage will be borne by our Company and the Vendors in the proportion in which the number of Invitation Shares offered by each of them pursuant to the Invitation bears to the total number of Invitation Shares.

36. There have been no public takeover offers by third parties in respect of our Shares or by us in respect of other companies' shares which have occurred during the last and current financial year.
37. No amount of cash or securities or benefit has been paid or given to any promoter within the two years preceding the Latest Practicable Date or is proposed or intended to be paid or given to any promoter at any time.

---

## GENERAL AND STATUTORY INFORMATION

---

38. Save as disclosed on pages 115 and 116 under “*Management, Underwriting and Placement Agreements*”, no commission, discount or brokerage has been paid or other special terms granted within the two years preceding the Latest Practicable Date or is payable to any Director, promoter, expert, proposed director or any other person for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in, or debentures of, our Company or any of our subsidiaries.
39. No expert is employed on a contingent basis by our company or any of our subsidiaries, has a material interest, whether direct or indirect, in the shares of our Company or our subsidiaries, or has a material economic interest, whether direct or indirect, in our Company, including an interest in the success of the Invitation.
40. No expert is interested, directly or indirectly, in the promotion of, or in any property or assets which have, within the two years preceding the Latest Practicable Date, been acquired or disposed of by or leased to our Company or any of our subsidiaries or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries.
41. Application monies received by our Company in respect of successful applications (including successful applications which are subsequently rejected) will be placed in a separate non-interest bearing account with UOB (the “Receiving Banker”). In the ordinary course of business, the Receiving Banker will deploy these monies in the interbank money market. All profits derived from the deployment of such monies will accrue to the Receiving Bank. Any refund of all or part of the application monies to unsuccessful or partially successful applicants will be made without any interest or any share of revenue or any other benefit arising therefrom.
42. Save as disclosed in this Prospectus, our Directors are not aware of any relevant material information including trading factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Company and our subsidiaries.
43. Save as disclosed in this Prospectus, the financial condition and operations of our Group are not likely to be affected by any of the following:
- (a) known trends or demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group’s liquidity increasing or decreasing in any material way;
  - (b) material commitments for capital expenditure;
  - (c) unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from operations; and
  - (d) known trends or uncertainties that have had or that we reasonably expect will have a material favourable or unfavourable impact on revenues or operating income.
44. Details of the names, addresses and professional qualifications (including membership in a professional body) of the auditors of our Company are as follows:

PricewaterhouseCoopers  
Certified Public Accountants  
8 Cross Street #17-00  
PWC Building  
Singapore 048424  
(A member of the Singapore Institute of Certified Public Accountants)

We currently have no intention of changing our auditors after the listing of our Company on the SGX-ST.

---

## GENERAL AND STATUTORY INFORMATION

---

45. No property has been purchased or acquired or proposed to be purchased or acquired by our Company or our subsidiaries which is to be paid for wholly or partly out of the proceeds of the Invitation or the purchase or acquisition of which has not been completed at the date of the issue of this Prospectus other than property in respect of which the contract for the purchase or acquisition whereof was entered into in our ordinary course of business or in the ordinary course of business of our subsidiaries, such contract not being made in contemplation of the Invitation nor the Invitation in consequence of the contract.
46. Save as disclosed in this Prospectus, our Directors are not aware of any event which has occurred since 30 June 2003 which may have a material effect on the financial information set out in Appendix V.
47. Save as disclosed in this Prospectus, as at the date of this Prospectus, our business or profitability is not materially dependent on any patent or licence, industrial, commercial or financial contract (including a contract with a customer or supplier).

### CONSENTS

48. PricewaterhouseCoopers as auditors, Alliance Law Firm as the legal adviser on PRC law and Chesterton International as independent valuer, have given and have not withdrawn their written consents to the issue of this Prospectus and references to their names in the form and context in which they appear in this Prospectus and to act in such capacity in relation to this Prospectus.
49. Each of the Manager, the Underwriter and the Placement Agent, the Solicitors to the Invitation, the Share Registrar, the Primary Sub-Underwriters and the Primary Sub-Placement Agents, the Principal Bankers, and the Receiving Banker does not make or purport to make any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and each of them makes no representation regarding any statement in this Prospectus and, to the extent permitted by law, takes no responsibility for any statement in or omission from this Prospectus.

### RESPONSIBILITY STATEMENT BY OUR DIRECTORS AND THE VENDORS

50. This Prospectus has been seen and approved by our Directors and the Vendors and they individually and collectively accept full responsibility for the accuracy of the information given herein and confirm, having made all reasonable enquiries, that to the best of their knowledge, information and belief, the facts stated and the opinions expressed herein are fair and accurate in all material respects as of the date hereof and there are no material facts the omission of which would make any statements in this Prospectus misleading and that this Prospectus constitutes full and true disclosure of all material facts about the Invitation and our Group.

### DOCUMENTS AVAILABLE FOR INSPECTION

51. The following documents or copies thereof may be inspected at our registered office at 10 Anson Road, #30-15 International Plaza, Singapore 079903 during normal business hours for a period of six months from the date of registration by the MAS of this Prospectus:
  - (a) the Memorandum and Articles of Association of our Company;
  - (b) the "Report on Examination of the Pro Forma Financial Statements of the Group" referred to in Appendix V of this Prospectus;
  - (c) the "Valuation Reports" referred to in Appendix VI of this Prospectus;

---

## GENERAL AND STATUTORY INFORMATION

---

- (d) the material contracts referred to in paragraph 23 on pages 114 and 115 of this Prospectus;
- (e) the letters of consent referred to in paragraphs 48 and 49 on page 119 of this Prospectus;
- (f) the audited financial statements of our subsidiaries for the financial year ended 31 December 2002 and for the six months ended 30 June 2003 and restated financial statements of SOACL, LLC and ZTD for the financial years ended 31 December 2000 and 2001;
- (g) the pro forma financial statements of our Group for the financial years ended 31 December 2000, 2001 and 2002 and for the six months ended 30 June 2003, and
- (h) the service agreements referred to on page 88 of this Prospectus.



---

## APPENDIX I

### TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

---

You are invited to apply for and/or purchase the Invitation Shares at the Issue Price for each Invitation Share subject to the following terms and conditions:

1. **YOUR APPLICATION MUST BE MADE IN LOTS OF 1,000 INVITATION SHARES AND INTEGRAL MULTIPLES THEREOF. YOUR APPLICATION FOR ANY OTHER NUMBER OF SHARES WILL BE REJECTED.**
2. Your application for Offer Shares may be made by way of Offer Shares Application Forms or by way of Electronic Applications through ATMs belonging to the Participating Banks ("ATM Electronic Applications") or through Internet Banking ("IB") websites of the relevant Participating Banks ("Internet Electronic Applications", which together with ATM Electronic Applications, shall be referred to as "Electronic Applications"). Your application for the Placement Shares (other than Reserved Shares) may only be made by way of Placement Shares Application Forms. Your application for Reserved Shares may only be made by way of Reserved Shares Application Forms. **YOU MAY NOT USE CPF FUNDS TO APPLY FOR THE SHARES.**
3. **You are allowed to submit only one application in your own name for the Offer Shares or the Placement Shares (other than Reserved Shares). If you submit an application for Offer Shares by way of an Application Form, you MAY NOT submit another application for Offer Shares by way of an Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company and the Vendors.**

**If you submit an application for Offer Shares by way of an ATM Electronic Application, you MAY NOT submit another application for Offer Shares by way of an Internet Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company and the Vendors.**

**If you, other than an approved nominee company, have submitted an application for Offer Shares in your own name, you should not submit any other application for Offer Shares, whether by way of an Application Form or by way of an Electronic Application, for any other person. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company and the Vendors.**

**If you have made an application for Placement Shares (other than Reserved Shares), you should not make any application for Offer Shares either by way of an Application Form or by way of an Electronic Application and *vice versa*. Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company and the Vendors.**

**Conversely, if you have made an application for Offer Shares either by way of an Electronic Application or by way of an Application Form, you may not make any application for Placement Shares (other than Reserved Shares). Such separate applications shall be deemed to be multiple applications and may be rejected at the discretion of our Company and the Vendors.**

**If you have made an application for Reserved Shares, you may submit one separate application for the Offer Shares in your own name by way of an Application Form or by way of an Electronic Application, or submit one separate application for Placement Shares (other than Reserved Shares) by way of an Application Form, provided that you adhere to the terms and conditions of this Prospectus. Such separate applications shall NOT be treated as multiple applications.**

---

## APPENDIX I

### TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

---

Joint applications shall be rejected. Multiple applications for Invitation Shares shall be liable to be rejected at the discretion of our Company and the Vendors. If you submit or procure submissions of multiple share applications (whether for Offer Shares, Placement Shares or both Offer Shares and Placement Shares), you may be deemed to have committed an offence under the Penal Code, Chapter 224 of Singapore and the Securities and Futures Act 2001, Chapter 289 of Singapore, and your applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications may be rejected at the discretion of our Company and the Vendors.

4. We will not accept applications from any person under the age of 21 years, undischarged bankrupts, sole-proprietorships, partnerships, chops or non-corporate bodies, joint Securities Account holders of CDP and from applicants whose addresses (furnished in their Application Forms or, in the case of Electronic Applications, contained in the records of the relevant Participating Banks) bear post office box numbers.
5. We will not recognise the existence of a trust. An application by a trustee or trustees must therefore be made in his/her/their own name(s) and without qualification or, where the application is made by way of an Application Form by a nominee, in the name(s) of an approved nominee company or companies after complying with paragraph 6 below.
6. **WE WILL ONLY ACCEPT APPLICATIONS FROM APPROVED NOMINEE COMPANIES.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by nominees other than approved nominee companies shall be rejected.
7. **IF YOU ARE NOT AN APPROVED NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION.** If you do not have an existing Securities Account with CDP in your own name at the time of your application, your application will be rejected (if you apply by way of an Application Form), or you will not be able to complete your Electronic Application (if you apply by way of an Electronic Application). If you have an existing Securities Account with CDP but fail to provide your Securities Account number or provide an incorrect Securities Account number in Section B of the Application Form or in your Electronic Application, as the case may be, your application is liable to be rejected. Subject to paragraph 8 below, your application shall be rejected if your particulars such as name, NRIC/passport number, nationality and permanent residence status provided in your Application Form or in the records of the relevant Participating Bank at the time of your Electronic Application, as the case may be, differ from those particulars in your Securities Account as maintained with CDP. If you possess more than one individual direct Securities Account with CDP, your application shall be rejected.
8. **If your address as stated in the Application Form or, in the case of an Electronic Application, contained in the records of the relevant Participating Bank, as the case may be, is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment and/or allocation and other correspondence from CDP will be sent to your address last registered with CDP.**
9. **Our Company and the Vendors reserve the right to reject any application which does not conform strictly to the instructions set out in the Application Form and in this Prospectus or which does not comply with the instructions for Electronic Applications or with the terms and conditions of this Prospectus or, in the case of an application by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn remittance or improper form of remittance. Our Company and the Vendors further reserve the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions set**

---

## APPENDIX I

### TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

---

**out in the Application Forms or the instructions for Electronic Applications or the terms and conditions of this Prospectus and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.**

10. Our Company and the Vendors reserve the right to reject or to accept, in whole or in part, or to scale down or to ballot any application, without assigning any reason therefor, and no enquiry and/or correspondence on the decision of our Company and the Vendors will be entertained. This right applies to applications made by way of Application Forms and by way of Electronic Applications. In deciding the basis of allotment and/or allocation, due consideration will be given to the desirability of allotting and/or allocating the Invitation Shares to a reasonable number of Applicants with a view to establishing an adequate market for the Shares.
11. Share certificates will be registered in the name of CDP and will be forwarded only to CDP. It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Application List, a statement of account stating that your Securities Account has been credited with the number of Invitation Shares allotted and/or allocated to you. This will be the only acknowledgement of application monies received and is not an acknowledgement by our Company and the Vendors. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renounee any instrument of transfer and/or other documents required for the issue or transfer of the Invitation Shares allotted and/or allocated to you. This authorisation applies to applications made by way of Application Forms and by way of Electronic Applications.
12. In the event that our Company lodges a supplementary or replacement prospectus (the “relevant document”) pursuant to the Securities and Futures Act or any applicable legislation in force from time to time prior to the close of the Invitation, and the Invitation Shares have not been issued, we will (as required by law) at our Company’s sole and absolute discretion either:
  - (i) within 7 days of the lodgement of the relevant documents give you a copy of the relevant document and provide you with an option to withdraw; or
  - (ii) deem your application as withdrawn and cancelled and refund your application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 7 days from the lodgement of the relevant document.

In the event that at any time at the time of the lodgement, the Invitation Shares have already been issued but trading has not commenced, we will (as required by law) either:

- (iii) within 7 days of the lodgement give you a copy of the relevant document and provide you with an option to return the Invitation Shares; or
- (iv) deem the issue as void and refund your payment for the Invitation Shares (without interest or any share of revenue or other benefit arising therefrom) within 7 days from the lodgement of the relevant document.

Any applicant who wishes to exercise his option under paragraph 12(i) above to return the Invitation Shares issued to him shall, within 14 days from the date of lodgment of the relevant document, notify us whereupon we shall, within 7 days from the receipt of such notification, return all monies in respect of such application (without interest or any share of revenue or other benefit arising therefrom) at the applicant’s own risk.

Any applicant who wishes to exercise his option under paragraph 12(iii) above to return the Invitation Shares issued to him shall, within 14 days from the date of lodgment of the relevant document, notify us of this and return all documents, if any, purporting to be evidence of title to those Invitation Shares, whereupon we shall, within 7 days from the receipt of such notification and documents, if any, pay to him all monies paid by him for the Invitation Shares and the Invitation Shares issued to him shall be deemed to be void.

---

## APPENDIX I

### TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

---

Additional terms and instructions applicable upon the lodgement of the supplementary or replacement prospectus, including instructions on how you can exercise the option to withdraw, may be found in such supplementary or replacement prospectus.

13. In the event of an under-subscription for Offer Shares as at the close of the Application List, that number of Offer Shares under-subscribed shall be made available to satisfy applications for Placement Shares to the extent that there is an over-subscription for Placement Shares as at the close of the Application List.

Any of the Reserved Shares not taken up will be made available first to satisfy applications for the Placement Shares to the extent that there is an over-subscription for the Placement Shares and then to satisfy applications for Offer Shares to the extent that there is an over-subscription for Offer Shares.

In the event of an under-subscription for Placement Shares (other than Reserved Shares) as at the close of the Application List, that number of Placement Shares (other than Reserved Shares) under-subscribed shall be made available to satisfy applications for Offer Shares to the extent that there is an over-subscription for Offer Shares as at the close of the Application List.

In the event of an over-subscription for Offer Shares as at the close of the Application List and Placement Shares are fully subscribed or over-subscribed as at the close of the Application List, the successful applications for Offer Shares will be determined by ballot or otherwise as determined by our Company and the Vendors, and approved by the SGX-ST if required.

In all the above instances, the basis of allotment and/or allocation of the Invitation Shares as may be decided by our Directors in ensuring a reasonable spread of shareholders of our Company, shall be made public, as soon as practicable, via an announcement through the SGX-ST and by advertisement in a generally circulating daily press.

14. You irrevocably authorise CDP to disclose the outcome of your application, including the number of Invitation Shares allotted and/or allocated to you pursuant to your application, to authorised operators.
15. Any reference to “you” or the “Applicant” in this section shall include an individual, a corporation, an approved nominee and trustee applying for the Offer Shares by way of an Application Form or by way of an Electronic Application, a person applying for the Placement Shares through the placement agents and a person applying for the Reserved Shares.
16. By completing and delivering an Application Form or by making and completing an Electronic Application by (in the case of an ATM Electronic Application) pressing the “Enter” or “OK” or “Confirm” or “Yes” or any other relevant key on the ATM (as the case may be) or by (in the case of an Internet Electronic Application) clicking “Submit” or “Continue” or “Yes” or “Confirm” or any other relevant button on the IB website screen (as the case may be) in accordance with the provisions of this Prospectus, you:
- (a) irrevocably offer to subscribe for and/or purchase the number of Invitation Shares specified in your application (or such smaller number for which the application is accepted) at the Issue Price and agree that you will accept such Invitation Shares as may be allotted and/or allocated to you, in each case subject to the conditions set out in this Prospectus and the Memorandum and Articles of Association of our Company;
  - (b) agree that, in the event of any inconsistency between the terms and conditions set for application set out in this Prospectus and those set out in the IB websites or ATMs of the Participating Banks, the terms and conditions set out in this Prospectus shall prevail;
  - (c) agree that the aggregate Issue Price for the Invitation Shares applied for is due and payable to the Company and the Vendors forthwith; and

---

## APPENDIX I

### TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

---

- (d) warrant the truth and accuracy of the information provided in your application.
17. Our acceptance of applications will be conditional upon, *inter alia*, our Company and the Vendors being satisfied that:
- (a) permission has been granted by the SGX-ST to deal in and for quotation for all our existing Shares and the Invitation Shares on the Official List of SGX-ST;
  - (b) the Management and Underwriting Agreement and the Placement Agreement referred to on pages 115 and 116 of this Prospectus have become unconditional and have not been terminated; and
  - (c) the Authority has not served a stop order which directs that no or no further shares to which this Prospectus relates be allotted or allocated.
18. In the event that a stop order in respect of the Invitation Shares is served by the Authority or other competent authority, and:
- (a) the Invitation Shares have not been issued and/or sold, we will (as required by law) deem all applications withdrawn and cancelled and our Company and the Vendors shall refund the application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 14 days of the date of the stop order; or
  - (b) if the Invitation Shares have already been issued and/or sold but trading has not commenced, the issue will (as required by law) be deemed void and:
    - (i) if documents purporting to evidence title had been issued to you, our Company shall, on behalf of the Vendors inform you to return such documents to our Company within 14 days from that date; and
    - (ii) we will on behalf of the Vendors refund the application monies (without interest or any share of revenue or other benefit arising therefrom) to you within 7 days from the date of receipt of those documents (if applicable) or the date of the stop order, whichever is later.

This shall not apply where only an interim stop order has been served.

19. In the event that an interim stop order in respect of the Invitation Shares is served by the Authority or other competent authority, no Invitation Shares shall be issued to you until the Authority revokes the interim stop order.
20. The Authority is not able to serve a stop order in respect of the Invitation Shares if the Invitation Shares have been issued and listed on a securities exchange and trading in them has commenced.
21. In the event of any changes in the closure of the Application List or the time period during which the Invitation is open, we will publicly announce the same through a MASNET announcement to be posted on the Internet at the SGX-ST website [www.sgx.com](http://www.sgx.com) and through a paid advertisement in a local newspaper.
22. We will not hold any application in reserve.
23. We will not allot and/or allocate shares on the basis of this Prospectus later than six months after the date of registration of this Prospectus.
24. Additional terms and conditions for applications by way of Application Forms are set out on pages I-6 to I-9 of this Prospectus.
25. Additional terms and conditions for applications by way of Electronic Applications are set out on pages I-9 to I-14 of this Prospectus.



---

## APPENDIX I

### TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

---

#### ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING APPLICATION FORMS

Applications by way of an Application Form shall be made on, and subject to, the terms and conditions of this Prospectus including but not limited to the terms and conditions appearing below as well as those set out under the section on “TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE” on pages I-1 to I-4 of this Prospectus, as well as the Memorandum and Articles of Association of our Company.

1. Your application must be made using the **WHITE** Application Forms for Offer Shares and **WHITE** official envelope “A” and “B” for Offer Shares, the **BLUE** Application Forms for Placement Shares (other than Reserved Shares) or **PINK** Application Forms for Reserved Shares accompanying and forming part of this Prospectus. We draw your attention to the detailed instructions contained in the respective Application Forms and this Prospectus for the completion of the Application Forms which must be carefully followed. **Our Company and the Vendors reserve the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and this Prospectus or to the terms and conditions of this Prospectus or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances or improper form of remittance.**
2. Your Application Forms must be completed in English. Please type or write clearly in ink using **BLOCK LETTERS**.
3. All spaces in the Application Forms except those under the heading “FOR OFFICIAL USE ONLY” must be completed and the words “NOT APPLICABLE” or “N.A.” should be written in any space that is not applicable.
4. Individuals, corporations, approved nominee companies and trustees must give their names in full. If you are an individual, you must make your application using your full names as it appears in your identity cards (if you have such an identification documents) or in your passports and, in the case of corporations, in your full names as registered with a competent authority. If you are not an individual, you must complete the Application Form under the hand of an official who must state the name and capacity in which he signs the Application Form. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Memorandum and Articles of Association or equivalent constitutive documents of the corporation. If you are a corporate applicant and your application is successful, a copy of your Memorandum and Articles of Association or equivalent constitutive documents must be lodged with our Company’s Share Registrar and Share Transfer office. Our Company and the Vendors reserve the right to require you to produce documentary proof of identification for verification purposes.
5.
  - (a) You must complete Sections A and B and sign page 1 of the Application Form.
  - (b) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Form. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Forms with particulars of the beneficial owner(s).
  - (c) If you fail to make the required declaration in paragraph 7(a) or 7(b), as the case may be, on page 1 of the Application Form, your application is liable to be rejected.
6. You (whether you are an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted) will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore having an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporations. If you are an approved nominee company, you are required to declare whether the beneficial owner



---

## APPENDIX I

### TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

---

of the Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate whether incorporated or unincorporated and wherever incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporation.

7. Your application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of Invitation Shares applied for, in the form of a **BANKER'S DRAFT** or **CASHIER'S ORDER** drawn on a bank in Singapore, made out in favour of "**STRACO SHARE ISSUE ACCOUNT**" crossed "**A/C PAYEE ONLY**", and with your name and address written clearly on the reverse side. Applications not accompanied by any payment or accompanied by **ANY OTHER FORM OF PAYMENT WILL NOT BE ACCEPTED**. We will reject remittances bearing "**NOT TRANSFERABLE**" or "**NON TRANSFERABLE**" crossings. No acknowledgement or receipt will be issued by our Company and the Vendors or the Manager for applications and application monies received.
8. Monies paid in respect of unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post within 24 hours of balloting of applications at your own risk. Where your application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days after the close of the Application List. In the event that the Invitation is cancelled by us following the termination of the Management and Underwriting Agreement and/or the Placement Agreement, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post or telegraphic transfer at your own risk within 5 Market Days of the termination of the Invitation. In the event that the Invitation is cancelled by us following the issuance of a stop order by the Authority, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post or telegraphic transfer at your own risk within 14 days from the date of the stop order.
9. Capitalised terms used in the Application Forms and defined in this Prospectus shall bear the meanings assigned to them in this Prospectus.
10. By completing and delivering the Application Form, you agree that:
  - (a) in consideration of our Company and the Vendors having distributed the Application Form to you and agreeing to close the Application List at 12.00 noon on 18 February 2004 or such other time or date as our Company and the Vendors may, in consultation with the Manager, decide and by completing and delivering the Application Form:
    - (i) your application is irrevocable; and
    - (ii) your remittance will be honoured on first presentation and that any monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;
  - (b) all applications, acceptances and contracts resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;

---

## APPENDIX I

### TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

---

- (c) in respect of the Invitation Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of our Company and the Vendors;
- (d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application; and
- (e) in making your application, reliance is placed solely on the information contained in this Prospectus and that none of our Company, the Vendors, the Manager, Underwriter and Placement agent or any other person involved in the Invitation shall have any liability for any information not so contained.

#### Applications for Offer Shares

1. Your application for Offer Shares **MUST** be made using the **WHITE** Offer Shares Application Forms and **WHITE** official envelopes "A" and "B". **ONLY ONE APPLICATION** should be enclosed in each envelope.
2. You must:
  - (a) enclose the **WHITE** Offer Shares Application Form, duly completed and signed, together with the correct remittance in accordance with the terms and conditions of this Prospectus in the **WHITE** envelope "A" provided;
  - (b) in the appropriate spaces on **WHITE** envelope "A":
    - (i) write your name and address;
    - (ii) state the number of Offer Shares applied for; and
    - (iii) affix adequate Singapore postage;
  - (c) SEAL **WHITE** ENVELOPE "A";
  - (d) write, in the special box provided on the larger **WHITE** envelope "B" addressed to **UOB ASIA LIMITED, 1 RAFFLES PLACE # 13-01, OUB CENTRE, SINGAPORE 048616**, the number of Offer Shares you have applied for; and
  - (e) insert **WHITE** envelope "A" into **WHITE** envelope "B", seal **WHITE** envelope "B" and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND at your own risk to UOB ASIA LIMITED, 1 RAFFLES PLACE # 13-01, OUB CENTRE, SINGAPORE 048616**, to arrive by **12.00 noon on 18 February 2004 or such other time as our Company and the Vendors may, in consultation with UOB Asia, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.
3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances are liable to be rejected.

---

## APPENDIX I

### TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

---

#### Applications for Placement Shares (other than Reserved Shares)

1. Your application for Placement Shares (other than Reserved Shares) **MUST** be made using the **BLUE** Placement Shares Application Forms. **ONLY ONE APPLICATION** should be enclosed in each envelope.
2. The completed **BLUE** Placement Shares Application Form and the correct remittance (in accordance with the terms and conditions of this Prospectus) with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. The sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND at your own risk to UOB ASIA LIMITED, 1 RAFFLES PLACE #13-01, OUB CENTRE, SINGAPORE 048616**, to arrive by **12.00 noon on 18 February 2004 or such other time as our Company and the Vendors may, in consultation with UOB Asia, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.

#### Applications for Reserved Shares

1. Your application for Reserved Shares **MUST** be made using the **PINK** Reserved Shares Application Forms. **ONLY ONE APPLICATION** should be enclosed in each envelope.
2. The completed **PINK** Reserved Shares Application Form and the correct remittance (in accordance with the terms and conditions of this Prospectus) with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. The sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND at your own risk to our Company's registered office at 10 Anson Road, #30-15 International Plaza, Singapore 079903** to arrive by **12.00 noon on 18 February 2004 or such other time as our Company and the Vendors may, in consultation with UOB Asia, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.

#### ADDITIONAL TERMS AND CONDITIONS FOR ELECTRONIC APPLICATIONS

The procedures for Electronic Applications are set out on the ATM screens (in the case of ATM Electronic Applications) and the IB website screens (in the case of Internet Electronic Applications) of the relevant Participating Banks. Currently, UOB Group and DBS, are the only Participating Banks through which Internet Electronic Applications can be made. For illustration purposes, the procedures for Electronic Applications through ATMs and the IB website of UOB are set out respectively in the "Steps for an ATM Electronic Application through ATMs of UOB" and the "Steps for an Internet Electronic Application through the IB website of UOB" (collectively the "Steps") appearing on pages I-14 to I-18 of this Prospectus. The Steps set out the actions that you must take at an ATM or the IB website of UOB to complete an Electronic Application. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application. Any reference to "you" in the additional terms and conditions for Electronic Applications and the Steps shall refer to you making an application for Offer Shares through an ATM or the IB website of a relevant Participating Bank.

You must have an existing bank account with and be an ATM cardholder of one of the Participating Banks before you can make an Electronic Application at the ATMs. An ATM card issued by one Participating Bank cannot be used to apply for Offer Shares at an ATM belonging to other Participating Banks. For an Internet Electronic Application, you must have an existing bank account with and an IB User Identification ("User ID") and a Personal Identification Number/Password ("PIN") given by the relevant Participating Bank. The Steps set out the actions that you must take at ATMs or the IB website of UOB to complete an Electronic Application. The actions that you must take at ATMs or the IB websites of other Participating Banks are set out on the ATM screens or the IB website screens of the relevant Participating Banks. Upon the completion of your ATM Electronic Application transaction, you will receive an ATM transaction slip ("Transaction Record"), confirming the details of your Electronic Application.

---

## APPENDIX I

### TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

---

Upon completion of your Internet Electronic Application through the IB website of UOB Group, there will be an on-screen confirmation ("Confirmation Screen") of the application which can be printed for your record. The Transaction Record or your printed record of the Confirmation Screen is for your retention and should not be submitted with any Application Form.

**You must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. If you fail to use your own ATM card or if you do not key in your own Securities Account number, your application will be rejected. If you operate a joint bank account with any of the Participating Banks, you must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. Using your own Securities Account number with an ATM card which is not issued to you in your own name will render your ATM Electronic Application liable to be rejected.**

You must ensure, when making an Internet Electronic Application that your mailing address for the account selected for the application is in Singapore and the application is being made in Singapore and you will be asked to declare accordingly. Otherwise your application is liable to be rejected.

You shall make an Electronic Application in accordance with and subject to the terms and conditions of this Prospectus including but not limited to the terms and conditions appearing below and those set out under the section on "TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE" on pages I-1 to I-4 of this Prospectus as well as the Memorandum and Articles of Association of our Company.

1. In connection with your Electronic Application for Offer Shares, you are required to confirm statements to the following effect in the course of activating your Electronic Application:
  - (a) **that you have received a copy of this Prospectus (in the case of an ATM Electronic Application only) and have read, understood and agreed to all the terms and conditions of application for Offer Shares and this Prospectus prior to effecting the Electronic Application and agree to be bound by the same;**
  - (b) **that you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent residence status, share application amount, CPF Investment Account number (if applicable) and CDP Securities Account number and application details (the "Relevant Particulars") maintained with the relevant Participating Bank to the CDP, CPF, SCCS, SGX-ST, Share Registrar, our Company, the Vendors and the Manager (the "Relevant Parties"); and**
  - (c) **that this is your only application for Offer Shares and it is made in your own name and at your own risk.**

Your application will not be successfully completed and cannot be recorded as a completed transaction in the ATM or on the IB website unless you press the "Enter" or "Confirm" or "Yes" or "OK" or any other relevant key in the ATM or click "Confirm" or "OK" or "Submit" or "Continue" or "Yes" or any other relevant button on the IB website screen. By doing so, you shall be treated as signifying your confirmation of each of the above three statements. In respect of statement 1(b) above, such confirmation, shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore including Section 47(2) of the Banking Act (Chapter 19) of Singapore to the disclosure by the relevant Participating Bank of the Relevant Particulars to the Relevant Parties.

---

## APPENDIX I

### TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

---

2. **BY MAKING AN ELECTRONIC APPLICATION, YOU CONFIRM THAT YOU ARE NOT APPLYING FOR OFFER SHARES AS A NOMINEE OF ANY OTHER PERSON AND THAT ANY ELECTRONIC APPLICATION THAT YOU MAKE IS THE ONLY APPLICATION MADE BY YOU AS THE BENEFICIAL OWNER.**

**YOU SHOULD MAKE ONLY ONE ELECTRONIC APPLICATION FOR OFFER SHARES AND SHOULD NOT MAKE ANY OTHER APPLICATION FOR OFFER OR PLACEMENT SHARES (OTHER THAN RESERVED SHARES), WHETHER AT THE ATMS OR THE IB WEBSITES (IF ANY) OF ANY PARTICIPATING BANK OR ON THE APPLICATION FORMS. IF YOU HAVE MADE AN APPLICATION FOR OFFER SHARES OR PLACEMENT SHARES (OTHER THAN RESERVED SHARES) ON AN APPLICATION FORM, YOU SHALL NOT MAKE AN ELECTRONIC APPLICATION FOR OFFER SHARES.**

3. You must have sufficient funds in your bank account with your Participating Bank at the time you make your Electronic Application, failing which your Electronic Application will not be completed or accepted. **Any Electronic Application which does not conform strictly to the instructions set out in this Prospectus or on the screens of the ATM or the IB website through which your Electronic Application is being made shall be rejected.**

You may make an ATM Electronic Application at the ATM of any Participating Bank or an Internet Electronic Application at the IB website of the relevant Participating Bank for the Offer Shares using only cash by authorising such Participating Bank to deduct the full amount payable from your account with such Participating Bank.

4. You irrevocably agree and undertake to subscribe for and/or purchase and to accept the number of Offer Shares applied for as stated on the Transaction Record or the Confirmation Screen or any lesser number of Offer Shares that may be allotted and/or allocated to you in respect of your Electronic Application. In the event that our Company and the Vendors decide to allot and/or allocate any lesser number of such Offer Shares or not to allot and/or allocate any Offer Shares to you, you agree to accept such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the “Enter” or “Confirm” or “Yes” or “OK” or any other relevant key on the ATM or clicking “Confirm” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button on the IB website screen) of the number of Offer Shares applied for shall signify and shall be treated as your acceptance of the number of Offer Shares that may be allotted and/or allocated to you and your agreement to be bound by the Memorandum and Articles of Association of our Company.

5. **We will not keep any applications in reserve.** Where your Electronic Application is unsuccessful, the full amount of the application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 24 hours of balloting of applications. **Trading on a “WHEN ISSUED” basis, if applicable, is expected to commence after such refund has been made.**

Where your Electronic Application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your bank account with your Participating Bank within 14 days after the close of the Application List.

**Responsibility for timely refund of application monies from unsuccessful or partially successful Electronic Applications lies solely with the respective Participating Banks. Therefore, you are strongly advised to consult your Participating Bank as to the status of your Electronic Application and/or the refund of any monies to you from unsuccessful or partially successful Electronic Application, to determine the exact number of Offer Shares allotted and/or allocated to you (if any) before trading the Offer Shares on SGX-ST. You may**

---

## APPENDIX I

### TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

---

also call CDP Phone at 6535 7511 to check the provisional results of your application by using your T-pin (issued by CDP upon application for the service) and keying in the stock code (that will be made available together with the results of the allotment and/or allocation via an announcement through the SGX-ST and by advertisement in a generally circulating daily press). To sign up for the service, you may contact CDP customer service officers. Neither the SGX-ST, the CDP, the SCCS, the Participating Banks, our Company, the Vendors nor the Manager assume any responsibility for any loss that may be incurred as a result of you having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

6. If your Electronic Application is unsuccessful, no notification will be sent by the Participating Banks.

If you make Electronic Applications through the ATMs or IB websites of the following Participating Banks, you may check the results of your Electronic Applications as follows:

Bank	Telephone	Available at ATM	Operating Hours	Service expected from
UOB Group	1800 222 2121	ATM (Other Transactions – “IPO Enquiry”) <sup>(1)</sup>  <a href="http://www.uobgroup.com">http://www.uobgroup.com</a> <sup>(1)(2)</sup>	ATM/Phone Banking - 24 hours a day  Internet Banking 24 hours a day	Evening of the balloting day  Evening of the balloting day
DBS Bank	1 800 339 6666 (for POSB account holders)  1800 111 1111 (for DBS account holders)	Internet Banking <a href="http://www.dbs.com">http://www.dbs.com</a> <sup>(2)</sup>	24 hours a day	Evening of the balloting day
OCBC	1 800 363 3333	ATM	ATM/Phone Banking - 24 hours a day	Evening of the balloting day

Notes:-

- (1) If you make your Electronic Applications through the ATMs or IB website of UOB, you may check the results of your application through UOB Personal Internet Banking, UOB Group ATMs or UOB PhoneBanking Services.
- (2) If you have made your Internet Electronic Application through the IB website of UOB Group or DBS Bank, you may check the result of your application through the same channels listed in the table above in relation to ATM Electronic Application made at ATMs of UOB Group or DBS Bank.
7. You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires, acts of God and other events beyond the control of the Participating Banks, our Company, the Vendors and the Manager and if, in any such event, our Company, the Vendors, the Manager and/or the relevant Participating Bank do not receive your Electronic Application, or data relating to your Electronic Application or the tape or any other devices containing such data is lost, corrupted or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against our Company, the Vendors, the Manager and/or the relevant Participating Bank for Offer Shares applied for or for any compensation, loss or damage.



---

## APPENDIX I

### TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

---

8. Electronic Applications shall close at **12.00 noon on 18 February 2004** or such other time as our Company and the Vendors may, in consultation with UOB Asia, decide. Subject to the paragraph above, an Internet Electronic Application is deemed to be received only upon its completion, that is, when there is an on-screen confirmation of the application.
9. You are deemed to have irrevocably requested and authorised our Company and the Vendors to:
  - (a) register the Offer Shares allotted and/or allocated to you in the name of CDP for deposit into your Securities Account;
  - (b) send the relevant Share certificate(s) to CDP;
  - (c) return or refund (without interest or any share of revenue earned or other benefit arising therefrom) the application monies, should your Electronic Application be unsuccessful, by automatically crediting your bank account with your Participating Bank with the relevant amount within 24 hours of balloting of applications; and
  - (d) return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application monies, should your Electronic Application be accepted in part only, by automatically crediting your bank account with your Participating Bank with the relevant amount within 14 days after the close of the Application List.
10. We do not recognise the existence of a trust. Any Electronic Application by a trustee must be made in your own name and without qualification. Our Company and the Vendors will reject any application by any person acting as nominee except those made by approved nominee companies only.
11. All your particulars in the records of your relevant Participating Bank at the time you make your Electronic Application shall be deemed to be true and correct and your relevant Participating Bank and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after the time of the making of your Electronic Application, you shall promptly notify your relevant Participating Bank.
12. **You should ensure that your personal particulars as recorded by both CDP and the relevant Participating Bank are correct and identical, otherwise, your Electronic Application is liable to be rejected.** You should promptly inform CDP of any change in address, failing which the notification letter on successful allotment and/or allocation will be sent to your address last registered with CDP.
13. By making and completing an Electronic Application, you are deemed to have agreed that:
  - (a) in consideration of our Company and the Vendors making available the Electronic Application facility, through the Participating Banks acting as the agents of our Company and the Vendors, at the ATMs and IB websites (if any):
    - (i) your Electronic Application is irrevocable; and
    - (ii) your Electronic Application, our acceptance and the contract resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;
  - (b) none of our Company, the Vendors, the Manager or the Participating Banks shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your Electronic Application to our Company or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 7 above or to any cause beyond our respective controls;

---

## APPENDIX I

### TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

---

- (c) in respect of Offer Shares for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on behalf of our Company and the Vendors and not otherwise, notwithstanding any payment received by or on behalf of our Company and the Vendors;
- (d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application; and
- (e) in making your application, reliance is placed solely on the information contained in this Prospectus and that none of our Company, the Vendors, the Manager, the Underwriter, the Placement Agent or any other person involved in the Invitation shall have any liability for any information not so contained.

#### STEPS FOR ELECTRONIC APPLICATIONS THROUGH ATMS AND THE IB WEBSITE OF UOB

The instructions for Electronic Applications will appear on the ATM screens and the IB website screens of the respective Participating Banks. For illustrative purposes, the steps for making an Electronic Application through the ATMs or IB website of UOB are shown below. Instructions for Electronic Applications appearing on the ATM screens and the IB website screens (if any) of the relevant Participating Banks (other than UOB Group) may differ from that represented below.

Owing to space constraints on UOB's ATM screens, the following terms will appear in abbreviated form:

"&"	:	and
"A/C" and "A/CS"	:	ACCOUNT AND ACCOUNTS, respectively
"ADDR"	:	ADDRESS
"AMT"	:	AMOUNT
"APPLN"	:	APPLICATION
"CDP"	:	THE CENTRAL DEPOSITORY (PTE) LIMITED
"CPF"	:	CENTRAL PROVIDENT FUND BOARD
"CPFINVT A/C"	:	CPF INVESTMENT ACCOUNT
"ESA"	:	ELECTRONIC SHARE APPLICATION
"IC/PSSPT"	:	NRIC or PASSPORT NUMBER
"NO" or "NO."	:	NUMBER
"PERSONAL NO"	:	PERSONAL IDENTIFICATION NUMBER
"REGISTRARS"	:	SHARE REGISTRARS
"SCCS"	:	SECURITIES CLEARING & COMPUTER SERVICES (PTE) LTD
"YR"	:	YOUR

---

## APPENDIX I

### TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

---

#### Steps for an ATM Electronic Application through ATMs of UOB

- Step 1 : Insert your personal Unicard, Uniplus card or UOB VISA/MASTER card and key in your personal identification number.
- 2 : Select "CASHCARD/OTHER".
- 3 : Select "SECURITIES APPLICATION".
- 4 : Select "ESA-FIXED".
- 5 : Select the share counter which you wish to apply for.
- 6 : Read and understand the following statements which will appear on the screen:
- THIS OFFER OF SECURITIES (OR UNITS OF SECURITIES) WILL BE MADE IN, OR ACCOMPANIED BY, A COPY OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENTS. ANYONE WISHING TO ACQUIRE THESE SECURITIES (OR UNITS OF SECURITIES) WILL NEED TO MAKE AN APPLICATION IN THE MANNER SET OUT IN THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENTS  
(Customer to press "ENTER" to continue)
  - PLEASE CALL 1800-22-22-121 IF YOU WOULD LIKE TO FIND OUT WHERE YOU CAN OBTAIN A COPY OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENTS
  - WHERE APPLICABLE, A COPY OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT HAS BEEN LODGED WITH AND REGISTERED BY THE MONETARY AUTHORITY OF SINGAPORE WHO ASSUMES NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS/DOCUMENT OR SUPPLEMENTARY DOCUMENT  
Customer to press "ENTER" to confirm that you have read and understood the above statements.
- 7 : Read and understand the following terms which will appear on the screen:
- YOU HAVE READ, UNDERSTOOD & AGREED TO ALL THE TERMS OF THE PROSPECTUS/DOCUMENT/SUPPLEMENTARY DOCUMENT & THIS ELECTRONIC APPLICATION
  - YOU CONSENT TO DISCLOSE YR NAME, IC/PSSPT, NATIONALITY, ADDR, APPLN AMT, CPFINVT A/C NO & CDP A/C NO FROM YR A/CS TO CDP, CPF, SCCS, REGISTRARS AND ISSUER/VENDOR(S)
  - THIS IS YR ONLY FIXED PRICE APPLN & IS IN YR NAME & AT YR RISK  
(Customer to press "ENTER" to continue)
- 8 : Screen will display:
- NRIC/Passport No. XXXXXXXXXXXX**
- IF YOUR NRIC NO / PASSPORT NO IS INCORRECT, PLEASE CANCEL THE TRANSACTION AND NOTIFY THE BRANCH PERSONALLY.**  
(Customer to press "CANCEL" or "CONFIRM")

---

## APPENDIX I

### TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

---

- 9 : Select mode of payment i.e. "CASH ONLY". You will be prompted to select Cash Account type to debit (i.e., "CURRENT ACCOUNT / I- ACCOUNT", "CAMPUS" OR "SAVINGS ACCOUNT / TX ACCOUNT"). Should you have a few accounts linked to your ATM card, a list of linked account numbers will be displayed for you to select
- 10 : After you have selected the account, your CDP Securities Account number will be displayed for you to confirm or change (This screen with your CDP Securities Account number will be shown if your CDP Securities Account number is already stored in the ATM system of UOB). If this is the first time you are using UOB's ATM to apply for Shares, your CDP Securities Account number will not be stored in the ATM system of UOB, and the following screen will be displayed for your input of your CDP Securities Account number
- 11 : Read and understand the following terms which will appear on the screen:
1. **PLEASE DO NOT APPLY FOR YOUR JOINT A/C HOLDER OR OTHER THIRD PARTIES**
  2. **PLEASE USE YOUR OWN ATM CARD**
  3. **DO NOT KEY IN THE CDP A/C NO. OF YOUR JOINT A/C HOLDER OR OTHER THIRD PARTIES**
  4. **KEY IN YOUR CDP A/C NO. (12 DIGITS) 1681-XXXX-XXXX**
  5. **PRESS ENTER KEY**
- 12 : Key in your CDP Securities Account number (12 digits) and press the "ENTER" key.
- 13 : Select your nationality status; and
- 14 : Key in the number of Shares you wish to apply for and press the "ENTER" key.
- 15 : Check the details of your Electronic Application on the screen and press "ENTER" key to confirm your Electronic Application.
- 16 : Select "NO" if you do not wish to make any further transactions and remove the Transaction Record. You should keep the Transaction Record for your own reference only.

Owing to space constraints on UOB's IB website screens, the following terms will appear in abbreviated form:

"CDP"	:	The Central Depository (Pte) Limited
"CPF"	:	The Central Provident Fund
"NRIC" or "I/C"	:	National Registration Identity Card
"PR"	:	Permanent Resident
"SGD" or "\$"	:	Singapore Dollars
"SCCS"	:	Securities Clearing & Computer Services (Pte) Ltd
"SGX-ST"	:	Singapore Exchange Securities Trading Limited

---

## APPENDIX I

### TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

---

#### Steps for an Internet Electronic Application through the IB website of UOB

- Step 1 : Connect to UOB website at <http://www.uobgroup.com>
- 2 : Locate the Login icon at the top title bar of the Home Page
- 3 : Click on Login > to UOB Personal Internet Banking
- 4 : Enter your Username and Password and click “Submit”
- 5 : Select Investment Services (IPO Application should be the default transaction that appears, if not click IPO Application)
- 6 : Read the IMPORTANT notice and complete the declarations found on the bottom of the page by answering Yes/No to the questions
- 7 : Click “Continue”
- 8 : Select your country of residence (you must be residing in Singapore to apply, and click “Continue”)
- 9 : Select the IPO counter from the drop list (if there are concurrent IPOs, and click “Continue”)
- 10 : Check the share counter, select the mode of payment and account number to debit and click on “Continue”
- 11 : Read the important instructions and click on “Continue” to confirm that:
1. **You have read, understood and agreed to all terms and conditions of the application and Prospectus/Document or Supplementary Documents;**
  2. **You consent to disclose your name, I/C or passport number, address, nationality, CDP Securities Account number, CPF Investment Account number (if applicable) and application details to the share registrars, CDP, SGX-ST, SCCS, CPF, issuer/vendor(s) and the Issue Manager.**
  3. **This application is made in your own name and at your own risk.**
  4. **For FIXED/MAX price share application, this is your only application. For TENDER price share application, this is your only application at the selected tender price.**
  5. **For FOREIGN CURRENCY securities, subject to the terms of the issue, please note the following: The application monies will be debited from your bank account in \$, based on the Bank’s prevailing board rates at the time of application. The different prevailing board rates at the time of application and at the time of refund of application monies may result in either a foreign exchange profit or loss, or application monies may be debited and refunds credited in \$ at the same exchange rate.**
  6. **For 1ST-COME-1ST SERVE securities, the number of securities applied for may be reduced, subject to the availability at the point of application.**

---

**APPENDIX I**

**TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE**

---

- 12 : Check your personal details, details of the share counter you wish to apply for and account to debit.
- Enter (a) your CDP securities account number; and
- (b) the number of shares applied for.
- 13 : Check details of your application, your NRIC/Passport number, CDP securities account and the number of shares applied for, share counter, payment mode and account to debit.
- 14 : Click “Confirm”, “Edit” or “Cancel”.
- 15 : Print the Confirmation Screen (optional) for your own reference.



---

## APPENDIX II

### SUMMARY OF OUR ARTICLES OF ASSOCIATION

---

*The description below provides information about certain provisions of our Memorandum and Articles of Association. This description is only a summary and is qualified by reference to Singapore law and our Articles of Association. Where portions of our Articles of Association are reproduced below, defined terms bear the meanings ascribed to them in the Articles of Association.*

1. We are registered in Singapore with the Registrar of Companies and Businesses under company registration number 200203482R. The instruments that constitute and define the Company are the Memorandum and Articles of Association of the Company. The Memorandum of Association also sets out the objects for which our Company is formed and the powers of our Company.
2. The provisions in the Articles of Association relating to transfer of shares, votes of members, directors and their appointment, removal, duties and borrowing powers, modification of class rights, dividends and reserves, winding up, shares, call on shares, and proceedings at general meeting and of directors are as follows:

#### **Transfer of shares**

Transfer of shares	27	There shall be no restriction on the transfer of fully paid up shares (except where required by law or, where the Company is listed on the Singapore Exchange, the rules, bye-laws or listing rules of the Singapore Exchange) but the Directors may in their discretion refuse to register a transfer to a transferee of whom they do not approve, in the case of shares not fully paid up, PROVIDED ALWAYS THAT in the event of the Directors refusing to register a transfer of shares, they shall within one month, or in the event of the Company being listed on the Singapore Exchange, within ten market days beginning with the day on which the application for such transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Act.
Form of transfer	28	Every transfer shall be in writing in the form approved by the Directors and in the event of the Company being listed on the Singapore Exchange, by the Singapore Exchange. Every instrument of transfer must be in respect of only one class of shares and must be duly stamped in accordance with any applicable law for the time being in force relating to stamp duty and shall be left at the Office accompanied by the Certificate of the shares to be transferred and such other evidence (if any) as the Directors may reasonably require to show the right of the transferor to make the transfer.
Transfers to be executed by both parties	29	The instrument of transfer of any share shall be executed by or on behalf of both the transferor and the transferee and be witnessed, PROVIDED ALWAYS THAT the Depository shall not be required to sign, as transferee, any transfer form relating to the transfer of shares to it and PROVIDED FURTHER THAT, at the discretion of the Directors, the signature of any other transferee may be dispensed with. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members in respect thereof.

---

## APPENDIX II

### SUMMARY OF OUR ARTICLES OF ASSOCIATION

---

Transfer fee	30	The Company shall be entitled to charge a fee not exceeding \$2.00 for each instrument of transfer or in the event of the Company being listed on the Singapore Exchange, such other sum as may from time to time be prescribed by the Singapore Exchange on the registration of every transfer.
Registration of transfers	31	The Directors may decline to register any transfer unless all the preceding requirements are fully complied with. All instruments of transfer which are registered may be retained by the Company.
Registration of transfers may be suspended	32	The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine; PROVIDED ALWAYS THAT such registration shall not be suspended for more than thirty days in any year.
<b><i>Votes of Members</i></b>		
Number of votes	66	Subject to any rights or restrictions for the time being attached to any class or classes of shares, every Member present in person or by proxy or by attorney shall have one vote on a show of hands and on a poll, every Member present in person or by proxy or by attorney shall have one vote for each share which he holds or represents.
Split votes	67	On a poll a Member entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses in the same way.
Votes of joint holders of shares	68	In the case of joint holders any one of such persons may vote, but if more than one of such persons be present at a meeting, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holder; and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members or the Depository Register (as the case may be).
Votes of lunatic member	69	A person of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee, receiver, curator bonis, or other legal curator and such last-mentioned persons may give their votes either personally or by proxy.
Members indebted to company in respect of shares not entitled to vote	70	No Member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares held by him in the Company, whether in his own name or in a Securities Account, and whether alone or jointly with any other person, have been paid.
Appointment of proxies	71(1)	A Member may appoint not more than two proxies to attend and vote at the same general meeting.

---

## APPENDIX II

### SUMMARY OF OUR ARTICLES OF ASSOCIATION

---

- 71(2) Where the Member appoints more than one proxy to attend and vote at the same general meeting he shall specify on each instrument of proxy the number of shares in respect of which the appointment is made, failing which, the appointment shall be deemed to be in the alternative.
- 71(3) No instrument appointing a proxy of a Depositor shall be rendered invalid merely by reason of any discrepancy between the Depositor's shareholding specified in the instrument of proxy, or where the same has been apportioned between two proxies the aggregate of the proportions of the Depositor's shareholding they are specified to represent, and the true balance standing to the Securities Account of the Depositor as appears on the Depository Register forty-eight hours before the general meeting.
- 71(4) A proxy or representative need not be a Member.
- 71(5) The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
- 71(6) A proxy shall be entitled to vote on a show of hands on any matter at a general meeting.
- |                                                        |    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|--------------------------------------------------------|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Instrument appointing a proxy to be left at the office | 72 | The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority shall be deposited at the Office not less than forty-eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.                           |
| Form of proxy                                          | 73 | An instrument appointing a proxy or representative shall be in writing in the common form or any other form approved by the Directors and:- (a) in the case of an individual, shall be signed by the appointor or by his attorney; and (b) in the case of a corporation, shall be either under its common seal or signed by its attorney or by an officer on behalf of the corporation.                                                                                 |
| Omission to include proxy form                         | 74 | In the event that forms of proxy are sent to Members of the Company together with any notice of meeting, the accidental omission to include the form of proxy to, or the non-receipt of such form of proxy by any person entitled to receive a notice of meeting shall not invalidate any resolution passed or any proceeding at any such meeting.                                                                                                                      |
| Corporation acting by representatives at meeting       | 75 | Any corporation which is a Member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Member of the Company. |

---

## APPENDIX II

### SUMMARY OF OUR ARTICLES OF ASSOCIATION

---

#### ***Directors***

Director's qualification and retirement age limit	78	A Director shall not be required to hold any share qualification in the Company, but subject to the provisions of the Act he shall not be of or over the age of 70 years at the date of his appointment.
---------------------------------------------------	----	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Directors' remuneration	80	Fees payable to the Directors shall from time to time be determined by the Company in general meeting and such fees shall not be increased except pursuant to an ordinary resolution passed at a general meeting where notice of the proposed increase shall have been given in the notice convening the meeting. Unless otherwise directed by the said ordinary resolution, such fees shall be divided among the Directors in such proportions and manner as they may agree and in default of agreement equally, except that if a Director has held office for part only of the period in respect of which such fees are payable, such a Director shall be entitled only to that proportion of the fees as is related to the period during which he has held office.
-------------------------	----	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Fees payable to non-executive directors shall be by a fixed sum and not by way of commission on or percentage of profits or turnover. Salaries payable to executive directors may not include a commission on or percentage of turnover. The Directors shall also be paid such travelling, hotel and other expenses as may reasonably be incurred by them in the execution of their duties including any such expenses incurred in connection with their attendance at meetings of Directors. If by arrangement with the other Directors any Director shall perform or render any special duties or services outside his ordinary duties as a Director, the Directors may pay him special remuneration, in addition to his ordinary remuneration, and such special remuneration may be by way of additional salary or otherwise, as may be arranged PROVIDED ALWAYS THAT such special remuneration, if payable by way of fees to non-executive directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover, and if payable by way of salaries to executive directors may not include a commission on or percentage of turnover.

#### ***Powers and Duties of Directors***

Directors' borrowing powers	86	The Directors may borrow or raise from time to time for the purposes of the Company or secure the payment of such sums as they may think fit, and may secure the repayment or payment of any such sums by mortgage or charge upon all or any of the property or assets of the Company or by the issue of debentures (whether at par or at a discount or premium) or otherwise as they may think fit.
-----------------------------	----	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Directors may contract with company	90	A Director may contract with and be interested in any contract or proposed contract with the Company and shall not be liable to account for any profit made by him by reason of any such contract; PROVIDED ALWAYS THAT the nature of the interest of the Director in any such contract be declared at a meeting of the Directors as required by <u>Section 156</u> of the Act. No Director shall vote as a Director in respect of any contract or arrangement in which he has directly or indirectly a personal material interest, although he shall be counted in the quorum present at the meeting.
-------------------------------------	----	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

---

## APPENDIX II

### SUMMARY OF OUR ARTICLES OF ASSOCIATION

---

Directors may hold other office or place of profit	91	A Director may hold any other office or place of profit with the Company (except that of Auditor) in conjunction with his office of Director for such period and on such terms as to remuneration and otherwise as the Directors may determine.
----------------------------------------------------	----	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

#### ***Appointment and Removal of Directors***

Election of directors	95(1)	An election of Directors shall take place at every annual general meeting of the Company. All Directors except any Director appointed to fill a casual vacancy pursuant to <u>Article 96</u> are subject to retirement by rotation as prescribed in <u>Article 95(2)</u> below.
	95(2)	At such annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number rounded to the nearest one-third shall retire from office.
	95(3)	A retiring Director shall be eligible for reelection.
	95(4)	PROVIDED ALWAYS THAT every Director shall retire from office at least once every three years and shall be eligible for re-election, the Directors to retire in every year shall be those who have been longest in office since the last election, but as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree amongst themselves) be determined by lot.
Vacancy to be filled by directors	96	Any vacancy occurring in the Board of Directors may be filled up by the Directors or the Members in the general meeting. A Director so appointed by the Directors shall retire from office at the next following general meeting but shall be eligible for reelection.

#### ***Modification of Class Rights***

Rights of shareholders may be altered	52	Subject to the provisions of <u>Section 74</u> of the Act, all or any of the rights, privileges or conditions for the time being attached or belonging to any class of shares for the time being forming part of the share capital of the Company may from time to time be modified, affected, varied, extended or surrendered in any manner with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the Members of that class. To any such separate meeting all the provisions of these Articles as to general meetings of the Company shall mutatis mutandis apply, but so that the necessary quorum shall be Members of the class holding or representing by proxy one-third of the share capital paid or credited as paid on the issued shares of the class, and every holder of shares of the class in question shall be entitled on a poll to one vote for every such share held by him.
---------------------------------------	----	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

---

## APPENDIX II

### SUMMARY OF OUR ARTICLES OF ASSOCIATION

---

#### ***Dividends and Reserve***

Member not entitled to privileges of membership until all calls paid	18	No Member shall be entitled to receive any dividend or to exercise any privilege as a Member until he shall have paid all calls for the time being due and payable on every share held by him, whether in his own name or in a Securities Account, and whether alone or jointly with any other person, together with interest and expenses (if any).
Person entitled may receive dividends without being registered as a member, but may not exercise other rights	34	A person entitled to a share by transmission shall be entitled to receive, and may give a discharge for, any dividends or other monies payable in respect of the share, but he shall not be entitled in respect of it to receive notice of or to attend or vote at meetings of the Company or, save as aforesaid, to exercise any of the rights or privileges as a Member unless and until he shall become a Member in respect of the share.
Distribution of profits	110	Subject to any preferential or other special rights for the time being attached to any special class of shares, the profits of the Company which it shall from time to time determine to distribute by way of dividend shall be applied in payment of dividends upon the shares of the Company in proportion to the amounts paid up or credited as paid up thereon respectively otherwise than in advance of calls.
Declaration of dividends	111	The Directors may, with the sanction of a general meeting, from time to time declare dividends, but no such dividend shall be payable except out of the profits of the Company. The Directors may, if they think fit, from time to time declare and pay to the Members such interim dividends as appear to them to be justified by the position of the Company, and may also from time to time if in their opinion such payment is so justified, pay any preferential dividends which by the terms of issue of any shares are made payable on fixed dates. No higher dividend shall be paid than is recommended by the Directors, and the declaration of the Directors as to the amount of the net profits shall be conclusive.
Deduction from dividend	112	The Directors may deduct from any dividend payable to any Member all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.
Payment otherwise than in cash	113	Any general meeting declaring a dividend or bonus may direct payment of such dividend or bonus wholly or partly by the distribution of specific assets and in particular of paid up shares, debentures or debenture stock of any other company or in any one or more of such ways, and the Directors shall give effect to such resolution, and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient, and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.



---

## APPENDIX II

### SUMMARY OF OUR ARTICLES OF ASSOCIATION

---

- |                                                       |     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-------------------------------------------------------|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Directors may form reserve fund and invest            | 114 | The Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves, which shall at the discretion of the Directors be applicable for meeting contingencies, or for repairing or maintaining any works connected with the business of the Company, or for equalising dividends, or for distribution by way of special dividend or bonus, or may be applied for such other purposes for which the profits of the Company may lawfully be applied as the Directors may think expedient in the interests of the Company, and pending such application the Directors may employ the sums from time to time so set apart as aforesaid in the business of the Company or invest the same in such securities, other than the shares of the Company, as they may select. The Directors may also from time to time carry forward such sums as they may deem expedient in the interests of the Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Company may capitalise reserves and undivided profits | 116 | The Company in general meeting may at any time and from time to time pass a resolution that any sum not required for the payment or provision of any fixed preferential dividend, and (1) for the time being standing to the credit of any reserve of the Company, including premiums received on the issue of any shares or debentures of the Company, or (2) being undivided net profits in the hands of the Company, be capitalised, and that such sum be appropriated as capital to and amongst the ordinary shareholders in the proportions in which they would have been entitled thereto if the same had been distributed by way of dividend on the ordinary shares, and in such manner as the resolution may direct, and such resolution shall be effective; and the Directors shall in accordance with such resolution apply such sum in paying up in full any unissued shares or debentures of the Company on behalf of the ordinary shareholders aforesaid, and appropriate such shares or debentures and distribute the same credited as fully paid up to and amongst such shareholders in the proportions aforesaid in satisfaction of the shares and interests of such shareholders in the said capitalised sum or shall apply such sum or any part thereof on behalf of the shareholders aforesaid in paying up the whole or part of any uncalled balance which shall for the time being be unpaid in respect of any issued ordinary shares held by such shareholders or otherwise deal with such sum as directed by such resolution. Where any difficulty arises in respect of any such distribution, the Directors may settle the same as they think expedient, and in particular they may issue fractional certificates, fix the value for distribution of any fully paid-up shares or debentures, make cash payments to any shareholders on the footing of the value so fixed in order to adjust rights, and vest any such shares or debentures in trustees upon such trust for the persons entitled to share in the appropriation and distribution as may seem just and expedient to the Directors. When deemed requisite a proper contract for the allotment and acceptance of any shares to be distributed as aforesaid shall be delivered to the Registrar of Companies for registration in accordance with <u>Section 63</u> of the Act and the Directors may appoint any person to sign such contract on behalf of the persons entitled to share in the appropriation and distribution and such appointment shall be effective. |

---

## APPENDIX II

### SUMMARY OF OUR ARTICLES OF ASSOCIATION

---

#### ***Winding Up***

Distribution in specie	125	If the Company shall be wound up, the liquidators may, with the sanction of a special resolution, divide among the Members in specie any part of the assets of the Company and any such division may be otherwise than in accordance with the existing rights of the Members, but so that if any division is resolved on otherwise than in accordance with such rights the Members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to <u>Section 306</u> of the Act. A special resolution sanctioning a transfer or sale to another company duly passed pursuant to the said Section may in like manner authorise the distribution of any shares or other consideration receivable by the liquidators amongst the Members otherwise than in accordance with their existing rights, and any such determination shall be binding upon all the Members subject to the right of dissent and consequential rights conferred by the said Section.
------------------------	-----	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

#### ***Shares***

Special rights	4	Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time by ordinary resolution determine; PROVIDED ALWAYS THAT the total nominal value of issued preference shares shall not at any time exceed the total nominal value of issued ordinary shares of the Company.
Redeemable preference shares	5	Subject to <u>Section 70</u> of the Act, any preference shares may be issued on the terms that they are, or at the option of the Company are liable, to be redeemed. The Company shall also have the power to issue further preference shares ranking equally with or in priority to any preference shares already issued.
Rights of preference shareholders	6	Holders of preference shares shall have the same rights as ordinary shareholders as regards receiving notices, reports and balance sheets, and attending general meetings of the Company. They shall have the right to vote at any meeting convened for the purpose of reducing the capital or winding up or sanctioning a sale of the undertaking of the Company, or where the proposition to be submitted to the meeting directly affects their rights and privileges, or when the dividends on the preference shares are in arrears more than six months.
Modification of rights of preference shareholders	7	The repayment of preference capital other than redeemable preference capital, or any other alteration of preference shareholders' rights, may only be made pursuant to a special resolution of the preference shareholders concerned; PROVIDED ALWAYS THAT where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing, if obtained from the holders of three-fourths of the preference shares concerned within two months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.

---

## APPENDIX II

### SUMMARY OF OUR ARTICLES OF ASSOCIATION

---

Rights not varied by issue of additional shares	8	The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not unless otherwise expressly provided by the terms of issue of the shares of that class be deemed to be varied by the creation or issue of further shares ranking <i>pari passu</i> therewith.
-------------------------------------------------	---	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Offer of new shares	11	Subject to any direction to the contrary that may be given by the Company in general meeting or except as permitted under the Singapore Exchange's listing rules, all new shares of whatever kind shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as far as the circumstances admit, to the amount of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined and, after the expiration of that time or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article.
---------------------	----	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

#### ***Call on Shares***

Directors may make calls	19	The Directors may, subject to the provisions of these Articles, from time to time make such calls upon the Members in respect of all monies unpaid on their shares as they think fit; PROVIDED ALWAYS THAT fourteen days' notice at least is given of each call and each Member shall be liable to pay the amount of every call so made upon him to the persons, by the instalments (if any) and at the times and places appointed by the Directors.
--------------------------	----	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

When call deemed to have been made	20	A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed.
------------------------------------	----	-----------------------------------------------------------------------------------------------------------------------------

Liability of joint holders	21	The joint holders of a share shall be jointly and severally liable to pay all calls and instalments in respect thereof.
----------------------------	----	-------------------------------------------------------------------------------------------------------------------------

Interest on unpaid call	22	If before or on the day appointed for payment thereof a call or instalment payable in respect of a share is not paid, the person from whom the same is due shall pay interest on the amount of the call or instalment at such rate as the Directors shall fix from the day appointed for payment thereof to the time of actual payment, but the Directors may waive payment of such interest wholly or in part.
-------------------------	----	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Payments in advance of calls	23	Any Member may pay to the Company and the Directors may, if they think fit, receive from any Member willing to advance the same, all or any part of the monies for the time being remaining uncalled on his shares but the monies so paid in advance shall not, whilst carrying interest, confer a right to participate in the profits of the Company.
------------------------------	----	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

---

## APPENDIX II

### SUMMARY OF OUR ARTICLES OF ASSOCIATION

---

Monies paid in advance of calls	24	In respect of any monies paid in advance of any call, or so much thereof as exceeds the amount for the time being called up on the shares in respect of which such advance has been made, the Directors may pay or allow such interest as may be agreed between them and such Member, in addition to the dividend payable upon such part of the share in respect of which such advance has been made as is actually called up.
Sum payable on allotment deemed to be a call	25	Any sum which by the terms of allotment of a share is made payable upon allotment or at any fixed date, whether on account of the amount of the share or by way of premium, shall, for all purposes of these Articles, be deemed to be a call duly made and payable on the date fixed for payment, and in case of non-payment the provisions of these Articles as to payment of interest and expenses, forfeiture and the like, and all the relevant provisions of these Articles, shall apply as if such sum were a call duly made and notified as hereby provided.
Difference in calls	26	The Directors may, from time to time, make arrangements on the issue of shares for a difference between the holders of such shares in the amount of calls to be paid and in the time of payment of such calls.
<b><i>General Meetings</i></b>		
General meetings	53	A general meeting shall be held once in every calendar year, at such time and place as may be determined by the Directors, but so that not more than fifteen months shall be allowed to elapse between any two such general meetings.
General and extraordinary meetings	54	The abovementioned general meetings shall be called general meetings. All other general meetings shall be called extraordinary meetings.
Extraordinary meetings	55	The Directors may call an extraordinary meeting whenever they think fit, and extraordinary meetings shall also be convened on such requisition, or in default may be convened by such requisitionists, as provided by <u>Section 176</u> of the Act.
Notice of meeting	56	Any general meeting at which it is proposed to pass a special resolution or a resolution of which special notice has been given to the Company, shall be called by twenty-one days' notice at least and any other general meeting by fourteen days' notice at least, provided that a general meeting notwithstanding that it has been called by a shorter notice than that specified above, shall be deemed to have been duly called if it is so agreed by all the Members entitled to attend and to vote thereat. Every notice calling a general meeting shall specify the place and the day and the hour of meeting and be given in a manner hereinafter mentioned to such persons as are under the provisions of these Articles entitled to receive notices of general meetings from the Company. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. In the event of the Company being listed on the Singapore Exchange

---

## APPENDIX II

### SUMMARY OF OUR ARTICLES OF ASSOCIATION

---

at least fourteen days' notice of every such meeting shall be given by advertisement in the daily press and in writing to the Singapore Exchange. The accidental omission to give such notice to, or the non-receipt of such notice by, any such person shall not invalidate the proceedings or any resolution passed at any such meeting.

Resolution signed by all members as effective as if passed at general meeting	57	Subject to the Statutes, a resolution in writing signed by all the Members for the time being entitled to receive notice of and attend and vote at general meetings (or being corporations by their duly authorised representatives) shall be valid and effective as if the same had been passed at a general meeting of the Company duly convened and held, and may consist of several documents in the like form each signed by one or more Members.
-------------------------------------------------------------------------------	----	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

#### ***Proceedings at General Meetings***

Special Business	58	All business shall be deemed special that is transacted at an extraordinary meeting, and also all that is transacted at a general meeting, with the exception of declaring a dividend, the consideration of the accounts, balance sheets, and the reports of the Directors and Auditors, and any other documents annexed to the balance sheets, the election of Directors in the place of those retiring and the fixing of the remuneration of the Directors and the appointment and fixing of the remuneration of the Auditors.
No business to be transacted unless quorum present	59	No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business. For all purposes the quorum shall be two Members personally present or represented by proxy.
If no quorum meeting adjourned or dissolved	60	If within half an hour from the time appointed for the holding of a general meeting a quorum is not present, the meeting, if convened on the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week at the same time and place, and if at such adjourned meeting a quorum is not present within half an hour from the time appointed for holding the meeting, the Members present shall be a quorum.
Chairman of board to preside at all meetings	61	The Chairman of the Directors shall preside as Chairman at every general meeting. If at any meeting the Chairman be not present within fifteen minutes after the time appointed for holding the meeting or be unwilling to act, the Members present shall choose one of the Directors to be Chairman of the meeting, or if no Director be present or if all the Directors present decline to take the chair, one of their number present shall be Chairman.
Notice of adjourned meetings	62	The Chairman may, with the consent of any meeting at which a quorum is present and shall, if so directed by the meeting, adjourn any meeting from time to time and from place to place as the meeting shall determine. Whenever a meeting is adjourned for ten days or more, notice of the adjourned meeting shall be given in the same manner as in the case of an original meeting. Save as aforesaid, no Member shall be entitled to any notice of any adjournment or of the business to be transacted at an adjourned meeting. No business shall be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.

---

## APPENDIX II

### SUMMARY OF OUR ARTICLES OF ASSOCIATION

---

How resolution decided	63	At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless before or on the declaration of the result of the show of hands a poll is demanded by the Chairman or by any person for the time being entitled to vote at the meeting, and unless a poll is so demanded a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or carried by a particular majority, or lost, shall be conclusive, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence thereof without proof of the number or proportion of the votes recorded in favour of or against such resolution.
------------------------	----	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

How poll to be taken	64	A poll demanded on the election of a Chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time and place, and in such manner as the Chairman directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. Any business other than that upon which a poll has been demanded may be proceeded with at a meeting pending the taking of the poll.
----------------------	----	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Chairman to have casting vote	65	In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman shall be entitled to a second or casting vote.
-------------------------------	----	-------------------------------------------------------------------------------------------------------------------------------------------

#### ***Proceedings of Directors***

Director may call meeting of directors	99	A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the Directors.
----------------------------------------	----	--------------------------------------------------------------------------------------------------------------------------

Meetings of directors	100	The Directors may meet together for the despatch of business adjourn, and otherwise regulate their meetings, as they think fit. The quorum necessary for the transaction of business may be fixed by the Directors, and unless so fixed shall be two. Questions arising at any meeting shall be decided by a simple majority of votes. In case of an equality of votes the Chairman shall have a second or casting vote except when only two Directors are present and form a quorum or only two are competent to vote on the question at issue.
-----------------------	-----	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Chairman of the board	101	The meetings of Directors shall be presided over by the Chairman. If at any meeting the Chairman shall not be present within fifteen minutes after the time appointed for holding the same, the Directors present may choose one of their members to be Chairman of the meeting.
-----------------------	-----	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Directors may delegate their powers	102	The Directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors.
-------------------------------------	-----	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------



---

## APPENDIX II

### SUMMARY OF OUR ARTICLES OF ASSOCIATION

---

Chairman of committees	103	A committee may elect a Chairman of its meetings. If no such Chairman is elected, or if at any meeting the Chairman is not present within five minutes after the time appointed for holding the same, the members present may choose one of their number to be Chairman of the meeting.
Meetings of committees	104	A Committee may meet and adjourn as its members think proper. Questions arising at any meeting shall be determined by a majority of votes of the members present, and in case of an equality of votes, the Chairman shall have a second or casting vote except when only two members are present and form a quorum or only two are competent to vote on the question at issue.
All acts done by directors to be valid	105	All acts done bona fide by any meeting of Directors, or by a committee of Directors, or by any person acting as a Director, shall, notwithstanding it be afterwards discovered that there was some defect in the appointment of any such Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.
<b><i>Alteration of Capital</i></b>		
Company may increase its capital	48	The Company may from time to time by ordinary resolution increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe.
Company may alter its capital	49	<p>The Company may by ordinary resolution:</p> <ol style="list-style-type: none"> <li>(1) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares; or</li> <li>(2) sub-divide its existing shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association subject, nevertheless, to the provisions of the Statutes and so that as between the resulting shares, one or more of such shares may by the resolution by which such subdivision is effected be given any preference or advantage as regards dividend, capital, voting or otherwise over the others or any other of such shares; or</li> <li>(3) cancel any shares not taken or agreed to be taken by any person.</li> </ol>
Company may reduce its capital	50	The Company may by special resolution reduce its share capital and any capital redemption reserve fund in any manner authorised and subject to any conditions prescribed by the Statutes.
Share repurchase	51	Subject to and in accordance with the provisions of the Act, the listing rules of the Singapore Exchange, and other written law, the Company may purchase or otherwise acquire ordinary shares, stocks, preference shares, options, debentures, debenture stocks, bonds, obligations, securities, and all other equity, derivative, debt and financial instruments issued by it on such terms as the Company may think fit and in the manner prescribed by the Act.

---

## **APPENDIX II**

### **SUMMARY OF OUR ARTICLES OF ASSOCIATION**

---

Any share which is so purchased or acquired by the Company shall be deemed to be cancelled immediately on purchase or acquisition by the Company. On the cancellation of any share as aforesaid, the rights and privileges attached to that share shall expire, and the nominal amount of the share so cancelled. In any other instance, the Company may deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, and in accordance with, the Act.

---

## APPENDIX III

### SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

---

#### 1. LEGAL SYSTEM OF THE PRC

The legal system of the PRC is based on the PRC Constitution and is made up of written laws, regulations and directives. Decided court cases do not constitute binding precedents. The National People's Congress of the PRC ("NPC") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the state. The NPC has the power to amend the PRC Constitution and to enact and amend primary laws governing the state organs, civil and criminal matters. The Standing Committee of the NPC is empowered to interpret, enact and amend laws other than those required to be enacted by the NPC. The State Council of the PRC is the highest organ of state administration and has the power to enact administrative rules and regulations. Ministries and commissions under the State Council of the PRC are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. Administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must not be in conflict with the PRC Constitution or the national laws and, in the event that any conflict arises, the Standing Committee of the NPC has the power to annul such administrative rules, regulations, directives and orders.

At the regional level, the people's congresses of provinces and municipalities and their standing committees may enact local rules and regulations and the people's government may promulgate administrative rules and directives applicable to their own administrative areas. These local laws and regulations may not be in conflict with the PRC Constitution, any national laws or any administrative rules and regulations promulgated by the State Council.

Rules, regulations or directives may be enacted or issued at the provincial or municipal level or by the State Council of the PRC or its ministries and commissions in the first instance for experimental purposes. After sufficient experience has been gained, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The power to interpret laws is vested by the PRC Constitution in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws passed on 10<sup>th</sup> June, 1981, the Supreme People's Court has the power to give general interpretation on application of laws in judicial proceedings apart from its power to issue specific interpretation in specific cases. The State Council and its ministries and commissions are also vested with the power to give interpretation of the rules and regulations which they promulgated. At the regional level, the power to give interpretation of regional laws is vested in the regional legislative and administration organs which promulgate such laws. All such interpretations carry legal effect.

#### 2. JUDICIAL SYSTEM OF THE PRC

The People's Courts are the judicial organs of the PRC. Under the PRC Constitution and the Law of Organisation of the People's Courts of the PRC, the People's Courts comprise the Supreme People's Courts, the local people's courts, military courts and other special people's courts. The local people's courts are divided into three levels, namely, the basic people's courts, intermediate people's courts and higher people's courts.

The basic people's courts are divided into civil, criminal and economic divisions. The intermediate people's courts have divisions similar to those of the basic people's courts and, where the circumstances so warrant, may have other special divisions (such as intellectual property divisions).

The judicial functions of people's courts at lower levels are subject to supervision of people's courts at higher levels. The people's procuratorates also have the right to exercise legal supervision over the trial proceedings of people's courts of the same and lower levels. The Supreme People's Court is the highest judicial organ of the PRC. It supervises the administration of justice by the people's courts of all levels.

---

## APPENDIX III

### SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

---

The people's courts adopt a two-tier final appeal system. A party may before the taking effect of a judgment or order appeal against the judgment or order of the first instance of a local people's court to the people's court at the next higher level. Judgments or orders of the second instance of the next higher level are final and binding. Judgments or orders of the first instance of the Supreme People's Court are also final and binding. If, however, the Supreme People's Court or a people's court at a higher level finds definite error in a legally effective judgment or written order of any people's court at a lower level, it has the power to bring the case up for trial by itself or direct the people's court at a lower level to conduct a retrial. If the president of a people's court at any level finds definite error in a legally effective judgment or written order of his court and deems it necessary to have the case retried, he shall refer it to the judicial committee for discussion and decision. If a party to an action considers that there is error in a legally effective judgement or written order, he may apply to the court which originally tried the case or to a court at the next higher level for a retrial. Nevertheless, execution of the judgement or order shall not be suspended.

The PRC civil procedures are governed by the Civil Procedure Law of the PRC ("Civil Procedure Law") adopted on 9<sup>th</sup> April, 1991. The Civil Procedure Law contains regulations on the institution of a civil action, the jurisdiction of the people's courts, the procedures in conducting a civil action, trial procedures and procedures for the enforcement of a civil judgment or order. All parties to a civil action conducted within the territory of the PRC must comply with the Civil Procedure Law. A civil case is generally heard by a court located in the defendant's place of domicile. The jurisdiction may also be selected by express agreement by the parties to a contract provided that the jurisdiction of the people's court selected has some actual connection with the dispute, that is to say, the plaintiff or the defendant is located or domiciled, or the contract was executed or implemented in the jurisdiction selected, or the subject-matter of the proceedings is located in the jurisdiction selected. A foreign national or foreign enterprise is accorded the same litigation rights and obligations as a citizen or legal person of the PRC. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award made by an arbitration body in the PRC, the aggrieved party may apply to the people's court to enforce the judgment, order or award. There are time limits on the right to apply for such enforcement. Where at least one of the parties to the dispute is an individual, the time limit is one year. If both parties to the dispute are legal persons or other entities, the time limit is six months.

A party seeking to enforce a judgment or order of a people's court against a party who or whose property is not within the territory of the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or order. A foreign judgment or ruling may also be recognised and enforced according to the PRC enforcement procedures by the intermediate people's courts which have jurisdiction in accordance with the principle of reciprocity or if there exists an international or bilateral treaty with or acceded to by the foreign country and the PRC that provides for such recognition and enforcement, unless the people's court considers that the recognition or enforcement of the judgment or ruling will violate fundamental legal principles of the PRC or its sovereignty, security or social or public interest.

### 3 ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC ("Arbitration Law") was promulgated by the Standing Committee of the NPC on 31<sup>st</sup> August, 1994 and came into effect on 1<sup>st</sup> September, 1995. It is applicable to, among other matters, trade disputes involving foreign parties where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by an agreement provided arbitration as a method for dispute resolution, the parties are not permitted to institute legal proceedings in a people's court.

---

### APPENDIX III

## SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

---

Under the Arbitration Law, an arbitral award is final and binding on the parties and if a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration committee if there were mistakes, an absence of material evidence or irregularities over the arbitration proceedings, or the jurisdiction or constitution of the arbitration committee.

A party seeking to enforce an arbitral award of a foreign affairs arbitration body of the PRC against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

In respect of contractual and non-contractual commercial-law-related disputes which are recognised as such for the purposes of PRC law, the PRC has acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Award ("New York Convention") adopted on 10<sup>th</sup> June, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on 2<sup>nd</sup> December, 1986. The New York Convention provides that all arbitral awards made by a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention subject to their right to refuse enforcement under certain circumstances including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC at the time of the accession of the PRC that (i) the PRC would only recognise and enforce foreign arbitral awards on the principle of reciprocity; and (ii) the PRC would only apply the New York Convention in disputes considered under PRC laws to be arising from contractual and non-contractual mercantile legal relations.

#### 4 FOREIGN EXCHANGE CONTROL

Major reforms have been introduced on the foreign exchange control system of the PRC since 1993. The People's Bank of China ("PBOC"), with the authorisation of the State Council, issued on 28<sup>th</sup> December, 1993 the Notice on the Further Reform of the Foreign Exchange Control System and on 26<sup>th</sup> March, 1994 the Provisional Regulations on the Settlement, Sale and Payment of Foreign Exchange which came into effect on 1<sup>st</sup> January, 1994 and 1<sup>st</sup> April, 1994 respectively. On 29<sup>th</sup> January, 1996, the State Council promulgated the PRC Foreign Exchange Administration Regulations which took effect on 1<sup>st</sup> April, 1996 and was revised on 14<sup>th</sup> January 1997. On 20<sup>th</sup> June, 1996, the PBOC issued the Regulations on the Administration of Foreign Exchange Settlement, Payment and Sale, which took effect on 1<sup>st</sup> July, 1996. On 25<sup>th</sup> October, 1998, the PBOC and the State Administration for Foreign Exchange ("SAFE") issued a Joint Announcement on Abolishment of Foreign Exchange Swap Business which stated that from 1<sup>st</sup> December, 1998, all foreign exchange transactions for foreign-invested enterprises may only be conducted through authorised banks. These regulations contain detailed provisions regulating the holding, sale and purchase of foreign exchange by individuals, enterprises, economic bodies and social organisations in the PRC.

Under the new regulations, the previous dual exchange rate system for RMB was abolished and a unified floating exchange rate system based largely on supply and demand was introduced. The PBOC, having regard to the trading prices between RMB and major foreign currencies on the inter-bank foreign exchange market, publishes on each bank business day the RMB exchange rates against major foreign currencies.

---

## APPENDIX III

### SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

---

In general, all organisations and individuals within the PRC, including FIEs, are required to remit their foreign exchange earnings to the PRC. In relation to PRC enterprises, their recurrent foreign exchange earnings are generally required to be sold to designated banks unless specifically approved otherwise. FIEs (including sino-foreign equity joint ventures and sino-foreign contractual enterprises), on the other hand, are permitted to retain certain percentage of their recurrent foreign exchange earnings and the sums retained may be deposited into foreign exchange bank accounts maintained with designated banks. Capital foreign exchange earnings must be deposited into foreign exchange bank accounts maintained with designated banks and can generally be retained in such accounts.

At present, control on the purchase of foreign exchange is being relaxed. Enterprises which require foreign exchange for their current activities such as trading activities and payment of staff remuneration may purchase foreign exchange from designated banks, subject to the production of relevant supporting documents without the need for any prior approvals of the SAFE (or its delegated authorities).

In addition, where an enterprise requires any foreign exchange for the payment of dividends that are payable in foreign currencies under applicable regulations, such as the distribution of profits by a FIE to its foreign investment party, subject to the due payment of tax on such dividends the amount required may be withdrawn from funds in foreign exchange accounts maintained with designated banks, and where the amount of the funds in foreign exchange is insufficient, the enterprise may purchase additional foreign exchange from designated banks upon the presentation of the board resolutions on the profit distribution plan of that enterprise.

Despite the relaxation of foreign exchange control over current account transaction, the approval of the foreign exchange administration authority is still required before a PRC enterprise may borrow a loan in foreign currency or provide any foreign exchange guarantee or make any investment outside of the PRC or to enter into any other capital account transaction involving the purchase of foreign exchange.

When conducting actual foreign exchange transactions, the designated banks may, based on the exchange rate published by the People's Bank of China and subject to certain limits, freely determine the applicable exchange rate.

The China Foreign Exchange Trading Centre ("CFETC") was formally established and came into operation on 1st January, 1994. CFETC has set up a computerized network with sub-centres in several major cities, thereby forming an interbank market in which designated PRC banks can trade in foreign exchange and settle their foreign currency obligations. Prior to 1<sup>st</sup> December, 1998, enterprises with foreign investment may at their own choice enter into exchange transactions through Swap Centre or through designated PRC banks. From 1<sup>st</sup> December, 1998 onwards, exchange transactions will have to be conducted through designated banks. Swap Centres became restricted to conducting foreign exchange transactions between authorised banks and inter-bank lending between PRC banks.

## 5 TAXATION

### a) Income Tax on FIEs

Under the Income Tax Law of the PRC on Foreign Investment Enterprises and Foreign Enterprises (the "Income Tax Law") adopted by the NPC on 9<sup>th</sup> April, 1991 and its Implementing Rules promulgated by the State Council, which came into effect on 1<sup>st</sup> July, 1991, FIEs (including sino-foreign equity joint ventures, sino-foreign contractual joint ventures and wholly foreign owned enterprises established in the territory of the PRC) are required to pay a national income tax at a rate of 30% of their taxable income and a local income tax at a rate of 3% of their taxable income.



---

### APPENDIX III

## SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

---

A FIE engaged in production and having a period of operation of not less than ten years shall be exempted from income tax for the first two profit-making years and a 50% reduction in the income tax payable for the next three years.

FIEs established in special economic zones, foreign enterprises having an establishment in special economic zones engaged in production or business operations and FIEs engaged in production in economic and technological development zones may pay income tax at a reduced rate of 15%. FIEs engaged in production established in coastal economic open zones or in the old urban districts of cities where the special economic zones or the economic and technological development zones are located may pay income taxes at a reduced rate of 24%.

Losses incurred in a tax year may be carried forward for not more than five years.

The people's governments of provinces, autonomous regions and municipalities directly under the central government may grant exemptions from or reduced local income tax for a FIE engaged in an industry or a project encouraged by the State.

Currently, the applicable income tax rate of the PRC subsidiaries of the Company is as follows:

#### SOACL

According to the preferential policy currently implemented in Pudong New Area for the FIEs, the actual income tax rate for SOACL is 15%. In addition, pursuant to the Confirmation issued by Shanghai Pudong New Area Financial Bureau, SOACL is entitled to enjoy some financial subsidy.

#### ZTD

According to the Income Tax Law, the current effective income tax rate applicable to ZTD is 33%.

Pursuant to the provisions of *the Circular on Tax Incentives for the Development of West China* (Cai Shui [2001] No. 202) jointly issued by Ministry of Finance, State Administration of Taxation and Customs General Administration of the PRC, both domestic enterprises and Sino-foreign joint ventures (FIEs) in the encouraged industries listed in the Catalogues of Encouraged Foreign Investment Industries will see their enterprises income tax be reduced to 15% from 2001 to 2010; advanced technology and equipment imported by the said enterprises and joint ventures in encouraged industries for self-use within the scope of the total investment may be exempted from Customs duty and Value-Added Tax.

ZTD is in the encouraged industries and there is no legal obstacle for ZTD to apply for the said preferential tax policy. However, ZTD shall not be entitled to such tax preference before it has obtained the approval or confirmation from the governing tax authorities to that effect.

#### LLC

Currently, the applicable income tax rate of LLC is 33%. LLC is also qualified to apply for the aforesaid preferential tax policy.

#### b) Value added tax

The Provisional Regulations of the PRC Concerning Value Added Tax ("VAT") promulgated by the State Council came into effect on 1<sup>st</sup> January, 1994. Under these regulations and the Implementing Rules of the said Provisional Regulations of the PRC Concerning VAT, VAT is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

---

## APPENDIX III

### SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS

---

VAT payable in the PRC is charged on an aggregated basis at a rate of 13% or 17% (depending on the type of goods involved) on the full price collected for the goods sold or, in the case of taxable services provided, at a rate of 17% on the charges for the taxable services provided but excluding, in respect of both goods and services, any amount paid in respect of VAT included in the price or charges, and less any deductible VAT already paid by the taxpayer on purchases of goods and services in the same financial year.

c) Business tax

With effect from 1<sup>st</sup> January, 1994, business that provide services (including entertainment business), assign intangible assets or sell immovable property became liable to business tax at a rate ranging from 3% to 20% of the charges of the services provided, intangible assets assigned or immovable property sold, as the case may be.

d) Tax on dividends from PRC enterprise with foreign investment

Under the Income Tax Law, income such as dividends and profits distribution from the PRC derived from a foreign enterprise which has no establishment in the PRC is subject to a 20% withholding tax, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the Income Tax Law. The profit derived by a foreign investor from a PRC enterprise with foreign investment (FIEs) is exempted from PRC tax under the Income Tax Law.

## 6 ENVIRONMENTAL PROTECTION REGULATIONS

The Administration Supervisory Department of Environmental Protection under the State Council sets the national guidelines for the discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

Any company or enterprise which causes environmental pollution and discharges polluting materials that endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection; adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which cause severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalised. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will either be penalised or have their business licences terminated. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as to compensate for any losses or damages suffered as a result of such environmental pollution.

---

### **APPENDIX III**

## **SUMMARY OF RELEVANT PRC LAWS AND REGULATIONS**

---

Under the Prevention of Water Pollution Law, companies which discharge pollutants directly or indirectly into bodies of water must register with the environmental protection department of the local government at county level or above in the area where they are situated. Such companies must provide information on their facilities which discharge such pollutants, their treatment plants, the type, amount and concentration of the pollutants discharged under normal business operations, in accordance with regulations set by the Administration Supervisory Department of Environmental Protection of the State Council. If there are significant changes to the type, amount or concentration of pollutants being discharged, such changes must be reported immediately. The dismantling or non-usage of pollution treatment plants also require the approval of the environmental protection department of the local government at county level or above.

The PRC subsidiaries of the Company, SOACL, ZTD and LLC, are all engaged in the tourism industry. Due to their business nature, there are no material pollutants released during their business operations.

---

## APPENDIX IV

### RULES OF STRACO SCHEME

---

#### 1. NAME OF THE SCHEME

The Scheme shall be called the “Straco Share Option Scheme” (the “**Scheme**”).

#### 2. DEFINITIONS

- 2.1 In the Scheme, unless the context otherwise requires, the following words and expressions shall have the following meanings:

“Act”	The Companies Act, Chapter 50 of Singapore
“Adoption Date”	The date on which the Scheme is adopted by the shareholders of the Company
“Aggregate Subscription Cost”	The total amount payable for Shares which may be acquired on the exercise of an Option
“associates”	<p>In relation to a person, means:</p> <ul style="list-style-type: none"><li>(i) his immediate family;</li><li>(ii) the trustees, acting in their capacity as such trustees, of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and</li><li>(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more</li></ul>
“Associated Company”	A company in which at least 20% but not more than 50% of its shares are held by the Company or the Group and over which the Company has control
“Associated Company Employees”	An executive or non-executive director of an Associated Company or a full time employee of an Associated Company selected by the Committee to participate in the Scheme in accordance with Rule 4.1 (b)
“Auditors”	The auditors of the Company for the time being
“CDP”	The Central Depository (Pte) Limited
“Committee”	The remuneration committee of the Company comprising Directors duly authorised and appointed by the Directors to administer the Scheme
“Company” or “SCL”	Straco Corporation Limited, a company incorporated in the Republic of Singapore
“control”	The capacity to dominate decision making, directly or indirectly, in relation to the financial and operating policies of the Company
“Controlling Shareholder(s)”	A person or persons who holds directly or indirectly 15% or more of the nominal amount of all voting shares in the Company or in fact exercises control over the Company

---

## APPENDIX IV

### RULES OF STRACO SCHEME

---

“Date of Grant”	The relevant date on which an Option is granted pursuant to Rule 7 being the date of the letter of offer granting such option
“Director”	A director for the time being of the Company
“Exercise Period”	The period for the exercise of an Option being a period commencing (a) after the first anniversary of the Date of Grant and expiring on the 10 <sup>th</sup> anniversary of such Date of Grant in the case of a Market Price Option granted to an employee or executive Director of the Group; (b) after the second anniversary of the Date of Grant and expiring on the 10 <sup>th</sup> anniversary of such Date of Grant in the case of an Incentive Option granted to an employee or executive Director of the Group; (c) after the first anniversary of the Date of Grant and expiring on the 5 <sup>th</sup> anniversary of such Date of Grant in the case of a Market Price Option granted to Associated Company Employees or a non-Executive Director of the Company; or (d) after the second anniversary of the Date of Grant and expiring on the 5 <sup>th</sup> anniversary of such Date of Grant in the case of an Incentive Option granted to Associated Company Employees or a non-Executive Director of the Company.
“Exercise Price”	The price at which a Participant shall subscribe for each Share upon the exercise of an Option which shall be the price as determined in accordance with Rule 6
“Grantee”	The person to whom an offer of an Option is made
“Group”	The Company and its Subsidiaries
“Group Employees”	Persons as defined in Rule 4.1(a) who are selected by the Committee to participate in the Scheme in accordance with Rule 4.1(a)
“Incentive Option”	An Option granted with the Exercise Price set at a discount to the Market Price
“Listing Date”	The date of admission of the Company to the Official List of the SGX-ST
“Market Day”	A day on which the SGX-ST is open for trading of securities
“Market Price”	A price equal to the average of the last dealt prices for the Shares on the SGX-ST over the five (5) consecutive Market Day immediately preceding the Date of Grant of that Option, as determined by the Committee by reference to the daily official list or any other publication published by the SGX-ST, rounded to the nearest whole cent in the event of fractional prices
“Market Price Option”	An Option granted with the Exercise Price set at the Market Price
“Offering Date”	The date on which the offer of the grant of an Option is made pursuant to Rule 7.1
“Option”	The right to subscribe for Shares granted or to be granted pursuant to the Scheme and for the time being subsisting

---

## APPENDIX IV

### RULES OF STRACO SCHEME

---

“Participant”	The holder of an Option
“Rules”	Rules of the Scheme
“Shares”	Ordinary shares of par value \$0.05 each in the capital of the Company
“Scheme”	Straco Share Option Scheme, as modified or altered from time to time
“Scheme Shares”	Shares issued under the Scheme
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Subsidiaries”	The Company’s wholly-owned subsidiaries for the time being other than any subsidiary whose shares may be listed on a recognised stock exchange after the Adoption Date
“\$”	Singapore dollar
“%” or “per cent.”	Per centum or percentage

2.2 Words importing the singular number shall, where applicable, include the plural number and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter gender.

2.3 Any reference to a time of a day in the Scheme is a reference to Singapore time.

2.4 Any reference in the Scheme to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and used in the Scheme shall have the meaning assigned to it under the Act.

### 3. OBJECTIVES OF THE SCHEME

The Scheme is proposed on the basis that it is important to retain staff whose contributions are essential to the well being and prosperity of the Group and to give recognition to outstanding executives and directors of the Group who have contributed to the growth of the Group. The Scheme is also intended to give recognition to non-executive Directors of the Group and Associated Company Employees. The Scheme will give Participants an opportunity to have a personal equity interest in the Company and will help achieve the following positive objectives:

- (a) the motivation of the Participants to optimise the performance standards and efficiency and to maintain a high level of contribution to the Group;
- (b) the retention of key executives, and executive and non-executive directors of the Group whose contributions are essential to the long-term growth and profitability of the Group;
- (c) to instil loyalty to, and a stronger identification by employees with the long-term prosperity of the Company;
- (d) to attract potential employees with relevant skills to contribute to the Group and to create value for the shareholders of the Company; and
- (e) to align the interests of Directors and employees with interests of shareholders of the Company.



---

## **APPENDIX IV**

### **RULES OF STRACO SCHEME**

---

#### **4. ELIGIBILITY OF PARTICIPANTS**

4.1 The following persons shall be eligible to participate in the Scheme at the absolute discretion of the Committee:

(a) Group Employees

- (i) confirmed full-time employees of the Company and/or its Subsidiaries who have attained the age of 21 years on or before the Date of Grant;
- (ii) directors of the Company and/or its Subsidiaries who perform an executive function;
- (iii) non-executive Directors of the Company; and
- (iv) employees who qualify under sub-paragraph (i) above and are seconded to an Associated Company, or any other company outside the Group in which the Company and/or Group has an equity interest.

(b) Associated Company Employees

- (i) confirmed full-time employees of an Associated Company who have attained the age of 21 years and above on or before the Date of Grant;
- (ii) directors of an Associated Company who perform an executive function; and
- (iii) non-executive directors of an Associated Company.

4.2 Controlling Shareholders and their associates shall not be eligible to participate in the Scheme.

4.3 Employees of a Subsidiary who are eligible and selected by the Committee to participate in the Scheme shall cease to be eligible to participate in the Scheme if the Subsidiary, which employed them, becomes a public listed company. Employees shall be eligible to participate in any share option scheme that may be implemented by the listed Subsidiary.

4.4 Participants in the Scheme must abstain from voting on any resolution relating to the Scheme.

#### **5. MAXIMUM LIMITS ON OPTIONS**

5.1 Subject to Rule 4 above, the number of Scheme Shares to be offered to a Participant in accordance with the Scheme shall be determined by the Committee at its absolute discretion after taking into account the Participant's performance and such other general criteria as the Committee may consider appropriate and subject to any adjustments which may be made under Rule 11.

#### **6. EXERCISE PRICE**

6.1 Subject to any adjustment pursuant to Rule 11, the Exercise Price to be paid for each Share on the exercise of an Option shall be determined by the Committee in its absolute discretion and fixed by the Committee at:

- (a) a price which is equivalent to the Market Price; or
- (b) a price that is set at a discount to the Market Price provided that:

---

## APPENDIX IV

### RULES OF STRACO SCHEME

---

- (i) the maximum discount shall not exceed 20% of the Market Price (or such other percentage or amount as may be prescribed or permitted for the time being by the SGX-ST). In determining the quantum of such discount, the Committee shall take into consideration such criteria as the Committee may in its absolute discretion deem appropriate including but not limited to the performance of the Group, the individual performance of the Participant, and the contribution of the Participant to the success and development of the Group.
  - (ii) the approval of the shareholders in general meeting shall have been obtained in a separate resolution provided that such approval once obtained shall unless revoked authorise the making of offers and grants of Options under the Scheme at such discount for the duration of the Scheme.
- (c) The Exercise Price shall in no event be less than the nominal value of the Share. Where the Exercise Price is less than the nominal value of the Share, the Exercise Price shall be the nominal value.

#### **7. GRANT OF OPTIONS**

- 7.1 The Committee may, subject to Rule 12, grant Options at any time during the period when the Scheme is in force, provided that in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made, Options may only be granted on or after the eighth Market Day from the date on which the aforesaid announcement is released.
- 7.2 The Letter of Offer to grant an Option shall be in or substantially in the form set out in Annex A, subject to such modification as the Committee may from time to time determine.
- 7.3 An Option shall be personal to the person to whom it is offered and shall not be transferred (other than to a Participant's personal representative on the death of that Participant), charged, assigned, pledged or otherwise disposed of, in whole or in part, unless with the prior approval of the Committee.
- 7.4 The grant of an Option shall be accepted by the Grantee within thirty (30) days from the Date of Grant of that Option and, in any event, not later than 5.00 p.m. on the thirtieth (30<sup>th</sup>) day from such Date of Grant by completing, signing and returning the Acceptance Form in or substantially in the form set out in Annex B, subject to such modification as the Committee may from time to time determine, accompanied by payment of \$1.00 as consideration.
- 7.5 Unless the Committee determines otherwise, an Option shall automatically lapse and become null, void and of no effect and shall not be capable of acceptance if:
- (a) it is not accepted in the manner as provided in Rule 7.4;
  - (b) the Grantee dies prior to his acceptance of the Option;
  - (c) the Grantee is adjudicated a bankrupt or enters into composition with his creditors prior to his acceptance of the Option;
  - (d) the Grantee ceases to be in the employment of the Group for any reason whatsoever prior to his acceptance of the Option; or
  - (e) the Company is liquidated or wound-up prior to the Grantee's acceptance of the Option.

---

## APPENDIX IV

### RULES OF STRACO SCHEME

---

#### **8. EXERCISE OF OPTIONS, ALLOTMENT AND LISTING OF SHARES**

- 8.1 Subject to Rule 9.1, an Option may be exercised, in whole or in part (provided that an Option may be exercised in part only in respect of 1,000 Shares or any multiple thereof), by a Participant giving notice in writing to the Company in or substantially in the form set out in Annex C, subject to such modification as the Committee may from time to time determine. Such notice must be accompanied by a remittance for the Aggregate Subscription Cost in respect of the Shares for which that Option is exercised and any other documentation the Committee may require. An Option shall be deemed to be exercised upon receipt by the Company of the said notice, duly completed, and the Aggregate Subscription Cost.
- 8.2 All payments made pursuant to Rule 8.1 shall be made by cheque, cashiers' order, banker's draft or postal order made out in favour of the Company or such other mode of payment as may be acceptable to the Company.
- 8.3 Subject to such consents or other required actions of any competent authority under any regulations or enactments for the time being in force as may be necessary and subject to compliance with the terms of the Scheme and the Memorandum and Articles of Association of the Company, the Company shall, within ten (10) Market Days after the exercise of an Option, allot the relevant Shares and despatch to CDP the relevant share certificates by ordinary post or such other mode as the Committee may deem fit.
- 8.4 The Company shall, as soon as practicable after such allotment, apply to the SGX-ST (and any other stock exchange on which the Shares are quoted or listed) for permission to deal in and for quotation of such Shares.
- 8.5 Shares which are allotted on the exercise of an Option by a Participant shall be issued in the name of CDP to the credit of the securities account of that Participant maintained with CDP, the securities sub-account maintained with a Depository Agent or the CPF investment account maintained by the CPF agent bank.
- 8.6 Shares allotted and issued on exercise of an Option shall:
- (a) be subject to all the provisions of the Memorandum and Articles of Association of the Company;
  - (b) rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the Record Date of these existing Shares being the date on or after the date on which such an Option was exercised; and
  - (c) in all other respects rank pari passu with other existing Shares then in issue.
- "Record Date" means the date fixed by the Company on which at the close of business, shareholders must be registered in order to participate in any dividends, rights, allotments or other distributions.
- 8.7 The Company shall keep available sufficient unissued Shares to satisfy the full exercise of all Options for the time being remaining capable of being exercised.

---

## APPENDIX IV

### RULES OF STRACO SCHEME

---

#### **9. EXERCISE PERIOD AND LAPSE OF RIGHTS TO EXERCISE OPTIONS**

- 9.1 Subject to Rules 9 and 10, options granted may be exercised in whole or in part during the Exercise Period applicable to that Option.
- 9.2 In the event of an Option being exercised in part only, the balance of the Option not thereby exercised shall continue to be exercisable in accordance with the Scheme until such time as it shall lapse in accordance with the Scheme.
- 9.3 An Option, shall, to the extent unexercised, immediately lapse without any claim against the Company:
- (a) subject to Rules 9.4, and 9.5, upon the Participant ceasing to be in the employment of the Group for any reason whatsoever; or
  - (b) upon the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such Option; or
  - (c) in the event of misconduct on the part of the Participant as determined by the Committee in its discretion.
- 9.4 If a Participant:
- (a) retires; or
  - (b) ceases to be employed by the Company or any of the Subsidiaries by reason of (i) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee) or death; (ii) redundancy; or (iii) any other reason approved in writing by the Committee, and at the date of his retirement or cessation of employment or death holds unexercised Options, such Options shall continue to be exercisable by him or, as the case may be, his personal representatives up to the expiration of the applicable Exercise Period or the period of five (5) years from the date of his retirement or cessation of employment or death, as the case may be, whichever is earlier.

For the purpose of this Rule 9.4, if a Participant ceases to be employed by the Company or any of the Subsidiaries by reason of (i) the Participant's acceptance of any golden handshake or early release scheme or (ii) in the case of an expatriate employee who is employed on a fixed term contract, on the Participant's attaining his retirement age and completion of the fixed term contract; he shall be deemed to have retired and may accordingly exercise unexercised Options in accordance with this Rule 9.4.

- 9.5 If a Participant ceases to be employed by the Company or any of the Subsidiaries by reason of his completion of a fixed term contract (other than a final fixed term contract) and at the date of his cessation of employment holds unexercised Options, such Options shall immediately vest and be exercisable by him from the date of his cessation of employment to the date falling one (1) year from the date of cessation of his employment.
- 9.6 For the purpose of Rule 9, a Participant shall be deemed to have ceased to be employed by the Group as of the last day of his employment with the Group.

---

## APPENDIX IV

### RULES OF STRACO SCHEME

---

#### 10. TAKEOVER AND WINDING UP OF THE COMPANY

10.1 Notwithstanding Rule 9 but subject to Rule 10.5, in the event of a takeover being made for the Shares, a Participant shall be entitled to exercise in full or in part any Option held by him and as yet unexercised, in the period commencing on the date on which such offer is made or, if such offer is conditional, the date on which such offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:

- (a) the expiry of six (6) months thereafter, unless prior to the expiry of such six-month period, at the recommendation of the offeror and with the approvals of the Committee and the SGX-ST, such expiry date is extended to a later date (in either case, being a date falling not later than the expiry of the Exercise Period relating thereto); or
- (b) the date of expiry of the Exercise Period relating thereto,

whereupon the Option then remaining unexercised shall lapse.

Provided that if during such period, the offeror becomes entitled or bound to exercise rights of compulsory acquisition under the provisions of the Act and, being entitled to do so, gives notice to the Participants that it intends to exercise such rights on a specified date, the Option shall remain exercisable by the Participant until the expiry of such specified date or the expiry of the Exercise Period relating thereto, whichever is earlier. Any Option not so exercised shall lapse provided that the rights of acquisition or obligations to acquire shall have been exercised or performed, as the case may be. If such rights or obligations have not been exercised or performed, the Option shall, notwithstanding Rule 9, remain exercisable until the expiry of the Exercise Period relating thereto.

10.2 If under any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, each Participant shall be entitled, notwithstanding Rule 9 but subject to Rule 10.5, to exercise any Option then held by him during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of sixty (60) days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later (but not after the expiry of the Exercise Period relating thereto), whereupon the Option shall lapse and become null and void.

10.3 If an order is made for the winding up of the Company on the basis of its insolvency, all Options, to the extent unexercised, shall lapse and become null and void.

10.4 In the event of a members' solvent voluntary winding up (other than for amalgamation or reconstruction), the Participant shall be entitled, within thirty (30) days of the passing of the resolution of such winding up (but not after the expiry of the Exercise Period relating thereto), to exercise any unexercised Option, after which such unexercised Options shall lapse and become null and void.

10.5 If in connection with the making of a general offer referred to in Rule 10.1 or the scheme referred to in Rule 10.2 or the winding up referred to in Rule 10.4, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the continuation of their Options or the payment of cash or the grant of other options or otherwise, a Participant holding an Option, as yet not exercised, may not, at the discretion of the Committee, be permitted to exercise that Option as provided for in this Rule 10.2.

10.6 To the extent that an Option is not exercised within the periods referred to in this Rule 10, it shall lapse and become null and void.

---

## APPENDIX IV

### RULES OF STRACO SCHEME

---

#### 11. VARIATION OF CAPITAL

11.1 If a variation in the issued ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, reduction, subdivision, consolidation, or distribution, or otherwise howsoever) shall take place, then the Committee may determine whether:

- (a) the Exercise Price for the Shares, the nominal amount, or number of Shares comprised in an Option to the extent unexercised; and/or
- (b) the nominal amount, class and/or the maximum number of Shares over which Options may be granted under the Scheme,

shall be adjusted and, if so, the manner in which such adjustment should be made.

11.2 Notwithstanding the provisions of Rule 11.1:

- (a) no such adjustment shall be made if as a result:
  - (i) the Exercise Price shall fall below the nominal amount of a Share and if such adjustment would, but for this paragraph (a), result in the Exercise Price being less than the nominal amount of a Share, the Exercise Price payable shall be the nominal amount of a Share; or
  - (ii) the Participant receives a benefit that a shareholder of the Company does not receive; and
- (b) any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion fair and reasonable.

11.3 The issue of securities as consideration for a private placement of Shares or as consideration for or in connection with an acquisition of any assets or upon the exercise of any options or conversion of any loan stock or any other securities convertible into shares or subscription rights of any warrants will not be regarded as a circumstance requiring adjustment.

11.4 The cancellation of issued Shares purchased by the Company shall not normally be regarded as a circumstance requiring adjustment to the Exercise Price for the Shares, the nominal amount, or number of Shares comprised in an Option granted. However, the Committee may adjust the number of Shares to be allocated to any Participant if the Company's issued share capital is reduced as a result of the cancellation of issued Shares purchased by the Company, having regard to the purchases of Shares undertaken by the Company from time to time.

11.5 When any adjustment has to be made pursuant to this Rule 11 resulting in a change to the Exercise Price for the Shares, the nominal amount, or number of Shares comprised in an Option granted, the Company shall notify the Participant (or his duly appointed personal representatives where applicable) in writing and deliver to him (or his duly appointed personal representatives where applicable) a statement setting forth the Exercise Price thereafter in effect and the nominal value or number of Shares thereafter to be issued on the exercise of the Option. Any adjustment shall take effect upon such written notification being given.



---

## APPENDIX IV

### RULES OF STRACO SCHEME

---

#### 12. LIMITATION OF THE SIZE OF THE SCHEME

The aggregate nominal amount of Shares over which the Committee may grant Options on any date, when added to the nominal amount of Shares issued and issuable in respect of (a) all Options granted under the Scheme and (b) all awards granted under any share option, share incentive, performance share or restricted share plan implemented by the Company and for the time being in force, shall not exceed 15% of the issued share capital of the Company on the day preceding that date.

#### 13. ADMINISTRATION OF THE SCHEME

13.1 The Scheme shall be administered by the Committee. In accordance with the requirements of the SGX-ST Listing Rules, a member of the Committee who is a Participant shall not participate in any deliberation or decision in respect of Options to be granted to or held by him.

13.2 The terms of reference of the Committee are to, *inter alia*:

- (a) implement and administer the Scheme;
- (b) modify and/or amend the Scheme from time to time provided that such modifications and amendments are effected in accordance with the provisions of the Scheme;
- (c) determine the eligibility of individuals for participation in the Scheme;
- (d) offer and grant options in accordance with the provisions of the Scheme; and
- (e) allot and issue Shares as may be required to be issued pursuant to the exercise of Options granted under the Scheme in accordance with the Scheme.

13.3 The Committee shall have the power, from time to time, to make and vary such regulations (not being inconsistent with the Scheme) for the implementation and administration of the Scheme as they think fit.

13.4 Any decision of the Committee made pursuant to any provision of the Scheme (other than a matter to be certified or confirmed by the Auditors) shall be final and binding (including any decisions pertaining to disputes as to the interpretation of the Scheme or any rule, regulation, procedure thereunder or as to any rights under the Scheme).

13.5 Neither the Scheme nor the grant of Options under the Scheme shall impose on the Company or the Committee any liability whatsoever in connection with:

- (a) the lapsing or early expiry of any Options pursuant to any provision of the Scheme;
- (b) the failure or refusal by the Committee to exercise, or the exercise by the Committee of, any discretion under the Scheme; and/or
- (c) any decision or determination of the Committee made pursuant to any provision of the Scheme.

---

## **APPENDIX IV**

### **RULES OF STRACO SCHEME**

---

#### **14. NOTICES**

- 14.1 Any notice required to be given by a Participant to the Company shall be sent or made to the registered office of the Company or such other addresses as may be notified by the Company to him in writing and shall not be effective until received by the Company.
- 14.2 Any notices or documents required to be given to a Participant or any correspondence to be made between the Company and the Participant shall be given or made by the Committee (or such person(s) as it may from time to time direct) on behalf of the Company and shall be delivered to him by hand or sent to him at his home address according to the records of the Company or the last known address of the Participant and if sent by post, shall be deemed to have been given on the day following the date of posting.

#### **15. MODIFICATIONS OF THE SCHEME**

- 15.1 Any or all the provisions of the Scheme may be modified and/or altered at any time and from time to time by resolution of the Committee, save that:
- (a) any modification or alteration which materially and adversely alters the rights attaching to any Option granted prior to such modification or alteration may only be made with the consent in writing of such number of Participants who would together hold not less than three-quarters ( $\frac{3}{4}$ ) in nominal amount of the Shares which would fall to be allotted upon exercise in full of the Options held by all Participants who respond to the Company's request for such consent within twenty-one (21) days of the Company's despatch of the request;
  - (b) any modification or alteration which would be to the advantage of the Participants under the Scheme shall be subject to the prior approval of the Company's shareholders in a general meeting; and
  - (c) no modification or alteration shall be made without the prior approval of the SGX-ST and such other regulatory authorities as may be necessary.

For the purposes of Rule 15.1(a), the opinion of the Committee as to whether any modification or alteration would materially and adversely alter the rights attaching to any Option shall be final and conclusive.

- 15.2 Notwithstanding anything to the contrary contained in Rule 15.1, the Committee may at any time by resolution (and without other formality or approval of the Participants, save for the prior approval of the SGX-ST) amend or alter the Scheme in any way to the extent necessary to cause the Scheme to comply with any statutory provision or the provision of the regulations of any regulatory or other relevant authority or body (including the SGX-ST).
- 15.3 Written notice of any modification or alteration made in accordance with this Rule 15 shall be given to all Participants.

#### **16. TERMS OF EMPLOYMENT UNAFFECTED**

The terms of employment of a Participant shall not be affected by his participation in the Scheme, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment for any reason.

---

## **APPENDIX IV**

### **RULES OF STRACO SCHEME**

---

#### **17. DURATION OF THE SCHEME**

- 17.1 The Scheme shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten (10) years commencing on the Adoption Date, provided always that the Scheme may continue beyond the above stipulated period with the approval of the Company's shareholders by ordinary resolution in a general meeting and of any relevant authorities which may then be required.
- 17.2 The Scheme may be terminated at any time by the Committee or, at the discretion of the Committee, by resolution of the Company in a general meeting, subject to all relevant approvals which may be required and if the Scheme is so terminated, no further Options shall be offered by the Company hereunder.
- 17.3 The termination of the Scheme shall not affect Options which have been granted and accepted as provided in Rule 7.4, whether such Options have been exercised (whether fully or partially) or not.

#### **18. TAXES**

All taxes (including income tax) arising from the exercise of any Option granted to any Participant under the Scheme shall be borne by that Participant.

#### **19. COSTS AND EXPENSES OF THE SCHEME**

- 19.1 Each Participant shall be responsible for all fees of CDP relating to or in connection with the allotment and issue of any Shares pursuant to the exercise of any Option in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP, or the Participant's securities sub-account with a CDP Depository Agent or CPF investment account with a CPF agent bank.
- 19.2 Save for the taxes referred to in Rule 18 and such other costs and expenses expressly provided in the Scheme to be payable by the Participants, all fees, costs and expenses incurred by the Company in relation to the Scheme including but not limited to the fees, costs and expenses relating to the allotment and issue of Shares pursuant to the exercise of any Option shall be borne by the Company.

#### **20. DISCLAIMER OF LIABILITY**

Notwithstanding any provisions herein contained, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company's delay in issuing the Shares or applying for or procuring the listing of the Shares on the SGX-ST in accordance with Rule 8.4 (and any other stock exchange on which the Shares are quoted or listed).

#### **21. DISCLOSURE IN ANNUAL REPORT**

The following disclosures (as applicable) will be made by the Company in its annual report for so long as the Scheme continues in operation:

- (a) the names of the members of the Committee administering the Scheme;
- (b) the information in respect of Options granted to the following Participants in the table set out below:
  - (i) Directors of the Company;
  - (ii) Participants who are Controlling Shareholders and their associates; and

---

## APPENDIX IV

### RULES OF STRACO SCHEME

---

- (iii) Participants, other than those in (i) and (ii) above, who receive five per cent or more of the total number of Shares available under the Scheme.

Name of Participant	Number of share comprised in Options granted during financial year under review (including terms)	Aggregate number of Shares comprised in Options granted since commencement of Scheme to end of financial year under review	Aggregate number of Shares comprised in Options exercise since commencement of Scheme to end of financial year under review	Aggregate number of Shares comprised in Options outstanding as at end of financial year under review

- (c) the number of Discounted Options during the financial year under review in the following bands:

Discount to the Market Price	Aggregate number of Incentive Options granted during the financial year under review	Proportion of Incentive Options to Market Price Options granted during the financial year under review
0-10		
11-20		

- (d) If the disclosures above are not applicable, an appropriate negative statement would be included.

## 22. DISPUTES

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

## 23. GOVERNING LAW

The Scheme shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by accepting Options in accordance with the Scheme, and the Company submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

---

**APPENDIX IV  
RULES OF STRACO SCHEME**

---

**ANNEXE A**

**STRACO SHARE OPTION SCHEME**

**LETTER OF OFFER**

**PRIVATE & CONFIDENTIAL**

SERIAL NO: \_\_\_\_\_

[Date]

To: Name  
Designation  
Address

Dear Sir / Madam

We have the pleasure of informing you that you are eligible to participate in Straco Share Option Scheme (the "Scheme").

Accordingly, an offer is hereby made to grant you an option, in consideration of the payment of a sum of \$1.00, to subscribe for and be allotted [●] ordinary shares of \$[●] each in the capital of the Company at the price of \$[●] per share (the "Option"). The Option shall be subject to the terms of this letter and of the Scheme (as the same may be amended from time to time).

The Option is personal to you and shall not be transferred, charged, pledged, assigned or otherwise disposed of to any other person except as provided for in the Scheme.

The Option is subject to the terms of the Scheme, a copy of which is available for inspection at the business address of the Company.

If you wish to accept the offer, please sign and return the enclosed Acceptance Form with a sum of \$1.00 not later than [●] (a.m./p.m.) on the [●] day of [●] failing which this offer will lapse.

Yours faithfully

for and on behalf of  
the Board of Directors of  
Straco Corporation Limited

Encl.

*\* Delete accordingly*

**Note:** Terms and expressions not defined herein, have the same meanings ascribed to them in the Rules of the Scheme.

---

**APPENDIX IV  
RULES OF STRACO SCHEME**

---

**ANNEXE B**

**STRACO SHARE OPTION SCHEME**

**ACCEPTANCE FORM**

**PRIVATE & CONFIDENTIAL**

SERIAL NO: \_\_\_\_\_

[Date]

To: The Company Secretary  
Straco Corporation Limited  
[●]  
Singapore [●]

---

Closing Date for acceptance of offer : \_\_\_\_\_

Number of ordinary shares offered : \_\_\_\_\_

Subscription price per ordinary share : \$ \_\_\_\_\_

Total amount payable : \$ \_\_\_\_\_

---

I have read your Letter of Offer dated [●] (Date of Grant) and agree to be bound by the terms of the Straco Share Option Scheme and the Letter of Offer. I hereby accept the option to subscribe for [●] ordinary shares of \$[●] each in the share capital of Straco at \$[●] per ordinary share and enclose \*a cheque/cash for \$1.00 in payment for the purchase of the option.

I understand that I am not obliged to exercise my option to subscribe for ordinary shares in the Company.

I confirm that as at the date hereof:

- (a) I am not less than 21 years old nor an undischarged bankrupt; and
- (b) I \*am/am not a substantial shareholder of the Company (as defined under the provisions of the Companies Act (Chapter 50) of Singapore).

I acknowledge that you have not made any representation or warranty or given me any expectation of employment or continued employment to induce me to participate in the Scheme or accept the offer and that the terms of the Letter of Offer and this Acceptance Form constitute the entire agreement between us relating to the offer.

\* Delete accordingly



---

## APPENDIX IV RULES OF STRACO SCHEME

---

**Please print in block letters**

Name in full : \_\_\_\_\_

Designation : \_\_\_\_\_

Address : \_\_\_\_\_

Nationality : \_\_\_\_\_

NRIC/Passport No : \_\_\_\_\_

CDP Direct Securities Account No : \_\_\_\_\_

Signature : \_\_\_\_\_

Date : \_\_\_\_\_

*\* Delete accordingly.*

**Notes:**

1. Shares must be accepted in full or in multiples of 1,000.
2. The Acceptance Form must be forwarded to The Company Secretary in an envelope marked "Private and Confidential".
3. The participant shall be informed by the Company of the relevant CDP charges payable at the time of the exercise of an option.
4. Terms and expressions not defined herein have the same meanings ascribed to them in the Rules of the Scheme.

---

**APPENDIX IV  
RULES OF STRACO SCHEME**

---

**ANNEXE C**

**STRACO SHARE OPTION SCHEME**

*EXERCISE NOTICE*

**PRIVATE & CONFIDENTIAL**

SERIAL NO: \_\_\_\_\_

[Date]

To: The Company Secretary  
Straco Corporation Limited  
[●]  
Singapore [●]

---

Total number of ordinary shares of \$[●] each  
offered at \$[●] per ordinary share under the  
Scheme on [●]

: \_\_\_\_\_

Number of ordinary shares previously allotted  
and issued thereunder

: \_\_\_\_\_

Outstanding balance of ordinary shares to be allotted  
and issued thereunder

: \_\_\_\_\_

Number of ordinary shares now to be subscribed

: \_\_\_\_\_

- 
1. Pursuant to the Company's Letter of Offer dated [●] (Date of Grant) and my acceptance thereof, I hereby exercise the Option to subscribe for [●] ordinary shares of \$[●] each (in multiples of 100) in the capital of Straco Corporation Limited at \$[●] per Ordinary Share.
  2. I wish to pay for the Aggregate Subscription Cost in respect of the Scheme Shares by way of the enclosed \*cheque/cashier's order/bank draft/postal order no. [●] /cash for \$[●]. I request the Company to instruct the Central Depository (Pte) Limited ("CDP") to credit the same to my CDP Direct Securities Account number/ Sub-Account with the Depository Agent/ CPF investment account with any Agent Bank specified below.
  3. I request the Company to issue and register the share certificate(s) relating to the Scheme Shares in the name of CDP. I also request the Company to despatch the share certificate(s) to CDP by ordinary post and at my own risk.
  4. I agree to subscribe for the said Scheme Shares subject to the terms of the Offer, the terms of the Straco Share Option Scheme (as the same may from time to time be amended pursuant to the terms thereof) and the Memorandum and Articles of Association of the Company.
  5. I declare that I am subscribing for the said Scheme Shares for myself and not as a nominee for any other person.

\* Delete accordingly

---

**APPENDIX IV**  
**RULES OF STRACO SCHEME**

---

**Please print in block letters**

Name in full : \_\_\_\_\_

Designation : \_\_\_\_\_

Address : \_\_\_\_\_

Nationality : \_\_\_\_\_

NRIC/Passport No : \_\_\_\_\_

\* CDP Direct Securities Account No : \_\_\_\_\_

OR

\* Sub-Account No. : \_\_\_\_\_

Name of Depository Agent : \_\_\_\_\_

OR

\* CPF Investment Account No. : \_\_\_\_\_

Name of Agent Bank : \_\_\_\_\_

Signature : \_\_\_\_\_

Date : \_\_\_\_\_

\* *Delete accordingly*

---

**APPENDIX V**  
**REPORT ON EXAMINATION OF THE PRO FORMA FINANCIAL**  
**STATEMENTS OF THE GROUP**

---

The Board of Directors  
Straco Corporation Limited  
10 Anson Road  
#30-15 International Plaza  
Singapore 079903

10 February 2004

Dear Sirs

We report on the pro forma financial statements of Straco Corporation Limited (the “Company” and referred to collectively with its subsidiaries as “the Group”) set out on pages V-3 to V-33 of the Prospectus dated 10 February 2004. This report, together with the pro forma consolidated financial statements, prepared for illustrative purposes only, have been prepared in accordance with the provisions set out in the Fifth Schedule of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2002 and are based on certain assumptions after making certain adjustments to show what:-

- (i) the financial results of the Group for the financial years ended 31 December 2000, 2001 and 2002 and the six months period ended 30 June 2003, would have been if the group structure as of the date of lodgement of the Prospectus had been in place since 1 January 2000;
- (ii) the financial positions of the Group as at 31 December 2002 and 30 June 2003 would have been if the group structure as of the date of lodgement of the Prospectus had been in place on those dates; and
- (iii) the changes in equity, and the cash flows of the Group for the financial year ended 31 December 2002 and six months period ended 30 June 2003 would have been if the group structure as of the date of lodgement of the Prospectus has been in place since 1 January 2002.

The pro forma financial statements of the Group, because of their nature, may not give a true picture of the Group’s actual financial results, financial positions, changes in equity or cash flows of the Group.

The pro forma financial statements of the Group are the responsibility of the directors of the Company. Our responsibility is to express an opinion on the pro forma financial statements of the Group based on our work.

We carried out our procedures in accordance with Singapore Statement of Auditing Practice: SAP24: “Auditors and Public Offering Documents”. Our work, which involved no independent examination of the underlying financial statements, consisted primarily of comparing the pro forma financial statements of the Group to the audited financial statements of the Company and its subsidiaries, or where information is not available in the financial statements of the Company and its subsidiaries, to accounting records, considering the appropriateness of the adjustments and discussing the pro forma financial statements of the Group with the directors of the Company.

---

**APPENDIX V**  
**REPORT ON EXAMINATION OF THE PRO FORMA FINANCIAL**  
**STATEMENTS OF THE GROUP**

---

In our opinion,

- (a) the pro forma financial statements of the Group have been properly prepared on the basis set out in Note 3 to the pro forma financial statements of the Group;
- (b) the pro forma financial statements have been properly prepared in a manner consistent with both the format of the financial statements and the accounting policies of the Group; and
- (c) each material adjustment made to the information used in the preparation of the pro forma financial statements of the Group is appropriate for the purpose of preparing such financial statements.

Yours faithfully,

PricewaterhouseCoopers  
Certified Public Accountants  
Singapore

Partner – Tan Khiaw Ngoh

---

**PRO FORMA FINANCIAL STATEMENTS OF  
STRACO CORPORATION LTD AND ITS SUBSIDIARIES**

---

**PRO FORMA INCOME STATEMENTS**

		Financial year ended 31 December			Financial period ended 30 June 2003
	Notes	2000 \$	2001 \$	2002 \$	2003 \$
Sales	5	970,656	892,187	28,074,679	6,639,211
Other operating income		256,971	254,554	395,793	2,451,452
Operating expenses		(868,588)	(854,840)	(12,807,982)	(5,212,528)
Administrative expenses		(1,511,006)	(1,009,948)	(2,904,299)	(1,968,716)
Other operating expenses		(799,376)	(1,500,985)	(991,323)	—
Operating (loss)/profit	6	(1,951,343)	(2,219,032)	11,766,868	1,909,419
Finance income/(costs) - net	8	515,693	(74,142)	(2,260,688)	(997,892)
(Loss)/profit before tax		(1,435,650)	(2,293,174)	9,506,180	911,527
Tax	9	118,452	281,803	(1,431,190)	56,472
(Loss)/profit after tax		(1,317,198)	(2,011,371)	8,074,990	967,999
Minority interests		16,751	73,374	(392,147)	30,810
Net (loss)/profit		(1,300,447)	(1,937,997)	7,682,843	998,809
(Loss)/earnings per share (in cents)	10	(0.19)	(0.28)	1.11	0.14

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



---

**PRO FORMA FINANCIAL STATEMENTS OF  
STRACO CORPORATION LTD AND ITS SUBSIDIARIES**

---

**PRO FORMA BALANCE SHEETS**

	Notes	As at 31 December 2002 \$	As at 30 June 2003 \$
<b>Current assets</b>			
Cash and cash equivalents	11	17,328,060	16,220,389
Receivables	12	28,673	104,433
Inventories, at cost		254,464	372,821
Other current assets	13	4,532,825	6,903,173
		<hr/> 22,144,022	<hr/> 23,600,816
<b>Non-current assets</b>			
Property, plant and equipment	14	74,277,769	75,946,225
Deferred tax asset	9	415,608	477,783
		<hr/> 74,693,377	<hr/> 76,424,008
<b>Total assets</b>		<hr/> 96,837,399	<hr/> 100,024,824
<b>Current liabilities</b>			
Trade payables		8,592,712	7,647,118
Provision for current tax	9	317,773	—
Accrued expenses and other payables	15	1,239,789	1,300,295
Borrowings	16	11,724,128	7,309,256
		<hr/> 21,874,402	<hr/> 16,256,669
<b>Non-current liabilities</b>			
Borrowings	16	40,974,187	46,045,574
<b>Total liabilities</b>		<hr/> 62,848,589	<hr/> 62,302,243
<b>Net assets</b>		<hr/> 33,988,810	<hr/> 37,722,581
<b>Share capital and reserves</b>			
Share capital		31,606,791	34,596,479
Foreign currency translation reserve		872,907	439,634
(Accumulated losses)/retained profits		(283,567)	901,461
<b>Interests of shareholders of the Company</b>		<hr/> 32,196,131	<hr/> 35,937,574
<b>Minority interests</b>		1,792,679	1,785,007
		<hr/> 33,988,810	<hr/> 37,722,581

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

---

**PRO FORMA FINANCIAL STATEMENTS OF  
STRACO CORPORATION LTD AND ITS SUBSIDIARIES**

---

**PRO FORMA STATEMENTS OF CHANGES IN SHAREHOLDERS' FUNDS**

	← Financial year ended 31 December 2002 →			
	Share capital	Foreign currency translation reserve	Accumulated losses	Total
	\$	\$	\$	\$
<b>Balance at 1 January 2002</b>	31,606,789	2,798,418	(7,966,410)	26,438,797
Issue of ordinary shares	2	—	—	2
Foreign currency translation differences	—	(1,925,511)	—	(1,925,511)
Net profit	—	—	7,682,843	7,682,843
<b>Balance at 31 December 2002</b>	31,606,791	872,907	(283,567)	32,196,131

	← Financial period ended 30 June 2003 →			
	Share capital	Foreign currency translation reserve	(Accumulated losses)/ retained profits	Total
	\$	\$	\$	\$
<b>Balance at 1 January 2003</b>	31,606,791	872,907	(283,567)	32,196,131
Issue of ordinary shares pursuant to the restructuring exercise	34,596,477	—	—	34,596,477
Adjustments arising from restructuring exercise	(31,606,789)	(872,907)	186,219	(32,293,477)
Foreign currency translation differences	—	439,634	—	439,634
Net profit	—	—	998,809	998,809
<b>Balance at 30 June 2003</b>	34,596,479	439,634	901,461	35,937,574

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

# PRO FORMA FINANCIAL STATEMENTS OF STRACO CORPORATION LTD AND ITS SUBSIDIARIES

## PRO FORMA CASH FLOW STATEMENTS

	Note	Financial year ended 31 December 2002 \$	Financial period ended 30 June 2003 \$
<b>Cash flows from operating activities</b>			
Profit before tax		9,506,180	911,527
Adjustments for:			
Depreciation		3,390,732	2,187,403
Loss on disposal of property, plant and equipment		1,205	–
Interest income		(370,393)	(139,046)
Interest expense		2,631,081	1,136,938
Exchange differences		(298,688)	120,609
Operating cash flow before working capital change		14,860,117	4,217,431
Changes in operating assets and liabilities			
Receivables and other assets		(947,997)	(2,293,702)
Inventories		(148,884)	(118,357)
Payables		(6,858,167)	(885,088)
Cash generated from operations		6,905,069	920,284
Income tax paid		(1,100,454)	(474,309)
<b>Net cash inflow from operating activities</b>		5,804,615	445,975
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(2,685,332)	(556,840)
Interest received		370,393	139,046
<b>Net cash outflow from investing activities</b>		(2,314,939)	(417,794)
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(9,019,793)	–
Proceeds from borrowings		155,400	1,086
Issue of shares		2	–
Interest paid		(2,631,081)	(1,136,938)
<b>Net cash outflow from financing activities</b>		(11,495,472)	(1,135,852)
<b>Net decrease in cash and cash equivalent held</b>		(8,005,796)	(1,107,671)
Cash and cash equivalent at the beginning of the financial year/period		25,333,856	17,328,060
<b>Cash and cash equivalent at the end of the financial year/period</b>	11	17,328,060	16,220,389

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

---

## PRO FORMA FINANCIAL STATEMENTS OF STRACO CORPORATION LTD AND ITS SUBSIDIARIES

---

### NOTES TO THE PRO FORMA FINANCIAL STATEMENTS

#### 1. Introduction

- (a) The pro forma financial statements of the Group for the financial years ended 31 December 2000, 2001 and 2002 and the six months period ended 30 June 2003, have been prepared for inclusion in the Prospectus of Straco Corporation Limited (the "Company") dated 9 January 2004 in connection with the Invitation by the Company in respect of the issue of 220,250,000 shares of \$0.05 each comprising 177,000,000 New Shares and 43,250,000 Vendor Shares as follows:

- (i) 22,025,000 Offer Shares at \$0.26 each by way of public offer;
- (ii) 198,225,000 Placement Shares by way of placement, comprising:-
  - 192,719,000 Placement Shares at \$0.26 each; and
  - 5,506,000 Reserved Shares at \$0.26 each reserved for management, employees, non-executive directors, business associates and others who have contributed to the success of the Group,

payable in full on application.

- (b) The Company

The Company was incorporated in Singapore on 25 April 2002 as a private company limited by shares. The principal activity of the Company is that of an investment holding company.

The Company's name was changed to Straco Corporation Limited on 19 January 2004.

As at 30 June 2003, the authorised share capital was \$100,000 comprising 100,000 ordinary shares of \$1 each and the issued and paid-up capital was \$2 comprising 2 ordinary shares of \$1 each.

At an extraordinary general meeting held on 18 July 2003, the shareholders approved, *inter alia*, the increase of the authorised share capital from \$100,000 divided into 100,000 shares of \$1 each to \$200,000,000 divided into 200,000,000 shares of \$1 each.

At a further extraordinary general meeting held on 12 January 2004, the shareholders approved, *inter alia*, the following:-

- (i) the sub-division of each ordinary share of \$1 each in the authorised and issued share capital into 20 ordinary shares of \$0.05 each;
- (ii) the conversion of the Company into a public limited company and the consequential change of name to Straco Corporation Limited;
- (iii) the adoption of the Straco Scheme;

---

## PRO FORMA FINANCIAL STATEMENTS OF STRACO CORPORATION LTD AND ITS SUBSIDIARIES

---

### NOTES TO THE PRO FORMA FINANCIAL STATEMENTS

#### 1. Introduction (continued)

(b) The Company (continued)

- (iv) the adoption of a new set of Articles of Association;
- (v) that authority be given pursuant to Section 161 of the Companies Act to the Directors to issue 177,000,000 New Shares which are the subject of the Invitation, on the basis that the New Shares when allotted, issued and fully-paid, will rank pari passu in all respects with the existing Shares;
- (vi) that authority be given pursuant to Section 161 of the Companies Act to the Directors to allot and issue shares and/or convertible securities at any time (whether by way of rights, bonus or otherwise) and upon such terms and conditions whether in cash or otherwise and for such purposes and to such persons as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares and/or convertible securities to be issued pursuant to such authority does not exceed 50.0% of the post-Invitation issued share capital of the Company and provided that the aggregate number of shares and/or convertible securities to be issued other than on a pro-rata basis to the then existing shareholders of the Company shall not exceed 20.0% of the issued share capital of the post-Invitation issued share capital of the Company, and that such authority shall remain in force until the earlier of the following:-
  - (a) the conclusion of the next annual general meeting of the Company following the passing of the resolution by the shareholders at which time it shall lapse, unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; and
  - (b) the shareholders by ordinary resolution in a general meeting revoking or varying such authority.

As at the date of this Prospectus, there is only one class of issued shares in the capital of the Company, being ordinary shares of \$0.05 each. A summary of the Articles of Association of the Company relating to the voting rights of shareholders is set out in Appendix II of this Prospectus. There are no founders, management, deferred or unissued Shares reserved for issuance for any purpose.

---

## PRO FORMA FINANCIAL STATEMENTS OF STRACO CORPORATION LTD AND ITS SUBSIDIARIES

---

### NOTES TO THE PRO FORMA FINANCIAL STATEMENTS

#### 2. The Group

The Company and its subsidiaries, acquired pursuant to the Restructuring Exercise, are collectively referred to in this report as the Group.

Had the Restructuring Exercise, as described on pages 42 and 43 of the Prospectus, been in place since 1 January 2000, the composition of the Group as at 31 December 2002 would be as follows:

Name of company	Place of incorporation	Principal activities	Date of incorporation	Issued and paid-up capital	% of paid up capital directly held	% of paid up capital effectively held
Shanghai Ocean Aquarium Co Ltd ("SOACL")	The People's Republic of China ("PRC")	Development and operation of aquatic-related leisure facilities	18 December 1995	RMB112,197,328	95	95
Lintong Lixing Cable Car Co Ltd ("LLC")	PRC	Operating of cable car facilities	31 March 1992	RMB16,296,828	95	95
Xi'an Lintong Zhongxin Tourism Development Co Ltd ("ZTD")	PRC	Development and operation of leisure-related facilities	25 December 1995	RMB31,067,814	95	95
Infotainment Development & Management Pte Ltd ("IDM")	Singapore	Provides management and consulting services for overall project management for the Group and third parties	3 February 1996	S\$1,000,000	100	100

#### 3. Basis of preparation of consolidated pro forma financial statements

##### (a) Basis of preparation

The objective of the pro forma financial statements of the Group is to show what:

- (i) the financial results of the Group for the financial years ended 31 December 2000, 2001 and 2002 and for the six months period ended 30 June 2003;
- (ii) the changes in equity and cash flow of the Group for the financial year ended 31 December 2002 and for the six months period ended 30 June 2003; and
- (iii) the financial positions of the Group as at 31 December 2002 and 30 June 2003.

would have been had the Restructuring Exercise, as described on pages 42 to 43 of the Prospectus, been in place since 1 January 2000 and the Group as set out in note 2 existed at an earlier date. The pro forma financial statements are therefore prepared for illustrative purposes only.

---

## PRO FORMA FINANCIAL STATEMENTS OF STRACO CORPORATION LTD AND ITS SUBSIDIARIES

---

### NOTES TO THE PRO FORMA FINANCIAL STATEMENTS

#### 3. Basis of preparation of consolidated pro forma financial statements (continued)

(a) Basis of preparation (continued)

All material intercompany transactions and balances have been eliminated in the preparation of the pro forma financial statements of the Group.

The pro forma financial statements of the Group have been prepared in accordance with the historical cost convention and are expressed in Singapore dollars.

The pro forma financial statements of the Group are compiled based on the following:

For the financial year ended 31 December 2002

- (i) audited financial statements of the Company, SOACL, LLC, ZTD and IDM prepared in accordance with Singapore Statements of Accounting Standard.

For the six-months period ended 30 June 2003

- (ii) audited financial statements of the Company, SOACL, LLC, ZTD and IDM prepared in accordance with Singapore Financial Reporting Standards and adjusted for the effect of the restructuring exercise as described on pages 42 to 43 of the Prospectus.

For the financial years ended 31 December 2000 and 2001

- (iii) audited financial statements of SOACL, LLC and ZTD for the financial years ended 31 December 2000 and 2001 prepared in accordance with Accounting Standards for Business Enterprises of the People's Republic of China ("PRC") and the Accounting Regulations of the PRC. These financial statements are restated and represented in accordance with Singapore Statements of Accounting Standard.
- (iv) audited financial statements of IDM prepared in accordance with Singapore Statements of Accounting Standard.

The pro forma financial statements of the Group have been compiled from those financial statements stated above and are based on accounting policies of the pro forma group which are in accordance with Singapore Statements of Accounting Standard for the financial years ended 31 December 2000, 2001 and 2002 and Singapore Financial Reporting Standards for the six months period ended 30 June 2003.



---

## PRO FORMA FINANCIAL STATEMENTS OF STRACO CORPORATION LTD AND ITS SUBSIDIARIES

---

### NOTES TO THE PRO FORMA FINANCIAL STATEMENTS

#### 3. Basis of preparation of consolidated pro forma financial statements (continued)

##### (a) Basis of preparation (continued)

The pro forma income statements for the financial years ended 31 December 2000, 2001 and 2002 and for the six months period ended 30 June 2003 and balance sheets as at 31 December 2002 and as at 30 June 2003 are prepared by aggregating income statements of the companies in the Group for the financial years ended 31 December 2000, 2001 and 2002 and for the six months period ended 30 June 2003 and by aggregating the balance sheets of the companies in the Group as at 31 December 2002 and as at 30 June 2003. The pro forma income statements of the Group for the financial years ended 31 December 2000, 2001 and 2002 and for the six months period ended 30 June 2003 and balance sheets of the Group as at 31 December 2002 and 30 June 2003, assuming the Group structure as of the date of lodgement of prospectus had been in place since 1 January 2000, with the accompanying consolidation adjustments are as follows:

	← For financial year ended 31 December 2000 →		
	Pro forma income statement based on aggregation \$	Adjustments (i) \$	Pro forma income statement after restructuring \$
<b>Loss before tax</b>	(835,650)	(600,000)	(1,435,650)
Tax	118,452	—	118,452
<b>Loss after tax</b>	(717,198)	(600,000)	(1,317,198)
Minority interests	—	16,751	16,751
<b>Net loss</b>	(717,198)	(583,249)	(1,300,447)

	← For financial year ended 31 December 2001 →		
	Pro forma income statement based on aggregation \$	Adjustments (i) \$	Pro forma income statement after restructuring \$
<b>Loss before tax</b>	(1,693,174)	(600,000)	(2,293,174)
Tax	281,803	—	281,803
<b>Loss after tax</b>	(1,411,371)	(600,000)	(2,011,371)
Minority interests	—	73,374	73,374
<b>Net loss</b>	(1,411,371)	(526,626)	(1,937,997)

---

**PRO FORMA FINANCIAL STATEMENTS OF  
STRACO CORPORATION LTD AND ITS SUBSIDIARIES**

---

**NOTES TO THE PRO FORMA FINANCIAL STATEMENTS**

**3. Basis of preparation of consolidated pro forma financial statements (continued)**

(a) Basis of preparation (continued)

	← For financial year ended 31 December 2002 →		
	Pro forma income statement based on aggregation \$	Adjustments (i) \$	Pro forma income statement after restructuring \$
<b>Profit before tax</b>	9,464,305	41,875	9,506,180
Tax	(1,431,190)	—	(1,431,190)
<b>Profit after tax</b>	8,033,115	41,875	8,074,990
Minority interests	—	(392,147)	(392,147)
<b>Net profit</b>	8,033,115	(350,272)	7,682,843

	← For financial period ended 30 June 2003 →		
	Pro forma income statement based on aggregation \$	Adjustments (i) \$	Pro forma income statement after restructuring \$
<b>Profit before tax</b>	856,402	55,125	911,527
Tax	56,472	—	56,472
<b>Profit after tax</b>	912,874	55,125	967,999
Minority interests	—	30,810	30,810
<b>Net profit</b>	912,874	85,935	998,809

(i) The adjustments are analysed as follows:

	Financial year ended 31 December			Financial period ended 30 June 2003 \$
	2000 \$	2001 \$	2002 \$	
Net profit				
– Elimination of unrealised intercompany income against capitalised property, plant and equipment	(600,000)	(600,000)	41,875	55,125
– Adjustment for minority interests	16,751	73,374	(392,147)	30,810
<b>Changes in net (loss)/profit</b>	(583,249)	(526,626)	(350,272)	85,935

---

**PRO FORMA FINANCIAL STATEMENTS OF  
STRACO CORPORATION LTD AND ITS SUBSIDIARIES**

---

**NOTES TO THE PRO FORMA FINANCIAL STATEMENTS**

**3. Basis of preparation of consolidated pro forma financial statements (continued)**

(a) Basis of preparation (continued)

	← As at 31 December 2002 →		
	Pro forma balance sheet based on aggregation \$	Adjustments (ii) \$	Pro forma balance sheet after restructuring \$
<b>Current assets</b>	22,144,022	—	22,144,022
<b>Non-current assets</b>			
Property, plant & equipment	76,635,894	(2,358,125)	74,277,769
Deferred tax asset	415,608	—	415,608
	77,051,502	(2,358,125)	74,693,377
<b>Total assets</b>	99,195,524	(2,358,125)	96,837,399
<b>Current liabilities</b>	21,874,402	—	21,874,402
<b>Non-current liabilities</b>	40,974,187	—	40,974,187
<b>Total liabilities</b>	62,848,589	—	62,848,589
<b>Net assets</b>	36,346,935	(2,358,125)	33,988,810
<b>Shareholders' funds</b>	36,346,935	(4,150,804)	32,196,131
<b>Minority interests</b>	—	1,792,679	1,792,679
	36,346,935	(2,358,125)	33,988,810

(ii) The adjustments are analysed as follows:

	As at 31 December 2002 \$
Shareholders' funds	
– Elimination of unrealised intercompany income against capitalised property, plant and equipment	(2,358,125)
– Adjustment for minority interests	(1,792,679)
Changes in shareholders' funds	(4,150,804)

# PRO FORMA FINANCIAL STATEMENTS OF STRACO CORPORATION LTD AND ITS SUBSIDIARIES

## NOTES TO THE PRO FORMA FINANCIAL STATEMENTS

### 3. Basis of preparation of consolidated pro forma financial statements (continued)

#### (a) Basis of preparation (continued)

	← As at 30 June 2003 →		
	Pro forma balance sheet based on aggregation \$	Adjustments (iii) \$	Pro forma balance sheet after restructuring \$
<b>Current assets</b>	23,600,816	—	23,600,816
<b>Non-current assets</b>			
Property, plant & equipment	75,946,225	(2,303,000) <sup>1</sup>	73,643,225
	—	2,303,000 <sup>3</sup>	2,303,000
	75,946,225	—	75,946,225
Investments in subsidiaries	—	34,596,477 <sup>2</sup>	34,596,477
	—	(34,596,477) <sup>3</sup>	(34,596,477)
	—	—	—
Deferred tax asset	477,783	—	477,783
	76,424,008	—	76,424,008
<b>Total assets</b>	100,024,824	—	100,024,824
<b>Current liabilities</b>	16,256,669	—	16,256,669
<b>Non-current liabilities</b>	46,045,574	—	46,045,574
<b>Total liabilities</b>	62,302,243	—	62,302,243
<b>Net assets</b>	37,722,581	—	37,722,581
<b>Share capital and reserves</b>			
Share capital	33,217,674	34,596,477 <sup>2</sup>	67,814,151
	—	(31,606,789) <sup>3</sup>	(31,606,789)
	—	(1,610,883) <sup>4</sup>	(1,610,883)
	33,217,674	1,378,805	34,596,479
Foreign currency translation reserves	1,381,622	(872,907) <sup>3</sup>	508,715
	—	(69,081) <sup>4</sup>	(69,081)
	1,381,622	(941,988)	439,634
Retained profits	3,123,285	(2,303,000) <sup>1</sup>	820,285
	—	2,303,000 <sup>3</sup>	2,303,000
	—	(2,116,781) <sup>3</sup>	(2,116,781)
	—	(105,043) <sup>4</sup>	(105,043)
	3,123,285	(2,221,824)	901,461
<b>Shareholders' funds</b>	37,722,581	(1,785,007)	35,937,574
<b>Minority interests</b>	—	1,785,007 <sup>3</sup>	1,785,007
	37,722,581	—	37,722,581

---

**PRO FORMA FINANCIAL STATEMENTS OF  
STRACO CORPORATION LTD AND ITS SUBSIDIARIES**

---

**NOTES TO THE PRO FORMA FINANCIAL STATEMENTS**

**3. Basis of preparation of consolidated pro forma financial statements (continued)**

- (a) Basis of preparation (continued)
- (iii) The adjustments are analysed as follows:

	<b>As at 30 June 2003 \$</b>
Shareholders' funds	
<sup>1</sup> Elimination of intercompany income against capitalised property, plant and equipment	(2,303,000)
<sup>2</sup> Issuance of new ordinary shares for acquisition of subsidiaries	34,596,477
<sup>3</sup> Adjustments arising from restructuring exercise for the cost of investments	
– Share capital	(31,606,789)
– Foreign currency translation reserves	(872,907)
	(32,479,696)
– Intercompany income against capitalised property, plant and equipment (see note 14 (a))	2,303,000
– Accumulated losses	(2,116,781)
	186,219
	(32,293,477)
<sup>4</sup> Adjustment for minority interests	
– Share capital	(1,610,883)
– Foreign currency translation reserves	(69,081)
– Accumulated losses	(105,043)
	(1,785,007)
Changes in shareholders' funds	<u>(1,785,007)</u>

The adjustments arising from restructuring exercise reflected in the pro forma financial statements for the six months ended 30 June 2003, were to eliminate the aggregated share capital, foreign currency translation reserve and (accumulated losses)/retained profits of SOACL, ZTD, LLC and IDM and to eliminate the pro forma adjustments that were previously effected for the financial years ended 31 December 2000 to 2002 because the acquisition of the subsidiaries through shares issued was deemed to have taken effect for the six months ended 30 June 2003.

---

## PRO FORMA FINANCIAL STATEMENTS OF STRACO CORPORATION LTD AND ITS SUBSIDIARIES

---

### NOTES TO THE PRO FORMA FINANCIAL STATEMENTS

#### 3. Basis of preparation of consolidated pro forma financial statements (continued)

(b) Auditors

PricewaterhouseCoopers, a member of the Institute of Certified Public Accountants of Singapore, are the auditors of the Company since its date of incorporation.

Gong Xin Zhong Nan Certified Public Accountants, a member of the Chinese Institute of Certified Public Accountants, are the auditors of SOACL for the financial years ended 31 December 2000 to 2002.

Shaanxi Wulian Certified Public Accountants Co Limited, a member of the Chinese Institute of Certified Public Accountants, were the auditors of LLC and ZTD for the financial year ended 31 December 2000.

Shaanxi Jia He Certified Public Accountants Ltd, a member of the Chinese Institute of Certified Public Accountants, were the auditors of LLC and ZTD for the financial year ended 31 December 2001.

Shanghai Dong-Hua CPAs Firm, a member of the Chinese Institute of Certified Public Accountants, are the auditors of LLC and ZTD for the financial year ended 31 December 2002.

B L Ong & Co, a member of the Institute of Certified Public Accountants of Singapore, are the auditors of IDM for the financial years ended 31 December 2000 to 2002.

PricewaterhouseCoopers have carried out an audit of SOACL, LLC, ZTD and IDM for the six months period ended 30 June 2003.

The auditors' reports on the financial statements of the companies in the Group for the financial years ended 31 December 2000, 2001 and 2002 and for the six months period ended 30 June 2003 were not subject to any material qualifications.

(c) Effect of the adoption of Singapore Financial Reporting Standards

For the financial years ended 31 December 2000, 2001 and 2002, the financial statements of the pro forma group were prepared in accordance with Singapore Statements of Accounting Standard. The adoption of FRS does not have material impact on the accounting policies and figures presented in the pro forma group financial statements for the six months period ended 30 June 2003.

---

## PRO FORMA FINANCIAL STATEMENTS OF STRACO CORPORATION LTD AND ITS SUBSIDIARIES

---

### NOTES TO THE PRO FORMA FINANCIAL STATEMENTS

#### 4. Significant accounting policies

The significant accounting policies which have been consistently applied in the preparation of the pro forma financial statements of the Group are as follows:

(a) Revenue recognition

Revenue from the sale of tickets is recognised upon usage or expiry of the tickets.

Revenue from sale of goods is recognised upon delivery of products.

Revenue from rendering of services is recognised on the performance of services.

(b) Foreign currencies

Transactions in foreign currencies during the financial year are converted to Singapore dollars at the rates of exchange prevailing on the transaction dates. Foreign currency monetary assets and liabilities are translated into Singapore dollars at the rates of exchange prevailing at the balance sheet date. Exchange differences arising are taken to the pro forma income statements.

For the purpose of preparing the pro forma financial statements, the assets and liabilities of foreign subsidiaries are translated into Singapore dollars at the exchange rates prevailing at the balance sheet date, and the results of the subsidiaries are translated using the weighted average exchange rates for the financial year. The exchange differences arising on translation of foreign subsidiaries are taken directly to the foreign currency translation reserve. On disposal, these translation differences are recognised in the pro forma income statements as part of the gain or loss on sale.

(c) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(d) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.



---

## PRO FORMA FINANCIAL STATEMENTS OF STRACO CORPORATION LTD AND ITS SUBSIDIARIES

---

### NOTES TO THE PRO FORMA FINANCIAL STATEMENTS

#### 4. Significant accounting policies (continued)

(e) Trade receivables

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the financial year end. Bad debts are written off when identified.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all costs in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business after allowing for the costs of realisation.

Provision is made where necessary for obsolete, slow-moving and defective inventories.

(g) Property, plant and equipment

All property, plant and equipment are initially recorded at cost and are subsequently stated at cost less accumulated depreciation.

When the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

Construction in progress represents costs incurred for development of theme park. No depreciation is charged on construction in progress until these assets are in use.

Depreciation is calculated on a straight-line basis to write off the cost of property, plant and equipment over their expected useful lives, after deducting residual value of 10%, where applicable. The estimated useful lives are as follows:

Leasehold land and buildings	20 to 50 years
Leasehold improvement	10 years
Cable car equipment	20 years
Office equipment, furniture and fittings	3 to 5 years
Motor vehicles	5 to 8 years
Machinery	10 to 20 years
Fishes and marine livestock	5 years

---

## PRO FORMA FINANCIAL STATEMENTS OF STRACO CORPORATION LTD AND ITS SUBSIDIARIES

---

### NOTES TO THE PRO FORMA FINANCIAL STATEMENTS

#### 4. Significant accounting policies (continued)

(h) Leases

*Operating leases*

Operating lease payments are charged to the pro forma income statements on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

*Finance leases*

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is taken to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under the finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

(i) Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events that it is probable an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(j) Employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

On behalf of all of its employees, the Group participates in employee social security benefit plans, including pension, medical, housing and other welfare benefits, organised by the government authorities. Except for the above social security benefits, the Group has no other material commitment of employee welfare benefits.

According to the relevant regulations, premium and welfare benefit contributions are remitted to the labour and social welfare authorities and are calculated based on percentages of the total salary of employees, subject to a certain ceiling. Contributions to the plans are charged to the income statement as incurred.

---

**PRO FORMA FINANCIAL STATEMENTS OF  
STRACO CORPORATION LTD AND ITS SUBSIDIARIES**

---

**NOTES TO THE PRO FORMA FINANCIAL STATEMENTS**

**5. Revenue**

	Financial year ended 31 December			Financial period ended
	2000	2001	2002	30 June
	\$	\$	\$	2003
				\$
Ticketing	970,656	892,187	25,452,043	6,156,041
Retail	–	–	1,899,329	328,016
Food and beverages	–	–	723,307	155,154
	970,656	892,187	28,074,679	6,639,211

**6. Operating (loss)/profit**

	Financial year ended 31 December			Financial period ended
	2000	2001	2002	30 June
	\$	\$	\$	2003
				\$
<i>Operating (loss)/profit is arrived at after:</i>				
<i>Charging:</i>				
Auditors' remuneration:				
– Auditors of the Company	–	–	1,800	4,000
– Other auditors	11,306	27,690	16,149	9,767
Depreciation of property, plant and equipment				
– Leasehold land and buildings	99,448	78,390	632,763	377,508
– Leasehold improvement	–	–	367,003	223,064
– Cable car equipment	358,376	215,209	197,649	102,578
– Office equipment, furniture and fittings	50,661	40,731	150,501	155,844
– Motor vehicles	22,510	29,761	46,946	17,528
– Machinery	–	–	1,494,986	917,397
– Fishes and marine livestock	–	–	500,884	393,484
Provision for doubtful receivables – trade	–	–	87,574	–
Provision for doubtful other receivables	403,601	125,000	250,000	125,000
Rental expense – operating leases	55,997	69,626	1,896,689	500,403
<i>And crediting:</i>				
Writeback of provision for doubtful other receivables	–	–	–	1,735,753

**PRO FORMA FINANCIAL STATEMENTS OF  
STRACO CORPORATION LTD AND ITS SUBSIDIARIES**

**NOTES TO THE PRO FORMA FINANCIAL STATEMENTS**

**7. Staff costs**

	<b>Financial year ended 31 December</b>			<b>Financial period ended 30 June 2003</b>
	<b>2000</b>	<b>2001</b>	<b>2002</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Wages and salaries	573,679	1,180,072	2,260,795	1,309,504
Employer's contribution to defined contribution plans including Central Provident Fund	98,255	125,986	595,408	278,572
	671,934	1,306,058	2,856,203	1,588,076
Number of employees at the end of the financial year/period	55	292	305	275

**8. Finance income/(costs) – net**

	<b>Financial year ended 31 December</b>			<b>Financial period ended 30 June 2003</b>
	<b>2000</b>	<b>2001</b>	<b>2002</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Interest income				
– Fixed deposits with financial institutions	670,321	147,607	122,250	76,632
– Cash at bank	–	27,351	234,968	62,414
Foreign exchange gain (net)	–	–	13,175	–
	670,321	174,958	370,393	139,046
Interest expense on balances with				
– Bank loans	62,334	130,409	2,573,192	1,106,860
– Shareholder's loans	87,005	74,225	57,889	26,652
Foreign exchange loss (net)	5,289	44,466	–	3,426
	154,628	249,100	2,631,081	1,136,938
Net	515,693	(74,142)	(2,260,688)	(997,892)

**PRO FORMA FINANCIAL STATEMENTS OF  
STRACO CORPORATION LTD AND ITS SUBSIDIARIES**

**NOTES TO THE PRO FORMA FINANCIAL STATEMENTS**

**9. Tax**

(a) Tax credit/(expense)

	<b>Financial year ended 31 December</b>			<b>Financial period ended 30 June 2003</b>
	<b>2000</b>	<b>2001</b>	<b>2002</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Tax credit/(expense) attributable to profit is made up of:				
Current income tax – PRC	–	–	(1,456,537)	–
Deferred tax – PRC	118,452	281,803	25,347	56,472
	<u>118,452</u>	<u>281,803</u>	<u>(1,431,190)</u>	<u>56,472</u>

The tax expense on results differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	<b>Financial year ended 31 December</b>			<b>Financial period ended 30 June 2003</b>
	<b>2000</b>	<b>2001</b>	<b>2002</b>	
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
(Loss)/profit before tax	(1,435,650)	(2,293,174)	9,506,180	911,527
Tax calculated at a tax rate of 25.5% for 2000, 24.5% for 2001 and 22% for 2002 and 2003	(366,091)	(561,828)	2,091,360	200,536
Effect of different tax rates in PRC	146,281	225,480	(674,936)	43,558
Deferred tax benefit not recognised	101,358	74,219	14,766	47,865
Utilisation of carried forward tax losses	–	(19,674)	–	(348,431)
	<u>(118,452)</u>	<u>(281,803)</u>	<u>1,431,190</u>	<u>(56,472)</u>

(b) Movements in provision for current tax/(prepaid tax)

	<b>At 31 December 2002</b>	<b>At 30 June 2003</b>
	<b>\$</b>	<b>\$</b>
At beginning of financial year/period	–	317,773
Income tax paid	(1,100,454)	(474,309)
Tax expense	1,456,537	–
Exchange differences	(38,310)	4,130
At end of financial year/period	<u>317,773</u>	<u>(152,406)</u>

---

**PRO FORMA FINANCIAL STATEMENTS OF  
STRACO CORPORATION LTD AND ITS SUBSIDIARIES**

---

**NOTES TO THE PRO FORMA FINANCIAL STATEMENTS**

**9. Tax (continued)**

(c) Deferred tax asset

Composition of deferred tax

	At 31 December 2002 \$	At 30 June 2003 \$
Temporary differences	415,608	477,783

(d) Movements in deferred tax asset

	At 31 December 2002 \$	At 30 June 2003 \$
At beginning of financial year/period	416,150	415,608
Tax charged to income statement	25,347	56,472
Exchange differences	(25,889)	5,703
At end of financial year/period	415,608	477,783

**10. (Loss)/earnings per share**

(Loss)/earnings per share for the financial years ended 31 December 2000, 2001 and 2002 and for the six-months period ended 30 June 2003 have been calculated based on the profit attributable to the shareholders of the Company and the pre-invitation share capital of the Company of 691,929,580 ordinary shares of \$0.05 each.

**11. Cash and cash equivalents**

	At 31 December 2002 \$	At 30 June 2003 \$
Cash at bank and on hand	10,388,361	9,372,252
Fixed deposits with financial institutions	6,939,699	6,848,137
	17,328,060	16,220,389

The fixed deposits with financial institutions mature on varying dates within 3 months from the financial year/period end. The interest rates on these deposits ranged from 0.73% to 2.25% per annum as at 31 December 2002 and were at 2.25% as at 30 June 2003.

---

**PRO FORMA FINANCIAL STATEMENTS OF  
STRACO CORPORATION LTD AND ITS SUBSIDIARIES**

---

**NOTES TO THE PRO FORMA FINANCIAL STATEMENTS**

**12. Receivables**

	At 31 December 2002 \$	At 30 June 2003 \$
Trade receivables	113,944	190,812
Less: Provision for doubtful receivables	(85,271)	(86,379)
	28,673	104,433

Movements in provision for doubtful receivables are as follows:

	At 31 December 2002 \$	At 30 June 2003 \$
At beginning of financial year/period	–	85,271
Provision made during financial year/period	87,574	–
Exchange differences	(2,303)	1,108
At end of financial year/period	85,271	86,379

**13. Other current assets**

	At 31 December 2002 \$	At 30 June 2003 \$
Amount due from a related party	3,931,090	4,464,577
Less: provision for doubtful receivables	(1,610,753)	–
	2,320,337	4,464,577
Deferred expenses	57,923	91,228
Other receivables	1,895,210	1,794,441
Prepayments	259,355	400,521
Prepaid tax (see note 9(b))	–	152,406
	4,532,825	6,903,173

Related party relates to a company in which certain shareholders have an interest. The amount due from a related party of \$4,464,577 at 30 June 2003 has been fully settled subsequent to 30 June 2003.

Movements in provision for doubtful receivables are as follows:

	At 31 December 2002 \$	At 30 June 2003 \$
At beginning of financial year/period	1,360,753	1,610,753
Provision made during financial year/period	250,000	125,000
Writeback of provision	–	(1,735,753)
At end of financial year/period	1,610,753	–



**PRO FORMA FINANCIAL STATEMENTS OF  
STRACO CORPORATION LTD AND ITS SUBSIDIARIES**

**NOTES TO THE PRO FORMA FINANCIAL STATEMENTS**

**14. Property, plant and equipment**

	Leasehold land and buildings \$	Leasehold improvement \$	Cable car equipment \$	Office equipment, furniture and fittings \$	Motor vehicles \$	Machinery \$	Fishes and marine livestock \$	Construction in progress \$	Total \$
<i>Cost</i>									
At 1 January 2002	2,066,338	–	5,195,362	471,070	346,117	–	–	77,339,940	85,418,827
Exchange differences	(125,240)	–	(314,889)	(20,880)	(20,978)	–	–	(4,833,016)	(5,315,003)
Additions	–	–	–	813,723	–	–	–	1,871,609	2,685,332
Transfers	23,777,864	4,404,032	–	671,716	–	39,737,105	3,862,737	(72,453,454)	–
Disposals	–	–	–	(12,669)	–	–	–	–	(12,669)
At 31 December 2002	25,718,962	4,404,032	4,880,473	1,922,960	325,139	39,737,105	3,862,737	1,925,079	82,776,487
<i>Accumulated depreciation</i>									
At 1 January 2002	774,467	–	4,286,789	276,397	105,024	–	–	–	5,442,677
Exchange differences	(46,940)	–	(259,821)	(10,100)	(6,366)	–	–	–	(323,227)
Depreciation charge	632,763	367,003	197,649	150,501	46,946	1,494,986	500,884	–	3,390,732
Disposals	–	–	–	(11,464)	–	–	–	–	(11,464)
At 31 December 2002	1,360,290	367,003	4,224,617	405,334	145,604	1,494,986	500,884	–	8,498,718
<i>Net book value</i>									
At 31 December 2002	24,358,672	4,037,029	655,856	1,517,626	179,535	38,242,119	3,361,853	1,925,079	74,277,769

**PRO FORMA FINANCIAL STATEMENTS OF  
STRACO CORPORATION LTD AND ITS SUBSIDIARIES**

**NOTES TO THE PRO FORMA FINANCIAL STATEMENTS**

**14. Property, plant and equipment (continued)**

	Leasehold land and buildings \$	Leasehold improvement \$	Cable car equipment \$	Office equipment, furniture and fittings \$	Motor vehicles \$	Machinery \$	Fishes and marine livestock \$	Construction in progress \$	Total \$
<i>Cost</i>									
At 1 January 2003	25,718,962	4,404,032	4,880,473	1,922,960	325,139	39,737,105	3,862,737	1,925,079	82,776,487
Exchange differences	366,157	57,246	63,439	23,304	4,226	516,527	50,210	25,023	1,106,132
Additions	—	—	—	66,022	—	386,754	80,306	23,758	556,840
Adjustment arising from the restructuring exercise (see note (a))	2,450,000	—	—	—	—	—	—	—	2,450,000
At 30 June 2003	28,535,119	4,461,278	4,943,912	2,012,286	329,365	40,640,386	3,993,253	1,973,860	86,889,459
<i>Accumulated depreciation</i>									
At 1 January 2003	1,360,290	367,003	4,224,617	405,334	145,604	1,494,986	500,884	—	8,498,718
Exchange differences	18,876	4,770	54,914	3,717	1,892	19,433	6,511	—	110,113
Depreciation charge	377,508	223,064	102,578	155,844	17,528	917,397	393,484	—	2,187,403
Adjustment arising from the restructuring exercise (see note (a))	147,000	—	—	—	—	—	—	—	147,000
At 30 June 2003	1,903,674	594,837	4,382,109	564,895	165,024	2,431,816	900,879	—	10,943,234
<i>Net book value</i>									
At 30 June 2003	26,631,445	3,866,441	561,803	1,447,391	164,341	38,208,570	3,092,374	1,973,860	75,946,225

(a) The net amount of \$2,303,000 is adjusted against retained profits (see note 3(a)(iii)).

---

**PRO FORMA FINANCIAL STATEMENTS OF  
STRACO CORPORATION LTD AND ITS SUBSIDIARIES**

---

**NOTES TO THE PRO FORMA FINANCIAL STATEMENTS**

**15. Accrued expenses and other payables**

	At 31 December 2002 \$	At 30 June 2003 \$
Accrued expenses	677,961	462,343
Salaries payable	179,599	113,937
Other payables	382,229	724,015
	1,239,789	1,300,295

**16. Borrowings**

	At 31 December 2002 \$	At 30 June 2003 \$
<i>Current</i>		
Advances from shareholders [note (a)]	2,308,170	2,309,256
Shareholder's loans [notes (b) and (e)]	1,039,678	—
Bank loans [note (c)]	8,376,280	—
Shareholders' loans [note (e)]	—	5,000,000
	11,724,128	7,309,256
<i>Non-current</i>		
Bank loans [note (c)]	30,573,422	39,455,994
Shareholders' loans [notes (d) and (e)]	10,400,765	6,589,580
	40,974,187	46,045,574
<b>Total borrowings</b>	52,698,315	53,354,830

- (a) Advances from shareholders are unsecured, interest free and have no fixed term of repayment. As there is no fixed term of repayment, the fair value of the advances from shareholders cannot be reliably determined.
- (b) The shareholder loans are unsecured, carry interest at 5.06% per annum for 2002 and June 2003 and have no fixed term of repayment. As there is no fixed term of repayment, the fair value of the shareholder loans cannot be reliably determined (see note 16(e) below for repayment terms pursuant to the restructuring exercise).

---

**PRO FORMA FINANCIAL STATEMENTS OF  
STRACO CORPORATION LTD AND ITS SUBSIDIARIES**

---

**NOTES TO THE PRO FORMA FINANCIAL STATEMENTS**

**16. Borrowings (continued)**

- (c) Bank loans are secured against assets of a subsidiary of the Group. Interest on these loans are charged at 5.58% per annum for 2002 and June 2003.

These loans at 31 December 2002 are repayable as follows:

	<b>RMB</b>	<b>At 31 December 2002 \$</b>
Repayable in:		
2003	40,000,000	8,376,280
2004	80,000,000	16,752,560
2005	66,000,000	13,820,862
Total	186,000,000	38,949,702

The repayment terms of these bank loans were revised since 31 December 2002 and the loans as at 30 June 2003 are to be repaid as follows:

	<b>RMB</b>	<b>At 30 June 2003 \$</b>
Repayable in:		
2004/2005	80,000,000	16,970,320
2005/2006	106,000,000	22,485,674
Total	186,000,000	39,455,994

- (d) The shareholders loans are unsecured, interest free and repayable by quarterly instalment of US\$500,000 each (equivalent to \$866,730) with effect from 2006.

	<b>USD</b>	<b>At 31 December 2002 \$</b>
Repayable in:		
2006	2,000,000	3,466,922
2007	2,000,000	3,466,922
2008	2,000,000	3,466,921
Total	6,000,000	10,400,765

Please refer to note 16(e) below for repayment terms pursuant to the restructuring exercise.

---

**PRO FORMA FINANCIAL STATEMENTS OF  
STRACO CORPORATION LTD AND ITS SUBSIDIARIES**

---

**NOTES TO THE PRO FORMA FINANCIAL STATEMENTS**

**16. Borrowings (continued)**

- (e) In connection with the restructuring exercise as set out on pages 42 and 43 of the prospectus, the following shareholders' loans granted to the subsidiaries were assigned to the Company and these loans are unsecured, interest free and have no fixed repayment terms but are repayable within two years from the date of restructuring on 18 July 2003.

	<b>USD</b>	<b>At 30 June 2003 \$</b>
(i) Loans granted to SOACL	3,900,000	6,848,652
(ii) Loan granted to LLC	605,856	1,053,193
Total	4,505,856	7,901,845

In addition to the above loans, an amount of US\$2,100,000 (equivalent to \$3,687,735) granted to SOACL by a shareholder is repayable by quarterly instalment of US\$175,000 each (equivalent to \$307,311) with effect from 2006. This loan is unsecured and interest free.

It is intended that \$5,000,000 of the proceeds from the initial public offering of the Company will be used to repay partially the shareholders' loans, and it is anticipated that this will occur in the first half of 2004. Hence, an amount of \$5,000,000 is included as current liability accordingly.

Therefore, the shareholders' loans as at 30 June 2003 are repayable as follows:

	<b>USD</b>	<b>At 30 June 2003 \$</b>
Repayable in:		
2003/2004	2,847,276	5,000,000
2004/2005	1,658,580	2,901,845
2005/2006	350,000	614,623
2006/2007	700,000	1,229,245
2007/2008	700,000	1,229,245
2008/2009	350,000	614,622
Total	6,605,856	11,589,580

---

**PRO FORMA FINANCIAL STATEMENTS OF  
STRACO CORPORATION LTD AND ITS SUBSIDIARIES**

---

**NOTES TO THE PRO FORMA FINANCIAL STATEMENTS**

**16. Borrowings (continued)**

(f) Interest rates

The interest rates at the balance sheet dates are as follows:

	<b>At 31 December 2002 \$</b>	<b>At 30 June 2003 \$</b>
Advances from shareholders	Interest free	Interest free
Shareholder's loans [see note 16(b)]	5.06%	5.06%
Shareholders' loans [see note 16(d)]	Interest free	Interest free
Bank loans	5.58%	5.02% - 5.58%

The borrowings of the Group are at fixed interest rates and changes to interest rates are subject to the prevailing market conditions.

(g) Carrying amounts and fair values

The carrying amounts and fair values of certain borrowings are as follows:

	<b>At 31 December 2002</b>		<b>At 30 June 2003</b>	
	<u>Carrying amounts</u> \$	<u>Fair values</u> \$	<u>Carrying amounts</u> \$	<u>Fair values</u> \$
Bank loans	38,949,702	42,055,745	39,455,994	44,332,884
Shareholders' loans [see note 16(d)]	10,400,765	9,789,293	3,687,735	3,494,857

(h) Maturity of borrowings

Maturity of borrowings is as follows:

	<b>At 31 December 2002 \$</b>	<b>At 30 June 2003 \$</b>
No fixed maturity dates	3,347,848	2,309,256
Within 12 months	8,376,280	5,000,000
Between 2 and 5 years	37,507,266	45,430,952
Over 5 years	3,466,921	614,622
	52,698,315	53,354,830

---

# PRO FORMA FINANCIAL STATEMENTS OF STRACO CORPORATION LTD AND ITS SUBSIDIARIES

---

## NOTES TO THE PRO FORMA FINANCIAL STATEMENTS

### 17. Segment information

(a) Business segment

The Group is engaged in only one business segment, the development and operation of aquatic-related, cable car and leisure-related facilities. Retail, food and beverage are auxiliary goods and services arising from the operations of the above facilities.

(b) Geographical segment

The assets and operations of the Group are primarily located in the PRC.

### 18. Related party transactions

The following transactions took place between the Group and related parties:

	Financial year ended 31 December			Financial period ended
	2000	2001	2002	30 June 2003
	\$	\$	\$	\$
Artificial sea salt/diving equipment	—	397,570	58,143	46,608
Management fees	250,000	250,000	250,000	187,500
Cash advances	73,445	—	—	20,964
Loans	—	—	483,770	212,134

### 19. Commitments

(a) Operating lease commitments

The future aggregate lease payments under operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

- (i) A subsidiary, SOACL, has entered into an agreement to acquire a land use right for a period of 40 years from 18 November 1997 to 17 November 2037. Rental at 6.5% of its total revenue is payable annually.
- (ii) A subsidiary, IDM has a lease commitment in respect of its premises and the minimum lease payment is as follows:

	At 31 December 2002 \$	At 30 June 2003 \$
Within 12 months	42,098	21,049



---

## PRO FORMA FINANCIAL STATEMENTS OF STRACO CORPORATION LTD AND ITS SUBSIDIARIES

---

### NOTES TO THE PRO FORMA FINANCIAL STATEMENTS

#### 19. Commitments (continued)

(b) Capital commitment

Capital expenditure contracted for at 30 June 2003 but not recognised in the financial statements is as follows:

	At 31 December 2002 \$	At 30 June 2003 \$
Property, plant and equipment	—	1,697,032

#### 20. Financial risk management

*Financial risk factors*

The Group's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates.

(i) *Foreign exchange risk*

The Group primarily operates in PRC and is exposed to foreign exchange risk arising primarily with respect to Renminbi and United States Dollar. Exposure to currency risk is monitored on an ongoing basis and the Group endeavours to keep the net exposure at an acceptable level.

(ii) *Interest rate risk*

The Group's income and cash flows are exposed to changes in market interest rates.

Interest bearing assets comprise mainly short term fixed deposits and interest income derived from these short term assets are subjected to changes in market interest rates.

The Group's borrowings are at fixed rates so as to minimise exposure to changes in market interest rates.

(iii) *Credit risk*

The Group has no significant concentration of credit risk.

(iv) *Liquidity risk*

The Group places its surplus cash in short term fixed deposits for liquidity purposes.

#### 21. Subsequent events

Except for the events disclosed in note 1(b) of the pro forma financial statements, no item, transaction or event of a material and unusual nature has arisen in the interval between 30 June 2003 and the date of the report on examination of the pro forma financial statements of the Group.

---

## PRO FORMA FINANCIAL STATEMENTS OF STRACO CORPORATION LTD AND ITS SUBSIDIARIES

---

### NOTES TO THE PRO FORMA FINANCIAL STATEMENTS

**22. Dividends**

The Company has not declared any dividend since its incorporation on 25 April 2002.

**23. Fair values of financial assets and financial liabilities**

Except as disclosed in the notes of the financial statements, the carrying amounts of the financial assets and financial liabilities approximate to their fair values.

**24. Authorisation of pro forma financial statements**

The pro forma financial statements of the Group for the financial years ended 31 December 2000, 2001 and 2002 and for the six months period ended 30 June 2003 were authorised for issue by the Board of Directors on 31 October 2003.

---

## **APPENDIX VI VALUATION REPORTS**

---

### **The Shanghai Ocean Aquarium Co., Ltd Summary of Visitor Arrivals and Sales of Tickets, Retail and F&B**

5 November 2003

The Board of Directors  
Straco Corporation Private Limited  
10 Anson Road  
#30-15 International Plaza  
Singapore 079903

Dear Sirs,

#### **1. INTRODUCTION**

This report has been prepared for inclusion in the prospectus (the "Prospectus") in connection with the invitation by Straco Corporation Pte. Ltd. (the "Company") to subscribe for 220,250,000 shares of \$0.05 each (i.e. "Shares") in the issue and paid-up share capital of the Company comprising 177,000,000 new Shares and 43,250,000 Vendor Shares by way of public offer and placement.

Chesterton International Property Consultants Pte. Ltd. ("CI" or the "Consultant") has been commissioned to conduct a study on visitor arrivals (the "Study") for the Shanghai Ocean Aquarium ("SOA"), located at Lujiazui, Pudong New Area, Shanghai, People's Republic of China ("PRC") which is currently operated by Shanghai Ocean Aquarium Co., Ltd ("SOACL"), and hence forecast the ticket, retail and food and beverage sales derived from SOA. A fair summary of the findings conducted is presented herein.

#### **2. OBJECTIVES**

The objectives of the Study are to provide the Company an independent assessment of the visitor arrivals and hence the future revenue projected for the SOACL, primarily from sales of entrance tickets, retail and food and beverage items.

The scope of work includes information collection, visitor arrival analysis and future visitor arrivals and revenue projection. Major activities include :-

- Reviewing any available planning and feasibility reports related to the SOA;
- Collecting socio-economic data of the study area, i.e. Shanghai City and its peripheral areas;
- Collecting visitor arrival and revenue data related to the project;
- Interviewing the operators of the project;
- Formulating visitor arrival demand and forecast methodology for SOA;
- Preparing visitor arrival and revenue forecasts for SOA.

#### **3. VISITOR ARRIVALS FORECASTING METHODOLOGY**

From our analysis, visitor arrivals to the SOA is a function of :-

- number of visitors to Shanghai City and
- number of local residents (Shanghai city and peripheral)

Hence, economic growth in Shanghai City, growth in visitor arrivals to Shanghai and physical condition of the SOA and its capacity, influence the number of visitor arrivals to it.

To offer a better picture of the various possible outcomes in the future, the visitor arrival forecasts are presented under three scenarios in the following section : optimistic, probable and conservative scenarios.

## APPENDIX VI VALUATION REPORTS

### 4. PRINCIPAL MODEL /ANALYTICAL ASSUMPTIONS

The assumptions adopted in the visitor arrivals forecasting are as follows :-

- Use of GDP as prime indicator to determine future visitor arrivals. Past studies conducted in other areas of PRC have indicated that GDP growth is comparable to and correlated with growth in travel demand.
- The most current visitor arrival composition to the existing operational SOA, is assumed to be applicable to the projections.

The following tables summarizes the type of visitor mix and actual number of visitors in each category, month on month from 7 February 2002 to 30 September 2003 :-

#### **Actual Visitor Arrivals from 7 Feb 2002 to 31 Dec 2002 and Category of Visitors**

Period	Tourism Individuals	Corporate Group	Student Group	Group	Total
7 – 28 Feb 02	138,824	1,713	28,315	958	169,810
Mar	74,491	28,987	42,566	56,464	202,508
Apr	43,967	35,390	21,423	114,703	215,483
May	104,318	14,037	16,200	20,109	154,664
June	47,438	8,251	7,183	14,935	77,807
July	92,762	5,501	8,575	7,729	114,567
August	115,179	5,048	8,759	2,958	131,944
Sept	36,834	4,820	24,916	4,414	70,984
Oct	91,153	22,237	2,955	15,180	131,525
Nov	34,384	6,529	6,122	31,179	78,214
Dec	25,209	2,444	8,157	1,861	37,671
<b>Sub-total (Year 2002)</b>	<b>804,559</b>	<b>134,957</b>	<b>175,171</b>	<b>270,490</b>	<b>1,385,177</b>

#### **Actual Visitor Arrivals from 1 Jan 2003 to 30 Sep 2003 and Category of Visitors**

Period	Tourism Individuals	Corporate Group	Student Group	Group	Total
Jan	28,712	2,227	9,413	5,024	45,376
Feb	71,507	5,274	3,048	37	79,866
Mar	34,127	12,486	8,761	17,803	73,177
Apr	22,113	7,810	10,713	19,394	60,030
May	22,967	3,208	1,932	0	28,107
June	72,128	23,598	20,315	897	116,938
July	167,552	27,455	17,988	3,326	216,321
August	114,014	16,354	10,951	1,310	142,629
September	42,126	5,855	15,854	7,512	71,347
<b>Totals</b>	<b>575,246</b>	<b>104,267</b>	<b>98,975</b>	<b>55,303</b>	<b>833,791</b>

## APPENDIX VI VALUATION REPORTS

Our forecasts are consistent with the trends of existing regional economic policies in the PRC, the provincial development master plans and local government policies.

Based on our professional judgement, the estimated facility-based capacity for the SOA is as follows :-

<b>Maximum Daily Facility Capacity</b>	<b>Annualized Maximum Capacity</b>	<i>Average Daily Capacity</i> <b>(1 Jan 2003 to 30 Sep 2003)</b>	<b>Annualized Actual Capacity</b>	<b>Percentage</b>
21,000*	7,665,000	3,054	1,114,710	14.54%

\* The design capacity is maximum 2100 pax/hour, SOA operates 10 hours/day.

We do not foresee the possibility of “overcrowding” of the facilities during the period of our projections until Year 2012.

### 5. SUMMARY OF VISITOR ARRIVAL PROJECTIONS

A summary of the projected annual visitor arrivals are presented under three scenarios, i.e. Optimistic, Probable and Conservative scenarios, in the following tables:-

#### Optimistic Scenario :

<b>Period</b>	<b>Individuals</b>	<b>Tourism Group</b>	<b>Corporate Group</b>	<b>Student Group</b>	<b>Total No. of Visitors</b>
Actual 2002 (7 Feb to 31 Dec)	804,559	134,957	175,171	270,490	1,385,177
* 2003 Actual & Projected	760,664	142,655	120,173	114,614	1,138,105
2004 Projected	1,204,739	202,083	262,299	405,029	2,074,151
2005 Projected	1,258,952	211,177	274,103	423,255	2,167,487
2006 Projected	1,315,605	220,680	286,437	442,302	2,265,024
2007 Projected	1,374,807	230,611	299,327	462,205	2,366,950
2008 Projected	1,436,673	240,988	312,797	483,005	2,473,463
2009 Projected	1,501,324	251,833	326,873	504,740	2,584,769
2010 Projected	1,568,883	263,165	341,582	527,453	2,701,084
2011 Projected	1,639,483	275,007	356,953	551,189	2,822,632
2012 Projected	1,713,260	287,383	373,016	575,992	2,949,651

\* Actual data from January to Sept 2003 only, the rest of the months are projected data

## APPENDIX VI VALUATION REPORTS

### Probable Scenario :

Period	Individuals	Tourism Group	Corporate Group	Student Group	Total No. of Visitors
Actual 2002 (7 Feb to 31 Dec)	804,559	134,957	175,171	270,490	1,385,177
* 2003 Actual & Projected	758,402	142,187	119,914	113,890	1,134,394
2004 Projected	1,184,057	198,614	257,796	398,076	2,038,543
2005 Projected	1,231,419	206,559	268,108	413,999	2,120,085
2006 Projected	1,280,676	214,821	278,833	430,559	2,204,889
2007 Projected	1,331,903	223,414	289,986	447,781	2,293,084
2008 Projected	1,385,179	232,350	301,585	465,693	2,384,808
2009 Projected	1,440,586	241,644	313,649	484,320	2,480,200
2010 Projected	1,498,210	251,310	326,195	503,693	2,579,408
2011 Projected	1,558,138	261,363	339,243	523,841	2,682,584
2012 Projected	1,620,464	271,817	352,812	544,794	2,789,887

\* Actual data from January to Sept 2003 only, the rest of the months are projected data

### Conservative Scenario :

Period	Individuals	Tourism Group	Corporate Group	Student Group	Total No. of Visitors
Actual 2002 (7 Feb to 31 Dec)	804,559	134,957	175,171	270,490	1,385,177
* 2003 Actual & Projected	756,141	141,719	119,656	113,167	1,130,683
2004 Projected	1,163,554	195,175	253,333	391,183	2,003,245
2005 Projected	1,204,279	202,006	262,199	404,874	2,073,358
2006 Projected	1,246,428	209,076	271,376	419,045	2,145,926
2007 Projected	1,290,053	216,394	280,874	433,712	2,221,033
2008 Projected	1,335,205	223,968	290,705	448,891	2,298,769
2009 Projected	1,381,937	231,807	300,880	464,603	2,379,226
2010 Projected	1,430,305	239,920	311,410	480,864	2,462,499
2011 Projected	1,480,366	248,317	322,310	497,694	2,548,687
2012 Projected	1,532,179	257,008	333,591	515,113	2,637,891

\* Actual data from January to Sept 2003 only, the rest of the months are projected data

---

## APPENDIX VI VALUATION REPORTS

---

### 6. TICKET PRICE STRUCTURE

During the Study, we have reviewed the existing and proposed ticket price structures as supplied to us by the SOACL.

In comparison with other similar international tourist class destinations and facilities within Shanghai City such as the Oriental Pearl TV Tower (Adult ticket : Rmb100, Children : Rmb50) and the Changfeng Aquarium (Adult ticket : Rmb80, Children : Rmb60), the existing and proposed ticket price structures of SOA seem to be reasonable. The ticket prices are permitted to increase at the following rates, subject to final approval from the Municipal Price Administration Bureau.

**Existing and proposed ticket price structures are presented below:-**

Year	Adult Rates (Rmb per head)	Children Rates (Rmb per head)
2002	110	70
2003	110 *	70
2004	110	70
2005	120	80
2006	130	85
2007	130	85
2008	140	90
2009	140	90
2010	150	95
2011	150	95
2012	150	95

*\* Rmb 120 was approved by Municipal Price Administration Bureau on 7 April 2003, but SOA will not increase the price until 2005.*

The amount of adjustments in ticket prices will usually be based on the rate of inflation with additional considerations with respect to the operator's obligations and the affordability of the visitors.

### 7. ESTIMATION OF REVENUE

A summary of the projected annual revenue from ticket sales and retail and food and beverage sales for the SOA are presented under three scenarios, i.e. Optimistic, Probable and Conservative scenarios are tabulated in the following tables.

The projected annual revenue for ticket sales are based on projected visitor arrivals multiply by the effective ticket prices. The projected revenue from retail and food and beverage is derived from historical (actual) average revenue data and compounded on an annual growth rate.



## APPENDIX VI VALUATION REPORTS

### Optimistic Scenario :

Year	Total No. of visitors	Total Ticket Sales (Rmb)	Total Retail and F&B Sales (Rmb)
Actual 2002 (7 Feb to 31 Dec)	1,385,177	114,975,848	12,194,694
* 2003 Actual & Projected	1,138,105	80,507,733	11,137,213
2004 Projected	2,074,151	172,163,713	22,732,770
2005 Projected	2,167,487	182,122,223	26,606,434
2006 Projected	2,265,024	222,809,960	31,140,170
2007 Projected	2,366,950	232,836,408	36,446,455
2008 Projected	2,473,463	261,658,969	42,656,931
2009 Projected	2,584,769	273,433,623	49,925,673
2010 Projected	2,701,084	305,771,250	58,433,007
2011 Projected	2,822,632	319,530,957	68,389,992
2012 Projected	2,949,651	333,909,850	80,043,646

\* Actual data from January to Sep 2003 only, the rest of the months are projected data

### Probable Scenario :

Year	Total No. of visitors	Total Ticket Sales (Rmb)	Total Retail and F&B Sales (Rmb)
Actual 2002 (7 Feb to 31 Dec)	1,385,177	114,975,848	12,194,694
* 2003 Actual & Projected	1,134,394	80,204,833	11,105,398
2004 Projected	2,038,543	169,208,168	22,152,008
2005 Projected	2,120,085	178,139,281	25,572,277
2006 Projected	2,204,889	216,894,430	29,520,637
2007 Projected	2,293,084	225,570,208	34,078,623
2008 Projected	2,384,808	252,280,407	39,340,363
2009 Projected	2,480,200	262,371,624	45,414,515
2010 Projected	2,579,408	291,997,171	52,426,516
2011 Projected	2,682,584	303,677,058	60,521,170
2012 Projected	2,789,887	315,824,141	69,865,639

\* Actual data from January to Sep 2003 only, the rest of the months are projected data

---

## APPENDIX VI VALUATION REPORTS

---

### Conservative Scenario :

Year	Total No. of visitors	Total Ticket Sales (Rmb)	Total Retail and F&B Sales (Rmb)
Actual 2002 (7 Feb to 31 Dec)	1,385,177	114,975,848	12,194,694
* 2003 Actual & Projected	1,130,683	79,901,934	11,073,583
2004 Projected	2,003,245	166,278,212	21,581,120
2005 Projected	2,073,358	174,213,067	24,570,105
2006 Projected	2,145,926	211,094,269	27,973,064
2007 Projected	2,221,033	218,482,568	31,847,334
2008 Projected	2,298,769	243,178,731	36,258,190
2009 Projected	2,379,226	251,689,987	41,279,949
2010 Projected	2,462,499	278,762,743	46,997,222
2011 Projected	2,548,687	288,519,439	53,506,337
2012 Projected	2,637,891	298,617,619	60,916,965

*\* Actual data from January to Sep 2003 only, the rest of the months are projected data*

### 8. CONCLUSION

We conclude that the visitor arrivals and revenue forecasts on ticket sales developed from the above methodology and on the above assumptions are in line with common professional practice and meet the objectives of the agreed scope of work with the Company. Full details of the Study and data is available for inspection in connection with the initial public offering of the Company.

Yours faithfully,

For and on behalf of

CHESTERTON INTERNATIONAL PROPERTY CONSULTANTS PTE LTD

**CHNG SHIH HIAN**  
EXECUTIVE DIRECTOR

**JACKY CHAN**  
EXECUTIVE DIRECTOR

---

## **APPENDIX VI VALUATION REPORTS**

---

### **VALUATION REPORT**

5 November 2003

The Board of Directors  
Straco Corporation Private Limited  
10 Anson Road  
#30-15 International Plaza  
Singapore 079903

Dear Sirs

#### **1. INTRODUCTION**

This report has been prepared for the inclusion in the prospectus (the “Prospectus”) in connection with the invitation by Straco Corporation Pte. Ltd. (the “Company”) to subscribe for 220,250,000 shares of \$0.05 each (the “Shares”) in the issued and paid-up share capital of the Company comprising 177,000,000 new Shares and 43,250,000 Vendor Shares by way of public offer and placement.

In accordance with the instructions of the Company, we have conducted an enterprise valuation of the Shanghai Ocean Aquarium Co., Ltd (“SOACL”), located at Lujiazui, Pudong New Area, Shanghai, People’s Republic of China (PRC), which is currently owning and operating Shanghai Ocean Aquarium (“SOA”).

We confirm that we have carried out inspections of the site, made several enquiries and obtained such further information as we considered necessary for the purpose of preparing the valuation report, a summary of which is presented herein. The relevant date of our valuation is 5 November 2003 (referred to as the “valuation date”).

#### **2. SCOPE OF THE STUDY**

The major items of work accomplished for this valuation are as follows :-

- a. Review the available planning and feasibility study information related to the SOA;
- b. Collected socio-economic data of the subject location, namely, Shanghai, and its surrounding areas (referred to as the “Study Area”);
- c. Conducted site visits to investigate various systems adopted or that will be adopted by the SOACL in the operations of the SOA;
- d. Interviewed local authorities to understand the tourism industry and development plans of the Study Area;
- e. Collected historical tourism data relevant to the SOA;
- f. Conducted visitor arrival analysis in relation to the operations of the SOA and hence projections are made for future visitor arrivals and revenue projections;
- g. Value the land use and development rights of the land cum building of the SOA.

It should be noted that this valuation is based partly on such information as project design and implementation, ticket rates policy, operation system, construction costs and schedule, taxation policy, joint venture conditions and projected future visitor arrivals and visitor spendings that are believed to be reliable.

---

## APPENDIX VI

### VALUATION REPORTS

---

The techniques adopted in this valuation are consistent with the current practices for projects of this nature and in the PRC. The final analysis presents an independent assessment based on our best professional judgement and experience predicated on all relevant references and resources.

### 3. BASIS OF VALUATION AND ASSUMPTIONS

We have valued the SOACL on the basis of fair market value in continued use on the assumption that the interest in the SOACL can be freely transferred in the market. Fair market value is defined as the estimated amount at which the interest might be expected to exchange between a willing buyer and willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts, with equity to both and with the buyer and the seller contemplating the retention of the interest for continuation of the SOA's current operations and use.

Continued use assumes the operation of the SOA will continue for the whole of the operation period so granted by the PRC Government.

Our investigation included inspections of the SOACL, discussions with members of the management in relation to the history and nature of its operations and prospects which are tourism in nature, review of the visitor arrivals and other relevant documents. Before arriving at our opinion of value, we have considered the following principal factors :-

- the economic outlook in general and in the concerned area and the specific economic and competitive elements affecting the business;
- visitor arrivals forecast for the SOA;
- the ticket rates forecasts and revenue forecasts from retail, food and beverage and from other revenue sources;
- existing and projected operating costs;
- the nature and history of the business operations of the Company;
- the financial condition of the SOACL;
- the proposed loan arrangement and projected capital commitment for the SOACL;
- the financial and business risk of the SOACL.
- required rate of return for the SOACL undertaken by the Company;
- the tax concession plan granted to the SOACL by the PRC Government on the sales revenue and net profit obtained from the SOACL;

Owing to the dynamic environment in which the SOA is operating, a number of assumptions have to be established in order to sufficiently support our concluded valuation. The major assumptions adopted in this valuation are as follows :-

- there will be no major change in the existing political, legal and economic conditions in the PRC in which the SOA is located;
- there will be no major changes in the current taxation law in the PRC, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- the interest rates will not differ materially from those presently prevailing;
- annual inflation rates adopted in our cashflow analysis in relation to the operating costs and expenses of the SOACL are as follows :

<b>Inflation Rates</b>	<b>% p.a.</b>
Fixed Operating Costs	3.0%
Staff Salaries and Wages	8.0%

---

## APPENDIX VI VALUATION REPORTS

---

- the SOACL shall have uninterrupted rights to operate and receive revenue from the SOA during the agreed lease period as stated in the respective lease agreements;
- the SOA's facility capacity is more than adequate to cope with peak period visitor traffic and we do not foresee the possibility of overcrowding;
- for the years 2003, 2004 and 2005, tax rebates are granted on the basis of 1.5% of previous year's ticket sales, 2.0% of previous year's retail value-added, 2.5% of previous years' food and beverage revenue and 3.5% of previous year's profit before company taxation.
- these rebates are added onto the current year's profit before company taxation which attract a company tax rate of 15% p.a.
- annual depreciation of the fixed assets of SOACL for the purpose of profit tax purpose is calculated by depreciating the building over 30 years, the M&E over 20 years, vehicles over 8 years and equipment over 5 years.
- annual depreciation of the pre-incorporation expenses of SOACL for the purpose of profit tax purpose is calculated by amortization over a period of 6 years.
- the SOACL has taken a bank loan amounting Rmb226 Million and shall be repaid by year-end 2005. An interest rate of 5.58% per annum on outstanding balance shall be charged for the loan amount before June 2003 and then after, at interest rate of 5.022% per annum on bank loan of Rmb 98 million, (of which Rmb 40 million was repaid in Nov 2002), and interest rate of 5.58% per annum on bank loan of Rmb 128 million. It is assumed that all the interests of the SOACL are free from encumbrances, restrictions and outgoing of an onerous nature which could affect its value;
- we have relied to a considerable extent on the information in relation to the design and construction of the SOA, historical visitor arrivals, taxation policies and other relevant factual information of the SOA;
- we have no reason to doubt the truth and accuracy of the information provided to us by the SOACL. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

#### 4. VALUATION METHODOLOGY

In the course of our valuation, we have considered different valuation methods such as the direct comparison method and discounted cash flow method to determine the fair market value of the SOACL.

Firstly, the basis of direct comparison method seeks by comparing and adopting a yardstick of recent transactions and sales evidence involving other similar interests in the vicinity. This method of valuation cannot apply in the present case as we are not aware of any sales from which a comparison may be drawn.

Secondly, the discounted cashflow method involves the discounting of all future income and expenditure at an appropriate discount rate to determine its present value. This method can readily be used to allow for inflation, taxation and frequency in the amount of income and expenditure as may be required. The main concept behind this method is that income receivable in the future is worth less than income receivable immediately by the amount of interest that could be earned on the latter.

Commonly, the appropriate discount rate adopted is the rate of interest payable on the money to be borrowed for investment, representing cost of capital. However, alternative choices may be the rate of return required by the investor (target rate) or the rate of interest the investor could earn on similar investment taking into account relevant risk factor.

---

## APPENDIX VI VALUATION REPORTS

---

After analysing the information available, it is our opinion that the discounted cash flow method is the most appropriate valuation method to determine the fair market value of the SOACL owned by the Company, because it allows for the consideration of a more comprehensive range of variables. The discount rate adopted in our valuation is 12.0 % per annum which has taken into consideration the appropriate business risks of the SOA-type tourism project of this nature in the PRC.

### 5. CONCLUSION OF VALUE

Based on the investigation and analysis outlined above and on the valuation method employed, it is our opinion that, as at 5 November 2003, the fair market value of the SOACL under the three scenarios outlined are as follows :-

- |                       |   |                                                                                                        |
|-----------------------|---|--------------------------------------------------------------------------------------------------------|
| Optimistic Scenario   | – | S\$300.8 Million (Singapore Dollars Three Hundred Million and Eight Hundred Thousand Only)             |
| Probable Scenario     | – | S\$280.7 Million (Singapore Dollars Two Hundred and Eighty Million and Seven Hundred Thousand Only)    |
| Conservative Scenario | – | S\$261.7 Million (Singapore Dollars Two Hundred and Sixty One Million and Seven Hundred Thousand Only) |

The conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can easily be quantified or ascertained.

We have not investigated the title to the projects or any liabilities against the SOACL. We hereby certify that we have neither a present nor a prospective interest in the SOACL or the value reported.

Summary of valuation and valuation certificate are attached herewith.

Yours faithfully,  
For and on behalf of  
CHESTERTON INTERNATIONAL PROPERTY CONSULTANTS PTE LTD

**CHNG SHIH HIAN**  
**EXECUTIVE DIRECTOR**

**JACKY CHAN**  
**EXECUTIVE DIRECTOR**

## APPENDIX VI VALUATION REPORTS

### VALUATION CERTIFICATE

Business Enterprise	Property Description	Fair Market Value as at 5 November 2003 attributable by the SOACL
Shanghai Ocean Aquarium Co., Ltd (holding interest in the operating rights of SOA)	<p>Shanghai Ocean Aquarium is located at Lujiazui, Pudong New Area, Shanghai. Its site area is 12,094 sq metres, with a legal lot number of B5-4. The site carries a 40 years leasehold tenure commencing from 18 November 1997.</p> <p>The SOA was constructed in 1999 and was completed in 2002. It was open to the public in 7 February 2002. The 5-storey property comprises the following main components, the aquarium, reception area, ticketing booth, carparks and ancillary facilities.</p> <p>There are 350 species and totalling more than 10,000 fishes and marine livestock from all over the world. Regular promotions and activities conducted such as advertisement, organizing special events, collaborating with other attractions, etc.</p>	In our opinion, a fair value of the subject property is conservatively estimated at S\$261.7 million (Singapore Dollars Two Hundred and Sixty One Million and Seven Hundred Thousand Only)

Notes :-

1. SOACL has the operating period of 40 years starting from 1995
2. In the course of our valuation, the following major assumptions were made :-
  - (i) The projected retail and food and beverage revenue is derived from historical (actual) average revenue data collected since 7 February 2002 and compounded on an annual growth rate.
  - (ii) The costs of goods for retail and food and beverage is derived from actual average costs of goods sold from January to July 2003.
  - (iii) Land rental is expected to remain constant at 6.5% of total gross revenue.
  - (iv) There will be additional advertisement and promotional expenses incurred in support of increased ticket prices in the future.
  - (v) Inflation rates adopted in relation to the operating costs and expenses of the SOACL are as follows :

Inflation Rates	% p.a.
Fixed Operating Costs	3.0%
Staff Salaries and Wages	8.0%

- (vi) Loan interest payments is incurred on the portion of bank loan borrowed for the project at an interest rate of 5.58% per annum until June 2003 and 5.022% per annum thereafter.



---

## APPENDIX VI VALUATION REPORTS

---

- (vii) The loan amount will be fully repaid by year-end 2005.
- (viii) Company taxation is 15% per annum on profit and is expected to remain stable throughout the balance lease term of the operations.
- (ix) Accumulated RMB cash surplus shall attract a savings rate of 1.44% per annum and shall be treated as positive cashflow to SOACL.
- (x) The renminbi exchange rates with the USDollars and Singapore Dollar is expected to remain stable at the following rates :

S\$ : 4.70 Rmb

US\$ : 8.28 Rmb

3. Future ticket price structures shall be as follows, subject to approval from the Municipal Price Administration Bureau :-

Year	Adult Rates (Rmb per head)	Children Rates (Rmb per head)
2002	110	70
2003	110	70
2004	110	70
2005	120	80
2006	130	85
2007	130	85
2008	140	90
2009	140	90
2010	150	95
2011	150	95
2012	150	95

---

## APPENDIX VI VALUATION REPORTS

---

### The Lintong Lixing Cable Car Co., Ltd Summary of Cable Car Trips Generated and Sales of Tickets

**5 November 2003**

The Board of Directors  
Straco Corporation Pte Ltd  
10 Anson Road  
#30-15 International Plaza  
Singapore 079903

Dear Sirs,

#### **1. INTRODUCTION**

This report has been prepared for inclusion in the prospectus (the "Prospectus") in connection with the invitation by Straco Corporation Pte. Ltd. (the "Company") to subscribe for 220,250,000 shares of \$0.05 each (i.e. "Shares") in the issue and paid-up share capital of the Company comprising 177,000,000 new Shares and 43,250,000 Vendor Shares by way of public offer and placement.

Chesterton International Property Consultants Pte. Ltd. ("CI" or the "Consultant") has been commissioned to conduct a study on the cable car trips generated (the "Study") for the Lintong Lixing Cable Car Co., Ltd (LLC) located at Lintong District, Xi'an City, Shaanxi Province, People's Republic of China ("PRC") which is currently operational. Hence a forecast of the future cable car ticket collections was derived for the LLC. A fair summary of the findings conducted is presented herein.

#### **2. OBJECTIVES**

The objectives of the Study are to provide the Company an independent assessment of the cable car trips generated and hence the future revenue projected for the company, primarily from sales of cable car tickets.

The scope of work includes information collection, visitor arrival analysis according to the various cable car destinations and future visitor arrivals and revenue projection. Major activities include :-

- Reviewing any available planning and feasibility reports related to the cable car;
- Collecting socio-economic data of the study area, i.e. Lintong District and Xi'an;
- Collecting historical cable car trips and revenue data related to the company;
- Interviewing the operators of the company;
- Formulating demand for cable car trips and forecast methodology for LLC;
- Preparing visitor arrival and revenue forecasts for LLC thereof.

#### **3. DEMAND FOR CABLE CAR TRIPS AND FORECASTING METHODOLOGY**

From our analysis, demand for cable car trips is a primary function of :-

- Existing demand : number of visitor arrivals to the existing Lishan National Park and attractions thereof

## APPENDIX VI VALUATION REPORTS

- Potential demand : number of visitor arrivals to the proposed Cao Yuan Ge Scenic Area(CYG). This project is currently in conception stage. The construction of this project is expected to commence soon and will be completed by end year 2005. The opening of this project to the public is expected to commence at the beginning of Year 2006

Hence, economic growth in Lintong District and Xi'an, growth in visitor arrivals to Xi'an, particularly to the CYG project, will influence the demand for cable car trips of LLC.

We have estimated that 75% of the visitors to CYG will travel by cable car, which at the moment is the most feasible and convenient access to the CYG.

To offer a better picture of the various possible outcomes in the future, the demand for cable car trips forecasts are presented under three scenarios : optimistic, probable and conservative scenarios in the following section.

Additionally, our forecasts are consistent with the trends of existing regional economic policies in the PRC, the provincial development master plans and local government policies.

#### 4. SUMMARY OF DEMAND FOR CABLE CAR TRIPS PROJECTIONS

A summary of the projected demand are presented under three scenarios, i.e. Optimistic, Probable and Conservative scenarios, in the following tables :-

##### Optimistic Scenario :

Year	Trips Generated due to existing demand (a)	Total No. of Visitors to CYG Project	Potential demand @ 75% capture rate (b)	Total demand for cable car trips (c) = (a + b)
2000 actual	164,558	n.a.	n.a.	164,558
2001 actual	132,675	n.a.	n.a.	132,675
2002 actual	118,836	n.a.	n.a.	118,836
2003 projected	100,000	n.a.	n.a.	100,000
2004	120,000	n.a.	n.a.	120,000
2005	120,000	n.a.	n.a.	120,000
2006	120,000	550,000	412,500	532,500
2007	120,000	588,500	441,375	561,375
2008	120,000	629,695	472,271	592,271
2009	120,000	658,031	493,523	613,523
2010	120,000	687,643	515,732	635,732
2011	120,000	718,587	538,940	658,940
2012	120,000	750,923	563,192	683,192
2013	120,000	784,715	588,536	708,536
2014	120,000	820,027	615,020	735,020

## APPENDIX VI VALUATION REPORTS

### Probable Scenario :

Year	Trips Generated due to existing demand (a)	Total No. of Visitors to CYG Project	Potential demand @ 75% capture rate (b)	Total demand for cable car trips (c) = (a + b)
2000 actual	164,558	n.a.	n.a.	164,558
2001 actual	132,675	n.a.	n.a.	132,675
2002 actual	118,836	n.a.	n.a.	118,836
2003 projected	100,000	n.a.	n.a.	100,000
2004	120,000	n.a.	n.a.	120,000
2005	120,000	n.a.	n.a.	120,000
2006	120,000	550,000	412,500	532,500
2007	120,000	585,750	439,313	559,313
2008	120,000	623,824	467,868	587,868
2009	120,000	648,777	486,583	606,583
2010	120,000	674,728	506,046	626,046
2011	120,000	701,717	526,288	646,288
2012	120,000	729,786	547,339	667,339
2013	120,000	758,977	569,233	689,233
2014	120,000	789,336	592,002	712,002

### Conservative Scenario :

Year	Trips Generated due to existing demand (a)	Total No. of Visitors to CYG Project	Potential demand @ 75% capture rate (b)	Total demand for cable car trips (c) = (a + b)
2000 actual	164,558	n.a.	n.a.	164,558
2001 actual	132,675	n.a.	n.a.	132,675
2002 actual	118,836	n.a.	n.a.	118,836
2003 projected	100,000	n.a.	n.a.	100,000
2004	120,000	n.a.	n.a.	120,000
2005	120,000	n.a.	n.a.	120,000
2006	120,000	550,000	412,500	532,500
2007	120,000	583,000	437,250	557,250
2008	120,000	617,980	463,485	583,485
2009	120,000	639,609	479,707	599,707
2010	120,000	661,996	496,497	616,497
2011	120,000	685,165	513,874	633,874
2012	120,000	709,146	531,860	651,860
2013	120,000	733,966	550,475	670,475
2014	120,000	759,655	569,741	689,741

## APPENDIX VI VALUATION REPORTS

### 5. TICKET PRICE STRUCTURE

During the Study, we have reviewed the proposed ticket price structures as supplied to us by the Company.

At the moment, the list price of an adult return trip ticket is Rmb 40 per head. However, as we do not have the breakdown of categories of ticket sales, i.e. children's tickets and single trip ticket sales, we have assumed the average yield per head is the weighted average of the above-mentioned sales mix.

From our opinion and survey, the proposed ticket price structures seem to be reasonable in comparison with other attractions within the vicinity of Xi'an and Lintong District. The ticket prices are permitted to increase at the following rates, subject to final approval from the Municipal Price Administration Bureau.

The amount of adjustments in ticket prices will usually be based on the rate of inflation with additional considerations with respect to the operator's obligations, the affordability of the visitors and approval from the Municipal Price Administration Bureau.

The following tables present the proposed ticket price structures and effective yields per head under three scenarios of percentage effective yields, i.e. Optimistic, Probable and Conservative scenarios.

*The effective yields of cable car return tickets is the weighted average of the ticket sales mix, i.e. adult return tickets, children return tickets, adult single trip and children single trip tickets.*

We have relied on the actual data from years 2000 to July 2003<sup>1</sup> to work out the corresponding effective yields and hence estimations for effective yields are made with respect to year 2003 to 2014 under the above-mentioned three scenarios.

#### Optimistic : Existing and Proposed Ticket Price Structures and Effective Yields

Year 2000-2 : actual 2003-14 : proposed	List Price of Adult Return Tickets (Rmb per head)	Effective Yield of Cable Return Tickets (%) Year 2000-2 : actual	Effective Yield of Cable Return Tickets (Rmb per head)
2000 actual	40	72%	29.0
2001	40	78%	31.1
2002	40	72%	28.6
2003 proposed	40	70% (estimated)	28
2004	40	70%	28
2005	40	70%	28
2006	40	70%	28
2007	45	70%	32
2008	45	70%	32
2009	50	70%	35
2010	50	70%	35
2011	55	70%	39
2012	55	70%	39
2013	60	70%	42
2014	60	70%	42

<sup>1</sup> The actual data does not show the breakdown of the ticket sales mix for each category of tickets.

---

## APPENDIX VI VALUATION REPORTS

---

### Probable : Existing and Proposed Ticket Price Structures and Effective Yields

Year 2000-2 : actual 2003-14 : proposed	List Price of Adult Return Tickets (Rmb per head)	Effective Yield of Cable Return Tickets (%) Year 2000-2 : actual	Effective Yield of Cable Return Tickets (Rmb per head)
2000 actual	40	72%	29.0
2001	40	78%	31.1
2002	40	72%	28.6
2003 proposed	40	68% (estimated)	27
2004	40	68%	27
2005	40	68%	27
2006	40	68%	27
2007	45	68%	31
2008	45	68%	31
2009	50	68%	34
2010	50	68%	34
2011	55	68%	37
2012	55	68%	37
2013	60	68%	41
2014	60	68%	41

### Conservative : Existing and Proposed Ticket Price Structures and Effective Yields

Year 2000-2 : actual 2003-14 : proposed	List Price of Adult Return Tickets (Rmb per head)	Effective Yield of Cable Return Tickets (%) Year 2000-2 : actual	Effective Yield of Cable Return Tickets (Rmb per head)
2000 existing	40	72%	29.0
2001	40	78%	31.1
2002	40	72%	28.6
2003 proposed	40	66% (estimated)	26
2004	40	66%	26
2005	40	66%	26
2006	40	66%	26
2007	45	66%	30
2008	45	66%	30
2009	50	66%	33
2010	50	66%	33
2011	55	66%	36
2012	55	66%	36
2013	60	66%	40
2014	60	66%	40

## APPENDIX VI VALUATION REPORTS

### 6. ESTIMATION OF REVENUE

A summary of the projected annual revenue from ticket sales, for the LLC are presented under three scenarios, i.e. Optimistic, Probable and Conservative scenarios and are tabulated in the following tables:-

#### Optimistic Scenario :

Year	Total demand for cable car trips (no.)	Effective Yield of Cable Return Tickets (Rmb per head)	Gross Ticket Revenues (Rmb)
2000 actual	164,558	29.0	4,764,320
2001 actual	132,675	31.1	4,124,871
2002 actual	118,836	28.6	3,370,678
2003 projected	100,000	28	2,800,000
2004	120,000	28	3,360,000
2005	120,000	28	3,360,000
2006	532,500	28	14,910,000
2007	561,375	32	15,718,500
2008	592,271	32	18,656,544
2009	613,523	35	19,325,989
2010	635,732	35	22,250,620
2011	658,940	39	23,062,898
2012	683,192	39	26,302,902
2013	708,536	42	27,278,632
2014	735,020	42	30,870,841

#### Probable Scenario :

Year	Total demand for cable car trips (no.)	Effective Yield of Cable Return Tickets (Rmb per head)	Gross Ticket Revenues (Rmb)
2000 actual	164,558	29.0	4,764,320
2001 actual	132,675	31.1	4,124,871
2002 actual	118,836	28.6	3,370,678
2003 projected	100,000	27	2,720,000
2004	120,000	27	3,264,000
2005	120,000	27	3,264,000
2006	532,500	27	14,484,000
2007	559,313	31	15,213,300
2008	587,868	31	17,988,755
2009	606,583	34	18,561,425
2010	626,046	34	21,285,558
2011	646,288	37	21,973,780
2012	667,339	37	24,958,485
2013	689,233	41	25,777,304
2014	712,002	41	29,049,683



---

## APPENDIX VI VALUATION REPORTS

---

### Conservative Scenario :

Year	Total demand for cable car trips (no.)	Effective Yield of Cable Return Tickets (Rmb per head)	Gross Ticket Revenues (Rmb)
2000 actual	164,558	29.0	4,764,320
2001 actual	132,675	31.1	4,124,871
2002 actual	118,836	28.6	3,370,678
2003 projected	100,000	26	2,640,000
2004	120,000	26	3,168,000
2005	120,000	26	3,168,000
2006	532,500	26	14,058,000
2007	557,250	30	14,711,400
2008	583,485	30	17,329,505
2009	599,707	33	17,811,297
2010	616,497	33	20,344,392
2011	633,874	36	20,917,845
2012	651,860	36	23,662,507
2013	670,475	40	24,338,235
2014	689,741	40	27,313,760

### 7. CONCLUSION

We conclude that the demand for cable car trips and revenue forecasts thereof developed from the above methodology and on the above assumptions are in line with common professional practice and meet the objectives of the agreed scope of work with the Company. Full details of the Study and data is available for inspection in connection with the initial public offering of the Company.

Yours faithfully,

For and on behalf of

CHESTERTON INTERNATIONAL PROPERTY CONSULTANTS PTE LTD

**CHNG SHIH HIAN**  
**EXECUTIVE DIRECTOR**

**JACKY CHAN**  
**EXECUTIVE DIRECTOR**

---

## APPENDIX VI VALUATION REPORTS

---

### VALUATION REPORT

5 November 2003

The Board of Directors  
Straco Corporation Pte. Ltd.  
10 Anson Road  
#30-15 International Plaza  
Singapore 079903

Dear Sirs

#### 1. INTRODUCTION

This report has been prepared for the inclusion in the prospectus (the "Prospectus") in connection with the invitation by Straco Corporation Pte. Ltd. (the "Company") to subscribe for 220,250,000 shares of \$0.05 each (the "Shares") in the issued and paid-up share capital of the Company comprising 177,000,000 new Shares and 43,250,000 Vendor Shares by way of public offer and placement.

In accordance with the instructions of the Company, we have conducted an enterprise valuation of the Lintong Lixing Cable Car Co., Ltd (LLC) whose primary asset is the cable car station and fixtures thereof, located 30 km of Xi'an City, Shaanxi Province, People's Republic of China (PRC) and whose main operations is the provision of cable car services to visitors to Lishan Mountain and Lishan National Park.

We confirm that we have carried out inspections of LLC's fixed asset, made several enquiries and obtained such further information as we considered necessary for the purpose of preparing the valuation report, a summary of which is presented herein. The relevant date of our valuation is 5 November 2003 (referred to as the "valuation date").

#### 2. SCOPE OF THE STUDY

The major items of work accomplished for this valuation is primarily to estimate existing demand and potential demand for cable car trips generated with respect to the LLC operations.

In conducting the above demand analysis and valuation, we have performed as follows :-

- h. Review the available planning and feasibility study information related to the CYG project which contribute to the potential additional demand for cable car trips;
- i. Conducted site visits to investigate various systems that will be adopted by the Company in the operations of the LLC;
- j. Interviewed local authorities to understand the tourism industry and development plans of the Lintong District and CYG;
- k. Review and analyze the audited financial statements of LLC for years ending Year 2000, Year 2001 and Year 2002 and unaudited statements of LLC up to July 2003;
- l. Review and analyze other information and representation by the management of LLC and the Company which we have relied on;
- m. Perform an enterprise valuation of LLC

---

## APPENDIX VI VALUATION REPORTS

---

It should be noted that this valuation is based partly on such information as existing design, capacity, ticket rates policy, operation system, taxation policy, joint venture conditions and existing and projected future cable car trips that are believed to be reliable. We have not verified or confirmed information provided or ensured that all information is correct and is not subjected to material error or omission.

The techniques adopted in this valuation are consistent with the current practices for projects of this nature and in the PRC. The final analysis presents an independent assessment based on our best professional judgement and experience predicated on all relevant references and resources.

### 3. BASIS OF VALUATION AND ASSUMPTIONS

We have valued the LLC on the basis of fair market value in continued use on the assumption that the interest in the LLC can be freely transferred in the market. Fair market value is defined as the estimated amount at which the interest might be expected to exchange between a willing buyer and willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts, with equity to both and with the buyer and the seller contemplating the retention of the interest for continuation of the LLC's operations and use.

Continued use assumes the operation of the LLC will continue for the whole of the operation period so granted by the PRC Government.

Our investigation included inspections of the LLC's fixed assets, discussions with members of the management in relation to the intended nature of its operations and prospects which are tourism in nature, review of the cable car travel demand pattern and other relevant documents. Before arriving at our opinion of value, we have considered the following principal factors :-

- the economic outlook in general and in the concerned area and the specific economic and competitive elements affecting the business<sup>2</sup>;
- existing visitor arrivals to Lishan Mountain and forecast of visitor arrivals to the future CYG project;
- the cable car ticket rates forecasts and revenue forecasts thereof
- projected operating costs;
- the nature of the business operations of the Company;
- the financial condition of the Company;
- the proposed loan arrangement and projected capital commitment for the LLC;
- the financial and business risk of the LLC.
- required rate of return for the LLC undertaken by the Company;
- the tax concession plan granted to LLC by the PRC Government on the sales revenue and net profit obtained from the LLC.

---

<sup>2</sup> The other competitive cable car system in Xi'an is the Huashan Hill Cable Car located about 80 km from the LLC. The charges for single/round trip is Rmb 60/110 (adult) and Rmb 35/55 (child). Its cable length is approximately 1.5 km.

---

## APPENDIX VI VALUATION REPORTS

---

Owing to the dynamic environment in which LLC is operating, a number of assumptions have to be established in order to sufficiently support our concluded valuation. The major assumptions adopted in this valuation are as follows :-

- there will be no major change in the existing political, legal and economic conditions in the PRC in which the LLC is located;
- there will be no major changes in the current taxation law in the PRC, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- the interest rates will not differ materially from those presently prevailing;
- annual inflation rates adopted in our cashflow analysis in relation to the operating costs and expenses of the LLC are as follows :

<b>Inflation Rates</b>	<b>%p.a.</b>
Fixed Operating Costs	3.0%
Staff Salaries and Wages	8.0%

- the Company shall have uninterrupted rights to operate and receive revenue from the LLC during the agreed lease period as stated in the respective lease agreements;
- LLC's cable car existing facility is sufficiently adequate to cope with the future increase in cable car rides. Thus, additional capital expenditure is not required to expand its current facilities;
- the sales tax is calculated at 3% of gross ticketing revenues;
- company taxation is estimated at 33% on net profit and effective on financial years that are profitable. In our forecasted profit and loss account, we expect LLC to be profitable from financial year 2004 and onwards;
- annual depreciation of fixed assets of LLC for the purpose of profit tax is calculated by depreciating building costs over 20 years, M&E over 10 years, vehicle and equipment over 5 years;
- amortization of pre-incorporation expenses of LLC for the purpose of profit tax is calculated by amortization over 5 years. As for land use, electricity use and water use rights, its amortization period is over 10 years respectively;
- LLC has taken a shareholder loan with an outstanding balance of Rmb4,964,869 and is to be repaid in three unequal installments, i.e. Rmb300,000 in Year 2003, Rmb700,000 in Year 2004, Rmb600,000 in Year 2005 and RMB 3,364,869 in Year 2006 at an indicative interest rate of 5.58% p.a. on outstanding balance. It is assumed that all interests of the Company are free from encumbrances, restrictions and outgoing of an onerous nature which could affect its value;
- we have relied to a considerable extent on the information in relation to the design and construction of the cable car, historical visitor arrivals, taxation policies and other relevant factual information of the LLC;
- we have no reason to doubt the truth and accuracy of the information provided to us by the Company. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

---

## APPENDIX VI VALUATION REPORTS

---

### 4. VALUATION METHODOLOGY

In the course of our valuation, we have considered different valuation methods such as the “Net Tangible Asset (NTA)” method and the “Discounted Cash Flow (DCF)” method to determine the fair market value of the LLC.

The basis of NTA method reflects the net book value or adjusted net book value of the company. This method does not take into account of any the goodwill in the business and is usually used to cross check results obtained through applying other valuation methods. Furthermore, this method may not be appropriate as it does not reflect the growth potential of LLC’s revenue with the development of CYG.

In view of the limitation of NTA method, the DCF method was adopted as it involves the discounting of all future income and expenditure at an appropriate discount rate to determine its present value. This method can readily be used to allow for inflation, taxation and frequency in the amount of income and expenditure as may be required. It also considers a comprehensive range of variables that occur throughout the cashflow period. The main concept behind this method is that income receivable in the future is worth less than income receivable immediately by the amount of interest that could be earned on the latter.

In this respect, the DCF method adopted considers the after-tax net cashflow, estimation of terminal value at the end of the cashflow projection period computed on the basis of an assessment of an appropriate discount rate.

Commonly, the appropriate discount rate adopted is the rate of interest payable on the money to be borrowed for investment, representing cost of capital. However, alternative choices may be the rate of return required by the investor (target rate) or the rate of interest the investor could earn on similar investment taking into account relevant risk factor.

The discount rate adopted in our valuation is 12.0 % per annum which has taken into consideration the appropriate business risks of the LLC-type tourism project of this nature in the PRC.

### 5. CONCLUSION OF VALUE

Based on the investigation and analysis outlined above and on the valuation method employed, it is our opinion that, as at 5 November 2003, the fair market value of the LLC under the three scenarios outlined are as follows :-

Optimistic Scenario	–	S\$14.9 Million (Singapore Dollars Fourteen Million and Nine Hundred Thousand Only)
Probable Scenario	–	S\$13.9 Million (Singapore Dollars Thirteen Million and Nine Hundred Thousand Only)
Conservative Scenario	–	S\$13.0 Million (Singapore Dollars Thirteen Million Only)

The conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can easily be quantified or ascertained.

---

## **APPENDIX VI VALUATION REPORTS**

---

We have not investigated the title to the projects or any liabilities against the Company. We hereby certify that we have neither a present nor a prospective interest in the Company or the value reported.

Summary of valuation and valuation certificate are attached herewith.

Yours faithfully,  
For and on behalf of

CHESTERTON INTERNATIONAL PROPERTY CONSULTANTS PTE. LTD.

**CHNG SHIH HIAN  
EXECUTIVE DIRECTOR**

**JACKY CHAN  
EXECUTIVE DIRECTOR**

## APPENDIX VI VALUATION REPORTS

### VALUATION CERTIFICATE

Business Enterprise	Description of Business Enterprise	Fair Market Value as at 5 November 2003 attributable by Lixing Cable Car Co., Ltd
Lintong Lixing Cable Car Co., Ltd	<p>Lixing Cable Car Co., Ltd owns and operates the only cable car system in Lintong District, comprise 23 cars running at a length of 720 metres from the boarding station (1,936 sq metres in size) to the destination station (3,854 sq metres in size). Each car can carry 6 persons with a maximum load of 480 kgs. Each single trip takes about 5.5 mins (including boarding and alighting).</p> <p>This system is located at the foot of Lishan Mountain, Lintong District, within 30 km east of the provincial capital, Xi'an of Shaanxi Province, People's Republic of China.</p> <p>The system primarily provides accessibility to the Lishan Mountain and Lishan National Park, comprising attractions such as Feng Huo Tai, Changsheng Palace, Shiwang Temple Valley, Lao Mu Temple, Lao Tzu Temple, etc.</p> <p>It carries a 50 years leasehold tenure commencing from 1992.</p> <p>Regular promotions and activities conducted such as outdoor signboards, tour groups, tour agents, etc.</p>	In our opinion, a fair value of the subject property is conservatively estimated at S\$13.0 million (Singapore Dollars Thirteen Million Only)

Notes :-

1. LLC has the operating period of 50 years starting from 1992.
2. In the course of our valuation, the following major assumptions were made :-
  - (i) The information provided accurately reflects LLC's present and past financial and operating position;
  - (ii) LLC's financial forecast provided by the management of LLC for years ending 2003 to 2014 are achievable;
  - (iii) LLC would have sufficient liquidity to achieve the financial forecasts;
  - (iv) LLC will continue as a going concern and there will not be any material changes in economic conditions which may adversely affect the value of the business enterprise;
  - (v) There will be no changes in corporate taxation which is 33% of net profit and sales tax which is 3% of gross ticketing revenue;
  - (vi) We have assumed that all assets and liabilities are realizable at their book value as in their management accounts as at 31 December 2002;
  - (vii) There are no other liabilities including any contingent liabilities or unusual contractual obligations or substantial commitments which would have a material effect on the value of the business;



---

## APPENDIX VI VALUATION REPORTS

---

- (viii) There are no surplus assets based on its unaudited Balance Sheet as valuation date;
- (ix) Land use rights to operate the cable car have been fully paid for;
- (x) There are no restrictions on the repatriation of funds/profits overseas;
- (xi) There is potential growth in the ticketing revenue of LLC in year 2006 as a result of additional demand from visitors to the Chao Yuan Ge Scenic Area (CYG) which is expected to commence at the beginning of year 2006;
- (xii) Operation expenses are projected based on historical figures obtained in years 2000 to 2002 and subjected to inflation under various scenarios;
- (xiii) There will be additional advertisement and promotional expenses incurred in support of increased ticket prices in the future;
- (xiv) The existing capacity of the cable car operations is sufficient to support the increase level of rides, therefore additional capital expenditure will not be expended to increase the carriages and to enhance the system;
- (xv) Additional maintenance and replacement costs will be incurred in view of the increase ridership, particularly in year 2006 and 2007;
- (xvi) Additional staff costs will be incurred in view of the increase ridership, particularly in year 2006;
- (xvii) Loan interest payments is incurred on LLC's borrowings at interest rate of 5.58% per annum;
- (xviii) Shareholder loan outstanding amount is expected to be fully paid by the end of year 2006;
- (xix) Company taxation is 33% per annum on net profit and is expected to remain stable throughout the balance lease term of the operations;
- (xx) Accumulated Rmb cash surplus for the period shall attract a savings rate of 1.44% per annum and shall be treated as positive cashflow to LLC;
- (xxi) The renminbi exchange rates with the US Dollars and Singapore Dollar is expected to remain stable at the following rates :  
  
S\$ : 4.70 Rmb  
US\$ : 8.28 Rmb

---

## APPENDIX VI VALUATION REPORTS

---

### **The Xi'an Lintong Zhongxin Tourism Development Co., Ltd Summary of Visitor Arrivals and Sales of Tickets, Retail, F&B and Stage Show Performances**

**5 November 2003**

The Board of Directors  
Straco Corporation Pte Ltd  
10 Anson Road  
#30-15 International Plaza  
Singapore 079903

Dear Sirs,

#### **1. INTRODUCTION**

This report has been prepared for inclusion in the prospectus (the "Prospectus") in connection with the invitation by Straco Corporation Pte. Ltd. (the "Company") to subscribe for 220,250,000 shares of \$0.05 each (i.e. "Shares") in the issue and paid-up share capital of the Company comprising 177,000,000 new Shares and 43,250,000 Vendor Shares by way of public offer and placement.

Chesterton International Property Consultants Pte. Ltd. ("CI" or the "Consultant") has been commissioned to conduct a study on visitor arrivals (the "Study") for the Chao Yuan Ge Scenic Area (CYG) located at Lishan Mountain, Lintong District, Xi'an City, Shaanxi Province, People's Republic of China ("PRC") which is currently under development stage. Hence a forecast of the ticket, retail, food and beverage and stage show performances sales were derived for the CYG. A fair summary of the findings conducted is presented herein.

#### **2. OBJECTIVES**

The objectives of the Study are to provide the Company an independent assessment of the visitor arrivals and hence the future revenue projected for the CYG, primarily from sales of entrance tickets, retail, food and beverage and stage show performances.

The scope of work includes information collection, visitor arrival analysis and future visitor arrivals and revenue projection. Major activities include :-

- Reviewing any available planning and feasibility reports related to the CYG;
- Collecting socio-economic data of the study area, i.e. Lintong District and Xi'an City;
- Collecting visitor arrival and revenue data related to the project;
- Interviewing the operators of the project;
- Formulating visitor arrival demand and forecast methodology for CYG;
- Preparing visitor arrival and revenue forecasts for CYG.

#### **3. VISITOR ARRIVALS FORECASTING METHODOLOGY**

From our analysis, visitor arrivals to the CYG is a function of :-

- number of visitors to Xi'an City and Lintong District
- number of local residents (Xi'an city and peripheral)

Hence, economic growth in Lintong District and Xi'an City, growth in visitor arrivals to Xi'an and physical characteristics of the CYG, influence the number of visitor arrivals to it.

---

## APPENDIX VI

### VALUATION REPORTS

---

To offer a better picture of the various possible outcomes in the future, the visitor arrival forecasts are presented under three scenarios : optimistic, probable and conservative scenarios.

#### 4. PRINCIPAL MODEL /ANALYTICAL ASSUMPTIONS

The assumptions adopted in the visitor arrivals forecasting are as follows :-

- Use of GDP as prime indicator to determine future visitor arrivals. Past studies conducted in other areas of PRC have indicated that GDP growth is comparable to and correlated with growth in travel demand.
- The most current visitor arrival composition to other competitive destinations within the proximity of the CYG, is assumed to be applicable to the projections.

The following section summarizes the type of visitor mix and actual number of visitors in each category, from Year 2006 to Year 2015. Construction period of the CYG is expected to be from Year 2003 to end Year 2005.

Our forecasts are consistent with the trends of existing regional economic policies in the PRC, the provincial development master plans and local government policies.

#### 5. SUMMARY OF VISITOR ARRIVAL PROJECTIONS

A summary of the projected annual visitor arrivals are presented under three scenarios, i.e. Optimistic, Probable and Conservative scenarios, in the following tables:-

##### Optimistic Scenario :

Year and Projections	Domestic Visitors	Foreign Visitors	Total No. of Visitors
2006	440,000	110,000	550,000
2007	470,800	117,700	588,500
2008	503,756	125,939	629,695
2009	526,425	131,606	658,031
2010	550,114	137,529	687,643
2011	574,869	143,717	718,587
2012	600,738	150,185	750,923
2013	627,772	156,943	784,715
2014	656,021	164,005	820,027
2015	685,542	171,386	856,928

---

## APPENDIX VI VALUATION REPORTS

---

### Probable Scenario :

Year and Projections	Domestic Visitors	Foreign Visitors	Total No. of Visitors
2006	440,000	110,000	550,000
2007	468,600	117,150	585,750
2008	499,059	124,765	623,824
2009	519,021	129,755	648,777
2010	539,782	134,946	674,728
2011	561,374	140,343	701,717
2012	583,828	145,957	729,786
2013	607,182	151,795	758,977
2014	631,469	157,867	789,336
2015	656,728	164,182	820,909

### Conservative Scenario :

Year and Projections	Domestic Visitors	Foreign Visitors	Total No. of Visitors
2006	440,000	110,000	550,000
2007	466,400	116,600	583,000
2008	494,384	123,596	617,980
2009	511,687	127,922	639,609
2010	529,597	132,399	661,996
2011	548,132	137,033	685,165
2012	567,317	141,829	709,146
2013	587,173	146,793	733,966
2014	607,724	151,931	759,655
2015	628,995	157,249	786,243

## 6. TICKET PRICE STRUCTURE

During the Study, we have reviewed the proposed ticket price structures as supplied to us by the ZTD.

In comparison with other similar destination and facilities within Xi'an City, particularly Lintong District, i.e. Tang Le Palace Dinner and Show (Show only : Rmb 200/head, Show & Dinner : Rmb 410/head), Hua Qing Pool (Adult : Rmb 40/head, Children : Rmb 20/head) and Terracotta Warriors (Adult : Rmb 65/head, Children : Rmb 35/head), the proposed ticket price structures seem to be reasonable. The ticket prices are permitted to increase at the following rates, subject to final approval from the Municipal Price Administration Bureau.

## APPENDIX VI VALUATION REPORTS

Proposed ticket price structures are presented below:-

Year	Average Entrance Rates to CYG* (Rmb per head)	Average Show Performance Rates to CYG (Rmb per head)	Average Dinner and Show Performance Rates to CYG (Rmb per head)
2006	40	150	280
2007	40	150	280
2008	45	150	280
2009	45	150	280
2010	50	160	290
2011	50	160	290
2012	55	170	300
2013	55	170	300
2014	60	180	310
2015	60	180	310

\* We have not differentiated the price structure for adult and children visitors. The average entrance rate is assumed to be the average of the adult and children visitor rates.

The amount of adjustments in ticket prices will usually be based on the rate of inflation with additional considerations with respect to the operator's obligations, the affordability of the visitors and approval from Municipal Price Administration Bureau.

### 7. ESTIMATION OF REVENUE

A summary of the projected annual revenue from ticket sales, retail and food and beverage sales and show performances for the CYG are presented under three scenarios, i.e. Optimistic, Probable and Conservative scenarios are tabulated in the following tables:-

**Optimistic Scenario :**

Year and Projections	Total No. of Visitors	Total Entrance Ticket Sales (Rmb)	Total Retail and F&B Sales (Rmb)	Total Show Performance Sales (Rmb)	Total Dinner and Show Performance Sales (Rmb)
2006	550,000	22,000,000	3,300,000	2,640,000	7,392,000
2007	588,500	23,540,000	3,954,720	2,824,800	7,909,440
2008	629,695	28,336,275	4,739,336	3,022,536	8,463,101
2009	658,031	29,611,407	5,546,919	3,158,550	8,843,940
2010	687,643	34,382,134	6,492,114	3,520,731	9,571,986
2011	718,587	35,929,330	7,598,371	3,679,163	10,002,726
2012	750,923	41,300,765	8,893,133	4,085,021	10,813,291
2013	784,715	43,159,299	10,408,523	4,268,847	11,299,889
2014	820,027	49,201,601	12,182,135	4,723,354	12,201,997
2015	856,928	51,415,673	14,257,971	4,935,905	12,751,087

## APPENDIX VI VALUATION REPORTS

### Probable Scenario :

Year and Projections	Total No. of Visitors	Total Entrance Ticket Sales (Rmb)	Total Retail and F&B Sales (Rmb)	Total Show Performance Sales (Rmb)	Total Dinner and Show Performance Sales (Rmb)
2006	550,000	22,000,000	3,300,000	2,640,000	7,392,000
2007	585,750	23,430,000	3,901,095	2,811,600	7,872,480
2008	623,824	28,072,069	4,611,679	2,994,354	8,384,191
2009	648,777	29,194,952	5,323,723	3,114,128	8,719,559
2010	674,728	33,736,388	6,145,706	3,454,606	9,392,211
2011	701,717	35,085,844	7,094,602	3,592,790	9,767,899
2012	729,786	40,138,205	8,190,009	3,970,033	10,508,912
2013	758,977	41,743,734	9,454,547	4,128,835	10,929,268
2014	789,336	47,360,163	10,914,329	4,546,576	11,745,320
2015	820,909	49,254,570	12,599,501	4,728,439	12,215,133

### Conservative Scenario :

Year and Projections	Total No. of Visitors	Total Entrance Ticket Sales (Rmb)	Total Retail and F&B Sales (Rmb)	Total Show Performance Sales (Rmb)	Total Dinner and Show Performance Sales (Rmb)
2006	550,000	22,000,000	3,300,000	2,640,000	7,392,000
2007	583,000	23,320,000	3,847,800	2,798,400	7,835,520
2008	617,980	27,809,100	4,486,535	2,966,304	8,305,651
2009	639,609	28,782,419	5,107,920	3,070,125	8,596,349
2010	661,996	33,099,781	5,815,367	3,389,418	9,214,979
2011	685,165	34,258,274	6,620,795	3,508,047	9,537,503
2012	709,146	39,003,045	7,537,775	3,857,756	10,211,706
2013	733,966	40,368,151	8,581,757	3,992,777	10,569,116
2014	759,655	45,579,312	9,770,330	4,375,614	11,303,669
2015	786,243	47,174,588	11,123,521	4,528,760	11,699,298

## 8. CONCLUSION

We conclude that the visitor arrivals and revenue forecasts developed from the above methodology and on the above assumptions are in line with common professional practice and meet the objectives of the agreed scope of work with the Company. Full details of the Study and data is available for inspection in connection with the initial public offering of the Company.

Yours faithfully,

For and on behalf of

CHESTERTON INTERNATIONAL PROPERTY CONSULTANTS PTE LTD

**CHNG SHIH HIAN**  
EXECUTIVE DIRECTOR

**JACKY CHAN**  
EXECUTIVE DIRECTOR

---

## APPENDIX VI VALUATION REPORTS

---

### VALUATION REPORT

5 November 2003

The Board of Directors  
Straco Corporation Pte Ltd  
10 Anson Road  
#30-15 International Plaza  
Singapore 079903

Dear Sirs

#### 1. INTRODUCTION

This report has been prepared for the inclusion in the prospectus (the “Prospectus”) in connection with the invitation by Straco Corporation Pte. Ltd. (the “Company”) to subscribe for 220,250,000 shares of \$0.05 each (the “Shares”) in the issued and paid-up share capital of the Company comprising 177,000,000 new Shares and 43,250,000 Vendor Shares by way of public offer and placement.

In accordance with the instructions of the Company, we have conducted an enterprise valuation of Xi'an Lintong Zhongxin Tourism Development Co., Ltd. (ZTD), located 30 km from Xi'an City, Shaanxi Province, People's Republic of China (PRC), which has obtained land-use approval and pending commencement of construction works of Chao Yuan Ge Scenic Area (CYG) on Lishan Mountain.

We confirm that we have carried out inspections of the site, made several enquiries and obtained such further information as we considered necessary for the purpose of preparing the valuation report, a summary of which is presented herein. The relevant date of our valuation is 5 November 2003 (refereed to as the “valuation date”).

#### 2. SCOPE OF THE STUDY

The major items of work accomplished for this valuation are as follows :-

- n. Review the available planning and feasibility study information related to the CYG;
- o. Collected socio-economic data of the subject location, namely, Xi'an City and Lintong District, and their surrounding areas (referred to as the “Study Area”);
- p. Conducted site visits to investigate various systems that will be adopted by the ZTD in the operations of the CYG;
- q. Interviewed local authorities to understand the tourism industry and development plans of the Study Area;
- r. Collected historical tourism data relevant to the CYG;
- s. Conducted visitor arrival analysis in relation to the operations of the CYG and hence projections are made for future visitor arrivals and revenue projections;
- t. Value the land use and development rights of the land cum building of the ZTD.

It should be noted that this valuation is based partly on such information as project design and implementation, ticket rates policy, operation system, construction costs and schedule, taxation policy, joint venture conditions and projected future visitor arrivals and visitor spending that are believed to be reliable.



---

## APPENDIX VI VALUATION REPORTS

---

The techniques adopted in this valuation are consistent with the current practices for projects of this nature and in the PRC. The final analysis presents an independent assessment based on our best professional judgement and experience predicated on all relevant references and resources.

### 3. BASIS OF VALUATION AND ASSUMPTIONS

We have valued the ZTD on the basis of fair market value in its continued use on the assumption that the interest in the ZTD can be freely transferred in the market. Fair market value is defined as the estimated amount at which the interest might be expected to exchange between a willing buyer and willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts, with equity to both and with the buyer and the seller contemplating the retention of the interest for continuation of the ZTD's operations and use.

Continued use assumes the operation of the ZTD will continue for the whole of the operation period so granted by the PRC Government.

Our investigation included inspections of the CYG site, discussions with members of the management in relation to the intended nature of its operations and prospects which are tourism in nature, review of the visitor arrivals and other relevant documents. Before arriving at our opinion of value, we have considered the following principal factors :-

- the economic outlook in general and in the concerned area and the specific economic and competitive elements affecting the business;
- visitor arrivals forecast for the CYG;
- the ticket rates forecasts and revenue forecasts from retail, food and beverage and from other revenue sources;
- projected operating costs;
- the nature of the business operations of CYG;
- the financial condition of the ZTD;
- the proposed loan arrangement and projected capital commitment for the ZTD;
- the financial and business risk of the CYG;
- required rate of return for the ZTD undertaken by the Company;
- the tax concession plan granted to the ZTD by the PRC Government on the sales revenue and net profit obtained from the CYG.

Owing to the dynamic environment in which the CYG is operating, a number of assumptions have to be established in order to sufficiently support our concluded valuation. The major assumptions adopted in this valuation are as follows :-

- there will be no major change in the existing political, legal and economic conditions in the PRC in which the ZTD is located;
- there will be no major changes in the current taxation law in the PRC, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- the interest rates will not differ materially from those presently prevailing;
- annual inflation rates adopted in our cashflow analysis in relation to the operating costs and expenses of the ZTD are as follows :

<b>Inflation Rates</b>	<b>% p.a.</b>
Fixed Operating Costs	3.0%
Staff Salaries and Wages	8.0%

---

## APPENDIX VI VALUATION REPORTS

---

- the ZTD shall have uninterrupted rights to operate and receive revenue from the CYG during the agreed lease period as stated in the respective lease agreements;
- the proposed CYG's facility is sufficiently adequate to cope with the projected number of visitorship;
- the sales tax is estimated at 3% on gross entrance ticket sales and 5% on gross sales from food and beverage, dinners and stage show performance;
- company taxation is estimated at 33% on net profit;
- annual depreciation of fixed assets of ZTD for the purpose of profit tax is calculated by amortizing capital sums of Rmb36,253,742 (budgeted building costs based on report by : China Northwest Architectural Design Institute dated Oct 2003) and Rmb10,800,000 (budgeted M&E equipment cost based on report by : China Northwest Architectural Design Institute dated : Oct 2003) for a period of 20 years and 10 years respectively. Both items carry a residual value of 10% of initial capital sums;
- for the purpose of profit tax calculation, items such as pre-incorporation expenses, professional fees and other costs, totaling Rmb10,736,528 are fully amortized over a period of 5 years;
- for the purpose of profit tax calculation, the initial stage costs totaling Rmb2,400,000 are fully amortized over a period of 5 years. Subsequent stage costs will be amortized over a period of 5 year cycle;
- for the purpose of profit tax calculation, land use rights at book value of Rmb8,450,000 is fully amortized over a period of 50 years, with effect from its commencement of lease in 1995;
- the ZTD will be taking on a bank loan amounting Rmb35,190,000 and will be fully repaid in unequal installments starting from year 2006 to 2009 at an indicative interest rate of 5.58% p.a. on outstanding balance. It is assumed that all interests of the ZTD will be free from encumbrances, restrictions and outgoing of an onerous nature which could affect its value;
- we have relied to a considerable extent on the information in relation to the design, construction and scheduling of the CYG project, historical visitor arrivals of other similar attractions in Xi'an and Lintong District, taxation policies and other relevant factual information of the CYG project;
- we have no reason to doubt the truth and accuracy of the information provided to us by the ZTD. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

#### 4. VALUATION METHODOLOGY

In the course of our valuation, we have considered different valuation methods such as the direct comparison method and discounted cash flow method to determine the fair market value of the ZTD.

Firstly, the basis of direct comparison method seeks by comparing and adopting a yardstick of recent transactions and sales evidence involving other similar interests in the vicinity. This method of valuation cannot apply in the present case as we are not aware of any sales from which a comparison may be drawn.

Secondly, the discounted cashflow method involves the discounting of all future income and expenditure at an appropriate discount rate to determine its present value. This method can readily be used to allow for inflation, taxation and frequency in the amount of income and expenditure as may be required. The main concept behind this method is that income receivable in the future is worth less than income receivable immediately by the amount of interest that could be earned on the latter.

---

## APPENDIX VI VALUATION REPORTS

---

Commonly, the appropriate discount rate adopted is the rate of interest payable on the money to be borrowed for investment, representing cost of capital. However, alternative choices may be the rate of return required by the investor (target rate) or the rate of interest the investor could earn on similar investment taking into account relevant risk factor.

After analyzing the information available, it is our opinion that the discounted cash flow method is the most appropriate valuation method to determine the fair market value of the CYG owned by the ZTD, because it allows for the consideration of a more comprehensive range of variables. The discount rate adopted in our valuation is 12.0 % per annum which has taken into consideration the appropriate business risks of the CYG-type tourism project of this nature in the PRC.

### 5. CONCLUSION OF VALUE

Based on the investigation and analysis outlined above and on the valuation method employed, it is our opinion that, as at 5 November 2003, the fair market value of the ZTD under the three scenarios outlined are as follows :-

- |                       |   |                                                                                        |
|-----------------------|---|----------------------------------------------------------------------------------------|
| Optimistic Scenario   | – | S\$30.9 Million (Singapore Dollars Thirty Million and Nine Hundred Thousand Only)      |
| Probable Scenario     | – | S\$29.2 Million (Singapore Dollars Twenty Nine Million and Two Hundred Thousand Only)  |
| Conservative Scenario | – | S\$27.6 Million (Singapore Dollars Twenty Seven Million and Six Hundred Thousand Only) |

The conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can easily be quantified or ascertained.

We have not investigated the title to the projects or any liabilities against the ZTD. We hereby certify that we have neither a present nor a prospective interest in the ZTD or the value reported.

Summary of valuation and valuation certificate are attached herewith.

Yours faithfully,

For and on behalf of

CHESTERTON INTERNATIONAL PROPERTY CONSULTANTS PTE LTD

**CHNG SHIH HIAN**  
**EXECUTIVE DIRECTOR**

**JACKY CHAN**  
**EXECUTIVE DIRECTOR**

## APPENDIX VI VALUATION REPORTS

### VALUATION CERTIFICATE

Business Enterprise	Property Description	Fair Market Value as at 5 November 2003 attributable by Chao Yuan Ge
Xi'an Lintong Zhongxin Tourism Development Co., Ltd. (holding interest in the operating rights of the CYG)	<p>The Chao Yuan Ge project is located at Lishan Mountain, Lintong District, 30 kilometres east of Xi'an, Shaanxi Province, People's Republic of China. Its site area is 45,026 sq metres. The site carries a 50 years leasehold tenure commencing from 1995.</p> <p>The CYG will commence construction in 2004 and completed in 2005. It will be open to the public in 2006.</p> <p>Regular promotions and activities conducted such as advertisement, organizing special events, collaborating with other attractions, etc.</p>	In our opinion, a fair value of the subject property is conservatively estimated at S\$27.6 million (Singapore Dollars Twenty Seven Million and Six Hundred Thousand Only)

Notes :-

1. ZTD has the operating period of 50 years starting from 1995.
2. In the course of our valuation, the following major assumptions were made :-
  - (i) The percentage of local-foreigners visitor mix to the CYG is 80%-20%. The projected visitor arrivals and corresponding revenues from each revenue department are tabulated in our Visitor Arrivals Report;
  - (ii) We expect 5% of the domestic tourists and 20% of the foreign tourists will attend the stage show performances. Out of those who participate in the stage show, we estimate 60% of them will also partake the dinner;
  - (iii) Sales tax is estimated at 3% on gross entrance ticket revenue and 5% on other items' gross revenue;
  - (iv) The projected general retail and F&B spending (excluding dinners that accompany the stage show performances) has been estimated based on a market survey conducted by us. Conservatively, we have adopted an average spending yield of Rmb6 per visitor starting from year 2006 and this amount is expected to increase at a compounding growth rate under the various scenarios for the period of our projection.
  - (v) Variable costs for general F&B and retail is expected to be 50% of sales
  - (vi) Food cost for the dinner is expected to be Rmb50 per set as from year 2006, thereafter will rise according to the respective inflation rates;
  - (vii) The management is expected to sub-contract the stage show performers;
  - (viii) Fixed operating costs is expected to increase by the prescribed inflation rates;
  - (ix) There will be additional advertisement and promotional expenses incurred in support of increased ticket prices in the future.

---

## APPENDIX VI VALUATION REPORTS

---

- (x) Loan interest payments is incurred on the portion of bank loan borrowed for the project at an interest rate of 5.58% per annum.
- (xi) Loan principal amount is expected to be fully paid by the end of year 2009.
- (xii) company taxation is 33% per annum on net profit and is expected to remain stable throughout the balance lease term of the operations.
- (xiii) Accumulated Rmb cash surplus for the period shall attract a savings rate of 1.44% per annum and shall be treated as positive cashflow to ZTD.
- (xiv) The renminbi exchange rates with the USDollars and Singapore Dollar is expected to remain stable at the following rates :
  - S\$ : 4.70 Rmb
  - US\$ : 8.28 Rmb