

STRACO CORPORATION LIMITED

Registration Number: 200203482R

(Incorporated in the Republic of Singapore)

RESPONSE TO QUESTIONS FROM SIAS AND SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FROM SHAREHOLDERS FOR THE ANNUAL GENERAL MEETING TO BE HELD ON 27 APRIL 2021

The Board of Directors (the “**Board**” or “**Directors**”) of Straco Corporation Limited (“**Straco**” or the “**Company**”, and together with its subsidiaries, the “**Group**”) would like to provide responses to the questions raised by Securities Investors Association (Singapore) (“**SIAS**”) and substantial and relevant questions raised by shareholders for the Company’s Annual General Meeting to be held on 27 April 2021 as follows:

| Question | Response |
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| Questions from SIAS | |
| <p>Q1. As noted in the Chairman’s statement, for the first time since inception, the Group’s business operations were suspended due to precautionary regulatory measures implemented by the local authorities to stop the spread of COVID-19.</p> <p>The prolonged closures in the first half of 2020 and the subsequent re-openings with capacity restrictions led to a decrease in the overall visitor numbers for FY2020 of more than 70%. The attractions in China and the Singapore Flyer registered declines in visitors’ arrival by about 65% and 92% respectively.</p> <p>Revenue was \$29.56 million for FY2020, a decrease of 72.8 %. Overall visitor arrivals to all of the Group’s attractions were 1.31 million, 71.6% lower than FY2019.</p> <p>(1) Can management help shareholders better understand the situation on the ground in Shanghai, Xiamen and Xi’an?</p> | <p>(1) At the onset of the COVID-19, we closed our three attractions in China as a precautionary measure, as advised by local authorities. The attractions which were in different parts of China, subsequently reopened to receive visitors after varying days of closure. However, strict protocols need to be observed, such as safe distancing, heightened frequency of disinfecting premises, maintaining of</p> |

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| <p>(2) At what capacity are the attractions operating at as a result of restrictions by the authorities?</p> <p>(3) In particular, is the recovery in visitor numbers for Shanghai Ocean Aquarium, which is the Group's main attraction, meeting management's expectations?</p> <p>(4) Were there opportunities to acquire other assets on an opportunistic basis?</p> | <p>registers for contact tracing and online booking of visits were the order of the day.</p> <p>(2) Restrictions on daily capacity were also imposed starting with 30% of the usual capacity then gradual relaxation of rules to 50% and 75%. Currently the China attractions are allowed to operate up to 75% of daily capacity while Singapore Flyer is subject to a cap of 50% of usual capacity allowed in each capsule.</p> <p>(3) With the precautionary measures still in place amid the vaccination drive, management is circumspect of the challenging business environment and accept that full recovery to pre-COVID levels will take time.</p> <p>(4) The company continues to be proactive in its growth strategy in seeking earning accretive projects that offer exceptional value with strong potential and limited risks. We have considered a few, but none were assessed to be worth pursuing further.</p> |
| <p>Q2. Despite the pandemic, the Group launched its newest attraction, Time Capsule, at the Singapore Flyer on 9 December 2020. The attraction spans over two levels and is a complementary addition to the Singapore Flyer. It draws on the concept of time travel, taking guests through a journey through Singapore's 700-year history. At the end of the journey and upon stepping into the Giant Observation Wheel, guests will be able to witness Singapore's transformation and marvel at the beautiful skyline.</p> <p>(1) Can management help shareholders understand the target market for Time Capsule? Does the new attraction appeal to locals as well as foreign visitors?</p> | <p>(1) The Time Capsule offers everyone - locals and international visitors - a meaningful way to spend time together, as well as seeking new experiential activities. The new attraction provides visitors with an immersive and multisensory experience that showcases the Singapore story in a light-hearted manner. As the concept and experiences</p> |

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| <p>(2) What was the amount invested in Time Capsule?</p> <p>(3) The attraction has been opened for approximately 5 months. Are the visitor numbers meeting management's expectations, considering that there are still COVID-19 safe management measures in place?</p> <p>(4) How will management be promoting the attraction? Is the Group leveraging social media and online marketing to reach its target audience in a cost-effective manner?</p> <p>(5) Are there opportunities for the Group to set up such immersive, interactive multisensory attractions in the Group's other operating assets to refresh and to complement the main visit? A new immersive, multisensory addition can possibly draw customers who have visited previously back to the attraction for another visit.</p> | <p>created for the Time Capsule appeal to all walks of life, the attraction will be well-received by locals and foreign visitors.</p> <p>(2) Management has budgeted \$10 million for the initial development and continuous programme enhancement of the Time Capsule.</p> <p>(3) Since its launch on 10 December 2020, Time Capsule has welcomed more than 88,000 guests. As a family-friendly attraction, we are expecting continual support from the local residents as they seek edutainment experiences while the borders remain closed. The safety management measures imposed by the authorities require more resources to be deployed, but the guest experience has not been affected.</p> <p>(4) Digital marketing and partnerships with industry and lifestyle partners are the key strategies employed to market Time Capsule. As we move into the Sustenance phase, the Management will continue to tap on Singapore Flyer's official social media channels and engage selected influencers to widen the reach, as well as work on digital campaigns to keep Time Capsule and Singapore Flyer on the radar of our target audience.</p> <p>(5) The short answer is yes. Consumers taste and preferences these days are very discerning and product offering will have to be constantly refreshed and enhanced to stay relevant.</p> |
| <p>Q3. As discussed in Note 10 (page 112- Cash and Cash equivalents), the Group has cash and cash equivalents amounting to \$178.7 million as at 31 December 2020. Cash amounting to \$169.9 million is placed in short-term bank deposits.</p> | |

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| <p>Further on Note 27 (page 143- Financial risk management: Market risk: Currency risk), the Group’s currency profile and exposure are shown and reproduced below: (source: please refer to company annual report)</p> <p>The Group holds most of its cash in RMB. In FY2019 and FY2020, the effects of currency translation on cash and cash equivalents were \$(4,694,733) and \$8,403,394 respectively as the RMB weakened against SGD in 2019 and recovered strongly in 2020.</p> <p>(1) What is the board’s view of the long-term trend of RMB: SGD?</p> <p>(2) Are there capital controls on the RMB held by the Group?</p> <p>(3) What is the Group’s approach to its currency exposure and risks? By keeping the cash of the Group in RMB, does the Group expect major uses of cash (such as acquisitions or capital expenditure) in RMB? Would it be prudent to gradually repatriate profits from China and mitigate the RMB risk by achieve a greater balance between holding SGD and RMB?</p> | <p>(1) The Board is of the view that the long-term trend of RMB vs SGD will be relatively stable but will monitor and look out for any indication of weakness.</p> <p>(2) The Group had not faced any capital controls restriction on the repatriation of dividends from distributable income, declared by the China subsidiaries.</p> <p>(3) The Group currently operates in two markets, namely China and Singapore. The bulk of its revenue and operating expenses are in RMB. Future capital expenditures and assets enhancement involving the attractions will also be in RMB. Given the vast domestic market and critical mass, potential acquisition targets within China will be viewed favourably. The Group will however monitor currency exposure and risk and take appropriate steps to mitigate them where necessary.</p> |
| <p>Questions from Shareholders</p> | |
| <p>Q4. Compared to pre-Covid pre-capacity cuts levels, how many % of recovery in number of ticket sales have the Group seen at (i) Shanghai Ocean Aquarium and (ii) Singapore Flyer respectively?</p> | <p>(1) Referencing the Annual Report, the Group received 1.31 million visitors, generated by the four attractions for FY 2020, 71.6% lower than FY2019, a pre COVID-19 period. Of the 1.31 million, the Group received 0.3 million in first half of 2020, amidst lockdowns. The Group managed to aggregate 1.01 million visitors in the second half, while operating under daily capacity cuts. The</p> |

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| | recovery will be a slow process as the local authorities are still acting with an abundance of caution, ready to impose strict measures where necessary. |
| Q5. What have the Board and Management planned to do to maximise revenue at (i) Shanghai Ocean Aquarium and (ii) Singapore Flyer respectively, given the capacity constraints imposed by the authorities? | (1) As uncertainties remain for the COVID-19 pandemic and the timing of recovery for the tourism industry, the Group has focused on containing costs and conserving cash while at the same time ensuring the safety and well-being of staff and visitors. Comprehensive measures had been put in place, ready to receive visitors and overseas tourists, in the case of Singapore Flyer, again when businesses return to normal levels. |
| Q6. I refer to page 124 of the Annual Report about “Leasehold land”. It was stated that “Underwater World Xiamen Co Ltd entered into an agreement for a land use right with its co-operative partner in the PRC for a period of 40 years from 11 October 1994 to 10 October 2034.” How confident is the Board and Management in renewing the land use right in October 2034? | (1) Based on our understanding of the prevailing China law governing commercial leases, there are some protections in place for the incumbent lessee. |
| Q6A. I refer to page 126 of the Annual Report about “Leases – The Group as a lessee”. It was stated that “Shanghai Ocean Aquarium Co Ltd entered into an agreement for a land use right.” When is the expiry of this land use right? | (2) Under the lease agreement, Shanghai Ocean Aquarium, as the lessee, can opt for lease renewal before the expiry of the current lease in November 2037. The duration of the new lease, including rent, will be subject to mutual agreement between the lessor and lessee. |

By Order of the Board

Lotus Isabella Lim Mei Hua
Company Secretary

25 April 2021