

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

SECOND QUARTER ENDED 30 JUNE 2014 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

	2Q ended			6 months ended		
	30/06/2014	30/06/2013	Change	30/06/2014	30/06/2013	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	19,672	16,373	20.1	34,335	27,691	24.0
Other income	1,088	1,198	(9.2)	2,121	2,927	(27.5)
Operating expenses	(4,787)	(4,964)	(3.6)	(9,298)	(9,095)	2.2
Administrative expenses	(3,222)	(1,329)	142.4	(6,184)	(2,473)	150.1
Profit before income tax	12,751	11,278	13.1	20,974	19,050	10.1
Tax expense	(4,058)	(3,261)	24.4	(6,656)	(5,388)	23.5
Profit for the period	8,693	8,017	8.4	14,318	13,662	4.8
Profit attributable to:						
Owners of the Company	8,329	7,758	7.4	13,738	13,221	3.9
Non-controlling interests	364	259	40.5	580	441	31.5
Profit for the period	8,693	8,017	8.4	14,318	13,662	4.8

STATEMENT OF COMPREHENSIVE INCOME

	2Q ended			6 months ended		
	30/06/2014	30/06/2013	Change	30/06/2014	30/06/2013	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Profit for the period	8,693	8,017	8.4	14,318	13,662	4.8
Other comprehensive income/(loss) for the period, net of tax						
Translation differences relating to financial statements of foreign subsidiaries	(913)	2,746	n.m.	(3,684)	4,404	n.m.
Other comprehensive (loss)/ income for the period, net of tax	(913)	2,746	n.m.	(3,684)	4,404	n.m.
Total comprehensive income for the period	7,780	10,763	(27.7)	10,634	18,066	(41.1)
Total comprehensive income attributable to:						
Owners of the Company	7,449	10,413	(28.5)	10,188	17,476	(41.7)
Non-controlling interests	331	350	(5.4)	446	590	(24.4)
Total comprehensive income for the period	7,780	10,763	(27.7)	10,634	18,066	(41.1)

n.m. – not meaningful

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

	2Q ended		6 months ended	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
	S\$'000	S\$'000	S\$'000	S\$'000
Depreciation of property, plant and equipment	961	983	1,950	1,968
Interest income	(699)	(821)	(1,454)	(1,590)
Foreign exchange loss/ (gain)	396	(1,153)	1,406	(1,761)
Loss/ (Gain) on disposal of property, plant and equipment	3	(45)	4	(688)
Government grant	(16)	(15)	(32)	(29)

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 30/06/2014	As at 31/12/2013	As at 30/06/2014	As at 31/12/2013
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	43,932	47,071	2,344	2,358
Investments in subsidiaries	-	-	48,121	48,121
Intangible assets	1,419	1,419	-	-
	45,351	48,490	50,465	50,479
Current assets				
Inventories	1,093	960	-	-
Trade and other receivables	4,547	4,117	-	-
Loans and receivables from subsidiaries	-	-	13,666	26,210
Other current assets	22,114	21,701	21,421	21,324
Cash and cash equivalents	99,968	108,055	19,345	18,238
	127,722	134,833	54,432	65,772
Total assets	173,073	183,323	104,897	116,251
Equity attributable to owners of the Company				
Share capital	76,985	76,985	76,985	76,985
Reserves	8,518	10,930	(1,865)	(3,003)
Retained earnings	69,773	72,981	26,745	38,256
	155,276	160,896	101,865	112,238
Non-controlling interests	3,562	3,116	-	-
Total equity	158,838	164,012	101,865	112,238
Non-current liabilities				
Deferred income	173	213	-	-
Deferred tax liabilities	2,618	1,850	-	-
	2,791	2,063	-	-
Current liabilities				
Trade and other payables	7,878	10,226	2,536	3,067
Amounts due to subsidiaries	-	-	496	946
Current tax liabilities	3,566	7,022	-	-
	11,444	17,248	3,032	4,013
Total liabilities	14,235	19,311	3,032	4,013
Total equity and liabilities	173,073	183,323	104,897	116,251

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

	As at 30/06/2014		As at 31/12/2013	
	<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	-	-	-	-
Amount payable after one year	-	-	-	-

Details of any collateral

Not applicable

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	Q2 ended 30/06/2014	Q2 ended 30/06/2013
	S\$'000	S\$'000
Cash flows from operating activities		
Profit before income tax	12,751	11,278
Adjustments for:		
Depreciation of property, plant and equipment	961	983
Equity-settled share-based payment transactions	335	113
Loss/ (Gain) on disposal of property, plant and equipment	3	(45)
Government grant utilised	(16)	(15)
Interest income	(699)	(821)
Exchange loss/ (gain)	24	(1,177)
Operating profit before working capital changes	13,359	10,316
Changes in working capital:		
Trade and other receivables	(228)	(237)
Inventories	(217)	4
Trade and other payables	534	848
Cash generated from operating activities	13,448	10,931
Income taxes paid	(3,313)	(4,964)
Net cash from operating activities	10,135	5,967
Cash flows from investing activities		
Purchase of property, plant and equipment	(216)	(210)
Proceeds from disposal of property, plant and equipment	-	14
Interest received	932	258
Net cash from investing activities	716	62
Cash flows from financing activities		
Dividend paid to owners of company	(16,946)	(10,536)
Dividend paid to non-controlling interests	(539)	-
Repurchase of own shares	-	(29)
Proceeds from exercise of share options	433	149
Net cash from/ (used in) financing activities	(17,052)	(10,416)
Net decrease in cash and cash equivalents	(6,201)	(4,387)
Cash and cash equivalents at beginning of the period	106,832	101,703
Effects of exchange rate fluctuations	(663)	2,756
Cash and cash equivalents at end of the period	99,968	100,072

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 2014	76,985	(5,043)	(206)	2,246	12,208	1,725	72,981	160,896	3,116	164,012
Changes in equity for the period:										
Share-based payment transactions	-	-	-	136	-	-	-	136	-	136
Treasury shares reissued	-	258	(24)	-	-	-	-	234	-	234
Total comprehensive income for the period	-	-	-	-	-	(2,670)	5,409	2,739	115	2,854
At 31 March 2014	76,985	(4,785)	(230)	2,382	12,208	(945)	78,390	164,005	3,231	167,236
Changes in equity for the period:										
Share-based payment transactions	-	-	-	335	-	-	-	335	-	335
Treasury shares reissued	-	457	(24)	-	-	-	-	433	-	433
Dividend paid of 2.00 cents per share	-	-	-	-	-	-	(16,946)	(16,946)	-	(16,946)
Total comprehensive income for the period	-	-	-	-	-	(880)	8,329	7,449	331	7,780
At 30 June 2014	76,985	(4,328)	(254)	2,717	12,208	(1,825)	69,773	155,276	3,562	158,838

(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 2013	76,985	(5,343)	(131)	1,793	7,666	(3,818)	53,963	131,115	2,880	133,995
Changes in equity for the period:										
Purchase of own shares	-	(97)	-	-	-	-	-	(97)	-	(97)
Share-based payment transactions	-	-	-	68	-	-	-	68	-	68
Treasury shares reissued	-	66	(24)	-	-	-	-	42	-	42
Transfer to general reserve fund	-	-	-	-	1,171	-	(1,171)	-	-	-
Dividend to non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	(527)	(527)
Total comprehensive income for the period	-	-	-	-	-	1,600	5,463	7,063	240	7,303
At 31 March 2013	76,985	(5,374)	(155)	1,861	8,837	(2,218)	58,255	138,191	2,593	140,784
Changes in equity for the period:										
Purchase of own shares	-	(29)	-	-	-	-	-	(29)	-	(29)
Share-based payment transactions	-	-	-	113	-	-	-	113	-	113
Treasury shares reissued	-	168	(19)	-	-	-	-	149	-	149
Dividend paid of 1.25 cents per share	-	-	-	-	-	-	(10,536)	(10,536)	-	(10,536)
Total comprehensive income for the period	-	-	-	-	-	2,655	7,758	10,413	350	10,763
At 30 June 2013	76,985	(5,235)	(174)	1,974	8,837	437	55,477	138,301	2,943	141,244

(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 2014	76,985	(5,043)	(206)	2,246	38,256	112,238
Share-based payment transactions	-	-	-	136	-	136
Treasury shares re-issued	-	258	(24)	-	-	234
Total comprehensive loss for the period	-	-	-	-	(1,329)	(1,329)
At 31 March 2014	76,985	(4,785)	(230)	2,382	36,927	111,279
Share-based payment transactions	-	-	-	335	-	335
Treasury shares reissued	-	457	(24)	-	-	433
Total comprehensive income for the period	-	-	-	-	6,764	6,764
Dividend paid of 2.00 cents per share	-	-	-	-	(16,946)	(16,946)
At 30 June 2014	76,985	(4,328)	(254)	2,717	26,745	101,865

(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 2013	76,985	(5,343)	(131)	1,793	11,640	84,944
Purchase of own shares	-	(97)	-	-	-	(97)
Share-based payment transactions	-	-	-	68	-	68
Treasury shares re-issued	-	66	(24)	-	-	42
Total comprehensive income for the period	-	-	-	-	9,441	9,441
At 31 March 2013	76,985	(5,374)	(155)	1,861	21,081	94,398
Purchase of own shares	-	(29)	-	-	-	(29)
Share-based payment transactions	-	-	-	113	-	113
Treasury shares reissued	-	168	(19)	-	-	149
Total comprehensive income for the period	-	-	-	-	4,702	4,702
Dividend paid of 1.25 cents per share	-	-	-	-	(10,536)	(10,536)
At 30 June 2013	76,985	(5,235)	(174)	1,974	15,247	88,797

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 was no share buyback during the 2Q2014.

During the second quarter ended 30 June 2014, 2,280,000 share options were exercised from the options that were granted in 2007, 2011, and 2012; resulting in 2,280,000 treasury shares being reissued.

The Company's issued and fully paid up shares as at 30 June 2014 comprised 847,309,580 (30 June 2013: 842,779,580) ordinary shares and 21,620,000 (30 June 2013: 26,150,000) treasury shares.

During the second quarter ended 30 June 2014, the Company issued 7,620,000 share options to the directors and employees of the Group. As at 30 June 2014, options to subscribe for 27,750,000 (30 June 2013: 24,660,000) 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 30/06/2014	As at 31/12/2013
Total number of issued shares	868,929,580	868,929,580
Less: Treasury shares	(21,620,000)	(25,190,000)
Total number of issued shares excluding treasury shares	847,309,580	843,739,580

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 31/03/2014	23,900,000	4,785
No. of shares transferred on exercise of share option	(2,280,000)	(457)
Balance as at 30/06/2014	21,620,000	4,328

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

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

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation used in the financial statements for the current reporting period compared with the audited financial statements for the financial year ended 31 December 2013.

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.

An assessment has been made of the Amendments and Interpretations to the Singapore Financial Reporting Standards (“FRSs”) effective from 1 January 2014 and it is not expected to have any significant 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	Q2 ended		6 months ended	
	30/06/2014	30/06/2013	30/06/2014	30/06/2013
(a) Based on the number of ordinary shares in issue (cents)	0.98	0.92	1.62	1.57
(b) On fully diluted basis (cents)	0.97	0.91	1.60	1.56

The calculation of basic earnings per share for 2Q and 6 months ended 30 June 2014 are based on the net profits attributable to shareholders for the 2Q and 6 months ended 30 June 2014 divided by the weighted average number of ordinary shares outstanding of 847,161,228 and 845,623,171 respectively.

The calculation of basic earnings per share for 2Q and 6 months ended 30 June 2013 are based on the net profits attributable to shareholders for the 2Q and 6 months ended 30 June 2013 divided by the weighted average number of ordinary shares outstanding of 842,605,294 and 842,302,702 respectively.

The calculation of diluted earnings per share for 2Q and 6 months ended 30 June 2014 are based on the net profits attributable to shareholders for the 2Q and 6 months ended 30 June 2014 divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 860,076,094 and 858,648,581 respectively.

The calculation of diluted earnings per share for 2Q and 6 months ended 30 June 2013 are based on the net profits attributable to shareholders for the 2Q and 6 months ended 30 June 2013 divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 850,297,002 and 849,819,443 respectively.

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	
	30/06/2014	31/12/2013	30/06/2014	31/12/2013
Net asset value per ordinary share (cents) based on number of issued shares excluding treasury shares at the end of:	18.33	19.07	12.02	13.30

Net asset value per ordinary share was calculated based on 847,309,580 ordinary shares issued (excluding treasury shares) as at 30 June 2014 and 843,739,580 ordinary shares issued (excluding treasury shares) as at 31 December 2013.

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 second quarter of FY2014, the Group achieved sales of \$19.67 million, an increase of 20.1% over the same period in FY2013, mainly attributable to increased visitation at our two major attractions - Shanghai Ocean Aquarium ("SOA") and Underwater World Xiamen ("UWX").

Combined visitation to SOA and UWX was 840,000 visitors for the quarter, an increase of 22.4% compared to 2Q2013.

Cumulatively, overall revenue for the first half of FY2014 amounted to \$34.34 million, an increase of \$6.65 million or 24.0% compared to 1H2013.

Operational Results

Operating expenses for 2Q2014 decreased \$0.18 million, or 3.6% from 2Q2013. While higher variable cost, which increased in line with the higher revenue, was incurred; other operating expenses such as aquarium cost, operating staff cost, depreciation, and promotional expenses decreased.

Administrative expenses for 2Q2014 increased \$1.89 million, or 142.4% from 2Q2013, mainly due to the foreign exchange loss of \$396,000 recorded in the current period as the Chinese Yuan (RMB) weakened against the Singapore dollar (SGD) during the period; as opposed to an exchange gain of \$1.15 million recorded in 2Q2013 when the RMB strengthened against SGD at that time. Increase in staff cost resulting from higher share option expenses recognized in the current quarter, as well as higher land use taxes and property taxes paid by our China subsidiaries and higher consultancy expenses also contributed to the increase in administrative expenses.

Profit before tax was \$12.75 million for the current quarter, an increase of 13.1% compared to the profit before tax of \$11.28 million for 2Q2013. Taking away the foreign exchange differences in both periods, profit before tax for the current quarter would have been \$13.15 million, an increase of 29.8% compared to 2Q2013.

Balance Sheet items

Inventories increased 13.9% from \$0.96 million at 31 December 2013 to \$1.09 million at 30 June 2014, mainly due to the purchase of imported spare parts for our cable car facilities in the current period.

Trade and other receivables increased 10.4% from \$4.12 million at 31 December 2013 to \$4.55 million at 30 June 2014, mainly due to increase in trade receivables in SOA and UWX on increased business volume in the current period.

Reserves decreased from \$10.93 million at 31 December 2013 to \$8.52 million at 30 June 2014, due to the translation loss of \$3.55 million arising from the weaker RMB currency against SGD at the end of the current period compared to the end of last year, as well as the loss of \$48,000 from treasury shares re-issued; partially offset by the treasury shares reissued of \$715,000 and

share option reserves of \$471,000 recognised in the current period arising from share options granted in May 2013 and May 2014.

Deferred income decreased 18.8% from \$0.21 million at 31 December 2013 to \$0.17 million at 30 June 2014, mainly due to the periodic recognition of deferred income to profit & loss in the current period.

Deferred tax liabilities increased 41.5% from \$1.85 million at 31 December 2013 to \$2.62 million at 30 June 2014, due to the deferred tax recognised on the 1H2014 profits of SOA, UWX, and Lixing Cable Car.

Trade and other payables decreased 23.0% from \$10.23 million at 31 December 2013 to \$7.88 million at 30 June 2014, mainly due to the decrease in trade payables, payment of dividend to a non-controlling shareholder of a subsidiary, as well as the payment of performance bonus which were accrued in last year.

Current tax liabilities decreased 49.2% from \$7.02 million at 31 December 2013 to \$3.57 million at 30 June 2014, mainly due to the payment of 4Q2013 income taxes in the current period, partially offset by the provision of income taxes on 2Q2014 profits of SOA, UWX, and Lixing Cable Car.

Cash flow Statement

The Group generated net cash from operating activities amounting to \$10.14 million in 2Q2014. During the quarter, the Company paid out special and final dividend amounting to \$16.95 million for the financial year ended 31 December 2013, and received \$0.43 million from the exercises of share options. As at 30 June 2014, the Group's cash and cash equivalent balance amounted to \$99.97 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 the Chinese economy grew 7.5% in the second quarter of 2014 from a year earlier, boosted by government's targeted stimulus measures of spending and credit-easing.

For the first half of 2014, the Chinese economy was stable with GDP growth of 7.4% from the same period last year, with domestic demand playing a bigger role in driving growth, contributing to 52.4% of GDP in the first half.

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 2Q2014 financial results to be false or misleading in any material aspect.

On behalf of the Board

Wu Hsioh Kwang
Chairman

Lim Song Joo
Director

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

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

15. 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.

- 16. 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.

- 17. A breakdown of sales.**

Not applicable.

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

Not applicable.

- 19. 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
12 August 2014