

CIRCULAR DATED 14 APRIL 2016

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred all your ordinary shares in the capital of Straco Corporation Limited (the “**Company**”), you should immediately forward this Circular and the enclosed Notice of Annual General Meeting and Proxy Form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) assumes no responsibility for the correctness or accuracy of any of the statements made, reports contained or opinions expressed in this Circular.



STRACO CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200203482R)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

THE PROPOSED CHANGE OF AUDITORS

This Circular is issued to you together with the Annual Report 2015 of Straco Corporation Limited. The resolution proposed to be passed in relation to the above matter is set out in the Notice of Annual General Meeting attached to the Annual Report 2015.

CONTENTS

	PAGE
DEFINITIONS	3
LETTER TO SHAREHOLDERS	5
1. INTRODUCTION	5
2. PROPOSED CHANGE OF AUDITORS.....	5
3. AUDIT & RISK COMMITTEE'S RECOMMENDATION.....	7
4. DIRECTORS' RECOMMENDATION	7
5. DIRECTORS' RESPONSIBILITY STATEMENT	7
6. ACTION TO BE TAKEN BY SHAREHOLDERS	8
7. DOCUMENTS AVAILABLE FOR INSPECTION	8

DEFINITIONS

In this Circular, the following definitions shall apply throughout unless otherwise stated:-

“ACRA”	:	Accounting and Corporate Regulatory Authority of Singapore
“AGM”	:	The annual general meeting of the Company
“Audit & Risk Committee”	:	The Audit & Risk Committee of the Company, comprising Mr Lim Song Joo, Dr Choong Chow Siong and Mr Neo Poh Kok David for the time being
“Auditors”	:	The auditors of the Company as appointed from time to time
“Board”	:	The board of Directors of the Company for the time being
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 14 April 2016
“Companies Act”	:	The Companies Act (Chapter 50) of Singapore, as amended, supplemented or modified from time to time
“Company”	:	Straco Corporation Limited
“Constitution”	:	The Constitution of the Company, as amended from time to time
“CPF Approved Nominees”	:	Agent banks included under the CPFIS
“CPFIS”	:	Central Provident Fund Investment Scheme
“Director(s)”	:	Director(s) of the Company as at the date of this Circular
“FY”	:	Financial year ended or ending 31 December
“Group”	:	The Company and its subsidiaries, collectively
“KPMG”	:	Messrs KPMG LLP
“Latest Practicable Date”	:	The latest practicable date prior to the printing of this Circular, being 31 March 2016
“Listing Manual”	:	The Listing Manual of the SGX-ST, as the same may be amended, varied or supplemented from time to time
“Notice of AGM”	:	The notice of AGM dated 14 April 2016, accompanying the Annual Report 2015 to convene the AGM to be held on 29 April 2016
“Proposed Change of Auditors”	:	The proposed change of auditors of the Company from KPMG to PwC
“PwC”	:	Messrs PricewaterhouseCoopers LLP

DEFINITIONS

- “Securities Account”** : A securities account maintained by a Depositor with CDP, but does not include a securities sub-account maintained with a Depository Agent
- “Securities and Futures Act”** : The Securities and Futures Act (Chapter 289) of Singapore as amended, supplemented or modified from time to time
- “SGX-ST”** : Singapore Exchange Securities Trading Limited
- “Share(s)”** : Ordinary share(s) in the capital of the Company
- “Shareholders”** : The registered holders of Shares in the Register of Members of the Company, except where the registered holder is the CDP, the term “Shareholders” shall, in relation to such Shares and where the context so admits, mean the Depositors whose Securities Accounts are credited with those Shares
- “%” or “per cent.”** : Per centum or percentage

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meaning ascribed to them respectively in Section 81SF of the Securities and Futures Act.

The term **“subsidiary”** shall have the meaning ascribed to it by Section 5 of the Companies Act.

Words denoting the singular shall, where applicable, include the plural and *vice versa* and words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*.

References to persons shall, where applicable, include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or reenacted. Any word defined under the Companies Act, the Listing Manual or any statutory modification thereof and used in this Circular shall, where applicable, have the same meaning assigned to it under the Companies Act, the Listing Manual or any statutory modification thereof, as the case may be, unless otherwise provided.

Any reference to a time of day and dates in this Circular shall be a reference to Singapore time and dates, unless otherwise stated.

LETTER TO SHAREHOLDERS

STRACO CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 200203482R)

Directors:

Mr Wu Hsioh Kwang (Executive Chairman)
Mr Li Weiqiang (Non-Executive Director)
Mr Xu Niansha (Non-Executive Director)
Mdm Chua Soh Har (Non-Executive Director)
Mr Tay Siew Choon (Lead Independent Director)
Mr Lim Song Joo (Independent Director)
Dr Choong Chow Siong (Independent Director)
Mr Neo Poh Kok David (Independent Director)
Ms Wu Xiuyi (Alternate Director to Mr Wu Hsioh Kwang)
Mr Wu Xiuzhuan (Alternate Director to Mdm Chua Soh Har)

Registered Office:

10 Anson Road
#30-15 International Plaza
Singapore 079903

14 April 2016

To: **The Shareholders of Straco Corporation Limited**

Dear Sir/Madam

THE PROPOSED CHANGE OF AUDITORS

1. INTRODUCTION

The Directors wish to refer to (i) the Notice of AGM dated 14 April 2016, accompanying the Annual Report 2015 to convene the AGM to be held on 29 April 2016; and (ii) the ordinary resolution to seek Shareholders' approval for the appointment of PwC as the Auditors of the Company in place of the retiring auditors, KPMG, to hold office until the conclusion of the next AGM and to authorise the Directors to fix their remuneration.

The purpose of this Circular is to provide Shareholders with information pertaining to the Proposed Change of Auditors, and to seek Shareholders' approval in respect of the same at the AGM.

2. THE PROPOSED CHANGE OF AUDITORS

2.1 Background and Rationale

The Company's current Auditors, KPMG, has been the Auditors of the Company for eleven (11) years since 2005. KPMG was re-appointed as Auditors at the last AGM held on 29 April 2015 to hold office until the conclusion of the next AGM.

The Board is of the view that in the interest of good corporate governance, it would be appropriate to periodically rotate Auditors. The Board believes that a change of Auditors may enable the Company to benefit from fresh perspectives of another professional audit firm and further enhance the value of the audit. As such, it would be timely to rotate and effect a change of Auditors for the audit of the Company's financial statements for the financial year ending 31 December 2016.

The Audit & Risk Committee of the Company had met with representatives of various audit firms. Following an evaluation of the audit firms and their proposals and in consultation with the Audit & Risk Committee, having considered the factors mentioned in paragraph 2.3 below, the Board has accepted the Audit & Risk Committee's recommendation for the appointment of PwC, subject to the approval of the Shareholders at the AGM.

LETTER TO SHAREHOLDERS

In this regard, KPMG will not be seeking re-appointment at the forthcoming AGM. KPMG had given notice to the Directors of their resignation on 8 March 2016. PwC had on 22 March 2016, given their written consent to be appointed as the new Auditors, subject to approval of Shareholders at the AGM.

Pursuant to Section 205(15) of the Companies Act, the resignation of KPMG will only take effect upon the appointment of PwC, which will be effective upon the approval of Shareholders being obtained at the AGM for the Proposed Change of Auditors. Upon the appointment, PwC will hold office until the conclusion of the next AGM.

The Board wishes to express their appreciation for the past services rendered by KPMG.

2.2 Information on PwC

PwC provides clients with assurance, tax and advisory services to help organisations solve business issues and working with their clients to co-create solutions in their sector of interest. PwC's industry specialization enables them to identify trends and customise solutions for their clients. PwC has a network of firms in 157 countries with more than 208,000 people. Each line of service is staffed with highly qualified and experienced professionals.

Mr. Tham Tuck Seng, with over 25 years of audit experience, is the designated audit engagement partner who will be assigned to lead the audit of the Company. Mr. Tham has many years of experience in leading audits of large groups involving diverse businesses including the food and beverages, leisure and entertainment, healthcare and marine and offshore sectors. His past and present clients include privately-owned enterprises to multi-national corporations and listed companies. Many of the clients he worked with operate in the region as well as globally. Mr. Tham is a practising member of the Institute of Singapore Chartered Accountants and is a public accountant registered with the Accounting and Corporate Regulatory Authority of Singapore.

Mr. Tham will be assisted by a team of audit professionals in performing the audit. This includes a quality review partner, who is an experienced partner to ensure that the engagement team provides independent and objective viewpoints on the audit. The audit team also consists of engagement managers, as well as senior and graduate associates.

For more information on PwC, please visit www.pwc.com/sg.

2.3 Requirements under Rule 712 of the Listing Manual of the SGX-ST

PwC is registered with ACRA. The Audit & Risk Committee has reviewed and deliberated, and after taking into consideration the suitability of PwC and compliance with the Listing Manual, has recommended the Proposed Change of Auditors.

The Board, having taken into account the Audit & Risk Committee's recommendation, and having considered various factors including, *inter alia*, the adequacy of the resources and experience of PwC and the audit engagement partner assigned to the audit of the Group, the number and experience of supervisory and professional staff to be assigned to the audit of the Group, PwC's other audit engagements, the size and complexity of the Group, and PwC's proposed audit arrangement for the Group, is of the opinion that PwC will be able to meet the audit requirements of the Company and that Rule 712 of the Listing Manual has been complied with. Accordingly, the Board has recommended the Proposed Change of Auditors.

LETTER TO SHAREHOLDERS

2.4 Requirements under Rule 715 of the Listing Manual

Following Shareholders' approval of the Proposed Change of Auditors, PwC will become the Auditors of the Company and of such subsidiaries of the Company, in place of KPMG.

PwC will be engaged to conduct an audit on the consolidated financial statements of the Company and the financial statements of its subsidiaries incorporated in Singapore. Where necessary, the Company will appoint member firms of PwC to conduct audit of its subsidiaries incorporated in overseas for the purpose of the consolidation of the financial statements of the Group.

2.5 Requirements under Rule 1203(5) of the Listing Manual

For the purposes of Rule 1203(5) of the Listing Manual, the Company confirms that:

- (a) it has received confirmation from KPMG, by way of its letter dated 12 March 2016, that it is not aware of any professional reasons why PwC should not accept appointment as Auditors of the Company;
- (b) there were no disagreements with KPMG on accounting treatments within the last twelve (12) months from the date of this Circular;
- (c) it is not aware of any circumstances connected with the Proposed Change of Auditors that should be brought to the attention of the Shareholders or creditors of the Group, which has not been disclosed in this Circular;
- (d) the specific reasons for the Proposed Change of Auditors are as disclosed in paragraph 2.1 of this Circular; and
- (e) it is in compliance with Rules 712 and 715 of the Listing Manual in relation to the appointment of PwC as the Auditors of the Company.

3. AUDIT & RISK COMMITTEE'S RECOMMENDATION

The Audit & Risk Committee has reviewed the Proposed Change of Auditors and recommended the Proposed Change of Auditors, after taking into account the suitability and independence of PwC to meet audit requirements of the Company, the various factors set out in paragraph 2.1 of this circular, and ensuring compliance with the requirements of the Listing Manual.

4. DIRECTORS' RECOMMENDATION

The Board, having considered the rationale and benefit of the Proposed Change of Auditors, is of the opinion that the Proposed Change of Auditors is in the best interests of the Company and the Shareholders. Accordingly, the Board recommends that the Shareholders vote in favour of the ordinary resolution No. 7 set out in the Notice of AGM in respect of the Proposed Change of Auditors.

5. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Change of Auditors, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

LETTER TO SHAREHOLDERS

6. ACTION TO BE TAKEN BY SHAREHOLDERS

6.1 Appointment of Proxies

Shareholders who are unable to attend the AGM and wish to appoint a proxy to attend and vote at the AGM on their behalf, should complete, sign and return the proxy form attached to this Circular in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #11-02, Singapore 068898 not less than 48 hours before the time fixed for the AGM. The completion and return of the Proxy Form by a Shareholder does not preclude him from attending and voting in person at the AGM if he so wishes.

6.2 When Depositor regarded as Shareholder

Pursuant to the new Section 81SF(4) of the Securities and Futures Act, a Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register not less than 72 hours before the time fixed for the AGM.

CPFIS investors may wish to check with their CPF Approved Nominees on the procedure and deadline for the submission of their written instructions to their CPF Approved Nominees to vote on their behalf.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 10 Anson Road, #30-15 International Plaza, Singapore 079903, during normal business hours from the date of this Circular up to and including the time and date of the AGM:

- (a) the Constitution of the Company;
- (b) the annual report of the Company for the FY ended 31 December 2015;
- (c) the letter from KPMG dated 8 March 2016 giving notice of their resignation as Auditors of the Company;
- (d) the letter of consent to act as Auditors from PwC dated 22 March 2016; and
- (e) the letter of professional clearance issued by KPMG to PwC dated 12 March 2016.

Yours faithfully

For and on behalf of the Board of Directors of
STRACO CORPORATION LIMITED

Wu Hsioh Kwang
Executive Chairman