



**SITRA HOLDINGS
(INTERNATIONAL) LIMITED**



ANNUAL REPORT 2017

This annual report has been prepared by the Company and its contents has been reviewed by the Company's sponsor RHT Capital Pte Ltd (the "Sponsor") for compliance with the rules of Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor has not independently verified the contents of this annual report.

The annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statement or opinions made or reports contained in this annual report.

The details of the contact person for the Sponsor are:

Name: Mr. Leong Weng Tuck, Registered Professional
Address: 9 Raffles Place, #29-01, Republic Plaza Tower 1, Singapore 048619
Tel: (65) 6381 6757

CONTENTS

2	Corporate Profile/ Our Brands/ Sustainable Design
3	Chairman’s Statement
4	Operations Review
6	Board of Directors
8	Key Management
9	Corporate Information
10	Corporate Governance Report
35	Directors’ Statement
39	Independent Auditor’s Report
44	Consolidated Statement of Comprehensive Income
45	Balance Sheets
46	Consolidated Statement of Changes in Equity
47	Consolidated Statement of Cash Flows
48	Notes to the Financial Statements
110	Statistics of Shareholdings
112	Notice of Annual General Meeting
	Proxy Form

CORPORATE PROFILE

Sitra Holdings (International) Limited ("Sitra" or the "Company") and its Subsidiaries (the "Group") is an international distributor of high quality wood-based products and premium lifestyle outdoor furniture. The Group markets its products under its proprietary Comcia, deckKING and Pacific brand ranges. The Group's products can be categorised into two main Groups, namely (I) high-value wood-based products such as decks and deckings systems, flooring, a full range of fences, and other DIY products; and (II) premium lifestyle furniture such as outdoor garden furniture, garden accessories and contract furnishings.

Sitra was awarded the Forest Stewardship Council ("FSC") Chain of Custody aimed towards responsible forestry management since 2007. The timber used to manufacture its products can be traced throughout the supply chain from the source of timber to the sale of Sitra's products. The Group serves a network of over 290 corporate customers in 58 countries spanning North America, Europe, Australia/New Zealand and the Asia.

With its lifestyle furniture, Sitra developed its own products and brands and have gained a following amongst customers in Europe.

OUR BRANDS

Comcia	deckKING	Pacific
Under the Comcia brand, we provide a wide variety of high-value wood-based products such as decking, flooring, fencing, door and window components and other moulded products. Each category of our wood-based products offer different designs, specifications and dimensions to suit the varying requirements of our customers.	As our decking products gain in momentum, the "deckKING" brand name was developed in 2004, to reflect our vision – that is to be a leader in this growing segment.	The "Pacific" range of brands was developed in 2003 as we embarked on a new segment of business-outdoor lifestyle furniture. The word, Pacific, signifies peace and the feeling of being at one with nature.

SUSTAINABLE DESIGN

We aim to promote a message of sustainability for the future and this will also ensure longevity and sustainability in the supply of hardwood. In addition, the Group has put in place a Responsible Wood Purchasing Programme to ensure that timber is sourced only from forests engaged in responsible forest management.

FOREST STEWARDSHIP COUNCIL ("FSC")

FSC is an international organization that brings people together to find solutions which promote responsible stewardship of the world's forests. FSC is also set out to promote environmentally appropriate, socially beneficial and economically viable management of the world's forests.

Through consultative processes, FSC sets international standards for responsible forest management. It accredits independent third party organisations which can certify forest managers and forest product producers to FSC standards.

CHAIRMAN'S STATEMENT

Dear Shareholders,

FY2017 has been another challenging year for the Group.

During the second half of FY2017, we were challenged with severe shortage of raw materials due to the unprecedented bad weather condition in Indonesia that affected the supply of logs to our key suppliers. This severely disrupted our supply chain. This was made worse by competition of these existing raw materials from other markets such as India and China. This in turn led to large increase of raw material prices in a short period of time. Contracts with several suppliers were not honoured due to this large increase in prices and the Group had to look for alternative supplies with higher prices than our contracted price in order to honour our contract with our customers. This generally led to a decrease in overall profit margin.

The large sudden increase in prices of our products also led to some of our customers not able to accept this price level resulting in lower revenue particularly in the second half of FY2017. There were several contracts that need to be closed at much lower margin in order to keep our customers going.

We anticipate this lack of raw material suppliers caused by the bad weather conditions in Indonesia will continue into the first half of FY2018.

Going forward, the Group will continue to focus on strategic revenue growth opportunities in the current difficult market, while continue to explore the options and strategies to enhance the value of the Group's assets.

On behalf of the Board of Sitra, I would like to express our sincere appreciation to our shareholders, customers and business partners for their continued support through the years. I would also like to take this opportunity to convey my heartfelt gratitude to our Board of directors for their invaluable contribution and guidance, our Management and staff for their tireless dedication and hard work all these years.

Yours faithfully,

Mr George Chew
Executive Chairman

OPERATIONS REVIEW

Revenue

The Group's revenue decreased by S\$0.9 million or 5.3% to S\$16.7 million in FY17, mainly due to the slow-down in shipments from our suppliers caused by the unprecedented bad weather conditions in Indonesia that affected the supply of raw materials to our key suppliers.

Revenue of wood-based products decreased by S\$1.3 million or 7.5% to S\$16.0 million in FY17 while revenue of our lifestyle outdoor furniture products increased by S\$0.1 million to S\$0.4 million and other revenue increased by S\$0.2 million to S\$0.3 million.

In terms of business by geographical regions, both the European market and Asian/Others market registered a decrease of revenues of S\$0.6 million to S\$12.2 million and S\$1.3 million to S\$0.6 million respectively. The revenue of Australia/New Zealand market increased by S\$0.9 million or 31.0% to S\$3.9 million in FY17.

Cost of sales and gross profit margin

The cost of sales decreased by 1.3% or S\$0.2 million to S\$15.1 million in FY17 and the cost of sales as a percentage of revenue increased from 86.7% in FY16 to 90.0% in FY17; thus resulting in lower gross margin of 10.0% in FY17 compared to 13.3% gross margin for FY16. This was mainly due to the unprecedented bad weather in Indonesia during the second half of FY17 that led to large increase of raw materials prices in a short period of time. This caused contracts not honoured by some of our key suppliers and the Group had to look for alternative suppliers with higher prices than our contracted price in order to honor our contract with our customers. Consequently, this impacted adversely on our overall profit margin.

Other income

Other income increased by S\$0.3 million or 181% to S\$0.5 million. This was mainly due to the striking off of the Australia subsidiary resulting in the waiver of liabilities of S\$0.2 million and higher rental income of S\$0.09 million from the Indonesian subsidiary and higher government grant of S\$0.01 million in FY17.

Selling and distribution expenses

Selling and distribution expenses increased slightly by S\$0.08 million or 17% to S\$0.51 million, mainly due to higher staff salaries and commission expense, partially offset by lower exhibition, entertainment and stuffing expenses.

Administrative expenses

Administrative expenses increased by S\$0.18 million or 8.3%, mainly due to higher depreciation expense, staff salaries insurance and travelling expenses.

Other gains/(losses) - net

Other gains and losses changed by S\$1.7 million from other gains of S\$0.2 million in FY2016 to other losses of S\$1.5 million in this FY2017. This was mainly attributed to the change of foreign exchange gain position of S\$0.7 million in FY16 to the foreign exchange loss position of S\$1.1 million, as a result of the weakened United States Dollar at reporting year-end; exacerbated further by the inventory write-down and allowance for impairment on trade receivable. These losses were partially offset by the fair value loss of S\$0.5 million incurred in FY16, due to the decline in the fair value of the property at 18 Sungei Kadut Street 2. As the fair value of the said property remained the same at S\$95 million at FY17, the fair value of the financial assets at fair value through profit or loss remained the same at S\$9.5 million at reporting date.

Finance expenses

Finance cost increased from S\$3K in FY16 to S\$19K in FY17 mainly due to an increase in interest expenses arising from the utilisation of the trade finance facilities obtained from bank in FY17.

Income Tax

The Group has a nil income tax for FY17 compared to a credit of S\$1.7 million in prior year. The prior year's income tax credit was due to the reversal of the deferred tax provision which was recorded in FY14 relating to the fair value gain upon disposal of the property at 18 Sungei Kadut Street 2. The fair value gain and the disposal of the property are considered as capital gains and therefore no tax is considered payable.

BALANCE SHEET

Current assets

Current assets decreased by S\$0.4 million to S\$13.1 million, accounting for 77.5% of the total assets. The decrease was due to lower inventories of S\$0.16 million, lower trade and other receivables of S\$0.38 million and lower other current assets of S\$0.08 million, offset by higher cash and cash equivalents of S\$0.16 million.

Non-current assets

Non-current assets decreased by S\$0.40 million mainly due to the depreciation expense of S\$0.30 million, currency translation loss of S\$0.09 million on property, plant and equipment and currency translation loss of S\$5k on deferred tax asset, offset by the increase in the carrying amount of property, plant and equipment of S\$4k.

Current liabilities

Current liabilities increased by S\$0.45 million to S\$3.3 million, mainly due to the increase in borrowing of S\$0.61 million, offset by lower trade and other payables of S\$0.16 million.

Non-current liabilities

Non-current liabilities remained almost the same at S\$0.3 million.

Capital and reserves

Share capital and reserves decreased by S\$1.73 million due to the loss attributable to shareholders of S\$2.57 million, offset by an increase in currency translation reserve of S\$0.84 million.

Cash Flows

Net cash used in operating activities before working capital changes was S\$0.83 million. Net cash provided by the working capital was S\$1.04 million, arising from an increase in inventories of S\$0.20 million and increase in trade and other receivables of S\$0.93 million, which was offset by an increase in trade and other payables of S\$2.09 million and a decrease in other assets of S\$0.08 million. Net cash provided by operating activities stood at S\$0.19 million after interest received and payment of interest.

The net cash used in investing activities of S\$4K was for the purchase of property, plant and equipment.

Net cash used in financing activities was S\$0.03 million arising from the repayment of hire purchase creditors.

OPERATIONS REVIEW

The Group had engaged external consultants from Mazars LLP to set up an Enterprise Risk Management ("ERM") Framework (the "ERM Framework"), which governs the risk management process in the Group. Through this framework, risk capabilities and competencies would be continuously enhanced. The ERM Framework also enables the identification, prioritisation, assessment, management and monitoring of key risks to the Group's business. The risk management process in place covers, inter alia, financial, operational, compliance and information technology risks faced by the Group.

Moving forward, the Group will continue to focus on strategic revenue growth opportunities in the current difficult markets while continue to explore options and strategies to enhance the value of the Group's assets.

BOARD OF DIRECTORS

MR GEORGE CHEW AH BA

Executive Chairman and CEO

Date of Appointment as Director: 2 January 1980

Date of last re-election: 28 April 2016

Nature of Appointment: Executive Chairman and CEO

Mr George Chew is the co-founder of our Group. Mr Chew has been with our Company since its incorporation in 1979. He is responsible for the overall management, strategic planning and business development of our Group in Singapore and globally. He has more than 36 years of experience in the timber industry and was instrumental to the establishment, development and expansion of our Group's business. Prior to joining our Group, Mr Chew was a director of Joseph Timbermart Pte Ltd from 1975 to 1979 where he was responsible for its sales and marketing. Mr Chew has completed two terms (total 4 years) as President of the Catholic Business Network in March 2012. He is the chairman of the publicity and membership committee of the Singapore National Shipper Council. He is the Assistant Treasurer of The E50 Association from 2011 till to-date.

MR STEVEN CHEW CHIEW SIANG

Executive Director and Deputy CEO

Date of Appointment as Director: 20 September 2006

Date of last re-election: 27 April 2017

Nature of Appointment: Executive Director and Deputy CEO

Mr Steven Chew was appointed Deputy CEO on 1 August 2009. He has been with the Group for more than 24 years and has significant experience in the International marketing and operation.

Steven is in charge of formulating the Group's marketing strategies for new and existing export markets, new designs and products launch and the sourcing, distribution and marketing of our Group's products.

Mr Chew has been re-elected as the Vice President of the Singapore Furniture Industries Council ("SFIC"), a position he holds since 2012 and is taking care of Business Innovation for the council. He is recently appointed as a Director of SFIC Institute Pte Ltd, a wholly owned subsidiary of the SFIC. He also served as Secretary General of the Asean Furniture Industries Council ("AFIC") from 2008 to 2010.

Mr Chew obtained a Diploma in Manufacturing Engineering from the Singapore Polytechnic in 1990 and holds a NCC Diploma in Computer Studies which he obtained in 1988.

MR MICHAEL CHIN SEK PENG

Lead Independent Director

Date of Appointment as Director: 20 September 2006

Date of last re-election: 28 April 2016

Nature of Appointment: Independent Non-Executive Board Committees served on: Chairman of Audit Committee and a member of Remuneration and Nominating Committees.

Mr Michael Chin was appointed Lead Independent Director on 29 September 2006. Mr Chin is the Managing Partner of PKF-CAP LLP responsible for running, managing and developing the assurance business of PKF-CAP LLP, a firm of chartered accountants based in Singapore. He is also the co-founding Director of PKF-CAP Advisory Partners Pte Ltd, a company engaged in the provision of consultancy and business advisory services. Mr Chin started his accountancy and audit training in Casson Beckman, a medium sized firm of chartered accountants in London. After qualifying as a chartered accountant, he joined legacy Price Waterhouse and worked in UK, Europe and Singapore from 1983 to 1994. In 1994, he joined the Institute of Singapore Chartered Accountants ("ISCA") as the first Practice Review Director, heading, running and regulating the compliance of work standards of all audit practices in Singapore. In 1999, Mr Chin joined legacy Arthur Andersen as a partner in its Assurance and Business Advisory division and in 2002

he left the firm to set up his own audit and consultancy practices with another partner. He holds a Bachelor of Arts (Honours) degree in Accounting and Finance from Lancaster University in the United Kingdom and is a Fellow (practising) Chartered Accountant (Singapore) as well as a Fellow Member of the Institute of Chartered Accountants in England and Wales. Mr Chin also serves as Independent Director mainly in the capacity as Audit Committee Chairman to several public companies listed on the Singapore Exchange and is a member of the Institute of Internal Auditors, Singapore. He is also a Council member of ISCA and the Chairman of ISCA's Public Accounting Practice Committee as well as Senior QA Advisor for the Quality Assurance Review Programme of ISCA.

MR TAN ENG KIAT, DOMINIC

Independent Non-Executive Director

Date of Appointment as Director: 22 February 2011

Date of last re-election: 28 April 2016

Nature of Appointment: Independent Non-Executive Board Committees served on: Chairman of Nominating Committee and a member of Remuneration and Audit Committees.

Mr. Tan has over 40 years of experience in business development, corporate management, and management of large civil engineering, building, industrial and environmental engineering projects throughout the Asia Pacific Region. He started his career as a Trainee Quantity Surveyor with Gammon (Malaysia) Ltd in 1966 and progressed to the rank of Executive Director. He joined United Engineers Group in 1993 and was promoted to Managing Director in 2000, where he spearheaded the company's regionalisation drive and business activities in West Malaysia, Brunei, Indonesia, Vietnam and the Middle East. This was achieved through his strong linkages, associations and joint ventures with leading international companies. Mr. Tan retired from the United Engineers Group in 2007. Mr. Tan chairs

the Nominating Committee and is a member of the Remuneration and Audit Committees. He also sits on the Board of Yongnam Holdings Limited and is Chairman and an independent Director of Capital World Ltd.

MR DANIELS NG BOON HUAN

Independent Non-Executive Director

Date of Appointment as Director: 20 September 2006

Date of last re-election: 27 April 2017

Nature of Appointment: Independent Non-Executive Board Committees served on: Chairman of Remuneration Committee and a member of Nominating and Audit Committees.

Mr Daniels Ng was re-designated as an Independent Non-Executive Director on 28 February 2014.

Mr Daniels Ng is the Managing Director of Advisor Associates (S) Pte Ltd, a management advisory firm which he founded in 2001. He has been involved in business advisory and consulting work for more than ten years. Mr Ng started his consultancy career in 1991 as a consultant with Alexander Proudfoot Management Services Company Plc Ltd (now known as Management Consulting Group PLC, listed on the London Stock Exchange). In 1995, joined EPC, a management consultancy firm funded by EDB with a mission to assist Singapore SME to grow and prepare for IPO. He headed the consultancy division. In 2007, Mr. Ng was appointed by the Canberra government as a business advisor at Victorian Industry Chambers of Commerce & Industry (Melbourne, Australia). Mr Ng obtained a Bachelor of Business degree from Edith Cowan University, Australia in 1992 under a scholarship offered by the university and a Master of Business Administration from Birmingham University, UK in 2002. He is also a Certified Management Consultant with the Institute of Management Consultants, Singapore.

KEY MANAGEMENT

MADAM TERESA TAN

Senior Vice President

(Group Administration And Human Resources)

Madam Teresa Tan is a co-founder of our group and is instrumental to our growth and development.

Madam Tan manages the group's administration, information technology, training and human resource functions.

She plays an integral part in the daily operations that forms the backbone of the organization and has been with the company since its incorporation in 1979.

MADAM LIM SOOK HWA

Senior Vice President Operations

Madam Lim Sook Hwa was appointed VP-Operations in November 2006. She has been with the group for more than 22 years.

Madam Lim is in charge of formulating the group's pricing plans/strategies and suppliers and customers relationship management and oversees various key operational functions including logistics planning and purchasing. Madam Lim obtained a Diploma in Chemical Process Technology in 1991

MR ALEX ONG CHAI TIAM

Chief Financial Officer

Mr Alex Ong was previously the Group Accountant of the Group from January 2006 to September 2015. He re-joined the Group on 10 October 2016 as the Chief Financial Officer.

He is responsible for the financial, accounting, internal audit and enterprise risk management activities of the Group.

Mr Alex Ong has more than 25 years of experience in finance and accounting. Prior to re-joining the Group, he was the CFO of Htwo Education Holdings Group from September 2015 to October 2016. He was the finance and administration manager of UP Holdings Pte Ltd from 2004 to 2005. Prior to that, he was the finance and administration manager of the Technic Asia-Pacific Pte Ltd from 2002 to 2004. From 1989 to 2002, Mr Ong worked with AGRA Baymont Pte Ltd as an accounting manager.

Mr Alex Ong obtained a Bachelor of Arts (Honours) in Business Accounting from Oxford Brookes University, UK in 2002. He is the member of the Institute of Singapore Chartered Accountants ("ISCA") and a Fellow member of The Association of Chartered Certified Accountant, UK.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chew Ah Ba, George (Chairman and CEO)
Chew Chiew Siang, Steven
Ng Boon Huan, Daniels
Chin Sek Peng, Michael
Tan Eng Kiat, Dominic

COMPANY SECRETARIES

Joanna Lim Lan Sim, ACIS
Chan Lai Yin, ACIS

REGISTERED OFFICE

15 Hillview Terrace,
Singapore 669226
Tel: +65 6742 3223
Fax: +65 6742 8233
Email: enquiries@sitraholdings.com

CATALIST SPONSOR

RHT Capital Pte. Ltd.
9 Raffles Place, #29-01, Republic Plaza Tower 1
Singapore 048619

SHARE REGISTRAR

Tricor Barbinder Share Registration Services
(a business division of Tricor Singapore Pte Ltd.)
80 Robinson Road #02-00
Singapore 068898

INDEPENDENT AUDITOR

Nexia TS Public Accounting Corporation
Public Accountants and
Chartered Accountants
100 Beach Road Shaw Tower #30-00
Singapore 189702
Director-in-charge: Ross Yu Limjoco
Year of appointment: 2016

CORPORATE GOVERNANCE REPORT

Sitra Holdings (International) Limited (the “Company”) is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the “Group”). As a Catalist sponsored issuer, the Company is required to comply with Section B of the SGX-ST Listing Manual (“Rules of Catalist”).

The Board of Directors (the “Board”) recognises the importance of good corporate governance and offering high standards of accountability to shareholders. This report outlines the Company’s corporate governance processes and activities with specific reference to the Code of Corporate Governance 2012 (the “Code”). The Company is generally in compliance with the principles and guidelines set out in the Code and in areas where there are deviations from the Code, appropriate explanations are provided within this report.

BOARD MATTERS

The Board’s Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board plays an effective role in leading and controlling the long-term corporate goals and strategies of the Group. It has overall responsibility for corporate governance, strategic policies and direction, key business initiatives, major funding and investment proposals, key capital expenditure decisions and other matters to be implemented by management to ensure that the Group’s strategies and affairs are in the interests of the Company and its shareholders. In addition to its statutory responsibilities, the Board approves the Group’s financial plans and reviews its financial performance periodically.

All Directors exercise due diligence and independent judgement and are obliged to act in good faith and consider at all times the best interests of the Company.

The Board is supported by the Audit Committee (“AC”), the Nominating Committee (“NC”) and the Remuneration Committee (“RC”), each of whose members are drawn from members of the Board (together “Board Committees” and each a “Board Committee”). Each Board Committee has its own written terms of reference and whose actions are reported to and monitored by the Board. Minutes of the Board Committee meetings are available to all Board members.

The Board has held meetings for particular and specific matters as and when required. The Company’s constitution (the “Constitution”) allows a Board meeting to be conducted by way of teleconference or videoconference. A record of the directors’ attendance at meetings of Board and Board Committees for the financial year ended 31 December 2017 (“FY2017”), as well as frequency of such meetings, is set out in Table A.

Key matters which are specifically reserved for decision making by the full Board include, among others, those involving corporate plans and budgets, material acquisitions and disposals of assets, corporate and/or financial restructuring, share issues, dividends, other returns to shareholders, interested person transactions, announcements of the Group’s half yearly and full year financial results and matters that require shareholders’ approval.

CORPORATE GOVERNANCE REPORT

New Directors, upon appointment, will be briefed on the business and organisation structure of the Group. The Directors may participate in seminars and/or discussion groups to keep abreast of latest developments which are relevant to the Group.

The Company has a budget for all Directors to attend appropriate courses, conferences and seminars for them to stay abreast of relevant business development and outlook. These include programmes run by the Singapore Institute of Directors or other training institutions.

To keep abreast with developments in corporate, financial, legal and other compliance requirements, Directors are encouraged to attend relevant courses and seminars funded by the Company. Additionally, new updates relating to changes to the Listing Rules issued by the Singapore Exchange Securities Trading Limited which are relevant to the Directors are circulated to the Board. The external auditors also update the AC and the Board on the new and revised accounting standards that are applicable to the Group.

A formal letter is sent to newly-appointed Directors upon their appointment explaining their duties and obligations as directors. New Directors, upon appointment, will also be briefed on their duties and obligation as Directors. The Directors are aware of the requirements in respect of disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Company, prohibition on dealings in the Company's securities and restrictions on the disclosure of price-sensitive information. The Directors are also informed of regulatory changes initiated by or affecting the Company. No new director was appointed during the year under review.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises five Directors, of whom two are Executive Directors and three are Independent Non-Executive Directors. There is an independent element on the Board, with Independent Directors constituting 60% of the Board. A summary of the current composition of the Board and its committees is set out in Table B.

Where the Chairman of the Board (the "Chairman") and the Chief Executive Officer ("CEO") is the same person, the independent directors should make up at least half of the Board. The Company has complied with the relevant guideline of the Code as more than half of the Board comprised Independent Directors.

The NC reviews the independence of each Director on an annual basis and adopts the Code's definition of what constitutes an Independent Director. None of the Independent Non-Executive Director has a relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement.

CORPORATE GOVERNANCE REPORT

Concerning the independence of Directors who have served on the Board beyond nine years, Mr. Chin Sek Peng, Michael ("Michael Chin") who was appointed on 20 September 2006 had served on the Board as Non-Executive Independent Director beyond nine years. The NC performs an annual review of his interests in which all potential or perceived conflicts (including time commitments, length of service and other issues relevant to his independence) are considered.

Where a Director has served on the Board for more than nine years, the Board has further reviewed whether such a Director should be considered independent. The following were some of the factors considered in reviewing the independence of the Director who has served beyond nine years:

- (a) whether the Director is free from any dealings, relationships or circumstances that could affect or appear to affect his independent judgement, particularly with regards to whether the Director has indicated or demonstrated an alignment or ongoing support for any specific group of stakeholders, instead of representing the interests of all stakeholders;
- (b) whether the length of service had any adverse impact on the Director's objectivity and judgement and whether during the tenure there had been any impairment to his ability to discharge his duties and responsibilities in the overall interest of the Group, taking into consideration the interests of all stakeholders; and
- (c) whether the Director continues to exhibit a firm commitment to his role, deliberate issues rigorously and continues to actively contribute his knowledge and experience to the Group.

Based on these considerations, the Board concurred with the NC's view that Michael Chin who has served beyond nine years on the Board is considered independent. Michael Chin had duly recused himself from the discussion and taking a decision in respect of his own independence.

The Board recognises the importance of an appropriate balance and diversity of skills, experience, gender, knowledge and professional qualifications in building an effective Board. For this purpose, the NC reviews the Board's collective skills matrix during the annual assessment of the effectiveness of the Board. The Board considers that the present Board size is appropriate, taking into account the nature and scope of the Group's operation. The Board comprises Directors who as a group provide core competencies, such as business and management experience, industry knowledge, financial and strategic planning experience and knowledge that are necessary and critical to meet the Group's objectives. The profile of all Board members is set out in the section entitled "Board of Directors".

The Non-Executive Directors aim to assist in the development of proposals on strategy by constructively challenging management. The Non-Executive Directors would also review the performance of management in meeting. Where warranted, the Non-Executive Directors meet without the presence of management or Executive Directors to review any matters that should be raised privately.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Mr Chew Ah Ba, George ("George Chew") currently fulfills the role of the Chairman and CEO of the Company. Being a co-founder of the Group, Mr George Chew leads the Board with his in-depth experience in the timber industry coupled with his extensive knowledge and expertise in business development.

Mr Chew Chiew Siang, Steven ("Steven Chew") was appointed as Deputy CEO since 1 August 2009. As a Deputy CEO, he is responsible for assisting the CEO to lead and oversee the implementation of the Group's long and short-term plans in accordance with the Group's strategy.

As the Chairman and CEO, he, with the assistance of the Company Secretary and management, schedules Board meetings as and when required and prepares the agenda for Board meetings. In addition, he sets guidelines on and ensures quality, quantity, accuracy and timeliness of information flow between the Board, management and shareholders of the Company. He encourages constructive relations between the Board and management and between the Executive Directors and the Independent Directors. He also takes a leading role to maintain and achieve good standards of corporate governance practices in the Company.

The Board has appointed Mr Michael Chin as the Lead Independent Director and he will be available to address any shareholders' concerns when contact through the normal channels via the Chairman, CEO or other management executive have failed to provide satisfactory resolution or when such contact is inappropriate.

Where warranted, the Independent Directors led by the Lead Independent Director meet as and when required without the presence of management or the Executive Directors to review any matters that should be raised privately. The Lead Independent Director will provide feedback to the Chairman of the Board after such meetings.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC, regulated by a set of written terms of reference, comprises three members, all of whom, including the Chairman, are Independent Non-Executive Directors. The NC meets at least once a year. The names of the NC members are disclosed in Table B.

The principal functions of the NC stipulated in its terms of reference are summarised as follows:

- (a) Reviews and recommends to the Board on all Board appointments;

CORPORATE GOVERNANCE REPORT

- (b) Reviews the Board structure, size and composition and recommends to the Board with regards to any adjustments that are deemed necessary;
- (c) Reviews and determines annually the independence of each director;
- (d) Assesses the effectiveness of the Board and the academic and professional qualifications of each individual director; and
- (e) Reviews and recommends Directors retiring by rotation for re-election at each Annual General Meeting ("AGM").

The Directors are appointed by the shareholders at a general meeting and an election of Director is held annually. In accordance with the Constitution of the Company, one third, or if the number is not a multiple of three, the number nearest to but not lesser than one-third of the Directors are required to retire from office at each AGM. In addition, all Directors are required to retire from office by rotation at least once in every three years.

The NC has reviewed the independence of each Director for FY2017 in accordance with the Code's definition of independence as well as the respective Director's self-declaration in the statement of Director's independence.

Based on the recommendation of the NC, the Board having reviewed the relationships and length of service of each Non-Executive Independent Director, considers Mr. Tan Eng Kiat, Dominic ("Dominic Tan") and Mr. Ng Boon Huan, Daniels (Daniels Ng") to be independent as they do not have any existing business or its officers that could interfere, or be reasonably perceived to interfere with the exercise of the Director's independent business judgement. The Board, after a vigorous review, also considers Mr. Michael Chin (having served on the Board as Non-Executive Independent Director beyond nine years) to be independent for the considerations as set out under "Board Composition and Guidance" above.

The NC reviews annually the time commitment of directors. Notwithstanding that some of the Directors have multiple board representations, the NC is satisfied that sufficient time and attention were expended by the directors on the affairs of the Company and each Director is able to and has been adequately carrying out his duties as a Director of the Company.

The NC and the Board are of the opinion that setting a maximum number of listed company board representations would not be meaningful as the contributions of the Directors would depend on many other factors such as whether they are in full time employment and their other responsibilities or principal commitments. In addition, the Board representations presently held by its Directors do not impede the performance of their duties to the Company.

No alternate Director has been appointed to the Board.

CORPORATE GOVERNANCE REPORT

The NC is responsible for identifying and recommending new Board members to the Board, after considering the necessary and desirable competencies of the candidates which includes:

- (a) academic and professional qualifications;
- (b) industry experience;
- (c) number of other directorships;
- (d) relevant experience as a Director; and
- (e) ability and adequacy in carrying out required tasks.

The NC leads the process for Board appointments and makes recommendations to the Board. The integrated process of appointment includes:

- (a) developing a framework on desired competencies and diversity on Board;
- (b) assessing current competencies and diversity on Board;
- (c) developing desired profiles of new Directors;
- (d) initiating search for new Directors including external search, if necessary;
- (e) shortlisting and interviewing potential Director candidates;
- (f) recommending appointments and retirements to the Board; and
- (g) carrying out election at general meeting.

Key information of each member of the Board can be found under the 'Board of Directors' section of this Annual Report.

The date of the Directors' initial appointment and last re-election, and their other directorships are shown in Table C.

CORPORATE GOVERNANCE REPORT

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC is responsible for assessing the effectiveness of the Board as a whole, the Board Committees and where appropriate, the contribution of each individual Director. The NC is also responsible for deciding how the Board's performance may be evaluated, proposing objective performance criteria for the Board's approval and implementing corporate governance measures to achieve good stewardship of the Company.

The evaluation of the Board is conducted annually. This evaluation was carried out by having all Board members to complete a questionnaire individually. The assessment parameters include evaluation of the Board's composition, size, skills matrix and expertise, timeliness of information to the Board, Board accountability and processes as well as the efficiency and effectiveness of the Board Committees in assisting the Board. The annual evaluation exercise also provides an opportunity to obtain constructive feedback from each Director on whether the Board committees are functioning properly, and whether the Board's procedures and processes have allowed each Director to discharge his duties effectively and to propose changes which may be made to enhance the Board effectiveness as a whole.

No external facilitators were used in the assessment of the Board and Board Committees.

Although the Directors are not evaluated individually, the factors taken into consideration with regards to the re-nomination of Directors for the current year are based on their attendances, commitment of time and contributions made at these meetings.

Access to Information

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The members of the Board are provided with adequate and timely information prior to Board meetings, and on an on-going basis. The Board has separate and independent access to the Group's senior management and the Company Secretary at all times. Requests for information from the Board are dealt with promptly by management. The Board is informed of all material events and transactions as and when they occur.

The Company Secretary provides corporate secretarial support to the Board and ensures adherence to Board procedures and relevant rules and regulations which are applicable to the Company. The Company Secretary assists the Chairman by preparing meeting agenda, attending Board and Board Committee meetings and preparing minutes of proceedings. Under the direction of the Chairman, the Company Secretary, with the support of management staff, ensures good information flows within the Board and the Board Committees and between senior management and Non-Executive Directors.

The appointment and replacement of the Company Secretary is a Board reserved matter.

CORPORATE GOVERNANCE REPORT

The Board seeks independent professional advice as and when necessary to enable it to discharge its responsibilities effectively. The Directors, whether as a group or individually, may seek and obtain legal and other independent professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfill their roles and responsibilities as Directors.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC, regulated by a set of written terms of reference, comprises three members, all of whom including the Chairman, are independent Non-Executive Directors. The names of the members of the RC are disclosed in Table B.

The principal function of the RC is to ensure that a formal and transparent procedure is in place for fixing the remuneration packages of Directors and key management personnel of the Group.

The RC recommends to the Board a remuneration framework for the Directors and key management personnel and makes remuneration recommendations, in consultation with the Chairman, the specific remuneration packages for each Executive Director. The recommendations of the RC are subject to the final decision and endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind are reviewed by the RC. Any Director who may have an interest in the outcome of the Board decisions is required to abstain from participation in the approval process.

No independent consultant is engaged to advise on the remuneration of all directors. The Company will seek independent expert advice should such need arise.

The RC reviews the service agreements of the Company's Executive Directors and key management personnel. The service agreements are for a term of three years each commencing from the date the Company was admitted to the Official List of the SGX-Sesdaq on 17 November 2006 and renewable automatically thereafter for an indefinite period unless terminated by giving three months' written notice by either party to the other or otherwise terminated in accordance with the terms of the service agreements. There are no onerous compensation commitments on the part of the Company in the event of an early termination of the service of the Executive Directors and key management personnel.

CORPORATE GOVERNANCE REPORT

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Remuneration policy in respect of executive directors and other key management personnel

The Company's remuneration policy is to provide compensation packages at market rates which reward good performance and attract, retain and motivate Directors and managers.

The Company has entered into separate service agreements ("Service Agreements") with the Executive Directors, Mr George Chew and Mr. Steven Chew. Under the Service Agreements, the salaries of the Executive Directors are subject to annual review by the Board. Executive Directors do not receive a Directors' fee.

The Chairman and CEO is the same person and he is consulted by the RC on matters relating to the other Executive Directors and key management personnel who report to him on matters relating to the performance of the Company. He duly abstained from participation in discussions and decisions on his own remuneration.

The remuneration of the Group's key management personnel takes into account the pay and employment conditions within the industry and is performance-related. The Company has not adopted the use of contractual provisions to reclaim incentive components of the remuneration of executive directors and key management personnel as it was considered unnecessary in the Company's current context.

Policy in respect of non-executive directors' remuneration

In reviewing the recommendation for independent Non-Executive Directors' remuneration for FY2017, the RC had continued to adopt a framework of basic fees for serving on the Board and Board Committees, as well as fees for chairing each Board Committee and the role of Lead Independent Director. The fees take into consideration the amount of time and effort that each Board member may be required to devote to their role. The fee structure is as follows:

	S\$
Base fee of Directors	10,000
AC Chairman	20,000
NC/RC Chairman	10,000
AC/NC/RC Member	5,000
Lead Independent Director	5,000

Fees for Independent Non-Executive Directors are subject to the approval of shareholders at the AGM.

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Level and mix of remuneration of directors and key management personnel (who are not also directors or the CEO) for the year ended 31 December 2017.

The Company discloses the remuneration paid to each Director and the key management personnel (who are not Directors or the CEO) using a narrower band of S\$100,000 to improve transparency.

Executive Directors do not receive directors' fees but are remunerated as members of management. The remuneration package of the Executive Directors and the compensation structure of the key management personnel (who are not Directors or the CEO) comprise three key components namely, basic salary, bonus and other benefits. The bonus component is based on the performance of the Group as a whole and their individual performance. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote long-term sustainability of the Group.

Regarding the Code's recommendation to fully disclose the remuneration of directors and the top five key management personnel (who are not directors or the CEO), given the highly competitive environment it is operating in and the confidentiality attached to the remuneration matters, the Company believes that disclosing remuneration using a narrower band of S\$100,000 and disclosing in aggregate the total remuneration paid to the Directors and the key management personnel (who are not Directors or the CEO) in percentages provide sufficient overview of the remuneration of Directors and the key management personnel (who are not Directors or the CEO).

Table D and Table D1 set out below show the breakdown of the remuneration of the Directors and the top five key management personnel (who are not Directors or the CEO), respectively, for FY2017.

Remuneration of employees who are immediate family members of a director or the Chief Executive Officer

Save as disclosed in Table D1, there is no immediate family member (defined in Section B of the SGX-ST Listing Manual (Rules of Catalist), as the spouse, child, adopted child, step-child, brother, sister and parent) of a Director or the CEO in the employment of the Company whose annual remuneration exceeded S\$50,000 during FY2017.

CORPORATE GOVERNANCE REPORT

Long-Term Incentive Plans

The Company obtained shareholders' approval in FY2015 to implement the Sitra Holdings Employee Share Option Scheme (the "**Scheme**") and the Sitra Holdings Performance Share Plan (the "**Plan**"). Both Scheme and the Plan are administered by the RC, comprising Mr Daniels Ng (Chairman), Mr Michael Chin and Mr Dominic Tan as at the date of this report.

As at the date of this report, no share options or award have been granted to Mr George Chew and Mr Steven Chew, both of whom are entitled to participate in the Scheme and the Plan subject to the rules and limits set out therein. The Circular to Shareholders dated 15 April 2015 containing the detailed information on both the Scheme and the Plan is available to shareholders upon their request.

Matters which are required to be disclosed in the annual remuneration report have been sufficiently disclosed in this report under Principles 7, 8 and 9 and in the financial statements of the Company and the Group.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board provides shareholders with a detailed and balanced explanation and analysis of the Company's performance and prospects on a half-yearly basis. The management provides the Board with appropriately detailed management accounts of the Group's performance and prospects on a half-yearly basis.

Aside from adopting corporate governance practices in line with the spirit of the Code, the Company also observes obligations of continuing disclosures under Section B of the SGX-ST Listing Manual (Rules of Catalyst). The Company undertakes to circulate timely, adequate and non-selective disclosure of information.

The Management provides the Board and Board Committees with relevant information in order that it may effectively discharge its duties.

CORPORATE GOVERNANCE REPORT

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Group's system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss. During the year, the AC, on behalf of the Board and through the assistance of internal and external auditors, had reviewed the effectiveness of the Group's internal control systems as well as its financial, operational, compliance and information technology controls, and risk management systems. The process used by the AC to monitor and review the effectiveness of the system of internal controls and risk management includes:-

- (i) discussions with management on risks identified by management;
- (ii) the audit processes that are in place;
- (iii) the review of internal and external audit plans; and
- (iv) the review of significant issues arising from internal and external audits.

The Group had engaged external consultants from Mazars LLP to set up an Enterprise Risk Management (ERM) Framework (the "**ERM Framework**"), which governs the risk management process in the Group. Through this framework, risk capabilities and competencies would be continuously enhanced. The ERM Framework also enables the identification, prioritisation, assessment, management and monitoring of key risks to the Group's business. The risk management process covers, inter alia, financial, operational, compliance and information technology risks faced by the Group. The key risks of the Group are deliberated by the Management and reported to the AC. The AC reviews the adequacy and effectiveness of the ERM Framework against leading practices in risk management and vis-à-vis the external and internal environment which the Group operates in.

For the financial year ended 31 December 2017, the AC and the Board have received written assurance from the Chief Executive Officer and the Chief Financial Officer that the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Group's operations and financial position as at reporting date and are prepared in accordance with Singapore Financial Reporting Standards; and that they have evaluated the effectiveness of the Company's risk management and internal control systems, discussed with the Company's internal and external auditors of their findings including their recommendations to improve the internal controls procedures of the Group and noted that there were no significant deficiencies in internal controls which could adversely affect the Company's ability to record, process, summarise or report financial data.

CORPORATE GOVERNANCE REPORT

Based on the framework established and the reviews conducted by the internal and external auditors, the Board opines, with the concurrence of the AC, that there are adequate internal controls in place within the Group addressing material financial, operational and compliance risks at the reporting date. Additionally the Board is satisfied that the risk management system that it has put in place together with the abovementioned internal controls are effective to address the key risks of the Group including information technology risks.

Moving forward, the Company will be putting in place a Risk Management Committee. Currently, management assists the Board in its oversight of the Company's risk management framework and policies by regularly reviewing the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. Management reviews all significant control policies and procedures and highlights all significant matters to the Directors and AC. Details of the Group's risk management policy are set out in Note 31 "Financial Risk Management" of the Notes to the Consolidated Financial Statements of the Group.

Audit Committee

Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The AC, regulated by a set of written terms of reference, comprises three members, all of whom including the Chairman are Independent Non-Executive Directors. The names of the members of the AC are disclosed in Table B.

The members of the AC, collectively, have the expertise or experience in financial management and are qualified to discharge the AC's responsibilities.

The AC performs the following key functions:

- (a) Reviews the audit plans of the external auditor and where applicable, internal auditor, including the review of the auditors' evaluation of the adequacy of the Company's system of internal accounting controls, their report to management and the management's response.
- (b) Reviews the balance sheet of the Company, the consolidated financial statements of the Group and the external auditor's report on those financial statements, and discusses any significant adjustments, major risk areas, changes in accounting policies, compliance with Singapore Financial Reporting Standards, concerns and issues arising from external audit including any matters which the auditors may wish to discuss in the absence of management, where appropriate, before submission to the Board for approval;
- (c) Reviews and discusses with auditor on any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the operating results or financial position including management's response to these matters;

CORPORATE GOVERNANCE REPORT

- (d) Reviews the co-operation given by the Company's officers to the auditor;
- (e) Reviews the nature and extent of all non-audit services provided by the Group's external auditor, if any, and determine if such services would affect the independence of the external auditor;
- (f) Nominates auditor for appointment or re-appointment;
- (g) Reviews internal control procedures and guidelines for all interested person transactions, and if during these periodic reviews, the AC believes that the procedures are not sufficient, the Company will revise the internal control procedures;
- (h) Reviews and ratifies all interested person transactions falling within the scope of Chapter 9 of the Rules of Catalyst, if any;
- (i) Reviews any potential conflicts of interest;
- (j) Conducts other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC;
- (k) Reviews the appointment of different auditors for its subsidiaries and/or significant associated companies (if any); and
- (l) Undertakes such other functions and duties as may be required by the relevant laws or provisions of the Rules of Catalyst (as may be amended from time to time).

Apart from the above functions, the AC will commission and review the findings of internal investigations into matters where there is suspicion of fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation, which has or is likely to have a material impact on the operating results and/or financial position.

In the event that a member of the AC is interested in any matter being considered by the AC, he will abstain from reviewing that particular transaction or voting on that particular resolution.

None of the AC members were previous partners or directors of the existing auditing firm within the previous twelve months and none of the AC members hold any financial interest in the auditing firm.

Nexia TS Public Accounting Corporation, the Company's external auditors, carried out, as part of their statutory audit, a review of the effectiveness of the Company's internal accounting controls on an annual basis. Any material internal accounting control weaknesses noted in the course of the statutory audit were reported by the external auditors to the AC.

Annually, the AC meets with the Company's external auditors without the presence of management. Ad-hoc meetings may be carried out from time to time, as circumstances require.

CORPORATE GOVERNANCE REPORT

The total audit fees paid to the external auditors are stated on page 68 of this Annual Report. There were no non-audit fees payable to the external auditors in FY2017 that would affect the independence of the auditors. The AC having assessed the independence of auditors and size of resources and expertise, has recommended to the Board the re-appointment of Nexia TS Public Accounting Corporation as auditors of the Company. The Board has approved the recommendation and will put forth the resolution to vote at the forthcoming AGM.

The Company with the assistance of the AC, had put in place a “whistle blowing” process and adopted a Whistle-Blowing Policy for the Group.

Summary of AC’s activities in FY2017

For FY2017, the AC had met with the auditors (without the presence of management) and reviewed the following:

- a. the half yearly and full year financial result announcements;
- b. the external auditor’s plan (including, among others, the nature and scope of the audit before the audit commenced and the risk management issues of the Group);
- c. the auditors’ internal control reports based on their evaluation of the system of internal accounting controls;
- d. the external auditor’s report on year end findings including their resolutions;
- e. the assistance given to the external auditor by the Company’s officers; and
- f. the consolidated financial statements of the Group, including the balance sheet of the Company.

CORPORATE GOVERNANCE REPORT

AC Commentary to Key audit matters

The AC noted the key audit matters (“KAMs”) raised by the external auditor in its audit report. These matters are considered significant as they involved significant judgement and estimates by management. Below are the AC’s commentary on these KAMs.

Key audit matters involving significant judgement and estimates	Matters considered	Conclusion by AC
Assessment of impairment of property, plant and equipment for PT Jaya Raya Trasindo, a subsidiary of the Company.	In accordance with the accounting standard, FRS 36, the Group is required to carry out impairment testing of its property, plant and equipment (“PPE”) whenever there are indicators of impairment. In the Company’s subsidiary, PT Jaya Raya Trasindo’s books, PPE comprised largely its leasehold land and building at net book value of approximately S\$3.4 million and plant and equipment. The AC reviewed the discounted cash flow (“DCF”) forecast prepared by management and discussed with management on the forecast period, discount rate and assumptions used as well as market conditions and economy of Indonesia. The AC also discussed with the external auditor to ascertain how it had reviewed the DCF and assessed whether there is impairment loss to be recognised on PT Jaya Raya Trasindo’s PPE.	Based on the AC’s discussion with management and the external auditor and review of the discounted cash flow forecast including stress testing carried out by management, the AC is satisfied that no impairment loss is required to be recognised on the PPE of PT Jaya Raya Trasindo at reporting date.

CORPORATE GOVERNANCE REPORT

Key audit matters involving significant judgement and estimates	Matters considered	Conclusion by AC
Valuation of financial assets at fair value through profit or loss	As disclosed in Note 13 to the accompanying audited financial statements, the Group has financial asset at fair value through profit or loss ("FVTPL" or "financial instrument") amounting to S\$9.5 million as at 31 December 2017. The FVTPL comprises the 10% equity investment in unquoted shares of World Furnishing Hub Pte. Ltd. ("WFHPL") and a put option to sell the 10% equity to the promoters. WFHPL is the entity that holds the property located at 18 Sungei Kadut Street 2, Singapore 729236 ("Property"). The above is considered a key audit matter because of the subjectivity of determining the fair value of the financial instrument which is essentially the market value of the Property at reporting date. The AC reviewed the competence and independence of the property valuer, OrangeTee including the valuation report that it prepared. The AC noted from the report that the methodology adopted in valuing the Property is based on Direct Comparison Method. In this method, a comparison is made with sales of similar properties in the subject development or in similar localities. Adjustments are made for differences in land/floor area, location, tenure, age and condition of the property and date of sale amongst other factors. The market value of the Property arrived at by OrangeTee was S\$95 million at reporting date based on a tenure of 16 years with effect from 1 March 2009 with a further term of 18 years 6 months and 3 days from 1 March 2025.	The AC has reviewed the appraisal report from OrangeTee and has also considered the competence and reputation of the valuer and the valuation methodology adopted in arriving at the market value of the property. Based on the review and discussion with management and the external auditor, the AC is satisfied that the market value arrived at by the valuer is reasonable and concurred with management that there is no fair value gain or loss to be recognised in profit or loss for FY2017 relating to the financial instrument given that the market value of the Property determined by the valuer is similar to prior year at S\$95 million.

CORPORATE GOVERNANCE REPORT

Key audit matters involving significant judgement and estimates	Matters considered	Conclusion by AC
	As the market value recorded in the previous financial year for this Property was also S\$95 million, there was no change in the market value of the Property as at 31 December 2017. As a result, there is also no change in the fair value of the financial instrument at reporting date. The AC also discussed with the external auditor and noted no significant matters arising from its review of the valuation report from OrangTee.	

In accordance with Rule 716 of the Rules of Catalist, the AC and the Board confirmed that they have satisfied that the appointment of different auditors for its subsidiaries had not compromise the standard and effectiveness of the audit of the Group and its consolidated financial statements.

In appointing the audit firms for the Group, the AC and the Board were satisfied that the Group has complied with Rules 712, 715 and 716 of the Rules of Catalist.

Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audit.

The Group has outsourced its internal audit function to external audit professionals, Mazars LLP. The internal auditor ("IA") plans its internal audit schedule and scope of work in consultation with the AC and reports directly and independently to the AC. Being an independent function; the internal audit work is conducted with impartiality and professional care and in accordance with the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The IA has full access to all the Group's documents, records, properties and personnel, including the AC.

To ensure that the IA is staffed with relevant, qualified and experienced persons, the AC approves the hiring, removal, evaluation and compensation of the internal auditor. The IA has confirmed that all its team members are equipped with and practising the recommended standards of internal audit. The AC is satisfied that the internal audit function is staffed with suitably qualified and experienced professionals with the relevant experience.

CORPORATE GOVERNANCE REPORT

The Board recognized that it is important to maintain a system of internal controls to safeguard shareholders' investments and the Group's businesses and assets, while the management is responsible for establishing and implementing effective internal control procedures. The role of IA is to assist the AC in ensuring that controls are properly in place, effective and functioning as intended.

On an annual basis, the IA prepares and executes a risk-based audit plan, which complements that of the external auditors, so as to review the adequacy and effectiveness of the Group's financial, operational, compliance and information technology controls, and risk management. The IA will follow up on all recommendations to ensure that Management has implemented them on a timely and appropriate manner and reports the results to the AC.

In addition, the external auditors will highlight any material internal control weaknesses which have come to their attention in the course of their statutory audit. All internal and external audit findings and recommendations made by the internal and external auditors are reported to the AC. Significant issues, if any are discussed at AC meetings.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company is committed to regular and timely communication with shareholders as part of the organisation's development to build systems and procedures that will enable the Group to compete internationally. The Company places great emphasis on investor relations and strives to maintain a high standard of transparency and to promote better investor communications. It aims to provide investors with clear, balanced and useful information, on a timely basis, about the Group's performance, financial position and prospects.

The management supports the Code's principle and encourage shareholder participation and voting at general meetings. Shareholders are encouraged to attend the Company's AGM to stay informed of the Company's strategy and goals. The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the AGM. All shareholders of the Company will receive the annual report and notice of AGM. The notice will also be advertised in the newspapers. Results announcements, any other material information or press releases are also made available to the public through SGXNET.

The Constitution of the Company allows each shareholder to appoint up to two proxies to attend AGMs.

The Company allows relevant intermediaries such as the Central Provident Fund Board or corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such bodies can attend and participate in general meetings as proxies.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company communicates information to shareholders and the investing community through announcements that are released to the SGX-ST via SGXNET. Such announcements include the half yearly and full year results, material transactions and other developments relating to the Group requiring disclosure under the corporate disclosure policy of the Rules of Catalist.

Although the Company has not put in place an investor relations policy to promote regular and proactive communication with shareholders, the Company will review such a need when the need arises. The Company strengthens relationships with the investing community and solicits their views through one-on-one meetings.

The Company does not practice selective disclosure. In line with continuous obligations of the Company pursuant to the Rules of Catalist and the Singapore Companies Act, Chapter 50, the Board's policy is that all shareholders should be equally, adequately and timely informed of all major developments impacting the Group.

Price-sensitive information and results are released to the public through SGXNET on a timely basis in accordance with the requirements of the Rules of Catalist.

The Board welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad hoc basis.

The Company does not have a dividend policy based on payout ratio. As the Company had accumulated losses as at 31 December 2017 and its current priority is to achieve long-term capital growth for the benefit of shareholders, any profits generated shall therefore be retained for investment into the future. The Board will continue to monitor the financial position of the Company and will propose dividends at the appropriate time to the best interest of the shareholders. No dividend has been proposed for FY2017.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

In general meetings, shareholders are given the opportunity to communicate their views and direct questions to Directors and management regarding the Company. The Chairpersons of the respective Board Committees are present at the AGM and other general meetings of shareholders, to assist the Board in addressing shareholders' questions. The minutes of AGM are available to shareholders upon their request.

Shareholders have the opportunity to participate effectively and to vote in the AGM either in person or by proxy.

CORPORATE GOVERNANCE REPORT

The Company is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

Resolutions to be passed at general meetings are always separate and distinct in terms of issue and are consistent with the Code's recommendation that companies avoid 'bundling' resolutions unless the resolutions are interdependent and linked so as to form one significant proposal.

The Chairman of the AC, RC, and NC will be available at the AGM to respond to questions relating to the work of these Board committees. The external auditors are also present to address shareholders' queries on the conduct of audit and the preparation and content of the auditors' report.

The Board views the general meetings as the principal forum for dialogue with shareholders, being an opportunity for shareholders to raise issues pertaining to the proposed resolutions and/or ask the Directors or management questions regarding the Company and its operations.

The Company conducts the voting of all its resolutions by poll at its AGM. The detailed voting results of each of the resolutions tabled are announced on the same day after the meetings. The total number of votes cast for or against the resolutions is also announced after the meetings via SGXNET.

DEALING IN SECURITIES

The Company has adopted an internal policy to govern the conduct of securities transactions by its Directors and officers. The Company's Directors and officers are not allowed to deal in the Company's shares at least one month before the announcement of the Company's half yearly and full year results until the day after the announcement.

The Directors and officers should not deal in the Company's securities on short-term considerations.

Directors and officers are required to observe insider trading provisions under the Securities and Futures Act, Cap. 289 at all times; even when dealing in the Company's securities within the permitted trading periods. Directors of the Company are required to report all dealings to the Company Secretary.

MATERIAL CONTRACTS

Save for the service agreements entered into with Mr George Chew and Mr Steven Chew which are still subsisting as at the end of FY2017, there are no material contracts involving the interests of the CEO, the Directors or controlling shareholders entered into by the Group which are still subsisting as at the end of the financial year or entered into during the financial year.

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported on in a timely manner to the AC and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

During the year under review, there were no material interested person transactions of S\$100,000, or more during FY2017 requiring disclosure pursuant to the Rules of Catalyst.

CATALIST SPONSOR

The Company's sponsor, RHT Capital Pte. Ltd. had not rendered any non-sponsorship services to the Company for FY2017.

SUSTAINABILITY REPORTING

The Company believes in contributing back to society in meaningful ways and continue to play our part in sustainable development. We believe that the effective management of environmental, social and governance (ESG) risks and opportunities can help us to deliver long-term value to our stakeholders.

The Company intends to publish its inaugural Sustainability Report (the "Report"), which is aligned to SGX-ST's Listing Rules – Sustainability Reporting Guide, by December 2018. This Report will be publicly accessible through the Company's website as well as on SGXNet.

TABLE A – ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS FOR FY2017

Name of director	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance
Chew Ah Ba, George	2	2	–	–	–	–	–	–
Chew Chiew Siang, Steven	2	2	–	–	–	–	–	–
Chin Sek Peng, Michael	2	2	2	2	1	1	1	1
Ng Boon Huan, Daniels	2	2	2	2	1	1	1	1
Tan Eng Kiat, Dominic	2	2	2	2	1	1	1	1

CORPORATE GOVERNANCE REPORT

TABLE B – BOARD AND BOARD COMMITTEES AS AT THE DATE OF THIS REPORT

Name of director	Board Membership	Audit Committee	Nominating Committee	Remuneration Committee
Chew Ah Ba, George	Executive Chairman and Chief Executive Officer (“CEO”)	–	–	–
Chew Chiew Siang, Steven	Executive Director and Deputy CEO	–	–	–
Chin Sek Peng, Michael	Non-executive / Lead Independent Director	Chairman	Member	Member
Ng Boon Huan, Daniels	Non-Executive / Independent Director	Member	Member	*Chairman
Tan Eng Kiat, Dominic	Non-Executive / Independent Director	Member	*Chairman	Member

* The Chairmanship of the Nominating Committee and Remuneration Committee has been rotated amongst the committee members. The Chairmanship of the Remuneration Committee was changed on 1 January 2017. The Chairmanship of the Nominating Committee was changed on 1 March 2017.

TABLE C – DATE OF DIRECTOR’S INITIAL APPOINTMENT & LAST RE-ELECTION & THEIR DIRECTORSHIPS

Name of director	Age	Date of initial appointment	Date of last re-election	Present directorships in listed companies	Past directorships in listed companies
Chew Ah Ba, George	69	02/01/1980	28/04/2016	Sitra Holdings (International) Limited	–
Chew Chiew Siang, Steven	48	20/09/2006	27/04/2017	Sitra Holdings (International) Limited	–
Chin Sek Peng, Michael	62	20/09/2006	28/04/2016	Sitra Holdings (International) Limited Cortina Holdings Ltd Sunpower Group Ltd Tee Land Ltd	–
Ng Boon Huan, Daniels	57	20/09/2006	27/04/2017	Sitra Holdings (International) Limited	–
Tan Eng Kiat, Dominic	74	22/02/2011	28/04/2016	Sitra Holdings (International) Limited Yongnam Holdings Limited	–

CORPORATE GOVERNANCE REPORT

TABLE D – REMUNERATION OF DIRECTORS

The breakdown of the total remuneration of the directors of the Company for the year ended 31 December 2017 is set out below:

Name of Director	Position	Breakdown of Remuneration in Percentage					Actual Total Remuneration in Compensation Bands of \$100,000
		Directors' fees ⁽¹⁾	Salary ⁽²⁾	Bonus ⁽³⁾	Other benefits ⁽⁴⁾	Total	
Chew Ah Ba, George	ED	–	93.5%	–	6.5%	100%	\$200,001 – \$300,000
Chew Chiew Siang, Steven	ED	–	92.6%	–	7.4%	100%	\$200,001 – \$300,000
Chin Sek Peng, Michael	NEID	100%	–	–	–	100%	<\$100,000
Ng Boon Huan, Daniels	NEID	100%	–	–	–	100%	<\$100,000
Tan Eng Kiat, Dominic	NEID	100%	–	–	–	100%	<\$100,000
The aggregate total remuneration of directors		\$105,000	\$565,655	–	\$41,861	\$712,516	
		14.7%	79.4%	–	5.9%	100%	

Notes

ED: Executive director

NEID: Non-executive independent director

(1) The director's fees are subject to shareholders' approval at the Annual General Meeting.

(2) Salary comprises basic salary and the Company's contribution towards the Singapore Central Provident Fund where applicable.

(3) Bonus is contractual and comprises a fixed bonus and variable bonus which is based on the Company's and individual's performance.

(4) Other benefits include transport allowance, motor vehicles running expenses and club subscription fees.

CORPORATE GOVERNANCE REPORT

TABLE D1 – REMUNERATION OF KEY MANAGEMENT PERSONNEL

The breakdown of total remuneration of key management personnel of the Group (who are not directors or the CEO) for the year ended 31 December 2016 is set out below:

Name of Key Management Personnel	Position/ Relationship	Breakdown of Remuneration in Percentage				Actual Total Remuneration in Compensation Bands of \$100,000
		Salary ⁽¹⁾	Bonus ⁽²⁾	Other Benefits ⁽³⁾	Total	
Ong Chai Tiam	CFO	100%	–	–	100%	\$100,001 - \$200,000
Tan Teresa	Immediate family members of a director or CEO	97.8%	–	2.2%	100%	\$100,001 – \$200,000
Lim Sook Hwa Jacinta		100%	–	–	100%	< \$100,000
The aggregate total remuneration of key management personnel		\$438,276	–	\$4,566	\$442,842	
		99.0%	–	1.0%	100%	

Notes:

- (1) Salary comprises basic salary and the Company's contribution towards the Singapore Central Provident Fund where applicable.
- (2) Bonus is based on the Company's and individual's performance.
- (3) Other benefits include transport allowance, motor vehicles running expenses and club subscription fees.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Sitra Holdings (International) Limited and its subsidiary corporations (the "Group") for the financial year ended 31 December 2017 and the balance sheet of Sitra Holdings (International) Limited (the "Company") as at 31 December 2017.

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 44 to 109 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2017 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are as follows:

Chew Ah Ba, George
Chew Chiew Siang, Steven
Chin Sek Peng, Michael
Ng Boon Huan, Daniels
Tan Eng Kiat, Dominic

Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' STATEMENT

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director		Holdings in which director is deemed to have an interest	
	At 31.12.2017	At 1.1.2017	At 31.12.2017	At 1.1.2017
The Company				
(No. of ordinary shares)				
Chew Ah Ba, George	120,949,081	120,949,081	86,029,318	86,029,318
Chew Chiew Siang, Steven	24,393,900	23,389,000	-	-
Chin Sek Peng, Michael	4,831,000	4,831,000	-	-
Ng Boon Huan, Daniels	3,120,000	3,120,000	-	-

By virtue of Section 7 of the Singapore Companies Act, Cap 50, Chew Ah Ba, George is deemed to have interests in all of the shares of the subsidiary corporations as at 31 December 2017.

Directors' interests in shares or debentures

The directors' interests in the ordinary shares of the Company as at 21 January 2018 were the same as those as at 31 December 2017.

Share options

No options have been granted during the financial year to subscribe for unissued shares of the Company or its subsidiary corporations.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company under option at the end of the financial year.

DIRECTORS' STATEMENT

Audit committee

The members of the Audit Committee at the end of the financial year were as follows:

Chin Sek Peng, Michael (Chairman)
Ng Boon Huan, Daniels
Tan Eng Kiat, Dominic

All members of the Audit Committee were non-executive and independent directors.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

- the scope and the results of the internal audit procedures with internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the compliance with legal and other regulatory requirements;
- the appointment of the independent auditors and review of the audit and non-audit fees;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2017 before their submission to the Board of Directors.

The Audit Committee has also met with the auditors without the presence of the Company's management for the reporting year.

The Audit Committee has recommended to the Board that the independent auditor, Nexia TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

DIRECTORS' STATEMENT

Independent auditor

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the directors

Chew Ah Ba, George
Director

Chew Chiew Siang, Steven
Director

2 April 2018

INDEPENDENT AUDITOR'S REPORT

To the members of Sitra Holdings (International) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Sitra Holdings (International) Limited (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including summary of significant accounting policies, as set out on pages 44 to 109.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the financial statements of the current financial year. These matters were addressed in context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

To the members of Sitra Holdings (International) Limited

Key Audit Matter	How our audit addressed the matter
1. Impairment assessment of property, plant and equipment <i>Refer to Note 3(a) and Note 20 to the financial statement</i> The carrying value of leasehold land and building amounted to \$3.4 million represented 20% of the Group's total assets as at 31 December 2017. The leasehold land and buildings were subject to impairment assessment, in consideration of the consecutive incurrence of losses by the subsidiary corporation (except in 2016 where profit was recorded). Management identified separate cash-generating units ("CGU") and has calculated the recoverable amount of CGU, where there were indicators of impairment, by using value-in-use method. The value-in-use is based on discounted future cash flow forecasts over which management makes judgments on certain key inputs including, for example, discount rates and growth rates over the period of the lease. Management's assessment of the valuation of leasehold land and buildings were significant to our audit because of the magnitude of the assets under consideration and also as this process involves inherent judgement in determining key assumptions such as future revenue growth, profit margins, discount rates and inflation rates. Furthermore, there is an increased risk of impairment due to the challenging market sentiment in which the Group operates in. The accounting policies for impairment for property, plant and equipment are set out in Note 2.9(b) to the financial statements.	Our audit procedures focused on evaluating the key assumptions used by the management in preparing the impairment assessment. These procedures included: • We reviewed management's assumptions used in the value-in-use calculations and assessed the accuracy of the historical data used by management as the basis of arriving at the estimates; • We challenged management's projected revenue, gross profit margin and discount rates based on our knowledge of the CGU's operations and understanding of management's business plan, revenue and business model; • We involved our valuation expert to assist us in the evaluation of the reasonableness of the discount rates used by the Group, performed sensitivity analysis where considered necessary, and assessed the consistency of valuation methodologies applied throughout the relevant entities within the Group. Based on our audit procedures performed, we consider management's key assumptions to be within a reasonable range.

INDEPENDENT AUDITOR'S REPORT

To the members of Sitra Holdings (International) Limited

Key Audit Matter	How our audit addressed the matter
2. Valuation of financial assets at fair value through profit or loss <i>Refer to Note 3(b) and Note 13 to the financial statements</i> The financial assets at fair value through profit or loss amounted to \$9.5 million, which represented 56% of the Group's total assets as at 31 December 2017. The fair value of the financial assets was based on independent external valuation. We focus on this area because of its size, significant judgement in determining the appropriate valuation methodology to be used and in estimating the underlying assumptions to be adopted. The accounting policies for impairment for financial assets are set out in Note 2.10 to the financial statements.	We considered the valuation methodologies used against those applied by others for similar assets. We challenged the valuation inputs by comparing against available data in the market. Based on our audit procedures, the independent external valuer are members of generally-recognised professional bodies for valuers and have considered their own independence in carrying out their work. The valuation methodologies used are in-line with generally accepted market practices and the key assumptions used are within the range of market data.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

INDEPENDENT AUDITOR'S REPORT

To the members of Sitra Holdings (International) Limited

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

To the members of Sitra Holdings (International) Limited

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters were of most significance in the audit of the financial statements of the current financial year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement director on the audit resulting in this independent auditor's report is Ross Yu Limjoco.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore
2 April 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	The Group	
		2017 \$	2016 \$
Revenue	4	16,715,700	17,654,764
Cost of sales		(15,051,395)	(15,300,274)
Gross profit		1,664,305	2,354,490
Other income	7	483,788	172,036
Other (losses)/gains - net	8	(1,496,298)	159,524
Expenses			
– Selling and marketing		(509,732)	(434,151)
– Administrative		(2,399,303)	(2,216,036)
– Finance	9	(19,335)	(3,196)
(Loss)/profit before income tax		(2,276,575)	32,667
Income tax benefit	10	–	1,700,482
(Loss)/profit for the financial year		(2,276,575)	1,733,149
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
- Gains/(losses)	27(b)(ii)	987,745	(554,615)
Other comprehensive income/(loss), net of tax		987,745	(554,615)
Total comprehensive (loss)/income for the financial year		(1,288,830)	1,178,534
(Loss)/profit attributable to:			
Equity holders of the Company		(2,568,474)	1,717,845
Non-controlling interests		291,899	15,304
		(2,276,575)	1,733,149
Total comprehensive (loss)/profit attributable to:			
Equity holders of the Company		(1,733,874)	1,158,968
Non-controlling interests		445,044	19,566
		(1,288,830)	1,178,534
(Loss)/earnings per share attributable to equity holders of the Company (cents per share)			
- Basic and diluted	11	(0.34)	0.23

The accompanying notes form an integral part of these financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2017

	Note	The Group		The Company	
		2017	2016	2017	2016
		\$	\$	\$	\$
ASSETS					
Current assets					
Cash and cash equivalents	12	355,023	203,210	7,804	85,110
Financial assets at fair value through profit or loss	13	9,500,000	9,500,000	-	-
Trade and other receivables	14	918,174	1,294,237	4,158,101	6,502,658
Inventories	15	2,115,314	2,276,386	10,100	12,750
Other current assets	16	192,458	273,353	27,620	26,060
		<u>13,080,969</u>	<u>13,547,186</u>	<u>4,203,625</u>	<u>6,626,578</u>
Non-current assets					
Investment in an associated company	17	48	48	-	-
Investments in subsidiary corporations	18	-	-	227,436	227,436
Available-for-sale financial assets	19	-	-	-	-
Property, plant and equipment	20	3,719,584	4,116,753	107,938	131,837
Goodwill on consolidation	21	-	-	-	-
Deferred income tax assets	25	59,661	64,785	-	-
		<u>3,779,293</u>	<u>4,181,586</u>	<u>335,374</u>	<u>359,273</u>
Total assets		<u>16,860,262</u>	<u>17,728,772</u>	<u>4,538,999</u>	<u>6,985,851</u>
LIABILITIES					
Current liabilities					
Trade and other payables	22	2,687,817	2,851,127	3,110,407	2,909,402
Borrowings	23	651,991	36,161	30,883	31,428
		<u>3,339,808</u>	<u>2,887,288</u>	<u>3,141,290</u>	<u>2,940,830</u>
Non-current liabilities					
Borrowings	23	28,034	56,350	28,034	56,350
Deferred income tax liabilities	25	240,214	244,098	-	-
		<u>268,248</u>	<u>300,448</u>	<u>28,034</u>	<u>56,350</u>
Total liabilities		<u>3,608,056</u>	<u>3,187,736</u>	<u>3,169,324</u>	<u>2,997,180</u>
NET ASSETS		<u>13,252,206</u>	<u>14,541,036</u>	<u>1,369,675</u>	<u>3,988,671</u>
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	26	17,817,108	17,817,108	17,817,108	17,817,108
Other reserves	27	4,201,494	3,366,894	(21,607)	(21,607)
Accumulated losses		(8,924,454)	(6,355,980)	(16,425,826)	(13,806,830)
		<u>13,094,148</u>	<u>14,828,022</u>	<u>1,369,675</u>	<u>3,988,671</u>
Non-controlling interests	18	158,058	(286,986)	-	-
TOTAL EQUITY		<u>13,252,206</u>	<u>14,541,036</u>	<u>1,369,675</u>	<u>3,988,671</u>

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Attributable to equity holders of the Company				Non- controlling interests	Total equity
	Share capital	Other reserves	Accumulated losses	Total		
	\$	\$	\$	\$	\$	\$
2017						
Beginning of financial year	17,817,108	3,366,894	(6,355,980)	14,828,022	(286,986)	14,541,036
Total comprehensive income/ (loss) for the financial year	-	834,600	(2,568,474)	(1,733,874)	445,044	(1,288,830)
End of financial year	17,817,108	4,201,494	(8,924,454)	13,094,148	158,058	13,252,206
2016						
Beginning of financial year	17,817,108	3,925,771	(8,073,825)	13,669,054	(306,552)	13,362,502
Total comprehensive income/ (loss) for the financial year	-	(558,877)	1,717,845	1,158,968	19,566	1,178,534
End of financial year	17,817,108	3,366,894	(6,355,980)	14,828,022	(286,986)	14,541,036

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	The Group	
		2017 \$	2016 \$
Cash flows from operating activities			
Profit/(loss) for the financial year		(2,276,575)	1,733,149
Adjustments for:			
- Income tax benefit	10	-	(1,700,482)
- Depreciation	5	303,766	202,831
- Interest expense	9	19,335	3,196
- Waiver of liabilities upon strike off of subsidiary corporation	7	(192,273)	-
- Reversal on impairment on trade and other receivables	8	(1,731)	(11,740)
- Allowance for impairment on trade and other receivables	8	67,281	19,916
- Inventory written down	8	320,000	367
- Fair value loss of financial assets designated as at fair value through profit or loss	8	-	500,000
- Interest income	7	(170)	(332)
- Unrealised currency translation losses	8	932,962	30,703
		(827,405)	777,608
Changes in working capital:			
- Trade and other receivables		(928,744)	(714,309)
- Inventories		(197,060)	185,901
- Other current assets		78,232	(15,014)
- Trade and other payables		2,088,425	(70,953)
Cash generated from operations		213,448	163,233
Interest received		170	332
Interest paid		(19,335)	(3,196)
Income tax refund		-	482
Net cash provided by operating activities		194,283	160,851
Cash flows from investing activity			
Additions of property, plant and equipment, representing net cash used in investing activity	20	(4,052)	(20,887)
Cash flows from financing activity			
Repayment of finance lease liabilities, representing net cash used in financial activity		(28,861)	(39,107)
Net increase in cash and cash equivalents		161,370	100,857
Cash and cash equivalents			
Beginning of financial year		198,477	97,585
Effects of currency translation on cash and cash equivalents		(4,824)	35
End of financial year	12	355,023	198,477

Reconciliation of liabilities arising from financing activity:

	1 January 2017	Principal and interest payment	Interest expenses	31 December 2017
Finance lease liabilities	87,778	(33,037)	4,176	58,917

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Sitra Holdings (International) Limited (the “Company”) is listed on the Catalist, the sponsor-supervised listing platform of Singapore Exchange Securities Trading Limited (“SGX-ST”) and incorporated and domiciled in Singapore. The address of its registered office and principal place of business is 15 Hillview Terrace, Singapore 669226.

The principal activities of the Company are that of investment holding, importers and exporters of wood-based and other related products. The principal activities of its subsidiary corporations and associated company are set out in Note 18 to the financial statements.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements are prepared in accordance with Singapore Financial Reporting Standards (“FRS”) under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

Interpretations and amendments to published standards effective in 2017

On 1 January 2017, the Group adopted the new or amended FRS and Interpretations of FRS (“INT FRS”) that are mandatory for application for the financial year. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the following:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies

2.1 Basis of preparation

FRS 7 Statement of cash flows

The amendments to FRS 7 Statement of cash flows (Disclosure initiative) sets out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has included the additional required disclosures in Consolidated Statement of Cash Flows to the Financial Statement.

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group.

The Group assesses its role as an agent or principal for each transaction and in an agency arrangement the amounts collected on behalf of the principal are excluded from revenue.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) *Sale of goods*

Revenue from these sales is recognised when the Group has delivered the products to the customers, the customers have accepted the products and the collectability of the related receivables are reasonably assured.

(b) *Rendering of services – Sawmill, moulding and kiln-dry*

Revenue from rendering of services is recognised when the services is recognised when the services are rendered.

(c) *Commission income*

Commission income is recognised at the point of entitlement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies

2.2 Revenue recognition

(d) *Rental income*

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

(e) *Interest income*

Interest income is recognised using the effective interest method.

2.3 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

2.4 Group accounting

(a) *Subsidiary corporations*

(i) *Consolidation*

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases.

In preparing the consolidated financial statements, intercompany transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies

2.4 Group accounting

(a) *Subsidiary corporations*

(i) *Consolidation*

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

(ii) *Acquisitions*

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets – Goodwill" for the accounting subsequent accounting policy on goodwill.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies

2.4 Group accounting

(a) *Subsidiary corporations*

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations and associated company" for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company.

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary corporation that do not result in a loss of control over the subsidiary corporation are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(c) *Associated companies*

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies

2.4 Group accounting

(c) *Associated companies*

(i) *Acquisitions*

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associated company over the Group's share of the fair value of the identifiable net assets of the associated company and is included in the carrying amount of the investments.

(ii) *Equity method of accounting*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company equals to or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the asset transferred. The accounting policies of associated companies are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies

2.4 Group accounting

(c) Associated companies

(iii) Disposals

Investments in associated companies are derecognised when the Group loses significant influence. If the retained equity interest in the former associated company is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiary corporations and associated company" for the accounting policy on investments in associated companies in the separate financial statements of the Company.

2.5 Property, plant and equipment

(a) Measurement

(i) Land and buildings

Leasehold land and buildings are initially recognised at cost and are subsequently carried at the revalued amount less accumulated depreciation and accumulated impairment losses.

Leasehold land and buildings are revalued by independent professional valuers on a triennial basis and/or whenever their carrying amounts are likely to differ materially from their revalued amounts. When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the assets.

Increases in carrying amounts arising from revaluation, including currency translation differences, are recognised in other comprehensive income, unless they reverse a revaluation decrease of the same assets previously recognised in profit or loss. In this case, the increase are recognised in profit or loss. Decrease in carrying amounts are recognised in other comprehensive income to the extent of any credit balance existing in the equity in respect of that asset and reduces the amount accumulated in equity. All other decreases in carrying amounts are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies

2.5 Property, plant and equipment

(a) *Measurement*

(ii) Other property, plant and equipment

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(iii) *Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Leasehold land and buildings	14 years
Furniture, fixtures and office equipment	6 to 10 years
Plant and equipment	10 to 15 years
Renovation	5 to 10 years
Motor vehicles	5 years
Computers	3 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated property, plant and equipment still in use are retained in the financial statements.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies

2.5 Property, plant and equipment

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other (losses)/gains - net". Any amount in revaluation reserve relating to that item is transferred to retained profits directly.

2.6 Intangible assets

Goodwill on acquisition

Goodwill on acquisition of subsidiary corporations and businesses represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable assets acquired.

Goodwill on subsidiary corporations is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on associated companies is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiary corporations and associated companies include the carrying amount of goodwill relating to the entity sold.

2.7 Borrowing costs

Borrowings costs are recognised in profit or loss using the effective interest method.

2.8 Investments in subsidiary corporations and associated company

Investments in subsidiary corporations and associated company are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies

2.9 Impairment of non-financial assets

(a) *Goodwill*

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) *Property, plant and equipment Investments in subsidiary corporations and associated company*

Property, plant and equipment and investments in subsidiary corporations and associated company are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease. Please refer to the paragraph "Property, plant and equipment" for the treatment of a revaluation decrease.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies

2.9 Impairment of non-financial assets

- (b) *Property, plant and equipment*
Investments in subsidiary corporations and associated company

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

2.10 Financial assets

- (a) *Classification*

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

- (i) *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term.

Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies

2.10 Financial assets

(a) *Classification*

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "Trade and other receivables" (Note 14), "Cash and cash equivalents" (Note 12) and "Other current assets" (Note 16) on the balance sheet.

(iii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies

2.10 Financial assets

(d) Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in profit or loss when the changes arise.

Interest and dividend income on available-for-sale financial assets are recognised separately in income. Changes in the fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve.

(e) Impairment

The Group assesses at each balance sheet date on whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amounts of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies

2.10 Financial assets

(e) *Impairment*

(ii) Available-for-sale financial assets

In addition to the objective evidence of impairment described in Note 2.10(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If there is objective evidence of impairment, the cumulative loss that had been recognised in other comprehensive income is reclassified to profit or loss. The amount of cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously in profit or loss. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

2.11 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies

2.14 Fair value estimation of financial assets and liabilities

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each balance sheet date.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.15 Leases

(a) *When the Group is the lessee:*

The Group leases motor vehicles under finance lease, office premises and equipment under operating leases from non-related parties.

(i) Lessee - Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payment.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) Lessee - Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies

2.15 Leases

(b) *When the Group is the lessor:*

The Group leases out warehouse space under operating leases to non-related parties.

Lessor – Operating leases

Leases of warehouse where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

2.16 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations and associated company, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies

2.17 Income taxes

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.18 Provisions for other liabilities and charges

Provisions for other liabilities and charges are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

2.19 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) *Short-term compensated absences*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies

2.19 Employee compensation

(c) *Profit sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision when it is contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay.

2.20 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollar ("SGD"), which is the functional currency of the Company.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation difference is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gain and losses that relate to borrowings are presented in income statement within "Finance expense". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "Other (losses)/gains - net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies

2.20 Currency translation

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities are translated at the closing exchange rates at the balance sheet date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the balance sheet date.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive directors whose members are responsible for allocating resources and assessing performance of the operating segments.

The Group is principally engaged in import and export of wood-based, lifestyle furniture and other related products. No separate segmental information by business segment is presented, except for segment revenue, as both business segments use the same resources and share the same costs. Management is of the opinion that it is not practicable to separate the costs, assets and liabilities for each business segment.

2.22 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies

2.23 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.24 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payments.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

(a) Impairment assessment of property, plant and equipment

Property, plant and equipment is tested for impairment whenever there is an indication or objective evidence that the property, plant and equipment may be impaired. The recoverable amounts of cash-generating units ("CGU"), where property, plant and equipment is allocated, have been determined based on value-in-use calculations. The value-in-use calculations are based on a discounted cash flow models. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow. These calculations require the use of estimates. The carrying amount of property, plant and equipment of the Group as at 31 December 2017 amounting to S\$3.7 million (2016: S\$4.1 million).

If the estimated pre-tax discount rate applied to the discounted cash flows for this CGU had been 4% higher than the management's estimate (for example: 19% instead of 15%), the Group would have to recognised an impairment loss on property, plant and equipment of \$77,880.

(b) Valuation of financial assets at fair value through profit or loss

The financial assets at fair value through profit or loss are determined by independent external valuer by using valuation techniques of sales comparison approach. The inputs to these models are derived from sales prices of comparable properties in close proximity which adjusted for difference in key attributes such as property size. The carrying amount of the financial assets at fair value through profit or loss is disclosed in Note 13.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. Revenue

	The Group	
	2017	2016
	\$	\$
Sale of goods	16,427,500	17,551,250
Rendering of services	288,200	103,514
	<u>16,715,700</u>	<u>17,654,764</u>

5. Expenses by nature

	The Group	
	2017	2016
	\$	\$
Bank charges	83,473	87,627
Changes in inventories	(158,928)	(195,328)
Commission expense	124,477	76,439
Depreciation of property, plant and equipment (Note 20)	303,766	202,831
Directors' fees	105,000	105,000
Exhibition	-	36,274
Employee compensation (Note 6)	1,553,347	1,352,518
Freight and other costs	558,465	493,562
Fees on audit services paid/payable to:		
- Auditor of the Company	56,500	55,689
- Other auditors *	6,802	3,753
Insurance	64,027	36,546
Legal and professional fees	38,365	63,143
License fee and permit	5,316	31,816
Listing fees and services	20,400	20,400
Purchases of inventories	14,423,113	15,002,040
Rental expense on operating leases	99,188	98,505
Repair and maintenance	21,664	23,103
Telecommunication	31,713	35,915
Travelling	54,465	44,601
Upkeep of motor vehicles	2,241	36,802
Water and electricity	111,190	87,808
Others	455,847	251,417
Total cost of sales, selling and marketing and administrative expenses	<u>17,960,431</u>	<u>17,950,461</u>

* Includes the network of member firms of Nexia International.

There is no non-audit fee paid/payable to auditors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

6. Employee compensation

	The Group	
	2017	2016
	\$	\$
Wages and salaries	1,430,304	1,239,597
Employer's contribution to defined contribution plans including Central Provident Fund	76,615	74,755
Other short-term benefits	46,428	38,166
	<u>1,553,347</u>	<u>1,352,518</u>

Key management's remuneration is disclosed in Note 31(b) to the financial statements.

7. Other income

	The Group	
	2017	2016
	\$	\$
Commission income	5,694	2,520
Interest income from bank deposits	170	332
Rental income	188,620	96,104
Waiver of liabilities upon strike off of a subsidiary corporation	192,273	–
Sale of scrap materials	–	13,735
Government grants *	60,399	44,668
Others	36,632	14,677
	<u>483,788</u>	<u>172,036</u>

* Included in the government grant are wages credit scheme, productivity and innovation credit scheme, grant from Singapore Furniture Industries Council and others.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8. Other (losses)/gains – net

	The Group	
	2017	2016
	\$	\$
Allowance for impairment on trade receivables [Note 30(b)(ii)]		
- Non-related parties	(67,281)	(5,097)
Allowance for impairment on other receivables [Note 30(b)(ii)]	–	(14,819)
Reversal on impairment on trade and other receivables [Note 30(b)(ii)]	1,731	11,740
Fair value loss on financial assets at fair value through profit or loss (Note 13)	–	(500,000)
Inventory write down (Note 15)	(320,000)	(367)
Unrealised currency exchange loss - net	(932,962)	(30,703)
Realised currency exchange (loss)/gain - net	(177,786)	698,770
	<u>(1,496,298)</u>	<u>159,524</u>

9. Finance expenses

	The Group	
	2017	2016
	\$	\$
Interest expense		
- Bank overdrafts	–	16
- Trust receipts	15,159	1,247
- Finance lease liabilities	4,176	1,933
	<u>19,335</u>	<u>3,196</u>

10. Income tax benefit

	The Group	
	2017	2016
	\$	\$
Tax benefit attributable to (loss)/profit before income tax is made up of:		
(Loss)/profit for the financial year:		
Current income tax		
- Foreign	–	–
	<u>–</u>	<u>–</u>
Over provision in prior financial years:		
- Deferred income tax (Note 25)	–	(1,700,482)
	<u>–</u>	<u>(1,700,482)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

10. Income tax benefit

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	The Group	
	2017	2016
	\$	\$
(Loss)/profit before income tax	(2,276,575)	32,667
Tax calculated at tax rate of 17% (2016: 17%)	(387,018)	5,553
Effects of:		
- different tax rates in other countries	2,104	59,724
- expenses not deductible for tax purposes	126,775	151,165
- income not subject to tax	(61,171)	(28,641)
- deferred income tax assets not recognised	320,527	14,214
- utilisation of previous unrecognised tax loss	-	(196,885)
- Overprovisions of deferred tax in prior years	-	(1,700,482)
- others	(1,217)	(5,130)
	<u>-</u>	<u>(1,700,482)</u>

11. (Loss)/earnings per share

Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted (loss)/earnings per share

For the purpose of calculating diluted (loss)/earnings per share, (loss)/profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

There are no dilutive potential ordinary shares during the financial years ended 31 December 2017 and 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

11. (Loss)/earnings per share

Basic and diluted (loss)/earnings per share attributable to equity holders of the Company is calculated as follows:

	The Group	
	2017	2016
(Loss)/profit attributable to equity holders of the Company (\$)	(2,568,474)	1,717,845
Weighted average number of ordinary shares outstanding for basic and diluted (loss)/earnings per share ('000)	751,200	751,200
Basic and diluted (loss)/earnings per share (cents per share)	(0.34)	0.23

12. Cash and cash equivalents

	The Group		The Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Cash at bank	354,673	202,173	7,579	84,726
Cash on hand	350	1,037	225	384
	<u>355,023</u>	<u>203,210</u>	<u>7,804</u>	<u>85,110</u>

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	The Group	
	2017	2016
	\$	\$
Cash and bank balances (as above)	355,023	203,210
Less: Bank overdrafts (Note 23)	-	(4,733)
	<u>355,023</u>	<u>198,477</u>

13. Financial assets at fair value through profit or loss ("FVTPL")

	The Group	
	2017	2016
	\$	\$
Designated as at FVTPL on initial recognition - Securities		
Unquoted shares:		
- Beginning of financial year	9,500,000	10,000,000
- Fair value loss recognised in profit or loss (Note 8)	-	(500,000)
- End of financial year	<u>9,500,000</u>	<u>9,500,000</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

13. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ("FVTPL") represent the Group's 10% equity investment in World Furnishing Hub Pte Ltd which includes a put option to sell the 10% equity interest to the promoters in connection with the disposal of the Group's property located at 18 Sungei Kadut Street 2, Singapore 729236 in the financial year ended 31 December 2014. As at the acquisition date, the Group was unable to measure separately the equity investment and the put option as their separate fair values cannot be measured reliably. Hence, the Group accounted the financial assets as FVTPL on initial recognition with fair value changes recognised in profit or loss.

The financial assets at fair value through profit or loss of the Group were valued by an independent professional valuer using the comparative method of valuation approach at the balance sheet date.

14. Trade and other receivables

	The Group		The Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Trade receivables				
- Subsidiary corporations	-	-	28,102	68,629
- Third parties	847,207	1,143,055	104,993	855,027
	847,207	1,143,055	133,095	923,656
Less: Allowance for impairment [Note 30(b)(ii)]				
- Subsidiary corporations	-	-	(28,102)	(35,434)
- Third parties	(73,346)	(5,068)	(41,828)	-
	(73,346)	(5,068)	(69,930)	(35,434)
Trade receivables – net	773,861	1,137,987	63,165	888,222
Other receivables				
- Subsidiary corporations	-	-	17,668,836	20,060,445
- Advances to suppliers ⁽¹⁾	111,494	46,467	22,291	1,983
- Related parties	788,853	790,584	-	-
- Third parties	32,819	109,783	3,809	12,092
	933,166	946,834	17,694,936	20,074,520
Less: Allowance for impairment [Note 30(b)(ii)]				
- Subsidiary corporations	-	-	(13,600,000)	(13,713,179)
- Associated company	-	-	-	(746,905)
- Related parties	(788,853)	(790,584)	-	-
	(788,853)	(790,584)	(13,600,000)	(14,460,084)
Other receivables – net	144,313	156,250	4,094,936	5,614,436
	918,174	1,294,237	4,158,101	6,502,658

⁽¹⁾ Advances to suppliers relates to the advances made to the external parties on the confirmed purchase orders.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

14. Trade and other receivables

The non-trade receivables from subsidiary corporations, associated company and related parties are unsecured, interest free and repayable on demand.

15. Inventories

	The Group		The Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Raw materials	103,288	36,275	-	-
Work-in-progress	222,996	302,951	-	-
Finished goods	1,789,030	1,937,160	10,100	12,750
	<u>2,115,314</u>	<u>2,276,386</u>	<u>10,100</u>	<u>12,750</u>

The cost of inventories recognised as an expense and included in "Cost of sales" amounted to \$14,264,185 (2016: \$14,806,712).

During the financial year, the Group made an inventory write-down of \$320,000 (2016: \$367) to its net realisable value.

16. Other current assets

	The Group		The Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Deposits	130,646	126,315	26,020	26,060
Prepayments	61,812	147,038	1,600	-
	<u>192,458</u>	<u>273,353</u>	<u>27,620</u>	<u>26,060</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

17. Investment in an associated company

	The Group	
	2017	2016
	\$	\$
<u>Equity investment</u>		
<u>Cost</u>		
Beginning of financial year	48	–
Add: Addition	–	48
End of financial year	48	48

Details of the associated company are as follows:

Name of company	Country of business/ incorporation	% of ownership	
		2017	2016
		%	%
Abhi Manggala Sentosa Pte Ltd ⁽¹⁾	Singapore	24	24

⁽¹⁾ This Company was incorporated on 14 October 2016 and remained inactive as at 31 December 2017. There are no contingent liabilities relating to the Group's interest in the associated company.

18. Investments in subsidiary corporations

	The Company	
	2017	2016
	\$	\$
<u>Equity investments, at cost</u>		
Beginning of financial year	1,642,142	1,642,142
Less: Allowance for impairment	(1,414,706)	(1,414,706)
End of financial year	227,436	227,436
<u>Accumulated impairment:</u>		
Beginning and end of financial year	1,414,706	1,414,706

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

18. Investments in subsidiary corporations

The Group had the following subsidiary corporations as at 31 December 2016 and 2017

Name of companies	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by the Company		Proportion of ordinary shares directly held by the Group		Proportion of shareholding held by non-controlling interests	
			2017	2016	2017	2016	2017	2016
			%	%	%	%	%	%
Held by the Company								
Energetic Industries Sdn Bhd ^(b)	Inactive	Malaysia	100	100	100	100	–	–
Sitra Dove Logistics Sdn. Bhd. ^(b)	Inactive	Malaysia	100	100	100	100	–	–
E-Timberhub Pte Ltd ^(a)	Importer, exporter of wood-based and other related products.	Singapore	100	100	100	100	–	–
Sitra Agencies Pte Ltd ^(a)	Importer, exporter of wood-based and other related products.	Singapore	100	100	100	100	–	–
Suncoast Sitra Pte Ltd ^(a)	Investment holding and importer, exporter of lifestyle furniture and other related products.	Singapore	56.5	56.5	95.4	95.4	4.6	4.6
Held by Sitra Agencies Pte Ltd								
Societe 3A ^(d)	Importing, exporting, trading and brokering of all origins and all kinds of wood.	France	–	–	51	51	49	49
Sitra Ukraine Limited ^(c)	Inactive	Ukraine	–	–	97	97	3	3
PT Jaya Raya Trasindo ^(e)	Manufacturing, supplying and distribution of wood-based and other related products.	Indonesia	–	–	100	100	–	–
Sitra BMG Middle East LLC ^(f)	Inactive	United Arab Emirates	–	–	49	49	51	51

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

18. Investments in subsidiary corporations

Name of companies	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by the Company		Proportion of ordinary shares directly held by the Group		Proportion of shareholding held by non-controlling interests	
			2017	2016	2017	2016	2017	2016
			%	%	%	%	%	%
Held by E-Timberhub Pte Ltd								
PT Jaya Raya Trasindo ^{(e)(g)}	Manufacturing, supplying and distribution of wood-based and other related products.	Indonesia	-	-	100	100	-	-
Suncoast Sitra Pte Ltd ^(a)	Investment holding and importer, exporter of lifestyle furniture and other related products.	Singapore	-	-	95.4	95.4	4.6	4.6

^(a) Audited by Nexia TS Public Accounting Corporation (Singapore), a member firm of Nexia International.

^(b) Audited by SQ Morison Chartered Accountants (Malaysia).

^(c) The Company was inactive for the current financial year.

^(d) Audited by Malandain Associes (France).

^(e) Reviewed by Nexia TS Public Accounting Corporation (Singapore) for consolidation purpose.

^(f) Sitra BMG Middle East LLC is regarded as a subsidiary corporation on the basis that the Group is expected to, has right to variable returns from its involvement with Sitra BMG Middle East LLC and has the ability to affect those returns through its power over Sitra BMG Middle East LLC.

^(g) Statutory auditor was Kanaka Puradiredja, Suhartono (Indonesia), a member firm of Nexia International

In accordance with Rule 716 of The Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and the Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiary corporations would not compromise the standard and effectiveness of the audit of the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

18. Investments in subsidiary corporations

Carrying value of non-controlling interests

	The Group	
	2017	2016
	\$	\$
Societe 3A	381,316	329,945
Other subsidiary corporations with immaterial non-controlling interests	(223,258)	(42,959)
	<u>158,058</u>	<u>286,986</u>

Set out below are the summarised financial information for the subsidiary corporation that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

There were no transactions with non-controlling interests for the financial years ended 31 December 2016 and 2017.

Societe 3A

Summarised balance sheet as at 31 December

	2017	2016
	\$	\$
<u>Current</u>		
Assets	1,168,088	988,632
Liabilities	(391,292)	(318,263)
Total current net assets	<u>776,796</u>	<u>670,369</u>
<u>Non-current</u>		
Assets	<u>1,401</u>	<u>2,989</u>
Net assets	<u>778,197</u>	<u>673,358</u>

Summarised statement of comprehensive income for the financial year ended 31 December

	2017	2016
	\$	\$
Revenue	4,399,130	3,794,103
Profit before income tax	68,611	43,031
Income tax benefits	–	482
Net profit	<u>68,611</u>	<u>43,513</u>
Other comprehensive income	36,228	10,818
Total comprehensive income	<u>104,839</u>	<u>54,331</u>
Total comprehensive income allocated to non-controlling interests	<u>51,371</u>	<u>26,622</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

18. Investments in subsidiary corporations

Summarised statement of cash flow for the financial year ended 31 December

	2017	2016
	\$	\$
Net cash provided by operating activities	128,658	134,853
Net cash used in investing activity	-	(2,323)
Net increase in cash and cash equivalents	128,658	132,530
Cash and cash equivalents at beginning of financial year	57,524	(75,004)
Effect on currency translation on cash and cash equivalents	6,468	(2)
End of financial year	<u>192,650</u>	<u>57,524</u>

19. Available-for-sale financial assets

	The Group and the Company	
	2017	2016
	\$	\$
<u>Unlisted securities - Singapore</u>		
Beginning and end of financial year	<u>-</u>	<u>-</u>

At the balance sheet date, the available-for-sale financial assets has a carrying amount of \$Nil. The Group has recognised fair value loss of \$36,000 in the financial year 2015. The previously recognised fair value loss was charged to other comprehensive income and presented as fair value reserve [Note 27(b)(iii)].

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

20. Property, plant and equipment

	Leasehold land and buildings	Furniture, fixtures and office equipment	Plant and equipment	Renovation	Motor vehicles	Computers	Total
	\$	\$	\$	\$	\$	\$	\$
The Group							
2017							
<i>At cost or valuation</i>							
Beginning of financial year	3,949,147	206,698	727,513	118,603	713,718	174,154	5,889,833
Currency translation differences	(92,829)	(4,131)	(54,614)	(9,382)	(26,112)	1,276	(185,792)
Additions	–	1,330	1,137	–	–	1,585	4,052
End of financial year	3,856,318	203,897	674,036	109,221	687,606	177,015	5,708,093
Representing:							
Cost	–	203,897	674,036	109,221	687,606	177,015	1,851,775
Valuation	3,856,318	–	–	–	–	–	3,856,318
	3,856,318	203,897	674,036	109,221	687,606	177,015	5,708,093
<i>Accumulated depreciation and impairment losses</i>							
Beginning of financial year	276,347	161,555	405,609	97,796	664,204	167,569	1,773,080
Currency translation differences	(17,530)	(4,080)	(33,866)	(7,993)	(26,039)	1,171	(88,337)
Depreciation charge (Note 5)	229,038	11,031	42,369	5,286	12,523	3,519	303,766
End of financial year	487,855	168,506	414,112	95,089	650,688	172,259	1,988,509
Net book value							
End of financial year	3,368,463	35,391	259,924	14,132	36,918	4,756	3,719,584

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

20. Property, plant and equipment

	Leasehold land and buildings	Furniture, fixtures and office equipment	Plant and equipment	Renovations	Motor vehicles	Computers	Total
	\$	\$	\$	\$	\$	\$	\$
The Group							
2016							
<i>At cost or valuation</i>							
Beginning of financial year	3,894,534	200,116	657,615	113,083	646,726	170,043	5,682,117
Currency translation differences	54,613	2,547	32,098	5,520	15,362	(399)	109,741
Additions	-	15,912	37,800	-	51,630	4,975	110,317
Disposals	-	(11,877)	-	-	-	(465)	(12,342)
End of financial year	3,949,147	206,698	727,513	118,603	713,718	174,154	5,889,833
Representing:							
Cost	-	206,698	727,513	118,603	713,718	174,154	1,940,686
Valuation	3,949,147	-	-	-	-	-	3,949,147
	3,949,147	206,698	727,513	118,603	713,718	174,154	5,889,833
<i>Accumulated depreciation and impairment losses</i>							
Beginning of financial year	149,956	159,704	342,307	86,701	628,711	165,570	1,532,949
Currency translation differences	9,398	2,511	18,468	4,498	15,126	(359)	49,642
Depreciation charge (Note 5)	116,993	11,217	44,834	6,597	20,367	2,823	202,831
Disposals	-	(11,877)	-	-	-	(465)	(12,342)
End of financial year	276,347	161,555	405,609	97,796	664,204	167,569	1,773,080
Net book value							
End of financial year	3,672,800	45,143	321,904	20,807	49,514	6,585	4,116,753

	Furniture fixtures and office equipment	Plant and equipment	Motor vehicles	Computers	Total
	\$	\$	\$	\$	\$
The Company					
2017					
<i>At cost</i>					
Beginning of financial year	117,496	37,800	383,618	132,072	670,986
Additions	935	-	-	1,584	2,519
End of financial year	118,431	37,800	383,618	133,656	673,505
<i>Accumulated depreciation</i>					
Beginning of financial year	73,252	1,176	336,374	128,347	539,149
Depreciation charge	10,357	3,780	10,326	1,955	26,418
End of financial year	83,609	4,956	346,700	130,302	565,567
Net book value					
End of financial year	34,822	32,844	36,918	3,354	107,938

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

20. Property, plant and equipment

	Furniture fixtures and office equipment	Plant and equipment	Motor vehicles	Computers	Total
	\$	\$	\$	\$	\$
The Company					
2016					
<i>At cost</i>					
Beginning of financial year	101,584	–	331,988	129,471	563,043
Additions	15,912	37,800	51,630	2,601	107,943
End of financial year	117,496	37,800	383,618	132,072	670,986
<i>Accumulated depreciation</i>					
Beginning of financial year	64,832	–	331,988	127,050	523,870
Depreciation charge	8,420	1,176	4,386	1,297	15,279
End of financial year	73,252	1,176	336,374	128,347	539,149
Net book value					
End of financial year	44,244	36,624	47,244	3,725	131,837

- (a) Included within additions of the Group for the financial year ended 31 December 2016 were motor vehicles and equipment acquired under finance lease amounted to \$51,630 and \$37,800 respectively. There is no addition acquired under finance lease during the financial year.

The carrying amounts of motor vehicles and equipment held under finance leases are \$36,918 and \$32,844 (2016: \$47,244 and \$36,624) respectively at the balance sheet date.

- (b) The leasehold properties of the Group were valued by an independent professional valuer based on the properties' highest-and-best-use using the Direct Market Comparison Method in financial year ended 31 December 2015. These are regarded as level 2 fair values.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

20. Property, plant and equipment

Fair value hierarchy

Description	Fair value measurements at 31 December using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	\$	\$	\$
2017			
Recurring fair value measurements			
Leasehold properties:			
- Factory - Indonesia	-	3,856,318	-
2016			
Recurring fair value measurements			
Leasehold properties:			
- Factory - Indonesia	-	3,949,147	-

Valuation techniques used to derive Level 2 fair values

Level 2 fair values of the Group's properties have been generally derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach was selling price per square metre.

Valuation processes of the Group

The Group engages external, independent and qualified valuers to determine the fair value of the Group's properties on a triennial basis based on the properties' highest and best use. The fair values of the properties have been determined by Benedictus Darmapuspita dan Rekan (Indonesia) on 9 March 2015.

- (c) If the leasehold properties stated at valuation were included in the financial statements at cost less accumulated depreciation, their net book values would be \$866,950 (2016: \$967,268).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

21. Goodwill on consolidation

	The Group	
	2017 \$	2016 \$
<i>Cost</i>		
Beginning and end of financial year	37,699	37,699
<i>Accumulated impairment</i>		
Beginning and end of financial year	37,699	37,699
Net book value	-	-

In 2006, the Group acquired E-Timberhub Pte Ltd and Sitra Agencies Pte Ltd at a total aggregate purchase price of \$412,276, resulting in recognition of goodwill amounting to \$37,699. In 2010, goodwill was fully impaired as these subsidiary corporations were dormant.

22. Trade and other payables

	The Group		The Company	
	2017 \$	2016 \$	2017 \$	2016 \$
Trade payables				
- Third parties	668,059	1,071,867	1,091	772,025
Other payables				
- Subsidiary corporations	-	-	1,646,146	1,110,977
- Non-controlling interests	-	61,607	-	-
- Directors	650,496	277,416	650,496	277,416
- Third parties	420,506	309,821	221,361	183,258
	1,071,002	648,844	2,518,003	1,571,651
Accruals for operating expenses	861,913	1,024,082	555,185	511,727
Advances received from customers	86,843	106,334	36,128	53,999
	2,687,817	2,851,127	3,110,407	2,909,402

The non-trade payables to subsidiary corporations, non-controlling interests and directors are unsecured, interest free and payable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

23. Borrowings

	The Group		The Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
<i>Current</i>				
Bank overdrafts (Note 12)	-	4,733	-	-
Trust receipts	621,108	-	-	-
Finance lease liabilities (Note 24)	30,883	31,428	30,883	31,428
	651,991	36,161	30,883	31,428
<i>Non-current</i>				
Finance lease liabilities (Note 24)	28,034	56,350	28,034	56,350
	680,025	92,511	58,917	87,778

The exposure of the borrowings of the Group and of the Company to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	The Group		The Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
6 months or less	621,108	4,733	-	-

(a) Security granted

Trust receipts of the Group are secured by the corporate guarantee of the Company. Finance lease liabilities of the Group are effectively secured by the rights to the leased motor vehicles and equipment, as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the finance lease liabilities.

(b) Fair value of non-current borrowings

	The Group and the Company	
	2017	2016
	\$	\$
Finance lease liabilities	28,034	56,350

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

23. Borrowings

- (b) Fair value of non-current borrowings

The fair values above are determined from the cash flow analysis, discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group as follows:

	The Group and the Company	
	2017	2016
	%	%
Finance lease liabilities	3% - 4.5%	3% - 4.5%

The fair values are within Level 2 of the fair value hierarchy

24. Finance lease liabilities

The Group leases motor vehicles and equipment from third parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

	The Group		The Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Minimum lease payments due				
- Not later than one year	34,788	34,788	34,788	34,788
- Between one and five years	30,499	63,536	30,499	63,536
	65,287	98,324	65,287	98,324
Less: Future finance charges	(6,370)	(10,546)	(6,370)	(10,546)
Present value of finance lease liabilities	58,917	87,778	58,917	87,778

The present values of finance lease liabilities are analysed as follows:

	The Group		The Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Not later than one year (Note 23)	30,883	31,428	30,883	31,428
Later than one year (Note 23)				
- Between one and five years	28,034	56,350	28,034	56,350
	58,917	87,778	58,917	87,778

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

25. Deferred income taxes

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	The Group	
	2017	2016
	\$	\$
Deferred income tax assets		
(to be recovered after one year)		
- Unutilised tax losses	(59,661)	(64,785)
Deferred income tax liabilities		
(to be settled after one year)		
- Accelerated tax depreciation	45,214	49,098
- Asset revaluation	195,000	195,000
	<u>240,214</u>	<u>244,098</u>

Movement in deferred income tax account is as follows:

	The Group	
	2017	2016
	\$	\$
Beginning of financial year	179,313	1,880,045
Currency translation differences	1,240	(250)
Overprovision in prior financial year (Note 10)	-	(1,700,482)
End of financial year	<u>180,553</u>	<u>179,313</u>

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group have unrecognised tax losses and capital allowance of approximately \$9,037,739 (2016: \$7,227,175) and \$Nil (2016: \$7,196) respectively at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation. The unrecognised tax losses and unutilised capital allowance have no expiry date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

26. Share capital

	No. of ordinary shares	Amount \$
The Group and the Company		
2017		
Beginning and end of financial year	751,200,000	17,817,108
2016		
Beginning and end of financial year	751,200,000	17,817,108

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

27. Other reserves

	The Group		The Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
(a) Composition:				
Capital reserve	14,393	14,393	14,393	14,393
Currency translation reserve	2,787,549	1,952,949	-	-
Fair value reserve	(36,000)	(36,000)	(36,000)	(36,000)
General reserve	(1,518,991)	(1,518,991)	-	-
Asset revaluation reserve	2,954,543	2,954,543	-	-
	<u>4,201,494</u>	<u>3,366,894</u>	<u>(21,607)</u>	<u>(21,607)</u>
(b) Movements:				
(i) Capital reserve				
Beginning and end of financial year	<u>14,393</u>	<u>14,393</u>	<u>14,393</u>	<u>14,393</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

27. Other reserves

(b) Movements:

	The Group		The Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
(ii) Currency translation reserve				
Beginning of financial year	1,952,949	2,511,826	-	-
Net currency translation differences of financial statements of:				
- Foreign subsidiary corporations	987,745	(554,615)	-	-
Add: Non-controlling interests	(153,145)	(4,262)	-	-
	834,600	(558,877)	-	-
End of financial year	2,787,549	1,952,949	-	-
(iii) Fair value reserve				
Beginning and end of financial year	(36,000)	(36,000)	(36,000)	(36,000)
(iv) General reserve				
Beginning and end of financial year	(1,518,991)	(1,518,991)	-	-
(v) Asset revaluation reserve				
Beginning and end of financial year	2,954,543	2,954,543	-	-

Other reserves are non-distributable.

28. Accumulated losses

Movement in accumulated losses for the Company is as follows:

	The Company	
	2017	2016
	\$	\$
Beginning of financial year	(13,806,830)	(13,129,291)
Net loss for the financial year	(2,618,996)	(677,539)
End of financial year	(16,425,826)	(13,806,830)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

29. Commitments

- (a) Operating lease commitments – where the Group is a lessee

The Group leases office premise and equipment from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	The Group		The Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Not later than one year	19,500	78,000	19,500	78,000
Between one and five years	-	19,500	-	19,500
	<u>19,500</u>	<u>97,500</u>	<u>19,500</u>	<u>97,500</u>

- (b) Operating lease commitments – where the Group is a lessor

The Group leases out factory space and warehouse to non-related parties under non-cancellable operating leases.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	The Group		The Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Not later than one year	89,100	193,507	-	-
Between one and five years	-	96,754	-	-
	<u>89,100</u>	<u>290,261</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30. Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance. The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group.

(a) Market risk

(i) Currency risk

The Group's foreign currency risk arises from certain trading activities denominated in foreign currencies and its investments in subsidiary corporations which are located in foreign countries.

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the United States Dollar ("USD"), Euro ("Euro") and Indonesian Rupiah ("IDR").

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30. Financial risk management

Financial risk factors

- (a) Market risk
(i) Currency risk

The Group's currency exposure based on the information provided to key management is as follows:

	SGD	USD	Euro	IDR	Other	Total
	\$	\$	\$	\$	\$	\$
2017						
Financial assets						
Cash and cash equivalents	1,921	142,039	194,699	1,161	15,203	355,023
Financial assets, at fair value through profit or loss	9,500,000	-	-	-	-	9,500,000
Trade and other receivables	4,859	397,136	63,810	80,355	260,520	806,680
Receivables from subsidiary corporations	3,222,061	16,682,324	-	-	-	19,904,385
Other current assets	26,020	-	104,131	495	-	130,646
	12,754,861	17,221,499	362,640	82,011	275,723	30,696,734
Financial liabilities						
Trade and other payables	1,519,699	315,597	331,987	427,901	5,790	2,600,974
Payables to subsidiary corporations	3,222,061	16,682,324	-	-	-	19,904,385
Borrowings	58,917	621,108	-	-	-	680,025
	4,800,677	17,619,029	331,987	427,901	5,790	23,185,384
Net financial assets/(liabilities)	7,954,184	(397,530)	30,653	(345,890)	269,933	7,511,350
Less: financial liabilities/(assets) denominated in the respective entities' functional currencies	(7,954,184)	-	(28,604)	346,807	197,403	(7,438,578)
Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities' functional currencies	-	(397,530)	2,049	917	467,336	72,772

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30. Financial risk management

Financial risk factors

(a) Market risk

(i) Currency risk

2016

Financial assets

Cash and cash equivalents	8,216	109,837	65,495	12,118	7,544	203,210
Financial assets, at fair value through profit or loss	9,500,000	-	-	-	-	9,500,000
Trade and other receivables	12,288	998,667	179,142	57,673	-	1,247,770
Receivables from subsidiary corporations	3,185,417	17,966,882	-	-	-	21,152,299
Other current assets	26,060	-	99,717	538	-	126,315
	12,731,981	19,075,386	344,354	70,329	7,544	32,229,594

Financial liabilities

Trade and other payables	(1,059,810)	(889,093)	(245,078)	(356,035)	(194,777)	(2,744,793)
Payables to subsidiary corporations	(3,185,417)	(17,966,882)	-	-	-	(21,152,299)
Borrowings	(87,778)	-	(4,733)	-	-	(92,511)
	(4,333,005)	(18,855,975)	(249,811)	(356,035)	(194,777)	(23,989,603)

Net financial assets/(liabilities)

Less: financial liabilities/(assets) denominated in the respective entities' functional currencies

	8,398,976	219,411	94,543	(285,706)	(187,233)	8,239,991
	(8,398,976)	-	(58,077)	290,780	200,090	(7,966,183)

Currency exposure of financial assets net of those denominated in the respective entities' functional currencies

	-	219,411	36,466	5,074	12,857	273,808
--	---	---------	--------	-------	--------	---------

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30. Financial risk management

Financial risk factors

(a) Market risk

(i) Currency risk

The Company's currency exposure based on the information provided to key management is as follows:

	SGD \$	USD \$	Other \$	Total \$
2017				
Financial assets				
Cash and cash equivalents	958	5,928	918	7,804
Trade and other receivables	3,809	4,132,001	-	4,135,810
Other current assets	26,020	-	-	26,020
	30,787	4,137,929	918	4,169,634
Financial liabilities				
Trade and other payables	(1,712,772)	(1,361,507)	-	(3,074,279)
Borrowings	(58,917)	-	-	(58,917)
	(1,771,689)	(1,361,507)	-	(3,133,196)
Net financial assets /(liabilities)	(1,740,902)	2,776,422	918	1,036,438
Less: financial liabilities denominated in the Company's functional currency	1,740,902	-	-	1,740,902
Currency exposure of financial assets net of those denominated in the Company's functional currency	-	2,776,422	918	2,777,340
2016				
Financial assets				
Cash and cash equivalents	3,399	76,556	5,155	85,110
Trade and other receivables	12,092	6,488,583	-	6,500,675
Other current assets	26,060	-	-	26,060
	41,551	6,565,139	5,155	6,611,845
Financial liabilities				
Trade and other payables	(1,189,011)	(1,666,311)	(81)	(2,855,403)
Borrowings	(87,778)	-	-	(87,778)
	(1,276,789)	(1,666,311)	(81)	(2,943,181)
Net financial (liabilities)/assets	(1,235,238)	4,898,828	5,074	3,668,664
Less: financial assets denominated in the Company's functional currency	1,235,238	-	-	1,235,238
Currency exposure of financial assets net of those denominated in the Company's functional currency	-	4,898,828	5,074	4,903,902

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30. Financial risk management

Financial risk factors

(a) Market risk

(i) Currency risk

If the USD, IDR and other currencies change against the SGD by 8%, 8% and 5% respectively (2016: 2%, 5% and 2%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

	2017		2016	
	← Increase / (Decrease) →			
	Net profit	Equity	Net profit	Equity
	\$	\$	\$	\$
Group				
USD against SGD				
- strengthened	(26,396)	(26,396)	3,642	3,642
- weakened	26,396	26,396	(3,642)	(3,642)
IDR against SGD				
- strengthened	61	61	211	211
- weakened	(61)	(61)	(211)	(211)
Other currencies against SGD				
- strengthened	19,394	19,394	213	213
- weakened	(19,394)	(19,394)	(213)	(213)
Company				
USD against SGD				
- strengthened	184,354	184,354	81,320	81,320
- weakened	(184,354)	(184,354)	(81,320)	(81,320)
Other currencies against SGD				
- strengthened	38	38	84	84
- weakened	(38)	(38)	(84)	(84)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30. Financial risk management

Financial risk factors

(a) Market risk

(ii) Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates.

The Group obtains financing through bank facilities and finance leases and seeks to minimise its interest rate exposure by obtaining the most favourable interest rates available.

The Group have borrowings at variable rates on which effective hedges have not been entered into. If the interest rates increase/decrease by 1% (2016: 1%) with all other variables including tax rate being held constant, the net loss of the Group will be higher/lower by \$5,155 (2016: \$39) as a result of higher/lower interest expense on these borrowings.

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in the financial loss to the Group. The major classes of the financial assets of the Group and the Company are cash and cash equivalents and trade and other receivables.

For trade receivables, all credit terms and limits for each customer are reviewed and are approved by the management. The amount of deposit, credit terms and limit for each customer is based on factors such as assessment of the customer's financial condition, financial strength, credit history, past collection history, volume of sales and its business performance. If necessary, the management will amend the credit terms granted to the customers.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

	The Company	
	2017	2016
	\$	\$
Corporate guarantee provided to bank on subsidiary corporation's trust receipts	621,108	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30. Financial risk management

Financial risk factors

(b) Credit risk

The trade receivables of the Group and of the Company comprise 8 debtors (2016: 5 debtors) and 2 debtors (2016: 4 debtors) respectively that individually represented more than 5% of trade receivables.

The credit risk for trade and other receivables based on the information provided to key management is as follows:

	The Group		The Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
<u>By geographical areas</u>				
Australia/New Zealand	260,520	266,876	–	213,677
Europe	358,138	834,384	40,818	674,546
Asia/Others	299,516	192,977	4,117,283	5,614,435
	<u>918,174</u>	<u>1,294,237</u>	<u>4,158,101</u>	<u>6,502,658</u>
<u>By types of customers</u>				
Related parties				
- Corporate	–	76,549	4,068,836	5,633,556
Non-related parties				
- Corporate	918,174	1,217,688	89,265	869,102
	<u>918,174</u>	<u>1,294,237</u>	<u>4,158,101</u>	<u>6,502,658</u>

There are no revenues from any single customer that represent 10% or more of the total revenue of the Group.

(i) *Financial assets that are neither past due nor impaired*

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade and other receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30. Financial risk management

Financial risk factors

(b) Credit risk

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade and other receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	The Group		The Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Past due over 6 months	58,166	76,549	–	8,717

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	The Group		The Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Past due over 6 months	131,512	76,549	69,330	44,151
Less: Allowance for impairment (Note 14)	(73,346)	(5,068)	(69,330)	(35,434)
	58,166	71,481	–	8,717
Beginning of financial year	5,068	53,694	35,434	35,434
Allowance made (Note 8)	67,281	5,097	41,828	–
Reversal of impairment (Note 8)	–	(11,740)	(7,332)	–
Allowance utilised	–	(41,983)	–	–
Exchange difference	997	–	–	–
End of financial year	73,346	5,068	69,930	35,434

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30. Financial risk management

Financial risk factors

(b) Credit risk

(ii) *Financial assets that are past due and/or impaired*

The movement of allowance for impairment of other receivables are as follows:

	The Group		The Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Beginning of financial year	790,584	775,765	14,460,084	14,435,463
Allowance made (Note 8)	-	14,819	-	24,621
Reversal of impairment (Note 8)	(1,731)	-	(1,731)	-
Allowance utilised	-	-	(858,353)	-
End of financial year	<u>788,853</u>	<u>790,584</u>	<u>13,600,000</u>	<u>14,460,084</u>

The impaired other receivables arose due to low collectability of debtors who are in financial difficulties and payments are not forthcoming.

(c) Liquidity risk

The Group and the Company manage the liquidity risk by maintaining sufficient cash and cash equivalents to enable them to meet their normal operating commitments, having an adequate amount of committed bank facilities.

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30. Financial risk management

Financial risk factors

(c) Liquidity risk

	Less than 1 year	Between 1 and 2 years
	\$	\$
The Group		
2017		
Trade and other payables	2,600,974	-
Borrowings	651,991	29,634
	<u>3,252,965</u>	<u>29,634</u>
2016		
Trade and other payables	2,744,793	-
Borrowings	36,161	65,671
	<u>2,780,954</u>	<u>65,671</u>
The Company		
2017		
Trade and other payables	3,074,279	-
Borrowings	30,883	29,634
Financial guarantee contracts	621,108	-
	<u>3,726,270</u>	<u>29,634</u>
2016		
Trade and other payables	2,855,403	-
Borrowings	31,428	65,671
	<u>2,886,831</u>	<u>65,671</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30. Financial risk management

Financial risk factors

(d) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. As at 31 December 2017, the Group and the Company's gearing ratio was 19% and 70% respectively (31 December 2016: 16% and 42% respectively)

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	The Group		The Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Net debt	3,012,819	2,740,428	3,161,520	2,912,070
Total equity	13,252,206	14,541,036	1,369,645	3,988,671
Total capital	16,265,025	17,281,464	4,531,165	6,900,741
Gearing ratio	19%	16%	70%	42%

The Group and the Company are not exposed to any externally imposed capital requirements for the financial years ended 31 December 2016 and 2017.

(e) Fair value measurements

The table below presents assets and liabilities measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30. Financial risk management

Financial risk factors

(e) Fair value measurements

See Note 20 for disclosure of the property, plant and equipment that are measured at fair value.

The Group	Level 2
	\$
2017	
Financial assets at fair value through profit or loss	9,500,000
2016	
Financial assets at fair value through profit or loss	9,500,000

There is no instrument classified as Level 1 and Level 3.

The carrying amount less impairment of trade and other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of current borrowings approximates their carrying amount.

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Notes 13 and 19 to the financial statements, except for the following:

	The Group		The Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Loans and receivables	1,292,349	1,577,295	4,169,634	6,611,845
Financial liabilities at amortised cost	3,280,999	2,837,304	3,133,196	2,943,181

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

31. Related party transactions

- (a) No significant transactions took place between the Group and related parties other than those disclosed elsewhere in the financial statements.
- (b) Key management personnel compensation is as follows:

	The Group	
	2017	2016
	\$	\$
Directors' fees	105,000	105,000
Salaries and bonus	954,000	717,346
Employer's contribution to defined contribution plans, including Central Provident Fund	49,931	47,600
Other short-term benefits	46,428	42,422
	<u>1,155,359</u>	<u>912,368</u>

Included in the above is total compensation to directors of the Company amounting to \$607,516 (2017: \$566,538).

32. Segment information

Management has determined the operating segments based on the reports reviewed by executive directors that are used to make strategic decisions.

Executive directors consider the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in the following primary geographic areas: Australia, New Zealand, Europe and Asia. All geographic locations are engaged in the sale of wood-based products and outdoor lifestyle furniture.

No separate segmental information by business segment is presented, except for segment revenue, as all business segments use the same resources and share the same costs. Management is of the opinion that it is not practicable to separate the costs, assets and liabilities for each business segment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

32. Segment information

(a) Revenue from major products

Revenues from external customers are derived mainly from the sale of wood-based products, outdoor lifestyle furniture and total design and build solutions. Breakdown of the revenue is as follows:

	2017 Revenue		2016 Revenue	
	\$	%	\$	%
<u>The Group</u>				
Wood-based products	16,049,201	96.0	17,275,826	97.8
Outdoor lifestyle furniture	363,960	2.2	251,763	1.4
Other	302,539	1.8	127,175	0.8
Total	16,715,700	100.0	17,654,764	100.0

(b) Geographical information

The Group's two business segments operate in three main geographical areas:

- Australia/New Zealand - the operations in this area are principally the sales of wood-based products and outdoor lifestyle furniture.
- Europe - the operations in this area are principally the sales of wood-based products and outdoor lifestyle furniture.
- Asia/Others - the operations in this area are principally the sales of wood-based products and outdoor lifestyle furniture.

	2017 Revenue		2016 Revenue	
	\$	%	\$	%
<u>The Group</u>				
Australia/New Zealand	3,933,771	23.5	3,001,441	17.0
Europe	12,206,399	73.0	12,764,168	72.3
Asia/Others	575,530	3.5	1,889,155	10.7
Total	16,715,700	100.0	17,654,764	100.0

	2017 Non-current assets		2016 Non-current assets	
	\$	%	\$	%
Europe	1,401	0.04	2,989	0.1
Asia/Others	3,777,892	99.96	4,178,597	99.9
Total	3,779,293	100.00	4,181,586	100.0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

33. Contingent liabilities

The Company gives letters of financial support to certain subsidiary corporations in the Group with capital deficiencies at financial year end.

The Company has issued corporate guarantee to a bank for trust receipts of subsidiary corporation. This trust receipt amounted to \$621,108 (2016: Nil) at the balance sheet date.

34. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2018 or later periods and which the Group has not early adopted:

- (a) FRS 109 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2018)

FRS 109 replaces FRS 39 *Financial instruments: Recognition and Measurement and its relevant interpretations*.

FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI (FVOCI). Gains and losses realised on the sale of financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained profits.

Under FRS 109, there were no changes to the classification and measurement requirements for financial liabilities except for the recognition of fair changes arising from changes in own credit risk. For liabilities designed at fair value through profit or loss, such changes are recognised in OCI.

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

There is also now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34. New or revised accounting standards and interpretations

- (a) FRS 109 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2018)

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 January 2018. The new accounting framework has similar requirements of FRS 109 and the impact of adopting the equivalent FRS 109 is disclosed in Note 35 to the financial statements.

- (b) FRS 115 *Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018)

FRS 115 replaces FRS 11 *Construction Contracts*, FRS 18 *Revenue*, and related interpretations.

Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group is required to adopt a new accounting framework from 1 January 2018. The new accounting framework has similar requirements of FRS 115 and the impact of adopting the equivalent FRS 115 is disclosed in Note 35 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

34. New or revised accounting standards and interpretations

- (c) FRS 116 *Leases* (effective for annual periods beginning on or after 1 January 2019)

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will affect primarily the accounting for the Group's operating leases. As at the balance sheet date, the Group has non-cancellable operating lease commitments of \$19,500 (2016: \$97,500). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 January 2018. The new accounting framework has similar requirements of FRS 116. The Group has yet to determine to what extent the commitments as at the balance sheet date will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

35. Adoption of Singapore IFRS – identical Financial Reporting Standards

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The new framework is referred to as 'Singapore IFRS-identical Financial Reporting Standards' ("SFRS(I)") hereinafter.

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018 and will be issuing its first set of financial information prepared under SFRS(I) for the 6-month ending 30 June 2018 in August 2018.

In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) equivalent of IFRS 1 *First-time Adoption of IFRS*. The Group will also concurrently apply new major SFRS(I) equivalents of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. The estimated impact arising from the adoption of SFRS(I) on the Group's financial statements are set out as follows:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

35. Adoption of Singapore IFRS – identical Financial Reporting Standards

(a) Application of SFRS(I) equivalent of IFRS 1

The Group is required to retrospectively apply all SFRS(I) effective at the end of the first SFRS(I) reporting period (financial year ending 31 December 2018), subject to the mandatory exceptions and optional exemptions under IFRS 1. The Group plans to elect relevant optional exemptions and the exemptions resulting in significant adjustments to the Group's financial statements prepared under SFRS are as follows:

(i) Deemed cost exemption

The Group plans to elect and regard the fair values of leasehold land and buildings classified as property, plant and equipment as their deemed cost at the date of transition to SFRS(I) on 1 January 2017. The carrying amount of property, plant and equipment is estimated to be remained and accumulated losses and assets revaluation reserves included in other reserves are estimated to be decreased by \$2,954,543 respectively at the date of transition on 1 January 2017 and 31 December 2017.

(ii) Cumulative translation differences

The Group plans to elect to set the cumulative translation differences for all foreign operations to be zero as at the date of transition to SFRS(I) on 1 January 2017. As a result, other reserves and accumulated losses as at 1 January 2017 and 31 December 2017 was reduced by \$1,952,949 respectively.

(b) Adoption of SFRS(I) equivalent of IFRS 9

The Group plans to elect to apply the short-term exemption under IFRS 1 to adopt SFRS(I) equivalent of IFRS 9 on 1 January 2018. Accordingly, requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* will continue to apply to financial instruments up to the financial year ended 31 December 2017.

(i) Classification and measurement

The Group has assessed the business models that are applicable on 1 January 2018 to financial assets so as to classify them into the appropriate categories under SFRS(I) equivalent of IFRS 9. No significant adjustments is expected to the Group's balance sheet line items.

The Group has elected to recognise changes in the fair value of all its equity investments not held for trading and previously classified as available-for-sale in other comprehensive income. These fully impaired available-for-sale financial assets will then reclassified to FVOCI.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

35. Adoption of Singapore IFRS – identical Financial Reporting Standards

(b) Adoption of SFRS(I) equivalent of IFRS 9

(ii) Impairment of financial assets

The following financial assets will be subject to the expected credit loss impairment model under SFRS(I) equivalent of IFRS 9:

- trade receivables recognised under SFRS(I);
- debt instruments carried at fair value through OCI and amortised cost; and
- loans to related parties and other receivables at amortised cost.

The Group plans to apply the simplified approach and record lifetime expected impairment losses on all trade and other receivables. On adoption of SFRS(I) 9, the Group does not expect a significant increase in the impairment loss allowance.

(c) Adoption of SFRS(I) equivalent of IFRS 15

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

- (i) Rights of return – FRS 115 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation; and
- (ii) Accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under FRS 115.

Based on its initial assessment, the Group does not expect significant changes to the basis of revenue recognition for its revenue from sales of goods, rendering of services and rental income.

36. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Sitra Holdings (International) Limited on 2 April 2018.

STATISTICS OF SHAREHOLDINGS

As at 12 March 2018

SHARE CAPITAL

Number of Issued Shares	:	751,200,000
Share Capital	:	S\$18,108,321.00
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share

The Company has no treasury shares and *subsidiary holdings as at 12 March 2018.

*subsidiary holdings – defined in the Listing Manual Section B, Rules of Catalist of the Singapore Exchange Securities Trading Limited to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Cap 50.

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 12 MARCH 2018

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	5	0.77	90	0.00
100 - 1,000	22	3.38	17,000	0.00
1,001 - 10,000	63	9.66	445,300	0.06
10,001 - 1,000,000	499	76.53	107,642,101	14.33
1,000,001 and above	63	9.66	643,095,509	85.61
Total	652	100.00	751,200,000	100.00

TWENTY LARGEST SHAREHOLDERS

As at 13 March 2017

	SHAREHOLDER'S NAME	NO OF SHARES	%
1	CHEW AH BA	120,949,081	16.10
2	TAN TERESA	86,029,318	11.45
3	JOSCA WOO KONG HWA	84,000,000	11.18
4	CHEW HUA SENG	69,115,100	9.20
5	LIU YINGCHUN	63,632,200	8.47
6	CHEW CHIEW SIANG STEVEN	24,393,900	3.25
7	MAYBANK KIM ENG SECURITIES PTE LTD	21,331,000	2.84
8	NEO YAM CHENG OR LEE KWEE LAN	12,000,000	1.60
9	OCBC NOMINEES SINGAPORE PTE LTD	11,409,600	1.52
10	PHILLIP SECURITIES PTE LTD	10,920,700	1.45
11	ANG CHIN SAN	8,351,000	1.11
12	DBS NOMINEES PTE LTD	8,334,110	1.11
13	UNITED OVERSEAS BANK NOMINEES PTE LTD	7,518,800	1.00
14	RAFFLES NOMINEES (PTE) LTD	6,694,800	0.89
15	OCBC SECURITIES PRIVATE LTD	6,488,500	0.86
16	TAN KOOI JIN	5,645,000	0.75
17	YEO LAI CHOO @YEO LAI CHOO CECILIA	5,290,000	0.70
18	TAN LYE SENG	5,267,500	0.70
19	CHIN SEK PENG	4,831,000	0.64
20	ASHNAV PTE LTD	4,560,000	0.61
	Total	566,761,609	75.43

STATISTICS OF SHAREHOLDINGS

As at 12 March 2018

SUBSTANTIAL SHAREHOLDERS

As at 12 March 2018 as shown in the Company's Register of Substantial Shareholders

Name of Substantial Shareholder	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Chew Ah Ba, George	120,949,081	16.10	86,029,318 ⁽¹⁾	11.45	206,978,399	27.55
Tan Teresa	86,029,318	11.45	–	–	86,029,318	11.45
Josca Woo Kong Hwa	84,000,000	11.18	–	–	84,000,000	11.18
Chew Hua Seng	69,115,100	9.20	–	–	69,115,100	9.20
Liu Yingchun	63,632,200	8.47	–	–	63,632,200	8.47

Note:

- (1) By virtue of Section 4 of the Securities and Future Act (Chapter 289), Chew Ah Ba, George is deemed to be interested in the 86,029,318 shares held by his spouse.

Free Float

Based on the Register of Substantial Shareholders as at 12 March 2018, approximately 38.82% of the total number of issued ordinary shares of the Company was held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual, Section B, Rules of Catalist of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Sitra Holdings (International) Limited ("the Company") will be held at 15 Hillview Terrace, Singapore 669226 on Monday, 30 April 2018 at 4.00 p.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2017, the Statement of Directors and the Report of the Auditors thereon. **(Resolution 1)**

2. To re-elect the following Directors who are retiring in accordance with the Company's Constitution:-

(a) Mr Chew Ah Ba, George (retiring under Article 91) **(Resolution 2)**

(b) Mr Tan Eng Kiat, Dominic (retiring under Article 91) **(Resolution 3)**

Mr Tan Eng Kiat, Dominic will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and will be considered independent for the purposes of Rule 704(7) of the Listing Manual Section B, Rules of Catalist of the Singapore Exchange Securities Trading Limited ("Rules of Catalist").

[See Explanatory Notes]

3. To approve the payment of Directors' fees of S\$105,000 for the financial year ended 31 December 2017. (2016: S\$105,000) **(Resolution 4)**
4. To re-appoint Messrs Nexia TS Public Accounting Corporation as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS Special Business

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:-

6. Authority to allot and issue shares

THAT pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Rules of Catalist, authority be and is hereby given to the Directors of the Company to:

- (a) (i) issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

NOTICE OF ANNUAL GENERAL MEETING

- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit;

- (b) (notwithstanding that the authority conferred by this Ordinary Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Ordinary Resolution was in force,

provided that:

- (i) the aggregate number of Shares to be issued pursuant to this Ordinary Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution) does not exceed 100% of the total number of issued shares in the capital of the Company excluding treasury shares and subsidiary holdings (as calculated in accordance with subparagraph (ii) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution) does not exceed 50% of the total number of issued shares in the capital of the Company excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (ii) below);
- (ii) for the purpose of determining the aggregate number of Shares that may be issued under subparagraph (i) above, the percentage of issued share capital shall be based on the total number of issued shares in the capital of the Company excluding treasury shares and subsidiary holdings at the time of passing of this Ordinary Resolution, after adjusting for:
 - (1) new Shares arising from the conversion or exercise of any convertible securities;
 - (2) new Shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of passing of this Ordinary Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist; and
 - (3) any subsequent bonus issue, consolidation or subdivision of Shares;
- (iii) in exercising the authority conferred by this Ordinary Resolution, the Company shall comply with the provisions of the Rules of Catalist for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Constitution for the time being of the Company; and

NOTICE OF ANNUAL GENERAL MEETING

- (iv) unless revoked or varied by the Company in general meeting, the authority conferred by this Ordinary Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier; and
- (c) the Directors be and are hereby authorized to do any and all acts which they deem necessary and expedient in connection with paragraphs (a) and (b) above. **(Resolution 6)**

7. Authority to offer and grant options and to allot and issue Shares under the Sitra Holdings Employee Share Option Scheme

"That approval be and is hereby given to the Directors of the Company to:

- (A) offer and grant options in accordance with the Sitra Holdings Employee Share Option Scheme (the "**Scheme**") and the Constitution of the Company; and
- (B) allot and issue from time to time such number of fully paid-up Shares as may be required to be delivered pursuant to the exercise of options under the Scheme,

provided that the aggregate number of Shares over which options may be granted under the Scheme on any date, when added to the number of Shares issued and/or issuable or transferred and/or transferable in respect of all options granted under the Scheme, all awards granted under the Sitra Holdings Performance Share Plan and all Shares, options or awards granted under any other share option or share scheme of the Company then in force, shall not exceed fifteen per centum (15%) of the issued Shares (excluding treasury shares and subsidiary holdings) on the day preceding that date." **(Resolution 7)**

8. Authority to grant awards and to allot and issue Shares under the Sitra Holdings Performance Share Plan

"That approval be and is hereby given to the Directors of the Company to:

- (A) grant awards in accordance with the Sitra Holdings Performance Share Plan (the "**Plan**") and the Constitution of the Company; and
- (B) allot and issue from time to time such number of fully paid-up Shares as may be required to be delivered pursuant to the vesting of awards under the Plan,

provided that the aggregate number of Shares for which an award may be granted under the Plan on any date, when added to the number of Shares issued and/or issuable or transferred and/or transferable in respect of all awards granted under the Plan, all options granted under the Scheme and all Shares, options or awards granted under any other share option or share scheme of the Company then in force, shall not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) on the day preceding that date." **(Resolution 8)**

NOTICE OF ANNUAL GENERAL MEETING

By Order of the Board

Joanna Lim Lan Sim
Company Secretary

Singapore, 13 April 2018

Explanatory Notes

Key information on Mr Chew Ah Ba, George and Mr Tan Eng Kiat, Dominic are set out in the section entitled “Board of Directors” and Table 3 in the Corporate Governance Report of the Company’s 2017 Annual Report.

There are no relationships (including immediate family relationships) between Mr Tan Eng Kiat, Dominic and the other directors, the Company or its 10% shareholders.

Mr Chew Ah Ba, George is the spouse of Mdm Tan, Teresa (substantial shareholder) and father of Mr Chew Chiew Siang, Steven (Director, Deputy Chief Executive Officer and Chief Operating Officer of the Company).

Statement Pursuant to Article 54 of the Company’s Constitution

Ordinary Resolution 6

Ordinary Resolution 6 proposed in item 6 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 100% of the issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings), of which up to 50% may be issued other than on a pro rata basis to shareholders. The aggregate number of shares which may be issued shall be based on the total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings) at the time that Ordinary Resolution 6 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Ordinary Resolution 6 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

NOTICE OF ANNUAL GENERAL MEETING

Ordinary Resolution 7

Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company to offer and grant options and allot and issue from time to time such number of fully paid-up Shares pursuant to the Scheme, provided that the aggregate number of Shares over which options may be granted under the Scheme on any date, when added to the number of Shares issued and/or issuable or transferred and/or transferable in respect of all options granted under the Scheme, all awards granted under the Sitra Holdings Performance Share Plan and all Shares, options or awards granted under any other share option or share scheme of the Company then in force shall not exceed fifteen per centum (15%) of the issued Shares (excluding treasury shares and subsidiary holdings) on the day preceding that date.

Ordinary Resolution 8

Ordinary Resolution 8 proposed in item 8 above, if passed, will authorise the Directors of the Company to grant awards and to allot and issue from time to time such number of fully paid-up Shares pursuant to the Plan, provided that the aggregate number of Shares over which an award may be granted under the Plan on any date, when added to the number of Shares issued and/or issuable or transferred and/or transferable in respect of all awards granted under the Plan, all options granted under the Scheme and all Shares, options or awards granted under any other share option or share scheme of the Company then in force, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) on the date preceding that date.

Notes:

- (1) A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
- (2) Any member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

- (3) A proxy need not be a member of the Company.
- (4) The instrument appointing a proxy must be deposited at the registered office of the Company at 15 Hillview Terrace, Singapore 669226 not later than 48 hours before the time appointed for the holding of the Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

Personal data privacy:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting ("**AGM**") and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the personal data of the member by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the proxy(ies) and/or representative(s) of the member to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the breach of warranty of the member.

This page has been intentionally left blank

SITRA HOLDINGS (INTERNATIONAL) LIMITED

(Company Registration No.: 197901237E)

(Incorporated in the Republic of Singapore)

Important:

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 of Singapore may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy Sitra Holdings (International) Limited shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2018.

PROXY FORM

*I / We, _____ NRIC/Passport no. _____

of _____

being *a member/members of SITRA HOLDINGS (INTERNATIONAL) LIMITED (the "Company"), hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholding(s) (%)

*and/or

--	--	--	--

as *my/our proxy/proxies* to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held at 15 Hillview Terrace, Singapore 669226 on Monday, 30 April 2018 at 4.00 p.m. and at any adjournment thereof.

*I/We direct *my/our proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with a "v" in the spaces provided hereunder. If no specific directions as to voting are given the *proxy/proxies will vote or abstain from voting at *his/their discretion.

	Ordinary Resolutions	For	Against
1.	To receive and consider the Audited Financial Statements for the financial year ended 31 December 2017, the Directors' Statement together with the Auditors' Report thereon.		
2.	To re-elect Mr Chew Ah Ba, George (Retiring under Article 91).		
3.	To re-elect Mr Tan Eng Kiat, Dominic (Retiring under Article 91).		
4.	To approve the payment of Directors' fees of S\$105,000 for the financial year ended 31 December 2017 (2016: S\$105,000).		
5.	To re-appoint Messrs Nexia TS Public Accounting Corporation as the Company's Auditors and to authorize the Directors to fix their remuneration.		
6.	To authorize the Directors to allot and issue shares.		
7.	To authorise the Directors to offer and grant options and to allot and issue shares under the Sitra Holdings Employee Share Option Scheme.		
8.	To authorise the Directors to grant share awards and to allot and issue shares under the Sitra Holdings Performance Share Plan.		

*If you wish to exercise all your votes 'For' or 'Against', please tick [v] within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2018

Total Number of Shares in	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature(s) of Member(s) / Common Seal

* Delete where applicable



Notes:-

1. A member of the Company entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.
2. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of his shareholding concerned to be represented by each proxy shall be specified in the form of proxy. Relevant intermediary is either:
 - (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
 - (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
 - (c) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.
3. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
5. A corporation which is a member of the Company may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.
6. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or duly certified copy thereof, must be deposited at the registered office of the Company at 15 Hillview Terrace, Singapore 669226 not later than 48 hours before the time set for the AGM.

Fold along this line

Affix
Postage
Stamp Here

The Company Secretary
SITRA HOLDINGS (INTERNATIONAL) LIMITED
15 Hillview Terrace, Singapore 669226

Fold along this line

7. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
9. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the Annual General Meeting.
10. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2018.



SITRA HOLDINGS (INTERNATIONAL) LIMITED

Company Registration Number: 197901237E
15 Hillview Terrace Singapore 669226
Tel : +65 6742 3223 Fax: +65 68414339/67428233