

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

FIRST QUARTER ENDED 31 MARCH 2019 UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT

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

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

INCOME STATEMENT

	1Q ended		
	31/03/2019	31/03/2018	<i>Change</i>
	S\$'000	S\$'000	%
Revenue	24,581	18,795	30.8
Other income	1,808	1,704	6.1
Less:			
Depreciation and amortisation expense	(2,803)	(2,862)	(2.1)
Changes in inventories and purchases of goods	(763)	(530)	44.0
Consultancy expense	(243)	(148)	64.2
Sales and marketing expenses	(586)	(647)	(9.4)
Exchange gains	467	178	162.4
Loss on disposal of property, plant and equipment	(5)	(12)	(58.3)
Operating lease expense	(769)	(1,473)	(47.8)
Property and other taxes	(419)	(429)	(2.3)
Repair and maintenance expenses	(956)	(1,114)	(14.2)
Staff cost	(5,826)	(5,425)	7.4
Utilities expense	(683)	(649)	5.2
Other operating expenses	(495)	(325)	52.3
Other administrative expenses	(463)	(465)	(0.4)
Operating profit	12,845	6,598	94.7
Finance costs	(518)	(269)	92.6
Profit before income tax	12,327	6,329	94.8
Tax expense	(3,318)	(2,817)	17.8
Profit for the period	9,009	3,512	156.5
Profit attributable to:			
Owners of the Company	8,506	3,554	139.3
Non-controlling interests	503	(42)	n.m.
Profit for the period	9,009	3,512	156.5

STATEMENT OF COMPREHENSIVE INCOME

	1Q ended		
	31/03/2019	31/03/2018	Change
	S\$'000	S\$'000	%
Profit for the period	9,009	3,512	156.5
Other comprehensive income for the period, net of tax			
Translation differences relating to financial statements of foreign subsidiaries	2,176	3,203	(32.1)
Other comprehensive income for the period, net of tax	2,176	3,203	(32.1)
Total comprehensive income for the period	11,185	6,715	66.6
Total comprehensive income attributable to:			
Owners of the Company	10,604	6,648	59.5
Non-controlling interests	581	67	767.2
Total comprehensive income for the period	11,185	6,715	66.6

n.m. – not meaningful

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

	1Q ended	
	31/03/2019	31/03/2018
	S\$'000	S\$'000
Depreciation of property, plant and equipment	1,767	2,349
Depreciation of right-of-use asset	521	-
Depreciation of investment property	363	361
Amortisation of intangible assets	152	152
Interest income	(1,367)	(1,038)
Interest expense	518	269
Foreign exchange gains	(467)	(178)
Loss on disposal of property, plant and equipment	5	12
Government grant	(17)	(119)

Notes:

1. Interest income is mainly from fixed deposits placed with financial institutions.
2. Interest expense is mainly attributable to the long-term bank borrowing for the purpose of acquiring the assets of Singapore Flyer, as well as the interest on finance lease arising from the adoption of SFRS(I) 16 with effect from 1 January 2019.
3. Foreign exchange gains arise mainly due to the movement of Renminbi against Singapore Dollars.

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

	Group		Company	
	As at	As at	As at	As at
	31/03/2019	31/12/2018	31/03/2019	31/12/2018
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	113,222	113,540	2,009	2,024
Right-of-use assets	33,252	-	-	-
Investment property	45,398	45,761	-	-
Investments in subsidiaries	-	-	76,071	76,071
Loans and advances to subsidiaries	-	-	26,750	26,750
Intangible assets	1,826	1,978	-	-
	193,698	161,279	104,830	104,845
Current assets				
Inventories	2,165	2,196	-	-
Trade and other receivables	6,234	5,824	308	40
Loans and receivables from subsidiaries	-	-	463	488
Other current assets	1,460	988	54	27
Fixed deposits pledged	1,000	1,000	-	-
Cash and cash equivalents	209,813	201,695	45,535	46,075
	220,672	211,703	46,360	46,630
Total assets	414,370	372,982	151,190	151,475
Equity attributable to owners of the Company				
Share capital	76,985	76,985	76,985	76,985
Reserves	16,107	13,827	3,084	2,901
Retained earnings	201,138	192,632	70,008	70,039
	294,230	283,444	150,077	149,925
Non-controlling interests	12,437	11,856	-	-
Total equity	306,667	295,300	150,077	149,925
Non-current liabilities				
Borrowings	22,900	25,900	-	-
Finance lease payables	32,129	-	-	-
Deferred income	174	188	-	-
Deferred tax liabilities	22,537	21,456	-	-
Provision for reinstatement cost	5,184	5,184	-	-
	82,924	52,728	-	-
Current liabilities				
Trade and other payables	8,885	10,729	599	958
Amounts due to subsidiaries	-	-	514	507
Current tax liabilities	2,343	2,225	-	85
Finance lease payables	1,551	-	-	-
Current borrowings	12,000	12,000	-	-
	24,779	24,954	1,113	1,550
Total liabilities	107,703	77,682	1,113	1,550
Total equity and liabilities	414,370	372,982	151,190	151,475

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

	As at 31/03/2019		As at 31/12/2018	
	<u>Secured</u> S\$'000	<u>Unsecured</u> S\$'000	<u>Secured</u> S\$'000	<u>Unsecured</u> S\$'000
Amount payable in one year or less, or on demand	12,000	-	12,000	-
Amount payable after one year	20,000	2,900	23,000	2,900

Details of any collateral

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS		Q1 ended 31/03/2019	Q1 ended 31/03/2018
		S\$'000	S\$'000
Cash flows from operating activities			
Profit before income tax		12,327	6,329
Adjustments for:			
Amortisation of intangible assets		152	152
Depreciation of property, plant and equipment		1,767	2,349
Depreciation of right-of-use asset		521	-
Depreciation of investment property		363	361
Equity-settled share-based payment transactions		182	192
Loss on disposal of property, plant and equipment		5	12
Government grant utilised		(17)	(15)
Interest income		(1,367)	(1,038)
Interest expense		518	269
Exchange gains		(464)	(180)
Operating profit before working capital changes		13,987	8,431
Changes in working capital:			
Trade and other receivables		25	89
Inventories		48	34
Trade and other payables		(1,622)	(2,467)
Cash generated from operating activities		12,438	6,087
Interest paid on lease liability		(257)	-
Income taxes paid		(2,147)	(2,476)
Net cash from operating activities		10,034	3,611
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,011)	(730)
Interest received		532	231
Net cash used in from investing activities		(479)	(499)
Cash flows from financing activities			
Dividend paid to non-controlling interests		-	(73)
Repayment of borrowings		(3,000)	(3,000)
Repayment of lease liability		(381)	-
Interest paid		(275)	(258)
Net cash used in financing activities		(3,656)	(3,331)
Net increase/ (decrease) in cash and cash equivalents		5,899	(219)
Cash and cash equivalents at beginning of the period		201,695	190,414
Effects of exchange rate fluctuations		2,219	2,756
Cash and cash equivalents at end of the period		209,813	192,951

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

(a) Group

(i)

	Share capital	Treasury shares	Capital reserve	Share option reserve	General reserve	Foreign currency translation reserve	Retained earnings	Total attributable to owners of the Company	Non-controlling Interests	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January 2019	76,985	(4,547)	(1,377)	8,825	16,412	(5,486)	192,632	283,444	11,856	295,300
Changes in equity for the period:										
Share-based payment transactions	-	-	-	182	-	-	-	182	-	182
Transfer to general reserve fund	-	-	-	-	-	-	-	-	-	-
Dividend to non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	2,098	8,506	10,604	581	11,185
At 31 March 2019	76,985	(4,547)	(1,377)	9,007	16,412	(3,388)	201,138	294,230	12,437	306,667

(ii)

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

(b) Company

(i)

	Share capital	Treasury shares	Capital reserve	Share option reserve	Retained earnings	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January 2019	76,985	(4,547)	(1,377)	8,825	70,039	149,925
Share-based payment transactions	-	-	-	182	-	182
Total comprehensive income/ (loss) for the period	-	-	-	-	(30)	(30)
At 31 March 2019	76,985	(4,547)	(1,377)	9,007	70,009	150,077

(ii)

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

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

There were no share buyback and no share options being exercised in 1Q2019.

The Company's issued and fully paid up shares as at 31 March 2019 comprised 860,654,280 (31 March 2018: 860,496,880) ordinary shares and 8,275,300 (31 March 2018: 8,432,700) treasury shares.

As at 31 March 2019, options to subscribe for 25,978,000 (31 March 2018: 22,992,000) ordinary shares remain outstanding.

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

	As at 31/03/2019	As at 31/12/2018
Total number of issued shares	868,929,580	868,929,580
Less: Treasury shares	(8,275,300)	(8,275,300)
Total number of issued shares excluding treasury shares	860,654,280	860,654,280

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

Treasury shares	No. of shares	S\$'000
Balance as at 31/12/2018 and 31/03/2019	8,275,300	4,547

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

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

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

Not applicable.

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

The accounting policies and methods of computation in the preparation of the financial statements for the current reporting period are consistent with those of the audited financial statements for the financial year ended 31 December 2018, except as disclosed in paragraph 5 below.

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

The Group have adopted the following new SFRS(I)s from the financial year beginning 1 January 2019:

- SFRS(I) 16 *Leases*
- SFRS (I) INT 23 *Uncertainty over Income Tax Treatments*

In adopting SFRS(I) 16, the Group has applied the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised, except for short-term leases and leases of low value assets.

The adoption of SFRS(I) 16 resulted in adjustments to the balance sheet of the Group as at 1 January 2019. The differences from the balance sheet as previously reported at 31 December 2018 are as follows:

	Group	
	1 January 2019	31 December 2018
	S\$'000	S\$'000
Increase/ (Decrease) in:		
<u>Statement of Financial Position</u>		
Right-of-use asset	33,655	-
Finance lease liabilities	33,940	-

The adoption of SFRS(I) INT 23 is assessed to have no material impact on the Group's financial statements.

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

Earnings per share	Q1 ended	
	31/03/2019	31/03/2018
(a) Based on the number of ordinary shares in issue (cents)	0.99	0.41
(b) On fully diluted basis (cents)	0.99	0.41

The calculation of basic earnings per share for 1Q ended 31 March 2019 is based on the net profits attributable to shareholders for the 1Q ended 31 March 2019 divided by the weighted average number of ordinary shares outstanding of 860,654,280.

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

The calculation of diluted earnings per share for 1Q ended 31 March 2019 is based on the net profits attributable to shareholders for the 1Q ended 31 March 2019 divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 862,127,319.

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

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

	Group		Company	
	31/03/2019	31/12/2018	31/03/2019	31/12/2018
Net asset value per ordinary share (cents) based on number of issued shares excluding treasury shares at the end of:	34.19	32.93	17.44	17.42

Net asset value per ordinary share was calculated based on 860,654,280 ordinary shares issued (excluding treasury shares) as at 31 March 2019 and 860,654,280 ordinary shares issued (excluding treasury shares) as at 31 December 2018.

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

Revenue

In the first quarter of FY2019, the Group achieved sales of \$24.58 million, 30.8% higher than the corresponding period in 1Q2018 which was impacted by more than two months suspension of rides at our Singapore Flyer due to a technical issue then. However, Shanghai Ocean Aquarium ("SOA") and Underwater World Xiamen ("UWX") reported lower revenues this quarter on lower visitor numbers.

Overall visitation to all our attractions was 0.986 million visitors for the quarter, 22.7% higher than the corresponding period in 1Q2018.

Operational Results

Total Expenses (excluding finance cost) for 1Q2019 was 13.54 million, a decrease of \$0.36 million, or 2.6% from 1Q2018. Cost of sales for 1Q2019 was higher than corresponding period, mainly due to higher retail and F&B sales at Singapore Flyer. Consultancy expenses increased, mainly due to the legal and professional fee incurred for the insurance claim relating to the rides suspension at Singapore Flyer in last year. Higher exchange gain was recorded in this quarter, as Renminbi currency strengthened against Singapore dollar. Operating lease expense decreased with the adoption of the new SFRS(I) 16 Leases, resulting in the recognition of the right-of-use assets for land leased by Singapore Flyer and UWX. Repair and maintenance expense decreased, as 1Q2018 expense was higher due to the technical issue at Singapore

Flyer. Other operating expenses increased, mainly due to higher insurance premium and packaging expenses incurred by Singapore Flyer.

Finance cost for 1Q2019 increased substantially over corresponding period, mainly due to the interest expense on finance lease recognised following the adoption of SFRS(I) 16 starting 1 January 2019.

Profit before tax was \$12.33 million for the current quarter, 94.8% higher than the profit before tax of \$6.33 million for 1Q2018, mainly attributable to the profits generated by Singapore Flyer this quarter, instead of losses suffered in 1Q2018 due to the rides suspension then.

Balance Sheet items

Other current assets increased 47.8% from \$0.99 million at 31 December 2018 to \$1.46 million at 31 March 2019, mainly due to increase in prepayments and advance payment for purchase of spare parts by Lixing Cable Car.

Reserves increased 16.5% from \$13.83 million at 31 December 2018 to \$16.11 million at 31 March 2019, mainly due to the translation gain of \$2.10 million arising from the stronger RMB currency against SGD at the end of the current period compared to the end of last year; as well as the increase in share option reserves of \$0.18 million during the period arising from share options granted in 2018.

Trade and other payables decreased 17.2% from \$10.73 million at 31 December 2018 to \$8.89 million at 31 March 2019, mainly due to the decrease in other payables and accruals as the performance bonus accrued in 2018 were paid out in the current quarter.

Cash flow Statement

The Group generated net cash from operating activities amounting to \$10.03 million for 1Q2019, compared to \$3.61 million generated in 1Q2018, as the ride operation at Singapore Flyer was suspended for more than two months in 1Q2018. As at 31 March 2019, the Group's cash and cash equivalent balance amounted to \$209.81 million.

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

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

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

The National Bureau of Statistics of China reported that China's gross domestic product ("GDP") grew 6.4% in the first quarter of 2019, supported by strong industrial production and greater spending by Chinese consumers.

In Singapore, the economy expanded 1.3% year-on-year in 1Q2019, based on advance estimates from the Ministry of Trade and Industry. On the tourism sector, the recently announced expansion plans of the two Integrated Resorts (IRs) will benefit Singapore's tourism industry, contribute to the inflow of visitors looking for new attractions and experiences, and

further strengthen our position as a global business hub, while also creating many jobs and business opportunities.

11. Dividend

(a) Current Financial Period Reported On

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

(b) Corresponding Period of the Immediately Preceding Financial Year

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

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

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

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

No IPT mandate has been obtained.

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

To the best of our knowledge and belief, nothing has come to the attention of the Directors which may render the 1Q2019 financial results to be false or misleading in any material aspect.

On behalf of the Board

Wu Hsioh Kwang
Chairman

Lim Song Joo
Director

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

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

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

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

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

Not applicable.

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

Not applicable.

- 18. A breakdown of sales.**

Not applicable.

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

Not applicable.

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

Not applicable.

BY ORDER OF THE BOARD,

Lotus Isabella Lim Mei Hua
Company Secretary
14 May 2019