

STRACO CORPORATION LIMITED
 Registration Number: 200203482R
 (Incorporated in the Republic of Singapore)

RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS RECEIVED FOR THE ANNUAL GENERAL MEETING TO BE HELD ON 19 JUNE 2020

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 substantial and relevant questions raised by its shareholders for the Company’s Annual General Meeting to be held on 19 June 2020 as follows:

Question	Response
China Operations	
1) Beyond the COVID-19 factor, SOA has been experiencing declining visitorship in recent years. What are the key factors causing this trend and is this a structural change?	There are several factors causing this, some of which are structural. Firstly, the protracted China-US trade tensions resulted in a slowdown in the Chinese economy throughout 2019. In addition, there were numerous events requiring tightened crowd and traffic control at the Lujiazui area in 2019, which also had an impact on visitor numbers to SOA. Lastly, the opening of Haichang Ocean Park, may also be a contributing factor.
2) With both SOA and UWX allowed to operate at just 30% of capacity, can Straco make a decent profit? Could you let us know if these limits will be raised in the near future? How about raising of prices?	<p>We have revised our sale targets in view of the challenges in the operating environment, and we are working toward a return to profitability by the year end for the two aquariums.</p> <p>As for when these limits will be revised, it will depend on whether the COVID-19 situation in China continues to stay under control. Unfortunately, this is very dependent on whether the global COVID-19 situation stabilises, which is not a given with new clusters emerging in many countries.</p> <p>Given the lack of clarity yet of the current business climate, it will be too early to discuss revising ticket prices as the tourist sector is still very weak with the ongoing lockdowns and economic headwinds. We will continue to monitor the situation closely and make our moves at the appropriate time.</p>

<p>3) How does Management intend to navigate the next few quarters of lower visitorship amid cost pressures?</p>	<p>We have put together various business continuity measures to tide us over this challenging period. One such measure is the reduction of budgeted operating costs at our attractions and our head office, which included wage cuts and enhancements to our ticketing systems in China to enable more online and contactless ticket sales. We will also be remodelling our processes and right sizing our operating resources to cater to the reduced demand.</p>
<p>4) The lease for SOA is reducing over time. What are the group's options when the lease is nearing expiry?</p>	<p>Under the lease agreement, Shanghai Ocean Aquarium, as the lessee, can opt for lease renewal before the expiry of the current lease. The duration of the new lease, including rent, will be subject to mutual agreement between the lessor and lessee.</p> <p>Based on our understanding of the prevailing China law governing commercial leases, there are some protections in place for the incumbent lessee.</p>
<p>5) Any updates on the group's plans to develop Chao Yuan Ge digital attraction? How much is earmarked for this?</p> <p>6) Update on the impact and recovery of attractions in China. Also, any update on the Chao yuan ge attractions.</p>	<p>The plans for the Chao Yuan Ge Cultural project in Xi'an remain intact. However, as the project site contains underground relics, the Institute for the Preservation of Cultural Heritage has been involved during excavation work. Due to additional measures taken to prevent damage to any relics, work progress on site has been slow. A development sum of S\$10.0 million has been earmarked for this project.</p>
<p>7) Has the group adjusted or plan to adjust the pricing for Lintong Cable Car?</p>	<p>There is currently no plan to adjust pricing. However, we have been practicing seasonal pricing where ticket prices are lower during winter season (December to February), and higher in other months.</p>
<p>Singapore Operations</p>	
<p>8) Would like to know what are the steps taken by the Board and Management to prepare for the future after Circuit Breaker? Like any cost cutting measures, digitalization, any new ways of doing biz?</p>	<p>Since the start of the COVID-19 pandemic, the Company has implemented a business continuity plan. Most of our staff have also been telecommuting since the Circuit Breaker came into effect. We have been leveraging on digital tools, such as Zoom, etc., to ensure continuity in our operations.</p> <p>We will continue to leverage on digitalisation and other relevant business solutions where necessary to optimise our work processes.</p>

<p>9) The visitor numbers for the Flyer is stable since the group took over the attraction. What are the plans to rejuvenate the asset?</p> <p>10) When will the group unveil its asset enhancement plans for the Flyer?</p> <p>11) Given the pandemic situation, is there any more plans to develop the Flyer site. If not, then what's the plan now for the site?</p>	<p>As reported previously, when we first acquired the Singapore Flyer, the plan was to rejuvenate this iconic attraction by (a) introducing new architectural features to reduce the impact of adverse weather; (b) create more communal spaces to showcase the diversity of local culture; and (c) optimising the use of existing space.</p> <p>We are now at the planning submission stage. However, given the current pandemic situation and the requirements to be considered for indoor facilities, we have had to review some of our designs.</p> <p>It is still a work in progress. We hope to unveil the plans when we have more certainty on the approvals.</p>
<p>12) Regarding the mid-size attraction at the Flyer, how much will be spent, how much has been spent?</p>	<p>We have just completed the development of a mid-sized attraction at the Singapore Flyer. It was developed at a cost of S\$10.0 million using internally generated resources. We have received rave review from focus groups and trade partners. However, its unveiling has been disrupted by the outbreak of the Covid-19 pandemic.</p>
<p>13) For the Singapore Flyer, when can it resume operations once more?</p>	<p>Singapore Flyer had earlier been allowed to resume rides on 20 March while pending the replacement of the spoke cable, before closing again on 7 April following the Circuit Breaker. As the Government is adopting a phased approach on the reopening of various sectors of the economy, we will need to await approval from the authorities. We are not certain when this will be.</p>
<p>Insurance matters</p>	
<p>14) Has there been an outcome on the insurance claims for the 1st and 2nd breakdown of the Flyer, if any?</p>	<p>Outcome for both claims are still pending. The 1st claim is pending an arbitration hearing after going through the mediation process. The Company understands that the insurer's position is that the reasons for the breakdown, and the principal cause of the loss of profit, fall under certain exclusions set out in the Policy. Having sought advice from its insurance broker and legal advisors, the Company has decided to pursue its claim through arbitration.</p> <p>With regard to the 2nd breakdown, the claim process is still pending as the root cause resulting in the stoppage has yet to be determined.</p>

15) Can we claim from the insurance from the recent shutdown of the Flyer? If so, how much would that be?	The recent shutdown due to the Circuit Breaker is not claimable under the insurance policy.
Opportunities	
16) Is Management looking out for suitable M&A opportunities now that the tourism industry is suffering from depressed demand? 17) Has company found distressed yet valuable tourism asset to invest in?	In this current situation, our primary aim is to limit our losses and protect our balance sheet. We remain open to acquisition opportunities, but these will be assessed even more stringently given the current circumstances. Any acquisition will have to offer exceptional value with strong potential and limited risks. We have considered a few recently, but none were assessed to be worth pursuing further.
18) Has this crisis allowed Straco to increase its market share or competitive edge? Meaning, have other competitors gone out of business?	The COVID-19 pandemic is a black swan event that has affected every aspect of the economy, including the tourism and hospitality industry. Although there has been no news of major aquarium operators going out of business in China, those who had taken on additional risk, either through aggressive expansion or leverage, are likely to be in a very difficult position in this downturn.
19) Would there be a change in dividend policies and payout?	The Company has been paying dividends since 2006, with the payout ratio ranging between 35% to 64% of the Group's annual net profit. The Company remains committed to generating reasonable returns for shareholders, while balancing our cash requirements for business operations, asset renewal and enhancement, and other business opportunities. However, the COVID-19 crisis is still developing and the extent of the impact on the Company's business is still uncertain. We will continue to monitor the situation and adjust our policies if needed.

By Order of the Board

Lotus Isabella Lim Mei Hua
Company Secretary

18 June 2020