Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Sitra Holdings (International) Limited

Stock code: 5LE

Meeting details:
Date: 5 June 2020
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As noted in the chairman's statement, the group's revenue increased by $2.6 million (up by 19%) to $16.4 million as compared to $13.8 million in FY18 (page 3 of the annual report). This was due to the increase in revenue from wood-based products as no revenue is recognised from the new property development segment.

There was no mention of the bottom line for the group in the chairman's statement nor in the operations review. Loss for the financial year ended 31 December 2019 was $(958,061). The first mention of the loss for the financial year can only be found on page 40 of the annual report.

In the "Operations" review (on pages 4 and 5), the company highlight different line items in the consolidated statement of comprehensive income, as follows:

- Revenue: increased by $2.6 million
- Cost of sales and gross profit margin: increased by $2.9 million; gross profit margin decreased from 8.7% to 5.7%
- Other income: decreased by S$0.2 million to S$0.02 million in FY19
- 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
- Administrative expenses: higher at $2.4 million due to staff salaries and professional fees incurred
- Other gains/(losses) – net: gain of $0.9 million due to foreign currency exchange gain and reversal of impairment
- Finance expenses: increased by $0.03 million

Even in the "operations" review, the net profit/(loss) for the year was not mentioned. In fact, this section might be more appropriately titled as "Financial overview".

(i) **Would the chairman consider giving shareholders a balanced and candid overview of the achievements and challenges faced by the group so that shareholders get a true and fair view of the progress made by the group in the year?**

(ii) **Would the independent directors review and improve the quality of communication with shareholders (especially the level of candour and clarity) in the annual report moving forward?**

In particular, the operations review is a line by line breakdown of the major items in the consolidated statement of comprehensive income, balance sheet and cash flow statement.

(iii) **Would management be providing shareholders with a well-organised and comprehensive overview of its operations?**

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Q2. As noted in the chairman's statement, the group ventured into resort and holiday homes development with the acquisition of a majority stake in Mapur Rocky Resort Limited. The company expects the new business to transform the group with an additional engine of growth that will improve shareholders' value.

(i) **What is the track record and experience of the board/management in planning, developing and selling resort and holiday homes, and doing so in Indonesia?**

(ii) **In the board's evaluation of the project, what was the hurdle rate used in the investment approval?**

(iii) **What is the investment amount earmarked for the Bintan project? How will the group be funding this investment?** The group has cash and cash equivalents of $197,272 as at 31 December 2019.

(iv) **How will the group's development plans for the Bintan project be affected by the pandemic?**

Q3. Would the board provide shareholders with better clarity on the following governance matters? Specifically:

(i) **Search and nomination:** The company appointed Mr. Chew Hua Seng and Mr. Guo Shaozeng to the board as non-executive chairman and non-executive vice chairman on 21 October 2019 respectively. **Would the nominating committee elaborate further on the search and nomination process for directors?**

(ii) **Provision 2.2:** Where the Chairman is not independent, the independent directors should make up a majority of the board. In addition, the independent directors on the board have all been appointed more than 9 years ago. While the board is cognisant that the company has deviated from Provision 2.2 of the Code of Corporate Governance 2018, it has stated that it will "*endeavor to comply with the requirement for independent directors to make up a majority of the Board at the appropriate time*". **Would the board help shareholders understand the benefits, if any, of deviating from Provision 2.2 and only to comply with the Provision at the appropriate time? What would be an "appropriate time"?**

(iii) **Nominating committee ("NC"): With two of the NC members being subjected to the annual independence review by the NC, how effective is the NC at discharging its responsibilities?**

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^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)