SITRA

**SITRA HOLDINGS (INTERNATIONAL) LIMITED**

ANNUAL REPORT 2016

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

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

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

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

# CHAIRMAN'S STATEMENT

**Dear Shareholders,**

The Group has made some significant progress in several areas for the financial year ended 31 December 2016 ("FY2016").

The Group's main market which is Europe has shown continued revenue improvement for the past few financial years. This was attributed to the Group's effort to launch new higher margin interior wood products to the European market. The European economy has also shown some recovery and we will continue this effort in 2017 to further increase our sales revenue and margin as well as the market share for this important market.

Our Asia market is also showing signs of being a good potential to be the next key market to grow. Revenue for this market has shown huge percentage growth in this current financial year and we will continue to actively market and launch more new product ranges that suit this growing emerging market.

We have also started to introduce new products into the Australia/New Zealand market in early February 2017. With the launch of these new products as well as the plan to market our existing range of products, we are cautiously optimistic that we will be able to address the declining revenue for this market.

Our Indonesian subsidiary has also started to generate profit during second half of FY2016, and barring any unforeseen circumstances, management expects this to continue in 2017.

I'm also pleased to inform that World Furnishing Hub Pte Ltd ("WFHPL") has completed the 7-storey warehouse building with commercial use on the 1st storey. The said property is located at 18 Sungei Kadut Street 2, Singapore 729236 and has already obtained the Temporary Occupation Permit on 25 August 2016. The Group has a 10% equity investment in WFHPL, which was designated as a financial asset at fair value through profit or loss.

Going forward, the Group will continue to focus on strategic revenue growth opportunities, launch of more new high margin products in the markets and explore options that will enhance the value of our Indonesian assets.

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, loyalty and confidence in Sitra.

Yours faithfully,

**Mr George Chew**
Executive Chairman

# OPERATIONS REVIEW

## FINANCIAL REVIEW

### Revenue

The Group's revenue for financial year 2016 posted an increase of 15% to S$17.7 million in FY2016, mainly due to the launch of new interior wood products to the European market and also the expansion of income stream of the Indonesian subsidiary to capture the local market.

Revenue of wood-based products increased by S$2.3 million or 15% to S$17.3 million in FY2016 while revenue of our lifestyle outdoor furniture products remained the same at approximately S$300,000.

In terms of business by geographical regions, both the European market and Asian/Others market registered an increase of revenues of 25.5% to S$12.8 million and 344% to S$1.9 million, respectively. The Australia/New Zealand market declined by 36.8% to S$3.0 million in FY2016.

### Cost of sales and gross profit margin

Gross margin rose by 146% or S$1.4 million on the back of higher revenues and higher gross margin. Gross margin percentage increased by 7.1 percentage points to 13.3% in FY2016 compared to 6.2% in FY2015. While the cost of sales increased by S$0.9 million or 6.3% to S$15.3 million, the cost of sales as a percentage of revenue decreased from 93.8% in FY2015 to 86.7% in FY2016, thus resulting in higher gross margin of 13.3% in FY2016 compared to 6.2% gross margin for FY2015. This was mainly due to the launch of high margin products and also better utilization of our Indonesia production.

### Other income

Other income decreased by S$0.1 million to S$0.2 million. This was mainly due to lower commission income this year and also because last year's other income included a one-time gain of S$0.2 million from the waiver of liabilities. This was partially offset by higher government grant received.

### Selling and distribution expenses

Selling and distribution expenses decreased by S$0.14 million to S$0.43 million, mainly due to lower staff salaries and lower rentals incurred for the year. The lower staff salaries was entirely due to voluntary reduction in salaries of the Executive Directors and our Senior Vice-President. The lower rental was the result of closing down the Singapore furniture showroom and the saving of rental expense by relocating the Indonesian furniture warehouse to our own Indonesian subsidiary company.

### Administrative expenses

Administrative expenses remained approximately the same at S$2.2 million in FY2016.

### Other gains/(losses)

Other gains and losses changed by S$1.0 million from other losses of S$0.9 million in last FY to other gains of S$0.2 million in this FY. This was mainly attributed to the change of foreign exchange loss position of S$0.6 million in FY2015 to the foreign exchange gain position of S$0.7 million in FY2016, as a result of the appreciation of United State Dollars at reporting year-end. This gain was partially offset by the fair value loss on the financial assets relating to the Group's 10% equity interest in World Furnishing Hub Pte Ltd. The fair value loss arose due to the decrease in the fair value of the property at 18 Sungei Kadut Street 2 at year end.

### Finance expenses

Finance cost increased by S$3,000 from nil to S$3,000 in FY2016 mainly due to hire purchase interest.

### Income Tax

The Group has an income tax credit of S$1.7 million in FY2016 compared to a credit of S$54,000 in prior year. This was due to the reversal of the deferred tax provision which was recorded in FY2014, relating to the fair value gain upon disposal of the property at 18 Sungei Kadut Street 2. The fair value gain and the disposal of the property are considered as capital gains and therefore no tax is payable.

## BALANCE SHEET

### Current assets

Current assets decreased by S$0.3 million to S$13.5 million, accounting for 76.4% of the total assets. The decrease was due to lower inventory of S$0.2 million and lower financial assets, at fair value through profit or loss of S$0.5 million, offset by increase in trade and other receivables of S$0.4 million.

### Non-current assets

Non-current assets remained almost the same at S$4.2 million in FY2016.

### Current liabilities

Current liabilities increased by S$0.16 million to S$2.9 million, mainly due to the increase in trade and other payable of S$0.25 million, offset by a decrease in borrowing of S$0.08 million.

### Non-current liabilities

Non-current liabilities decreased by S$1.64 million mainly due to the reversal of deferred tax liability previously accrued for the fair value gain relating to the 10% equity investment in World Furnishing Hub Pte Ltd ("WFHPL"). The fair value gain arose from the disposal of the Group's long term investment property at 18 Sungei Kadut Street 2 in FY2014. The Company's tax consultant has advised that this value should represent part of the capital gain derived at the time of sale of the long term held property, and therefore it should not be subject to income tax.

### Capital and reserves

Share capital and reserves decreased by S$1.1 million due to the profit attributable to shareholders of S$1.7 million, offset by a decrease in currency translation reserve of S$0.6 million.

### Cash Flows

Net cash generated by operating activities before working capital changes was S$0.78 million. Net cash used in working capital was S$0.62 million, arising from a decrease in trade and other payables of S$0.07 million, increase in trade and other receivables of S$0.71 million and other current assets of S$0.02 million respectively, which was offset by a decrease in inventories of S$0.18 million. Net cash provided by operating activities stood at S$0.16 million after interest received and payment of interest.

The net cash used in investing activities of S$5,000 was for the purchase of property, plant and equipment.

Net cash used in financing activities was S$58,000 mainly for repayment of the hire purchase creditors.

## OPERATIONAL REVIEW

The Group has launched the new high margin interior wood products to the European market in FY2016 and also started to introduce new products into the Australia/New Zealand market in early February 2017, to address the declining revenue for these markets.

The Asia market appears to show potential to be the next key market to grow and the Group plans to actively market and launch more new product ranges that suit this growing emerging market.

Moving forward, the Group will continue to launch more high margin products in the markets that the Group has a presence and at the same time, explore options and strategies to enhance the value of the Group's assets in Indonesia including tapping on our joint venture with our Indonesian partners to generate new business dealings in commodities and related products.

# BOARD OF DIRECTORS

## MR GEORGE CHEW AH BA
*Executive Chairman and CEO*

Date of Appointment as Director: *2 January 1980*
Date of last re-election: *28 April 2016*
Nature of Appointment: *Executive Chairman and CEO*

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

## MR STEVEN CHEW CHIEW SIANG
*Executive Director and Deputy CEO*

Date of Appointment as Director: *20 September 2006*
Date of last re-election: *30 April 2015*
Nature of Appointment: *Executive Director and Deputy CEO*

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

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

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

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

## MR MICHAEL CHIN SEK PENG
*Lead Independent Director*

Date of Appointment as Director: *20 September 2006*
Date of last re-election: *28 April 2016*
Nature of Appointment: *Independent Non-Executive*
Board Committees served on: Chairman of Audit 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 Managing Partner of PKF-CAP LLP responsible for running, managing and developing the assurance business of PKF-CAP LLP, a firm of chartered accountants based in Singapore. He is also the co-founding Director of PKF-CAP Advisory Partners Pte Ltd, a company engaged in the provision of consultancy and business advisory services. Mr Chin started his accountancy and audit training in Casson Beckman, a medium sized firm of chartered accountants in London. After qualifying as a chartered accountant, he joined legacy Price Waterhouse and worked in UK, Europe and Singapore from 1983 to 1994. In 1994, he joined the Institute of Singapore Chartered Accountants ("ISCA") as the first Practice Review Director, heading, running and regulating the compliance of work standards of all audit practices in Singapore. In 1999, Mr Chin joined legacy Arthur Andersen as a partner in its Assurance and Business

Advisory division and in 2002 he left the firm to set up his own audit and consultancy practices with another partner. He holds a Bachelor of Arts (Honours) degree in Accounting and Finance from Lancaster University in the United Kingdom and is a Fellow (practising) Chartered Accountant (Singapore) as well as a Fellow Member of the Institute of Chartered Accountants in England and Wales. Mr Chin also serves as Independent Director mainly in the capacity as Audit Committee Chairman to several public companies listed on the Singapore Exchange and is a member of the Institute of Internal Auditors, Singapore. He is also a Council member of ISCA and the Chairman of ISCA's Public Accounting Practice Committee as well as Senior QA Advisor for the Quality Assurance Review Programme of ISCA.

## MR TAN ENG KIAT, DOMINIC

*Independent Non-Executive Director*

Date of Appointment as Director: *22 February 2011*
Date of last re-election: *28 April 2016*
Nature of Appointment: *Independent Non-Executive*
Board Committees served on: 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 2015*
Nature of Appointment: *Independent Non-Executive*
Board Committees served on: Member of the Audit and Nominating Committees since 29 September 2006.
Member of Audit, Nominating Committees Remuneration Committee since 29 April 2011. Appointed Chairman of Remuneration Committee on 01st January 2017.

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

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

# KEY MANAGEMENT

## MADAM TERESA TAN
*Senior Vice President*
*(Group Administration And Human Resources)*

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

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

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

## MADAM LIM SOOK HWA
*Vice President Operations*

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

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

## MR ALEX ONG CHAI TIAM
*Chief Financial Officer*

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

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

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

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

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

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

## COMPANY SECRETARIES

Joanna Lim Lan Sim, ACIS
Chan Lai Yin, ACIS

## REGISTERED OFFICE

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## CATALIST SPONSOR

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

## SHARE REGISTRAR

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

## INDEPENDENT AUDITOR

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

# CORPORATE GOVERNANCE REPORT

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

The Board of Directors (the "Board") recognises the importance of good corporate governance and offering high standards of accountability to 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"). The Company is generally in compliance with the principles and guidelines set out in the Code and in areas where there are deviations from the Code, appropriate explanations are provided within this report.

## BOARD MATTERS

### The Board's Conduct of its Affairs

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

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

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

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

The Board has held meetings for particular and specific matters as and when required. The Company's 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 2016 ("FY2016"), as well as frequency of such meetings, is set out in Table A.

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

# CORPORATE GOVERNANCE REPORT

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

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

To keep abreast with developments in corporate, financial, legal and other compliance requirements, Directors are encouraged to attend relevant courses and seminars funded by the Company. 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 the Board Committees is set out in Table B.

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

The NC reviews the independence of each Director on an annual basis and adopts the Code's definition of what constitutes an Independent Director. None of the Independent Non-Executive 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.

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

# CORPORATE GOVERNANCE REPORT

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

(a) whether the Director is free from any dealings, relationships or circumstances that could affect or appear to affect his independent judgement, particularly with regards to whether the Director has indicated or demonstrated an alignment or ongoing support for any specific group of stakeholders, instead of representing the interests of all stakeholders;

(b) whether the length of service had any adverse impact on the Director's objectivity and judgement and whether during the tenure there had been any impairment to his ability to discharge his duties and responsibilities in the overall interest of the Group, taking into consideration the interests of all stakeholders; and

(c) whether the Director continues to exhibit a firm commitment to his role and continues to actively contribute his knowledge and experience to the Group.

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

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

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

**Chairman and Chief Executive Officer**

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

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

# CORPORATE GOVERNANCE REPORT

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

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

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

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

**Board Membership**

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

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

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

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

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

(e) Reviews and recommends Directors retiring by rotation for re-election at each Annual General Meeting ("AGM").

# CORPORATE GOVERNANCE REPORT

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 AGM. In addition, all Directors are required to retire from office by rotation at least once in every three years.

The NC has reviewed the independence of each Director for FY2016 in accordance with the Code's definition of independence as well as the respective Director's self-declaration in the statement of Director's independence.

Based on the recommendation of the NC, the Board having reviewed the relationships and length of service of each Non-Executive Director, considers Mr. Tan Eng Kiat, Dominic ("Dominic Tan") and Mr. Ng Boon Huan, Daniels ("Daniels Ng") to be independent as they do not have any existing business 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. The Board also considers Mr. Michael Chin (having served on the Board as Non-Executive Independent Director beyond nine years) to be independent for the considerations as set out under "Board Composition and Guidance" above.

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

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

No alternate Director has been appointed to the Board.

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

a. academic and professional qualifications;

b. industry experience;

c. number of other directorships;

d. relevant experience as a Director; and

e. ability and adequacy in carrying out required tasks.

# CORPORATE GOVERNANCE REPORT

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

a. developing a framework on desired competencies and diversity on Board;

b. assessing current competencies and diversity on Board;

c. developing desired profiles of new Directors;

d. initiating search for new Directors including external search, if necessary;

e. shortlisting and interviewing potential Director candidates;

f. recommending appointments and retirements to the Board; and

g. carrying out election at general meeting.

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

The date of the Directors' initial appointment, last re-election and their other 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, the Board Committees and where appropriate, the contribution of each individual Director. The NC is also responsible for deciding how the Board's performance may be evaluated, proposing objective performance criteria for the Board's approval and implementing corporate governance measures to achieve good stewardship of the Company.

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

# CORPORATE GOVERNANCE REPORT

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

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

**Access to Information**

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

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

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

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

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

**REMUNERATION MATTERS**

**Procedures for Developing Remuneration Policies**

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

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

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

# CORPORATE GOVERNANCE REPORT

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

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

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

**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 Directors' fee.

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

The remuneration of the Group's key management personnel takes into account the pay and employment conditions within the industry and is performance-related.

# CORPORATE GOVERNANCE REPORT

**Policy in respect of non-executive directors' remuneration**

In reviewing the recommendation for independent Non-Executive Directors' remuneration for FY2016, the RC had continued to adopt a framework of basic fees for serving on the Board and Board Committees, as well as fees for chairing each Board Committee and the role of Lead Independent Director. The fees take into consideration the amount of time and effort that each Board member may be required to devote to their role. The fee structure is as follows:

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

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

**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 2016.**

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

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

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

# CORPORATE GOVERNANCE REPORT

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 FY2016.

**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 FY2016.

**Long-Term Incentive Plans**

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

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

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

**ACCOUNTABILITY AND AUDIT**

**Accountability**

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

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

Aside from adopting corporate governance practices in line with the spirit of the Code, the Company also observes obligations of continuing disclosures under Section B of the SGX-ST Listing Manual (Rules of 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.

# CORPORATE GOVERNANCE REPORT

**Risk Management and Internal Controls**

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

The 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, 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 FY2016, the AC and the Board have received written assurance from the Chief Executive Officer and the Chief Financial Officer that the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Group's operations and financial position as at reporting date and are prepared in accordance with Singapore Financial Reporting Standards; and that they have evaluated the effectiveness of the Company's risk management and internal control systems, discussed with the Company's external auditors of their findings and noted that there were no significant deficiencies in internal controls which could adversely affect the Company's ability to record, process, summarise or report financial data.

Based on the representation from management as described above, the discussions held by management to review and address matters raised by the external auditors in prior years, including recommendations on improvement in internal controls and the status of implementation of internal controls in the current financial year, and having taken into consideration the non-complexity of the Group's operations, the Board concurs with the AC that the internal controls are adequate and effective to address the key financial, operational, information technology, and compliance risks as at reporting date. Additionally, the Board is satisfied that the risk management system that it has put in place is adequate to enable it to identify its key business risks including strategies to mitigate these risks.

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

# CORPORATE GOVERNANCE REPORT

**Audit Committee**

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

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

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

The AC performs the following key functions:

(a) Reviews the audit plans of the external auditor and where applicable, internal auditor, including the review of the auditors' evaluation of the adequacy of the Company's system of internal accounting controls, their report to management and the management's response;

(b) Reviews the balance sheet of the Company, the consolidated financial statements of the Group and the external auditor's report on those financial statements, and discusses any significant adjustments, major risk areas, changes in accounting policies, compliance with Singapore Financial Reporting Standards, concerns and issues arising from external audit including any matters which the auditors may wish to discuss in the absence of management, where appropriate, before submission to the Board for approval;

(c) Reviews and discusses with auditor on any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the operating results or financial position including management's response to these matters;

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

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

(f) Nominates auditor for appointment or re-appointment;

(g) Reviews internal control procedures and guidelines for all interested person transactions, and if during these periodic reviews, the AC believes that the procedures are not sufficient, the Company will revise the internal control procedures;

(h) Reviews and ratifies all interested person transactions falling within the scope of Chapter 9 of the Rules of Catalist, if any;

(i) Reviews any potential conflicts of interest;

# CORPORATE GOVERNANCE REPORT

(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.

No former Partner or Director of the Company's existing auditing firm or audit corporation is a member of 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 64 of this Annual Report. There were no non-audit fees payable to the external auditors in FY2016 that would affect the independence of the auditors. The AC having assessed the independence of auditors and size of resources and expertise, had recommended to the Board the re-appointment of Nexia TS Public Accounting Corporation as auditors of the Company. The Board had approved the recommendation and will put forth the resolution to vote at the forthcoming AGM.

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

**Summary of AC's activities in FY2016**

For FY2016, the AC had met with the external auditor (without the presence of management) and reviewed the following:

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

# CORPORATE GOVERNANCE REPORT

b. the external auditor's plan (including, among others, the nature and scope of the audit before the audit commenced and the risk management issues of the Group);

c. the internal auditor's internal control report based on their evaluation of the system of internal accounting controls;

d. the external auditor's report on year end findings including their resolutions;

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

f. the consolidated financial statements of the Group, including the balance sheet of the Company.

**AC Commentary on Key audit matters**

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

| Key audit matters involving significant judgement and estimates | Matters considered | Conclusion by AC |
|---|---|---|
| **Assessment of impairment of property, plant and equipment for PT Jaya Raya Trasindo, a subsidiary of the Company.** | In accordance with the accounting standard, FRS 36, the Group is required to carry out impairment testing of its property, plant and equipment ("PPE") whenever there are indicators of impairment. The Company's subsidiary, PT Jaya Raya Trasindo ("PTJR") located in Indonesia has been loss-making for a number of years although it became profitable in FY2016. There is concern that PTJR's profit is not sustainable and therefore its cumulative losses in prior years served as an indicator of impairment that requires testing. In PTJR's books, PPE comprised largely the leasehold property and plant and equipment with net book value totalling approximately S$4 million at reporting date. The AC reviewed the cash flow forecast prepared by management and discussed with management on the forecast period, discount rate and assumptions used as well as market conditions and economy of Indonesia. The AC also discussed with the external auditor to ascertain how it had reviewed the cash flow forecast and assessed whether there is impairment loss to be recognised on PTJR's PPE. | Based on the AC's discussion with management and the external auditor and review of the cash flow forecast including stress testing carried out by the external auditor, the AC is satisfied that no impairment loss is required to be recognised on the PPE of PTJR at reporting date. |

# CORPORATE GOVERNANCE REPORT

| **Key audit matters involving significant judgement and estimates** | **Matters considered** | **Conclusion by AC** |
|---|---|---|
| **Valuation of financial assets at fair value through profit or loss** | As disclosed in Note 13 to the accompanying audited financial statements, the Group has financial assets through profit or loss ("FATPL") amounting to S$10 million as at 31 December 2016. The FATPL comprises the 10% equity investment in unquoted shares of World Furnishing Hub Pte. Ltd. ("WFHPL") and a put option to sell the 10% equity to the promoters. WFHPL is the entity that holds the property located at 18 Sungei Kadut Street 2, Singapore 729236 ("Property"). The AC reviewed the report prepared by Knight Frank Pte Ltd, an independent appraiser specializing in property valuations. The AC noted from the report that the methodology adopted is based on market comparable of similar properties in the vicinity and other locations after adjusting where appropriate for differences in location, gross floor area and tenure. The market value of the Property arrived at by Knight Frank was S$95 million at reporting date. As the market value recorded in the previous financial year for this Property was S$100 million, there was a S$5 million fall in market value of the Property as at 31 December 2016. Accordingly, this represented a fall in fair value of S$0.5 million for the Group's FATPL in FY2016. The AC also discussed with the external auditor and noted no significant matters arising from their review of the valuation report from Knight Frank. | The AC has reviewed the appraisal report from Knight Frank and has also considered the reputation of the valuer and the valuation methodology adopted in arriving at the market value of the property. Based on the review and discussion with management and the external auditor, the AC is satisfied that the market value arrived at by the valuer is reasonable and concurred with management recognition of the fair value loss of S$0.5 million in FY2016. |

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

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

# CORPORATE GOVERNANCE REPORT

**Internal Audit**

*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 is responsible for maintaining a system of internal controls to safeguard shareholders' investments and the Group's businesses and assets, while management is responsible for establishing and implementing 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 FY2016, 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 in meeting 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 CEO and Chief Financial Officer ("CFO") who identifies financial, operational, compliance and information technology risks which the Company may face in its activities. The CFO 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

**Shareholder Rights**

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

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

# CORPORATE GOVERNANCE REPORT

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

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

On 3 January 2016, the legislation was amended, amongst other things, to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

**COMMUNICATION WITH SHAREHOLDERS**

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

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

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

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

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

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

As the Company had accumulated losses as at 31 December 2016 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 FY2016.

# CORPORATE GOVERNANCE REPORT

## CONDUCT OF SHAREHOLDER MEETINGS

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

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

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

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

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

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

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

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

## DEALING IN SECURITIES

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

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

# CORPORATE GOVERNANCE REPORT

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

## MATERIAL CONTRACTS

Save for the service agreements entered into with Mr George Chew and Mr Steven Chew which are still subsisting as at the end of FY2016, 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 were no material interested person transactions of S$100,000, or more during FY2016 requiring disclosure pursuant to the Rules of Catalist.

## CATALIST SPONSOR

The Company's sponsor, RHT Capital Pte. Ltd. had not rendered any non-sponsorship services to the Company for FY2016.

## TABLE A – ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS FOR FY2016

| Name of director | Board | | Audit Committee | | Remuneration Committee | | Nominating Committee | |
|---|---|---|---|---|---|---|---|---|
| | No. of meetings | Attendance | No. of meetings | Attendance | No. of meetings | Attendance | No. of meetings | Attendance |
| Chew Ah Ba, George | 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 |

# CORPORATE GOVERNANCE REPORT

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

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

* *The Chairmanship of the Nominating Committee and Remuneration Committee has been rotated amongst the committee members. The Chairmanship of the Remuneration Committee was changed on 1 January 2017. The Chairmanship of the Nominating Committee was changed on 27 February 2017.*

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

| Name of director | Age | Date of initial appointment | Date of last re-election | Present directorships in listed companies | Past directorships in listed companies |
|---|---|---|---|---|---|
| Chew Ah Ba, George | 68 | 02/01/1980 | 28/04/2016 | Sitra Holdings (International) Limited | – |
| Chew Chiew Siang, Steven | 47 | 20/09/2006 | 30/04/2015 | Sitra Holdings (International) Limited | – |
| Chin Sek Peng, Michael | 61 | 20/09/2006 | 28/04/2016 | Sitra Holdings (International) Limited<br>Cortina Holdings Ltd<br>Sunpower Group Ltd<br>Tee Land Ltd | – |
| Ng Boon Huan, Daniels | 56 | 20/09/2006 | 30/04/2015 | Sitra Holdings (International) Limited | – |
| Tan Eng Kiat, Dominic | 73 | 22/02/2011 | 28/04/2016 | Sitra Holdings (International) Limited<br>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 2016 is set out below:

| Name of Director | Position | Breakdown of Remuneration in Percentage | | | | | Actual Total Remuneration in Compensation Bands of $100,000 |
|---|---|---|---|---|---|---|---|
| | | Directors' fees(1) | Salary(2) | Bonus(3) | Other benefits(4) | Total | |
| Chew Ah Ba, George | ED | – | 89.5% | 4.2% | 6.3% | 100% | $200,001 – $300,000 |
| Chew Chiew Siang, Steven | ED | – | 86.4% | 3.0% | 10.6% | 100% | $100,001 – $200,000 |
| 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** | **$391,300** | **$16,402** | **$35,952** | **$548,654** | |
| | | **19.1%** | **71.3%** | **3.0%** | **6.6%** | **100%** | |

# CORPORATE GOVERNANCE REPORT

***Notes***

*ED: Executive director*
*NEID: Non-executive independent director*

*(1) The director's fees are subject to shareholders' approval at the Annual General Meeting.*
*(2) Salary comprises basic salary and the Company's contribution towards the Singapore Central Provident Fund where applicable.*
*(3) Bonus is contractual and comprises a fixed bonus and variable bonus which is based on the Company's and individual's performance.*
*(4) Other benefits include transport allowance, motor vehicles running expenses and club subscription fees.*

**TABLE D1 – REMUNERATION OF KEY MANAGEMENT PERSONNEL**

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

| Name of Key Management Personnel | Position/Relationship | Breakdown of Remuneration in Percentage | | | | Actual Total Remuneration in Compensation Bands of $100,000 |
|---|---|---|---|---|---|---|
| | | Salary[1] | Bonus[2] | Other Benefits[3] | Total | |
| Ong Chai Tiam | CFO | 100% | – | – | 100% | <$100,000 |
| Tan Teresa | Immediate family members of a director or CEO | 95.6% | – | 4.4% | 100% | $100,001 – $200,000 |
| Lim Sook Hwa Jacinta | | 100% | – | – | 100% | <$100,000 |
| Ng Ngee Ai | Group Accountant | 100% | – | – | 100% | <$100,000 |
| **The aggregate total remuneration of key management personnel** | | **$309,644** | **–** | **$6,470** | **$316,114** | |
| | | **98.0%** | **–** | **2.0%** | **100%** | |

***Notes:***

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

# DIRECTORS' STATEMENT

The Directors are pleased to present their statement to the members together with the audited financial statements of Sitra Holdings (International) Limited and its Subsidiary Corporations (the "Group") for the financial year ended 31 December 2016 and the balance sheet of Sitra Holdings (International) Limited (the "Company") as at 31 December 2016.

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 40 to 103 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

**Directors**

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

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

**Arrangements to enable Directors to acquire shares or debentures**

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

# DIRECTORS' STATEMENT

**Directors' interests in shares or debentures**

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

| | Holdings registered in name of Director or nominee | | Holdings in which Director is deemed to have an interest | |
|---|---|---|---|---|
| | At 31.12.2016 | At 1.1.2016 | At 31.12.2016 | At 1.1.2016 |
| **The Company** (No. of ordinary shares) | | | | |
| Chew Ah Ba, George | 120,949,081 | 120,949,081 | 86,029,318 | 86,029,318 |
| Chew Chiew Siang, Steven | 23,389,000 | 23,389,000 | – | – |
| Chin Sek Peng, Michael | 4,831,000 | 144,000 | – | – |
| Ng Boon Huan, Daniels | 3,120,000 | 120,000 | – | – |

By virtue of Section 7 of the Singapore Companies Act, Cap 50, Chew Ah Ba, George is deemed to have interests in all of the shares of the subsidiary corporations as at 31 December 2016.

**Directors' interests in shares or debentures**

The Directors' interests in the ordinary shares of the Company as at 21 January 2017 were the same as those as at 31 December 2016.

**Share options**

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

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

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

# DIRECTORS' STATEMENT

**Audit committee**

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

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

All members of the Audit Committee were Non-Executive and Independent Directors.

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

- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the compliance with legal and other regulatory requirements;
- the appointment of the independent auditors and the audit and non-audit fees;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2016 before their submission to the Board of Directors.

The Audit Committee has met with the independent auditor without the presence of the Company's management at least once a year.

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

**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

31 March 2017

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SITRA HOLDINGS (INTERNATIONAL) LIMITED

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

*Opinion*

We have audited the accompanying financial statements of Sitra Holdings (International) Limited (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including summary of significant accounting policies, as set out on pages 40 to 103.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

*Basis for Opinion*

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

*Key Audit Matters*

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

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SITRA HOLDINGS (INTERNATIONAL) LIMITED

*Key Audit Matters*

| Key audit matter | How our audit addressed the matter |
|---|---|
| **1. Impairment assessment of property, plant and equipment**<br><br>The Group's carrying value of leasehold properties and plant & equipment ("PPE") amounting to $4.0 million represented 23% of the Group's total assets as at 31 December 2016. The PPE were subject to impairment assessment, in consideration of the consecutive incurrence of losses by the subsidiary corporation (except in 2016 where profit was sustained).<br><br>Management identified separate cash-generating units ("CGU") and has calculated the recoverable amount of CGU where there were indicators of impairment, as the higher of value-in-use and fair value less costs to sell. The value-in-use is based on discounted future cash flow forecasts over which management makes judgments on certain key inputs including, for example, discount rates and long term growth rates.<br><br>Management's assessment of the valuation of PPE was significant to our audit because of the magnitude of the assets under consideration and also as this process involves inherent judgement in determining key assumptions such as future revenue growth, profit margins, discount rates and inflation rates. Furthermore, there is an increased risk of impairment due to the challenging market sentiment in which the Group operates in.<br><br>The accounting policies for impairment for property, plant and equipment are set out in Note 2.9(b) to the financial statements. | Our audit procedures focused on evaluating the key assumptions used by the management in preparing the impairment assessment. These procedures included:<br><br>• We reviewed management's assumptions used in the value-in-use calculations and assessed the accuracy of the historical data used by management as the basis of arriving at the estimates;<br><br>• We challenged management's projected revenue gross profit margin, discount rates based on our knowledge of the CGU's operations and understanding of management's business plan, revenue and business model;<br><br>• We involved our valuation expert to assist us in the evaluation of the reasonableness of the discount rates used by the Group, performed sensitivity analysis where considered necessary, and assessed the consistency of valuation methodologies applied throughout the relevant entities within the Group.<br><br>Based on our audit procedures performed, we consider management's key assumptions to be within a reasonable range. |

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SITRA HOLDINGS (INTERNATIONAL) LIMITED

*Key Audit Matters*

| Key audit matter | How our audit addressed the matter |
|---|---|
| **2. Valuation of financial assets at fair value through profit or loss** | |
| The financial assets at fair value through profit or loss amounted to $9.5 million, which represents 54% of the Group's total assets as at 31 December 2016 and is net of fair value loss of $0.5 million due to fair value changes. The fair value of the financial assets was based on independent external valuations. We focus on this area because of its size, significant judgement in determining the appropriate valuation methodology to be used and in estimating the underlying assumptions to be adopted.<br><br>The accounting policies for impairment for financial assets are set out in Note 2.10 to the financial statements. | We considered the valuation methodologies used against those applied by other for similar property types. We also considered other alternative valuation method.<br><br>We challenged the valuation inputs by comparing against available data in the market.<br><br>Based on our audit procedures, the independent external valuer are members of generally-recognised professional bodies for valuers and have considered their owned independence in carrying out their work. The valuation methodologies used are in-line with generally accepted market, practices and the key assumption used within the range of market data. |

*Other Information*

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

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

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

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SITRA HOLDINGS (INTERNATIONAL) LIMITED

*Responsibilities of Management and Directors for the Financial Statements*

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

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

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

*Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SITRA HOLDINGS (INTERNATIONAL) LIMITED

*Auditor's Responsibilities for the Audit of the Financial Statements*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SITRA HOLDINGS (INTERNATIONAL) LIMITED

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

***Nexia TS Public Accounting Corporation***
***Public Accountants and Chartered Accountants***

**Singapore**
**31 March 2017**

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

| | | The Group | |
|---|---|---|---|
| | Note | 2016 | 2015 |
| | | $ | $ |
| Revenue | 4 | **17,654,764** | 15,346,282 |
| Cost of sales | | **(15,300,274)** | (14,389,495) |
| Gross profit | | **2,354,490** | 956,787 |
| Other income | 7 | **172,036** | 290,444 |
| Other gains/(losses) – net | 8 | **159,524** | (870,177) |
| Expenses | | | |
| – Selling and marketing | | **(434,151)** | (571,187) |
| – Administrative | | **(2,216,036)** | (2,197,902) |
| – Finance | 9 | **(3,196)** | (30) |
| Profit/(loss) before income tax | | **32,667** | (2,392,065) |
| Income tax benefit | 10 | **1,700,482** | 53,864 |
| **Profit/(loss) for the financial year** | | **1,733,149** | (2,338,201) |
| **Other comprehensive (loss)/income:** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Currency translation differences arising from consolidation | | | |
| – (losses)/gains | 27(b)(ii) | **(554,615)** | 324,183 |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Revaluation gain on property, plant and equipment | 27(b)(v) | **–** | 40 |
| Other comprehensive (loss)/income, net of tax | | **(554,615)** | 324,223 |
| **Total comprehensive income/(loss) for the financial year** | | **1,178,534** | (2,013,978) |
| **Profit/(loss) attributable to:** | | | |
| Equity holders of the Company | | **1,717,845** | (2,269,571) |
| Non-controlling interests | | **15,304** | (68,630) |
| | | **1,733,149** | (2,338,201) |
| **Total comprehensive profit/(loss) attributable to:** | | | |
| Equity holders of the Company | | **1,158,968** | (1,922,510) |
| Non-controlling interests | | **19,566** | (91,468) |
| | | **1,178,534** | (2,013,978) |
| **Earnings/(loss) per share attributable to equity holders of the Company (cents per share)** | | | |
| – Basic and diluted | 11 | **0.23** | (0.30) |

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

# BALANCE SHEETS

AS AT 31 DECEMBER 2016

| | Note | The Group 2016 $ | The Group 2015 $ | The Company 2016 $ | The Company 2015 $ |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 12 | **203,210** | 176,810 | **85,110** | 90,307 |
| Financial assets at fair value through profit or loss | 13 | **9,500,000** | 10,000,000 | **–** | – |
| Trade and other receivables | 14 | **1,294,237** | 897,576 | **6,502,658** | 6,104,273 |
| Inventories | 15 | **2,276,386** | 2,472,081 | **12,750** | 11,437 |
| Other current assets | 16 | **273,353** | 262,981 | **26,060** | 27,342 |
| | | **13,547,186** | 13,809,448 | **6,626,578** | 6,233,359 |
| **Non-current assets** | | | | | |
| Investment in an associated company | 17 | **48** | – | **–** | – |
| Investments in subsidiary corporations | 18 | **–** | – | **227,436** | 227,436 |
| Available-for-sale financial assets | 19 | **–** | – | **–** | – |
| Property, plant and equipment | 20 | **4,116,753** | 4,149,168 | **131,837** | 39,173 |
| Goodwill on consolidation | 21 | **–** | – | **–** | – |
| Deferred tax assets | 25 | **64,785** | 61,771 | **–** | – |
| | | **4,181,586** | 4,210,939 | **359,273** | 266,609 |
| **Total assets** | | **17,728,772** | 18,020,387 | **6,985,851** | 6,499,968 |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 22 | **2,851,127** | 2,599,389 | **2,909,402** | 1,833,758 |
| Borrowings | 23 | **36,161** | 116,680 | **31,428** | – |
| | | **2,887,288** | 2,716,069 | **2,940,830** | 1,833,758 |
| **Non-current liabilities** | | | | | |
| Borrowings | 23 | **56,350** | – | **56,350** | – |
| Deferred tax liabilities | 25 | **244,098** | 1,941,816 | **–** | – |
| | | **300,448** | 1,941,816 | **56,350** | – |
| **Total liabilities** | | **3,187,736** | 4,657,885 | **2,997,180** | 1,833,758 |
| **NET ASSETS** | | **14,541,036** | 13,362,502 | **3,988,671** | 4,666,210 |
| **EQUITY** | | | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | | | |
| Share capital | 26 | **17,817,108** | 17,817,108 | **17,817,108** | 17,817,108 |
| Other reserves | 27 | **3,366,894** | 3,925,771 | **(21,607)** | (21,607) |
| Accumulated losses | | **(6,355,980)** | (8,073,825) | **(13,806,830)** | (13,129,291) |
| | | **14,828,022** | 13,669,054 | **3,988,671** | 4,666,210 |
| Non-controlling interests | 18 | **(286,986)** | (306,552) | **–** | – |
| **TOTAL EQUITY** | | **14,541,036** | 13,362,502 | **3,988,671** | 4,666,210 |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

| | ← Attributable to equity holders of the Company → | | | | | |
|---|---|---|---|---|---|---|
| **2016** | **Share capital $** | **Other reserves $** | **Accumulated losses $** | **Total $** | **Non-controlling interests $** | **Total equity $** |
| **Beginning of financial year** | **17,817,108** | **3,925,771** | **(8,073,825)** | **13,669,054** | **(306,552)** | **13,362,502** |
| Total comprehensive income/(loss) for the financial year | **–** | **(558,877)** | **1,717,845** | **1,158,968** | **19,566** | **1,178,534** |
| **End of financial year** | **17,817,108** | **3,366,894** | **(6,355,980)** | **14,828,022** | **(286,986)** | **14,541,036** |
| | | | | | | |
| **2015** | | | | | | |
| **Beginning of financial year** | 17,817,108 | 3,578,710 | (5,804,254) | 15,591,564 | (215,084) | 15,376,480 |
| Total comprehensive income/(loss) for the financial year | – | 347,061 | (2,269,571) | (1,922,510) | (91,468) | (2,013,978) |
| **End of financial year** | 17,817,108 | 3,925,771 | (8,073,825) | 13,669,054 | (306,552) | 13,362,502 |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

| | Note | The Group 2016 $ | The Group 2015 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/(loss) for the Financial Year | | **1,733,149** | (2,338,201) |
| Adjustments for: | | | |
| – Income tax benefit | 10 | **(1,700,482)** | (53,864) |
| – Depreciation | 5 | **202,831** | 213,779 |
| – Interest expense | 9 | **3,196** | 30 |
| – Waiver of liabilities upon strike off of subsidiary corporation | 7 | **–** | (174,847) |
| – Reversal on impairment on trade and other receivable | 8 | **(11,740)** | – |
| – Allowance for impairment on trade and other receivables | 8 | **19,916** | 119,518 |
| – Bad debt written off | 8 | **–** | 13,778 |
| – Inventory write-down | 8 | **367** | 156,172 |
| – Write-off of long aged payables | 7 | – | (45,295) |
| – Fair value loss of financial assets designated as at fair value through profit & loss | 8 | **500,000** | – |
| – Interest income | | **(332)** | (162) |
| – Unrealised currency translation losses | 8 | **30,703** | 374,885 |
| | | **777,608** | (1,734,207) |
| Changes in working capital: | | | |
| – Trade and other receivables | | **(714,309)** | 1,280,326 |
| – Inventories | | **185,901** | (608,254) |
| – Other current assets | | **(15,014)** | 34,005 |
| – Trade and other payables | | **(70,953)** | 973,852 |
| Cash generated from/(used in) operations | | **163,233** | (54,278) |
| Interest received | | **332** | 162 |
| Interest paid | | **(3,196)** | (30) |
| Income tax refund/(paid) | | **482** | (13,503) |
| **Net cash provided by/(used in) operating activities** | | **160,851** | (67,649) |
| **Cash flows from investing activity** | | | |
| Additions of property, plant and equipment, representing cash used in investing activity | 20 | **(20,887)** | (5,983) |
| **Cash flows from financing activities** | | | |
| Repayment of bank borrowings | | **–** | (370,282) |
| Repayment of finance lease liabilities | | **(39,107)** | (964) |
| **Net cash used in financing activities** | | **(39,107)** | (371,246) |
| **Net increase/(decrease) in cash and cash equivalents** | | **100,857** | (444,878) |
| **Cash and cash equivalents** | | | |
| Beginning of financial year | | **97,585** | 544,984 |
| Effects of currency translation on cash and cash equivalents | | **35** | (2,521) |
| **End of financial year** | 12 | **198,477** | 97,585 |

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

## 1. GENERAL INFORMATION

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

The principal activities of the Company are that of investment holding, importers and exporters of wood-based and other related products. The principal activities of its subsidiary corporations and associated company are set out in Note 36 to the financial statements.

## 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 to the financial statements.

***Interpretations and amendments to published standards effective in 2016***

On 1 January 2016, 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.2 Revenue recognition

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

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

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

*(a)* *Sale of goods*

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

*(b)* *Rendering of Services – Sawmill and moulding*

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

*(c)* *Commission income*

Commission income is recognised at the point of entitlement.

*(d)* *Rental income*

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

*(e)* *Interest income*

Interest income is recognised using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.3 Government grants

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

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

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

### 2.4 Group accounting

*(a) Subsidiary corporations*

*(i) Consolidation*

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.4 Group accounting

*(a) Subsidiary corporations*

*(ii) Acquisitions*

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

*(iii) Disposals*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.4 Group accounting

(a) *Subsidiary corporations*

(iii) *Disposals*

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

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

(b) *Transactions with non-controlling interests*

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

(c) *Associated companies*

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

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

(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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.4 Group accounting

*(c) Associated companies*

*(ii) Equity method of accounting*

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

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

*(iii) Disposals*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.5 Property, plant and equipment

*(a) Measurement*

*(i) Land and buildings*

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

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

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

*(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).

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.5 Property, plant and equipment

*(b) Depreciation*

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 land and buildings | 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.

*(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 (losses)/gains – net". Any amount in revaluation reserve relating to that item is transferred to retained profits directly.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.6 Intangible assets

*Goodwill on acquisition*

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

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

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

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

### 2.7 Borrowing costs

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

### 2.8 Investments in subsidiary corporations and associated company

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

### 2.9 Impairment of non-financial assets

*(a) Goodwill*

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.9 Impairment of non-financial assets

(a) *Goodwill*

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

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

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

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

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

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

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.10 Financial assets

*(a) Classification*

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

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

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

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

*(ii) Loans and receivables*

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.10 Financial assets

(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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.10 Financial assets

*(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 2.10(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.11 Offsetting of financial instruments

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

### 2.12 Borrowings

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

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

### 2.13 Trade and other payables

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

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

### 2.14 Fair value estimation of financial assets and liabilities

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.15 Leases

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

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

(i) *Lessee – Finance leases*

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

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

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

(ii) *Lessee – Operating leases*

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

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

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

*Lessor – Operating leases*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.16 Inventories

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

### 2.17 Income taxes

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

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

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations and associated 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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.18 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.

(c) *Profit sharing and bonus plans*

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

### 2.19 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.

### 2.20 Currency translation

(a) *Functional and presentation currency*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.20 Currency translation

(b) *Transactions and balances*

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

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

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

(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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.20 Currency translation

*(c) Translation of Group entities' financial statements*

(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.

### 2.21 Segment reporting

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

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

### 2.22 Cash and cash equivalents

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

### 2.23 Share capital

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

### 2.24 Dividends to Company's shareholders

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

## 3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

**Critical accounting estimates and assumptions**

(a) *Impairment assessment of property, plant and equipment on subsidiary corporation*

Property, plant and equipment is tested for impairment annually and whenever there is an indication that the property, plant and equipment may be impaired. The recoverable amounts of cash-generating units, where property, plant and equipment is allocated, have been determined based on value-in-use calculations. The value-in-use calculations are based on a discounted cash flow models. The recoverable amounts is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation. These calculations require the use of estimates. The carrying amount of property, plant and equipment of the Group as at 31 December 2016 amounting to $4.1 million.

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

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

## 4. REVENUE

| | The Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| Sale of goods | **17,551,250** | 15,346,282 |
| Rendering of services | **103,514** | – |
| | **17,654,764** | 15,346,282 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 5. EXPENSES BY NATURE

| | The Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| Bank charges | **87,627** | 63,182 |
| Change in inventories | **(195,328)** | (985,065) |
| Commission expense | **76,439** | 62,487 |
| Depreciation of property, plant and equipment (Note 20) | **202,831** | 213,779 |
| Directors' fees | **105,000** | 105,000 |
| Exhibition | **36,274** | 3,103 |
| Employee compensation (Note 6) | **1,352,518** | 1,467,539 |
| Freight and other cost | **493,562** | 432,807 |
| Fees on audit services paid/payable to: | | |
| – Auditor of the Company | **55,689** | 53,610 |
| – Other auditors* | **3,753** | 8,237 |
| Insurance | **36,546** | 32,195 |
| Legal and professional fees | **63,143** | 56,075 |
| License fee and permit | **31,816** | 37,775 |
| Listing fees and services | **20,400** | 20,400 |
| Purchases of inventories | **15,002,040** | 14,895,014 |
| Rental expense on operating leases | **98,505** | 208,027 |
| Repair and maintenance | **23,103** | 33,649 |
| Telecommunication | **35,915** | 61,431 |
| Travelling | **44,601** | 46,267 |
| Upkeep of motor vehicles | **36,802** | 28,612 |
| Water and electricity | **87,808** | 11,806 |
| Others | **251,417** | 302,654 |
| Total cost of sales, selling and marketing and administrative expenses | **17,950,461** | 17,158,584 |

* Includes the network of member firms of Nexia International.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 6. EMPLOYEE COMPENSATION

| | The Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| Wages and salaries | **1,239,597** | 1,366,117 |
| Employer's contribution to defined contribution plans including Central Provident Fund | **74,755** | 63,837 |
| Other short-term benefits | **38,166** | 37,585 |
| | **1,352,518** | 1,467,539 |

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

## 7. OTHER INCOME

| | The Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| Commission income | **2,520** | 33,526 |
| Rental income | **96,104** | – |
| Write-off of long-aged payables | **–** | 45,295 |
| Waiver of liabilities upon strike off of subsidiary corporation | **–** | 174,847 |
| Sale of scrap materials | **13,735** | 9,164 |
| Government grants* | **44,668** | 13,961 |
| Others | **15,009** | 13,651 |
| | **172,036** | 290,444 |

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

## 8. OTHER GAINS/(LOSSES) – NET

| | The Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| Allowance for impairment on trade receivables [Note 30(b)(ii)] | | |
| – Non-related parties | **(5,097)** | (99,776) |
| Allowance for impairment on other receivables [Note 30(b)(ii)] | **(14,819)** | (19,742) |
| Reversal on impairment on trade and other receivables [Note 30(b)(ii)] | **11,740** | – |
| Bad debts written-off – trade receivables | **–** | (13,778) |
| Fair value loss on financial assets at fair value through profit or loss (Note 13) | **(500,000)** | – |
| Inventory write down (Note 15) | **(367)** | (156,172) |
| Unrealised currency translation losses | **(30,703)** | (374,885) |
| Realised currency translation gain/(loss) | **698,770** | (237,075) |
| Others | **–** | 31,251 |
| | **159,524** | (870,177) |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 9. FINANCE EXPENSES

| | The Group | |
|---|---|---|
| | 2016 | 2015 |
| | $ | $ |
| Interest expense | | |
| – Bank overdrafts | **16** | 30 |
| – Trust receipts | **1,247** | – |
| – Finance lease liabilities | **1,933** | – |
| | **3,196** | 30 |

## 10. INCOME TAX BENEFIT

| | The Group | |
|---|---|---|
| | 2016 | 2015 |
| | $ | $ |
| Tax benefit attributable to profit/(loss) before income tax is made up of: | | |
| Profit/(loss) for the financial year: | | |
| Current income tax | | |
| – Foreign | **–** | (11,732) |
| Deferred income tax (Note 25) | **–** | (5,596) |
| | **–** | (17,328) |
| Over provision in prior financial years: | | |
| – Current income tax | **–** | – |
| – Deferred income tax (Note 25) | **(1,700,482)** | (36,536) |
| | **(1,700,482)** | (53,864) |

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:

| | The Group | |
|---|---|---|
| | 2016 | 2015 |
| | $ | $ |
| Profit/(loss) before income tax | **32,667** | (2,392,065) |
| Tax calculated at tax rate of 17% (2015: 17%) | **5,553** | (406,651) |
| Effects of: | | |
| – different tax rates in other countries | **59,724** | (161,688) |
| – expenses not deductible for tax purposes | **151,165** | 272,134 |
| – income not subject to tax | **(28,641)** | (21,036) |
| – deferred income tax assets not recognised | **14,214** | 299,913 |
| – utilisation of previous unrecognised tax loss | **(196,885)** | – |
| – overprovisions of deferred tax in prior years | **(1,700,482)** | (36,536) |
| – others | **(5,130)** | – |
| | **(1,700,482)** | (53,864) |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 11. EARNINGS/(LOSS) PER SHARE

**Basic earnings/(loss) per share**

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

**Diluted earnings/(loss) per share**

For the purpose of calculating diluted earnings/(loss) per share, 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 years ended 31 December 2016 and 2015.

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

| | The Group | |
|---|---|---|
| | **2016** | **2015** |
| Profit/(loss) attributable to equity holders of the Company ($) | **1,717,845** | (2,269,571) |
| Weighted average number of ordinary shares outstanding for basic and diluted earnings/(loss) per share ('000) | **751,200** | 751,200 |
| Basic and diluted earnings/(loss) per share (cents per share) | **0.23** | (0.30) |

## 12. CASH AND CASH EQUIVALENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$** | **$** | **$** | **$** |
| Cash at bank | **202,173** | 175,717 | **84,726** | 90,180 |
| Cash on hand | **1,037** | 1,093 | **384** | 127 |
| | **203,210** | 176,810 | **85,110** | 90,307 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 12. CASH AND CASH EQUIVALENTS

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

| | The Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| Cash and bank balances (as above) | **203,210** | 176,810 |
| Less: Bank overdrafts (Note 23) | **(4,733)** | (79,225) |
| | **198,477** | 97,585 |

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | The Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| Designated as at fair value on initial recognition – Securities | | |
| Unquoted shares: | | |
| – Beginning of financial year | **10,000,000** | 10,000,000 |
| – Fair value loss recognised in profit or loss (Note 8) | **(500,000)** | – |
| – End of financial year | **9,500,000** | 10,000,000 |

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 14. TRADE AND OTHER RECEIVABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$** | **$** | **$** | **$** |
| Trade receivables | | | | |
| – Subsidiary corporations | **–** | – | **68,629** | 5,744,089 |
| – Non-related parties | **1,143,055** | 765,711 | **855,027** | 383,146 |
| | **1,143,055** | 765,711 | **923,656** | 6,127,235 |
| Less: Allowance for impairment [Note 30(b)(ii)] | | | | |
| – Subsidiary corporations | – | – | **(35,434)** | (35,434) |
| – Non-related parties | **(5,068)** | (53,694) | **–** | – |
| | **(5,068)** | (53,694) | **(35,434)** | (35,434) |
| Trade receivables – net | **1,137,987** | 712,017 | **888,222** | 6,091,801 |
| Other receivables | | | | |
| – Subsidiary corporations | **–** | – | **20,060,445** | 14,395,508 |
| – Advances to suppliers[1] | **46,467** | 92,497 | **1,983** | 52,427 |
| – Related parties | **790,584** | 868,827 | **–** | – |
| Non-related parties | **109,783** | – | **12,092** | – |
| | **946,834** | 961,324 | **20,074,520** | 14,447,935 |
| Less: Allowance for impairment [Note 30(b)(ii)] | | | | |
| – Subsidiary corporations | **–** | – | **(13,713,179)** | (13,703,377) |
| – Associated company | **–** | – | **(746,905)** | (732,086) |
| – Related parties | **(790,584)** | (775,765) | **–** | – |
| | **(790,584)** | (775,765) | **(14,460,084)** | (14,435,463) |
| Other receivables – net | **156,250** | 185,559 | **5,614,436** | 12,472 |
| | **1,294,237** | 897,576 | **6,502,658** | 6,104,273 |

[1] Advances to suppliers relates to the advances made to the external parties on the confirmed purchase orders.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 15. INVENTORIES

| | The Group | | Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$** | **$** | **$** | **$** |
| Raw materials | **36,275** | 126,409 | **–** | – |
| Work-in-progress | **302,951** | 268,953 | **–** | – |
| Finished goods | **1,937,160** | 2,076,719 | **12,750** | 11,437 |
| | **2,276,386** | 2,472,081 | **12,750** | 11,437 |

The cost of inventories recognised as an expense and included in "Cost of sales" amounted to $14,806,712 (2015: $13,909,949).

During the financial year, the Group made an inventory write-down of $367 (2015: $156,172) (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.

## 16. OTHER CURRENT ASSETS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$** | **$** | **$** | **$** |
| Deposits | **126,315** | 145,562 | **26,060** | 23,560 |
| Prepayments | **147,038** | 117,419 | **–** | 3,782 |
| | **273,353** | 262,981 | **26,060** | 27,342 |

## 17. INVESTMENT IN AN ASSOCIATED COMPANY

| | The Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| Equity investment | | |
| *Cost* | | |
| Beginning of financial year | **–** | – |
| Add: Addition | **48** | – |
| End of financial year | **48** | – |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 17. INVESTMENT IN AN ASSOCIATED COMPANY

Details of the associated company are as follows:

| Name of company | Country of business/ incorporation | % of ownership 2016 % | 2015 % |
|---|---|---|---|
| Abhi Manggala Sentosa Pte Ltd[1] | Singapore | **24** | – |

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

## 18. INVESTMENTS IN SUBSIDIARY CORPORATIONS

| | The Company 2016 $ | 2015 $ |
|---|---|---|
| Equity investments, at cost | | |
| Beginning of financial year | **1,642,142** | 1,642,142 |
| Less: Allowance for impairment | **(1,414,706)** | (1,414,706) |
| End of financial year | **227,436** | 227,436 |
| Accumulated impairment: | | |
| Beginning and end of financial year | **1,414,706** | 1,414,706 |

Details of the subsidiary corporations are included in Note 36 to the financial statements.

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

*Carrying value of non-controlling interests*

| | 2016 $ | 2015 $ |
|---|---|---|
| Societe 3A | **329,945** | 308,624 |
| Other subsidiary corporations with immaterial non-controlling interests | **(42,959)** | (2,072) |
| | **286,986** | 306,552 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 18. INVESTMENTS IN SUBSIDIARY CORPORATIONS

**Societe 3A**

*Summarised balance sheet as at 31 December*

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Current | | |
| Assets | **988,632** | 979,295 |
| Liabilities | **(318,263)** | (352,647) |
| Total current net assets | **670,369** | 626,648 |
| Non-current assets | | |
| Assets | **2,989** | 3,197 |
| **Net assets** | **673,358** | 629,845 |

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

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| Revenue | **3,794,103** | 3,275,922 |
| **Profit/(Loss) before income tax** | **43,031** | (163,328) |
| Income tax benefits | **482** | 11,733 |
| **Net profit/(loss), net of income tax, represent the total comprehensive income/(loss)** | **43,513** | (151,595) |

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

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| **Net cash provided by operating activities** | **134,853** | 33,243 |
| **Net cash used in investing activity** | **(2,323)** | (1,188) |
| **Net increase in cash and cash equivalents** | **132,530** | 32,055 |
| Cash and cash equivalents at beginning of financial year | **(75,004)** | (107,056) |
| Effect on currency translation on cash and cash equivalents | **(2)** | (3) |
| **End of financial year** | **57,524** | (75,004) |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | The Group and the Company | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| Unlisted securities – Singapore | | |
| Beginning and end of financial year | **–** | – |

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 20. PROPERTY, PLANT AND EQUIPMENT

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 20. PROPERTY, PLANT AND EQUIPMENT

| The Group | Leasehold land and buildings $ | Furniture, fixtures and office equipment $ | Plant and equipment $ | Renovations $ | Motor vehicles $ | Computers $ | Total $ |
|---|---|---|---|---|---|---|---|
| **2015** | | | | | | | |
| *At cost and at valuation* | | | | | | | |
| Beginning of financial year | 4,306,606 | 234,480 | 680,061 | 113,736 | 657,469 | 168,539 | 6,160,891 |
| Currency translation differences | (38,191) | (4,859) | (22,446) | (3,763) | (10,743) | (855) | (80,857) |
| Revaluation adjustment | (373,881) | – | – | – | – | – | (373,881) |
| Additions | – | 514 | – | 3,110 | – | 2,359 | 5,983 |
| Disposals | – | (30,019) | – | – | – | – | (30,019) |
| End of financial year | 3,894,534 | 200,116 | 657,615 | 113,083 | 646,726 | 170,043 | 5,682,117 |
| Representing: | | | | | | | |
| Cost | – | 200,116 | 657,615 | 113,083 | 646,726 | 170,043 | 1,787,583 |
| Valuation | 3,894,534 | – | – | – | – | – | 3,894,534 |
| | 3,894,534 | 200,116 | 657,615 | 113,083 | 646,726 | 170,043 | 5,682,117 |
| *Accumulated depreciation and impairment losses* | | | | | | | |
| Beginning of financial year | 412,075 | 181,371 | 306,136 | 80,742 | 610,550 | 164,912 | 1,755,786 |
| Currency translation differences | (5,103) | (4,606) | (10,241) | (2,691) | (9,275) | (800) | (32,716) |
| Revaluation adjustment | (373,881) | – | – | – | – | – | (373,881) |
| Depreciation charge (Note 5) | 116,865 | 12,958 | 46,412 | 8,650 | 27,436 | 1,458 | 213,779 |
| Disposals | – | (30,019) | – | – | – | – | (30,019) |
| End of financial year | 149,956 | 159,704 | 342,307 | 86,701 | 628,711 | 165,570 | 1,532,949 |
| **Net book value** | | | | | | | |
| **End of financial year** | 3,744,578 | 40,412 | 315,309 | 26,382 | 18,015 | 4,473 | 4,149,168 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 20. PROPERTY, PLANT AND EQUIPMENT

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

| | Furniture, fixtures and office equipment<br>$ | Motor vehicles<br>$ | Computers<br>$ | Total<br>$ |
|---|---|---|---|---|
| **The Company** | | | | |
| **2015** | | | | |
| *At cost* | | | | |
| Beginning of financial year | 101,584 | 331,988 | 128,453 | 562,025 |
| Additions | – | – | 1,018 | 1,018 |
| End of financial year | 101,584 | 331,988 | 129,471 | 563,043 |
| *Accumulated depreciation* | | | | |
| Beginning of financial year | 56,408 | 331,988 | 126,445 | 514,841 |
| Depreciation charge | 8,424 | – | 605 | 9,029 |
| End of financial year | 64,832 | 331,988 | 127,050 | 523,870 |
| **Net book value** | | | | |
| **End of financial year** | 36,752 | – | 2,421 | 39,173 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 20. PROPERTY, PLANT AND EQUIPMENT

(a) Included within additions of the Group are motor vehicles and equipment acquired under finance lease amounting to $51,630 and $37,800 (2015: $Nil) respectively.

The carrying amounts of motor vehicles and equipment held under finance leases are $47,244 and $36,624 (2015: $37,455 and $Nil) respectively at the balance sheet date.

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

**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)** |
| | **$** | **$** | **$** |
| **2016** | | | |
| Recurring fair value measurements | | | |
| Leasehold properties: | | | |
| – Factory – Indonesia | **–** | **3,949,147** | **–** |
| **2015** | | | |
| Recurring fair value measurements | | | |
| Leasehold properties: | | | |
| – Factory – Indonesia | – | 3,894,534 | – |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 20. PROPERTY, PLANT AND EQUIPMENT

**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 $967,268 (2015: $946,898).

## 21. GOODWILL ON CONSOLIDATION

| | The Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| *Cost* | | |
| Beginning and end of financial year | **37,699** | 37,699 |
| *Accumulated impairment* | | |
| Beginning and end of financial year | **37,699** | 37,699 |
| Net book value | **–** | – |

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 22. TRADE AND OTHER PAYABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$** | **$** | **$** | **$** |
| Trade payables | | | | |
| – Non-related parties | **1,071,867** | 700,879 | **772,025** | 319,751 |
| Other payables | | | | |
| – Subsidiary corporations | **–** | – | **1,110,977** | 563,786 |
| – Non-controlling interests | **61,607** | – | **–** | – |
| – Directors | **277,416** | 47,941 | **277,416** | – |
| – Non-related parties | **309,821** | 489,613 | **183,258** | 184,822 |
| | **648,844** | 537,554 | **1,571,651** | 748,608 |
| Accruals for operating expenses | **1,024,082** | 1,094,762 | **511,727** | 727,201 |
| Advances received from customers | **106,334** | 266,194 | **53,999** | 38,198 |
| | **2,851,127** | 2,599,389 | **2,909,402** | 1,833,758 |

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

## 23. BORROWINGS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$** | **$** | **$** | **$** |
| Bank borrowings | | | | |
| *Current* | | | | |
| Bank overdrafts (Note 12) | **4,733** | 79,225 | **–** | – |
| Finance lease liabilities (Note 24) | **31,428** | 37,455 | **31,428** | – |
| | **36,161** | 116,680 | **31,428** | – |
| *Non-current* | | | | |
| Finance lease liabilities (Note 24) | **56,350** | – | **56,350** | – |
| | **92,511** | 116,680 | **87,778** | – |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 23. BORROWINGS

### (a) Security granted

Finance lease liabilities of the Group are effectively secured by the rights to the leased motor vehicles and equipment (Note 20), as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the finance lease liabilities.

### (b) Fair value of non-current borrowings

| | The Group and the Company | |
|---|---|---|
| | 2016 | 2015 |
| | $ | $ |
| Finance lease liabilities | **56,350** | – |

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

| | The Group and the Company | |
|---|---|---|
| | 2016 | 2015 |
| | % | % |
| Finance lease liabilities | **3% – 4.5%** | – |

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

## 24. FINANCE LEASE LIABILITIES

The Group leases motor vehicles and equipment 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.

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $ | $ | $ | $ |
| Minimum lease payments due | | | | |
| – Not later than one year | **34,788** | 42,699 | **34,788** | – |
| – Between one and five years | **58,679** | – | **58,679** | – |
| | **93,467** | 42,699 | **93,467** | – |
| Less: Future finance charges | **(5,689)** | (5,244) | **(5,689)** | – |
| Present value of finance lease liabilities | **87,778** | 37,455 | **87,778** | – |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 24. FINANCE LEASE LIABILITIES

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $ | $ | $ | $ |
| Not later than one year (Note 23) | **31,428** | 37,455 | **31,428** | – |
| Later than one year (Note 23) | | | | |
| – Between one and five years | **56,350** | – | **56,350** | – |
| | **87,778** | 37,455 | **87,778** | 37,455 |

## 25. DEFERRED INCOME TAXES

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

| | The Group | |
|---|---|---|
| | 2016 | 2015 |
| | $ | $ |
| **Deferred tax assets** | | |
| (to be recovered after one year) | | |
| – Unutilised tax losses | **(64,785)** | (61,771) |
| **Deferred tax liabilities** | | |
| (to be settled after one year) | | |
| – Accelerated tax depreciation | **49,098** | 46,816 |
| – Fair value gain | **195,000** | 1,895,000 |
| | **244,098** | 1,941,816 |

Movement in deferred income tax account is as follows:

| | The Group | |
|---|---|---|
| | 2016 | 2015 |
| | $ | $ |
| Beginning of financial year | **1,880,045** | 1,947,412 |
| Currency translation differences | **(250)** | (25,235) |
| Tax credited to profit or loss (Note 10) | **–** | (5,596) |
| Overprovision in prior financial year (Note 10) | **(1,700,482)** | (36,536) |
| End of financial year | **179,313** | 1,880,045 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 25. DEFERRED INCOME TAXES

Deferred tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group have unrecognised tax losses and unutilised capital allowance of approximately $7,227,175 (2015: $8,308,908) and $7,196 (2015: $Nil) respectively at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation. The unrecognised tax losses and unutilised capital allowance have no expiry date.

## 26. SHARE CAPITAL

| | No. of ordinary shares | Amount $ |
|---|---|---|
| **The Group and the Company** | | |
| **2016** | | |
| Beginning and end of financial year | **751,200,000** | **17,817,108** |
| **2015** | | |
| Beginning and end of financial year | 751,200,000 | 17,817,108 |

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

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

## 27. OTHER RESERVES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2016** $ | **2015** $ | **2016** $ | **2015** $ |
| (a) Composition: | | | | |
| Capital reserve | **14,393** | 14,393 | **14,393** | 14,393 |
| Currency translation reserve | **1,952,949** | 2,511,826 | **–** | – |
| Fair value reserve | **(36,000)** | (36,000) | **(36,000)** | (36,000) |
| General reserve | **(1,518,991)** | (1,518,991) | **–** | – |
| Asset revaluation reserve | **2,954,543** | 2,954,543 | **–** | – |
| | **3,366,894** | 3,925,771 | **(21,607)** | (21,607) |
| (b) Movements: | | | | |
| ***(i) Capital reserve*** | | | | |
| Beginning and end of financial year | **14,393** | 14,393 | **14,393** | 14,393 |

## 27. OTHER RESERVES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$** | **$** | **$** | **$** |
| ***(ii) Currency translation reserve*** | | | | |
| Beginning of financial year | **2,511,826** | 2,164,805 | **–** | – |
| Net currency translation differences of financial statements of: | | | | |
| – Foreign subsidiary corporations | **(554,615)** | 324,183 | **–** | – |
| Add: Non-controlling interests | **(4,262)** | 22,838 | **–** | – |
| | **(558,877)** | 347,021 | **–** | – |
| End of financial year | **1,952,949** | 2,511,826 | **–** | – |
| ***(iii) Fair value reserve*** | | | | |
| Beginning and end of financial year | **(36,000)** | (36,000) | **(36,000)** | (36,000) |
| ***(iv) General reserve*** | | | | |
| Beginning and end of financial year | **(1,518,991)** | (1,518,991) | **–** | – |
| ***(v) Asset revaluation reserve*** | | | | |
| Beginning of financial year | **2,954,543** | 2,954,503 | **–** | – |
| Revaluation gains | **–** | 40 | **–** | – |
| End of financial year | **2,954,543** | 2,954,543 | **–** | – |

Other reserves are non-distributable.

## 28. ACCUMULATED LOSSES

Movement in accumulated losses for the Company is as follows:

| | Company | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| Beginning of financial year | **(13,129,291)** | (13,081,672) |
| Net loss | **(677,539)** | (47,619) |
| End of financial year | **(13,806,830)** | (13,129,291) |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 29. COMMITMENTS

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

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

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $ | $ | $ | $ |
| Not later than one year | **78,000** | 78,000 | **78,000** | 78,000 |
| Between one and five years | **97,500** | – | **97,500** | – |
| | **175,500** | 78,000 | **175,500** | 78,000 |

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

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

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $ | $ | $ | $ |
| Not later than one year | **193,507** | – | **–** | – |
| Between one and five years | **96,754** | – | **–** | – |
| | **290,261** | – | **–** | – |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 30. FINANCIAL RISK MANAGEMENT

**Financial risk factors**

The Group's activities expose it to market risk (including currency risk and interest rate risk), credit risk, 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 subsidiary corporations 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").

## 30. FINANCIAL RISK MANAGEMENT

### (a) Market risk

*(i) Currency risk*

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

| | SGD<br>$ | USD<br>$ | Euro<br>$ | IDR<br>$ | Other<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|
| **2016** | | | | | | |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 8,216 | 109,837 | 65,495 | 12,118 | 7,544 | 203,210 |
| Financial assets, at fair value through profit or loss | 9,500,000 | – | – | – | – | 9,500,000 |
| Trade and other receivables | 12,288 | 998,667 | 179,142 | 57,673 | – | 1,247,770 |
| Receivables from subsidiary corporations | 3,185,417 | 17,966,882 | – | – | – | 21,152,299 |
| Other current assets | 26,060 | – | 99,717 | 538 | – | 126,315 |
| | 12,731,981 | 19,075,386 | 344,354 | 70,329 | 7,544 | 32,229,594 |
| **Financial liabilities** | | | | | | |
| Trade and other payables | (1,059,810) | (889,093) | (245,078) | (356,035) | (194,777) | (2,744,793) |
| Payables to subsidiary corporations | (3,185,417) | (17,966,882) | – | – | – | (21,152,299) |
| Borrowings | (87,778) | – | (4,733) | – | – | (92,511) |
| | (4,333,005) | (18,855,975) | (249,811) | (356,035) | (194,777) | (23,989,603) |
| **Net financial assets/(liabilities)** | 8,398,976 | 219,411 | 94,543 | (285,706) | (187,233) | 8,239,991 |
| Less: financial liabilities/(assets) denominated in the respective entities' functional currencies | (8,398,976) | – | (58,077) | 290,780 | 200,090 | (7,966,183) |
| **Currency exposure of financial assets/ (liabilities) net of those denominated in the respective entities functional currencies** | – | 219,411 | 36,466 | 5,074 | 12,857 | 273,808 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 30. FINANCIAL RISK MANAGEMENT

### (a) Market risk

*(i) Currency risk*

| | SGD | USD | Euro | IDR | Other | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **2015** | | | | | | |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 8,104 | 150,340 | 4,221 | 10,151 | 3,994 | 176,810 |
| Financial assets, at fair value through profit or loss | 10,000,000 | – | – | – | – | 10,000,000 |
| Trade and other receivables | 23,687 | 412,360 | 356,836 | 12,196 | – | 805,079 |
| Receivables from subsidiary corporations | 3,725,732 | 15,324,901 | – | – | – | 19,050,633 |
| Other current assets | 25,900 | – | 119,662 | – | – | 145,562 |
| | 13,783,423 | 15,887,601 | 480,719 | 22,347 | 3,994 | 30,178,084 |
| **Financial liabilities** | | | | | | |
| Trade and other payables | (1,032,627) | (374,224) | (70,475) | (425,517) | (430,352) | (2,333,195) |
| Payables to subsidiary corporations | (3,725,732) | (15,324,901) | – | – | – | (19,050,633) |
| Borrowings | – | – | (79,225) | (37,455) | – | (116,680) |
| | (4,758,359) | (15,699,125) | (149,700) | (462,972) | (430,352) | (21,500,508) |
| **Net financial assets/(liabilities)** | 9,025,064 | 188,476 | 331,019 | (440,625) | (426,358) | 8,677,576 |
| Less: financial liabilities/(assets) denominated in the respective entities' functional currencies | (9,025,064) | – | (331,019) | 443,033 | 426,358 | (8,486,692) |
| **Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities functional currencies** | – | 188,476 | – | 2,408 | – | 190,884 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 30. FINANCIAL RISK MANAGEMENT

### (a) Market risk

*(i) Currency risk*

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

| | SGD<br>$ | USD<br>$ | Other<br>$ | Total<br>$ |
|---|---|---|---|---|
| **2016** | | | | |
| **Financial assets** | | | | |
| Cash and cash equivalents | **3,399** | **76,556** | **5,155** | **85,110** |
| Trade and other receivables | **12,092** | **6,488,583** | **–** | **6,500,675** |
| Other current assets | **26,060** | **–** | **–** | **26,060** |
| | **41,551** | **6,565,139** | **5,155** | **6,611,845** |
| **Financial liabilities** | | | | |
| Trade and other payables | **(1,189,011)** | **(1,666,311)** | **(81)** | **(2,855,403)** |
| Borrowings | **(87,778)** | **–** | **–** | **(87,778)** |
| | **(1,276,789)** | **(1,666,311)** | **(81)** | **(2,943,181)** |
| **Net financial assets/ (liabilities)** | **(1,235,238)** | **4,898,828** | **5,074** | **3,668,664** |
| Less: financial liabilities denominated in the Company's functional currency | **1,235,238** | **–** | **–** | **1,235,238** |
| **Currency exposure of financial assets net of those denominated in the Company's functional currency** | **–** | **4,898,828** | **5,074** | **4,903,902** |
| **2015** | | | | |
| **Financial assets** | | | | |
| Cash and cash equivalents | 3,883 | 84,632 | 1,792 | 90,307 |
| Trade and other receivables | 4,861,613 | 1,191,770 | – | 6,053,383 |
| Other current assets | 23,560 | – | – | 23,560 |
| | 4,889,056 | 1,276,402 | 1,792 | 6,167,250 |
| **Financial liabilities** | | | | |
| Trade and other payables | 891,191 | 673,635 | 230,734 | 1,795,560 |
| **Net financial (liabilities)/ assets** | 3,997,865 | 602,767 | (228,942) | 4,371,690 |
| Less: financial assets denominated in the Company's functional currency | (3,997,865) | – | – | (3,997,865) |
| **Currency exposure of financial assets/(liabilities) net of those denominated in the Company's functional currency** | – | 602,767 | (228,942) | 373,825 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 30. FINANCIAL RISK MANAGEMENT

### (a) Market risk

*(i) Currency risk*

If the USD, IDR and other currencies change against the SGD by 2%, 5% and 2% respectively (2015: 8%, 9% and 8%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Increase/(Decrease) | | | |
| | Net profit | Equity | Net loss | Equity |
| | $ | $ | $ | $ |
| **Group** | | | | |
| USD against SGD | | | | |
| – strengthened | **3,642** | **3,642** | 12,515 | 12,515 |
| – weakened | **(3,642)** | **(3,642)** | (12,515) | (12,515) |
| IDR against SGD | | | | |
| – strengthened | **211** | **211** | 180 | 180 |
| – weakened | **(211)** | **(211)** | (180) | (180) |
| Other currencies against SGD | | | | |
| – strengthened | **213** | **213** | – | – |
| – weakened | **(213)** | **(213)** | – | – |
| **Company** | | | | |
| USD against SGD | | | | |
| – strengthened | **81,320** | **81,320** | 41,407 | 41,407 |
| – weakened | **(81,320)** | **(81,320)** | (41,407) | (41,407) |
| Other currencies against SGD | | | | |
| – strengthened | **84** | **84** | (11,401) | (11,401) |
| – weakened | **(84)** | **(84)** | 11,401 | 11,401 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 30. FINANCIAL RISK MANAGEMENT

### (a) Market risk

*(ii) Cash flow and fair value interest rate risks*

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

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

The Group have borrowings at variable rates on which effective hedges have not been entered into. If the interest rates increase/decrease by 1% (2015: 1%) with all other variables including tax rate being held constant, the net loss of the Group will be higher/lower by $768 (2015: $968) 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.

The trade receivables of the Group and of the Company comprise 5 debtors (2015: 8 debtors) and 4 debtors (2015: 7 debtors) respectively that individually represented more than 5% of trade receivables.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 30. FINANCIAL RISK MANAGEMENT

### (b) Credit risk

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$** | **$** | **$** | **$** |
| By geographical areas | | | | |
| Australia/New Zealand | **266,876** | 22,503 | **213,677** | 22,503 |
| Europe | **834,384** | 739,982 | **674,546** | 383,146 |
| Asia/Others | **192,977** | 135,091 | **5,614,435** | 5,698,624 |
| | **1,294,237** | 897,576 | **6,502,658** | 6,104,273 |
| By types of customers | | | | |
| Related parties | | | | |
| – Corporate | **76,549** | – | **5,633,556** | 5,668,700 |
| Non-related parties | | | | |
| – Corporate | **1,217,688** | 897,576 | **869,102** | 435,573 |
| | **1,294,237** | 897,576 | **6,502,658** | 6,104,273 |

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 30. FINANCIAL RISK MANAGEMENT

### (b) Credit risk

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

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$** | **$** | **$** | **$** |
| Past due 0 to 3 months | **–** | 108,524 | **–** | 6,792 |
| Past due 3 to 6 months | **–** | 6,795 | **–** | – |
| Past due over 6 months | **76,549** | 64,737 | **8,717** | – |
| | **76,549** | 180,058 | **8,717** | 6,792 |

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$** | **$** | **$** | **$** |
| Past due over 6 months | **76,549** | 64,737 | **44,151** | 35,434 |
| Less: Allowance for impairment (Note 14) | **(5,068)** | (53,694) | **(35,434)** | (35,434) |
| | **71,481** | 11,043 | **8,717** | – |
| | | | | |
| Beginning of financial year | **53,694** | 15,169 | **35,434** | 35,434 |
| Allowance made (Note 8) | **5,097** | 99,776 | **–** | – |
| Reversal of impairment | **(11,740)** | – | **–** | – |
| Allowance utilised | **(41,983)** | (61,251) | **–** | – |
| End of financial year | **5,068** | 53,694 | **35,434** | 35,434 |

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

## 30. FINANCIAL RISK MANAGEMENT

### (b) Credit risk

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

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$** | **$** | **$** | **$** |
| Beginning of financial year | **775,765** | 756,023 | **14,435,463** | 14,406,735 |
| Allowance made (Note 8) | **14,819** | 19,742 | **24,621** | 28,728 |
| End of financial year | **790,584** | 775,765 | **14,460,084** | 14,435,463 |

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 23).

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 30. FINANCIAL RISK MANAGEMENT

### (c) Liquidity risk

| | Less than 1 year $ | Between 1 and 2 years $ |
|---|---|---|
| **The Group** | | |
| **2016** | | |
| Trade and other payables | **2,744,793** | **–** |
| Borrowings | **36,161** | **58,679** |
| | **2,780,954** | **58,679** |
| **2015** | | |
| Trade and other payables | 2,333,195 | – |
| Borrowings | 116,680 | – |
| | 2,449,875 | – |
| **The Company** | | |
| **2016** | | |
| Trade and other payables | **2,855,403** | **–** |
| Borrowings | **31,428** | **58,679** |
| | **2,886,831** | **58,679** |
| **2015** | | |
| Trade and other payables | 1,795,560 | – |

### (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% (2015: within 10% to 50%).

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 30. FINANCIAL RISK MANAGEMENT

### (d) Capital risk

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $ | $ | $ | $ |
| Net debt | **2,740,428** | 2,539,259 | **2,912,070** | 1,743,451 |
| Total equity | **14,541,036** | 13,362,502 | **3,988,671** | 4,666,210 |
| Total capital | **17,281,464** | 15,901,761 | **6,900,741** | 6,409,661 |
| Gearing ratio | **16%** | 16% | **42%** | 27% |

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2015 and 2016.

### (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).

| The Group | Level 2 |
|---|---|
| | $ |
| **2016** | |
| Financial assets at fair value through profit or loss | **9,500,000** |
| **2015** | |
| Financial assets at fair value through profit or loss | 10,000,000 |

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 30. FINANCIAL RISK MANAGEMENT

### (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 13 and 19 to the financial statements, except for the following:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **$** | **$** | **$** | **$** |
| Loans and receivables | **1,577,295** | 1,127,451 | **6,611,845** | 6,167,250 |
| Financial liabilities at amortised cost | **2,837,304** | 2,449,875 | **2,943,181** | 1,795,560 |

## 31. RELATED PARTY TRANSACTIONS

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

(b) Key management personnel compensation is as follows:

| | The Group | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| Directors' fees | **105,000** | 105,000 |
| Salaries and bonus | **717,346** | 826,836 |
| Employer's contribution to defined contribution plans, including Central Provident Fund | **47,600** | 47,400 |
| Other short-term benefits | **42,422** | 36,040 |
| | **912,368** | 1,015,276 |

Included in the above is total compensation to directors of the Company amounting to $566,538 (2015: $653,740).

## 32. SEGMENT INFORMATION

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

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

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

### (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:

| | **2016 Revenue** | | **2015 Revenue** | |
|---|---|---|---|---|
| | **$** | **%** | **$** | **%** |
| The Group | | | | |
| Wood-based products | **17,275,826** | **97.8** | 14,976,265 | 97.6 |
| Outdoor lifestyle furniture | **251,763** | **1.4** | 370,017 | 2.4 |
| Other | **127,175** | **0.8** | – | – |
| Total | **17,654,764** | **100.0** | 15,346,282 | 100.0 |

### (b) Geographical information

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 32. SEGMENT INFORMATION

### (b) Geographical information

| | 2016 Revenue | | 2015 Revenue | |
|---|---|---|---|---|
| | $ | % | $ | % |
| The Group | | | | |
| Australia/New Zealand | **3,001,441** | **17.0** | 4,746,625 | 31.0 |
| Europe | **12,764,168** | **72.3** | 10,174,147 | 66.3 |
| Asia/Others | **1,889,155** | **10.7** | 425,510 | 2.7 |
| | **17,654,764** | **100.0** | 15,346,282 | 100.0 |

| | 2016 Non-current assets | | 2015 Non-current assets | |
|---|---|---|---|---|
| | $ | % | $ | % |
| Europe | **2,989** | **0.1** | 3,197 | 0.1 |
| Asia/Others | **4,178,597** | **99.9** | 4,207,742 | 99.9 |
| | **4,181,586** | **100.0** | 4,210,939 | 100.0 |

## 33. CONTINGENT LIABILITIES

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

## 34. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2017 or later periods and which the Group has not early adopted:

Effective for annual periods beginning on or after 1 January 2017

- Amendments to FRS 7: Disclosure Initiatives
- Amendments to FRS 12: Recognition of Deferred Tax Assets for unrealised losses
- Improvements to FRSs (December 2016)
- Amendments to FRS 112: Disclosure of Interest in Other Entities

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 34. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Effective for annual periods beginning on or after 1 January 2018

FRS 115 Revenue from Contracts and Customers

This is the converged standard on revenue recognition. It replaces FRS11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

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

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

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

(i) Rights of return – FRS 115 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation; and

(ii) Accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under FRS 115.

At this stage, the Group is not able to estimate the impact of the new rules on the Group’s financial statements. The Group will make more detailed assessment of the impact over the next twelve months.

FRS 109 Financial Instruments

The complete version of FRS 109 replaces most of the guidance in FRS 39. FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (“OCI”) and fair value through Profit or Loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investment in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 34. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Effective for annual periods beginning on or after 1 January 2018

FRS 109 Financial Instruments

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, the financial assets of the Group would appear to satisfy the conditions for classification as amortised cost and hence there will be no change to the accounting for these assets.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification of its financial assets.

For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designated at fair value through profit or loss. There will be no impact on the Group's accounting for financial liabilities as the Group does not have any such liabilities.

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. There will be no impact on the Group's accounting as the Group does not have any such hedging instrument.

There is now a new expected credit loss model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 Revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment on how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

- Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers
- Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions
- Amendments to FRS 40: Transfer of Investment Property
- INT FRS 122 Foreign Currency Transactions and Advance Consideration
- Improvements to FRSs (December 2016)
  - Amendments to FRS 101: First-time Adoption of Financial Reporting Standards
  - Amendments to FRS 28: Investments in Associates and Joint Ventures

## 34. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Effective for annual periods beginning on or after 1 January 2019

FRS 116 Leases Illustrative Examples & Amendments to Guidance on Other Standards

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

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $290,261 (2015: $Nil) (Note 29 (b)). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

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

The Group has yet to assess the full impact from adoption of the above standards and intends to apply the relevant standards in the financial years where the standards become effective.

IFRS CONVERGENCE IN 2018 – Singapore-incorporated companies listed on the Singapore Exchange ("SGX") will be required to apply a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after 1 January 2018. The Group will be adopting the new framework for the first time for financial year ending 31 December 2018, with retrospective application to the comparative financial year ending 31 December 2017 and the opening statement of financial position as at 1 January 2017 (date of transition).

Management expects the potential impact arising from new/amended IFRSs will be consistent with those described above. Management is currently performing a detailed analysis of the transition options and other requirements of IFRS 1.

Based on a preliminary assessment of the potential impact arising from IFRS 1 First-time adoption of IFRS, management does not expect any material change to the Group's current accounting policies or material adjustments on transition to the new framework, other than those that may arise from implementing new/amended IFRSs, and the election of certain transition options available under IFRS 1.

## 35. 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 31 March 2017.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 36. SIGNIFICANT 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 | |
|---|---|---|---|---|---|---|---|---|
| | | | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | | | % | % | % | % | % | % |
| **Subsidiary corporations held by the Company** | | | | | | | | |
| Energetic Industries Sdn Bhd[(b)] | Inactive | Malaysia | **100** | 100 | **100** | 100 | **–** | – |
| Sitra Dove Logistics Sdn. Bhd.[(b)] | Inactive | Malaysia | **100** | 100 | **100** | 100 | **–** | – |
| E-Timberhub Pte Ltd[(a)] | Importer, exporter of wood-based and other related products. | Singapore | **100** | 100 | **100** | 100 | **–** | – |
| Sitra Agencies Pte Ltd[(a)] | Importer, exporter of wood-based and other related products. | Singapore | **100** | 100 | **100** | 100 | **–** | – |
| Suncoast Sitra Pte Ltd[(a)] | Investment holding and importer, exporter of lifestyle furniture and other related products. | Singapore | **56.5** | 56.5 | **95.4** | 95.4 | **4.6** | 4.6 |
| **Subsidiary corporation held by Suncoast Sitra Pte Ltd** | | | | | | | | |
| Suncoast Sitra Pty Ltd[(c)] | Inactive | Australia | **–** | – | **–** | – | **–** | – |
| **Subsidiary corporations 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 | Inactive | Ukraine | **97** | 97 | **97** | 97 | **3** | 3 |
| 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)] | Inactive | United Arab Emirates | **49** | 49 | **49** | 49 | **51** | 51 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

## 36. SIGNIFICANT 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 | |
|---|---|---|---|---|---|---|---|---|
| | | | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | | | % | % | % | % | % | % |
| **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 | **49** | 100 | **–** | – |
| Suncoast Sitra Pte Ltd[a] | 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 |
| Abhi Manggala Sentosa Pte Ltd[f] | General wholesale trade including general importers and exporters of agricultural products. | Singapore | **–** | – | **24** | – | **76** | – |

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

[b] *Audited by SQ Morison Chartered Accountants (Malaysia).*

[c] *The Company was inactive for the current financial year.*

[d] *Audited by Malandain Associes (France).*

[e] *Audited by Nexia TS Public Accounting Corporation (Singapore), a member firm of Nexia International for consolidation purpose.*

[f] *The Company was newly incorporated on 14 October 2016.*

[g] *Sitra BMG Middle East LLC is regarded as a subsidiary corporation on the basis that the Group has control.*

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 subsidiary corporations would not compromise the standard and effectiveness of the audit of the consolidated financial statements.

# STATISTICS OF SHAREHOLDINGS

AS AT 13 MARCH 2017

## SHARE CAPITAL

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

The Company has no treasury shares and subsidiary holdings as at 13 March 2017.

## DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 13 MARCH 2017

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 – 99 | 5 | 0.78 | 90 | 0.00 |
| 100 – 1,000 | 20 | 3.10 | 16,000 | 0.00 |
| 1,001 – 10,000 | 62 | 9.63 | 439,300 | 0.06 |
| 10,001 – 1,000,000 | 503 | 78.10 | 107,716,901 | 14.34 |
| 1,000,001 and above | 54 | 8.39 | 643,027,709 | 85.60 |
| **Total** | **644** | **100.00** | **751,200,000** | **100.00** |

## TWENTY LARGEST SHAREHOLDERS
**As at 13 March 2017**

| | SHAREHOLDER'S NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | CHEW AH BA | 120,949,081 | 16.10 |
| 2 | LIU YINGCHUN | 97,380,000 | 12.96 |
| 3 | TAN TERESA | 86,029,318 | 11.45 |
| 4 | JOSCA WOO KONG HWA | 84,000,000 | 11.18 |
| 5 | CHEW HUA SENG | 63,115,100 | 8.40 |
| 6 | MAYBANK KIM ENG SECURITIES PTE LTD | 31,649,100 | 4.21 |
| 7 | CHEW CHIEW SIANG STEVEN | 23,389,000 | 3.11 |
| 8 | PHILLIP SECURITIES PTE LTD | 9,994,500 | 1.33 |
| 9 | OCBC SECURITIES PRIVATE LTD | 8,740,000 | 1.16 |
| 10 | YEO LAI CHOO @YEO LAI CHOO CECILIA | 7,700,000 | 1.03 |
| 11 | ANG CHIN SAN | 7,351,000 | 0.98 |
| 12 | MEHTA VIMESH PIYUSH | 6,710,000 | 0.89 |
| 13 | DBS NOMINEES PTE LTD | 6,334,110 | 0.84 |
| 14 | TAN KOOI JIN | 5,645,000 | 0.75 |
| 15 | CHIN SEK PENG | 4,831,000 | 0.64 |
| 16 | ASHNAV PTE LTD | 4,560,000 | 0.61 |
| 17 | NG BOON HUAN DANIELS | 4,120,000 | 0.55 |
| 18 | KARUPPIAH PALANIAPPAN | 3,800,000 | 0.51 |
| 19 | RAFFLES NOMINEES (PTE) LTD | 3,359,000 | 0.45 |
| 20 | SATPAL KAUR | 3,300,000 | 0.44 |
| | **Total** | **582,956,209** | **77.59** |

# STATISTICS OF SHAREHOLDINGS

AS AT 13 MARCH 2017

## SUBSTANTIAL SHAREHOLDERS

As at 13 March 2017 as shown in the Company's Register of Substantial Shareholders

| Name of Substantial Shareholder | Direct Interest Number of Shares | Direct Interest % | Deemed Interest Number of Shares | Deemed Interest % | Total Interest Number of Shares | Total Interest % |
|---|---|---|---|---|---|---|
| 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 |
| Liu Yingchun | 92,380,000 | 12.30 | – | – | 92,380,000 | 12.30 |
| Josca Woo Kong Hwa | 84,000,000 | 11.18 | – | – | 84,000,000 | 11.18 |
| Chew Hua Seng | 63,115,100 | 8.40 | – | – | 63,115,100 | 8.40 |

**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.

**Free Float**

Based on the Register of Substantial Shareholders as at 13 March 2017, approximately 35.59% 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, 27 April 2017 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 2016, the Statement of Directors and the Report of the Auditors thereon. **(Resolution 1)**

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

3. To approve the payment of Directors' fees of S$105,000 for the financial year ended 31 December 2016. (2015: S$105,000) **(Resolution 4)**

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

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

**AS SPECIAL BUSINESS**

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

6. Authority to allot and issue shares

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

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

# NOTICE OF ANNUAL GENERAL MEETING

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

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

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

provided that:

(i) the aggregate number of Shares to be issued pursuant to this Ordinary Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution) does not exceed 100% of the total number of issued shares in the capital of the Company excluding treasury shares and subsidiary holdings (as calculated in accordance with subparagraph (ii) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution) does not exceed 50% of the total number of issued shares in the capital of the Company excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (ii) below);

(ii) for the purpose of determining the aggregate number of Shares that may be issued under 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 and subsidiary holdings at the time of passing of this Ordinary Resolution, after adjusting for:

(1) new Shares arising from the conversion or exercise of any convertible securities;

(2) new Shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of passing of this Ordinary Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist; and

(3) any subsequent bonus issue, consolidation or subdivision of Shares;

(iii) in exercising the authority conferred by this Ordinary Resolution, the Company shall comply with the provisions of the Rules of Catalist for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association for the time being of the Company; and

# NOTICE OF ANNUAL GENERAL MEETING

(iv) unless revoked or varied by the Company in general meeting, the authority conferred by this Ordinary Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier; and

(c) the Directors be and are hereby authorized to do any and all acts which they deem necessary and expedient in connection with paragraphs (a) and (b) above.

**(Resolution 6)**

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

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

(A) offer and grant options in accordance with the Sitra Holdings Employee Share Option Scheme (the "**Scheme**") and the Memorandum and Articles of Association of the Company; and

(B) allot and issue from time to time such number of fully paid-up Shares as may be required to be delivered pursuant to the exercise of options under the Scheme,

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

**(Resolution 7)**

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

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

(A) grant awards in accordance with the Sitra Holdings Performance Share Plan (the "**Plan**") and the Memorandum and Articles of Association of the Company; and

(B) allot and issue from time to time such number of fully paid-up Shares as may be required to be delivered pursuant to the vesting of awards under the Plan,

# NOTICE OF ANNUAL GENERAL MEETING

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

**(Resolution 8)**

By Order of the Board

Joanna Lim Lan Sim
Company Secretary

Singapore, 12 April 2017

**Explanatory Notes**

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 2016 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 Mdm Tan,Teresa (substantial shareholder) and Mr Chew Ah Ba, George (Director and Chief Executive Officer of the Company).

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

**Ordinary Resolution 6**

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

# NOTICE OF ANNUAL GENERAL MEETING

**Ordinary Resolution 7**

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

**Ordinary Resolution 8**

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

**Notes:**

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

(2) Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the Annual General Meeting. Relevant intermediary is either:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;

(b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or

(c) the Central Provident Fund ("**CPF**") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

(3) If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

(4) An investor who buys shares using CPF monies ("**CPF Investor**") and/or SRS monies ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

(5) 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 Meeting.

# NOTICE OF ANNUAL GENERAL MEETING

**Personal data privacy:**

By submitting a proxy form (including a Depositor 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 and/or a Depositor (i) consents to the collection, use and disclosure of the personal data of the member and/or Depositor by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member and/or Depositor discloses the personal data of the proxy(ies) and/or representative(s) of the member and/or Depositor to the Company (or its agents or service providers), the member and/or Depositor has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member and/or Depositor 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 and/or Depositor.

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# SITRA HOLDINGS (INTERNATIONAL) LIMITED

(Company Registration No.: 197901237E)
(Incorporated in the Republic of Singapore)

**PROXY FORM**

**Important:**
1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

*I/We, ______________________________ NRIC/Passport no. ______________

of ______________________________

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

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

*and/or

| | | | |
|---|---|---|---|
| | | | |

as *my/our proxy/proxies* to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held at 15 Hillview Terrace, Singapore 669226 on Thursday, 27 April 2017 at 9.30 a.m. and at any adjournment thereof.

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

| | Ordinary Resolutions | For | Against |
|---|---|---|---|
| 1. | To receive and consider the Audited Financial Statements for the financial year ended 31 December 2016, the Directors' Statement and the Reports of Auditors thereon. **(Resolution 1)** | | |
| 2. | To re-elect Mr Chew Chiew Siang, Steven (Retiring under Article 91). **(Resolution 2)** | | |
| 3. | To re-elect Mr Ng Boon Huan, Daniels (Retiring under Article 91). **(Resolution 3)** | | |
| 4. | To approve the payment of Directors' fees of S$105,000 for the financial year ended 31 December 2016 (2015: S$105,000). **(Resolution 4)** | | |
| 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 5)** | | |
| 6. | To authorize the Directors to allot and issue shares. **(Resolution 6)** | | |
| 7. | To authorise the Directors to offer and grant options and to allot and issue shares under the Sitra Holdings Employee Share Option Scheme. **(Resolution 7)** | | |
| 8. | To authorise the Directors to grant share awards and to allot and issue shares under the Sitra Holdings Performance Share Plan. **(Resolution 8)** | | |

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

Dated this ________ day of ________________ 2017

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

.............................................................

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

** Delete where applicable*

**Notes:–**

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

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**Affix Postage Stamp Here**

**The Company Secretary**

**SITRA HOLDINGS (INTERNATIONAL) LIMITED**

**15 Hillview Terrace, Singapore 669226**

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

**Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2017.

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**SITRA HOLDINGS (INTERNATIONAL) LIMITED**
Company Registration Number: 197901237E
15 Hillview Terrace Singapore 669226
Tel : +65 6742 3223 Fax: +65 68414339/67428233