

Issuer: Sitra Holdings (International) Limited

Security: Sitra Holdings (International) Limited

Meeting details:

Date: 30 April 2018

Time: 4.00 p.m.

Venue: 15 Hillview Terrace, Singapore 669226

Company Description

Sitra Holdings (International) Limited, an investment holding company, engages in the import and export of wood-based, lifestyle outdoor furniture, and other related products. It offers wood-based products, such as decking, flooring, fencing, door and window components, and other molded products in various designs, specifications, and dimensions under the Comcia and deckKING brands; and lifestyle furniture products, such as outdoor garden furniture, garden accessories, and contract furnishings under the Pacific brand. The company also engages in the importing, exporting, trading, and brokerage of various kinds of wood; and manufactures, supplies, and distributes wood-based and other related products. It has operations in North America, Europe, Australia, New Zealand, Asia, and internationally. Sitra Holdings (International) Limited was founded in 1979 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5LE)

1. The group was badly affected when unprecedented bad weather condition in Indonesia led to severe shortage of raw material and thus affecting the supply of logs to the group's key suppliers.

The group's suppliers did not honour the contract as prices skyrocketed, forcing the group to source from alternative suppliers. The supply chain issues are expected to persist into the first half of FY2018.

- (i) Can management help shareholders understand the group's supply chain better? How robust is the supply chain to external shocks? How many key suppliers does the group have?**
- (ii) As good supply chain management is key to the group's performance, what guidance has the board given to management to improve the efficiency and robustness of the supply chain?**
- (iii) Is the group still dealing with the suppliers who have reneged on their supply contracts?**

2. The "valuation of financial assets at fair value through profit or loss" is a key audit matter (KAM) highlighted by the Independent Auditor in their Report on the Audit of the Financial Statements (page 41). Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As mentioned in the KAM, the financial assets at fair value through profit or loss amounted to \$9.5 million, which represented 56% of the Group's total assets as at 31 December 2017. This represents a 10% equity investment in the 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.

The group recognised an impairment of \$0.5 million in FY2016.

- (i) As this investment represents 56% of the group's total assets but just 10% equity of WFHPL, can management let shareholders know the level of influence and oversight it has over the affairs of WFHPL?**
- (ii) Can the company disclose the terms of the put options? Is there an expiry to the option?**
- (iii) The 10% stake in WFHPL is valued \$9.5 million by the company as at 31 December 2017. On what basis did the AC satisfy itself that the market value arrived at by the valuer is reasonable? What are the liabilities in WFHPL?**

3. In the director's profile, it was stated that Mr Daniels Ng was first appointed to the board on 20 September 2006. Mr Daniels Ng was re-designated as an independent non-executive director on 28 February 2014.

Guideline 2.4 of the 2012 Code of Corporate Governance (Code) clearly states that:

"The independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review...."

- (i) Would the company and its sponsor agree that the independence of any directors who has served on the board beyond nine years has to be subject to particularly rigorous review, as recommended by the Code?**
- (ii) As such, to comply with the Code, would the board subject the independence of Mr Daniels Ng, a director who has served on the board beyond nine years from the date of his first appointment in 20 September 2006, to particularly rigorous review?**
- (iii) With two of the independent directors both appointed in 2006, and following the appointment of Mr. Tan Eng Kiat, Dominic in February 2011 as independent director on the board, what are the company's other near-term plans to refresh the board membership progressively and in an orderly manner, to avoid losing institutional memory?**