



**Securities Investors Association (Singapore)**

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: [admin@sias.org.sg](mailto:admin@sias.org.sg) [www.sias.org.sg](http://www.sias.org.sg)

UEN No: S99SS0111B

GST Reg No: M90367530Y

**Issuer:** Straco Corporation Limited

**Security:** Straco Corporation Limited

**Meeting details:**

Date: 26 April 2019

Time: 10.00 a.m.

Venue: Amara Singapore, 165 Tanjong Pagar Road, Singapore 088539

**Company Description**

Straco Corporation Limited (Straco) is a Singapore-based company, which is engaged in the development and management of tourism-related businesses. The Company operates through two segments: Aquariums and Giant Observation Wheel (GOW). The Company's Aquariums segment represents the operation of aquatic-related facilities and tourist attractions, including dolphin and sea lion performances. Retail, food and beverage are auxiliary goods and services arising from the operation of the aquatic-related facilities. The Company's GOW segment represents the operation of a circular observation structure, and the provision of commercial space. Its other operations include the operation of cable-car facility. The Company's operating assets include Shanghai Ocean Aquarium, which is a tourist attraction; Shanghai Singapore Flyer, which is an observation wheel; Underwater World Xiamen, which is located on the Gulangyu Island in Xiamen City, and Lixing Cable Car, which is a cable car service.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=S85](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=S85))

1. As noted in the operations review (page 10 of the annual report), the group's visitor numbers for its three main attractions all fell in the financial year ended 31 December 2018. Overall visitor arrivals to all the group's attractions was 4.98 million, 4.1% lower than FY2017.

Revenue slipped 8.2%, partly due to suspension of operations of more than two months at the Singapore Flyer.

- (i) Does the board see this as a turning point for the group? While the visitorship to the Singapore Flyer was affected by the down-time, does the fall in visitor numbers at the Shanghai Ocean Aquarium ("SOA") signal a slight loss of attractiveness? Has management reviewed the competitive landscape in Shanghai and evaluated SOA's standing as a tourist attraction?**
- (ii) The group had previously submitted an application to raise the ticket price. Can the group help shareholders understand if there are any near term plans to raise the price of the ticket to SOA?**
- (iii) What are management's strategies to get back its growth momentum (operationally and financially) for the key asset, SOA?**
- (iv) The group's cash hoard of nearly \$202 million affected the group's return on equity. The group generated net cash flow from operating activities of \$51.4 million in FY2018 and \$66.1 million in FY2017. Other than the asset enhancement initiatives that would be carried out at the Flyer and at the aquarium, how else is the group looking to deploy its capital to generate sustainable and long term returns for shareholders?**
- (v) The chairman has stated that management is constantly assessing new leads for potential tourism investments, whether through M&A or through the development of greenfield sites. Can the board articulate its investment criteria in terms of asset type, ticket size, geography and management model (owner-operated or third-party management)?**
- (vi) The directors have declared a special dividend of 1 cent per share, tax exempt. Should the group be unable to deploy capital efficiently into investments that fit the group's mandate, has the board considered a large special dividend to right-size the balance sheet?**

2. As announced by the company on 25 June 2018, operations at the Singapore Flyer was suspended from 25 January 2018 to 1 April 2018 due to a "technical issue". The issue was finally resolved after 65 days following the receipt of the requisite approval from the Building and Construction Authority after the necessary safety checks and tests have been carried out.

The company has announced that the insurer is denying the company's claim for cost of repairs and loss of profit arising from the breakdown as the breakdown, according to the insurer, falls under certain exclusions set out in the insurance policy.

- (i) Would the company help shareholders understand if the breakdown of the Giant observatory wheel was one of the key risks factors identified by the audit & risk committee (ARC)?**
- (ii) If so, what guidance did the ARC give to management on the ways to manage and mitigate the risks, including overseeing the maintenance and operations of the Giant observatory wheel, the safety of its visitors, the business continuity plans and the insurance policies (and exclusions)?**
- (iii) Similarly, has the ARC applied the same due considerations to SOA and the other operational assets owned by the group?**
- (iv) In particular, how does the group intend to protect its interest with respect to its insurance claim related to the Singapore Flyer?**
- (v) Can management update shareholders on the total claim amount?**
- (vi) Has the group obtained new insurance coverage for its Singapore Flyer operations as there are doubts over the last policy/insurer?**

3. The board comprises eight directors, four of whom are independent, namely Mr Tay Siew Choon, Mr Lim Song Joo, Mr Choong Chow Siong and Mr Hee Theng Fong.

Ms Wu Xiuyi was appointed as alternate director to Mr Wu Hsioh Kwang and Mr Sean Wu Xiuzhuan was appointed as alternate director to Mdm Chua Soh Har.

- (i) The nominating committee noted in the Corporate Governance report that all alternate directors bear all the duties and responsibilities of a director. In that case, can the company help shareholders understand the reason to designate Ms Wu Xiuyi and Mr Sean Wu Xiuzhuan as alternate directors (and not as full-fledged directors)?**
- (ii) Specifically, do the alternate director attend board and board committee meetings together with the principal directors? If so, does the alternate director actively participate in the board discussion and vote in the board meetings? Would the board still have a majority of independent directors as recommended by the Code of Corporate governance?**

Guideline 4.5 of the 2012 Code of Corporate Governance (CG Code) states that boards should generally avoid approving the appointment of alternate directors. Alternate directors should only be appointed for limited periods in exceptional cases such as when a director has a medical emergency. The CG Code further recommends that alternate directors be appointed for limited periods only.

- (iii) The NC has “noted” guideline 4.5 of the CG Code but had not explained its deviation from the Code. Can the NC help shareholders understand the rationale to appoint alternate director(s) on a “permanent” basis?**
- (iv) Would the nominating committee consider “converting” the alternate directors to proper, full-fledged executive directors if the NC deem the alternate directors qualified and able to contribute to the board?**

In addition, in August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (“2018 CG Code”). As a consequence of the revised 2018 CG Code, the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

Two of the independent directors on the board, namely Mr Tay Siew Choon and Dr Choong Chow Siong, have each served beyond nine years since the date of their respective first appointments. Dr. Choong Chow Siong has indicated that he will not be seeking re-election as a director of the company and will cease to be a director of the company upon the conclusion of the Annual General Meeting.

- (v) Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Straco%20Corporation%20Ltd&cid=6454,4626>

The company’s response could be found here: -----