SITRA HOLDINGS (INTERNATIONAL) LIMITED

Annual Report 2014

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The details of the contact person for the Sponsor is: -

Name: Mr. Chew Kok Liang, Registered Professional
Address: 6 Battery Road, #10-01, Singapore 049909
Tel: (65) 6381 6757

CORPORATE PROFILE

Sitra Holdings ("Sitra" or "the Group") is an international distributor of high quality wood-based products and premium lifestyle outdoor furniture. Sitra markets its products under its proprietary Comcia, decKING 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	decKING	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 offers different designs, specifications and dimensions to suit the varying requirements of our customers.	As our decking products gain in momentum, the "decKING" 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 organisation 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 MESSAGE

Dear Shareholders,

FY2014 is considered as a turning point for the Group in which the Group had achieved and accomplished the following:

1) Completed the closure of the non-performing oversea subsidiaries in Australia, New Zealand, Cambodia and Dubai, which resulted in significant lower operating cost for the Group in FY14 and beyond.

2) Completed the divestment of a loss making subsidiary, which was in the Total Design and Build Solution business. This will help to release valuable resources to enable the Group to focus on its main core business.

3) Restructured the operations of the Indonesian subsidiary and added new business products, which help to improve the performance of the subsidiary's operations and cashflow of the Group.

4) Despite the closure and divestment of non-performing subsidiaries, the Group registered improvement in revenue mainly in two major markets, Europe and Australia/New Zealand for the wood-based products segment arising from the introduction of several new products in the second half of FY14.

5) Completed the disposal of its property at 18 Sungei Kadut and recorded a gain on disposal of the property of S$1.5 million with additional fair value gain of S$10 million on financial assets, at fair value through profit or loss on the 10% investment in World Furnishing Hub Pte Ltd which includes a derivative financial instrument, arising from the Put and Call Option Deed entered as part of the sale and purchase agreement entered into with third parties. The repayment of the bank borrowings from the net proceeds received help to improve our gearing ratio and at the same time reduce the bank interest on the bank borrowing for FY14.

6) Raised net proceeds of S$3.0 million from Shareholders by way of Right Issue Shares after offsetting the partial amount of the loan and interest owed to the Executive Director who is also the CEO of the Group. The repayment of the balance amount owing to the bank and amount owing to the trade and other creditors from the net proceeds, also further help the Group to reduce the interest costs for all the interest bearing borrowings for FY14.

Going forward, the Group will focus on strategic revenue growth opportunities in the current difficult markets while continue to restructure our remaining unprofitable operations and strengthen the various operating processes. The Group will continue to review our costs and expenses with the intent to realise better cost controls and prepare ourselves to seize the uptrend opportunities when the markets turn around in the near future.

I would like to take this opportunity to thank all our stakeholders especially our Board of directors for their invaluable contribution and guidance, our Management and staff for their dedication, our customers, suppliers, bankers and business partners for their continued support. Finally, to our shareholders, I wish to express our gratitude for your continuous support, interest and confidence in Sitra.

Yours faithfully,

Mr George Chew
Executive Chairman

OPERATIONS REVIEW

REVIEW OF RESULTS OF OPERATIONS FOR FY2014

Revenue

The Group's revenue from continuing operations posted an increase of 24.3% in revenue from S$13.7 million in FY13 to S$17.0 million in FY14.

Revenue of wood-based products increased by S$3.6 million or 27.9% from S$12.9 million in FY13 to S$16.5 million and revenue of lifestyle outdoor furniture products declined by S$0.3 million or 37.5% from S$0.8 million to S$0.5 million.

Revenue contribution from the Europe market increased by S$2.2 million or 34.4% from S$6.4 million in FY13 to S$8.6 million in FY14 and revenue contribution from the Australia/New Zealand markets also increased by S$1.4 million from S$5.7 million in FY13 to S$7.1 million in FY14. The Asia/Others markets registered a decline of S$0.3 million or 18.8% from S$1.6 million in FY13 to S$1.3 million in FY14.

Cost of sales and gross profit margin

In line with the increase in revenue, the cost of sales from continuing operations increased by S$3.3 million or 27.0% to S$15.5 million in FY14. The cost of sales as a percentage of revenue increased from 89.4% in FY13 to 91.1% in FY14, thus resulting in a decline in gross profit margin from 10.6% in FY13 to 8.9% in FY14. This was due to a decrease in gross profit margin of the wood-based products, which was partially offset by an increase in gross profit margin of the lifestyle outdoor furniture segment.

Other operating income

Other operating income from continuing operations decreased by S$0.5 million to S$0.2 million in FY14. This was mainly due to lower rental income and warehousing income received as a result of the disposal of 18 Sungei Kadut property.

Other gains and losses

Other gains and losses increased by S$16.3 million from other losses of S$3.0 million in FY13 to other gains of S$13.3 million in FY14. This was mainly due to:-

(a) the fair value gain on financial assets, at fair value through profit or loss ("FVTPL") of $10 million arising from designating the 10% investment in World Furnishing Hub Pte Ltd ("WFH") as a financial asset at FVTPL including the derivative instrument which is the put and call option on the Group's 10% equity interest in WFH;

(b) gain on disposal of 18 Sungei Kadut property of $1.5 million; and

(c) gain on disposal of subsidiary of $2.3 million arising from the divestment of the Group's 82% equity interest in Sitra Dove Construction & Logistics Pte Ltd.

Selling and distribution expenses

Selling and distribution expenses from continuing operations decreased by S$0.1 million to S$0.6 million in FY14. The decrease was mainly due to lower staff salaries which was incurred as a result of closing down the business of the Australia and New Zealand subsidiaries as well as lower commission expense incurred compared to last FY.

Administrative expenses

Administrative expenses from the continuing operations decreased by S$0.3 million to S$2.7 million in FY14, mainly due to lower office rental, depreciation charges, property tax, water and electricity, arising mainly from the disposal of 18 Sungei Kadut property, which were partially offset by higher salaries due to the restoration of the previously voluntary salaries reduction for the executive director and senior management staff.

Finance expenses

Finance cost remained almost the same at S$0.4 million in FY14 compared to FY13.

BALANCE SHEET

Current assets

Current assets increased by S$8.6 million to S$15.2 million, accounting for 77.5% of the total assets. The increase was mainly due to the fair value gain of S$10 million relating to the financial assets, at fair value through profit or loss as explained above under the caption "Other gains and losses" partially offset by lower trade and other receivable and less inventories held by the Group at year-end.

Non-current asset held for sale decreased by S$7.2 million as a result of the disposal of 18 Sungei Kadut property in April 2014.

Non-current assets

Non-current assets increased by S$1.2 million to S$4.4 million, mainly arising from revaluation gain of the Indonesia property, offset by depreciation charges for the year and loss on impairment of plant, property and equipment.

Current liabilities

Current liabilities decreased by S$13.3 million to S$2.2 million mainly due to the repayment of bank borrowings and loan owed to the executive director.

Non-current liabilities

Non-current liabilities increased by S$1.9 million to S$2.0 million mainly due to the provision for deferred income tax liability arising from the fair value gain on financial assets, at fair value through profit or loss as explained under the caption "Other gains and losses".

Capital and reserves

Our share capital and reserves increased by S$14.0 million mainly due to the new shares issued, gain on property revaluation, and other gains recognised in profit or loss in the current financial year as explained above. which were partially offset by lower revaluation reserve due to the disposal of 18 Sungei Kadut property in FY14.

Cash Flows

Net cash used in operating activities before working capital changes was S$2.0 million. Net cash utilized for working capital was S$0.1 million coming from an increase in trade and other payables of S$1.1 million and increase in inventories of S$0.1 million, offset by the decrease in trade and other receivables of S$1.3 million. Net cash used in operating activities stood at S$2.1 million after interest received and payment of interest and income tax.

The net cash from investing activities of S$9.1 million was generated mainly from the proceeds arising from the disposal of 18 Sungei Kadut property and the subsidiary, less the amount used for the purchase of plant, property and equipment.

Net cash used in financing activities was S$5.9 million and this was mainly used to repay the bank borrowings and loan owed to the executive director as well as for interest payments. This was partially offset by the net proceeds received arising from the issue of new shares.

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

CONTINUING CATALIST SPONSOR

RHT Capital Pte. Ltd.
6 Battery Road #10-01
Singapore 049909

SHARE REGISTRAR

Tricor Barbinder Share Registration Sevices
(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: Loh Ji Kin
Year of appointment: 2010

PRINCIPAL BANKER

United Overseas Bank Limited
80 Raffles Place, UOB

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: 30 April 2014
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: 30 April 2012
Nature of Appointment: Executive Director and Deputy CEO

Mr Steven Chew was appointed Deputy CEO on 1 August 2009. He is responsible for the overall operations of our Group in Singapore and globally. He has more than fifteen years of experience in the timber industry. Mr Chew joined our Company in 1999 and was in charge of overseeing the full spectrum of the sales, purchasing, operations and finance functions of our Group. Mr Chew is in charge of the distribution and marketing of our Group's products to overseas clients and the sourcing of contract manufacturers, suppliers and products. Mr Chew has been an active standing committee member of the Singapore Furniture Industries Council since 2002 and is currently its Vice President. He 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: 30 April 2014
Nature of Appointment: Independent Non-Executive
Board Committees served on: Chairman of Audit and Nominating Committees since 29 September 2006. Member of Remuneration Committee since 29 September 2006

Mr Michael Chin was appointed Lead Independent Director on 29 September 2006. Mr Chin is the Deputy Managing Partner of PKF-CAP LLP and the Head of Audit and Assurance Division 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 Deputy Chairman of ISCA's Public Accounting Practice Committee.

MR TAN ENG KIAT, DOMINIC
INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of Appointment as Director: 22 February 2011
Date of Re-appointment: 30 April 2014
Nature of Appointment: Independent Non-Executive
Board Committees served on: Member of Audit, Nominating and Remuneration Committees since 22 February 2011. Appointed Chairman of Remuneration Committee on 29 April 2011.

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. He started his career as a Trainee Quantity Surveyor with Gammon (Malaysia) Ltd in 1966 and progressed to the rank of Executive Director (International Operations). He joined United Engineers (Singapore) Pte Ltd in 1993 and became Managing Director in 2000, where he spearheaded the company's regionalisation to West Malaysia, Brunei, Indonesia, Vietnam and the Middle East. He also sits on the Board of Yongnam Holdings Limited.

MR DANIELS NG BOON HUAN
INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of Appointment as Director: 20 September 2006
Date of last re-election: 30 April 2012
Nature of Appointment: Independent Non-Executive
Board Committees served on: Member of the Audit and Nominating Committees since 29 September 2006.
Member of Remuneration Committee since 29 April 2011.

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 business 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 Productivity Management Services Company Singapore Plc Ltd (now known as Management Consulting Group PLC, listed on the London Stock Exchange). He left in 1992 to join Levis Strauss Eximco (Asia) Pte Ltd. 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 since 2001.

KEY MANAGEMENT

MADAM TERESA TAN
SENIOR VICE-PRESIDENT (GROUP ADMINISTRATION AND HUMAN RESOURCES)

Madam Teresa Tan has been with our Company since its incorporation in 1979. She is a co-founder of our Group and was instrumental to our growth and development. Madam Tan is responsible for the overall management of our administration, information technology, training and human resources functions. Prior to joining our Group, Madam Tan worked as an administrator in a printing company from 1967 to 1978. She completed her secondary education in 1964.

MADAM LIM SOOK HWA
VICE-PRESIDENT (OPERATIONS)

Madam Lim Sook Hwa joined our Company in 1999 as Operations Manager. She is responsible for the overall sales, procurement, logistics, shipping and warehouse functions of lifestyle outdoor furniture and wood based business unit. Madam Lim obtained a Diploma in Chemical Process Technology from the Singapore Polytechnic in 1991.

MR ALEX ONG
GROUP ACCOUNTANT

Mr Alex Ong joined our Company in January 2006. He is responsible for the financial and accounting matters of our Group. He has more than 20 years of experience in finance and accounting. Prior to joining the Group, Mr Ong was the finance and administration manager of UPC Holdings Pte Ltd from 2004 to 2005. Prior to that, he was the finance and administration manager of 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 Ong obtained a Bachelor of Arts (Honours) in Business Accounting from Oxford Brookes University, UK in 2002. He is a member of the Institute of Singapore Chartered Accountants (“ISCA”) and a Fellow member of The Association of Chartered Certified Accountants, UK.

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 recognises the importance of good corporate governance and the offering of high standards of accountability to the shareholders. This report outlines the Company's corporate governance processes and activities with specific reference to the Code of Corporate Governance 2012 (the "Code") issued on 2 May 2012. 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 of the 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 Articles of Association (the "Articles") allow 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 2014 ("FY2014"), as well as frequency of such meetings, is set out in Table A.

The Board's approval is required for matters likely to have a material impact on the Group's operations as well as matters other than in the ordinary course of business. The Board reviews and approves all material corporate actions for which shareholders' approval is required.

New directors, upon appointment, will be briefed on the business and organization 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 developments 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. During the year under review, the Directors have attended relevant trainings.

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.

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.

Although the Chairman of the Board and the CEO of the Company is the same person who is part of the management team, there is a strong independent element on the Board, with independent directors constituting more than half of the Board.

The NC, which reviews the independence of each director on an annual basis, adopts the Code's definition of what constitutes an independent director.

The Company has no independent non-executive director who has served on the Board beyond nine years.

The Board recognizes 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 must be raised privately.

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 George Chew currently fulfills the role of the Chairman of the Board (the "Chairman") and Chief Executive Officer (the "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 Steven Chew was appointed as Deputy CEO since 1 August 2009. He will be guided by the CEO in preparation for the role of CEO.

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 in ensuring the Company's drive to achieve and maintain a good standard of corporate governance practices.

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 and CEO or other management executive has failed to provide satisfactory resolution or when such contact is inappropriate.

Where warranted, the lead independent director meet with the shareholder(s) without the presence of Management or the executive directors to review any matters that must be raised privately before providing feedback to the Chairman of the Board.

<u>Board Membership</u>

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 members of the NC are disclosed in Table B.

The Board considers Mr Michael Chin, Mr Dominic Tan and Mr Daniels Ng to be independent as they do not have any existing business or professional relationship with the Group or its officers that could interfere, or be reasonably perceived to interfere with the exercise of the director's independent business judgement with a view to the best interests of the Company.

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

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

(b) Reviews the Board structure, size and composition and recommends to the Board with regards to any adjustments that are deemed necessary;

(c) Determines the independence of the Board;

(d) Makes recommendations to the Board for the continuation of services of any director who has reached the age of 70 (seventy) or otherwise;

(e) Assesses the effectiveness of the Board and the academic and professional qualifications of each individual director; and

(f) 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 Articles of Association 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 annual general meeting. 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 FY2014 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. None of the independent non-executive directors 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. The NC is satisfied that Mr Michael Chin, Mr Dominic Tan and Mr Daniels Ng remain as independent directors 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.

Notwithstanding that some of the directors have multiple board representations, the NC is satisfied that each director is able to and has been adequately carrying out his duties as a director of the Company.

No alternate director has been appointed to the Board.

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 include;

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;

e. initiating search for new directors including external search, if necessary;

d. 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 directorships are shown in Table C.

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 and where appropriate, for assessing the contribution of each individual Director. The NC is also responsible for deciding how the Board's performance may be evaluated and proposes 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 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 as well as Board accountability and processes. 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 him to discharge his duties effectively and to propose changes which may be made to enhance the Board effectiveness as a whole.

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 meetings of the Board and Board Committees.

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.

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 Remuneration Committee ("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 of the Board and any independent human resource consulting firm as appropriate, 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 for advising 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 the giving of three month's 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.

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 director 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 does not currently have any long-term incentive scheme or schemes involving the offer of shares or grant of options.

Policy in respect of non-executive directors' remuneration

In reviewing the recommendation for independent non-executive directors' remuneration for FY2014, the RC had continued to adopt a framework of basic fees for serving on the Board and Board Committees. The fees take into consideration the amount of time and effort that each Board member may be required to devote to their role.

Fees for independent non-executive directors are subject to the approval of shareholders at the AGM.

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 2014.

The Company discloses the actual 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.

The compensation structure for the key management personnel (who are not directors or the CEO) consists of three key components – salary, bonus and other benefits.

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) 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 the breakdown of the remuneration of the directors and the top five key management personnel (who are not directors or the CEO), respectively, for FY2014.

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 FY2014.

There is presently no share scheme or option scheme on unissued shares of the Company or its subsidiaries.

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 Catalist). 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.

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 Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets, and to manage risks. The Board also acknowledges that no cost effective internal control system will preclude all errors and irregularities. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board is satisfied that the system of internal procedures, controls and reviews that the Group has in place provides reasonable assurance against material financial misstatements or loss, safeguarding of assets, the maintenance of proper accounting records, reliability of financial information, compliance with legislation, regulations and best practices and the identification and management of business risks.

For the financial year ended 31 December 2014, the AC and the Board have received a written assurance from the Chief Executive Officer and the Group Accountant 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 results for the year 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 and have discussed with the Company's external auditors of their findings and noted that there have been no significant deficiencies in internal controls which could adversely affect the Company's ability to record, process, summarise or report financial data.

Based on the representation from management as described above and the discussion with management on the status of implementation of controls to address matters raised by the external and internal auditors in prior years as well as the review and discussion with the external auditors on any findings and recommendations on improvement in internal controls in the current financial year, the Board with the concurrence of AC is of the opinion that there are adequate and effective internal controls in place to address the key financial, operational, and compliance risks of the Group in its current business environment. Additionally, the Board also considers that given the non-complexity of its operations and its lean organisation, the internal controls including information technology controls and risk management system are generally adequate and effective to address the key risks that are relevant to its operations.

The Company has not put in place a Risk Management Committee. However, 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 32 "Financial Risk Management" of the Notes to Consolidated Financial Statements.

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 auditors and where applicable, internal auditors, 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 and consolidated financial statements of the Group and the external auditors' reports on those financial statements, and discuss 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 discuss with auditors 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 and management's response;

(d) Reviews the co-operation given by the Company's officers to the auditors;

(e) Reviews the nature and extent of all non-audit services provided by the Group's external auditors, if any, and determine if such services would affect the independence of the external auditors;

(f) Nominates auditors 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 ratify all interested person transactions falling within the scope of Chapter 9 of the Rules of Catalist, if any;

(i) Reviews any potential conflicts of interest;

(j) Undertakes such 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 Catalist (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.

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.

The total audit fees paid to the external auditors are stated on page 47 of this Annual Report. There were no non-audit fees payable to the external auditors in FY2014 that would affect the independence of the auditors. The AC having assessed the independence of auditors and size of resources and expertise, had recommended and the Board had approved the recommendation on the re-appointment of Nexia TS Public Accounting Corporation as auditors of the Company at the forthcoming AGM.

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

Summary of AC's activities in FY2014

For FY2014, the AC met with and reviewed with the external (including without the presence of management) the following:

a. the half yearly and full year financial statements, including announcements relating thereto to shareholders;

b. the external auditors' 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 external auditors' internal control reports based on their evaluation of the system of internal accounting controls;

d. the external auditor's report of yearend findings including their resolutions;

e. the assistance given to the external auditors by the Company's officers; and

f. the consolidated financial statements of the Group, the balance sheet, and statement of changes in equity of the Company.

In accordance with Rule 716 of the Rules of Catalist, the AC and the Board confirmed that they are satisfied that the appointment of different auditors for its subsidiaries would 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 are satisfied that the Group has complied with Rules 712, 715 and 716 of the Rules of Catalist.

<u>Internal Audit</u>

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

In the past, the internal audit function of the Group was outsourced to a professional service firm. The internal auditor 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.

The Board recognises that it is responsible for maintaining 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 the internal control procedures in a timely and appropriate manner. The role of the internal auditor is to assist the AC in ensuring that the controls are effective and functioning as intended, to undertake investigations as directed by the AC and to conduct internal audit review of areas assessed as higher risk.

During FY2014, the Board believes that in the absence of any evidence to the contrary and from due enquiry, the system of internal controls that has been maintained by the Management is adequate to meet the needs of the Group in its current business environment. The effectiveness of the internal control system and procedures are monitored by Management and the internal audit function is undertaken by the Chief Executive Officer and Group Accountant who identifies any financial, operational, compliance and information technology risks which the Company may face in its activities. Internal audits will be conducted by designated staff according to their area of expertise and any findings will be discussed with local Management for continuous improvement to the Group's operations. The Group Accountant reports to the AC on any material non-compliance and internal control weaknesses and oversees the implementation of any improvement thereto.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

<u>Shareholder Rights</u>

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 supported the Code's principle to encourage shareholder participation and voting at general meetings. Shareholders are encouraged to attend the Annual General Meetings ("AGMs") 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.

Whilst there is no limit imposed on the number of proxy votes for nominee companies, the Articles of Association of the Company allow each shareholder to appoint up to two proxies to attend AGMs.

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

The Board's policy is that all shareholders should be equally and timely informed of all major developments that impact the Group in line with continuous disclosure obligations of the Company pursuant to the Rules of Catalist and the Singapore Companies Act, Chapter 50.

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 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.

As the Company has accumulated losses as at 31 December 2014 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 continues 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 FY2014.

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 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.

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 and also subject to legislative amendment to recognise electronic voting.

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 the Management questions regarding the Company and its operations.

The Board noted that with effect from 1 August 2015, the Company is required by the Rules of Catalist to conduct voting of all resolutions put to the general meetings by poll. Until such time, voting at general meetings will be conducted via show of hands unless a poll is demanded. Given the small turnout of shareholders at general meetings, voting via show of hands enables the Company and the shareholders to deal with the businesses of general meetings expeditiously.

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 year and full year results until the day after the announcement.

The Directors and officers are not expected to deal in the Company's securities on considerations of a short-term nature.

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 as for the service agreements entered into with Mr George Chew and Mr Steven Chew which are still subsisting as at the end of FY2014, 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.

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 have been no material interested person transactions requiring disclosure pursuant to the Rules of Catalist.

USE OF PROCEEDS

A status report on the use of proceeds raised from the rights issue of up to 438,200,000 new ordinary shares at an issue price of S$0.01 for each rights share on the basis of seven (7) rights shares for every five (5) existing ordinary shares is as follows:-

Rights Issue Proceeds		S$
	Amount raised	4,382,000
Less:	Estimated costs and expenses	197,929
	Repayment of Outstanding SHI Loan(1)	998,000
	SHI Interest Payment(2)	192,154
	Repayment of bank borrowing(3)	1,292,646
	Working capital purposes	1,701,271

(1) The loan amount outstanding to Mr George Chew.
(2) The amount of interest proposed to be paid by the Company to Mr George Chew.
(3) As announced on 10 October 2014 that the Company intends tore-allocate a sum of S$1.5 million reserved for working capital purposes for the repayment of bank borrowings.

The abovementioned uses are in accordance with the stated use in the previous announcements / circular of the Company.

CATALIST SPONSOR

The Company's sponsor, RHT Capital Pte. Ltd. had not rendered any non-sponsorship services to the Company for FY2013.

TABLE A – ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS FOR FY2014

	Board		Audit Committee		Remuneration Committee		Nominating Committee	
Name of director	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance
Chew Ah Ba, George	3	3	–	–	–	–	–	–
Chew Chiew Siang, Steven	3	3	–	–	–	–	–	–
Chin Sek Peng, Michael	3	3	2	2	2	2	1	1
Ng Boon Huan, Daniels	3	3	2	2	2	2	1	1
Tan Eng Kiat, Dominic	3	3	2	2	2	2	1	1

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 / Non-independent	Chairman	Chairman	Member
Ng Boon Huan, Daniels	Non-executive / Non-Independent	Member	Member	Member
Tan Eng Kiat, Domini	Non-executive / Non-Independent	Member	Member	Chairman

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	66	02/01/1980	29/04/2011	Sitra Holdings (International) Limited	–
Chew Chiew Siang, Steven	45	20/09/2006	30/04/2012	Sitra Holdings (International) Limited	–
Chin Sek Peng, Michael	59	20/09/2006	30/04/2012	Sitra Holdings (International) Limited Cortina Holdings Ltd Sunpower Group Ltd Tee Land Ltd	–
Ng Boon Huan, Daniels	54	20/09/2006	30/04/2013	Sitra Holdings (International) Limited	–
Tan Eng Kiat, Dominic	71	22/02/2011	30/04/2013	Sitra Holdings (International) Limited Yongnam Holdings Limited	–

TABLE D – REMUNERATION OF DIRECTORS

The breakdown of the total remuneration of the directors of the Company for the year ended 31 December 2014 is set out below:

		Breakdown of Remuneration in Percentage					
Name of Director	**Position**	**Directors' fees**	**Salary**	**Bonus**	**Other benefits**	**Total**	**Actual Total Remuneration in Compensation Bands of $100,000**
Chew Ah Ba, George	ED	–	90.9%	–	9.1%	100%	$200,001 – $300,000
Chew Chiew Siang, Steven	ED	–	88.7%	–	11.3%	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**	**$519,713**	**–**	**$58,460**	**$683,173**	
		15.4%	**76.1%**	**–**	**8.5%**	**100%**	

Notes

ED: Executive director

NEID: Non-executive independent director

- *Salary comprises basic salary and the Company's contribution towards the Singapore Central Provident Fund where applicable.*
- *Bonus is contractual and comprises a fixed bonus and variable bonus which is based on the Company's and individual's performance.*
- *Other benefits include transport allowance, motor vehicles running expenses and club subscription fees.*
- *The Company has no employee share option scheme in place.*
- *The director's fees are subject to shareholders' approval at the Annual General Meeting.*

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 2014 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	Bonus	Other Benefits	Total	
Ong Chai Tiam	Group Accountant	100%	–	–	100%	< $100,000
Tan Teresa	Immediate family members of a director or CEO	95.6%	–	4.4%	100%	$100,001 – $200,000
Chew Chiew Hwee, Xavier (1)		86.0%	–	14.0%	100%	$100,001 – $200,000
Lim Sook Hwa Jacinta		100%	–	–	100%	< $100,000
The aggregate total remuneration of key management personnel		**$494,601**	**–**	**$28,088**	**$522,689**	
		94.6%	**–**	**5.4%**	**100%**	

Note

1. *Chew Chiew Hwee, Xavier has ceased to be Key Management Personnel of the Group following the disposal of Sitra Dove Construction & Logistics Pte Ltd on 24 November 2014.*

- *Salary comprises basic salary and the Company's contribution towards the Singapore Central Provident Fund where applicable.*
- *Bonus is based on the Company's and individual's performance.*
- *Other benefits include transport allowance, motor vehicles running expenses and club subscription fees.*
- *The Company has no employee share option scheme in place.*

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2014 and the balance sheet of the Company as at 31 December 2014.

Directors

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

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

Arrangements to enable directors to acquire shares and 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' 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 or nominee			Holdings in which director is deemed to have an interest		
	At 21.01.2015	At 31.12.2014	At 1.1.2014	At 21.01.2015	At 31.12.2014	At 1.1.2014
Company (No. of ordinary shares)						
Chew Ah Ba, George	120,449,081	119,947,081	49,561,284	85,779,318	85,579,318	35,449,716
Chew Chiew Siang, Steven	23,189,000	22,580,000	9,200,000	–	–	–
Ng Boon Huan, Daniels	840,000	840,000	350,000	–	–	–
Chin Sek Peng, Michael	144,000	144,000	60,000	–	–	–

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 subsidiaries as at 31 December 2014.

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements.

Share options

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

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 subsidiaries.

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

Audit committee

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

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

All members of the Audit Committee are 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, interalia, the following:

- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;

- 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 2014 before their submission to the Board of Directors, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group.

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.

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

6 April 2015

STATEMENT BY DIRECTORS

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 27 to 83 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the directors

Chew Ah Ba, George
Director

Chew Chiew Siang, Steven
Director

6 April 2015

INDEPENDENT AUDITOR'S REPORT

To the Members of Sitra Holdings (International) Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Sitra Holdings (International) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 27 to 83, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2014, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

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 subsidiaries incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Director-in-charge: Loh Ji Kin
Appointed since financial year ended 31 December 2010

Singapore

6 April 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

	Note	Group 2014 $	Group 2013 $
Continuing operations			
Revenue	4	17,005,615	13,684,056
Cost of sales		(15,490,593)	(12,240,112)
Gross profit		1,515,022	1,443,944
Other income	7	192,488	725,112
Other gains/(losses) - net	8	13,336,042	(2,980,605)
Expenses			
- Selling and marketing		(605,013)	(711,046)
- Administrative		(2,677,287)	(2,961,350)
- Finance	9	(441,598)	(410,836)
Profit/(loss) before income tax		11,319,654	(4,894,781)
Income tax expense	10	(1,693,551)	(75,758)
Profit/(loss) from continuing operations		**9,626,103**	**(4,970,539)**
Discontinued operations			
Loss from discontinued operations	11	(845,397)	(1,198,641)
Total profit/(loss)		**8,780,706**	**(6,169,180)**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
- (Loss)/Gains	29(b)(ii)	(184,789)	1,873,699
Fair value loss on available-for-sale financial assets	29(b)(iii)	(36,000)	–
Items that will not be reclassified subsequently to profit or loss:			
Revaluation gain on property, plant and equipment	29(b)(v)	1,226,764	–
Other comprehensive income, net of tax		1,005,975	1,873,699
Total comprehensive income/(loss)		**9,786,681**	**(4,295,481)**

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

	Note	Group 2014 $	Group 2013 $
Profit/(loss) attributable to:			
Equity holders of the Company		8,768,977	(6,031,816)
Non-controlling interests		11,729	(137,364)
		8,780,706	(6,169,180)
Total comprehensive profit/(loss) attributable to:			
Equity holders of the Company		9,805,116	(4,202,357)
Non-controlling interests		(18,435)	(93,124)
		9,786,681	(4,295,481)
Earnings/(loss) per share for profit/(loss) from continuing and discontinued operations attributable to equity holders of the Company (cents per share)			
Basic and diluted earnings/(loss) per share			
From continuing operations	12	2.26	(1.68)
From discontinued operations	12	(0.20)	(0.42)

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

BALANCE SHEETS

As at 31 December 2014

	Note	Group 2014 $	Group 2013 $	Company 2014 $	Company 2013 $
ASSETS					
Current assets					
Cash and cash equivalents	13	544,984	456,001	229,674	10,459
Financial assets, at fair value through profit or loss	14	10,000,000	–	–	–
Trade and other receivables	15	2,311,198	3,013,979	5,382,117	6,097,492
Inventories	16	2,019,999	2,683,260	66,632	164,277
Other current assets	17	296,986	472,347	18,230	25,502
		15,173,167	6,625,587	5,696,653	6,297,730
Non-current asset held-for-sale	18	–	7,192,000	–	7,192,000
		15,173,167	13,817,587	5,696,653	13,489,730
Non-current assets					
Investment in associated company	19	–	–	–	–
Investments in subsidiaries	20	–	–	227,436	227,436
Available-for-sale financial assets	21	–	–	–	–
Property, plant and equipment	22	4,405,105	3,232,649	47,184	92,273
Goodwill on consolidation	23	–	–	–	–
		4,405,105	3,232,649	274,620	319,709
Total assets		19,578,272	17,050,236	5,971,273	13,809,439
LIABILITIES					
Current liabilities					
Trade and other payables	24	1,845,679	5,487,821	1,257,444	3,188,785
Current income tax liabilities	10(b)	–	11,959	–	7,077
Borrowings	25	390,491	10,090,588	–	8,096,263
		2,236,170	15,590,368	1,257,444	11,292,125
Non-current liabilities					
Borrowings	25	18,210	21,008	–	–
Deferred income tax liabilities	27	1,947,412	54,977	–	–
		1,965,622	75,985	–	–
Total liabilities		4,201,792	15,666,353	1,257,444	11,292,125
NET ASSETS		**15,376,480**	**1,383,883**	**4,713,829**	**2,517,314**
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	28	17,817,108	13,633,037	17,817,108	13,633,037
Other reserves	29	3,578,710	7,158,026	(21,607)	4,651,693
Accumulated losses		(5,804,254)	(19,210,531)	(13,081,672)	(15,767,416)
		15,591,564	1,580,532	4,713,829	2,517,314
Non-controlling interests		(215,084)	(196,649)	–	–
TOTAL EQUITY		**15,376,480**	**1,383,883**	**4,713,829**	**2,517,314**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

		Attributable to equity holders of the Company					
	Note	Share capital	Other reserves	(Accumulated losses)/ retained profits	Total	Non-controlling interests	Total equity
		$	$	$	$	$	$
2014							
Beginning of financial year		13,633,037	7,158,026	(19,210,531)	1,580,532	(196,649)	1,383,883
Issue of new shares	28	4,382,000	–	–	4,382,000	–	4,382,000
Share issue expenses	28	(197,929)	–	–	(197,929)	–	(197,929)
Transfer upon disposal of non-current asset held-for-sale		–	(4,637,300)	4,637,300	–	–	–
Reclassification on disposal of a subsidiary	29(b)(ii)	–	21,845	–	21,845	–	21,845
Total comprehensive income/(loss) for the year		–	1,036,139	8,768,977	9,805,116	(18,435)	9,786,681
End of financial year		**17,817,108**	**3,578,710**	**(5,804,254)**	**15,591,564**	**(215,084)**	**15,376,480**
2013							
Beginning of financial year		8,036,737	5,328,565	(13,178,713)	186,589	(103,525)	83,064
Issue of new shares	28	5,610,000	–	–	5,610,000	–	5,610,000
Share issue expenses	28	(13,700)	–	–	(13,700)	–	(13,700)
Total comprehensive income/(loss) for the year		–	1,829,461	(6,031,818)	(4,202,357)	(93,124)	(4,295,481)
End of financial year		**13,633,037**	**7,158,026**	**(19,210,531)**	**1,580,532**	**(196,649)**	**1,383,883**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2014

	Note	Group 2014 $	Group 2013 $
Cash flows from operating activities			
Total profit/(loss)		8,780,706	(6,169,179)
Adjustments for:			
- Income tax expense		1,693,551	75,758
- Depreciation		271,149	340,893
- Interest expense		595,592	417,824
- Allowance for impairment on trade and other receivables		761,180	102,197
- Advances to suppliers written off		–	172,941
- Bad debt written off		–	1,767
- Inventory write-down	8	20,053	522,321
- Fair value gain of financial assets designated as at fair value through profit & loss	8	(10,000,000)	–
- Loss/(gain) on disposal of property, plant and equipment	8	33,797	(33,966)
- Gain on disposal of a subsidiary	8	(2,332,695)	–
- Gain on disposal of non-current asset held-for-sale	8	(1,458,000)	–
- Gain on reversal of impairment loss on investment of subsidiary	8	(200,002)	–
- Interest income		(2,636)	(3,221)
- Loss on impairment of property, plant and equipment	8	42,230	–
- Currency translation (gains)/losses		(189,212)	2,110,014
		(1,984,287)	(2,462,651)
Change in working capital:			
- Trade and other receivables		(1,325,761)	(25,468)
- Inventories		111,050	1,426,441
- Other current assets		(5,533)	220,884
- Trade and other payables		1,091,382	(1,946,205)
Cash used in operations		(2,113,149)	(2,786,999)
Interest received		2,636	2,896
Interest paid		(15,800)	(38,372)
Income tax paid		(3,797)	(8,349)
Net cash used in operating activities		(2,130,110)	(2,830,824)
Cash flows from investing activities			
Interest received		–	325
Purchase of property, plant and equipment		(62,500)	(2,796)
Disposal of property, plant and equipment		–	327,133
Disposal of non-current asset held-for-sale		8,650,000	–
Disposal of subsidiary, net of cash disposed of	13	475,617	–
Net cash provided by investing activities		9,063,117	324,662
Cash flows from financing activities			
Proceed from issuance of new shares	28	4,382,000	5,610,000
Share issue expenses	28	(197,929)	(13,700)
Discharge/(placement) of fixed deposit pledged	13	200,000	(200,000)
Repayment of loans from directors and their immediate family members		(998,000)	(1,617,943)
Repayment of bank borrowings		(8,658,532)	(596,115)
Repayment of finance lease liabilities		(7,705)	(11,931)
Interest paid		(579,792)	(379,452)
Net cash (used in)/provided by financing activities		(5,859,958)	2,790,859
Net increase in cash and cash equivalents		**1,073,049**	**284,697**
Cash and cash equivalents			
Beginning of financial year		(539,284)	(867,246)
Effects of currency translation on cash and cash equivalents		11,219	43,265
End of financial year	13	544,984	(539,284)

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

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 Singapore Exchange Securities Trading Limited ("SGX-ST") and incorporated and domiciled in Singapore. The address of its registered office 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 subsidiaries and associated company are set out in Note 39.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been 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.

Interpretations and amendments to published standards effective in 2014

On 1 January 2014, 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:

FRS 112 Disclosure of Interests in Other Entities

The Group has adopted the above new FRS on 1 January 2014. The amendment is applicable for annual periods beginning on or after 1 January 2014. It sets out the required disclosures for entities reporting under the new FRS 110 Consolidated Financial Statements and FRS 111 Joint Arrangements, and replaces the disclosure requirements currently found in FRS 27 (revised 2011) Separate Financial Statements and FRS 28 (revised 2011) Investments in Associates and Joint Ventures.

The Group has applied FRS 112 retrospectively in accordance with the transitional provisions (as amended subsequent to the issuance of FRS 112 in September 2011) in FRS 112 and amended for consolidation exceptions for 'investment entity' from 1 January 2014. The Group has incorporated the additional required disclosures into the financial statements.

2. Significant accounting policies (continued)

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 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 service – Construction contracts

Revenue from construction contracts is recognised when the services are rendered, using the percentage of completion method based on the actual service provided as a proportion of the total services to be performed.

Please refer to the paragraph "Construction contracts" for the accounting policy for revenue from construction contracts.

(c) Interest income

Interest income is recognised using the effective interest method.

(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.

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) Subsidiaries

(i) Consolidation

Subsidiaries 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. Subsidiaries 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, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. Significant accounting policies (continued)

2.4 Group accounting (continued)

(a) Subsidiaries (continued)

(i) Consolidation (continued)

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the entity 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, 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 or business comprises of 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 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.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary 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 subsidiaries and associated company" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary 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.

2. Significant accounting policies (continued)

2.4 Group accounting (continued)

(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.

(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

In applying the equity method accounting, the Group's share of its associated companies' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated companies are adjusted against 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 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 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.

(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 subsidiaries 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.

2. Significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

(a) Measurement (continued)

(i) Land and buildings (continued)

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 offset previous decreases in the carrying amounts of the same assets, in which case, they are recognised in profit or loss. Decreases in carrying amounts that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases in carrying amounts are recognised in profit or loss.

(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. Costs also includes borrowing costs (refer to Note 2.7 on borrowing cost).

(b) Depreciation

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold properties	14 years
Furniture, fixtures and office equipment	6 to 10 years
Plant and equipment	10 to 15 years
Renovations	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.

2. Significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

(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.

(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 gains/(losses) - 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 subsidiaries and businesses on or after 1 January 2010 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 acquisition of subsidiaries and business prior to 1 January 2010 and on acquisition of associated companies represents the excess of the cost of the acquisition over the fair value of the Group’s share of the identifiable net assets acquired.

Goodwill on subsidiaries 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 subsidiaries and associated companies include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisitions prior to 1 January 2001. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in profit or loss on disposal.

2.7 Borrowing costs

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

2.8 Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively to the stage of completion of the contract activity at the balance sheet date (“percentage-of-completion method”). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is recognised as contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

2. Significant accounting policies (continued)

2.8 Construction contracts (continued)

The stage of completion is measured by reference to the customers/professional's certification of value of work done to-date. Costs incurred during the financial year in connection with future activity on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

At the balance sheet date, the cumulative costs incurred plus recognised profit (less recognised losses) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts within "trade and other receivables". Where progress billings exceed cumulative costs incurred plus recognised profit (less recognised losses), the balance is presented as due to customers on construction contracts within "trade and other payables".

Progress billings not yet paid by customers and retentions by customers are included within "trade and other receivables". Advances received are included within "trade and other payables".

2.9 Investments in subsidiaries and associated company

Investments in subsidiaries 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.

2.10 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 subsidiaries and associated company

Property, plant and equipment and investments in subsidiaries 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.

2. Significant accounting policies (continued)

2.10 Impairment of non-financial assets (continued)

(b) Property, plant and equipment
Investments in subsidiaries and associated company (continued)

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.

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.

2.11 Non-current asset (or disposal groups) held-for-sale and discontinued operation

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and;

(a) represents a separate major line of business or geographical area of operations;

(b) is part of a single co-ordinated plan to dispose a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

2.12 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the nature of the asset and 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.

2. Significant accounting policies (continued)

2.12 Financial assets (continued)

(a) Classification (continued)

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

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.

(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 15) and "Cash and cash equivalents" (Note 13) 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.

(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.

2. Significant accounting policies (continued)

2.12 Financial assets (continued)

(d) Subsequent measurement (continued)

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.

(ii) Available-for-sale financial assets

In addition to the objective evidence of impairment described in Note 2.12(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 any evidence of impairment exists, the cumulative loss that was previously recognised in other comprehensive income is reclassified to profit or loss. The 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 recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

2.13 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.

2.14 Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

2. Significant accounting policies (continued)

2.14 Financial guarantees (continued)

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the banks for an amount higher than the unamortised cost. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

2.15 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.

2.16 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.

2.17 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.

2.18 Leases

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

The Group leases motor vehicles under finance leases and land, office premises and equipment under operating leases.

(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.

2. Significant accounting policies (continued)

2.18 Leases (continued)

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

(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.

(b) When the Group is the lessor:

The Group leases out office and warehouse space under operating leases.

Lessor – Operating leases

Leases of office and 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.

2.19 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.

2.20 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 subsidiaries and associated companies, 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.

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.

2. Significant accounting policies (continued)

2.20 Income taxes (continued)

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.

2.21 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.

2.22 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.

2.23 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 translation 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 gains/(losses) - 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.

2. Significant accounting policies (continued)

2.23 Currency translation (continued)

(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 reporting 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 reporting date.

2.24 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 is not practicable to separate the costs, assets and liabilities for each business segment.

2.25 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.

2.26 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.

2.27 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 of loans and receivables*

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management has made judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded as an expense. In determining this, management has used estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

The carrying amount of trade and other receivables is disclosed in Note 15 to the financial statements.

If the net present values of estimated cash flows had been higher/lower by 10% from management's estimates for all past due loans and receivables, the allowance for impairment of the Group and the Company would have been higher/lower by $1,524 and $Nil (2013: $1,261 and $3,084) respectively.

(b) *Useful lives of property, plant and equipment*

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 15 years. The carrying amounts of the Group's property, plant and equipment is disclosed in Note 22 to the financial statements. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

If the actual useful lives of the property, plant and equipment differ by 10% from management's estimate, the carrying amount of the property, plant and equipment will be approximately higher/lower by $247,451 (2013: $268,310) respectively.

(c) *Valuation of available-for-sale financial assets*

At the balance sheet date, the fair value of the available-for-sale financial assets has a carrying amount of $Nil. The Group has recognised fair value loss charged to other comprehensive income. In making this judgement, the Group has considered, among other factors, the decline, by which the fair value of the investment is below cost; and the negative financial health and short-term business outlook of the investee entity.

4. Revenue

	Group	
	2014	2013
	$	$
Sale of goods	17,005,615	13,684,056

5. Expenses by nature

	Group	
	2014	2013
	$	$
Change in inventories and construction contract work-in-progress	285,803	270,445
Purchases of inventories and construction materials	14,683,871	11,482,121
Freight and other cost	411,359	487,546
Advertisement	7,295	3,570
Bank charges	91,482	108,998
Commission	39,880	160,431
Depreciation of property, plant and equipment (Note 22)	216,455	339,485
Directors' fee	105,000	100,000
Exhibition	5,496	(1,116)
Employee compensation (Note 6)	1,502,374	1,454,568
Entertainment	11,977	16,935
Fees on audit services paid/payable to:		
- Auditor of the Company	59,217	57,619
- Other auditors *	8,070	3,213
Fumigation fees	10,816	6,438
Grader fees	33,995	–
Handling and expedition fee	17,737	26,123
Insurance	55,399	67,301
Legal and professional fees	404,492	135,704
License fee and permit	36,338	42,301
Listing fees and services	15,000	25,350
Office moving expenses	21,858	3,043
Packing	14,266	14,491
Printing and stationary	40,856	44,171
Property agent commission	90,000	3,251
Property tax	16,270	69,144
Rental expense on operating leases	204,041	436,925
Repair and maintenance	37,200	26,748
Share placement expenses	–	140,000
Telecommunication	52,965	62,091
Travelling	64,322	84,811
Upkeep of motor vehicles	3,234	64,088
Water and electricity	43,769	73,201
Other	182,056	103,512
Total cost of sales, selling and marketing and administrative expenses	18,772,893	15,912,508

* Includes the network of member firms of Nexia International.

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

6. Employee compensation

	Group	
	2014	2013
	$	$
Wages and salaries	1,380,533	1,342,228
Employer's contribution to defined contribution plans including Central Provident Fund	55,293	61,718
Other short-term benefits	66,548	50,622
	1,502,374	1,454,568

7. Other income

	Group	
	2014	2013
	$	$
Commission income	31,040	27,876
Rental income		
- Office space	69,679	328,807
- Warehouse	46,597	267,787
Interest income		
- Bank deposits	136	268
- Trade receivables from non-related parties	–	2,896
Disposal of scrap materials	15,511	12,025
Government grant	7,039	27,518
Other	22,486	57,935
	192,488	725,112

8. Other gains/(losses) - net

	Group	
	2014	2013
	$	$
Allowance for impairment on trade receivables (Note 32 (b)(ii))		
- Related parties	–	(4,152)
- Non-related parties	(14,142)	(41,247)
Allowance for impairment on other receivables (Note 32(b)(ii))	(747,038)	(56,798)
Advances to suppliers written off	–	(172,941)
Bad debts written-off – trade receivables	–	(1,767)
Fair value gain of financial asset designated as fair value through profit or loss at initial recognition (Note 14)	10,000,000	–
Gain on disposal of non-current asset held-for-sale (Note 18)	1,458,000	–
Gain on disposal of subsidiary (Note 13)	2,332,695	–
Gain on reversal of impairment loss on investment in subsidiary (Note 13)	200,002	–
(Loss)/gain on disposal of property, plant and equipment	(33,797)	33,966
Loss on impairment of property, plant and equipment (Note 22)	(42,230)	–
Inventory write down (Note 16)	(20,053)	(522,321)
Currency exchange gain/(loss) - net	186,298	(2,411,774)
Other	16,307	196,429
	13,336,042	(2,980,605)

9. Finance expenses

	Group	
	2014	2013
	$	$
Interest expense		
- Bank overdrafts	11,932	31,444
- Trust receipts	66,142	168,139
- Finance lease liabilities	4,014	1,134
- Bank borrowings	24,462	198,968
- Loan interest expense[(1)]	335,048	–
- Other	–	11,151
	441,598	410,836

(1) Represents interest paid during the year with respect to the unsecured non-trade payables to director.

10. Income taxes

(a) *Income tax expense*

	Group	
	2014	2013
	$	$
Tax expense/(credit) attributable to profit/(loss) is made up of:		
Profit/(loss) for the financial year:		
<u>From continuing operations</u>		
Current income tax		
- Foreign	1,944	8,349
Deferred income tax (Note 27)	1,696,895	9,343
	1,698,839	17,692
<u>From discontinued operations</u>		
Current income tax		
- Singapore	–	–
	1,698,839	17,692
(Over)/under provision in prior financial years:		
From continuing operations		
- Current income tax	(5,288)	58,066
	1,693,551	75,758
Tax expense is attributable to:		
- Continuing operations	1,693,551	75,758
- Discontinued operations	–	–
	1,693,551	75,758

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

	Group	
	2014	2013
	$	$
Profit/(loss) before income tax		
- continuing operations	11,319,654	(4,894,781)
- discontinued operations	(845,397)	(1,198,641)
Profit/(loss) before income tax	10,474,257	(6,093,422)
Tax calculated at tax rate of 17% (2013: 17%)	1,780,624	(1,035,882)
Effects of:		
- different tax rates in other countries	(51,250)	(294,176)
- expenses not deductible for tax purposes	419,179	124,926
- income not subject to tax	(735,414)	(14,514)
- deferred income tax assets not recognised	283,919	1,229,341
- others	1,781	7,997
Tax charge	1,698,839	17,692

10. Income taxes (continued)

(b) Movements in current income tax liabilities

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Beginning of financial year	11,959	(46,107)	7,077	(50,926)
Disposal of subsidiary (Note 13)	(4,818)	–	–	–
Income tax paid	(3,797)	(8,349)	(10,361)	–
Tax expense	1,944	8,349	–	–
(Over)/under provision in prior financial years	(5,288)	58,066	3,284	58,003
End of financial year	–	11,959	–	7,077

11. Discontinued operations

Following the approval of the Company's Board of Directors on 4 September 2014 to sell 82% of its 100% interest in Sitra Dove Construction & Logistics Pte Ltd in Singapore (comprising the Group's Total design and build solutions business segment), the entire results from Sitra Dove Construction & Logistics Pte Ltd are presented separately on the statement of comprehensive income as "Discontinued operations". The transaction was completed on 24 November 2014.

(a) The results of the discontinued operations and the re-measurement of the disposal group are as follows:

	Group	
	2014	2013
	$	$
Revenue	2,620,359	5,003,049
Other operating income	44,776	82,275
Expenses	(3,510,532)	(6,283,965)
Loss before tax from discontinued operations	(845,397)	(1,198,641)
Tax	–	–
Loss after tax from discontinued operations	(845,397)	(1,198,641)
Profit/(loss) attributable to equity holders of the Company relates to		
- Profit/(loss) from continuing operations	9,614,374	(4,833,175)
- Loss from discontinued operations	(845,397)	(1,198,641)
	8,768,977	(6,031,816)

(b) The impact of the discontinued operations on the cash flows of the Group is as follows:

	Group	
	2014	2013
	$	$
Operating cash outflows	(640,576)	(854,528)
Financing cash outflows	(150,126)	(461)
Total cash outflows	(790,702)	(854,989)

12. Earnings/(loss) per share

(a) Basic earnings/(loss) per share

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

(b) Diluted earnings/(loss) per share

For the purpose of calculating diluted earnings/(loss) per share, net profit/(loss) 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 year.

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

	Continuing operations		Discontinued operations		Total	
	2014	2013	2014	2013	2014	2013
Net profit/(loss) attributable to equity holders of the Company ($)	9,614,374	(4,833,175)	(845,397)	(1,198,641)	8,768,977	(6,031,816)
Weighted average number of ordinary shares outstanding for basic and diluted earnings/(loss) per share ('000)	425,852	287,370	425,852	287,370	425,852	287,370
Earnings/(Loss) per ordinary share (cents per share)						
Basic and diluted	2.26	(1.68)	(0.20)	(0.42)	2.06	(2.10)

13. Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Cash at bank	543,544	251,836	229,402	10,219
Short-term bank deposit	–	200,000	–	–
Cash on hand	1,440	4,165	272	240
	544,984	456,001	229,674	10,459

13. Cash and cash equivalents (continued)

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

	Group	
	2014	2013
	$	$
Cash and bank balances (as above)	544,984	456,001
Less: Bank deposit pledged	–	(200,000)
Less: Bank overdrafts (Note 25)	–	(795,285)
	544,984	(539,284)

Bank deposit was pledged in relation to the security granted for certain borrowings (Note 25).

Disposal of subsidiary

On 24 November 2014, the Company disposed of its 82% equity interest in Sitra Dove Construction & Logistics Pte Ltd for a cash consideration of $492,001. The effects of the disposal on the cash flows of the Group were:

	Group
	2014
	$
Carrying amounts of assets and liabilities disposed of	
Cash and cash equivalents	16,384
Trade and other receivables	956,727
Other current assets	180,895
Inventories	532,158
Property, plant and equipment, net (Note 22)	290,854
Total assets	1,977,018
Trade and other payables	(3,735,523)
Interest bearing borrowings	(241,373)
Current income tax liabilities (Note 10(b))	(4,818)
Total liabilities	(3,981,714)
Net liabilities disposed of	(2,004,696)

13. Cash and cash equivalents (continued)

The aggregate cash inflows arising from the disposal of Sitra Dove Construction & Logistics Pte Ltd were:

	Group
	2014
	$
Net liabilities disposed of (as above)	(2,004,696)
- Reversal of impairment loss (Note 20)	200,002
- Reclassification to available-for-sale financial asset (Note 21)	(36,000)
	(1,840,694)
Gain on disposal (Note 8)	2,332,695
Cash proceeds from disposal	492,001
Less: Cash and cash equivalents in subsidiary disposed of	(16,384)
Net cash inflow on disposal	475,617

14. Financial assets, at fair value through profit or loss

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Designated as at fair value on initial recognition:				
- Unquoted securities	10,000,000	–	–	–

Financial assets, at fair value through profit or loss ("FVTPL") represent the Company'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 Company's property located at 18 Sungei Kadut Street 2, Singapore 729236 during the current financial year. As at the acquisition date, the Company was unable to measure separately the equity investment and the put option as their separate fair values cannot be measured reliably. Hence, the Company accounted the financial assets as FVTPL on initial recognition with fair value changes recognised in profit or loss. The details of these arrangements are further described in Note 18 to the financial statements below.

15. Trade and other receivables

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Trade receivables				
- Subsidiaries	–	–	102,655	1,422,395
- Associated company	–	137,477	–	–
- Non-related parties	1,163,753	805,865	433,133	291,893
	1,163,753	943,342	535,788	1,714,288
Less: Allowance for impairment (Note 32(b)(ii))				
- Subsidiaries	–	–	(35,434)	(1,391,554)
- Associated company	–	(137,477)	–	–
- Non-related parties	(15,169)	(41,247)	–	–
	(15,169)	(178,724)	(35,434)	(1,391,554)
Trade receivables – net	1,148,584	764,618	500,354	322,734

15. Trade and other receivables (continued)

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Other receivables				
- Subsidiaries	–	–	18,346,340	17,587,903
- Advances to suppliers[1]	1,131,989	1,130,581	238,799	7,139
- Associated company	–	229,025	–	229,025
- Related parties	747,038	301,891	703,359	61,823
Non-related parties	39,610	827,662	–	41,797
	1,918,637	2,489,159	19,288,498	17,927,687
Less: Allowance for impairment (Note 32(b)(ii))				
- Subsidiaries	–	–	(13,703,376)	(11,923,904)
- Associated company	–	(229,025)	–	(229,025)
- Related company	(747,038)	–	(703,359)	–
- Non-related parties	(8,985)	(10,773)	–	–
	(756,023)	(239,798)	(14,406,735)	(12,152,929)
Other receivables – net	1,162,614	2,249,361	4,881,763	5,774,758
	2,311,198	3,013,979	5,382,117	6,097,492

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

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

A subsidiary of the Group has factored trade receivables with carrying amounts of $370,282 (2013: $273,882) to a bank in exchange for cash during the financial year ended 31 December 2014. The transaction has been accounted for as a collateralised borrowing as the bank has full recourse to this subsidiary in the event of default by the debtors.

16. Inventories

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Raw materials	170,832	33,142	–	–
Work-in-progress	463,309	841,823	–	–
Finished goods	1,385,858	1,808,295	66,632	164,277
	2,019,999	2,683,260	66,632	164,277

The cost of inventories recognised as an expense and included in "cost of sales" amounted to $14,969,674 (2013: $11,752,566).

During the financial year, the Group made an inventory write-down of $20,053 (2013: $522,321) (Note 8) to its net realisable value as the Group was not able to realise the carrying amount of the inventories subsequent to the year-end.

17. Other current assets

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Deposits	173,309	282,875	16,630	11,770
Prepayments	123,677	189,472	1,600	13,732
	296,986	472,347	18,230	25,502

18. Non-current asset held-for-sale

	Group and Company	
	2014	2013
	$	$
Leasehold property	–	7,192,000

On 11 December 2012, the Group entered into a legally binding memorandum of understanding (the "MOU") with Hafary Holdings Ltd, Mr Low See Ching and Mr Ching Chiat Kwong (collectively the "Promoters" and each a "Promoter"), for a proposed transaction for the sale of the Property at 18 Sungei Kadut Street 2, Singapore 729236 by the Group, subject to Jurong Town Corporation's (JTC) approval.

On 15 October 2013, the Company announced that it had obtained the JTC Approval in principle for, inter alia:

(a) The assignment of the balance unexpired leasehold interest in the Property, expiring on 28 February 2025 to World Furnishing Hub Pte. Ltd. ("WFHPL"); and

(b) Upon the successful completion of the assignment of the leasehold interest, the grant to a special purpose vehicle of a further leasehold term in the Property commencing on 1 March 2025 and expiring on 4 September 2043.

On 2 December 2013, the Company announced that the following agreements have been entered into:

(a) A sale and purchase agreement ("SPA") between (a) the Company; (b) WFHPL; (c) the Promoters; and (d) Sitra Agencies Pte Ltd ("SAPL"), a wholly owned subsidiary of the Company.

(b) A shareholders' agreement ("SHA") between (a) the Promoters; (b) SAPL; and (c) WFHPL

(c) A put and call option deed between (a) the Promoters and (b) SAPL.

On 14 February 2014, the Company announced that the proposed sale of the Property has been approved at an extraordinary general meeting.

The Company's proposed sale of the Property has been completed on 4 April 2014. The gain on disposal recognised upon the sale was $1,458,000 (Note 8).

Location	Description and existing use	Land area	Fair value		Net book value	
		(sqm)	2014	2013	2014	2013
			$	$	$	$
18 Sungei Kadut Street 2, Sungei Kadut Industrial Estate, Singapore 729236	Office and warehouse	10,019	–	8,500,000	–	7,192,000

19. Investment in associated company

	Group 2014 $	Group 2013 $
Equity investment		
Cost		
Beginning of financial year	310,373	310,373
Less: Written off	(310,373)	–
End of financial year	–	310,373
Accumulated impairment		
Beginning of financial year	(310,373)	(310,373)
Written off	310,373	–
End of financial year	–	(310,373)
Net book value	–	–

The summarised financial information of associated company, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group 2014 $	Group 2013 $
- Assets	–	–
- Liabilities	–	–
- Revenue	–	–
- Net profit	–	909,819

Details of the associated company held by the Group and the Company are included in Note 39.

In 2013, the respective shareholders of the associated company entered into an agreement to waive all liabilities due to the shareholders.

The Group has not recognised its share of profit/(losses) of the associated company amounting to approximately $Nil (2013: $303,273) because the Group's cumulative share of losses exceeds its interest in that entity and the Group has no obligation in respect of those losses.

During the financial year, the associated company was struck off.

20. Investments in subsidiaries

	Company	
	2014	2013
	$	$
Equity investments, at cost		
Beginning of financial year	1,842,144	1,642,144
Add: Addition	–	200,000
Less: Disposal of subsidiary	(164,002)	–
Less: Reclassification to available-for-sale financial assets (Note 21)	(36,000)	–
End of financial year	1,642,142	1,842,144
Less: Allowance for impairment	(1,414,706)	(1,614,708)
	227,436	227,436
Movement of the Allowance for Impairment:		
Beginning of financial year	1,614,708	1,414,706
Allowance made	–	200,002
Disposal of subsidiary (Note 13)	(200,002)	–
End of financial year	1,414,706	1,614,708

Details of the subsidiaries are included in Note 39.

There are no non-controlling interests that are material to the Group.

21. Available-for-sale financial assets

	Group and Company	
	2014	2013
	$	$
Beginning of financial year	–	–
Reclassified from investment in subsidiary (Note 20)	36,000	–
Fair value loss recognised in other comprehensive income (Note 29(b)(iii))	(36,000)	–
End of financial year	–	–

Available-for-sale financial assets are analysed as follows:

	Group and Company	
	2014	2013
	$	$
Unlisted security		
- Equity security – Singapore	–	–

22. Property, plant and equipment

	Leasehold properties	Furniture, fixtures and office equipment	Plant and equipment	Renovations	Motor vehicles	Computers	Total
	$	$	$	$	$	$	$
Group							
2014							
At cost and at valuation							
Beginning of financial year	2,874,027	315,323	939,117	134,293	749,356	205,874	5,217,990
Currency translation differences	10,815	(4,958)	6,073	836	3,042	(2,129)	13,679
Additions	–	2,550	44,551	13,846	310,635	1,553	373,135
Disposals	–	(70,410)	(282,390)	(35,239)	(94,929)	(36,759)	(519,727)
Disposal of subsidiary	–	(8,025)	(27,290)	–	(310,635)	–	(345,950)
Revaluation	1,421,764	–	–	–	–	–	1,421,764
End of financial year	4,306,606	234,480	680,061	113,736	657,469	168,539	6,160,891
Representing:							
Cost	–	234,480	680,061	113,736	657,469	168,539	1,854,285
Valuation	4,306,606	–	–	–	–	–	4,306,606
	4,306,606	234,480	680,061	113,736	657,469	168,539	6,160,891
Accumulated depreciation and impairment losses							
Beginning of financial year	320,378	238,802	534,436	74,135	621,080	196,510	1,985,341
Currency translation differences	1,004	(4,833)	2,076	523	1,241	(1,919)	(1,908)
Impairment loss (Note 8)	–	–	–	–	42,230	–	42,230
Depreciation charge							
- Continuing operation (Note 5)	90,693	14,493	47,945	15,316	40,928	7,080	216,455
- Discontinued operation	–	1,337	1,585	–	51,772	–	54,694
Disposals	–	(66,689)	(278,321)	(9,232)	(94,929)	(36,759)	(485,930)
Disposal of subsidiary	–	(1,739)	(1,585)	–	(51,772)	–	(55,096)
End of financial year	412,075	181,371	306,136	80,742	610,550	164,912	1,755,786
Net book value							
End of financial year	3,894,531	53,109	373,925	32,994	46,919	3,627	4,405,105

22. Property, plant and equipment (continued)

	Freehold property	Leasehold properties	Furniture, fixtures and office equipment	Plant and equipment	Renovations	Motor vehicles	Computers	Total
	$	$	$	$	$	$	$	$
Group								
2013								
At cost and at valuation								
Beginning of financial year	1,020,624	3,103,255	364,028	1,101,813	234,437	847,941	206,426	6,878,524
Currency translation differences	–	(229,228)	(11,479)	(150,283)	(19,334)	(69,178)	(1,639)	(481,141)
Additions	–	–	8,576	165	–	–	2,080	10,821
Disposals	(1,020,624)	–	(45,802)	(12,578)	(80,810)	(29,407)	(993)	(1,190,214)
End of financial year	–	2,874,027	315,323	939,117	134,293	749,356	205,874	5,217,990
Representing:								
Cost	–	–	315,323	939,117	134,293	749,356	205,874	2,343,963
Valuation	–	2,874,027	–	–	–	–	–	2,874,027
	–	2,874,027	315,323	939,117	134,293	749,356	205,874	5,217,990
Accumulated depreciation and impairment losses								
Beginning of financial year	755,462	250,198	262,604	529,288	90,902	622,593	188,162	2,699,209
Currency translation differences	–	(24,069)	(10,143)	(67,368)	(12,194)	(41,900)	(2,038)	(157,712)
Depreciation charge								
- Continuing operation (Note 5)	17,011	94,249	30,737	85,094	45,639	55,376	11,379	339,485
- Discontinued operation	–	–	1,406	–	–	–	–	1,406
Disposals	(772,473)	–	(45,802)	(12,578)	(50,212)	(14,989)	(993)	(897,047)
End of financial year	–	320,378	238,802	534,436	74,135	621,080	196,510	1,985,341
Net book value								
End of financial year	–	2,553,649	76,521	404,681	60,158	128,276	9,364	3,232,649

22. Property, plant and equipment (continued)

	Furniture, fixtures and office equipment	Plant and equipment	Renovations	Motor vehicles	Computers	Total
	$	$	$	$	$	$
Company						
2014						
At cost and at valuation						
Beginning of financial year	127,221	130,701	35,239	383,876	128,453	805,490
Additions	2,549	–	–	–	–	2,549
Disposals	(28,186)	(130,701)	(35,239)	(51,888)	–	(246,014)
End of financial year	101,584	–	–	331,988	128,453	562,025
Representing:						
Cost	101,584	–	–	331,988	128,453	562,025
Accumulated depreciation						
Beginning of financial year	71,683	126,632	8,057	383,876	122,969	713,217
Depreciation charge	9,191	–	1,175	–	3,476	13,842
Disposals	(24,466)	(126,632)	(9,232)	(51,888)	–	(212,218)
End of financial year	56,408	–	–	331,988	126,445	514,841
Net book value						
End of financial year	45,176	–	–	–	2,008	47,184

	Furniture, fixtures and office equipment	Plant and equipment	Renovations	Motor vehicles	Computers	Total
	$	$	$	$	$	$
Company						
2013						
At cost and at valuation						
Beginning of financial year	127,221	130,701	35,239	383,876	126,373	803,410
Additions	-	-	-	-	2,080	2,080
End of financial year	127,221	130,701	35,239	383,876	128,453	805,490
Representing:						
Cost	127,221	130,701	35,239	383,876	128,453	805,490
Accumulated depreciation						
Beginning of financial year	61,995	123,446	4,533	383,876	116,048	689,898
Depreciation charge	9,688	3,186	3,524	-	6,921	23,319
End of financial year	71,683	126,632	8,057	383,876	122,969	713,217
Net book value						
End of financial year	**55,538**	**4,069**	**27,182**	**-**	**5,484**	**92,273**

22. Property, plant and equipment (continued)

(a) Included within additions of the Group are motor vehicles acquired under finance lease amounting to $310,635 (2013: $Nil). These motor vehicles were acquired by Sitra Dove Construction & Logistics Pte Ltd, a subsidiary disposed of during the year. Consequently, the related costs and depreciation charge relating to the above motor vehicles were included within "Disposal of subsidiary" (Note 13).

The carrying amounts of motor vehicles held under finance leases are $41,931 (2013: $66,988) at the balance sheet date.

(b) The freehold and 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 at the balance sheet date. These are regarded as level 2 fair values.

Fair value hierarchy

	Fair value measurements at 31 December using		
Description	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	$	**$**	**$**
2014			
Recurring fair value measurements			
Leasehold properties:			
- Factory - Indonesia	–	4,306,606	–
2013			
Recurring fair value measurements			
Leasehold properties:			
- Factory - Indonesia	–	2,553,649	–

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 $1,004,706 (2013: $1,520,110).

(d) In 2013, bank borrowings are secured on property, plant and equipment of the Group and the Company with carrying amounts of $7,192,000 which was classified as non-current asset held-for-sale (Note 18 and 25(a)).

23. Goodwill on consolidation

	Group	
	2014	2013
	$	$
Cost		
Beginning and end of financial year	675,960	675,960
Disposal of subsidiary	(638,261)	–
End of financial year	37,699	675,960
Accumulated impairment		
Beginning of financial year	675,960	675,960
Disposal of subsidiary	(638,261)	–
End of financial year	37,699	675,960
Net book value	–	–

In 2006, the Group acquired E-Timberhub Pte Ltd, Sitra Agencies Pte Ltd and Sitra Dove Construction & Logistics Pte Ltd at a total aggregate purchase price of $362,278, resulting in recognition of goodwill amounting to $675,960. In 2010, goodwill was tested for indicators of impairment and was found to be impaired. Hence, full provision for impairment of goodwill was made.

On 20 October 2014, the Company disposed of its 82% equity interest in Sitra Dove Construction & Logistics Pte Ltd. The share of its goodwill impairment was reversed accordingly.

24. Trade and other payables

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Trade payables				
- Non-related parties	674,391	1,593,959	277,853	192,519
Other payables				
- Subsidiaries	–	–	558,589	1,185,269
- Non-controlling interests	65,039	66,513	–	–
- Directors and their immediate family members	–	1,576,059	–	998,000
- Non-related parties	408,173	259,845	109,319	107,680
	473,212	1,902,417	667,908	2,290,949
Accruals for operating expenses	551,352	1,280,566	230,960	406,097
Advances received	146,724	710,879	80,723	299,220
	1,845,679	5,487,821	1,257,444	3,188,785

The non-trade payables to subsidiaries, non-controlling interests and directors and their immediate family members are unsecured, interest free and payable on demand.

25. Borrowings

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Bank borrowings				
Current				
Bank overdrafts	–	795,285	–	400,721
Bank borrowings				
- Loans	–	2,194,905	–	1,966,189
- Receivables factoring (Note 15)	370,282	273,882	–	–
Trust receipts	–	6,801,400	–	5,729,353
Finance lease liabilities (Note 26)	20,209	25,116	–	–
	390,491	10,090,588	–	8,096,263
Non-current				
Finance lease liabilities (Note 26)	18,210	21,008	–	–
Total borrowings	408,701	10,111,596	–	8,096,263

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:

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
6 months or less	380,387	10,078,030	–	8,096,263
6 - 12 months	10,104	12,558	–	–
1 - 5 years	18,210	21,008	–	–
	408,701	10,111,596	–	8,096,263

(a) Security granted

Bank overdrafts of the Group are secured by the corporate guarantee of the Company (Note 32(b)) and fixed deposit pledged with the bank (Note 13). Bank borrowings of the Group and the Company are secured over legal mortgages of the Group's property which was currently classified as non-current asset held-for-sale in 2013 and which was sold in 2014 (Note 18), corporate guarantee of the Company, certain trade receivables (Note 15) and personal guarantee by the executive directors. Finance lease liabilities of the Group are effectively secured by the rights to the leased motor vehicles (Note 26), as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the finance lease liabilities.

25. Borrowings (continued)

(b) Fair value of non-current borrowings

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Finance lease liabilities	18,210	21,008	–	–

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:

	Group		Company	
	2014	2013	2014	2013
	%	%	%	%
Bank borrowings				
Loans	–	3.48 – 6.00	–	3.48 – 6.00
Trust receipts	–	1.50 – 2.00	–	1.51 – 1.69
Finance lease liabilities	5.75	3.00 – 7.67	–	–

26. Finance lease liabilities

The Group leases motor vehicles from non-related 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.

	Group	
	2014	2013
	$	$
Minimum lease payments due		
- Not later than one year	23,988	25,356
- Between one and five years	21,359	26,171
	45,347	51,527
Less: Future finance charges	(6,928)	(5,403)
Present value of finance lease liabilities	38,419	46,124

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

	Group	
	2014	2013
	$	$
Not later than one year (Note 25)	20,209	25,116
Later than one year (Note 25)		
- Between one and five years	18,210	21,008
Total	38,419	46,124

27. Deferred income taxes

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

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Deferred income tax liabilities				
(to be settled after one year)				
Accelerated tax depreciation	52,412	54,977	–	–
Fair value gain	1,895,000	–	–	–
	1,947,412	54,977	–	–

Movement in deferred income tax account is as follows:

	Group 2014 $	Group 2013 $	Company 2014 $	Company 2013 $
Beginning of financial year	54,977	60,975	–	26,755
Currency translation differences	540	(15,341)	–	–
Tax on revaluation gain	195,000	–	–	–
Tax charged/(credited) to profit or loss (Note 10(a))	1,696,895	9,343	–	(26,755)
End of financial year	1,947,412	54,977	–	–

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 has unrecognised tax losses of approximately $16,501,879 (2013: $14,831,768) 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 tax losses have no expiry date.

28. Share capital

	No. of ordinary shares	$
Group and Company		
2014		
Beginning of financial year	313,000,000	13,633,037
Shares issued	438,200,000	4,382,000
Share issue expenses	–	(197,929)
End of financial year	751,200,000	17,817,108
2013		
Beginning of financial year	198,000,000	8,036,737
Shares issued	115,000,000	5,610,000
Share issue expenses	–	(13,700)
End of financial year	313,000,000	13,633,037

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

28. Share capital (continued)

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

The Company has allotted and issued 438,200,000 rights shares during the financial year ended 31 December 2014 for a total consideration of $4,382,000 cash to strengthen the financial position and capital base of the Company and to provide additional working capital for the operation of the Company and its subsidiaries.

The Company allotted and issued 115,000,000 shares in 2013 as follows:

(a) 75,000,000 placement shares allotted and issued on 15 March 2013 as announced on the same date;

(b) 20,000,000 option shares allotted and issued on 8 April 2013 as announced on the same date pursuant to the partial exercise of the Call Option under the subscription and Option agreement dated 2 November 2011.

(c) 20,000,000 option shares allotted and issued on 8 April 2013 as announced on the same date pursuant to the final exercise of the Call Option under the subscription and Option agreement dated 2 November 2011.

The newly issued shares rank pari passu in all respects with the previously issued shares.

29. Other reserves

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
(a) Composition:				
Capital reserve	14,393	14,393	14,393	14,393
Currency translation reserve	2,164,805	2,297,585	–	–
Fair value reserve	(36,000)	–	(36,000)	–
General reserve	(1,518,991)	(1,518,991)	–	–
Asset revaluation reserve	2,954,503	6,365,039	–	4,637,300
	3,578,710	7,158,026	(21,607)	4,651,693
(b) Movements:				
(i) Capital reserve				
Beginning and end of financial year	14,393	14,393	14,393	14,393
(ii) Currency translation reserve				
Beginning of financial year	2,297,585	468,124	–	–
Net currency translation differences of financial statements of:				
- Foreign subsidiaries	(184,789)	1,873,699	–	–
- Reclassification on disposal of a subsidiary	21,845	–	–	–
Less : Non-controlling interests	30,164	(44,238)	–	–
	(132,780)	1,829,461	–	–
End of financial year	2,164,805	2,297,585	–	–

29. Other reserves (continued)

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
(b) Movements: (continued)				
(iii) Fair value reserve				
Beginning of financial year	–	–	–	–
Available-for-sale financial assets				
- Fair value loss	(36,000)	–	(36,000)	–
End of financial year	(36,000)	–	(36,000)	–
(iv) General reserve				
Beginning and end of financial year	(1,518,991)	(1,518,991)	–	–
(v) Asset revaluation reserve				
Beginning of financial year	6,365,039	6,365,039	4,637,300	4,637,300
Transfer to retained profits upon disposal of non-current asset held-for-sale (Note 30)	(4,637,300)	–	(4,637,300)	–
Revaluation gains	1,226,764	–	–	–
End of financial year	2,954,503	6,365,039	–	4,637,300

Other reserves are non-distributable.

30. Accumulated losses

(a) Retained profits of the Group are distributable.

(b) Movement in accumulated losses for the Company is as follows:

	Company	
	2014	2013
	$	$
Beginning of financial year	(15,767,416)	(11,037,061)
Net loss	(1,951,556)	(4,730,355)
Transfer from asset revaluation reserve upon disposal of non-current asset held-for-sale (Note 29)	4,637,300	–
End of financial year	(13,081,672)	(15,767,416)

31. Commitments

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

The Group leases land, 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:

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Not later than one year	132,000	114,547	78,000	114,547
Between one and five years	59,500	110,500	32,500	110,500
	191,500	225,047	110,500	225,047

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

The Company leases out office space and warehouse to a related party 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:

	Group and Company	
	2014	2013
	$	$
Not later than one year	39,000	81,702
Between one and five years	16,250	–
	55,250	81,702

32. Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk, liquidity risk and capital 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 subsidiaries which are located in foreign countries. The Group does not have a formal foreign currency hedging policy and will hedge its exposure to foreign currency risk through foreign currency forward exchange contracts where necessary. It is, and has been throughout the financial year under review, the Group's policy that no trading in financial instruments shall be undertaken.

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").

32. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

	SGD	USD	Euro	IDR	Other	Total
	$	$	$	$	$	$
2014						
Financial assets						
Cash and cash equivalents	16,754	237,100	275,445	11,818	3,867	544,984
Financial assets, at fair value through profit or loss	10,000,000	–	–	–	–	10,000,000
Trade and other receivables	5,560	534,036	610,530	29,083	–	1,179,209
Receivables from subsidiaries	3,338,582	16,323,540	–	–	49,631	19,711,753
Other current assets	31,780	–	140,999	530	–	173,309
	13,392,676	17,094,676	1,026,974	41,431	53,498	31,609,255
Financial liabilities						
Trade and other payables	(374,675)	(380,123)	(185,909)	(525,254)	(232,994)	(1,698,955)
Payables to subsidiaries	(3,338,582)	(16,323,540)	–	–	(49,631)	(19,711,753)
Borrowings	–	–	(370,282)	(38,419)	–	(408,701)
	(3,713,257)	(16,703,663)	(556,191)	(563,673)	(282,625)	(21,819,409)
Net financial assets/ (liabilities)	9,679,419	391,013	470,783	(522,242)	(229,127)	9,789,846
Less: financial liabilities/ (assets) denominated in the respective entities' functional currencies	(9,679,419)	–	(470,783)	524,030	229,401	(9,396,771)
Currency exposure of financial assets/ (liabilities) net of those denominated in the respective entities functional currencies	–	391,013	–	1,788	274	393,075

32. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	SGD	USD	Euro	IDR	Other	Total
	$	$	$	$	$	$
2013						
Financial assets						
Cash and cash equivalents	236,724	39,000	163,193	8,988	8,096	456,001
Trade and other receivables	1,106,948	381,334	383,371	11,745	–	1,883,398
Receivables from subsidiaries	3,293,428	16,529,104	–	–	1,716,966	21,539,498
Other current assets	180,940	–	101,410	525	–	282,875
	4,818,040	16,949,438	647,974	21,258	1,725,062	24,161,772
Financial liabilities						
Trade and other payables	(3,544,848)	(365,215)	(239,991)	(394,708)	(232,180)	(4,776,942)
Payables to subsidiaries	(3,293,428)	(16,529,104)	–	–	(1,716,966)	(21,539,498)
Borrowings	(2,560,780)	(7,238,434)	(273,882)	(38,500)	–	(10,111,596)
	(9,399,056)	(24,132,753)	(513,873)	(433,208)	(1,949,146)	(36,428,036)
Net financial (liabilities)/ assets	(4,581,016)	(7,183,315)	134,101	(411,950)	(224,084)	(12,266,264)
Less: financial liabilities/ (assets) denominated in the respective entities' functional currencies	4,581,016	–	(134,101)	413,490	226,181	5,086,586
Currency exposure of financial (liabilities)/ assets net of those denominated in the respective entities functional currencies	–	(7,183,315)	–	1,540	2,097	(7,179,678)

32. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

	SGD	USD	Other	Total
	$	$	$	$
2014				
Financial assets				
Cash and cash equivalents	12,037	215,661	1,976	229,674
Trade and other receivables	–	5,143,318	–	5,143,318
Other current assets	16,630	–	–	16,630
	28,667	5,358,979	1,976	5,389,622
Financial liabilities				
Trade and other payables	(580,052)	(596,669)	–	(1,176,721)
Net financial (liabilities)/assets	(551,385)	4,762,310	1,976	4,212,901
Less: financial liabilities denominated in the Company's functional currency	551,385	–	–	551,385
Currency exposure of financial assets	–	4,762,310	1,976	4,764,286
2013				
Financial assets				
Cash and cash equivalents	8,356	377	1,726	10,459
Trade and other receivables	630,689	5,459,664	–	6,090,353
Other current assets	11,770	–	–	11,770
	650,815	5,460,041	1,726	6,112,582
Financial liabilities				
Trade and other payables	(1,931,714)	(957,851)	–	(2,889,565)
Borrowings	(5,971,400)	(2,124,863)	–	(8,096,263)
	(7,903,114)	(3,082,714)	–	(10,985,828)
Net financial (liabilities)/assets	(7,252,299)	2,377,327	1,726	(4,873,246)
Less: financial liabilities denominated in the Company's functional currency	7,252,299	–	–	7,252,299
Currency exposure of financial assets	–	2,377,327	1,726	2,379,053

32. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If the USD, IDR and other currencies change against the SGD by 6% (2013: 6%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

	2014		2013	
	Increase / (Decrease)			
	Net loss	Equity	Net loss	Equity
	$	$	$	$
Group				
USD against SGD				
- strengthened	19,472	19,472	(357,729)	(357,729)
- weakened	(19,742)	(19,742)	357,729	357,729
IDR against SGD				
- strengthened	89	89	77	77
- weakened	(89)	(89)	(77)	(77)
IDR against USD				
- strengthened	644,753	644,753	618,294	618,294
- weakened	(644,753)	(644,753)	(618,294)	(618,294)
Other currencies against SGD				
- strengthened	14	14	104	104
- weakened	(14)	(14)	(104)	(104)
Company				
USD against SGD				
- strengthened	237,163	237,163	118,391	118,391
- weakened	(237,163)	(237,163)	(118,391)	(118,391)
Other currencies against SGD				
- strengthened	98	98	86	86
- weakened	(98)	(98)	(86)	(86)

32. Financial risk management (continued)

(a) Market risk (continued)

(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 and the Company have borrowings at variable rates on which effective hedges have not been entered into. If the interest rates increase/decrease by 1% (2013: 1%) with all other variables including tax rate being held constant, the net loss of the Group and the Company will be higher/lower by $3,392 (2013: $92,226) and $Nil (2013: $67,199) respectively 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:

	Company	
	2014 $	2013 $
Corporate guarantees provided to banks on subsidiaries' borrowings	–	1,495,750

The subsidiaries have not defaulted in the payment of borrowings in the financial year ended 31 December 2013. As at balance sheet date, no claims on the financial guarantee are expected.

The trade receivables of the Group and of the Company comprise 8 debtors (2013: 8 debtors) and 7 debtors (2013: 1 debtor) respectively that individually represented more than 5% of trade receivables.

32. Financial risk management (continued)

(b) Credit risk (continued)

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

	Group		Company	
	2014 $	2013 $	2014 $	2013 $
By geographical areas				
Australia/New Zealand	327,590	264,038	266,040	192,285
Europe	816,976	461,417	234,314	83,280
Asia/Others	1,166,632	2,288,524	4,881,763	5,821,927
	2,311,198	3,013,979	5,382,117	6,097,492
By types of customers				
Related parties				
Corporate	–	–	4,710,185	5,694,840
Individual	–	301,891	–	61,823
Non-related parties				
Corporate	2,311,198	2,712,088	671,932	340,829
	2,311,198	3,013,979	5,382,117	6,097,492

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.

(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:

	Group		Company	
	2014 $	2013 $	2014 $	2013 $
Past due 0 to 3 months	–	–	–	–
Past due 3 to 6 months	11,662	7,463	–	25,836
Past due over 6 months	3,577	5,145	–	5,005
	15,239	12,608	–	30,841

32. Financial risk management (continued)

(b) Credit risk (continued)

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

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

	Group		Company	
	2014 $	2013 $	2014 $	2013 $
Past due over 6 months	15,169	178,724	35,434	1,391,554
Less: Allowance for impairment (Note 15)	(15,169)	(178,724)	(35,434)	(1,391,554)
	–	–	–	–
Beginning of financial year	178,724	133,325	1,391,554	1,100,000
Allowance made	14,142	45,399	35,434	291,554
Allowance utilised	(177,697)	–	(1,391,554)	–
End of financial year	15,169	178,724	35,434	1,391,554

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.

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

	Group		Company	
	2014 $	2013 $	2014 $	2013 $
Beginning of financial year	239,798	183,000	12,152,929	9,102,139
Allowance made	747,038	56,798	2,907,927	3,050,790
Allowance utilised	(230,813)	–	(654,121)	–
End of financial year	756,023	239,798	14,406,735	12,152,929

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 credit facilities (Note 25).

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.

32. Financial risk management (continued)

(c) Liquidity risk (continued)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	$	$	$	$
Group				
2014				
Trade and other payables	1,698,955	–	–	–
Borrowings	390,491	21,359	–	–
	2,089,446	21,359	–	–
2013				
Trade and other payables	4,776,942	–	–	–
Borrowings	10,090,588	26,171	–	–
	14,867,530	26,171	–	–
Company				
2014				
Trade and other payables	1,176,721	–	–	–
2013				
Trade and other payables	2,889,565	–	–	–
Borrowings	8,096,263	–	–	–
Financial guarantee contracts	1,495,750	–	–	–
	12,481,578	–	–	–

(d) Capital risk

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. During the financial year, the Group and the Company's strategies was changed to maintain gearing ratios within 10% to 50% (2013: within 70% to 90% and 50% to 70% 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.

32. Financial risk management (continued)

(d) Capital risk (continued)

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Total equity	15,571,480	1,383,883	4,713,828	2,517,314
Total capital	17,280,876	16,527,299	5,741,598	13,791,903
Gearing ratio	10%	92%	18%	82%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2014 and 2013.

(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:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) 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

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Group	Level 2
	$
2014	
Financial assets at fair value through profit or loss	10,000,000
2013	
Financial assets at fair value through profit or loss	–

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

The carrying amount less impairment of trade 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 Note 14 and Note 21 to the financial statements, except for the following:

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Loans and receivables	1,897,502	2,622,274	5,389,622	6,112,582
Financial liabilities at amortised cost	2,107,656	14,888,538	1,176,721	10,985,828

33. Related party transactions

No transactions took place between the Group and related parties other than those disclosed elsewhere in the financial statements.

Key management personnel compensation is as follows:

	Group	
	2014	**2013**
	$	**$**
Directors' fees	105,000	100,000
Salaries and bonus	967,375	835,772
Employer's contribution to defined contribution plans, including Central Provident Fund	46,939	40,876
Other short-term benefits	86,548	50,622
	1,205,862	1,027,270

Included in the above is total compensation to directors of the Company amounting to $683,173 (2013: $608,967).

34. 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, Asia, Middle East, Africa and North America. 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.

(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:

	2014		2013	
	Revenue		Revenue	
	$	**%**	**$**	**%**
<u>Group</u>				
Wood-based products	16,476,157	96.9	12,866,028	94.0
Outdoor lifestyle furniture	529,458	3.1	818,028	6.0
Total	17,005,615	100.0	13,684,056	100.0

34. Segment information (continued)

(b) Geographical information

The Group's three 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, outdoor lifestyle furniture and total design and build solutions.

	2014 Revenue		2013 Revenue	
	$	%	$	%
Group				
Australia/New Zealand	7,081,382	41.7	5,741,535	42.0
Europe	8,576,724	50.4	6,370,290	46.6
Asia/Others	1,347,509	7.9	1,572,231	11.4
	17,005,615	100.0	13,684,056	100.0

	2014 Non–current assets		2013 Non–current assets	
	$	%	$	%
Australia/New Zealand	–	–	–	–
Europe	3,867	0.1	7,467	0.2
Asia/Others	4,401,238	99.9	3,225,182	99.8
	4,405,105	100.0	3,232,649	100.0

35. Contingent liabilities

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

In 2013, the Company had issued corporate guarantees to bank borrowings of certain subsidiaries. The Company had evaluated the fair value of the corporate guarantees and was of the view that the consequential benefits derived from its guarantees to the banks and financial institutions with regard to the subsidiaries was minimal.

36. 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 2015 or later periods and which the Group has not early adopted:

- Amendments to FRS 19: Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 July 2014)
- Amendment to FRS 102: Share-based payment (effective for annual periods beginning on or after 1 July 2014)
- Amendments to FRS 103: Business Combinations (effective for annual periods beginning on or after 1 July 2014)
- Amendments to FRS 108: Operating Segments (effective for annual periods beginning on or after 1 July 2014)
- Amendment to FRS 16: Property, Plant and Equipment (effective for annual periods beginning on or after 1 July 2014)
- Amendment to FRS 24: Related Party Disclosures (effective for annual periods beginning on or after 1 July 2014)
- Amendment to FRS 38: Intangible Assets (effective for annual periods beginning on or after 1 July 2014)
- Amendments to FRS 113: Fair Value Measurement (effective for annual periods beginning on or after 1 July 2014)
- Amendment to FRS 40: Investment Property (effective for annual periods beginning on or after 1 July 2014)
- FRS 114: Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 1: Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 27: Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 16 and FRS 41: Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 111: Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 110, FRS 112 and FRS 28: Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 105: Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 January 2016)
- Amendments to FRS 107: Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2016)
- Amendment to FRS 19: Employee Benefits (effective for annual periods beginning on or after 1 January 2016)
- Amendment to FRS 34: Interim Financial Reporting (effective for annual periods beginning on or after 1 January 2016)
- FRS 115: Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2017)
- FRS 109: Financial Instruments (effective for annual periods beginning on or after 1 January 2018)

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

37. Events occurring after balance sheet date

On 13 January 2015, the Group announced that E-Timberhub Pte Ltd ("E-Timberhub") and Sitra Dove Construction and Logistics Pte Ltd ("Sitra Dove") have received a letter from Timor Capital Partners Asia Pte Ltd ("TCP Asia") and Timor Capital Partners Asia Ltd ("TCP Ltd"), informing that TCA Asia has dissolved its intention to collaborate with E-Timberhub and Sitra Dove in relation to the Development of a hotel in Timor Leste by the name of The ZEESM Hotel Oe-cusse (the "Project"). The Group had previously announced on 11 December 2014, that the subsidiary, E-Timberhub Pte Ltd has accepted the terms of a binding letter of Intent ("LOI") extended by TCP Asia to E-Timberhub and Sitra Dove in relation to the Project. Sitra Dove is an investee company in which the Group owns 18% of its share capital.

On 17 March 2015, the Group announced that E-Timberhub and Sitra Dove have received a letter of demand from the solicitors acting for Ms Elizabeth Bemadette Van Der Straaten and TCP Asia (collectively, the "Claimants"), demanding the payment of a sum of $515,000 previously paid to Sitra Dove, in relation to the Project. E-Timberhub has sought legal advice in respect of the Claimants alleged claim and considers the said claim to be without merit. The Board is of the view that the claim is not expected to have any material impact on the financial performance and position of the Group for the current financial year ended 31 December 2014.

38. 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 6 April 2015.

39. Listing of companies in the Group

Name of companies	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent		Proportion of ordinary shares directly held by the Group		Proportion of shareholding held by non-controlling interests	
			2014	2013	2014	2013	2014	2013
			%	%	%	%	%	%
Subsidiaries held by the Company								
Energetic Industries Sdn Bhd [a]	Inactive	Malaysia	100	100	100	100	–	–
Sitra Dove Logistics Sdn. Bhd.[a]	Inactive	Malaysia	100	100	100	100	–	–
E-Timberhub Pte Ltd [b]	Importer, exporter of wood-based and other related products.	Singapore	100	100	100	100	–	–
Sitra Agencies Pte Ltd [b]	Importer, exporter of wood-based and other related products.	Singapore	100	100	100	100	–	–
Suncoast Sitra Pte Ltd [b]	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
Sitra Dove Construction & Logistics Pte Ltd [b],[1]	Investment holding and provision of logistics services.	Singapore	18	100	18	100	–[1]	–
Subsidiary held by Suncoast Sitra Pte Ltd								
Suncoast Sitra Pty Ltd [c]	Wholesaler & retailer of lifestyle furniture and other related products.	Australia	60	60	60	60	40	40

39. Listing of companies in the Group (continued)

Name of companies	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent 2014	Proportion of ordinary shares directly held by parent 2013	Proportion of ordinary shares directly held by the Group 2014	Proportion of ordinary shares directly held by the Group 2013	Proportion of shareholding held by non-controlling interests 2014	Proportion of shareholding held by non-controlling interests 2013
			%	%	%	%	%	%
Subsidiary 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	51	51	49	49
Sitra Ukraine Limited [g]	Importers, exporters of wood-based, lifestyle furniture and other related products.	Ukraine	97	97	97	97	3	3
Sitra (New Zealand) Limited [f]	Wholesalers, importers and exporters of wood-based, lifestyle furniture and other related products.	New Zealand	100	100	100	100	–	–
PT Jaya Raya Trasindo [e]	Manufacturing, supplying and distribution of wood-based and other related products.	Indonesia	80	80	100	100	–	–
Sitra BMG Middle East LLC [g] [h]	Wholesalers, importers and exporters of wood-based, lifestyle furniture and other related products.	United Arab Emirates	49	49	49	49	51	51
Associated companies held by E-Timberhub Pte Ltd								
PT Jaya Raya Trasindo [e]	Manufacturing, supplying and distribution of wood-based and other related products.	Indonesia	20	20	100	100	–	–
Suncoast Sitra Pte Ltd [b]	Investment holding and importer, exporter of lifestyle furniture and other related products.	Singapore	38.9	38.9	95.4	95.4	4.6	4.6
Associated company held by the Company								
S2F International Pte Ltd [i]	Investment holding, general trading, commission agent, importers, exporters of wood-based, lifestyle furniture and other related products.	Singapore	–	33	–	33	–	67

(a) Audited by SQ Morison Chartered Accountants (Malaysia).
(b) Audited by Nexia TS Public Accounting Corporation (Singapore), a member firm of Nexia International.
(c) Audited by Pilot Partners (Australia).
(d) Audited by Malandain Associes (France).
(e) Audited by Kanaka Puradiredja, Suhartono (Indonesia), a member firm of Nexia International.
(f) Audited by CST Nexia Audit (New Zealand), a member firm of Nexia International.
(g) Reviewed by Nexia TS Public Accounting Corporation (Singapore), a member firm of Nexia International, for consolidation purpose.
(h) Sitra BMG Middle East LLC is regarded as a subsidiary on the basis that the Group has control.
(i) The Company was struck off from the register in the current financial year.
(j) Audited by RSM Chio Lim LLP

(1) 82% of the shareholding was disposed in current financial year. Sitra Dove Construction & Logistics Pte Ltd is no longer the subsidiary of the Group as at 31 December 2014.

In accordance to 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 subsidiaries would not compromise the standard and effectiveness of the audit of the consolidated financial statements.

SHAREHOLDERS' INFORMATION

As at 17 March 2015

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 as at 17 March 2015.

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	4	0.72	40	–
100 - 1,000	24	4.31	24,000	–
1,001 - 10,000	61	10.95	433,600	0.06
10,001 - 1,000,000	414	74.33	85,412,801	11.37
1,000,001 AND ABOVE	54	9.69	665,329,559	88.57
TOTAL	557	100.00	751,200,000	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	CHEW AH BA	120,949,081	16.10
2	CHEN WEIPING	90,000,000	11.98
3	JOSCA WOO KONG HWA	90,000,000	11.98
4	TAN TERESA	86,029,318	11.45
5	MAYBANK KIM ENG SECURITIES PTE LTD	53,771,000	7.16
6	CHEW HUA SENG	36,882,000	4.91
7	TOH SOON HUAT	32,386,550	4.31
8	CHEW CHIEW SIANG STEVEN	23,189,000	3.09
9	ANG KIAN KOK	12,540,000	1.67
10	DBS NOMINEES PTE LTD	8,229,010	1.10
11	LEE HWAI KIAT	8,000,000	1.06
12	TAN KOOI JIN	7,195,000	0.96
13	MAYBANK NOMINEES (SINGAPORE) PTE LTD	6,240,000	0.83
14	ANG CHIN SAN	4,800,000	0.64
15	PONNAMPALAM SIVAKUMAR	4,560,000	0.61
16	PAUL GO KIAN LEE	4,500,000	0.60
17	PHILLIP SECURITIES PTE LTD	4,448,000	0.59
18	UNITED OVERSEAS BANK NOMINEES PTE LTD	3,869,000	0.52
19	KARUPPIAH PALANIAPPAN	3,800,000	0.51
20	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,500,000	0.47
	TOTAL	604,887,959	80.54

SUBSTANTIAL SHAREHOLDERS

As at 17 March 2015 as shown in the Company's Register of Substantial Shareholders

	Direct Interest		Deemed Interest		Total Interest	
Name of Substantial Shareholder	**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
Chen Wei Ping	90,000,000	11.98	–	–	90,000,000	11.98
Josca Woo Kong Hwa	90,000,000	11.98	–	–	90,000,000	11.98
Toh Soon Huat	32,386,550	4.31	6,240,000(2)	0.83	38,626,550	5.14

Notes:

(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.

(2) Mr Toh Soon Huat is deemed to be interested in the securities held by Miss Toh Wen Hui (Zhuo Wenhui) under Maybank Nominees (S) Pte Ltd. Miss Toh Wen Hui (Zhuo Wenhui) is the daughter of Mr Toh Soon Huat.

Free Float

Based on the Register of Substantial Shareholders as at 17 March 2015, approximately 40.11% 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 Thursday, 30 April 2015 at 9.30 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2014 and the Reports of the Directors and Auditors thereon. **(Resolution 1)**

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

   (a) Mr Chew Chiew Siang, Steven (retiring under Article 91) **(Resolution 2)**
   (b) Mr Ng Boon Huan, Daniels (retiring under Article 91) **(Resolution 3)**

   Mr Ng Boon Huan, Daniels 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 Note (1)]

3. To re-appoint Mr Tan Eng Kiat, Dominic as a director pursuant to Section 153(6) of the Companies Act, Cap 50, to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company. **(Resolution 4)**

   Mr Tan Eng Kiat, Dominic will, upon re-appointment 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 Note (2)]

4. To approve the payment of Directors' fees of S$105,000 for the financial year ended 31 December 2014. (2013: S$100,000) **(Resolution 5)**

5. To re-appoint Messrs Nexia TS Public Accounting Corporation as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

6. 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:-

7. 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

   (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 (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 (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 sub-paragraph (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 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 Articles of Association for the time being of the Company; and

(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 7)**

By Order of the Board

Joanna Lim Lan Sim
Company Secretary

Singapore, 15 April 2015

Explanatory Notes

(1) Key information on Mr Chew Chiew Siang, Steven and Mr Ng Boon Huan, Daniels are set out in the section entitled "Board of Directors" and Table C in the Corporate Governance Report of the Company's 2014 Annual Report.

There are no relationships (including immediate family relationships) between Mr Ng Boon Huan, Daniels and the other directors of the Company.

Mr Chew Chiew Siang, Steven is the son of Mr Chew Ah Ba, George (Director, CEO and controlling shareholder of the Company).

(2) Key information on Mr Tan Eng Kiat, Dominic is set out in the section entitled "Board of Directors" and Table C in the Corporate Governance Report of the Company's 2014 Annual Report. There are no relationships (including immediate family relationships) between Mr Tan Eng Kiat and the other directors of the Company.

Statement Pursuant to Article 54 of the Company's Articles of Association

Ordinary Resolution 7

Ordinary Resolution 7 proposed in item 7 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, 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) 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.

Notes:

1) A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead and a proxy need not be a member of the Company.

2) The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

3) 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 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) for the purpose of the processing and administration by the Company (or its agents) 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) to comply with any applicable laws, listing 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), 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) 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.

SITRA HOLDINGS (INTERNATIONAL) LIMITED
(Company Registration No.: 197901237E)
(Incorporated in the Republic of Singapore)

IMPORTANT
1. For investors who have used their CPF monies to buy Sitra Holdings (International) Limited shares, this Annual Report 2014 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to vote should contact their CPF Approved Nominees.

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

or failing whom, the Chairman of the Meeting, as *my/our *proxy/proxies to vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting ("AGM") of the Company to be held at 15 Hillview Terrace, Singapore 669226 on Thursday, 30 April 2015 at 9.30 a.m. and at any adjournment thereof. The *proxy is/proxies are to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as *he/they will on any other matter arising at the AGM:-

	Ordinary Resolutions	For	Against
1.	To receive and consider the Audited Financial Statements for the financial year ended 31 December 2014 and the Reports of the Directors and Auditors thereon. **(Resolution 1)**		
2.	To re-elect of Mr Chew Chiew Siang, Steven (Retiring under Article 91). **(Resolution 2)**		
3.	To re-elect of Mr Ng Boon Huan, Daniels (Retiring under Article 91). **(Resolution 3)**		
4.	To re-appoint of Mr Tan Eng Kiat, Dominic under Section 153(6) of the Companies Act, Cap 50. **(Resolution 4)**		
4.	To approve the payment of Directors' fees of S$105,000 for the financial year ended 31 December 2014 (2013: S$100,000). **(Resolution 5)**		
5.	To re-appoint Messrs Nexia TS Public Accounting Corporation as the Company's Auditors and to authorize the Directors to fix their remuneration. **(Resolution 6)**		
6.	To authorize the Directors to allot and issue shares. **(Resolution 7)**		

Please indicate with a tick [√] in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting.

Dated this ____________ day of ____________ 2015

Total Number of Shares Held

____
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. 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.

3. 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.

4. 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.

5. 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.

6. 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 130A of the Companies Act, Chapter 50 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.

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. 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 48 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

8. A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the AGM.

Personal data privacy:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 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) for the purpose of the processing and administration by the Company (or its agents) 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) to comply with any applicable laws, listing 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), 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) 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.

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