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Issuer: Sitra Holdings (International) Limited

Security: Sitra Holdings (International) Limited

Meeting details:

Date: 29 April 2019

Time: 9.30 a.m.

Venue: 15 Hillview Terrace, Singapore 669226

Company Description

Sitra Holdings (International) Limited is a Singapore-based distributor of wood-based products and lifestyle outdoor furniture. The Company is engaged in importing and exporting wood-based, lifestyle furniture and other related products. The Company markets its products under its Comcia, deckING and Pacific brand ranges. The Company's products are categorized into approximately two groups, including wood-based products, such as flooring, a range of fences, decks and deckings systems, and other do-it-yourself (DIY) products, and lifestyle furniture, such as outdoor garden furniture, garden accessories and contract furnishings. The Company has geographical presence in Australia, New Zealand, Europe and Asia. The Company's subsidiaries are E-Timberhub Pte Ltd, Sitra Agencies Pte Ltd, Suncoast Sitra Pte Ltd, Societe 3A and PT Jaya Raya Trasindo, among others. Through PT Jaya Raya Trasindo, it is engaged in manufacturing, supplying and distributing wood-based and other related products.

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

Q1. On 27 February 2018, the company announced, inter alia, the proposed acquisition of 54% stake in Mapur Rocky Resort Limited which indirectly holds vacant land with an aggregate area of 123,534 square metres, comprising land with development rights of an area of 108,962 square metres and beachfront land of an area of 14,572 square metres on Bintan.

- (i) Would the board, especially the independent directors, help shareholders understand if the group has been looking to diversify away from the core business of sale and distribution of wood-based products? When did the company embark on a diversification strategy? Was this communicated to shareholders prior to the announcement?**
- (ii) Did the company have a systematic and formal way to source and evaluate opportunities through professional bankers, business consultants and/or brokers?**
- (iii) As the proposed acquisition is deemed an interested person transaction under the Catalist Rules, can the board help shareholders understand how the negotiation and board deliberations were carried out? Were all interested directors excluded from the board deliberations?**
- (iv) What is the expertise on the board/management to ensure that the group has a good chance of succeeding with the development of the assets? Does the group have the necessary expertise, ground knowledge and capital to proceed with this investment? The group has \$409,836 as at 31 December 2018.**
- (v) Given that the group has a market capitalisation of approximately \$7 million (based on a 6-month volume weighted average price of \$0.00817 per share), do the independent directors consider it prudent to go into such an acquisition? Please justify why it might be so.**

Q2. As noted in the chairman's statement, the group continues to be plagued by disruptions in the supply chain. The shortage of raw material led to a huge increase in raw material prices which affected the group's margin. Revenue has fallen from \$17.7 million in FY2016 to \$13.8 million in FY2018, a drop of over 22%.

Losses in the past two years amount to \$(5.25) million and the group's equity has been reduced to \$10.8 million.

- (i) Would the board be evaluating the group's business model? If supply chain shocks can severely and negatively impact the business, and the group has no solution in sight after two years, does the company have a viable business model at all?**

- (ii) Would the board consider it opportune to carry out a comprehensive strategic review of the group's operations to assess the core competencies of the group, its management team and its financial strength and to fine-tune its strategies so as to create long-term sustainable value for all shareholders?**
- (iii) In addition, in Note 15 (page 70 – Inventories), it can be seen that inventories have increased by more than 50% or \$1.1 million to \$3.2 million as at 31 December 2018. Is this due to a larger volume of unsold stock or is this due to the higher price of raw material?**

Q3. As disclosed in the Corporate Governance Report, the board comprises five directors, of whom two are executive directors and three are independent directors.

The independent directors are:

- Mr Michael Chin (also lead independent director): appointed on 29 September 2006
- Mr Dominic Tan Eng Kiat: appointed on 22 February 2011
- Mr Daniels Ng Boon Hua: appointed on 20 September 2006

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (“2018 CG Code”). As a consequence of the revised 2018 CG Code, the Singapore Exchange has made amendments to its Listing Rules which came into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

Two independent directors are already past the 9 year mark while the other independent director will reach the 9 year mark in 10 months time.

- (i) Has the company evaluated the impact of the 2018 CG Code and the amendments to the Listing Rules on the board?**
- (ii) Can the nominating committee (NC) elaborate further on the succession planning for the board (including executive chairman, executive director) and other key management positions?**
- (iii) Has the nominating committee reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?**
- (iv) What are the company's near term plans to refresh the membership of the board to comply with the new 2018 Code in good time? Reconstituting the**



board early to comply with the new 2018 Code would avoid undue disruption and help to maintain institutional knowledge and continuity in the board.

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

[https://sias.org.sg/qa-on-annual-reports/?company=Sitra%20Holdings%20\(International\)%20Ltd&cid=6450,4585](https://sias.org.sg/qa-on-annual-reports/?company=Sitra%20Holdings%20(International)%20Ltd&cid=6450,4585)

The company's response could be found here: -----