



## Business Update

SINGAPORE, 21 May 2020:- Following the amendments to Rule 705(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited which took effect from 7 February 2020, Straco Corporation Limited (“Straco” or “the Company”) had on 3 March 2020, announced that it would now report its financial results half-yearly and continue to provide updates on material developments relating to the Company and the Group as and when appropriate.

Given the outbreak of the COVID-19 global pandemic, which has disrupted many business operations, the Company has decided to provide a brief business update and preliminary assessment of the financial impact of Covid-19 on the Group, including a summary of the Group’s unaudited results for the first quarter ended 31 March 2020 (“1Q2020”), as follows:

S\$’000	1Q2020	1Q2019	% change
Revenue	3,403	24,581	-86.2
Operating (loss)/ profit	(3,630)	12,845	<i>n.m.</i>
(Loss)/ Profit after tax	(3,882)	9,009	<i>n.m.</i>
(Loss)/ Profit attributable to shareholders	(3,386)	8,506	<i>n.m.</i>

At the onset of the Covid-19 outbreak, in late January 2020, the Group’s operations in China grinded to a halt with temporary closures of all its attractions, in compliance with directives of the local authorities. The subsidiaries in China suffered losses for the quarter, due to the loss of revenue resulting from the closures of the attractions for approximately 2 out of the 3 months in the quarter. The Group’s Singapore Flyer was also in the red, as rides on Singapore Flyer have been suspended since late November 2019 due to a technical issue, as reported in the previous quarter. It resumed flight operation for 12 days during the month of March following approval from the Building and Construction Authority in Singapore. Consequently, the Group generated significantly lower revenue in the first quarter of FY2020.

Overall visitation to all our attractions in the first quarter was 86% lower than the corresponding period in the prior year.

The Group incurred losses of \$3.39 million for 1Q2020, compared to a profit of \$8.51 million in 1Q2019, mainly attributable to the loss of revenue, while exchange gain recorded in the period mitigated the adverse impact brought about by the black swan event.

Despite the first quarter losses, the Group's financial position remains strong with net cash holdings of \$169.2 million as at 31 March 2020. The Group's prudent cash management will allow it to be well placed to ride over this crisis period.

#### COVID-19 impact and outlook

The COVID-19 pandemic continues to have a severe impact on the tourism industry in the short to medium term, amidst border controls and travel restrictions remain in place around the world. The Group, which mainly operates indoor aquariums in China and the Singapore Flyer, has not been spared from the impact of the pandemic. Precautionary measures such as safe distancing, operating with reduced daily capacity and travel restrictions will have an adverse impact on revenue. Like all operators in the tourism industry, we will be remodeling our processes and right sizing our operating resources to cater to the reduced demand.

With the significant decline in revenue across all subsidiaries, the Group has implemented various cost cutting measures, which include trimming of wage cost, with head office senior management taking the biggest pay cut of 30% to 50% with effect from 1 April 2020. At subsidiaries level, staff cost reduction in the form of no pay leave in view of the temporary closures, pay cuts, wage freeze, and headcount freeze are some of the measures implemented. Other cost savings initiatives include renegotiation of outsourced services, deferral of non-essential expenditure; and tightened controls on discretionary expenditure.

To further conserve cash, the Group has been granted the deferment of the monthly loan principal repayment by DBS on the Singapore Flyer starting April till the end of the year.

Given that there is no visibility on how the Covid-19 global pandemic or its abatement will pen out in the near term, the Group expects to report a material operating loss and negative operating cash-flow for the first half of FY2020 when the financial results are due to be announced in August 2020.

As uncertainties remain for the Covid-19 pandemic and the timing of recovery for the tourism industry, the Group will continue to pursue steps to contain costs and conserve cash. Comprehensive measures will also be put in place, ready to receive visitors again when businesses return to normalcy.

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#### About Straco Corporation

Straco Corporation Limited ("Straco"), listed on the Singapore Stock Exchange in 2004, is a leading developer and operator of aquatic-related facilities and tourism-related assets. Straco's main operating assets include Shanghai Ocean Aquarium, situated in the New Pudong Area, next to Shanghai's landmark Oriental Pearl Tower; Lixing cable car service at Mount Lishan in Lishan in Lintong District, Shaanxi province; Underwater World Xiamen on the scenic Gulangyu Island, a key tourist attraction of Xiamen City, and the Singapore Flyer, an iconic landmark located in the Marina Bay skyline.

Straco constantly sources for tourism projects to tap into the expected tourism boom in Asia. The Group will leverage on its experience and track record in the China market to form strategic investment alliances to develop and operate tourism resources in China and the region.