



SITRA HOLDINGS (INTERNATIONAL) LIMITED

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

RESPONSE TO QUESTIONS RECEIVED FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

The Board of Directors (the “**Board**”) of Sitra Holdings (International) Limited (the “**Company**”), together with its subsidiaries (the “**Group**”) refers to the questions raised by the Securities Investors Association (Singapore) (“**SIAS**”) in relation to the annual report of the Group for the financial year ended 31 December 2022 (“**FY2022 AR**”). The Company wishes to provide its responses to the questions below:

SIAS Question 1

For FY2022, the group achieved a gross profit margin of 8.0%. This was lower than the 9.7% achieved in 2021 due to “low demand across all [the group’s] key markets”.

- (i) **Has the board evaluated the group’s cost structure and efficiency? What targets has the board set for management with regard to gross profit margin? What are management’s plans to achieve the target gross profit margin?**
- (ii) **Aside from the executive director, can the non-executive directors, including the independent directors, elaborate on how they contribute to the furniture business and provide entrepreneurial leadership that leads to long-term value creation for shareholders?**
- (iii) **What is the breakdown in revenue from Comcia, decKING, and Pacific?**
- (iv) **How well-received is the new range of products certified under the Programme for Endorsement of Forest Certification (“PEFC”) due diligence system?**

Company Response to SIAS Question 1

- (i) & (ii) **The challenging economic environment and geo-political landscape in the last two years have affected the Group’s business’ gross profit margin. The Board together with the management has evaluated and assessed the Group’s operating cost and efficiency. Creation of long-term shareholders’ values is always the priority of the Board, comprising both Executive and Non-Executive Directors, including Independent Directors.**

Collectively, the Board has brought a diverse set of skills, professional expertise, and knowledge based on their varying background from different industries. All directors, including Independent Directors, participate in Board meetings in the deliberation, review, and approval of key decisions relating to the Company's strategic directions.

The Board is committed to giving proper guidance and leadership to the management to continue to create sustainable shareholders' values. The management has the liberty at all times to draw on the diverse entrepreneurial and professional backgrounds of the Board members to conduct the Group's principal business activity.

- (iii) The revenue from Comcia and deckKING, which are the two brands for the wood product segment, are S\$21.5 million or 98.35% of the total revenue for 2022, and Pacific, which is the brand for the outdoor furniture segment, is S\$0.1 million or 0.65% of the total revenue for 2022. This is reported on Note 28(a), page 112 of the Company's FY2022 AR.
- (iv) The Company started offering products certified under PEFC, controlled sources in 2021 mainly for the Australia/New Zealand markets. The revenue from these certified products is about 5% and 10% for 2022 and 2021 respectively. PEFC certification is an internationally recognized certification, and the Company foresees consumers would begin to recognize and accept the benefits of such PEFC certification and progressively start to demand them.

SIAS Question 2

On 10 October 2022, the company completed the acquisition of the remaining 46% of the issued shares of Mapur Rocky Resort Limited for a cash consideration of \$2.6 million on a "willing-buyer-willing seller basis after arm's length negotiations between the company and Madam Doris Chung Gim Lian, the vendor.

- (i) **Can the independent directors clarify their roles in the acquisition of the remaining 46% of the issued shares of Mapur Rocky Resort Limited to help shareholders better understand the process?**
- (ii) **How was the arm's length negotiation conducted? Who was involved in the negotiation with the vendor and what role did the chairman play?**
- (iii) **What is the group's competitive advantage in real estate development in Bintan?**
- (iv) **How has the acquisition created value for shareholders, particularly minority shareholders?**

Company Response to SIAS Question 2

- (i) For the acquisition of the remaining 46% of the issued shares of Mapur Rocky Resort Limited ("MRRL" and the transaction "Acquisition"), the Independent Directors were actively involved in the review and deliberations of the terms and conditions of the

Acquisition, conducting its own onsite due diligence on the subject land as well as reviewing the master plan for the construction of the resort. The Independent Directors had worked closely with the respective professionals (such as the valuer and Independent Financial Advisor) in arriving at its view of the Acquisition as set out in the Company's circular dated 15 September 2022 as well as the review of the documents relating to the Extraordinary General Meeting that was held on 15 September 2022 and related announcements to the Acquisition that was disclosed via SGXNET.

- (ii) As set out in the Company's circular dated 15 September 2022 and announcement on 10 August 2022, The Acquisition was conducted on a willing-buyer-willing seller basis after taking into account the valuation of the lands (conducted by an independent valuer) as the benchmark together with the accumulated loss of the company in the computation of the value of the vendor's interest in MRRL and after arm's length negotiations between the Board representative and the vendor with the abstention of the Chairman from all decisions relating to this Acquisition.
- (iii) In 2019, the Group obtained shareholders' approval to diversify and expand its core business to include the Property Development Business in order to expand and diversify its business and improve its growth prospects, through the initial acquisition of 54% of MRRL. Since then, the Group has built on its existing network with local stakeholders, such as government authorities, suppliers, experienced contractors, and other professional third parties which will help provide the Group competitive access to resources in the construction stage as well as assist in the obtaining relevant licenses/permits required (as set out in the Company's announcement on 23 September 2022).
- (iv) As set out in the FY2022 AR and the Company's announcement on 24 February 2023, the Group's property development business is in the planning and design stages and does not expect to contribute immediately towards revenue in the next 12 months. Barring any unforeseen circumstances, the Group believes the acquisition and subsequent construction and sale of units in the resorts would have a positive cash flow for the Group and create long-term value for all shareholders.

SIAS Question 3

In 2014, the group sold its property at 18 Sungei Kadut. Following the disposal, the accumulated losses improved from \$(19.2) million in 2013 to \$(5.8) million in 2014. Management noted that its priority was to achieve long-term capital growth for the benefit of shareholders. However, between 2015 and 2022, the groups' accumulated losses increased, with a further \$(3.05) million loss in 2022 alone.

As at 31 December 2022, total accumulated losses amounted to \$(17.9) million. Net asset value per share has decreased from 2.07 cents to 0.7 cents in 2022.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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For the financial year ended 31 December 2022

← Attributable to equity holders of the Company →						
Note	Share capital	Other reserves	Accumulated losses	Total	Non-controlling interests	Total equity
	S\$	S\$	S\$	S\$	S\$	S\$
Balance at 1 January 2022	25,793,130	471,602	(14,817,940)	11,446,792	3,717,708	15,164,500
Loss for the year	-	-	(3,050,411)	(3,050,411)	124,497	(2,925,914)
Other comprehensive income	-	582,790	-	582,790	(40,803)	541,987
Total comprehensive loss for the year	-	582,790	(3,050,411)	(2,467,621)	83,694	(2,383,927)
Acquisition of non-controlling interests	17	1,456,173	-	1,456,173	(3,112,007)	(1,655,834)
Balance at 31 December 2022	25,793,130	2,510,565	(17,868,351)	10,435,344	689,395	11,124,739

- (i) Has the board evaluated the group's track record? If so, is it satisfied with management's long-term performance in creating value for shareholders?
- (ii) Would it be timely to conduct a review to consider strategic options for the furniture business, in order to safeguard shareholders' interests? (Also see Q2 (iii) above).

Company Response to SIAS Question 3

- (i) & (ii) The Group's business in the sale and distribution of quality wood-based products and premium lifestyle furniture (the "wood business") has not performed for many years due to changing market and economic situations. The COVID-19 pandemic in the last 3 years and more recently the Russian/Ukraine conflict have also affected the wood business. The business outlook remains challenging. To improve performance Management has been actively expanding its market presence/outreach, offering new products, and at the same time managing its inventory and expenses efficiently with the aim of achieving positive operational cashflow for its wood business. The Board will continue to monitor the performance of the wood business and review strategic options available to the Group.

To safeguard the shareholders' long-term interests and values, the Group is constantly looking for investment opportunities to diversify the Group's business with the prospects of increasing the revenue and income stream of the Group in the future.

As also disclosed in the responses above, the Group obtained shareholders' approval in 2019 to diversify into the property development business and successfully completed the acquisition of a controlling stake in MRRL, which holds legal rights and interest in the property, known as Bintan land. In 2022, the Group laid further groundwork via the acquisition of the remaining shares in MRRL which grants the Group full control over the timing, scale, financing, and building of its own experience to oversee the proposed development of Bintan land. Shareholders can refer to the related announcements on SGXNET on 27 February

2019, 13 May 2019, 26 June 2019, 10 July 2019 26 July 2019, 4 October 2019, 10 August 2022, 11 August 2022, 30 September 2022, 6 October 2022, and 10 October 2022.

In view of the above, the Board is satisfied with the management’s performance in attempting to create long-term and sustainable values for all shareholders.

SIAS Question 4

At the annual general meeting scheduled to be held on 28 April 2023, the company is proposing to re-elect Mr. Chew Hua Seng who will retire in accordance with Article 91 of the company’s constitution.

The director’s biography is found on page 7 and additional information on the director seeking re-election can be found on pages 123 to 126. The director has declared the following:

<p>j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-</p> <p>i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</p> <p>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</p> <p>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</p> <p>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</p> <p>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>	<p>Yes, for item (j)(i). No, for item (j) (ii) to (iv).</p> <p>Mr Chew Hua Seng (“Mr Chew”) is presently the Chairman, CEO and a director of Raffles Education Limited (“RE”), a listed company in Singapore. On 19 October 2021, RE announced that it received an order jointly issued by the Monetary Authority of Singapore and the Commercial Affairs Department collectively, (the “Authorities”) in relation to an investigation into a potential offence under the Securities and Futures Act (“SFA”) (“Investigations”).</p> <p>In connection with the ongoing Investigations, Mr Chew and certain current directors responsible for managing RE (the “Relevant Individuals”) had been notified by the Authorities that (a) there were reasonable grounds to believe an offence has been committed under section 203 of the SFA and (b) as part of the usual procedure, Mr Chew and the Relevant Individuals had to surrender their passports to the Authorities. No further conditions or restrictions were imposed on Mr Chew and the Relevant Individuals and none of them, including Mr Chew, have been charged for any offence.</p> <p>There has not been any further development from the Authorities since then.</p>
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(Source: company annual report)

In the corporate governance report, the board has stated the following on page 38:

The NC has recommended the nomination of the director retiring under Article 91 of the Company’s Constitution for re-election at the forthcoming AGM. The Board has accepted the NC’s recommendation and accordingly, Mr. Chew Hua Seng being eligible, will be offering himself for re-election at the forthcoming AGM. Each Director abstains from making any recommendation and voting on any resolution in respect of the assessment of his own performance or re-appointment as a Director. The Company does not appoint any alternate Directors.

The same was repeated by the company in the section on additional information on director (s) seeking re-election which is required pursuant to Rule 720(5).

- (i) **Can the nominating committee (NC) provide shareholders with more details on its justification for recommending the re-election of Mr. Chew Hua Seng?**
- (ii) **How did the NC evaluate the disclosure made by the director in item (j) (i) above?**
- (iii) **What advice has the sponsor provided to the board, particularly to the NC, with regard to reviewing the suitability of directors and nominating them for re-election?**

Company Response to SIAS Question 4

- (i) & (ii) Mr. Chew Hua Seng (“Mr. Chew”) is the single largest shareholder of the Company. He is a Non-Executive Director and Non-Executive Chairman of the Company since 21 October 2019 and offered himself for re-election. While he is Non-Executive Director, he does not collect any directors’ fees. Mr. Chew has been central to the Group’s diversification and acquisition of the new core business in property development. When Mr. Chew offered himself for re-election on 28 April 2023, the NC believed it is in the best interest of the Company to recommend his re-election.

In the Company’s announcements disclosed via SGXNET on 21 October 2021 and 22 February 2022 respectively, the NC and the Board (with Mr. Chew abstaining) have set out their assessments on Mr. Chew’s suitability of his continued appointment in light of his ongoing investigation and were of the view that the ongoing investigation will not compromise the performance of his duties as Non-Executive Director and Non-Executive Chairman of the Company has considered that there were no charges brought against Mr. Chew and the investigation were ongoing. In the same announcement, the NC and the Board will reassess the positions as necessary, should there be any material developments to the matter. As disclosed in his re-election details (found on page 123 of the Company’s FY2022 AR) and to date, there were no changes to the circumstances and there has not been any further development from the relevant authorities since then.

Mr. Chew undertakes that he will inform the Board of the ongoing investigation and any subsequent developments. The Board and the NC will also continue to reassess the suitability of his continued appointment as and when there are material developments to the investigation.

Sponsor response to SIAS Questions 4

- (iii) In compliance with Catalist Rule 720(4) which requires all directors to submit themselves for re-nomination and re-appointment at least once every three years, Mr. Chew was due for re-election in the upcoming AGM to be held on 28 April 2023.

The Sponsor concurred with the NC’s view as above and conducted its own due diligence on Mr. Chew and did not note any new information that would affect the suitability of Mr. Chew to continue to act as Director of the Company. In the event that

there are any material developments to the investigation, the Sponsor will reassess and advise accordingly.

By Order of the Board
Sitra Holdings (International) Limited
27 April 2023

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

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

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