**SITRA HOLDINGS**
**(INTERNATIONAL) LIMITED**

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SITRA HOLDINGS
(INTERNATIONAL) LIMITED

# ANNUAL REPORT
# 2019

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# CORPORATE PROFILE

Sitra Holdings (International) Limited ("Sitra" or the "Company") and its Subsidiaries (the "Group") is an international distributor of high quality wood-based products and premium lifestyle outdoor furniture. The Group markets its products under its proprietary Comcia, 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 highvalue wood-based products such as decking, flooring, fencing, door and window components and other moulded products. Each category of our wood-based products offer different designs, specifications and dimensions to suit the varying requirements of our customers. | As our decking products gain in momentum, the "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 businessoutdoor lifestyle furniture. The word, Pacific, signifies peace and the feeling of being at one with nature. |

On 4 October 2019, the Group acquired a 54% equity interest in Mapur Rocky Resort Limited. With this acquisition, the Group intends to make its first foray into resort and holiday homes development. The Group's core businesses now include distribution of wood-based products and property development in Bintan, Indonesia.

## 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.

**Dear Shareholders,**

On behalf of the Board of directors (the "Board") of Sitra Holdings (International) Limited (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the annual report of the Company for the financial year ended 31 December 2019.

In FY19, Group's revenue increased by S$2.6 million to S$16.4 million as compared to S$13.8 million in FY18, mainly due to the increase in revenue from the sales of timber and wood-based products.

On 5th October 2019, the Company has increased its share capital by the issuance and allotment of an aggregate 477,100,000 new ordinary shares at S$0.011 per share to bring in additional S$5.2 million of capital. Of the 477,100,000 new ordinary shares issued, 158,000,000 shares were issued for cash of S$1.738 million and 319,100,000 new ordinary shares were issued in consideration of the acquisition of 54 percent of the share capital of Mapur Rocky Resort Limited, who owned a subsidiary - PT East Bintan Resort, a company which owns a 123,534 square metres beach site, located in Bintan Regency on the northern part of Bintan Island.

Following the successful acquisition, the Group intends to make its first foray into resort and holiday homes development. The successful implementation of this Project will enable Group to transform itself with another engine of growth and improve shareholders' value.

In line with and to give effect to the repositioning of the Company's business strategies, the Company has appointed Mr Chew Hua Seng and Mr Guo Shaozeng to the Board of Directors and Mr Michael Yong as the Chief Executive Officer.

On behalf of the Board, I would like to record our appreciation to Mr George Chew, who had retired from the Board on 21st Oct 2019, after 30 years of dedicated service.

I would like to thank my fellow directors for their invaluable guidance, our staff for their unfailing commitment, our partners and stakeholders for their unflagging support.

Yours faithfully,

**Mr Chew Hua Seng**
*Non-Executive Chairman*

# OPERATIONS REVIEW

**REVENUE**

Revenue increased by S$2.6 million to S$16.4 million in FY19, mainly due to the increase in revenue from the wood-based products.

In terms of business by geographical regions, the revenue of Australia/New Zealand market increased by S$0.2 million to S$4.3 million and the key Europe market increased by S$2.5 million to S$11.7 million. Revenue of Asia/others remained approximately the same at S$0.4 million.

**COST OF SALES AND GROSS PROFIT MARGIN**

The cost of sales increased by S$2.9 million to S$15.5 million in FY19, in tandem with the increase in revenue. The gross profit margin decreased from 8.7% in FY18 to 5.7% in FY19 mainly due to lower selling price.

**OTHER INCOME**

Other income decreased by S$0.2 million to S$0.02 million in FY19, mainly due to no rental income from the Indonesian subsidiary in FY19, lower government grants received and lower commission income earned, as compared to FY18.

**SELLING AND DISTRIBUTION EXPENSES**

Selling and distribution expenses decreased by S$0.1 million to S$0.4 million in FY19, mainly due to lower staff salaries, advertisement and repair & maintenance cost were incurred, as compared to FY18.

**ADMINISTRATIVE EXPENSES**

Administrative expenses increased by S$0.1 million to S$2.4 million in FY19, mainly due to higher staff salaries and professional fees incurred for the acquisition of the Mapur Rocky Resort Limited.

**OTHER GAINS/(LOSSES) - NET**

The Company recorded a gain of S$0.9 million from a position of other losses of S$1.6 million due mainly to:

(a) Change from foreign currency exchange loss position of S$0.6 million in FY18 to the foreign currency exchange gain position of S$0.4 million in FY19;

(b) Reversal of impairment loss on property, plant and equipment of S$0.4 million incurred in FY18, due to the revaluation gain of the land and building of our Indonesia subsidiary, PT Jaya Raya Trasindo;

(c) Gain on bargain purchase of S$0.2 million arose from the acquisition of 54% of Mapur Rocky Resort Limited.

**FINANCE EXPENSES**

Finance cost increased by S$0.03 million to S$0.09 million in FY19, due to an increase in bank interest expenses arising from the continue usage of the trade finance facilities and the imputed interest incurred on lease liabilities.

## BALANCE SHEET

**CURRENT ASSETS**

Current assets decreased by S$0.8 million to S$12.6 million, mainly due to:

(a) lower Inventories of S$1.2 million due to higher cost of inventories in tandem with the increased in revenue;

(b) lower cash and bank balance of S$0.3 million to S$0.2 million at FY19.

This was partially offset by:

(a) Higher trade and other receivables of S$0.7 million due to higher revenue were generated in the month of December 2019 as compared to December 2018.

**NON-CURRENT ASSETS**

Non-current assets increased by S$8.0 million to S$11.1 million. The increase was due to:

(a) S$6.9 million arising through the acquisition of a property in Bintan held by the newly acquired subsidiary;

(b) S$0.4 million from the reversal of impairment loss on property, plant and equipment incurred in FY18;

(c) S$0.8 million from the revaluation gain on land and building;

(d) S$0.2 million due to the capitalised of office lease as the result of the adoption of SFRS(I) 16 *Leases* on 1 January 2019.

Increase was partially offset by:

(a) Depreciation charge of S$0.3 million incurred for the year.

**CURRENT LIABILITIES**

Current liabilities decreased by S$0.6 million to S$4.7 million, mainly due to the decreased in other payables as the result of repayment of payables owed to third parties and payment of operating expenses accrued in FY18. This was partially offset by the increase in the amount owing to the directors and a director's immediate family.

**NON-CURRENT LIABILITIES**

Non-current liabilities increased by S$0.1 million to S$0.3 million, due to the increased in long term lease liabilities, due to the capitalised of office lease as the result of the adoption of SFRS(I) 16 *Leases* on 1 January 2019.

**CAPITAL AND RESERVES**

Share capital increased by S$5.2 million to S$23.0 million in FY19 due to:

(a) 158,000,000 new shares issued for net cash of S$1.7 million;

(b) 319,100,000 new shares issued of S$3.5 million for the acquisition of Mapur Rocky Resort Limited.

Other reserves increased by S$0.4 million from negative reserves of S$0.1 million in FY18 to the positive reserves of S$0.3 million in FY19. Increase was mainly due to:

(a) The revaluation gain of S$0.8 million from the Indonesia subsidiary's land and building.

This was partially offset by:

(b) foreign currency translation loss of S$0.4 million from the translation of the net asset value of the foreign subsidiaries.

**NON-CONTROLLING INTEREST**

Non-controlling interest increased by S$3.1 million mainly arose from the acquisition of non-controlling interest of Mapur Rocky Resort Limited on 4 October 2019.

**CASH FLOWS**

Net cash used in operating activities before working capital changes was S$1.5 million. Net cash used by the working capital was S$0.2 million, arising from

(a) a decrease in trade and other payables of S$0.4 million;

(b) an increase in trade and other receivables of S$0.9 million;

(c) a decrease in inventories of S$1.1 million.

Net cash provided by finance activities was S$1.6 million mainly due to:

(a) net proceeds of S$1.7 million from the issue of new shares;

(b) Repayment of hire purchase creditors and payment of lease liabilities.

# BOARD OF DIRECTORS

## MR CHEW HUA SENG

*NON-EXECUTIVE DIRECTOR AND NON-EXECUTIVE CHAIRMAN*

**Date of Appointment as Director :** *21 October 2019*
**Date of last re-election :** -
**Nature of Appointment :** *Non-Executive Director*
**Board Committees served on :** *Member of Nominating Committee*

Mr Chew Hua Seng is the Founder, Chairman and CEO of Raffles Education Corporation Limited ("RafflesEducation"). Under his astute leadership, RafflesEducation has grown to become the premier private education provider.

Mr Chew has led RafflesEducation to achieve an excellent track record of growth since founding the Group in 1990. RafflesEducation listed on the Singapore Exchange in 2002 and was ranked amongst the Top 200 Asia-Pacific companies on Forbes Asia's "Best Under a Billion" list for four consecutive years, from 2006 to 2009. Mr Chew holds a Bachelor's Degree in Business Administration from the University of Singapore (now known as the National University of Singapore) and was awarded the National University of Singapore Business School Eminent Business Alumni Award in November 2010 for his outstanding achievements. Mr Chew was also conferred the Public Service Medal in 2010 by the President of Singapore for his contribution to community service.

In 2007, Mr Chew established the Chew Hua Seng Foundation (the "Foundation") to further charitable causes, predominantly in education. Commissioned with the motto "Compassion through the Generations", the Foundation's mission is aligned with RafflesEducation's overarching principle to provide the invaluable gift of education to needy youths, with a special focus to support poor students in the Asia-Pacific region.

## MR GUO SHAOZENG

*NON-EXECUTIVE DIRECTOR AND NON-EXECUTIVE VICE CHAIRMAN*

**Date of Appointment as Director :** *21 October 2019*
**Date of last re-election :** -
**Nature of Appointment :** *Non-Executive Director*
**Board Committees served on :** *Member of Remuneration Committee*

Mr. Guo Shaozeng has more than 20 years of experience in enterprise management and financial investments. Prior to joining the group, he was one of the co-founders of China Fortune Land Development Co., Ltd. Mr. Guo oversaw the company's investment, financial management and strategic development.

Mr. Guo in 2012 also established Poplar Capital Group as the founding partner. Poplar Capital Group engages in both domestic and international capital market activities, as well as global enterprise integration. Its investment focuses on small to medium-sized enterprises in ecological environment, clean technology, healthcare, smart cities and high-tech sectors.

Mr. Guo is the Chairman of Partner Committee of Poplar Capital Group, Vice Chairman of the Bank of Langfang and President of the Tsinghua University School of Economics and Management North America Alumni Association.

Mr. Guo holds a Ph.D in Finance from the PBC School of Finance (PBCSF), Tsinghua University. He holds a Master Degree from Tsinghua University and an EMBA Degree from Tsinghua PBCSF.

## MR MICHAEL CHIN SEK PENG

*LEAD INDEPENDENT DIRECTOR*

**Date of Appointment as Director :** *20 September 2006*
**Date of last re-election :** *30 April 2019*
**Nature of Appointment :** *Independent Non-Executive*
**Board Committees served on :** *Chairman of Audit Committee*

Mr Michael Chin was appointed Lead Independent Director on 20 September 2006. He is the Managing Partner responsible for running, managing and growing the professional services of PKF Singapore entities including PKF-CAP LLP, a firm of chartered accountants 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 and a member of the Singapore Institute of Directors. He is also a member of PKF International Asia Pacific Board and the Chairman of the ASEAN sub-region. He was formerly a Council member of ISCA and the Chairman of ISCA's Public Accounting Practice Committee until April 2018. He continues to serve as Senior QA Advisor for the Quality Assurance Review Programme of ISCA and teach practice management on ISCA's Public Practice Programme.

## MR TAN ENG KIAT, DOMINIC

*INDEPENDENT NON-EXECUTIVE DIRECTOR*

**Date of Appointment as Director :** *22 February 2011*
**Date of last re-election :** *30 April 2018*
**Nature of Appointment :** *Independent Non-Executive*
**Board Committees served on :** *Chairman of Nominating Committee and a Member of Remuneration and Audit Committees.*

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

## MR DANIELS NG BOON HUAN

*INDEPENDENT NON-EXECUTIVE DIRECTOR*

**Date of Appointment as Director :** *20 September 2006*
**Date of last re-election :** *29 April 2019*
**Nature of Appointment :** *Independent Non-Executive*
**Board Committees served on :** *Chairman of Remuneration Committee and a member of Nominating and Audit Committees*

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

Mr Daniels Ng is the Managing Director of Advisor Associates (S) Pte Ltd, a business advisory firm which he founded in 2001. He has been involved in business advisory and consulting work for more than ten years. Mr Ng started his consultancy career in 1991 as a consultant with Alexander Proudfoot Productivity Management Services Company Singapore Plc Ltd (now known as Management Consulting Group PLC, listed on the London Stock Exchange). 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.

## MR STEVEN CHEW CHIEW SIANG

*EXECUTIVE DIRECTOR AND DEPUTY CEO*

**Date of Appointment as Director :** *20 September 2006*
**Date of last re-election :** *27 April 2017*
**Nature of Appointment :** *Executive Director and Deputy CEO*

Mr Steven Chew was appointed Deputy CEO on 1 August 2009. He has been with the Group for more than 25 years and has significant experience in the international marketing and operations.

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

Mr. Chew is currently the Vice-President of the Singapore Furniture Industries Council ("SFIC"), a position he holds since 2012 and a Non-Executive Chairman 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.

# KEY MANAGEMENT

## MR MICHAEL YONG WEN WEI

*CHIEF EXECUTIVE OFFICER*

Mr Michael Yong was appointed Chief Executive Officer on 21 October 2019.

Mr Yong was previously served as Chief Operating Officer at Resort Corporation of Asia, a company in Singapore with interest in real estate development. The company also provides advisory, management and other property related services where he led the development and execution of corporate strategies and transformation plans including mergers and acquisitions. He was also responsible for the incubation of new businesses and led the establishment of various business platforms in new property development sectors.

Mr Yong's career also spans across various positions at multinational companies including VinaCapital, Guocoland Vietnam and Bintan Resort International. He worked with top management teams to evaluate investment opportunities, focused on the development of business strategies and implementation of new property development plans for conglomerates across Asia.

Mr. Yong holds a Bachelor of Science in Hospitality & Tourism Management from the Royal Melbourne Institute of Technology University.

## 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.

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.

## MR GEORGE CHEW AH BA

*DIRECTOR OF TIMBER DIVISION*

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's timber division in Singapore and globally. He has more than 40 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.

## MADAM LIM SOOK HWA

*SENIOR VICE PRESIDENT OPERATIONS*

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

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

## BOARD OF DIRECTORS

Chew Hua Seng (Non-Executive Chairman)
Guo Shaozeng (Non-Executive Vice Chairman)
Chew Chiew Siang, Steven (Executive Director)
Ng Boon Huan, Daniels (Independent Non-Executive Director)
Chin Sek Peng, Michael (Lead Independent Non-Executive Director)
Tan Eng Kiat, Dominic (Independent Non-Executive Director)

## COMPANY SECRETARIES

Joanna Lim Lan Sim, ACIS
Chan Lai Yin, ACIS

## REGISTERED OFFICE

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Singapore 669226
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Fax: +65 6742 8233
Email: enquiries@sitraholdings.com

## CATALIST SPONSOR

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

## SHARE REGISTRAR

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

## INDEPENDENT AUDITOR

Nexia TS Public Accounting Corporation
Public Accountants and
Chartered Accountants
80 Robinson Road, #25-00
Singapore 068898
Director-in-charge: Ross Yu Limjoco
Year of appointment: 2016

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**"). This report describes the Company's corporate governance processes and activities that were in place throughout the financial year, with specific reference to the principles and provisions of the Code of Corporate Governance 2018 (the "**2018 Code**") issued on 6 August 2018.

For the financial year ended 31 December 2019 ("**FY2019**"), the Company has complied with the core principles of corporate governance laid down by the 2018 Code. The Company has also largely complied with the provisions that reinforce the principles of the 2018 Code and in areas where there are variations from the provisions of the 2018 Code (namely, variations from Provisions 2.2, 2.4, 3.2, 4.2, 5.1, 5.2, 8.1, 11.4 and 11.5), appropriate explanation and the reasons for variations has been provided within this report. The Board considers that the alternative corporate governance practices adopted are consistent with the intent of the relevant principle of the 2018 Code.

## BOARD MATTERS

### THE BOARD'S CONDUCT OF ITS AFFAIRS

***Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.***

| <u>Provisions</u> | <u>Corporate Governance Practices of the Company</u> |
|---|---|
| 1.1 | 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.<br><br>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. Where there are conflicts of interest, directors recuse themselves from discussions and decisions involving the issues of conflict. |
| 1.2 | 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.<br><br>To keep abreast with developments in corporate, financial, legal and other compliance requirements, Directors are encouraged to attend relevant courses and seminars funded by the Company. Additionally, new updates relating to changes to the listing Rules issued by the Singapore Exchange Securities Trading Limited which are relevant to the Directors are circulated to the Board. The external auditors also update the AC and the Board on the new and revised accounting standards that are applicable to the Group.<br><br>A formal letter is sent to newly-appointed directors upon their appointments 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. The following directors were appointed on 21 October 2019:-<br><br>Mr Chew Hua Seng – Non-Executive Chairman<br>Mr Guo Shaozeng – Non-Executive Vice Chairman<br><br>The Company had complied with the above provisions for the appointment of Mr Chew and Mr Guo as Directors. |

| Provisions | Corporate Governance Practices of the Company |
| --- | --- |
| | 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.<br><br>Mr. Guo, the newly appointed Director, is currently residing in China and arrangements will be made for him to come to Singapore to attend the course conducted by the Singapore Institute of Directors, to familiarize himself with the roles and responsibilities of a director of a Singapore Listed Company. |
| 1.3 | Key matters which are specifically reserved for decision making by the full Board include, among others, those involving material acquisitions and disposals of assets, corporate and/or financial restructuring, share issues, dividends, other returns to shareholders, interested person transactions, announcements of the Group's half yearly and full year financial results and matters that require shareholders' approval. |
| 1.4 | 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. All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group. A summary of the activities of the AC, the NC and the RC during FY2019 are also included within this report. |
| 1.5 | The Board has held meetings for particular and specific matters as and when required. The Company's constitution (the "Constitution") allows a Board meeting to be conducted by way of teleconference or videoconference. A record of the directors' attendance at meetings of Board and Board Committees for the financial year ended 31 December 2019 ("**FY2019**"), as well as frequency of such meetings, is set out in **Table A**. Sufficient time and attention are being given by the directors to the affairs of the Company, notwithstanding that some of the directors have multiple board representations as set out in **Table C**. |
| 1.6 | 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. |
| 1.7 | 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.<br><br>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. |

## BOARD COMPOSITION AND GUIDANCE

*Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.*

| Provisions | Corporate Governance Practices of the Company |
|---|---|
| 2.1 | The Board comprises six Directors, of whom two are Non-Independent Non-Executive Directors; three are Independent Non-Executive Directors and one Executive Director. The Chairman of the Board is not an Independent Director. Independent directors make up at least one-third of the Board. A summary of the current composition of the Board and its committees is set out in **Table B**.<br><br>The NC reviews the independence of each Director on an annual basis and adopts the 2018 Code's definition of what constitutes an Independent Director.<br><br>Concerning the independence of directors who have served on the Board beyond nine years, both Mr. Chin Sek Peng, Michael ("Michael Chin") and Mr. Ng Boon Huan, Daniels ("Daniels Ng") who were appointed on 20 September 2006, have served on the Board beyond nine years whilst Mr. Tan Eng Kiat, Dominic ("Dominic Tan") has attained his 9 years of service on 21 February 2020.The NC performs an annual review of their interests in which all potential or perceived conflicts (including time commitments, length of service and other issues relevant to their independence) are considered.<br><br>Where a Director has served on the Board for more than nine years, the Board has further reviewed whether such a Director should be considered independent. The following were some of the factors considered in reviewing the independence of the Director who has served beyond nine years:<br><br>(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;<br><br>(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<br><br>(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;<br><br>Based on these considerations, the Board concurred with the NC's view that each of the aforesaid independent non-executive directors has exercised strong independent judgement in their deliberations in the interests of the Company and maintains their objectivity and independence at all times in the discharge of their duties as director. The Board is satisfied with the independence of character and judgement of Mr. Michael Chin, Mr. Daniels Ng and Mr. Dominic Tan and recommends that they continue on the Board as independent directors of the Company. Each of the long serving directors had duly recused himself from the discussion and taking a decision in respect of his own independence. |
| 2.2 | Where the Chairman is not independent, the independent directors should make up a majority of the Board. In this regard, while independent directors do not make up a majority of the Board, more than one-third of the Board is made up of independent directors. There is only one executive director and the Chairman of the Board is not an executive director. The Directors consider that the Board's present size of 6 members is of the appropriate size and accordingly, no additional independent directors are proposed to be appointed in order for independent directors to make up a majority of the Board. In addition, the Board is of the view that the independent directors have demonstrated high commitment in their role as directors and have ensured that there is a good balance of power and authority. The Company will endeavor to comply with the requirement for independent directors to make up a majority of the Board at the appropriate time. |
| 2.3 | The Company has conformed to the 2018 Code's provision for majority of the Board to make up of non-executive directors. |

| Provisions | Corporate Governance Practices of the Company |
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| 2.4 | The Board currently does not have a formal diversity policy but recognizes the importance of an appropriate balance and diversity of skills, experience, age, 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 current 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 biographies of all Board members are set out in the section entitled "Board of Directors". |
| 2.5 | 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 is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.***

| Provisions | Corporate Governance Practices of the Company |
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| 3.1 | The roles of the Chairman (Mr. Chew Hua Seng) and the Chief Executive Officer (Mr. Yong Wen Wei) are clearly separated to ensure appropriate checks and balances, increased accountability and greater capacity of the Board for independent decision-making. The Chairman and the Chief Executive Officer ("CEO") have a relationship of trust and collaborate with each other on the development and communication of strategies and performance monitoring. The Chairman and the CEO are not related to each other. |
| 3.2 | The Chairman provides leadership to the Board in accordance with the highest standards of integrity and governance, promotes effective communication and contributions by each Director, manages the business of the Board through the setting of meeting agendas (with the assistance of the Company Secretary and the Management) and by leading the meetings to ensure full discussion of all agenda items. The CEO provides clear and decisive leadership and guidance to Company's employees, runs the Company's business with a clear vision and mission, translating the Board's decisions into executive action and is accountable to the Board. In this sense, the clear division of responsibilities between the role of Chairman and the CEO is implied without having to document in writing by the Board. There is no familial relationship between the Chairman and the CEO. |
| 3.3 | The Board has appointed Mr Michael Chin as the Lead Independent Director ("LID") and he will be available to address any shareholders' concerns when contact through the normal channels via the Chairman, CEO or other management executive have failed to provide satisfactory resolution or when such contact is inappropriate. |

BOARD MEMBERSHIP

***Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.***

| Provisions | Corporate Governance Practices of the Company |
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| 4.1 | The Board, in conjunction with the NC, reviews the composition of the Board and Board Committees annually, taking into account the performance and contribution of each individual director. Board composition is also evaluated to ensure diversity of skills, experience, age and gender diversity are maintained within the Board and Board committees. |

| Provisions | Corporate Governance Practices of the Company |
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The principal functions of the NC stipulated in its terms of reference are summarized as follows:

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

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

(c) Reviews and determines annually the independence of each director;

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

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

**Summary of NC's activities in 2019**

- Reviewed the change of directors and key management personnel in accordance with Section 2.6 and Section 18 of the Circular to Shareholders dated 10 July 2019 relating the acquisition of 54% of the total issued and paid up shares of Mapur Rocky Resort Limited as an IPT;

- Evaluate the Board's composition and size, Director's tenure, competencies and outside commitments, Board and Committee education, nomination of directors for re-election.

- Reviewed the major themes arising from the annual Board Committees and Board performance review process and considered whether any aspects of the Board's oversight framework could be strengthened.

- Reviewed the Director's independence criteria and assessment process.

4.2 The NC, regulated by a set of written terms of reference, comprises three members, the majority of whom, including the NC 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**. Although the LID is not a member of the NC, he has been apprised by the Board on the NC's activities.

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

(i) academic and professional qualifications;

(ii) industry experience;

(iii) number of other directorships and principal commitments;

(iv) relevant experience as a Director; and

(v) ability and adequacy in carrying out required tasks.

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

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

| Provisions | Corporate Governance Practices of the Company |
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| | b. assessing current competencies and diversity on Board;<br><br>c. developing desired profiles of new Directors;<br><br>d. initiating search for new Directors including external search, if necessary;<br><br>e. shortlisting and interviewing potential Director candidates;<br><br>f. recommending appointments and retirements to the Board; and<br><br>g. carrying out re-election at general meeting.<br><br>All newly appointed directors will have to retire at the next AGM following their appointments pursuant to Article 97 of the Company's Constitution. The retiring directors are eligible to offer themselves for re-election. The following directors will retire by rotation at the forthcoming AGM and have been re-nominated for re-election:<br><br>Chew Chiew Siang, Steven (Article 91)<br>Tan Eng Kiat, Dominic (Article 91)<br>Chew Hua Seng (Article 97)<br>Guo Shaozeng (Article 97)<br><br>The NC has recommended the nomination of the directors retiring by rotation for re-election at the forthcoming AGM. The Board has accepted the NC's recommendation and accordingly, the above-mentioned directors will be offering themselves for re-election at the forthcoming AGM. |
| 4.4 | The NC has reviewed the independence of each Director for FY2019 in accordance with the 2018 Code's guidelines for independence as well as the respective Director's self-declaration in the statement of Director's independence. Although the three Independent Non-Executive Directors has served on the Board for more than nine years, each of the Independent Non-Executive Director is independent in conduct, character and judgement and none of them has a relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement. The Board, after a vigorous review, also considers Mr. Michael Chin, Mr. Daniels Ng and Mr. Dominic Tan (having served on the Board as Non-Executive Independent Director beyond nine years) to be independent for the considerations as set out under Provision 2.1 above. |
| 4.5 | 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.<br><br>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. Further information on the directorships and principal commitments of each director are disclosed in **Table C**. |

### BOARD PERFORMANCE

***Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.***

| Provisions | Corporate Governance Practices of the Company |
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| 5.1 | 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. |
| 5.2 | The evaluation of the Board is conducted annually. This evaluation was carried out by having all Board members to complete a questionnaire individually. The assessment parameters include evaluation of the Board's composition, size, skills matrix and expertise, timeliness of information to the Board, Board accountability and processes as well as the efficiency and effectiveness of the Board Committees in assisting the Board. The annual evaluation exercise also provides an opportunity to obtain constructive feedback from each Director on whether the Board committees are functioning properly, and whether the Board's procedures and processes have allowed each Director to discharge his duties effectively and to propose changes which may be made to enhance the Board effectiveness as a whole.<br><br>Although the Directors are not formally 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.<br><br>No external facilitators were used in the assessment of the Board and its Board Committees. |

## REMUNERATION MATTERS

### PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

***Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.***

| Provisions | Corporate Governance Practices of the Company |
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| 6.1 | 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.<br><br>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. |
| 6.2 | The RC, regulated by a set of written terms of reference, comprises three members, all of whom are Non-Executive Directors, the majority of whom, including the RC Chairman, are independent. The names of the members of the RC are disclosed in **Table B**. |
| 6.3 | The RC considers all aspects of remuneration, namely, director's fees, salaries, allowances, bonuses, share-based incentives and awards, other benefits and termination terms, to ensure that they are fair. The remuneration packages of the executive Directors are based on their respective service agreements. The service agreements of the executive directors are for a period of two years. 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. |

| Provisions | Corporate Governance Practices of the Company |
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| 6.4 | No independent consultant is engaged to advise on the remuneration of all directors. The Company will seek independent expert advice should such need arise. |

**Summary of RC's activities in 2019**

- Reviewed the remuneration packages for each executive director; key management personnel (who are not also directors or the CEO); and employees who are substantial shareholders, or are immediate family members of a director, the CEO or substantial shareholder;
- Reviewed the outstanding balance owing to each Non-executive Independent Director; and
- Reviewed the remuneration level for Non-executive independent and non-independent Directors;

## LEVEL AND MIX OF REMUNERATION

***Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.***

<u>Provisions</u> <u>Corporate Governance Practices of the Company</u>

7.1 & 7.3 **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 agreement ("Service Agreement") with the Executive Director, Mr. Steven Chew, CEO, Mr. Michael Yong and Director (Timber Division), Mr. George Chew. Under the Service Agreement, their salaries are subject to annual review by the Board and the Executive Directors do not receive a Directors' fee.

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

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

7.2 **POLICY IN RESPECT OF NON - EXECUTIVE DIRECTORS' REMUNERATION**

In reviewing the recommendation for independent Non-Executive Directors' remuneration for FY2019, 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 |

| Provisions | Corporate Governance Practices of the Company |
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| | Fees for Independent Non-Executive Directors are subject to the approval of shareholders at the AGM. |
| | For non-executive and non-independent directors, they are remunerated based on basic fees for serving on the Board and Board Committees. |

## DISCLOSURE OF REMUNERATION

***Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.***

| Provisions | Corporate Governance Practices of the Company |
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| 8.1 | **LEVEL AND MIX OF REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL (WHO ARE NOT DIRECTORS OR THE CEO) FOR THE YEAR ENDED 31 DECEMBER 2019.** |
| | 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 2018 Code's recommendation to fully disclose the remuneration of directors and the top five key management personnel (who are not directors or the CEO), given the highly competitive environment it is operating in and the confidentiality attached to the remuneration matters, the Company believes that disclosing remuneration using a narrower band of S$100,000 and disclosing in aggregate the total remuneration paid to the Directors and the key management personnel (who are not Directors or the CEO) in percentages provide sufficient overview of the remuneration of Directors and the key management personnel (who are not Directors or the CEO). |
| | Table D and Table D1 set out the breakdown of the remuneration of the Directors and the top five key management personnel (who are not Directors or the CEO), respectively, for FY2019. |
| 8.2 | **REMUNERATION OF EMPLOYEES WHO ARE SUBSTANTIAL SHAREHOLDERS OF THE COMPANY, OR ARE IMMEDIATE FAMILY MEMBERS OF A DIRECTOR, THE CEO OR A SUBSTANTIAL SHAREHOLDER OF THE COMPANY** |
| | Saved as disclosed in **Table D1**, there are no other substantial shareholders of the Company, or immediate family member (defined in the Listing Manual as the spouse, child, adopted child, step-child, brother, sister and parent) of a director, the CEO or a substantial shareholder, in the employment of the Company whose annual remuneration exceeded S$100,000 during FY2019. |
| 8.3 | **Long-Term Incentive Plans** |
| | The Company has two share incentive schemes known as 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. Dominic Tan and Mr. Guo Shaozeng as at the date of this report. The Circular to Shareholders containing the details of both Scheme and Plan are available to shareholders upon their request. |
| | No share options or share awards were granted under the Scheme or Plan for FY2019. |
| | Disclosure on all forms of remuneration has been sufficiently disclosed in this report under Principles 6, 7 and 8 and in the financial statements of the Company and the Group. |

## ACCOUNTABILITY AND AUDIT

### RISK MANAGEMENT AND INTERNAL CONTROLS

***Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.***

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

(i) discussions with management on risks identified by management;

(ii) the audit processes;

(iii) the review of internal and external audit plans; and

(iv) the review of significant issues arising from internal and external audits.

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

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

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 of the Group.

9.2 The Board has received assurance from (a) the CEO and the Group CFO that the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

## AUDIT COMMITTEE

***Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.***

| <u>Provisions</u> | <u>Corporate Governance Practices of the Company</u> |
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10.1 The AC has specific written terms of reference and performed the following key functions:

(a) Reviews the audit plans of the external auditor and internal auditor, including the review of the auditors' evaluation of the adequacy of the Company's system of internal 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 (International), concerns and issues arising from external audit including any matters which the auditor may wish to discuss in the absence of management, where appropriate, before submission to the Board for approval;

(c) Reviews and discusses with the auditors 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 auditors;

(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; Nominates auditor for appointment or re-appointment;

(f) 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;

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

(h) Reviews any potential conflicts of interest;

(i) 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;

(j) Reviews the appointment of different external auditors for its subsidiaries and/or significant associated companies (if any); and

(k) 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).

(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.

Provisions **Corporate Governance Practices of the Company**

Nexia TS Public Accounting Corporation, the Company's external auditor, 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 auditor to the AC.

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

In recommending the re-appointment of the auditors, the Audit Committee considered and reviewed various factors including the adequacy of resources, the experience of the auditing firm and the audit engagement partner, the firm's other audit engagements, the number and experience of supervisory and professional staff to be assigned to the audit, the size and complexity of the Group and its businesses and operations. The AC shall continue to monitor the scope and results of the external audit, its cost effectiveness, as well as the independence and objectivity of the external auditors and give its recommendations to the Board and the Company regarding the appointment, re-appointment or removal of the external auditors.

The total audit fees paid to the external auditor are stated on page 64 of this Annual Report. There were no non-audit fees payable to the external auditor in FY2019 that would affect the independence of the auditor. The AC having assessed the independence of auditor and size of resources and expertise, has recommended to the Board the re-appointment of Nexia TS Public Accounting Corporation as auditor of the Company.

The AC had recommended and the Board had approved the tabling of the re-appointment of Nexia TS Public Accounting Corporation as auditors of the Company for shareholders' approval at the forthcoming AGM. The auditors, Nexia TS Public Accounting Corporation have indicated their willingness to accept re-appointment.

The Group has a Whistle-Blowing Policy where employees of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective for such arrangement is to ensure independent investigation of such matters and for appropriate follow-up action. The AC has the full authority at the Company's expense to engage a firm of independent professional service firm including if considered appropriate legal counsel to advise and/or to investigate the allegation.

The AC has full access to and full co-operation of the Management and external auditors. It also has the full discretion to invite any Director or executive officer to attend its meetings. The AC also has the power to conduct or authorise investigations into any matters within its terms of reference.

**Summary of AC's activities in FY2019**

During the year, the AC performed the following activities including reviewing:

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

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 plan and internal control report based on their evaluation of the system of internal controls;

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

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

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

<u>Provisions</u> <u>Corporate Governance Practices of the Company</u>

**AC Commentary to Key audit matter**

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

| Key audit matters involving significant judgement and estimates | Matters considered | Conclusion by AC |
|---|---|---|
| **Business combination – acquisition of Mapur Rocky Resort Limited**<br><br>Refer to Note 3(a) and Note 34 to the financial statements | Under SFRS(I) 3 *Business Combinations*, the Group is required to assess and determine the fair values of the assets acquired and liabilities assumed, including any potential intangible and non-controlling interests.<br><br>Management had performed the Purchase Price Allocation ("PPA") exercise based on management's understanding and knowledge of the acquisition. The majority of the purchase price was allocated to the property, plant and equipment of its target subsidiary – PT East Bintan Resort which hold a leasehold land in Bintan, Indonesia. Management had engaged independent external valuer to determine the fair value of the leasehold land as at the date of the acquisition. As a result of the business combination, management recognised a gain on bargain purchase of S$0.2 million.<br><br>The AC reviewed the PPA prepared by management and the valuation report prepared by the independent external valuer. The AC also discussed with the external auditor to ascertain how it had reviewed the PPA and assessed whether management's key assumptions are reasonable. | Based on the AC's discussion with management and the external auditor and review of the PPA prepared by the management and the valuation report prepared by the external valuer, the AC concurred with management's recognition of a gain on bargain purchase of S$0.2 million. |
| **Valuation of property, plant and equipment**<br><br>Refer to Note 3(b) and Note 20 to the financial statements | As at 31 December 2019, included in the Group's property, plant and equipment are leasehold properties with carrying amount of S$10.79 million, which represent 46% of the Group's total assets.<br><br>Leasehold properties consisted of right-of-use assets and leasehold 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.<br><br>The valuation of the Group's leasehold land and buildings was derived from the indicative value determined from the valuation reports performed by independent external valuers engaged by management. The independent external valuers adopted the depreciated replacement cost approach for the buildings and market approach for leasehold land.<br><br>The valuation of land and buildings is identified as a key audit matter due to the magnitude of the carrying amount as at 31 December 2019. The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. | Based on the AC's discussion with management and the external auditor and review of the valuation report performed by independent external valuers, the AC concurred with management on the valuation of the Group's leasehold land and buildings with carrying amount of S$10.63 million as at 31 December 2019. |

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| Key audit matters involving significant judgement and estimates | Matters considered | Conclusion by AC |
|---|---|---|
| **Valuation of financial assets at fair value through profit or loss**<br><br>Refer to Note 3(c) and Note 13 to the financial statements | As disclosed in Note 13 to the accompanying audited financial statements, the Group has financial assets at fair value through profit or loss ("FVPL") amounting to S$9.0 million as at 31 December 2019. The financial assets at FVPL 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 an independent external valuer specializing in property valuations. The AC noted from the report that the methodology adopted is based on direct comparison method. In this method, a comparison is made with sales of similar properties in the subject development or in similar localities. Adjustments are made for differences in land/floor area, location, tenure, age and condition of the property and date of sale amongst other factors. The market value of the Property arrived at by the independent external valuer was S$90 million at reporting date. As the market value recorded in the previous financial year for this Property was also S$90 million, there is no change in the fair value of the financial instrument at reporting date. The AC also discussed with the external auditor and noted no significant matters arising from their review of the valuation report from independent external valuer. | The AC has reviewed the report from the independent external valuer and has also considered the qualification and reputation of the external valuer and the valuation methodology adopted in arriving at the market value of the property. Based on the review and discussion with the management and the external auditor, the AC is satisfied that the market value arrived at by the valuer is reasonable and concurred with management that there is no fair value gain or loss to be recognized in profit or loss for FY2019 relating to the financial instrument given that the market value of the Property determined by the valuer is similar to prior year at S$90 million. |

Rule 1207(6), Rules 712 and 715 and/or Rule 716 of the Rules of Catalist

The Board and AC have reviewed the appointment of different auditors for some of its subsidiaries and significant associated companies and were satisfied that such appointment would not compromise the standard and effectiveness of the audit of the Group and that Rule 716 of the Listing Manual has been complied with. Refer to Note 18 "Investment in subsidiary corporations" of the Notes to the Financial Statements for the subsidiaries audited by different auditors.

In appointing the audit firms for the Company, its subsidiaries and significant associated companies, the Audit Committee and the Board are satisfied that the Group has complied with Listing Rules 712, 715 and 716 of the Rules of Catalist.

10.2 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.

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

| Provisions | Corporate Governance Practices of the Company |
|---|---|
| 10.4 | The Group has outsourced its internal audit function to external audit professionals, Mazars LLP. The internal auditor ("IA") plans its internal audit schedule and scope of work in consultation with the AC and reports directly and independently to the AC. Being an independent function; the internal audit work is conducted with impartiality and professional care and in accordance with the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The IA has full access to all the Group's documents, records, properties and personnel, including the AC.<br><br>To ensure that the IA is staffed with relevant, qualified and experienced persons, the AC approves the hiring, removal, evaluation and compensation of the IA. The IA has confirmed that all its team members are equipped with and practising the recommended standards of internal audit. The AC is satisfied that the internal audit function is staffed with suitably qualified and experienced professionals with the relevant experience.<br><br>The Board recognized that it is important to maintain a system of internal controls to safeguard shareholders' investments and the Group's businesses and assets, while the management is responsible for establishing and implementing effective internal control procedures. The role of IA is to assist the AC in ensuring that controls are properly in place, effective and functioning as intended.<br><br>The internal auditor prepares and executes a risk-based audit plan, which complements that of the external auditor, so as to review the adequacy and effectiveness of the Group's financial, operational, compliance and information technology controls, and risk management. The IA will follow up on all recommendations to ensure that Management has implemented them on a timely and appropriate manner and reports the results to the AC.<br><br>In addition, the independent auditor will highlight any material internal control weaknesses which have come to their attention in the course of their statutory audit. All internal and external audit findings and recommendations made by the internal and external auditors are reported to the AC. Significant issues are discussed at AC meetings.<br><br>In FY2019, internal audit review was carried out by Mazars LLP. No significant internal control weaknesses were noted by Mazars LLP during their internal audit review in FY2019 and the Group's activities remained largely similar to prior year with no major changes in products, processes, policies, systems, management and people. Management and AC plan to discuss with Mazars LLP the key processes in FY2020 to be subjected to internal audit review. |
| 10.5 | Annually, the AC meets with the external auditors without the presence of Management. The AC also meets with the internal auditors without the presence of Management to review any important matters that should be discussed. . |

## SHAREHOLDER RIGHTS AND ENGAGEMENT

### SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

***Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.***

| Provisions | Corporate Governance Practices of the Company |
|---|---|
| 11.1 | The management supports the 2018 Code's principle and encourages 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.<br><br>In accordance with Rule 730A(2) of the Listing Manual and to have greater transparency in the voting process, 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. |

| Provisions | Corporate Governance Practices of the Company |
|---|---|
| | At 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. Shareholders have the opportunity to participate effectively and to vote in the AGM either in person or by proxy. The Constitution of the Company allows each shareholder to appoint up to two proxies to attend and vote at AGMs on his/her behalf. Shareholders have the opportunity to participate effectively and to vote in the AGM either in person or by proxy. |
| 11.2 | 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. |
| 11.3 | 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.<br><br>All directors with the exception of Mr. Daniels Ng, attended the Company's AGM duly held on 29 April 2019. A record of the directors' attendance at AGM is set out in **Table A**. |
| 11.4 | Under the Company's Constitution and pursuant to the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), a relevant intermediary (as defined in the Companies Act) may appoint more than two proxies to attend AGMs and any other general meeting. The Company allows relevant intermediaries such as the Central Provident Fund Board or corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such bodies can attend and participate in general meetings as proxies. A registered shareholder who is not a relevant intermediary may appoint up to two proxies. The Company is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other issues are satisfactorily resolved. Accordingly, the Company's Constitution does not currently expressly provide for such absentia voting methods at general meetings of shareholders. |
| 11.5 | Questions, comments received from shareholders and responses from the Board and Management were recorded in the minutes of general meetings. The Company does not publish minutes of general meetings of shareholders on its corporate website nor via SGXNET. The Company is of the view that minutes of general meeting is an internal document and can only be made available to the shareholders of the Company but not to the public at large. Shareholders of the Company, including those who did not attend the relevant general meeting, have a statutory right to be furnished copies of the minutes of general meetings upon request in accordance with the statutory requirement under Section 189 of the Companies Act. |
| 11.6 | The Company does not have a dividend policy based on payout ratio. As the Company had accumulated losses as at 31 December 2019 and its current priority is to achieve long-term capital growth for the benefit of shareholders, any profits generated shall therefore be retained for investment into the future. The Board will continue to monitor the financial position of the Company and will propose dividends at the appropriate time to the best interest of the shareholders. No dividend has been proposed for FY2019. |

## ENGAGEMENT WITH SHAREHOLDERS

***Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.***

| Provisions | Corporate Governance Practices of the Company |
|---|---|
| 12.1 | The Board views the general meetings as the principal forum for dialogue with shareholders, being an opportunity for shareholders to raise issues pertaining to the proposed resolutions and/or ask the Directors or management questions regarding the Company and its operations. |

| Provisions | Corporate Governance Practices of the Company |
|---|---|
| | 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. |
| 12.2 | 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. |
| 12.3 | 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.<br><br>The Board welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad hoc basis. |

## MANAGING STAKEHOLDERS RELATIONSHIPS

### ENGAGEMENT WITH STAKEHOLDERS

***Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.***

| Provisions | Corporate Governance Practices of the Company |
|---|---|
| 13.1 | The Company has appropriate channels in place to identify and engage with its key stakeholder groups. The Company recognizes the importance of understanding the Group's businesses and regular interactions with key stakeholders to determine material issues for the Group's businesses. |
| 13.2 | The Company embarked on a stakeholder engagement exercise with customers, shareholders, employees, suppliers, Government and Regulatory Agencies and the media in FY2019 for its sustainability reporting. The objective was for the Company to identify areas that are material, sustainable and necessary for future development. Feedback from all stakeholder groups was solicited through open dialogues on a regular basis. Internal stakeholder workshops for account-drivers and overseas markets were also organized to gather more in-depth views to enhance the Company's sustainability reporting. |
| 13.3 | The strategy and key areas of focus in relation to the management of stakeholder relationships are disclosed under "Accountability to Stakeholders" on Page 6 of the FY2018 Sustainability Report.<br><br>The Board views the general meetings as the principal forum for dialogue with shareholders, being an opportunity for shareholders to raise issues pertaining to the proposed resolutions and/or ask the Directors or management questions regarding the Company and its operations. |

## DEALING IN SECURITIES (CODE OF DEALINGS IN SECURITIES)

Rule 1204(19) of the Rules of Catalist

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

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

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

## MATERIAL CONTRACTS

Rule 1204(8) of the Rules of Catalist

Save for the service agreements entered into with Mr. Steven Chew, Mr. George Chew and Mr. Yong Wen Wai which are still subsisting as at the end of FY2019, 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

Rule 907 of the Rules of Catalist

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, aside from the acquisition of Mapur Rocky Resort Limited, the Subscription and the grant of Options as out in the Circular to Shareholders dated 10 July 2019, there were no other material interested person transactions of S$100,000, or more during FY2019 requiring disclosure pursuant to the Rules of Catalist.

## USE OF PROCEEDS

Rule 1204(22) of the Rules of Catalist

The Company refers to the announcements dated 27 February 2019, 13 May 2019, 26 June 2019, 10 July 2019, 26 July 2019 and the Circular to Shareholders dated 10 July 2019 (the "Circular").

The net cash proceeds from the 158 million new subscription shares issued at S$0.011 for each subscription share of S$1.5 million has been fully utilised for working capital purposes for the payments of trade and other payables and other operating expenses in accordance with the intended use as stated in the Circular dated 10 July 2019.

## CATALIST SPONSOR

Rule 1204(21) of the Rules of Catalist

The Company's sponsor, RHT Capital Pte. Ltd. had not rendered any non-sponsorship services to the Company for FY2019.

## SUSTAINABILITY REPORTING

Rule 711A -711B of the SGX-ST Listing Rules

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

The Company intends to publish its Sustainability Report for FY2019 (the "SR"), which is aligned to SGX-ST's Listing Rules – Sustainability Reporting Guide, by end of May 2020. This SR will be publicly accessible through the SGXNET.

### TABLE A – DIRECTORS' ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS AND OTHER MEETINGS FOR FY2019

| | Board of Directors | | Nominating Committee | | Audit Committee | | Remuneration Committee | | AGM | EGM | Attendance | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of Meetings | | | | | | | | | | | |
| Directors | Held | Attended | Held | Attended | Held | Attended | Held | Attended | Attended | Attended | Total | % |
| Chew Chiew Siang, Steven | 3 | 3 | – | – | 2 | 2 | – | – | 1 | 1 | 7/7 | 100% |
| Chin Sek Peng, Michael | 3 | 3 | 1 | 1 | 2 | 2 | 1 | 1 | 1 | 1 | 9/9 | 100% |
| Ng Boon Huan, Daniels | 3 | 2 | 1 | 1 | 2 | 2 | 1 | 1 | – | – | 6/9 | 67% |
| Tan Eng Kiat, Dominic | 3 | 3 | 1 | 1 | 2 | 2 | 1 | 1 | 1 | 1 | 9/9 | 100% |

**Note:** Mr Chew Hua Seng and Mr Guo Shaozeng were appointed on 21 October 2019. There were no meetings scheduled after their appointment date and hence they are not included in the above table for FY2019.

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

| | Board | Nominating Committee | Audit Committee | Remuneration Committee |
|---|---|---|---|---|
| **Non-Independent Directors** | | | | |
| Chew Hua Seng (non-executive) | Chairman | Member | – | – |
| Guo Shaozeng (non-executive) | Member | – | – | Member |
| Chew Chiew Siang, Steven (executive) | Member | – | – | – |
| **Independent Non-Executive Directors** | | | | |
| Chin Sek Peng, Michael (also Lead Independent Director) | Member | – | Chairman | – |
| Ng Boon Huan, Daniels | Member | Member | Member | Chairman |
| Tan Eng Kiat, Dominic | Member | Chairman | Member | Member |

**TABLE C – DATE OF DIRECTOR'S INITIAL APPOINTMENT, LAST RE-ELECTION AND THEIR DIRECTORSHIPS/PRINCIPAL COMMITMENTS**

| Name of Director | Age | Date of initial appointment | Date of last re-election | Present directorships in listed companies | Past (preceding 5 years directorships in listed companies | Principal Commitments |
|---|---|---|---|---|---|---|
| Chew Hua Seng | 66 | 21/10/2019 | – | • Raffles Education Corporation Limited<br>• Oriental University City Holdings (H.K.) Limited<br>• 2W2Q Harmony Limited<br>• Sitra Holdings (International) Limited | – | Full time employment with Raffles Education Corporation Limited and its subsidiaries. |
| Guo Shaozeng | 57 | 21/10/2019 | – | • Oriental University City Holdings (H.K.) Limited<br>• Sitra Holdings (International) Limited<br>• China Fortune Foundation Co., Ltd | China Fortune Land Development Co., Ltd | • Chairman of Partner Committee of Poplar Capital Group<br>• Vice Chairman of the Bank of Langfang |
| Chew Chiew Siang, Steven | 50 | 20/09/2006 | 27/04/2017 | Sitra Holdings (International) Limited | – | Full time employment with the Group |
| Chin Sek Peng, Michael | 64 | 20/09/2006 | 29/04/2019 | • Sitra Holdings (International) Limited<br>• Cortina Holdings Ltd<br>• Sunpower Group Ltd<br>• Tee Land Ltd | – | Managing Partner of PKF Singapore entities |
| Ng Boon Huan, Daniels | 59 | 20/09/2006 | 29/04/2019 | Sitra Holdings (International) Limited | – | Managing Director of Advisor Associates (S) Pte Ltd |
| Tan Eng Kiat, Dominic | 76 | 22/02/2011 | 30/04/2018 | • Sitra Holdings (International) Limited<br>• Yongnam Holdings Limited | Capital World Limited | – |

The term "**principal commitments**" includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

## TABLE D – REMUNERATION OF DIRECTORS

The breakdown of the total remuneration of the directors of the Company for the year ended 31 December 2019 is set out below: e

| Name of Director | Position | Breakdown of Remuneration in Percentage | | | | Actual Total Remuneration in Compensation Bands of $100,000 |
|---|---|---|---|---|---|---|
| | | Directors' fees(1) | Salary(2) | Other benefits(3) | Total | |
| Chew Ah Ba, George* | ED | – | 94.9% | 5.1% | 100% | $300,001 - $400,000 |
| Chew Chiew Siang, Steven | ED | – | 94.1% | 5.9% | 100% | $200,001 - $300,000 |
| Chew Hua Seng# | NENI | 100% | – | – | 100% | <$100,000 |
| Guo Shaozeng# | NENI | 100% | – | – | 100% | <$100,000 |
| 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** | | **$108,946** | **$513,693** | **$29,579** | **$652,218** | |
| | | **16.7%** | **78.8%** | **4.5%** | **100%** | |

* resigned on 21 October 2019
\# appointed on 21 October 2019

***Notes:***

*ED: Executive director*
*NEID: Non-executive independent director*
*NENI: Non-executive non-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) 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 2019 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) | Other Benefits(2) | Total | |
| Ong Chai Tiam | CFO | 100% | – | 100% | $100,001 - $200,000 |
| Tan Teresa@ | Senior VP (Group Admin & HR) / Immediate family members of a director and substantial shareholders | 96.5% | 3.5% | 100% | $100,001 - $200,000 |
| Lim Sook Hwa Jacinta | Senior VP Operations / Immediate family members of a director and substantial shareholders | 100% | – | 100% | < $100,000 |
| Yong Wen Wei# | CEO | 100% | – | 100% | < $100,000 |
| **The aggregate total remuneration of key management personnel** | | **$403,990** | **$4,866** | **$408,856** | |
| | | **98.8%** | **1.2%** | **100%** | |

@ Resigned on 31 August 2019
\# appointed on 21 October 2019

***Notes:***

*(1) Salary comprises basic salary and the Company's contribution towards the Singapore Central Provident Fund where applicable.*
*(2) 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 2019 and the balance sheet of Sitra Holdings (International) Limited (the "Company") as at 31 December 2019.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group 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 2019 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 Hua Seng (appointed on 21 October 2019)
Guo Shaozeng (appointed on 21 October 2019)
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' 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 | |
|---|---|---|
| **The Company**<br>(No. of ordinary shares) | **At 31.12.2019** | **At 1.1.2019 or date of appointment, if later** |
| Chew Chiew Siang, Steven | 24,393,900 | 24,393,900 |
| Chin Sek Peng, Michael | 6,300,000 | 4,831,000 |
| Ng Boon Huan, Daniels | 4,120,000 | 3,120,000 |
| Chew Hua Seng | 399,033,520 | 546,215,100 |
| Guo Shaozeng | 364,313,780 | 167,632,200 |

The directors' interests in the ordinary shares of the Company as at 21 January 2020 were the same as those as at 31 December 2019.

## Directors' interests in shares or debentures

By virtue of Section 7 of the Singapore Companies Act, Cap 50, Chew Hua Seng and Guo Shaozeng are deemed to have interests in all of the shares of the subsidiary corporations as at 31 December 2019.

## Share options

The Company has entered into a share sale cum subscription and option agreement which resulted in an option granted to a director to subscribe up to 255,000,000 new ordinary shares in the capital of the Company (the "**Option Shares**") at exercise price of S$0.011 per share. The Option Shares shall be exercisable within a period of 24 months from the acquisition completion date of 4 October 2019. The Options Shares may be exercised at any time and from time to time in respect of any or all of the Option Shares, but each exercise shall be in respect of not less than 50 million Option Shares.

No options have been granted during the financial year to subscribe for unissued shares of the 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 255,000,000 unissued shares of the Company under option at the end of the financial year.

## Audit committee

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

Chin Sek Peng, Michael (Chairman)
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 auditor and review of the audit and non-audit fees;
- the assistance given by the Company's management to the independent auditor;
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2019 before their submission to the Board of Directors, as well as the independent auditors's report on the balance sheet of the Company and the consolidated financial statements of the Group;
- the scope and the results of internal audit procedures with the internal auditor;
- interested person transactions as defined under Chapter 9 of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual to ensure that they are on normal commercial terms and not prejudicial to the interest of the Company or its shareholders; and
- the independence and objectivity of the independent auditor.

## Audit committee

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

**Chin Sek Peng, Michael**
Director

**Chew Chiew Siang, Steven**
Director

**6 April 2020**

## 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 2019, 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 a summary of significant accounting policies.

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 Singapore Financial Reporting Standards (International) ("SFRS(I)s") 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 2019 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.

*Key Audit Matters*

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| 1. **Business Combination – acquisition of Mapur Rocky Resort Limited**<br>*Refer to Note 3(a) and Note 34 to the financial statements*<br><br>On 4 October 2019, the Group acquired 54% of equity interest in Mapur Rocky Resort Limited for a consideration of \$3.51 million to be satisfied by the allotment and issue of an aggregate of 319.1 million new ordinary shares in the capital of the Company.<br><br>Under SFRS(I) 3 *Business Combinations*, the Group is required to assess and determine the fair values of the assets acquired and liabilities assumed, including any potential intangible and non-controlling interests.<br><br>Management had performed the Purchase Price Allocation ("PPA") exercise based on management's understanding and knowledge of the acquisition. The majority of the purchase price was allocated to the property, plant and equipment of its target subsidiary – PT East Bintan Resort which hold a leasehold land in Bintan, Indonesia. Management had engaged independent external valuer to determine the fair value of the leasehold land as at the date of the acquisition. As a result of the business combination, management recognised a gain on bargain purchase of \$0.2 million.<br><br>The business combination is a significant event during the financial year and the acquired entity represents a significant strategy for the restructured business operation of the Group. Moreover, significant judgement and assumptions are also used in the determination of the fair values of the identified asset acquired and liabilities assumed in the transaction.<br><br>The accounting policies for business combination are set out in Note 2.4(a) to the financial statements. | In obtaining sufficient audit evidence, the following procedures have been performed:<br><br>● We reviewed the Sale and Purchase Agreement to check that the acquisition is accounted for based on effective date of the transaction, and that the Purchase Price Allocation ("PPA") and gain from bargain purchase are computed correctly;<br><br>● We assessed the competency, capabilities and objectivity of the management in preparing PPA report;<br><br>● We evaluated the qualification and independence of the external valuer used by management;<br><br>● We evaluated the appropriateness of the valuation methodologies and key assumptions applied in the valuation report based on market approach;<br><br>● We performed an alternative test by searching the recent transacted price of similar leasehold land in the same area and compared against with the valuation report;<br><br>● We assessed the adequacy and appropriateness of the disclosures in the financial statements. |

*Key Audit Matters*

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **2. Valuation of property, plant and equipment**<br>*Refer to Note 3(b) and Note 20 to the financial statements*<br><br>As at 31 December 2019, included in the Group's property, plant and equipment are leasehold properties with carrying amount of $10.79 million (2018: $ 2.75 million) which represent 46% (2018:18%) of the Group's total assets.<br><br>Leasehold properties consisted of right-of-use assets and leasehold 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.<br><br>The valuation of the Group's leasehold land and buildings was derived from the indicative value determined from the valuation reports performed by independent external valuers engaged by management. The independents external valuers adopted the depreciated replacement cost approach for the buildings and market approach for leasehold land.<br><br>The valuation of land and buildings is identified as a key audit matter due to the magnitude of the carrying amount as at 31 December 2019. The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied.<br><br>The accounting policies for property, plant and equipment are set out in Note 2.5 to the financial statements. | Our audit focused on ensuring the appropriateness of valuation of land and buildings and included the following key procedures, among others:<br><br>● We assessed the competency, capabilities and objectivity of the independent external valuers' scope of work and terms of engagement;<br><br>● We discussed the key assumptions and critical judgemental areas with the independent external valuers and understood the approaches taken by the independent external valuers in determining the valuation of the land and building;<br><br>● We evaluated the appropriateness of the valuation techniques used by the independent external valuers for the respective land and buildings. We also challenged the key assumptions used in their valuation by reference to externally published industry data and comparable land transactions, where available, and we also considered whether these assumptions are consistent with the current market environment;<br><br>● We assessed the adequacy of the related disclosures in the financial statements. |
| **3. Valuation of financial assets at fair value through profit or loss**<br>*Refer to Note 3(c) and Note 13 to the financial statements*<br><br>The financial assets at fair value through profit or loss amounted to $9.0 million (2018: $9.0 million), which represented 38% (2018: 55%) of the Group's total assets as at 31 December 2019. The Group recognised fair value loss of $Nil (2018: $0.5 million) for the financial year ended 31 December 2019. The fair value of the financial assets was based on independent external valuation. We focus on this area because of its size, significant judgement in determining the appropriate valuation methodology to be used and in estimating the underlying assumptions to be applied.<br><br>The accounting policies for impairment for financial assets are set out in Note 2.10 to the financial statements. | In obtaining sufficient audit evidence, the following procedures have been performed:<br><br>● We assessed the competency, capabilities and objectivity of the independent external valuers' scope of work and terms of engagement;<br><br>● We evaluated the appropriateness of the valuation techniques used by the independent external valuers for the financial assets. We also challenged the key assumptions used in their valuation by reference to externally published industry data and comparable asset transactions, where available, and we also considered whether these assumptions are consistent with the current market environment;<br><br>● We assessed the adequacy and appropriateness of the disclosures in the financial statements. |

*Other Information*

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

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

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

*Responsibilities of Management and Directors for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, 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.

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

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

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

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

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

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

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

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

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

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

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

## Report on Other Legal and Regulatory Requirements

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

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

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

**Singapore**
**6 April 2020**

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

| | Note | The Group 2019 $ | The Group 2018 $ |
|---|---|---|---|
| Revenue | 4 | 16,435,263 | 13,821,276 |
| Cost of sales | | (15,505,231) | (12,614,599) |
| Gross profit | | 930,032 | 1,206,677 |
| Other income | 7 | 23,870 | 250,752 |
| Other gains/(losses) – net | 8 | 944,342 | (1,592,248) |
| Expenses | | | |
| - Selling and marketing | | (389,958) | (482,790) |
| - Administrative | | (2,378,449) | (2,291,970) |
| - Finance | 9 | (88,081) | (59,804) |
| Loss before income tax | | (958,244) | (2,969,383) |
| Income tax credit | 10 | 183 | – |
| **Loss for the financial year** | | **(958,061)** | **(2,969,383)** |
| **Other comprehensive income:** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Currency translation differences arising from consolidation | | | |
| - (Losses)/Gains | 28(b)(ii) | (401,666) | 566,698 |
| Revaluation gain on property, plant and equipment | 28(b)(v) | 823,821 | – |
| Other comprehensive income, net of tax | | 422,155 | 566,698 |
| **Total comprehensive loss for the financial year** | | **(535,906)** | **(2,402,685)** |
| **Loss attributable to:** | | | |
| Equity holders of the Company | | (967,312) | (2,979,923) |
| Non-controlling interests | | 9,251 | 10,540 |
| | | (958,061) | (2,969,383) |
| **Total comprehensive income/(loss) attributable to:** | | | |
| Equity holders of the Company | | (532,512) | (2,403,718) |
| Non-controlling interests | | (3,394) | 1,033 |
| | | (535,906) | (2,402,685) |
| **Loss per share attributable to equity holders of the Company (cents per share)** | | | |
| - Basic and diluted | 11 | (0.11) | (0.40) |

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

# BALANCE SHEET

As at 31 December 2019

| | Note | The Group 2019 $ | The Group 2018 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and bank balances | 12 | 212,196 | 451,377 |
| Financial assets at fair value through profit or loss ("FVPL") | 13 | 9,000,000 | 9,000,000 |
| Trade and other receivables | 14 | 1,172,805 | 526,600 |
| Inventories | 15 | 2,029,558 | 3,218,834 |
| Other current assets | 16 | 206,390 | 165,955 |
| | | 12,620,949 | 13,362,766 |
| **Non-current assets** | | | |
| Property, plant and equipment | 20 | 11,024,959 | 3,032,836 |
| Deferred tax assets | 26 | 58,457 | 56,649 |
| | | 11,083,416 | 3,089,485 |
| **Total assets** | | 23,704,365 | 16,452,251 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 23 | 3,212,900 | 3,839,807 |
| Borrowings | 24 | 1,494,205 | 1,519,023 |
| | | 4,707,105 | 5,358,830 |
| **Non-current liabilities** | | | |
| Borrowings | 24 | 92,108 | 5,968 |
| Deferred tax liabilities | 26 | 239,302 | 237,932 |
| | | 331,410 | 243,900 |
| **Total liabilities** | | 5,038,515 | 5,602,730 |
| **NET ASSETS** | | **18,665,850** | **10,849,521** |
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | 27 | 22,992,180 | 17,817,108 |
| Other reserves | 28 | 305,007 | (129,793) |
| Accumulated losses | | (7,964,197) | (6,996,885) |
| | | 15,332,990 | 10,690,430 |
| Non-controlling interests | 18 | 3,332,860 | 159,091 |
| **TOTAL EQUITY** | | **18,665,850** | **10,849,521** |

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

# BALANCE SHEET

As at 31 December 2019

| | Note | The Company 2019 $ | The Company 2018 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and bank balances | 12 | 3,555 | 6,498 |
| Trade and other receivables | 14 | 3,433,135 | 4,464,959 |
| Other current assets | 16 | 53,772 | 2,520 |
| | | 3,490,462 | 4,473,977 |
| **Non-current assets** | | | |
| Investments in subsidiary corporations | 18 | 3,560,202 | 227,436 |
| Property, plant and equipment | 20 | 60,166 | 82,486 |
| | | 3,620,368 | 309,922 |
| **Total assets** | | 7,110,830 | 4,783,899 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 23 | 3,559,174 | 4,583,064 |
| Borrowings | 24 | 5,005 | 22,377 |
| | | 3,564,179 | 4,605,441 |
| **Non-current liability** | | | |
| Borrowings | 24 | 1,580 | 5,968 |
| **Total liabilities** | | 3,565,759 | 4,611,409 |
| **NET ASSETS** | | **3,545,071** | **172,490** |
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | 27 | 22,992,180 | 17,817,108 |
| Other reserves | 28 | (21,607) | (21,607) |
| Accumulated losses | 29 | (19,425,502) | (17,623,011) |
| | | 3,545,071 | 172,490 |
| **TOTAL EQUITY** | | **3,545,071** | **172,490** |

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

| | | ← Attributable to equity holders of the Company → | | | | | |
|---|---|---|---|---|---|---|---|
| | Note | Share capital | Other reserves | Accumulated losses | Total | Non-controlling interests | Total |
| | | $ | $ | $ | $ | $ | $ |
| **2019** | | | | | | | |
| **Balance as at 1 January 2019** | | 17,817,108 | (129,793) | (6,996,885) | 10,690,430 | 159,091 | 10,849,521 |
| Issuance of new shares | 27 | 5,248,100 | – | – | 5,248,100 | – | 5,248,100 |
| Share issue expenses | 27 | (73,028) | – | – | (73,028) | – | (73,028) |
| Acquisition of subsidiary corporation | 34(c) | – | – | – | – | 3,177,163 | 3,177,163 |
| Total comprehensive income/(loss) for the financial year | | – | 434,800 | (967,312) | (532,512) | (3,394) | (535,906) |
| **Balance as at 31 December 2019** | | **22,992,180** | **305,007** | **(7,964,197)** | **15,332,990** | **3,332,860** | **18,665,850** |
| **2018** | | | | | | | |
| **Balance as at 31 December 2017** | | 17,817,108 | 4,201,494 | (8,924,454) | 13,094,148 | 158,058 | 13,252,206 |
| Adoption of SFRS(I) 1 | | – | (4,907,492) | 4,907,492 | – | – | – |
| **Balance as at 1 January 2018** | | 17,817,108 | (705,998) | (4,016,962) | 13,094,148 | 158,058 | 13,252,206 |
| Total comprehensive income/(loss) for the financial year | | – | 576,205 | (2,979,923) | (2,403,718) | 1,033 | (2,402,685) |
| **Balance as at 31 December 2018** | | **17,817,108** | **(129,793)** | **(6,996,885)** | **10,690,430** | **159,091** | **10,849,521** |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

| | Note | The Group 2019 $ | The Group 2018 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss for the financial year | | (958,061) | (2,969,383) |
| Adjustments for: | | | |
| - Depreciation of property, plant and equipment | 5 | 357,428 | 292,146 |
| - Advance to suppliers written off | 8 | – | 1,158 |
| - Bad debts written-off – non-trade receivables from related party | 8 | 38,484 | – |
| - Fair value loss on financial assets at fair value through profit or loss | 8 | – | 500,000 |
| - Gain on bargain purchase on acquisition of subsidiary corporations | 8 | (218,509) | – |
| - Loss allowance on trade receivables – non-related parties | 8 | 20,857 | 106,376 |
| - Loss on investment in an associated company strike off | 8 | – | 6,460 |
| - Reversal on impairment loss of property, plant and equipment | 8 | (350,000) | – |
| - Impairment loss of property, plant and equipment | 8 | – | 350,000 |
| - Unrealised currency translation (gains)/losses | 8 | (471,044) | 769,480 |
| - Interest income | 7 | (1,812) | (201) |
| - Interest expense | 9 | 88,081 | 59,804 |
| - Income tax credit | 10 | (183) | – |
| | | (1,494,759) | (884,160) |
| Changes in working capital: | | | |
| - Trade and other receivables | | (904,438) | 589,610 |
| - Inventories | | 1,187,028 | (1,183,830) |
| - Other current assets | | (41,861) | 21,102 |
| - Trade and other payables | | (436,731) | 1,615,456 |
| Cash generated from operations | | (1,690,761) | 158,178 |
| Interest received | | 1,812 | 201 |
| Interest paid | | (73,213) | (55,852) |
| Income tax refunded | | 183 | – |
| **Net cash (used by)/provided by operating activities** | | (1,761,979) | 102,527 |
| **Cash flows from investing activities** | | | |
| Net cash inflow on acquisitions of subsidiary corporations | 34(b) | 2,055 | – |
| Additions of property, plant and equipment | 20 | (12,001) | (10,894) |
| **Net cash used in investing activities** | | (9,946) | (10,894) |
| **Cash flows from financing activities** | | | |
| Proceeds from issuance of new shares | | 1,738,000 | – |
| Share issue expenses | | (73,028) | – |
| Principal payment of lease liabilities | | (87,137) | – |
| Repayment of finance lease liabilities | | – | (30,572) |
| Interest paid | | (14,868) | (3,952) |
| **Net cash provided by/(used in) financing activities** | | 1,562,967 | (34,524) |
| **Net (decrease)/increase in cash and cash equivalents** | | (208,958) | 57,109 |
| **Cash and cash equivalents** | | | |
| Beginning of financial year | | 409,836 | 355,023 |
| Effects of currency translation on cash and cash equivalents | | (3,606) | (2,296) |
| **End of financial year** | 12 | 197,272 | 409,836 |

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

Reconciliation of liabilities arising from financing activities:

| | 1 January 2019 | Principal and interest payments | Non-cash changes | | 31 December 2019 |
|---|---|---|---|---|---|
| | | | Adoption of SFRS(I) 16 | Interest expense | |
| | $ | $ | $ | $ | $ |
| **Lease liabilities** | 28,345 | (102,005) | 223,820 | 14,868 | 165,028 |

| | 1 January 2018 | Principal and interest payments | Non-cash changes | 31 December 2018 |
|---|---|---|---|---|
| | | | Interest expense | |
| | $ | $ | $ | $ |
| **Finance lease liabilities** | 58,917 | (34,524) | 3,952 | 28,345 |

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

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

## 1. General Information

Sitra Holdings (International) Limited (the "Company") is listed on the 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 are set out in Note 18 to the financial statements.

## 2. Significant accounting policies

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

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

**Interpretations and amendments to published standards effective in 2019**

On 1 January 2019, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") 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 SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 *Leases*.

**Adoption of SFRS(I) 16 *Leases***

(a) When the Group is the lessee

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group's accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2.15.

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 Lease and SFRS(I) INT 4 Determining whether an Arrangement contains a Leases, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and

## 2. Significant accounting policies

### 2.1 Basis of preparation

**Adoption of SFRS(I) 16 *Leases***

(a) When the Group is the lessee

ii) On a lease-by-lease basis, the Group has:

a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;

b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;

c) accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

d) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and

e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 January 2019.

For leases previously classified as operating leases on 1 January 2019, the Group has applied the following transition provisions:

(i) On a lease-by-lease basis, the Group chose to measure its ROU assets at a carrying amount as if SFRS(I) 16 had been applied since the commencement of the lease but discounted using the incremental borrowing rate at 1 January 2019.

(ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.

(iii) The difference between the carrying amounts of the ROU assets and lease liabilities as at 1 January 2019 is adjusted directly to opening retained losses. Comparative information is not restated.

(iv) For leases previously classified as finance leases, the carrying amount of the leased asset and finance lease liability as at 1 January 2019 are determined as the carrying amount of the ROU assets and lease liabilities.

(b) When the Group is the lessor

There are no material changes to accounting by the Group as a lessor.

The effects of adoption of SFRS(I) 16 on the Group's financial statements as at 1 January 2019 are as follows:

| | Increase |
|---|---|
| | **$** |
| Property, plant and equipment | 223,820 |
| Borrowings | 223,820 |

## 2. Significant accounting policies

### 2.1 Basis of preparation

**Adoption of SFRS(I) 16 *Leases***

An explanation of the differences between the operating lease commitments previously disclosed in the Group's financial statements as at 31 December 2018 and the lease liabilities recognised in the balance sheet as at 1 January 2019 are as follows:

| | $ |
|---|---|
| Operating lease commitment disclosed as at 31 December 2018 | 101,417 |
| Less: Short-term leases | (3,917) |
| Less: Discounting effect using weighted average incremental borrowing rate of 6.50% | (24,880) |
| Add: Finance lease liabilities recognised as at 31 December 2018 | 28,345 |
| Add: Extension options which are reasonably certain to be exercised | 151,200 |
| Lease liabilities recognised as at 1 January 2019 | 252,165 |

### 2.2 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised goods or services to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied over time or at a point in time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

*(a) Sale of goods*

Revenue from these sales is recognised at a point in time 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. Payment of the transaction price is due immediately when the customer purchases the goods.

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

Revenue from rendering of services is recognised when the performance obligation is satisfied at a point in time i.e. 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.

## 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.

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

(ii) Acquisitions

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.

## 2. Significant accounting policies

### 2.4 Group accounting

*(a) Subsidiary corporations*

(ii) Acquisitions

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. If those amounts are less than the fair value of the identifiable net assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain from bargain purchase. Please refer to the paragraph "Intangible assets – Goodwill" for the 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.

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.

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

(i) Acquisition

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.

## 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 company in the separate financial statements of the Company.

### 2.5 Property, plant and equipment

*(a) Measurement*

(i) Land and buildings

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

Leasehold land and buildings are revalued by independent professional valuers on a triennial basis and 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 and accumulated in equity, unless they reverse a revaluation decrease of the same assets previously recognised in profit or loss. In this case, the increase is 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.

## 2. Significant accounting policies

### 2.5 Property, plant and equipment

(a) *Measurement*

(ii) Other property, plant and equipment

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

(iii) Components of costs

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

(b) *Depreciation*

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

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

Vacant leasehold land included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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

## 2. Significant accounting policies

### 2.6 Intangible assets

*Goodwill*

Goodwill on acquisitions 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 acquiree 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.

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*
*Right-of-use assets*
*Investments in subsidiary corporations and associated company*

Property, plant and equipment, right-of-use assets 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.

## 2. Significant accounting policies

### 2.9 Impairment of non-financial assets

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

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

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

### 2.10 Financial assets

*(a) Classification and measurement*

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial assets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

## 2. Significant accounting policies

### 2.10 Financial assets

*(a) Classification and measurement*

(i) At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

(ii) At subsequent measurement

*Debt instruments*

Debt instruments of the Group mainly comprise cash and cash equivalents, trade and other receivables and unlisted debt security.

There are three subsequent measurement categories, depending on the Group's business model in managing the assets and the cash flow characteristic of the assets:

- Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

There are three subsequent measurement categories, depending on the Group's business model in managing the assets and the cash flow characteristic of the assets:

- FVOCI: Debt instruments that are held for collection of contractual cash flows where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income (OCI) and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "other gains/(losses)-net". Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income".

*Equity investments*

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains/(losses)-net", except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair value gains/losses" in OCI. Dividends from equity investments are recognised in profit or loss as "dividend income

## 2. Significant accounting policies

### 2.10 Financial assets

(b) *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 31 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other receivables and cash and cash equivalents, the general 3 stage approach is applied. Credit loss allowance is based on 12 month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is significant increase in credit risk since initial recognition, lifetime expected loss will be calculated and recognised.

(c) *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 debt instrument, 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.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

### 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 Financial guarantee

The Company has issued corporate guarantee to bank on its subsidiary corporation's trust receipts. This guarantee is financial guarantee as they require the Company to reimburse the banks if the subsidiary corporation fail to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-Group transactions are eliminated on consolidation.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

## 2. Significant accounting policies

### 2.13 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.

### 2.14 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.

### 2.15 Leases

(a) The accounting policy for leases before 1 January 2019 is as follows:

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

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

- 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.

- Lessee - Operating leases

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

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

## 2. Significant accounting policies

### 2.15 Leases

(a) The accounting policy for leases before 1 January 2019 is as follows:

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

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

- Lessor – Operating leases

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

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

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

(b) The accounting policy for leases from 1 January 2019 is as follows:

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

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

- Right-of-use assets

  The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

  These right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

  Right-of-use assets are presented within “Property, plant and equipment”.

- Lease liabilities

  The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

  Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments

## 2. Significant accounting policies

### 2.15 Leases

(b) The accounting policy for leases from 1 January 2019 is as follows:

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

- Lease liabilities

  For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

  Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

  - There is a change in future lease payments arising from changes in an index or rate;
  - There is a changes in the Group's assessment of whether it will exercise an extension option; or
  - There are modification in the scope or the consideration of the lease that was not part of the original term.

  Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

- Short term and low value leases

  The Group has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

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

The accounting policy applicable to the Group as a lessor in the comparative period were the same under SFRS(I) 16.

### 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. Significant accounting policies

### 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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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

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

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, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

### 2.18 Provisions for other liabilities and charges

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

### 2.19 Employee compensation

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

*(a) Defined contribution plans*

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

## 2. Significant accounting policies

### 2.19 Employee compensation

(b) *Short-term compensated absences*

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

### 2.20 Currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

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

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

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

## 2. Significant accounting policies

### 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. The Group also start to embark on the property development business. 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, assumptions and judgements

(a) Valuation of bargain purchase and tangible assets/ liabilities through business combination

Business combination is accounted for by applying the acquisition method. Purchase Price Allocation exercise requires a significant amount of management estimation, particularly in relation to the identification and valuation of intangible assets and assignment of their useful lives. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The fair value of such assets and liabilities are estimated by management judgement and independent external valuer where significant. Significant management judgement is involved in the valuation estimates for the fair value adjustment of property, plant and equipment.

(b) Valuation of property, plant and equipment

Leasehold land and buildings under property, plant and equipment are initially recognised at cost and are subsequently carried at the revalued amount less accumulated depreciation and accumulated impairment losses. The revalued amounts are determined by independent external valuers using valuation techniques including the depreciated replacement cost method for building and direct comparison method for leasehold land. The key assumption and estimation input for depreciation replacement cost method are unit price of material and wages while input for direct comparison method are location, size area and date of transaction of comparable properties. The information about the valuation techniques and unobservable input used in determining fair value of leasehold land and buildings is disclosed in Note 20(c).

## 3. Critical accounting estimates, assumptions and judgements

(c) 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 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 derives revenue from the transfer of goods and services at a point in time in the following major product lines and geographical regions. Revenue is attributed to countries by location of customers.

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| **At a point in time** | | |
| Sales of goods | | |
| - Australia/ New Zealand | 4,320,902 | 4,122,306 |
| - Europe | 11,742,810 | 9,224,146 |
| - Asia | 235,971 | 285,283 |
| | 16,299,683 | 13,631,735 |
| Rendering of services | | |
| - Asia | 135,580 | 189,541 |
| | 16,435,263 | 13,821,276 |

## 5. Expenses by nature

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Bank charges | 69,207 | 68,835 |
| Changes in inventories | 1,189,276 | (887,006) |
| Commission expense | 75,295 | 76,230 |
| Depreciation of property, plant and equipment (Note 20) | 357,428 | 292,146 |
| Directors' fees | 108,946 | 105,000 |
| Employee compensation (Note 6) | 1,495,463 | 1,545,241 |
| Freight and other costs | 533,906 | 539,794 |
| Fees on audit services paid/payable to: | | |
| - Auditor of the Company | 69,944 | 58,500 |
| - Other auditors * | 6,844 | 7,451 |
| Insurance | 46,548 | 46,363 |
| Legal and professional fees | 237,194 | 137,747 |
| License fee and permit | 8,287 | 6,255 |
| Listing fees and services | 20,400 | 20,400 |
| Purchases of inventories | 13,651,802 | 12,783,678 |
| Rental expense on operating leases | 27,752 | 93,098 |
| Repair and maintenance | 27,904 | 18,928 |
| Telecommunication | 26,631 | 31,164 |
| Travelling | 42,676 | 38,837 |
| Upkeep of motor vehicles | 2,449 | 1,791 |
| Water and electricity | 86,231 | 89,257 |
| Others | 189,455 | 315,650 |
| Total cost of sales, selling and marketing and administrative expenses | 18,273,638 | 15,389,359 |

*includes the network of member firms of Nexia International.

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

## 6. Employee compensation

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Wages and salaries | 1,385,451 | 1,428,788 |
| Employer's contribution to defined contribution plans including Central Provident Fund | 75,567 | 70,991 |
| Other short-term benefits | 34,445 | 45,462 |
| | 1,495,463 | 1,545,241 |

Key management's remuneration is disclosed in Note 32 (b) to the financial statements.

## 7. Other income

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Commission income | 3,538 | 18,755 |
| Interest income from bank deposits | 1,812 | 201 |
| Rental income | – | 100,207 |
| Government grants | 10,220 | 40,300 |
| Others | 8,300 | 91,289 |
| | 23,870 | 250,752 |

## 8. Other gains/(losses) – net

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Advance to suppliers written off | – | (1,158) |
| Bad debts written-off – non-trade receivables from related party | (38,484) | – |
| Fair value loss on financial assets at FVPL (Note 13) | – | (500,000) |
| Gain on bargain purchase on acquisition of subsidiary corporations (Note 34) | 218,509 | – |
| Impairment loss of property, plant and equipment (Note 20) | – | (350,000) |
| Loss allowance on trade receivables – non-related parties | (20,857) | (106,376) |
| Loss on investment in an associated company strike-off (Note 17) | – | (6,460) |
| Realised currency exchange (loss)/gain - net | (35,870) | 141,226 |
| Reversal on impairment loss of property, plant and equipment (Note 20) | 350,000 | – |
| Unrealised currency exchange gain/(loss) - net | 471,044 | (769,480) |
| | 944,342 | (1,592,248) |

## 9. Finance expenses

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Interest expense | | |
| - Bank overdrafts | 307 | 4 |
| - Trust receipts | 72,906 | 55,848 |
| - Lease liabilities | 14,868 | 3,952 |
| | 88,081 | 59,804 |

## 10. Income tax credit

There is no income tax expense as the Group and the Company are in tax loss positions.

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Tax credit attributable to loss is made up of: | | |
| Current income tax - over provision in prior financial year | (183) | – |

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

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Loss before income tax | (958,244) | (2,969,383) |
| Tax calculated at tax rate of 17% (2018: 17%) | (162,901) | (504,795) |
| Effects of: | | |
| - different tax rates in other countries | (16,820) | (82,107) |
| - expenses not deductible for tax purposes | 103,912 | 163,951 |
| - income not subject to tax | (126,338) | (38,368) |
| - deferred income tax assets not recognised | 222,343 | 461,319 |
| - utilisation of previous unrecognised tax loss | (18,985) | – |
| - utilisation of previous unabsorbed capital allowance | (1,211) | – |
| - overprovision in prior financial year | (183) | – |
| | (183) | – |

## 11. Loss per share

(a) Basic loss per share

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

(b) Diluted loss per share

For the purpose of calculating diluted loss per share, 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. The dilutive potential ordinary shares of the Company are share options.

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for financial year) for the same total proceeds is added to the denominated as the number of shares issued for no consideration. No adjustment is made to the net losses.

At balance sheet date, the 255,000,000 outstanding share options were excluded from the calculation of diluted earnings per shares because they are anti-dilutive for the financial year ended 31 December 2019.

## 11. Loss per share

Basic and diluted loss per share for attributable to equity holders of the Company is calculated as follows:

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| Loss attributable to equity holders of the Company ($) | (967,312) | (2,979,923) |
| Weighted average number of ordinary shares outstanding for basic and diluted loss per share ('000) | 867,534 | 751,200 |
| Basic and diluted loss per share (cents per share) | (0.11) | (0.40) |

## 12. Cash and bank balances

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| The Group | | |
| Cash at bank | 211,794 | 449,494 |
| Cash on hand | 402 | 1,883 |
| | 212,196 | 451,377 |
| The Company | | |
| Cash at bank | 3,555 | 6,477 |
| Cash on hand | – | 21 |
| | 3,555 | 6,498 |

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

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| The Group | | |
| Cash and bank balances (as above) | 212,196 | 451,377 |
| Less: Bank overdrafts (Note 24) | (14,924) | (41,541) |
| Cash and cash equivalents per consolidated statement of cash flows | 197,272 | 409,836 |

## 13. Financial assets at FVPL

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Designated as at fair value on initial recognition | | |
| - Securities unquoted shares: | | |
| Beginning of financial year | 9,000,000 | 9,500,000 |
| Fair value loss recognised in profit or loss (Note 8) | – | (500,000) |
| End of financial year | 9,000,000 | 9,000,000 |

## 13. Financial assets at FVPL

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

The financial assets at FVPL of the Group were valued by an independent external valuer using the comparative method of valuation approach at the balance sheet date.

## 14. Trade and other receivables

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Trade receivables - third parties | 1,212,491 | 553,305 |
| Less: Loss allowance (Note 31(b)(ii)) | (111,439) | (104,387) |
| Trade receivables – net | 1,101,052 | 448,918 |
| Other receivables | | |
| - Advances to suppliers[1] | 56,466 | 36,042 |
| - Related parties | – | 39,356 |
| - Third parties | 15,287 | 2,284 |
| Other receivables – net | 71,753 | 77,682 |
| | 1,172,805 | 526,600 |

| | The Company | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Trade receivables | | |
| - Subsidiary corporations | – | 34,815 |
| - Third parties | – | 16,749 |
| | – | 51,564 |
| Less: Loss allowance (Note 31(b)(ii)) | | |
| - Subsidiary corporations | – | (34,815) |
| - Third parties | – | (16,749) |
| | – | (51,564) |
| Trade receivables – net | – | – |
| Other receivables | | |
| - Subsidiary corporations | 17,635,139 | 18,063,127 |
| - Third parties | – | 1,832 |
| | 17,635,139 | 18,064,959 |
| Less: Loss allowance – subsidiary corporations | (14,202,004) | (13,600,000) |
| Other receivables – net | 3,433,135 | 4,464,959 |
| | 3,433,135 | 4,464,959 |

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

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

## 15. Inventories

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Raw materials | 23,153 | 586,233 |
| Work-in-progress | 317,431 | 457,161 |
| Finished goods | 1,688,974 | 2,175,440 |
| | 2,029,558 | 3,218,834 |

The cost of inventories recognised as an expense and included in "Cost of sales" amounted to $14,841,078 (2018: $11,896,672).

## 16. Other current assets

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Deposits | 112,322 | 110,138 |
| Prepayments | 94,068 | 55,817 |
| | 206,390 | 165,955 |

| | The Company | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Deposits | 1,410 | 2,520 |
| Prepayments | 52,362 | – |
| | 53,772 | 2,520 |

## 17. Investment in an associated company

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Equity investment, at cost | | |
| Beginning of financial year | – | 48 |
| Less: Strike-off during the financial year | – | (48) |
| End of financial year | – | – |

## 17. Investment in an associated company

Details of the associated company are as follows:

| Name of company | Country of business/ incorporation | % of ownership | |
|---|---|---|---|
| | | 2019 | 2018 |
| | | % | % |
| Abhi Manggala Sentosa Pte Ltd [1] | Singapore | – | – |

(1) This Company had been struck-off on 5 April 2018 and has resulted in a loss of $6,412 due to write off outstanding advances and struck off the cost of investment in an associated company of $42.

## 18. Investments in subsidiary corporations

| | The Company | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Equity investments, at cost | | |
| Beginning of financial year | 1,642,142 | 1,642,142 |
| Acquisition of subsidiary corporations (Note 34) | 3,510,100 | – |
| Incorporation of subsidiary corporations [a] | 100 | – |
| Struck-off [b] | (140,826) | – |
| | 5,011,516 | 1,642,142 |
| Less: Allowance for impairment | (1,451,314) | (1,414,706) |
| End of financial year | 3,560,202 | 227,436 |
| Accumulated impairment: | | |
| Beginning of financial year | 1,414,706 | 1,414,706 |
| Impairment loss recognised | 177,434 | – |
| Struck-off [b] | (140,826) | – |
| End of financial year | 1,451,314 | 1,414,706 |

(a) On 13 August 2019, the Company has incorporated Berakit Development Pte. Ltd., a new wholly-owned subsidiary corporation with a paid-up share capital of $100.00 comprising 100 ordinary shares.

(b) On 18 March 2019, the Company's wholly-owned dormant subsidiary corporation, Sitra Dove Logistics Sdn. Bhd. has been struck-off.

## 18. Investments in subsidiary corporations

The Group had the following subsidiary corporations as at 31 December 2019 and 2018.

| Name of companies | Principal activities | Country of business/ corporation | Proportion of ordinary shares directly held by the Company | | Proportion of ordinary shares directly held by the Group | | Proportion of shareholding held by non-controlling interests | |
|---|---|---|---|---|---|---|---|---|
| | | | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | | | % | % | % | % | % | % |
| **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 | – | – |
| Sitra Global 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] | Importer, exporter of lifestyle furniture and other related products | Singapore | 56.5 | 56.5 | 95.4 | 95.4 | 4.6 | 4.6 |
| Berakit Development Pte. Ltd. [a] | Property development | Singapore | 100 | – | 100 | – | – | – |
| Mapur Rocky Resort Limited [e] | Investment holding | British Virgin Islands | 54 | – | 54 | – | 46 | – |
| **Held by Sitra Agencies Pte Ltd** | | | | | | | | |
| Sitra Ukraine Limited [c] | Inactive | Ukraine | – | – | 97 | 97 | 3 | 3 |
| Sitra BMG Middle East LLC [c][f] | Inactive | United Arab Emirates | – | – | 49 | 49 | 51 | 51 |
| **Held by Sitra Global Pte. Ltd.** | | | | | | | | |
| PT Jaya Raya Trasindo [e][g] | Manufacturing, supplying and distribution of wood-based and other related products | Indonesia | – | – | 100 | 100 | – | – |
| Suncoast Sitra Pte Ltd [a] | Importer, exporter of lifestyle furniture and other related products | Singapore | – | – | 95.4 | 95.4 | 4.6 | 4.6 |
| Societe 3A[d] | Importing, exporting, trading and brokering of all origins and all kinds of wood | France | – | – | 51 | 51 | 49 | 49 |
| **Held by Mapur Rocky Resort Limited** | | | | | | | | |
| PT East Bintan Resort [e] | Property development | Indonesia | – | – | 54 | – | 46 | – |

## 18. Investments in subsidiary corporations

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

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

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

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

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

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

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

In accordance 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.

On 4 October 2019, the Group acquired a 54% equity interest in Mapur Rocky Resort Limited for a consideration of $3,510,100. The acquisition resulted in the Group obtaining control with an aggregate 54% interest in Mapur Rocky Resort Limited and indirect 54% interest in its target subsidiary - PT East Bintan Resort, which was consolidation with the effect from the date of acquisition. Details of the acquisition are disclosed in Note 34.

Carrying value of non-controlling interests

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Societe 3A | 387,862 | 386,077 |
| PT East Bintan Resort | 2,737,757 | – |
| Mapur Rocky Resort Limited | 430,508 | – |
| Other subsidiary corporations with immaterial non-controlling interests | (223,267) | (226,986) |
| | 3,332,860 | 159,091 |

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

There were no transactions with non-controlling interests for the financial years ended 31 December 2019 and 2018.

## 18. Investments in subsidiary corporations

*Summarised balance sheet as at 31 December*

| | Societe 3A | | PT East Bintan Resort | Mapur Rocky Resort Limited |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2019 |
| | $ | $ | $ | $ |
| **Current** | | | | |
| Assets | 1,242,890 | 1,570,006 | 5,575 | 30,041 |
| Liabilities | (459,544) | (789,893) | (27,998) | (34,042) |
| Total current net assets/(liabilities) | 783,346 | 780,113 | (22,423) | (4,001) |
| **Non-current** | | | | |
| Assets | 8,209 | 7,799 | 6,908,875 | 939,887 |
| **Net assets** | 791,555 | 787,912 | 6,886,452 | 935,886 |

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

| | Societe 3A | | PT East Bintan Resort | Mapur Rocky Resort Limited |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2019 |
| | $ | $ | $ | $ |
| Revenue | 3,841,433 | 3,569,627 | – | – |
| **Profit/(Loss) before income tax** | 29,267 | 29,115 | (18,562) | (763) |
| Income tax credit | 183 | – | – | – |
| **Net profit** | 29,450 | 29,115 | (18,562) | (763) |
| Other comprehensive loss | (45,208) | (19,400) | – | – |
| **Total comprehensive (loss)/income** | (15,758) | 9,715 | (18,562) | (763) |
| Total comprehensive (loss)/income allocated to non-controlling interests | (7,721) | 4,760 | (8,548) | (351) |

## 18. Investments in subsidiary corporations

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

| | Societe 3A | | PT East Bintan Resort | Mapur Rocky Resort Limited |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2019 |
| | $ | $ | $ | $ |
| **Net cash (used in)/provided by operating activities** | (1,469) | (94,526) | 2,133 | 3,479 |
| **Net cash used in investing activity** | (5,847) | (10,894) | – | – |
| **Net (decrease)/ increase in cash and cash equivalents** | (7,316) | (105,420) | 2,133 | 3,479 |
| **Cash and cash equivalents** | | | | |
| Beginning of financial year | 83,905 | 192,650 | 2,055 | – |
| Effect on currency translation on cash and cash equivalents | (3,656) | (3,325) | (93) | – |
| **End of financial year** | 72,933 | 83,905 | 4,095 | 3,479 |

## 19. Financial assets at FVOCI

| | The Group and the Company | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Unlisted securities - Singapore | | |
| Beginning and end of financial year | – | – |

At the balance sheet date, the financial assets at FVOCI has a carrying amount of $Nil. The Group has recognised fair value loss of $36,000 in the financial year 2015. The previously recognised fair value loss was charged to other comprehensive income and presented as fair value reserve (Note 28(b)(iii)).

## 20. Property, plant and equipment

| | Leasehold land and buildings | Furniture, fixtures and office equipment | Plant and equipment | Renovation | Motor vehicles | Computers | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| <u>The Group</u> | | | | | | | |
| **2019** | | | | | | | |
| *At cost or valuation* | | | | | | | |
| Beginning of financial year | 3,801,765 | 200,388 | 641,919 | 103,708 | 672,261 | 175,277 | 5,595,318 |
| Adoption of SFRS(I) 16 (Note 2.1) | 223,820 | – | – | – | – | – | 223,820 |
| Acquisition of subsidiary corporations (Note 34(c)) | 6,912,779 | – | – | – | – | – | 6,912,779 |
| Currency translation differences | 28,844 | 1,169 | 19,323 | 3,310 | 9,212 | (860) | 60,998 |
| Additions | – | – | 6,154 | – | – | 5,847 | 12,001 |
| Disposals | – | (5,338) | – | – | – | (17,124) | (22,462) |
| Revaluation surplus (Note 28) | 823,821 | – | – | – | – | – | 823,821 |
| Revaluation adjustments | (933,103) | – | – | – | – | – | (933,103) |
| End of financial year | 10,857,926 | 196,219 | 667,396 | 107,018 | 681,473 | 163,140 | 12,673,172 |
| Representing: | | | | | | | |
| Cost | 223,820 | 196,219 | 667,396 | 107,018 | 681,473 | 163,140 | 2,039,066 |
| Valuation | 10,634,106 | – | – | – | – | – | 10,634,106 |
| | 10,857,926 | 196,219 | 667,396 | 107,018 | 681,473 | 163,140 | 12,673,172 |
| *Accumulated depreciation and impairment losses* | | | | | | | |
| Beginning of financial year | 1,050,923 | 174,772 | 430,035 | 95,064 | 645,669 | 166,019 | 2,562,482 |
| Reversal of impairment loss (Note 8) | (350,000) | – | – | – | – | – | (350,000) |
| Currency translation differences | 7,361 | 1,163 | 13,667 | 3,065 | 9,212 | (600) | 33,868 |
| Depreciation charge (Note 5) | 293,687 | 7,407 | 35,304 | 4,468 | 10,326 | 6,236 | 357,428 |
| Disposals | – | (5,338) | – | – | – | (17,124) | (22,462) |
| Revaluation adjustments | (933,103) | – | – | – | – | – | (933,103) |
| End of financial year | 68,868 | 178,004 | 479,006 | 102,597 | 665,207 | 154,531 | 1,648,213 |
| **Net book value** | | | | | | | |
| **End of financial year** | 10,789,058 | 18,215 | 188,390 | 4,421 | 16,266 | 8,609 | 11,024,959 |

## 20. Property, plant and equipment

| | Leasehold land and buildings | Furniture, fixtures and office equipment | Plant and equipment | Renovation | Motor vehicles | Computers | Total |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| **The Group** | | | | | | | |
| **2018** | | | | | | | |
| *At cost or valuation* | | | | | | | |
| Beginning of financial year | 3,856,318 | 203,897 | 674,036 | 109,221 | 687,606 | 177,015 | 5,708,093 |
| Currency translation differences | (54,553) | (3,509) | (32,117) | (5,513) | (15,345) | (610) | (111,647) |
| Additions | – | – | – | – | – | 10,894 | 10,894 |
| Disposals | – | – | – | – | – | (12,022) | (12,022) |
| End of financial year | 3,801,765 | 200,388 | 641,919 | 103,708 | 672,261 | 175,277 | 5,595,318 |
| Representing: | | | | | | | |
| Cost | – | 200,388 | 641,919 | 103,708 | 672,261 | 175,277 | 1,793,553 |
| Valuation | 3,801,765 | – | – | – | – | – | 3,801,765 |
| | 3,801,765 | 200,388 | 641,919 | 103,708 | 672,261 | 175,277 | 5,595,318 |
| *Accumulated depreciation and impairment losses* | | | | | | | |
| Beginning of financial year | 487,855 | 168,506 | 414,112 | 95,089 | 650,688 | 172,259 | 1,988,509 |
| Impairment loss (Note 8) | 350,000 | – | – | – | – | – | 350,000 |
| Currency translation differences | (11,030) | (3,483) | (21,002) | (4,851) | (15,345) | (440) | (56,151) |
| Depreciation charge (Note 5) | 224,098 | 9,749 | 36,925 | 4,826 | 10,326 | 6,222 | 292,146 |
| Disposals | – | – | – | – | – | (12,022) | (12,022) |
| End of financial year | 1,050,923 | 174,772 | 430,035 | 95,064 | 645,669 | 166,019 | 2,562,482 |
| **Net book value** | | | | | | | |
| **End of financial year** | 2,750,842 | 25,616 | 211,884 | 8,644 | 26,592 | 9,258 | 3,032,836 |

## 20. Property, plant and equipment

| | Furniture, fixtures and office equipment | Plant and equipment | Motor vehicles | Computers | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| The Company | | | | | |
| **2019** | | | | | |
| *At cost* | | | | | |
| Beginning and end of financial year | 118,431 | 37,800 | 383,618 | 133,656 | 673,505 |
| *Accumulated depreciation* | | | | | |
| Beginning of financial year | 93,060 | 8,736 | 357,026 | 132,197 | 591,019 |
| Depreciation charge | 7,155 | 3,780 | 10,326 | 1,059 | 22,320 |
| End of financial year | 100,215 | 12,516 | 367,352 | 133,256 | 613,339 |
| **Net book value** | | | | | |
| **End of financial year** | 18,216 | 25,284 | 16,266 | 400 | 60,166 |
| **2018** | | | | | |
| *At cost* | | | | | |
| Beginning and end of financial year | 118,431 | 37,800 | 383,618 | 133,656 | 673,505 |
| *Accumulated depreciation* | | | | | |
| Beginning of financial year | 83,609 | 4,956 | 346,700 | 130,302 | 565,567 |
| Depreciation charge | 9,451 | 3,780 | 10,326 | 1,895 | 25,452 |
| End of financial year | 93,060 | 8,736 | 357,026 | 132,197 | 591,019 |
| **Net book value** | | | | | |
| **End of financial year** | 25,371 | 29,064 | 26,592 | 1,459 | 82,486 |

(a) Right-of-use of assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 21.

(b) Bank borrowings are secured on property, plant and equipment of the Group and the Company with carrying amounts of $184,278 and $29,326 (2018: $62,272 and $62,272) respectively.

(c) The leasehold properties of the Group were valued by the independent external valuers based on the properties' highest-and-best-use using the direct market comparison method and depreciated replacement cost method in financial year ended 31 December 2019. These are regarded as level 2 and level 3 fair values.

## 20. Property, plant and equipment

(c) **Fair value hierarchy**

| Description | Fair value measurements at 31 December using Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|---|---|---|---|
| | $ | $ | $ |
| **2019** | | | |
| Recurring fair value measurements | | | |
| Leasehold properties: | | | |
| - Land and buildings in Indonesia | – | 1,909,322 | 1,815,908 |
| - Vacant land in Indonesia | – | 6,908,876 | – |
| | – | 8,818,198 | 1,815,908 |
| **2018** | | | |
| Recurring fair value measurements | | | |
| Leasehold properties: | | | |
| - Land and buildings in Indonesia | – | 3,801,765 | – |

**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 techniques used to derive Level 3 fair values**

Level 3 fair value of the Group's properties have been generally derived using depreciated replacement cost approach. The approach is referred to costs that are relevant in determining the price at which market participants will pay, which is based on replacing assets with equal utility rather than physically creating the same assets. The most significant input into this valuation approach was unit price of material and wages.

**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 KJPP Hari Utomo dan Rekan (Indonesia) and KJPP Rinaldi Alberth Baroto & Partners as at 31 December 2019.

(d) If the leasehold properties stated at valuation were included in the financial statements at cost less accumulated depreciation, their net book values would be $7,711,685 (2018: $800,584).

(e) As at 31 December 2019, the details of the Group's leasehold land held for development are as follow:

| Location | Intended use | Area (sq m) | Group's effective interest in the leasehold land |
|---|---|---|---|
| Jalan H. Abdul Salam Teluk Merbau, Berakit, Teluk Sebong, Bintan, Indonesia. | Commercial | 123,534 | 54% |

The Group has not commenced the construction of the development project and the leasehold land above remains vacant as at 31 December 2019.

## 21. Leases – The Group as a lessee

Nature of the Group's leasing activity

*Leasehold building*

The Group leases office premises for the purpose of back office operations.

*Plant and equipment*

The Group leases forklift to render logistic services.

*Office equipment*

The Group leases office equipment for office operation purpose.

a) Carrying amounts – ROU assets

| | 31 December 2019 | Adoption of SFRS(I)16 as at 1 January 2019 |
|---|---|---|
| | $ | $ |
| Leasehold building | 154,952 | 223,820 |
| Plant and equipment | 25,284 | – |
| Office equipment | 4,042 | – |
| | 184,278 | 223,820 |

| | 2019 |
|---|---|
| | $ |
| b) Depreciation charge during the financial year | |
| Leasehold building | 68,868 |
| Plant and equipment | 3,780 |
| Office equipment | 2,575 |
| | 75,223 |
| c) Interest expenses | |
| Interest expense on lease liabilities | 14,868 |
| d) Lease expense not capitalised in lease liabilities | |
| Lease expense – short-term leases | 27,752 |

e) Total cash outflow for all leases in 2019 was $129,757.

f) There is no addition of ROU assets during the financial year.

## 22. Goodwill on consolidation

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| *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 the financial year ended 31 December 2006, the Group acquired Sitra Global 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. Goodwill was fully impaired as these subsidiary corporations were dormant.

## 23. Trade and other payables

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Trade payables | | |
| - Third parties | 1,205,394 | 1,151,661 |
| Other payables | | |
| - Directors | 1,287,731 | 1,175,405 |
| - Third parties | 282,913 | 362,589 |
| | 1,570,644 | 1,537,994 |
| Accruals for operating expenses | 428,119 | 1,055,611 |
| Advances received from customers | – | 84,768 |
| Deposit received | 8,743 | 9,773 |
| | 3,212,900 | 3,839,807 |

| | The Company | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Other payables | | |
| - Subsidiary corporations | 1,947,219 | 2,524,184 |
| - Directors | 1,287,731 | 1,175,405 |
| - Third parties | 132,675 | 181,251 |
| | 3,367,625 | 3,880,840 |
| Accruals for operating expenses | 184,853 | 695,528 |
| Deposit received | 6,696 | 6,696 |
| | 3,559,174 | 4,583,064 |

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

## 24. Borrowings

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| *Current* | | |
| Bank overdrafts (Note 12) | 14,924 | 41,541 |
| Trust receipts | 1,406,361 | 1,455,105 |
| Finance lease liabilities (Note 25) | – | 22,377 |
| Lease liabilities | 72,920 | – |
| | 1,494,205 | 1,519,023 |
| *Non-current* | | |
| Finance lease liabilities (Note 25) | – | 5,968 |
| Lease liabilities | 92,108 | – |
| | 92,108 | 5,968 |
| Total borrowings | 1,586,313 | 1,524,991 |

| | The Company | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| *Current* | | |
| Finance lease liabilities (Note 25) | – | 22,377 |
| Lease liabilities | 5,005 | – |
| | 5,005 | 22,377 |
| *Non-current* | | |
| Finance lease liabilities (Note 25) | – | 5,968 |
| Lease liabilities | 1,580 | – |
| | 1,580 | 5,968 |
| Total borrowings | 6,585 | 28,345 |

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

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| 6 months or less | 1,421,285 | 1,496,646 |

Security granted

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

## 25. Finance lease liabilities

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

Finance lease liabilities were reclassified to lease liabilities on 1 January 2019 arising from the adoption of SFRS(I) 16.

| | The Group and the Company |
|---|---|
| | 2018 |
| | $ |
| Minimum lease payments due | |
| - Not later than one year | 25,012 |
| - Between one and five years | 5,751 |
| | 30,763 |
| Less: Future finance charges | (2,418) |
| Present value of finance lease liabilities | 28,345 |

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

| | |
|---|---|
| Not later than one year (Note 24) | 22,377 |
| Between one and five years (Note 24) | 5,968 |
| | 28,345 |

## 26. 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 taxation authority.

The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| **Deferred tax assets** | | |
| (to be recovered after one year) | | |
| Unutilised tax losses | (58,457) | (56,649) |
| **Deferred tax liabilities** | | |
| (to be settled after one year) | | |
| - Accelerated tax depreciation | 44,302 | 42,932 |
| - Asset revaluation | 195,000 | 195,000 |
| | 239,302 | 237,932 |
| | 180,845 | 181,283 |

## 26. Deferred income taxes

Movement in deferred tax account is as follows:

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Beginning of financial year | 181,283 | 180,553 |
| Currency translation differences | (438) | 730 |
| End of financial year | 180,845 | 181,283 |

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 of approximately $12,629,825 (2018: $11,433,600) 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.

## 27. Share capital

| | No. of ordinary shares | Amount |
|---|---|---|
| | | $ |
| **The Group and the Company** | | |
| **2019** | | |
| Beginning of financial year | 751,200,000 | 17,817,108 |
| Shares issued | 477,100,000 | 5,248,100 |
| Share issue expenses | – | (73,028) |
| End of financial year | 1,228,300,000 | 22,992,180 |
| **2018** | | |
| 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.

On 4 October 2019, the Company allotted and issued 477,100,000 ordinary shares as follows:

(a) 158,000,000 ordinary shares was issued for a total consideration of S$1,738,000 to provide additional working capital for the operation of the Company;

(b) 319,100,000 ordinary shares was issued for the acquisition of 54% shares of Mapur Rocky Resort Limited (Note 34)

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

## 28. Other reserves

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| (a) Composition: | | |
| Capital reserve | 14,393 | 14,393 |
| Currency translation reserve | 1,021,784 | 1,410,805 |
| Fair value reserve | (36,000) | (36,000) |
| General reserve | (1,518,991) | (1,518,991) |
| Asset revaluation reserve | 823,821 | – |
| | 305,007 | (129,793) |
| (b) Movements: | | |
| *(i) Capital reserve* | | |
| Beginning and end of financial year | 14,393 | 14,493 |
| *(ii) Currency translation reserve* | | |
| Beginning of financial year | 1,410,805 | 2,787,549 |
| Adoption of SFRS(I) 1 | – | (1,952,949) |
| Net currency translation differences of financial statements of: | | |
| - Foreign subsidiary corporations | (401,666) | 566,698 |
| Add: Non-controlling interests | 12,645 | 9,507 |
| | (389,021) | 576,205 |
| End of financial year | 1,021,784 | 1,410,805 |
| *(iii) Fair value reserve* | | |
| Beginning and end of financial year | (36,000) | (36,000) |
| *(iv) General reserve* | | |
| Beginning and end of financial year | (1,518,991) | (1,518,991) |
| *(v) Asset revaluation reserve* | | |
| Beginning of financial year | – | 2,954,543 |
| Adoption of SFRS(I) 1 | – | (2,954,543) |
| Revaluation gains (Note 20) | 823,821 | – |
| End of financial year | 823,821 | – |

Other reserves are non-distributable

## 28. Other reserves

| | The Company | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| (a) Composition: | | |
| Capital reserve | 14,393 | 14,393 |
| Fair value reserve | (36,000) | (36,000) |
| | (21,607) | (21,607) |
| (b) Movements: | | |
| *(i) Capital reserve* | | |
| Beginning and end of financial year | 14,393 | 14,393 |
| *(ii) Fair value reserve* | | |
| Beginning and end of financial year | (36,000) | (36,000) |

Other reserves are non-distributable.

## 29. Accumulated losses

Movement in accumulated losses for the Company is as follows:

| | The Company | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Beginning of financial year | (17,623,011) | (16,425,826) |
| Net loss for the financial year | (1,802,491) | (1,197,185) |
| End of financial year | (19,425,502) | (17,623,011) |

## 30. Commitments

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.

As at 31 December 2018, the future minimum lease payables under non-cancellable operating leases contracted for but not recognised as liabilities, are as follows:

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Not later than one year | 65,142 | 81,917 |
| Between one and five years | – | 19,500 |
| | 65,142 | 101,417 |

As disclosed in Note 2.1, the Group has adopted SFSR(I) 16 on 1 January 2019. These lease payments have been recognised as ROU assets and lease liabilities on the balance sheet as at 31 December 2019, except for short-term and low value leases.

## 31. Financial risk management

### Financial risk factors

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

(a) Market risk

(i) Currency risk

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

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

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

| | SGD | USD | Euro | IDR | Others | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **As at 31 December 2019** | | | | | | |
| **Financial assets** | | | | | | |
| Cash and bank balances | 11,176 | 84,185 | 88,773 | 3,582 | 24,480 | 212,196 |
| Financial assets at FVPL | 9,000,000 | – | – | – | – | 9,000,000 |
| Trade and other receivables | 6,997 | 932,218 | 8,290 | – | 168,834 | 1,116,339 |
| Receivables from subsidiary corporations | 3,726,228 | 17,812,884 | – | – | – | 21,539,112 |
| Other current assets | 21,572 | – | 90,750 | – | – | 112,322 |
| | 12,765,973 | 18,829,287 | 187,813 | 3,582 | 193,314 | 31,979,969 |
| **Financial liabilities** | | | | | | |
| Trade and other payables | (1,669,322) | (893,737) | (361,318) | (274,141) | (14,382) | (3,212,900) |
| Payables to subsidiary corporations | (3,726,228) | (17,812,884) | – | – | – | (21,539,112) |
| Borrowings | (165,028) | (1,406,362) | (14,923) | – | – | (1,586,313) |
| | (5,560,578) | (20,112,983) | (376,241) | (274,141) | (14,382) | (26,338,325) |
| **Net financial assets/(liabilities)** | 7,205,395 | (1,283,696) | (188,428) | (270,559) | 178,932 | 5,641,644 |
| Less: financial (assets)/liabilities denominated in the respective entities' functional currencies | (7,203,637) | – | 189,346 | 270,648 | 3,854 | (6,739,789) |
| **Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities' functional currencies** | 1,758 | (1,283,696) | 918 | 89 | 182,786 | (1,098,145) |

## 31. Financial risk management

### Financial risk factors

(a) Market risk

(i) Currency risk

| | SGD | USD | Euro | IDR | Others | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **As at 31 December 2018** | | | | | | |
| **Financial assets** | | | | | | |
| Cash and bank balances | 2,264 | 206,241 | 127,305 | 6,748 | 108,819 | 451,377 |
| Financial assets at FVPL | 9,000,000 | – | – | – | – | 9,000,000 |
| Trade and other receivables | 2,284 | 367,039 | 19,135 | 1,766 | 100,334 | 490,558 |
| Receivables from subsidiary corporations | 4,091,015 | 18,583,098 | – | – | – | 22,674,113 |
| Other current assets | 15,520 | – | 94,618 | – | – | 110,138 |
| | 13,111,083 | 19,156,378 | 241,058 | 8,514 | 209,153 | 32,726,186 |
| **Financial liabilities** | | | | | | |
| Trade and other payables | (2,200,012) | (757,840) | (451,738) | (342,787) | (2,662) | (3,755,039) |
| Payables to subsidiary corporations | (4,091,015) | (18,583,098) | – | – | – | (22,674,113) |
| Borrowings | (28,345) | (1,455,105) | (41,541) | – | – | (1,524,991) |
| | (6,319,372) | (20,796,043) | (493,279) | (342,787) | (2,662) | (27,954,143) |
| **Net financial assets/(liabilities)** | 6,791,711 | (1,639,665) | (252,221) | (334,273) | 206,491 | 4,772,043 |
| Less: financial (assets)/liabilities denominated in the respective entities' functional currencies | (6,791,711) | – | 254,079 | 335,052 | 309 | (6,202,271) |
| **Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities' functional currencies** | – | (1,639,665) | 1,858 | 779 | 206,800 | (1,430,228) |

## 31. Financial risk management

### Financial risk factors

(a) Market risk

(i) Currency risk

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

| | SGD | USD | Others | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **As at 31 December 2019** | | | | |
| **Financial assets** | | | | |
| Cash and bank balances | 1,025 | 2,440 | 90 | 3,555 |
| Trade and other receivables | 74,863 | 3,358,272 | – | 3,433,135 |
| Other current assets | 1,410 | – | – | 1,410 |
| | 77,298 | 3,360,712 | 90 | 3,438,100 |
| **Financial liabilities** | | | | |
| Trade and other payables | (1,878,289) | (1,680,885) | – | (3,559,174) |
| Borrowings | (6,585) | – | – | (6,585) |
| | (1,884,874) | (1,680,885) | – | (3,565,759) |
| **Net financial (liabilities)/assets** | (1,807,576) | 1,679,827 | 90 | (127,659) |
| Less: financial liabilities denominated in the Company's functional currency | 1,807,576 | – | – | 1,807,576 |
| **Currency exposure of financial assets net of those denominated in the Company's functional currency** | – | 1,679,827 | 90 | 1,679,917 |
| **As at 31 December 2018** | | | | |
| **Financial assets** | | | | |
| Cash and bank balances | 931 | 4,788 | 779 | 6,498 |
| Trade and other receivables | 1,832 | 4,463,127 | – | 4,464,959 |
| Other current assets | 2,520 | – | – | 2,520 |
| | 5,283 | 4,467,915 | 779 | 4,473,977 |
| **Financial liabilities** | | | | |
| Trade and other payables | (2,729,774) | (1,853,290) | – | (4,583,064) |
| Borrowings | (28,345) | – | – | (28,345) |
| | (2,758,119) | (1,853,290) | – | (4,611,409) |
| **Net financial (liabilities)/assets** | (2,752,836) | 2,614,625 | 779 | (137,432) |
| Less: financial assets denominated in the Company's functional currency | 2,752,836 | – | – | 2,752,836 |
| **Currency exposure of financial assets net of those denominated in the Company's functional currency** | – | 2,614,625 | 779 | 2,615,404 |

## 31. Financial risk management

### Financial risk factors

(a) Market risk

(i) Currency risk

If the USD, IDR and other currencies change against the SGD by 1%, 3% and 3% respectively (2018: 2%, 5% and 4%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position will be as follows:

| | As 31 December 2019 | | As at 31 December 2018 | |
|---|---|---|---|---|
| | Increase / (Decrease) | | | |
| | Net loss | Equity | Net profit | Equity |
| | $ | $ | $ | $ |
| **The Group** | | | | |
| USD against SGD | | | | |
| - strengthened | (10,655) | (10,655) | (27,218) | (27,218) |
| - weakened | 10,655 | 10,655 | 27,218 | 27,218 |
| IDR against SGD | | | | |
| - strengthened | 2 | 2 | 32 | 32 |
| - weakened | (2) | (2) | (32) | (32) |
| Other currencies against SGD | | | | |
| - strengthened | 4,551 | 4,551 | 6,866 | 6,866 |
| - weakened | (4,551) | (4,551) | (6,866) | (6866) |
| **The Company** | | | | |
| USD against SGD | | | | |
| - strengthened | 13,943 | 13,943 | 43,403 | 43,403 |
| - weakened | (13,943) | (13,943) | (43,403) | (43,403) |
| Other currencies against SGD | | | | |
| - strengthened | 2 | 2 | 26 | 26 |
| - weakened | (2) | (2) | (26) | (26) |

(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 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% (2018: 1%) with all other variables including tax rate being held constant, the net loss of the Group will be higher/lower by $13,166 (2018: $12,422) as a result of higher/lower interest expense on these borrowings.

## 31. Financial risk management

### Financial risk factors

(b) Credit risk

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

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

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

| | The Company | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Corporate guarantee provided to bank on subsidiary corporation's trust receipts | 1,406,361 | 1,455,105 |

The trade receivables of the Group and of the Company comprise 6 debtors (2018: 6 debtors) and Nil debtors (2018: Nil) respectively that individually represented more than 5% of trade receivables.

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

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| By geographical areas | | |
| Australia/New Zealand | 523,861 | 244,677 |
| Europe | 562,844 | 202,475 |
| Asia/Others | 86,100 | 79,448 |
| | 1,172,805 | 526,600 |
| By types of customers | | |
| Non-related parties | | |
| - Corporate | 1,172,805 | 526,600 |

| | The Company | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| By geographical areas | | |
| Europe | 34,040 | – |
| Asia/Others | 3,399,095 | 4,464,959 |
| | 3,433,135 | 4,464,959 |
| By types of customers | | |
| Related parties | | |
| - Corporate | 3,433,135 | 4,463,127 |
| Non-related parties | | |
| - Corporate | – | 1,832 |
| | 3,433,135 | 4,464,959 |

## 31. Financial risk management

### Financial risk factors

(b) Credit risk

*(i) Credit rating*

The Group and the Company uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables from customers.

The ECL computed is purely derived from historical data which management is of the view that the historical conditions are representative of the conditions prevailing at the reporting date.

In measuring the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and days past due.

The Group uses the following categories of internal credit risk rating for financial assets which are subject to expected credit losses under the 3-stage general approach. These four categories reflect the respective credit risk and how the loss provision is determined for each of those categories.

| Category of internal credit rating | Definition of category | Basis of recognition of expected credit losses |
|---|---|---|
| **Performing** | Issuer have a low risk of default and a strong capability to meet contractual cash flows | 12-month expected credit losses |
| **Under-performing** | Issuer for which there is a significant increase in credit risk; as significant in credit risk is presumed if interest and/or principal repayment are 180 days past due | Lifetime expected credit losses |
| **Non-performing** | Interest and/or principal payment are 270 days past due | Lifetime expected credit losses |
| **Write-off** | Interest and/or principal repayments are 365 days past due and there is no reasonable expectation of recovery. | Asset is written off |

*(ii) Impairment of financial assets*

The Group and the Company has applied the simplified approach by using the provision matrix to measure the lifetime expected credit losses for all trade receivables and the general approach for other receivables.

To measure the expected credit losses, these receivables have been grouped based on shared credit risk characteristics and days past due. In calculating the expected credit loss rates, the Group and the Company consider historical loss rates for each category of customers.

Receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorises a receivable for write off when a debtor fails to make contractual payment greater than 90 days past due based on historical loss rates for each category of customers and adjust to reflect current and forward looking information. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

## 31. Financial risk management

### Financial risk factors

(b) Credit risk

*(ii) Impairment of financial assets*

*Trade receivables*

The Group's credit risk exposure in relation to trade receivables under SFRS(I) 9 as at 31 December 2019 is set out in the provision matrix as follows:

| | | Past due | | | | |
|---|---|---|---|---|---|---|
| | Current | Within 30 days | 30 to 60 days | 60 to 90 days | More than 90 days | Total |
| | $ | $ | $ | $ | $ | $ |
| **2019** | | | | | | |
| **The Group** | | | | | | |
| *Sale of goods* | | | | | | |
| Expected loss rate | 0% | 0% | 0% | 0% | 0% | |
| Trade receivables | 1,101,052 | – | – | – | – | 1,101,052 |
| Loss allowance | – | – | – | – | – | – |
| Lifetime expected credit loss | – | – | – | – | – | – |
| *Rendering of services* | | | | | | |
| Expected loss rate | 0% | 0% | 0% | 0% | 0% | |
| Trade receivables | – | – | – | – | 111,439 | 111,439 |
| Loss allowance | – | – | – | – | – | – |
| Lifetime expected credit loss (Note 14) | – | – | – | – | (111,439) | (111,439) |

The Company has no credit risk exposure in the relation to trade receivable.

## 31. Financial risk management

### Financial risk factors

(b) Credit risk

*(ii) Impairment of financial assets*

Trade receivables

The Group's and the Company's credit risk exposure in relation to trade receivables under SFRS(I) 9 as at 31 December 2018 is set out in the provision matrix as follows:

| | | Past due | | | | |
|---|---|---|---|---|---|---|
| | Current | Within 30 days | 30 to 60 days | 60 to 90 days | More than 90 days | Total |
| | $ | $ | $ | $ | $ | $ |
| **2018** | | | | | | |
| The Group | | | | | | |
| *Sale of goods* | | | | | | |
| Expected loss rate | 0% | 0% | 0% | 0% | 0% | |
| Trade receivables | 427,645 | – | – | 51,452 | 24,160 | 503,257 |
| Loss allowance | – | – | – | – | – | – |
| Lifetime expected credit loss (Note 14) | – | – | – | – | (16,749) | (16,749) |
| *Rendering of services* | | | | | | |
| Expected loss rate | 0% | 0% | 0% | 0% | 0% | |
| Trade receivables | 1,766 | – | – | – | 87,638 | 89,404 |
| Loss allowance | – | – | – | – | – | – |
| Lifetime expected credit loss (Note 14) | – | – | – | – | (87,638) | (87,638) |
| **The Company** | | | | | | |
| *Sale of goods* | | | | | | |
| Expected loss rate | 0% | 0% | 0% | 0% | 0% | |
| Trade receivables | – | – | – | – | 51,564 | 51,564 |
| Loss allowance | – | – | – | – | – | – |
| Lifetime expected credit loss (Note 14) | – | – | – | – | (51,564) | (51,564) |

## 31. Financial risk management

### Financial risk factors

(b) Credit risk

*(ii) Impairment of financial assets*

*Other receivables*

As at 31 December 2019 and 2018, there are no credit risk exposures in relation to the Group's other receivables. Management has assessed the application of the expected credit loss model and no addition loss allowances are recognised for these financial assets.

The Company applies the SFRS(I) 9 general model for measuring expected credit losses for its non-trade receivables from its subsidiary corporations.

The Company has non-trade receivables from its subsidiary corporations of $17,635,139 (2018: $18,063,127) for the purpose of capital funding. The Company has made loss allowances amounting to $14,202,004 (2018: $13,600,000) as the amount has no indication of recovery

*Cash and cash equivalents*

The Group considers cash and cash equivalents as low credit risk as it is held with bank and financial institution counterparties, which have high credit-rating assigned by the international credit-rating agency.

(c) Liquidity risk

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

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

| | Less than 1 year | Between 1 and 2 years |
|---|---|---|
| | $ | $ |
| The Group | | |
| 2019 | | |
| Trade and other payables | 3,212,900 | – |
| Borrowings | 1,494,205 | 96,080 |
| | 4,707,105 | 96,080 |
| 2018 | | |
| Trade and other payables | 3,755,039 | – |
| Borrowings | 1,519,023 | 6,415 |
| | 5,274,062 | 6,415 |

## 31. Financial risk management

### Financial risk factors

(c) Liquidity risk

| | Less than 1 year | Between 1 and 2 years |
|---|---|---|
| | $ | $ |
| **The Company** | | |
| **2019** | | |
| Trade and other payables | 3,559,174 | – |
| Borrowings | 5,005 | 1,753 |
| Financial guarantee contracts | 1,406,361 | – |
| | 4,970,540 | 1,753 |
| **2018** | | |
| Trade and other payables | 4,583,064 | – |
| Borrowings | 22,377 | 6,415 |
| Financial guarantee contracts | 1,455,105 | – |
| | 6,060,546 | 6,415 |

(d) Capital management

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

Management monitors capital based on a gearing ratio. As at 31 December 2019, the Group and the Company's gearing ratio was 20% and 50% respectively (31 December 2018: 31% and 96% respectively).

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ |
| Net debt | 4,587,017 | 4,913,421 | 3,562,204 | 4,604,912 |
| Total equity | 18,665,850 | 10,849,521 | 3,545,071 | 172,488 |
| Total capital | 23,252,867 | 15,762,942 | 7,107,275 | 4,777,400 |
| Gearing ratio | 20% | 31% | 50% | 96% |

The Group and the Company are not exposed to any externally imposed capital requirements for the financial years ended 31 December 2019 and 31 December 2018.

## 31. Financial risk management

### Financial risk factors

(e) Fair value measurements

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

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

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

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

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

| | Level 2 |
|---|---|
| | $ |
| The Group | |
| **2019** | |
| Financial assets at FVPL | 9,000,000 |
| **2018** | |
| Financial assets at FVPL | 9,000,000 |

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.

(f) Financial instruments by category

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

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Financial assets at amortised costs | 1,440,857 | 1,052,073 |
| Financial liabilities at amortised cost | 4,799,213 | 5,280,030 |

| | The Company | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Financial assets at amortised costs | 3,438,100 | 4,473,977 |
| Financial liabilities at amortised cost | 3,565,759 | 4,611,409 |

## 32. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Sales and purchases of goods and services

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Short-term lease payment to a related party | 5,922 | – |

Related party comprises company which is controlled by one of the director of the Company.

(b) Key management personnel compensation

Key management personnel compensation is as follows is as follows:

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Directors' fees | 108,946 | 105,000 |
| Salaries | 871,130 | 954,000 |
| Employer's contribution to defined contribution plans, including Central Provident Fund | 46,553 | 45,779 |
| Other short-term benefits | 34,445 | 45,462 |
| | 1,061,074 | 1,150,241 |

Included in the above is total compensation to directors of the Company amounting to $495,557 (2018: $605,228).

## 33. 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.

No revenue was generated from the Group's property development business segments as the Group has not commence the construction of the development project in Bintan, Indonesia.

## 33. Segment information

(a) Revenue from major products

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

| | 2019 Revenue | | 2018 Revenue | |
|---|---|---|---|---|
| | $ | % | $ | % |
| **The Group** | | | | |
| Wood-based products | 16,276,721 | 99.0 | 13,744,356 | 99.4 |
| Outdoor lifestyle furniture | 158,542 | 1.0 | 61,981 | 0.5 |
| Other | – | – | 14,939 | 0.1 |
| Total | 16,435,263 | 100.0 | 13,821,276 | 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.

| | 2019 Revenue | | 2018 Revenue | |
|---|---|---|---|---|
| | $ | % | $ | % |
| **The Group** | | | | |
| Australia/New Zealand | 4,320,902 | 26.3 | 4,122,306 | 29.8 |
| Europe | 11,742,810 | 71.4 | 9,224,146 | 66.7 |
| Asia/Others | 371,551 | 2.3 | 474,824 | 3.5 |
| | 16,435,263 | 100.0 | 13,821,276 | 100.0 |

| | 2019 Non-current assets | | 2018 Non-current assets | |
|---|---|---|---|---|
| | $ | % | $ | % |
| Europe | 5,439 | 0.05 | 7,799 | 0.25 |
| Asia/Others | 11,077,977 | 99.95 | 3,081,686 | 99.75 |
| | 11,083,416 | 100.00 | 3,089,485 | 100.00 |

## 34. Business Combinations

On 4 October 2019, the Group acquired a 54% equity interest in Mapur Rocky Resort Limited. The principal activity of Mapur Rocky Resort Limited is investment holding company. As a result of the acquisition, the Group indirectly holds 54% of PT East Bintan Resort – ("Target Subsidiary").

The acquisition is beneficial to the Group as it would enable the Group to embark on the property development business. The Group may undertake future property development projects through the Target Subsidiary.

Details of the consideration paid, the assets acquired and liabilities assumed, the non-controlling interest recognised and the effects on the cash flows of the Group, at the acquisition date, are as follows:

(a) Purchase consideration

| | $ |
|---|---|
| Cash paid | – |
| Fair value of share consideration[(1)] | 3,510,100 |
| **Consideration transferred for the business** | 3,510,100 |

[(1)] The purchase consideration is satisfied by allotment and issue of an aggregate of 319,100,000 ordinary shares of the Company to Madam Doris Chung Gim Lian and Mr Chew Han Wei ("Vendors") or their nominee at an issue price of $0.011 per consideration share, credited as fully paid-up.

(b) Effect on cash flows of the Group

| | $ |
|---|---|
| Cash paid (as above) | – |
| Cash and cash equivalents in subsidiary corporations acquired | 2,055 |
| **Cash inflow on acquisition** | 2,055 |

(c) Identifiable assets acquired and liabilities assumed

| | At fair value<br>$ |
|---|---|
| Cash and cash equivalents | 2,055 |
| Property, plant and equipment (Note 20) (Note 34 (f)) | 6,912,779 |
| Total assets | 6,914,834 |
| Trade and other payables | (9,062) |
| Total liabilities | (9,062) |
| **Total identifiable net assets** | 6,905,772 |
| Less: Non-controlling interest at fair value | (3,177,163) |
| Less: Gain from bargain purchase (Note 8) | (218,509) |
| **Consideration transferred for the business** | 3,510,100 |

(d) Acquisition-related costs

Acquisition-related costs of $104,224 are included in "administrative expenses" in the consolidated statement of comprehensive income and in operating cash flows in the consolidated statement of cash flows.

## 34. Business Combinations

(e) Non-controlling interests

The Group has chosen to recognise the non-controlling interests at its fair value of $3,177,163. The fair value was estimated based on number of shares owned by the non-controlling interests multiplied by the share price at acquisition date. This is a Level 1 fair value measurement.

(f) Acquired property, plant and equipment

The fair value of acquired identifiable property, plant and equipment at acquisition date is IDR70,538,000,000 (approximately $6,912,779). The cost of property, plant and equipment is IDR2,911,031,480 (approximately $383,284), and was adjusted to the fair value determined by an independent external valuer at acquisition date.

(g) Revenue and profit contribution

The acquired business contributed net loss of $19,325 to the Group from 4 October 2019 to 31 December 2019. No revenue was contributed by the acquired business during the financial year.

## 35. Events occurring after balance sheet date

(a) On 4 March 2020, the Group disposed off a dormant Ukraine-incorporated subsidiary, Sitra Ukraine Limited to third party without any sale consideration.

(b) The emergence of coronavirus disease ("COVID-19") since early 2020 has brought about uncertainties to the Group's operating environment and has impacted the Group's financial performance and financial position subsequent to the financial year end.

The Group will stay alert on the development and situation of the COVID-19, and will continue to assess its impacts on the financial position and operating results of the Group and take necessary action to maintain stability of the business. Up to the date of this report, given the dynamic nature of these circumstances, the impact on the Group's consolidated results of operations, cash flows and financial position could be not reasonably estimated.

## 36. Contingent liabilities

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

The Company has issued corporate guarantee to a bank for trust receipts of a subsidiary corporation. This trust receipt amounted to $1,406,361 (2018: $1,455,105) at balance sheet date.

## 37. New or revised accounting standards and interpretations

Amendments to SFRS(I) 3 Business Combination (effective for annual periods beginning on or after 1 January 2020)

The amendments provide new guidance on the assessment of whether an acquisition meets the definition of a business under SFRS(I) 3. To be considered a business, an acquisition would have to include an output and a substantive process that together significantly contribute to the ability to create outputs. A framework is introduced to evaluate when an input and substantive process are present. To be a business without outputs, there will now need to be an organised workforce.

## 37. New or revised accounting standards and interpretations

The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

Entities can apply a 'concentration test' that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

These amendments are applied to business combinations and asset acquisitions with acquisition date on or after 1 January 2020. Early application is permitted. The Group does not expect any significant impact arising from applying these amendments.

## 38. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Sitra Holdings (International) Limited on 6 April 2020.

# STATISTICS OF SHAREHOLDINGS

As at 16 March 2020

## SHARE CAPITAL

| | | |
|---|---|---|
| Number of Issued Shares | : | 1,228,300,000 |
| Share Capital | : | S$23,356,421 |
| Class of Shares | : | Ordinary Shares |
| Voting Rights | : | One vote per ordinary share |

The Company has no treasury shares and *subsidiary holdings as at 16 March 2020.

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

## DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 16 MARCH 2020

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 - 99 | 5 | 0.90 | 90 | 0.00 |
| 100 - 1,000 | 25 | 4.52 | 17,400 | 0.00 |
| 1,001 - 10,000 | 63 | 11.39 | 451,200 | 0.04 |
| 10,001 - 1,000,000 | 414 | 74.87 | 85,507,401 | 6.96 |
| 1,000,001 and above | 46 | 8.32 | 1,142,323,909 | 93.00 |
| **Total** | **553** | **100.00** | **1,228,300,000** | **100.00** |

## TWENTY LARGEST SHAREHOLDERS

| | SHAREHOLDER'S NAME | NO OF SHARES | % |
|---|---|---|---|
| 1 | CHEW HUA SENG | 399,033,520 | 32.49 |
| 2 | CITIBANK NOMINEES SINGAPORE PTE LTD | 364,913,780 | 29.71 |
| 3 | CHEW AH BA | 120,949,081 | 9.85 |
| 4 | TAN TERESA | 86,029,318 | 7.00 |
| 5 | MAYBANK KIM ENG SECURITIES PTE. LTD | 29,886,000 | 2.43 |
| 6 | CHEW CHIEW SIANG STEVEN | 24,393,900 | 1.99 |
| 7 | NEO YAM CHENG OR LEE KWEE LAN | 10,050,000 | 0.82 |
| 8 | ANG CHIN SAN | 8,351,000 | 0.68 |
| 9 | YEO LAI CHOO @ YEO LAI CHOO CECILIA | 8,162,000 | 0.66 |
| 10 | UNITED OVERSEAS BANK NOMINEES PTE LTD | 7,028,800 | 0.57 |
| 11 | CHIN SEK PENG | 6,300,000 | 0.51 |
| 12 | DBS NOMINEES PTE LTD | 5,654,110 | 0.46 |
| 13 | NG BOON HUAN DANIELS | 4,120,000 | 0.34 |
| 14 | QUEK LEE HOON | 3,969,000 | 0.32 |
| 15 | KARUPPIAH PALANIAPPAN | 3,800,000 | 0.31 |
| 16 | SATPAL KAUR | 3,300,000 | 0.27 |
| 17 | PRIMALANI CHANDRU GULABRAI | 3,168,000 | 0.26 |
| 18 | RAFFLES NOMINEES (PTE) LIMITED | 3,147,100 | 0.26 |
| 19 | KWA LECK TIEW | 3,121,000 | 0.25 |
| 20 | OCBC SECURITIES PRIVATE LTD | 3,050,000 | 0.25 |
| | **Total** | **1,098,426,609** | **89.43** |

## SUBSTANTIAL SHAREHOLDERS

As at 16 March 2020 as shown in the Company's Register of Substantial Shareholders

| Name of Substantial Shareholder | Direct / Beneficial Interest | |
|---|---|---|
| | Number of Shares | % |
| Chew Ah Ba, George | 120,949,081 | 9.85 |
| Tan Teresa | 86,029,318 | 7.00 |
| Guo Shaozeng | 364,313,780 | 29.66 |
| Chew Hua Seng | 399,033,520 | 32.49 |

## FREE FLOAT

Based on the Register of Substantial Shareholders as at 16 March 2020, approximately 17.88% 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.

# ANNUAL GENERAL MEETING
# IN 2020

Following announcement by the Multi-Ministry Taskforce on COVID-19 on 3 April 2020 on the enhanced measures to deal with the COVID-19 situation, all workplaces (except those providing essential services and in selected economic sectors) are required to be closed from 7 April 2020 to 4 May 2020.

As a result, Sitra Holdings (International) Limited ("**Company**") is not able to hold its Annual General Meeting ("**AGM**") on or before 30 April 2020 as is required pursuant to Rule 707(1) of the Listing Manual – Section B: Rules of Catalist ("**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") which provides that "an issuer must hold its annual general meeting within four months from the end of its financial year".

The Company had received approval from the Singapore Exchange Regulation ("**SGX RegCo**") and the Accounting and Corporate Regulatory Authority ("**ACRA**"), to hold its AGM by 29 June 2020. The Company will make further announcement(s) once details of the AGM has been finalised.

**Resolutions to be approved at the AGM**

This Annual Report is in respect of the operations and financial statements for the financial year ended 31 December 2019. When the Company is in the position to release the Notice of the AGM, the following agenda items will be tabled:

## AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2019, the Directors' Statement and the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors who are retiring in accordance with Article 91 of the Company's Constitution and who, being eligible, offers himself for re-election:

   (a) Mr Chew Chiew Siang, Steven **(Resolution 2)**

   (b) Mr Tan Eng Kiat, Dominic **(Resolution 3)**

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

   [See Explanatory Notes]

3. To re-elect the following Directors who are retiring in accordance with Article 97 of the Company's Constitution and who, being eligible, offers himself for re-election:

   (a) Mr Chew Hua Seng **(Resolution 4)**

   (b) Mr Guo Shaozeng **(Resolution 5)**

   [See Explanatory Notes]

4. To approve the payment of Directors' fees of S$108,946 for the financial year ended 31 December 2019 (2018: S$105,000). **(Resolution 6)**

5. To re-appoint Messrs Nexia TS Public Accounting Corporation as external auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

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

## AS SPECIAL BUSINESS

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

7. Authority to allot and issue shares

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

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

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

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

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

provided that:

(i) the aggregate number of Shares to be issued pursuant to this Ordinary Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Ordinary Resolution) does not exceed 100% of the total number of issued shares in the capital of the Company excluding treasury shares 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 which were issued and are outstanding or subsisting at the time this Resolution is passed;

(2) new Shares arising from exercise of share options or vesting of share awards which were issued and are 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;

and, in sub-paragraph (i) above and this sub-paragraph (ii), "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST;

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

(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

(v) 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 8)**

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

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

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

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

provided that the aggregate number of Shares over which options may be granted under the Scheme on any date, when added to the number of Shares issued and/or issuable or transferred and/or transferable in respect of all options granted under the Scheme, all awards granted under the Sitra Holdings Performance Share Plan and all Shares, options or awards granted under any other share option or share scheme of the Company then in force, shall not exceed fifteen per centum (15%) of the issued Shares (excluding treasury shares and subsidiary holdings) on the day preceding that date." **(Resolution 9)**

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

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

(A) grant awards in accordance with the Sitra Holdings Performance Share Plan (the "Plan") and the Constitution of the Company; and

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

provided that the aggregate number of Shares for which an award may be granted under the Plan on any date, when added to the number of Shares issued and/or issuable or transferred and/or transferable in respect of all awards granted under the Plan, all options granted under the Scheme and all Shares, options or awards granted under any other share option or share scheme of the Company then in force, shall not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) on the day preceding that date." **(Resolution 10)**

**Explanatory Notes**

In relation to Resolutions 2 to 5 proposed under items 2(a) to 3(b) above, the detailed information on Mr Chew Chiew Siang, Steven and Mr Tan Eng Kiat, Dominic, Mr Chew Hua Seng and Mr Guo Shaozeng is set out in the section entitled "Board of Directors", Table 3 in the "Corporate Governance Report" section and "Additional Information On Directors Seeking Re-Election" section of the Company's 2019 Annual Report.

Mr Chiew Chiew Siang, Steven is the nephew of Mr Chew Hua Seng (Non-Executive Chairman and substantial shareholder of the Company) and the son of Mr Chew Ah Ba, George (a substantial shareholder of the Company).

Mr Tan Eng Kiat, Dominic has no shareholdings in the Company and its related corporations, and has no relationships with the Company, its substantial shareholders or its officers. Mr Tan is considered independent by the Board.

Mr Chew Hua Seng, Non-Executive Chairman and substantial shareholder of the Company, is the brother of Mr Chew Ah Ba, George, a substantial shareholder of the Company.

Mr Guo Shaozeng is a substantial shareholder of the Company.

**Statement Pursuant to Article 54 of the Company's Constitution**

**Ordinary Resolution 8**

Ordinary Resolution 8 proposed in item 7 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 100% of the issued shares in the capital of the Company excluding treasury shares 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 8 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 were issued and are outstanding or subsisting at the time that Ordinary Resolution 8 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

**Ordinary Resolution 9**

Ordinary Resolution 9 proposed in item 8 above, if passed, will empower the Directors of the Company to offer and grant options and allot and issue from time to time such number of fully paid-up Shares pursuant to the Scheme, provided that the aggregate number of Shares over which options may be granted under the Scheme on any date, when added to the number of Shares issued and/or issuable or transferred and/or transferable in respect of all options granted under the Scheme, all awards granted under the Sitra Holdings Performance Share Plan and all Shares, options or awards granted under any other share option or share scheme of the Company then in force shall not exceed fifteen per centum (15%) of the issued Shares (excluding treasury shares and subsidiary holdings) on the day preceding that date.

**Ordinary Resolution 10**

Ordinary Resolution 10 proposed in item 9 above, if passed, will authorise the Directors of the Company to grant awards and to allot and issue from time to time such number of fully paid-up Shares pursuant to the Plan, provided that the aggregate number of Shares over which an award may be granted under the Plan on any date, when added to the number of Shares issued and/or issuable or transferred and/or transferable in respect of all awards granted under the Plan, all options granted under the Scheme and all Shares, options or awards granted under any other share option or share scheme of the Company then in force, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) on the date preceding that date.

**Notes:**

(1) A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(2) Any member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

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

(4) A proxy need not be a member of the Company.

(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 holding of the Annual General Meeting.

**Personal data privacy:**

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

# ADDITIONAL INFORMATION ON
# DIRECTORS SEEKING RE-ELECTION

Mr Steven Chew Chiew Siang, Mr Dominic Tan Eng Kiat, Mr Chew Hua Seng and Mr Guo Shaozeng are the Directors seeking re-election at the forthcoming Annual General Meeting ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(5) of the Catalist Rules of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7F of the Catalist Rules of the SGX-ST:

| | Steven Chew Chiew Siang | Dominic Tan Eng Kia | Chew Hua Seng | Guo Zhaozeng |
|---|---|---|---|---|
| Date of Initial Appointment | 20 September 2006 | 22 February 2011 | 21 October 2019 | 21 October 2019 |
| Date of last re-appointment | 27 April 2017 | 30 April 2018 | – | – |
| Age | 50 | 76 | 66 | 57 |
| Country of principal residence | Singapore | Singapore | Singapore | China |
| The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process) | The re-election of Mr Steven Chew Chiew Siang as the Executive Director was recommended by the Nominating Committee ("**NC**") and the Board has accepted the recommendation after taking into consideration his qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company. | The re-election of Mr Dominic Tan Eng Kiat as the Non-Executive Independent Director was recommended by the Nominating Committee ("**NC**") and the Board has accepted the recommendation after taking into consideration his qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company. | The re-election of Mr Chew Hua Seng as the Non-Executive Director and Non-Executive Chairman was recommended by the Nominating Committee ("**NC**") and the Board has accepted the recommendation after taking into consideration his qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company. | The re-election of Mr Guo Shaozeng as the Non-Executive Director and Non-Executive Vice Chairman was recommended by the Nominating Committee ("**NC**") and the Board has accepted the recommendation after taking into consideration his qualifications, expertise, past experiences and overall contribution since he was appointed as a Director of the Company. |
| Whether appointment is executive, and if so, the area of responsibility | Executive | Non-Executive | Non-Executive | Non-Executive |
| Job Title (e.g. Lead ID, AC Chairman, AC Member etc.) | Executive Director | Non-Executive Independent Director, Remuneration Committee Chairman, Audit Committee member and Nominating Committee member. | Non-Executive Director, Non-Executive Chairman and Nominating Committee member. | Non-Executive Director, Non-Executive Vice Chairman and Remuneration Committee member. |
| Professional qualifications | Diploma in Manufacturing Engineering<br><br>Diploma in Computer Studies | Trainee Quantity Surveyor | Bachelor's Degree of Business Administration | Master's degree of Business Administration<br><br>Doctoral degree in Finance |

| | Steven Chew Chiew Siang | Dominic Tan Eng Kia | Chew Hua Seng | Guo Zhaozeng |
|---|---|---|---|---|
| Working experience and occupation(s) during the past 10 years | Currently, Executive Director and Deputy CEO of Sitra Holdings (International) Limited.<br><br>He 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 the Group's products.<br><br>He is currently the Vice-President of the Singapore Furniture Industries Council ("SFIC"), a position he holds since 2012 and a Non-Executive Chairman 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 Tan has over 40 years of experience in business development, corporate management, engineering projects throughout the Asia Pacific Region.<br><br>He started his career as a Trainee Quantity Surveyor with Gammon (Malaysia) Ltd in 1996 and progressed to the rank of Executive Director.<br><br>In 1993, joined United Engineers Group and was promoted to Managing Director n 2000, where he spearheaded the Company's regionalization drive and business activities in West Malaysia, Brunei, Indonesia, Vietnam and the Middle East.<br><br>In 2007, he retired from the United Engineers Group.<br><br>Mr. Tan chairs the Nominating Committee and is a member of the Remuneration and Audit Committees. He also sits on the Board of Yongnam Holdings Limited. | Currently, Founder, Chairman and CEO of Raffles Education Corporation Limited ("RafflesEducation").<br><br>Under his astute leadership, RafflesEducation has grown to become the premier private education provider.<br><br>He has led RafflesEducation to achieve an excellent track record of growth since founding the Group in 1990. The Group listed on the Singapore Exchange in 2002 and was ranked amongst the Top 200 Asia-Pacific companies on Forbes Asia's "Best Under a Billion" list for four consecutive years, from 2006 to 2009.<br><br>Mr Chew was awarded the National University of Singapore Business School Eminent Business Alumni Award in November 2010 for his outstanding achievements. | Currently, the Chairman of Partner Committee of Poplar Capital Group and Vice Chairman of the bank of Langfang.<br><br>He is also the President of the Tsinghua University School of Economics and President of the Management North America Alumni Association<br><br>He has more than 20 years of experience in enterprise management and financial investments. He was one of the co-founders of China Fortune Land Development Co., Ltd and oversaw the Company's investment, financial management and strategic development.<br><br>He established Poplar Capital Group as the founding partner in 2012. The Group engages in both domestic and international capital market activities, as well as global enterprise integration. Its investment focuses on small to medium-sized enterprises in ecological environment, clean technology, healthcare, smart cities and high-tech sectors. |
| Shareholding interest in the listed issuer and its subsidiaries | 24,393,900 shares | Nil | 399,033,520 shares | 364,313,780 shares |

| | Steven Chew Chiew Siang | Dominic Tan Eng Kia | Chew Hua Seng | Guo Zhaozeng |
|---|---|---|---|---|
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries. | Son of Mr Chew Ah Ba, George and Mdm Tan Teresa, both are the substantial shareholders of the Company.<br><br>Nephew of Mr Chew Hua Seng, Non-Executive Director and Non-Executive Chairman of the Company. | No | Sibling of Mr Chew Ah Ba, George, substantial shareholder of the Company.<br><br>Uncle of Mr Chew Chiew Siang, Steven, Executive Director and Deputy CEO of the Company | No |
| Conflict of Interest (including any competing business) | No | No | No | No |
| Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer | Yes | Yes | Yes | Yes |
| Other Principal Commitments* Including Directorships# | | | | |
| Past (for the last 5 years) | Nil | Capital World Limited | Nil | China Fortune Land Development Co., Ltd |
| Present | Sitra Holdings (International) Limited | Sitra Holdings (International) Limited<br><br>Yongnam Holding Limited | Raffles Education Corporation Limited<br><br>Oriental University City Holdings (H.K.) Limited<br><br>Sitra Holdings (International) Limited<br><br>2W2Q Harmony Limited | Oriental University City Holdings (H.K.) Limited<br><br>China Fortune Foundation Co., Ltd<br><br>Sitra Holdings (International) Limited |
| **Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is “yes”, full details must be given.** | | | | |
| a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? | No | No | No | No |

| | | Steven Chew Chiew Siang | Dominic Tan Eng Kia | Chew Hua Seng | Guo Zhaozeng |
|---|---|---|---|---|---|
| b) | Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No | No | No | No |
| c) | Whether there is any unsatisfied judgment against him? | No | No | No | No |
| d) | Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? | No | No | No | No |
| e) | Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? | No | No | No | No |

| | Steven Chew Chiew Siang | Dominic Tan Eng Kia | Chew Hua Seng | Guo Zhaozeng |
|---|---|---|---|---|
| f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | No | No | No | No |
| g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | No | No | No | No |
| h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust | No | No | No | No |
| i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? | No | No | No | No |

| | Steven Chew Chiew Siang | Dominic Tan Eng Kia | Chew Hua Seng | Guo Zhaozeng |
|---|---|---|---|---|
| j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– | | | | |
| i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or | No | No | No | No |
| ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or | No | No | No | No |
| iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or | No | No | No | No |
| iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere | No | No | No | No |
| in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? | | | | |

| | Steven Chew Chiew Siang | Dominic Tan Eng Kia | Chew Hua Seng | Guo Zhaozeng |
|---|---|---|---|---|
| k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | No | No | No | No |
| **Disclosure is applicable to appointment of Director Only**<br><br>Any prior experience as a director of a listed company?<br><br>If yes, please provide details of prior experience.<br><br>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.<br><br>Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable). | N.A. | N.A. | N.A. | N.A. |

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

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

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