



SITRA HOLDINGS (INTERNATIONAL) LIMITED

(Company Registration No.: 197901237E)

(Incorporated in the Republic of Singapore)

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- (1) PROPOSED SALE OF EXISTING SHARES HELD BY COMPANY IN SITRA DOVE CONSTRUCTION & LOGISTICS PTE. LTD.
 - (2) PROPOSED SUBSCRIPTION BY INTERESTED PERSON OF NEW SHARES IN SITRA DOVE CONSTRUCTION & LOGISTICS PTE. LTD.
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1. INTRODUCTION

The Board of Directors of Sitra Holdings (International) Limited (“**Sitra**” or the “**Company**”) wishes to announce that the Company and its subsidiary, Sitra Dove Construction & Logistics Pte. Ltd. (“**Sitra Dove**”) have entered into the following agreements dated 4 September 2014:

- (1) A sale and purchase agreement (the “**Sale Agreement**”) between the Company and Mr Zhang Minglin (the “**Purchaser**”) pursuant to which the Company has agreed to sell, and the Purchaser has agreed to purchase 745,000 ordinary shares in the capital of Sitra Dove (the “**Sale Shares**”) held by the Company (the “**Proposed Sale**”); and
- (2) A subscription agreement (the “**Subscription Agreement**”) between Sitra Dove and Mr Chew Ah Ba George (the “**Subscriber**”) pursuant to which Sitra Dove has agreed to allot and issue to, and the Subscriber has agreed to subscribe for 745,000 new ordinary shares in the capital of Sitra Dove (the “**Subscription Shares**”) (the “**Proposed Subscription**”).

The Proposed Sale and Proposed Subscription would not amount to a disposal of the Company’s core business or a substantial part of its core business.

2. INFORMATION ON SITRA DOVE

Sitra Dove was incorporated under the laws of Singapore on 10 December 1986. Sitra Dove has a wholly-owned subsidiary incorporated in Malaysia, Sitra Lifestyle Products Sdn Bhd, which is inactive and has no operations.

Sitra Dove provides total design and build solutions. It undertakes the design and development of concept solutions that involve both outdoor and indoor uses of the Company’s timber products, such as timber decking, timber flooring and timber structures. In addition, Sitra Dove also carries out structural construction services as a sub-contractor for residential and commercial buildings. Its customers are general builders in Singapore.

3. SHAREHOLDING CHANGES IN SITRA DOVE

As at the date of this announcement, Sitra Dove has an issued and paid-up capital of S\$1,070,002 comprising 1,070,002 ordinary shares, all of which are legally and beneficially owned by the Company.

The Sale Shares represent approximately 69.6% of Sitra Dove’s total existing issued shares. Upon completion of the Proposed Sale (the “**Sale Completion**”), the Company’s interest in Sitra Dove will reduce from 100.0% to 30.4%, and Sitra Dove will become an associated company of the Company.

The Subscription Shares represent 41.0% of the total enlarged number of shares in Sitra Dove after completion of the Proposed Subscription (the “**Subscription Completion**”). After the



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Subscription Completion, the Company's and Purchaser's interests in Sitra Dove will reduce to 18.0% and 41.0% respectively, and Sitra Dove will cease to be an associated company of the Company.

The resultant shareholding structure of Sitra Dove after completion of the Proposed Sale and Proposed Subscription (collectively, the "**Proposed Transactions**") will be as follows:-

	<u>Number of Shares</u>	<u>Resultant % Shareholding</u>
Purchaser	745,000	41.0%
Company	325,002	18.0%
Subscriber	745,000	41.0%
Total	1,815,002	100.0%

3. PURCHASE CONSIDERATION

- 3.1 The consideration for the Sale Shares is Singapore Dollars Four Hundred and Ninety Two Thousand Only (S\$492,000.00) (the "**Purchase Consideration**"). A deposit of S\$123,000.00 has been paid by the Purchaser to the Company and the balance Purchase Consideration is to be paid on the Sale Completion.
- 3.2 The Purchase Consideration was arrived at following arms' length negotiation between the Company and the Purchaser, on a willing-buyer-willing-seller basis and after taking into account various commercial factors including the valuation of Sitra Dove as at 30 June 2014 and the financial performance and position of Sitra Dove.
- 3.3 Based on the valuation report commissioned by the Company and prepared by an independent valuer, American Appraisal Singapore Pte Ltd (the "**Valuer**"), the value of Sitra Dove as at 30 June 2014 was determined to be between the range of approximately S\$2.1 million and S\$2.5 million, with a base equity value of approximately S\$2.3 million (the "**Valuation Report**").

The Valuation Report uses generally accepted valuation methodologies, including a combination of income and market approaches with adjustments made for cash, debt and other non-operating assets as at 30 June 2014. The Valuation was prepared based on a number of assumptions, including the assumptions that the availability of finance will not be a constraint on the future growth of Sitra Dove's operations and industry trends and market conditions for related industries will not deviate significantly from forecasts.

The Purchase Consideration represents a discount of approximately 66.3% to the lower range of the valuation of S\$2.1 million based on the number of existing issued shares in Sitra Dove, and approximately 42.9% based on the total enlarged number of issued shares in Sitra Dove after the Subscription Completion. In arriving at the Purchase Consideration, the parties have taken into consideration a number of factors including that the valuation is partially based on a five year projection of the revenue and profits of Sitra Dove from FY2014 to FY2018 which is subject to substantial inherent uncertainties including the lack of adequate funding and difficulty in obtaining financing to support the operations of Sitra Dove, the general weak market conditions in the construction industry in Singapore, the past financial performance of Sitra Dove which has been loss-making since the commencement of its total build and design solutions business in 2010 and the significant negative financial position of Sitra Dove as at 30 June 2014.



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4. **SUBSCRIPTION CONSIDERATION**

- 4.1 The consideration for the Subscription Shares is Singapore Dollars Ninety Five Thousand Only (S\$95,000.00) (the “**Subscription Consideration**”) which shall be paid by setting off part of the Subscriber Loan (as defined in paragraph 6.2.1(b)) of an amount equal to S\$95,000.00 against the Subscription Consideration payable on the date of the Subscription Completion.
- 4.2 The Subscription Consideration was arrived at following arms' length negotiation between the Company and the Subscriber, on a willing-buyer-willing-seller basis.
- 4.3 The Subscription Consideration represents a discount of approximately 95.0% to the lower range of the valuation of S\$2.1 million based on the number of existing issued shares in Sitra Dove, and approximately 89.0% based on the total enlarged number of issued shares in Sitra Dove after the Subscription Completion. In arriving at the Subscription Consideration, the Company has taken into consideration the factors set out in sub-paragraph 3.3 of this announcement. In addition, the Company also takes into account that Sitra Dove will only be an associated company after the Sale Completion and before the completion of the Proposed Subscription (the “**Subscription Completion**”).

5. **CONDITIONS PRECEDENT**

- 5.1 The Sale Completion and Subscription Completion are subject to the approval of the shareholders of the Company (“**Shareholders**”) in general meeting being obtained for the Proposed Sale and/or the Proposed Subscription, if required, and the Company's compliance with applicable laws and regulations, including the Catalist rules of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).
- 5.2 Additionally, the Sale Completion and Subscription Completion are interconditional upon each other and the Proposed Sale is subject to the Proposed Subscription being completed immediately after the completion of the Proposed Sale.

6. **OTHER SALIENT TERMS**

6.1 Management

Subject to completion of the Proposed Transactions, the board of directors of Sitra Dove shall consist of five (5) directors, comprising the Subscriber, one (1) additional director to be nominated by the Subscriber, one (1) additional director to be nominated by the Company and two (2) directors to be nominated by the Purchaser. Decisions relating to certain reserved matters concerning the business and affairs of Sitra Dove such as, but not limited to, change of business, disposal of assets of a certain value, distribution of profits, change of share capital, amendments of memorandum and articles of association, amalgamation, merger or liquidation exercise, transactions with interested persons, change of auditors, creation of security over its assets and borrowings, will require the unanimous approval of all the shareholders or directors (as the case may) of Sitra Dove.



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6.2 Shareholders Loans

6.2.1 As at the date of this announcement,

- (a) Sitra Dove owes to the Company and its subsidiary, E-Timberhub Pte Ltd an aggregate amount of S\$691,609.53 (the “**Company Loan**”);
- (b) Sitra Dove owes to the Subscriber an aggregate amount of S\$628,935.00 comprising loan and accrued interests thereon (collectively the “**Subscriber Loan**”); and
- (c) Sitra Dove owes to the Purchaser an aggregate amount of S\$400,000.00 comprising loan and accrued interest thereon granted to Sitra Dove by one Fan Xuli, the debt of which has been assigned by Fan Xuli to the Purchaser (collectively, the “**Purchaser Loan**”).

6.2.2 The parties have agreed that the Company Loan will be paid down to (a) S\$400,000.00 by 30 November 2014; and (b) S\$180,000.00 over a period of two years thereafter, and that the Subscriber Loan and interests accrued up to the completion date will be paid down to S\$400,000.00 by 30 November 2014. Upon the repayment as aforesaid, the loans by the Purchaser, Subscriber and the Company to Sitra Dove will be S\$400,000.00, S\$400,000.00 and S\$180,000.00 respectively which is approximately proportionate to their respective shareholdings in Sitra Dove. Interest at the rate of 6.65% is expected to be paid by Sitra Dove on the shareholders’ loans after the Company Loan has been paid down to S\$400,000.00 by Sitra Dove.

7. **RATIONALE AND USE OF PROCEEDS**

Sitra Dove commenced its total design and build solutions business in August 2010, and FY2011 was Sitra Dove’s first year of full operation of the business. Sitra Dove reported net losses of approximately S\$0.31 million, S\$0.82 million, S\$0.55 million and S\$0.52 million for FY2011, FY2012, FY2013 and 1H2014 respectively and as at 30 June 2014, has negative net tangible asset value of S\$1.68 million. Sitra Dove’s losses were contributed by a number of factors, including but not limited to the lack of adequate funding and difficulty in obtaining loan financing to finance its operations as well as the negative impact which the recent spate of governmental measures implemented to cool the Singapore residential property market have on the construction industry in Singapore. The business operations of Sitra Dove will remain challenging going forward unless adequate funding or financing is available to fund the working capital of Sitra Dove until such time it is able to achieve profitability.

The Proposed Sale will enable the Company to realise some returns from its investment in Sitra Dove which had been fully written off in the financial year (“FY”) ended 31 December 2013. As the book value of Sitra Dove is now zero arising from the write-off, the entire Purchase Consideration less estimated expenses of approximately S\$100K is expected to be realised as net gain from the disposal. The disposal of the Sale Shares is as such expected to enhance the financial performance and position of the Company for FY2014, assuming that the Proposed Sale is completed in FY2014. Further, as Sitra Dove will become an investee company of the Company after completion of the Proposed Transactions, the Company’s future financial performance and position will not be impacted by Sitra Dove’s financial performance and position.

After completion of the Proposed Transactions, the Company is effectively divesting a loss marking subsidiary of the Group and will not be required to fully support the working capital requirements of Sitra Dove. This will free up working capital for the operations of the core



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business of the Company and its subsidiaries (the “Group”), which is the manufacture and distribution of wood-based products and premium outdoor lifestyle furniture.

The Directors understand that the Purchaser has required the Subscriber to co-invest in Sitra Dove with him and has imposed a term in the Sale Agreement that the Subscription Shares must be allotted and issued to the Subscriber as a condition for the Proposed Sale, such that both the Subscriber and the Purchaser will hold equal shareholding after completion of the Proposed Transactions. The Directors further understand from the Subscriber that as an indication of his support and commitment to the Company, in order for the Company to realise the benefits of the Proposed Sale, the Subscriber is willing to subscribe for the Subscription Shares on the terms and conditions of the Subscription Agreement provided that the Proposed Sale is completed by the Purchaser. Consequently, the Proposed Subscription is imperative to the successful completion of the Proposed Sale.

The proceeds of the Proposed Sale is intended to be used for working capital of the Group to fund the operations of the Group's core business.

8. SERVICE CONTRACT

The Company does not intend to appoint any new Director to the Company in connection with the Sale Agreement and the Subscription Agreement. Additional directors are contemplated to be appointed to the board of directors of Sitra Dove as stated in sub-paragraph 6.1 above.

9. PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED SALE AND PROPOSED SUBSCRIPTION

The Proposed Transactions are inter-conditional upon each other. The combined pro forma financial effects of the Proposed Transactions on the net tangible assets (“NTA”) value and earnings per share (“EPS”) of the Group have been prepared based on the Group's audited consolidated financial statements for the financial year ended 31 December 2013 (“FY2013”). These pro forma financial effects are purely for illustrative purposes only and do not reflect the future actual financial position and results of the Group after the completion of the Proposed Transactions.

9.1 Net Tangible Asset (“NTA”)

Assuming that the Proposed Transactions have been completed on 31 December 2013, the pro forma financial effects of the Proposed Transactions on the NTA per share of the Group as at 31 December 2013 would have been as follows:

	FY2013	
	Before the Proposed Transactions	After the Proposed Transactions
NTA	1,383,883	1,775,883
Number of issued Shares excluding treasury shares	313,000,000	313,000,000
NTA per Share (cents)	0.44	0.57



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9.2 Earnings per Share (“EPS”)

Assuming that the Proposed Transactions have been completed at the beginning of FY2013, the pro forma financial effects of the Proposed Transactions on the EPS per share of the Group would have been as follows:

	FY2013	
	Before the Proposed Transactions	After the Proposed Transactions
Net loss attributable to the equity holders of the Company	(6,031,816)	(5,639,816)
Weighted average number of issued Shares	313,000,000	313,000,000
Loss per Share (cents)	1.93	1.80

10. INTERESTED PERSON TRANSACTION

The Proposed Subscription is an interested person transaction under Chapter 9 of the Catalyst Rules as the Subscriber is an interested person within the meaning of Chapter 9.

Rule 905(1) requires an issuer to make an immediate announcement of any interested person transaction of a value equal to, or more than, 3% of the issuer group’s latest audited net tangible assets and Rule 906(1) requires an issuer to obtain shareholders’ approval for any interested person transaction of a value equal to, or more than 5% of the issuer group’s latest audited net tangible assets. The requirements in Rule 905(1) and Rule 906(1) however do not apply in relation to any transaction below S\$100,000.00.

In view that the Subscription Consideration is less than \$100,000.00, compliance with Rule 905(1) in relation to certain announcement requirements and with Rule 906(1) in relation to the requirement to obtain Shareholders’ approval, do not apply to the Proposed Subscription.

11. MAJOR TRANSACTION UNDER RULE 1006 OF THE CATALIST RULES

Rule 1006 of the Catalyst Rules sets out the computation for relative figures used in determining whether a transaction falls into the respective categories defined in Rule 1004. Rule 1007(2) further provides that where the disposal of an issuer’s interest in a subsidiary is undertaken in conjunction with an issue of shares by that subsidiary, the relative figures in Rule 1006 must be computed based on the disposal and the issue of shares. Accordingly, the combined value of the Purchase Consideration and Subscription Consideration, aggregating S\$587,000.00 is taken into consideration in computing the relative bases set out in Rule 1006.

The relative figures under Rule 1006 are as follows:-

	<u>Bases</u>	
(a)	The net asset value of the assets to be disposed of, compared with the Group’s net asset value	-87.3% Note (i)
(b)	The net loss attributable to the assets disposed of, compared with the Group’s net profits	-7.8% Note (ii)
(c)	The aggregate value of the consideration received, compared with the Company’s market capitalisation	15.6% ⁽ⁱⁱⁱ⁾



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<u>Bases</u>		
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves.	Not applicable

Notes:-

- (i) Based on the Group's unaudited consolidated financial statements for the six months period 30 June 2014 ("**1H2014 Accounts**"), the Group has a positive net asset value of approximately S\$1.34 million while Sitra Dove has a negative net tangible asset value of approximately S\$1.68 million as at 30 June 2014. As such, the computation of the net asset value of negative S\$1.17 million attributable to the Sale Shares is negative when compared to the consolidated net asset value of the Group.
- (ii) The Group had announced a net gain of approximately S\$4.6 million for the 1H2014 ended 30 June 2014 while the net loss of Sitra Dove for the 1H2014 ended 30 June 2014 is approximately S\$0.52 million. As such, the computation of the net loss of S\$0.36 million attributable to the Sale Shares is negative when compared to the consolidated net profit of the Group.
- (ii) The Company's market capitalisation as at 1 September 2014, being the last market day immediately preceding the date of the Sale Agreement and the Subscription Agreement is S\$3.756 million based on 313,000,000 shares in issue as at and the weighted average price of the shares of \$0.012 per share traded on, 1 September 2014.

As the relative figure computed on the bases set out in Rule 1006(a) and (b) are negative figures, the Company will be consulting with the Sponsor and/or the SGX-ST, in accordance with Rule 1007(1) of the Catalist Rules on whether approval of the Shareholders is required for the Proposed Sale under Rule 1014 of the Catalist Rules.

If approval of Shareholders is required, the Company will issue and despatch to Shareholders a circular containing more details of the Proposed Sale and will seek Shareholders' approval for the Proposed Sale.

12. DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTEREST

The Subscriber is the Executive Chairman and Chief Executive Officer of the Company. At the date of this announcement, the Subscriber is a controlling shareholder of the Company holding a direct shareholding interest of approximately 15.83% and a deemed interest (arising from the shareholding interest held by his spouse) of approximately 11.33% in the Company.

The Executive Director of the Company, Mr Chew Chiew Siang Steven is the son of, and an associate of the Subscriber. Save for the interest of the Subscriber as disclosed in this announcement, none of the other Directors and controlling shareholders of the Company has any interest (direct or indirect) in the Proposed Transactions other than through each of their respective shareholding interests in the Company.



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13. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of each of the Sale Agreement, the Subscription Agreement and the Valuation Report will be made available for inspection during normal business hours from 9.00 a.m. to 5.30 p.m. at the Company's registered office at 15 Hillview terrace Singapore 669226 for a period of three (3) months from the date of this announcement.

By Order of the Board

Chew Ah Ba, George
Executive Chairman and CEO

4 September 2014

*The announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), RHT Capital Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").*

The Company's Sponsor has not independently verified the contents of the announcement. The announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of the announcement, including the correctness of any of the statements or opinions made or reports contained in the announcement.

The contact person for the Sponsor is Mr Chew Kok Liang, Registered Professional at 6 Battery Road, #10-01 Singapore 049909, telephone (65) 6381 6757.