

KODA LTD

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

SIGNING OF NON-BINDING MEMORANDUM OF UNDERSTANDING

1. INTRODUCTION

Koda Ltd (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that its indirectly wholly-owned subsidiary, Commune (Dongguan) Trading Co. Ltd (“**Commune (Dongguan)**”), had on 17 July 2019 entered into a non-binding memorandum of understanding (“**MOU**”) with Mr He Ruyi (“**Mr He**”) in respect of a proposed joint venture (the “**Proposed Joint Venture**”).

Subject to the execution of a definitive joint venture agreement (the “**Definitive JV Agreement**”), Commune (Dongguan) and Mr He have agreed to invest in a joint venture company (“**JV Company**”) to be incorporated in the People’s Republic of China (“**PRC**”) to operate furniture retail stores and manage the distribution supply chain in Chongqing and Chengdu, PRC.

As each of the relative figures computed on the applicable bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) is less than 5%, the Proposed Joint Venture is a “non-discloseable transaction” for the purposes of Chapter 10 of the Listing Manual of the SGX-ST.

2. INFORMATION RELATING TO THE JOINT VENTURE PARTNER

Mr He, is a citizen of the PRC having his domicile at Changzhuang Team, Qiaoyuan Village, Sanyuan Town, Liu’an, Anhui Province. He is an existing authorized dealer of Commune (Dongguan) operating two (2) retail stores in the municipal city of Chongqing.

3. CAPITAL CONTRIBUTION

Subject to the execution of the Definitive JV Agreement, Commune (Dongguan) and Mr He have agreed to an initial capital contribution of RMB 1,000,000 each (the “**Initial Capital Contribution**”). Commune (Dongguan)’s Initial Capital Contribution shall be satisfied in cash and Mr He’s Initial Capital Contribution shall be satisfied by a transfer of the legal and beneficial ownership, including all economic interest in respect thereof, of two (2) furniture retail stores owned by Mr He.

Commune (Dongguan)'s Initial Capital Contribution will be funded through internal resources, and are not expected to have a material impact on the consolidated net tangible assets per share and the consolidated earnings per share of the Group for the financial year ending 30 June 2020.

4. SALIENT TERMS OF THE MOU

4.1 Conditions precedent

The Proposed Joint Venture shall be conditional upon the fulfilment or waiver (if capable of waiver) of certain conditions precedent, including but not limited to the following:

- (a) the execution of the Definitive JV Agreement;
- (b) Commune (Dongguan) obtaining such approval from its Board of Directors and shareholders in connection with the Proposed Joint Venture and the transactions contemplated therein as may be necessary; and
- (c) such other conditions precedent that are usual and customary for transactions of this nature.

4.2 Right of first refusal

In the event that a party (the "**Proposed Transferor**") proposes to transfer its equity interest in the JV Company to a third party, the Proposed Transferor shall first offer such equity interest in the JV Company to the other party (the "**Remaining Party**") prior to offering such equity interest in the JV Company to a third party on terms and conditions not less favourable than those that the Proposed Transferor intend to offer to the third party (the "**Right of First Refusal**"). In the event the terms and conditions are revised more favourably in favour of the third party, after the non-exercise of the Right of First Refusal, the Proposed Transferor shall offer the Right of First Refusal to the Remaining Party again on such revised terms and conditions.

For the avoidance of doubt, the Right of First Refusal applies regardless of whether the Proposed Transferor is proposing to transfer a part of or its entire equity interest in the JV Company.

4.3 Non-competition

Mr He shall not (for as long as he has an equity interest in the JV Company and the 12 months after he ceases to have an equity interest in the JV Company), whether directly or indirectly:

- (a) own, manage, operate, control or participate in the ownership, management, operation or control of, or be connected in any manner with, any business of the

type and character engaged in and/or competitive with that conducted by the JV Company;

- (b) persuade or attempt to persuade any potential customer or client to which the JV Company has made a presentation, or with which the JV Company has been in negotiations or having discussions, not to deal with or hire the JV Company or to deal with or hire another company;
- (c) solicit for himself or any person other than the JV Company the business of any supplier, customer or client of the JV Company, or was the JV Company's supplier, customer or client within 6 months prior to the date on which he ceases to have an equity interest in the JV Company; or
- (d) persuade or attempt to persuade any employee of the JV Company, or any individual who was an employee during the 6 months prior to the date on which he ceases to have an equity interest in the JV Company, to leave the JV Company's employ, or to become employed by any person other than the JV Company.

5. RATIONALE FOR PROPOSED JOINT VENTURE

The Directors are of the view that the Proposed Joint Venture is in line with the Group's expansion plans in the PRC. The Directors believe that the Proposed Joint Venture is in the best interests of the Group for the following reasons:

- (a) the Proposed Joint Venture is in line with the Group's intention to expand its business in Chongqing and Chengdu, PRC;
- (b) Chongqing and Chengdu has been identified as potential high-growth regions for the Group to expand its business; and
- (c) the entry into the Proposed Joint Venture with Mr He will allow the Group to operate self-owned stores in China.

6. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Joint Venture (other than through their respective shareholdings in the Company, if any).

7. FURTHER ANNOUNCEMENTS

The Company will make further announcements to update its shareholders when there are material updates in relation to the Proposed Joint Venture, as may be necessary or appropriate.

8. CAUTIONARY STATEMENT

Shareholders and potential investors of the Company should note that there is no certainty or assurance as at the date of this announcement that the Definitive JV Agreement will be entered into or that the Proposed Joint Venture will materialise. Accordingly, shareholders and potential investors of the Company are advised to exercise caution when dealing or trading in the shares of the Company.

Shareholders and potential investors of the Company are advised to read the announcement and any further announcements made by the Company carefully. Shareholders and potential investors of the Company should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

By Order of the Board
Koda Ltd

James Koh Jyh Gang
Deputy Chairman and Managing Director

17 July 2019