

KODA LTD
(Incorporated in the Republic of Singapore)
Company Registration Number 198001299R

Responses to substantial questions relevant to the Resolutions of the Annual General Meeting to be held on Friday, 30 October 2020 at 10.00 am

The Board of Directors (the “**Board**”) of Koda Ltd (the “**Company**”) wishes to thank all shareholders who have submitted their questions in advance of the Annual General Meeting to be convened and held by way of electronic means on 30 October 2020 at 10.00 am (the “**AGM**”).

Responses to substantial questions relevant to the Resolutions of the AGM

We have received questions from shareholders relating to the Company’s FY2020 financials, segmental results, capacity expansion and the impact of the Covid-19 pandemic. As there were various overlaps in the questions received, we have grouped related and similar questions together, and provided our corresponding responses to questions relevant to the Resolutions of the AGM. For questions relating to the impact of the Covid-19 pandemic, please refer to our various announcements on the SGXNET on ‘Update on Malaysia Operations’ and ‘Compliance with Movement Control Order in Malaysia’ released in March and April 2020. For questions relating to planned capacity expansion in Vietnam, the Company will make the necessary announcements to update as and when there are any material developments.

Please refer to our responses to the substantial and relevant questions from shareholders as set out in **Appendix 1**.

BY ORDER OF THE BOARD
JAMES KOH JYH GANG
Managing Director
26 October 2020

Appendix 1

<u>Questions</u>	<u>Responses</u>
1. Why did sales derived from Asia-Pacific region fall while those from North America increased?	Retail and distribution sales to Asia Pacific were partly affected by various control measures during 2H2020 for containment of Covid-19 pandemic and post-lockdown discounts offered to our distributors in China whereas export sales to North America rose as a result of work-from-home arrangements.
2. Why did profits for FY2020 fall while management had seen higher sales due to the Covid-19 pandemic and why did allowance for inventories increase?	As disclosed, profits fell due mainly to : <ul style="list-style-type: none"> (i) higher labor costs (for our factories operations); (ii) higher special performance bonus (accrued in relation to financial performance over the last 3 years that the Group had recorded an accumulated profit of about US\$15 million); (iii) higher allowance for inventories (for slow-moving raw materials and components given change in design specifications); (iv) higher amortisation expenses (given pre-Covid set-up costs incurred for new retail shops) and (v) accrual of proposed ex-gratia payment for the Non-Executive Chairman and Founder who will be retiring at the AGM, (please also see explanatory notes to Resolution 8).
3. Why was the retail and distribution segment of the business not profitable in FY2020?	The profitability of the retail and distribution business was mainly affected by : <ul style="list-style-type: none"> (i) various control measures and restrictions for containment of Covid-19 pandemic; (ii) set-up costs incurred for new retail shops before the Covid-19 pandemic and (iii) post-lockdown discounts for our distributors in China.
4. What was the reason for higher remuneration (including bonuses) for Executive Directors?	As disclosed in Note 8 of our result announcement, the performance bonus is a one-time special bonus for the Management having considered the financial performance of the Group for past 3 financial years during which the Group had achieved an accumulated net profit of about US\$15.0 million. It should also be noted that the Group did not accrue the special bonus in each of this financial year as one of the Key Performance Indicators for the Management to receive a special bonus is to achieve sustainable profits over a period of 3 consecutive financial years.

5.	What was the reason for lower dividend for FY2020?	<p>The reason for lower dividend for FY2020 is to conserve cash for working capital and planned capacity expansion.</p> <p>(Note: The Group will make the necessary announcements as and when there are material developments in its capital investment plans.)</p>
6.	What was the rationale for one-time ex-gratia payment to the Founding Chairman who will be retiring at the upcoming AGM?	<p>As disclosed in the explanatory notes to the Resolution 8, this proposed payment is in recognition of Mr Koh Teng Kwee's 40 years of service as the Non-Executive Chairman and Founder of the Company, to be tabled for Shareholders' approval at the upcoming AGM.</p>