AR
2017

KODA™

VISION

To be a reputable, profitable
and significant global
original manufacturer of furniture.

MISSION

We must be the most effective value-for-money manufacturer.

We must remain design-relevant.

We must invest in research & development.

We must ensure that our products remain affordable and accessible.

We must ensure we have the right people with the right skills.

We must deliver to our shareholders value and investment comfort.


J. William Sons
WESTMINSTER

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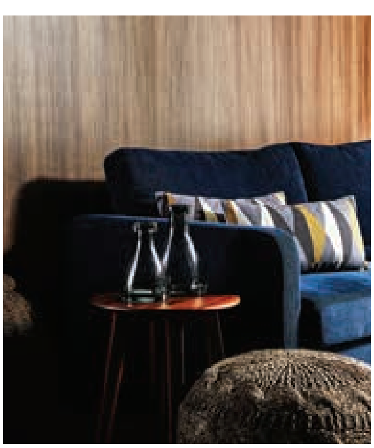
SOLIDIFYING
OUR GOALS

MODERNIZING
OUR ASSETS

KODA is quickly becoming well-known as a style leader. We have new products online and across the retail floors, that showcases the talents of our design and development team. New digital assets as well as new printed materials will allow us to communicate our message more clearly than ever, not only to our trade customer, but also to the end consumer, driving her to preferred distribution. We are building the strongest marketing and branding platform in our company's history.

ABOUT KODA

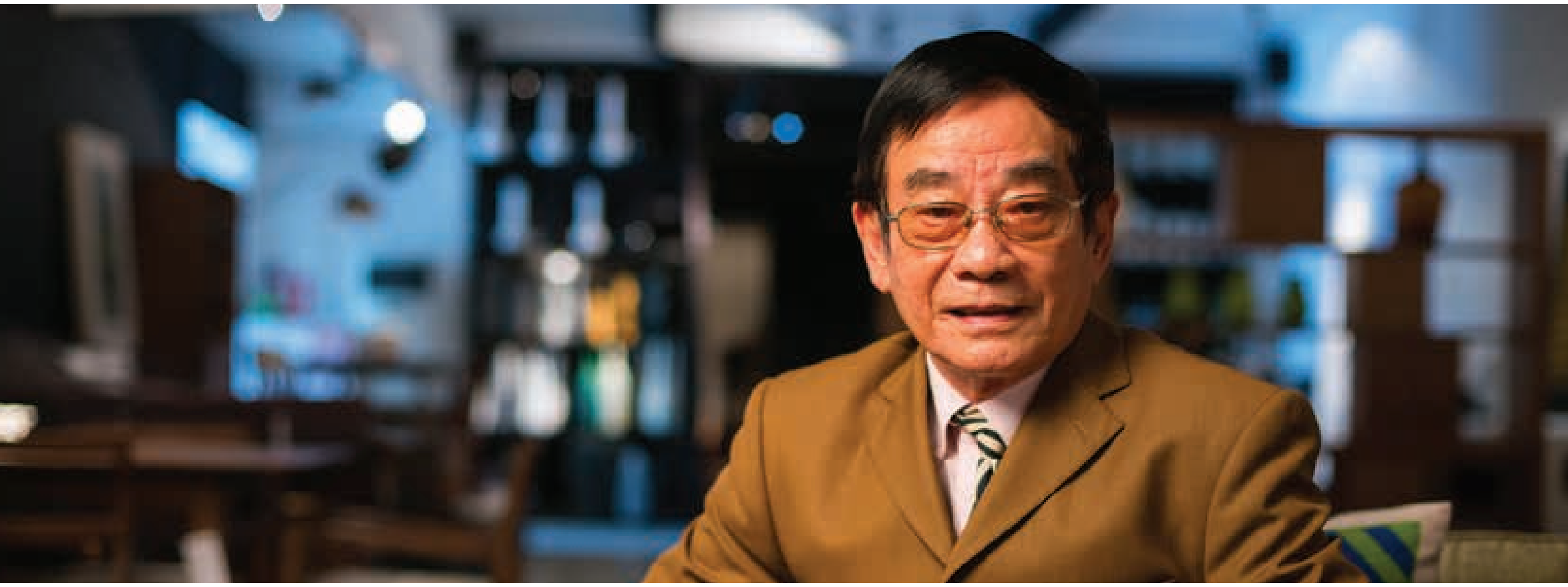


From our humble beginnings in 1972, Koda has turned into a leading Original Design Manufacturer of furniture. Led by a management team with a combined experience of more than 100 years, Koda has made significant investments in Vietnam, Malaysia and China. Koda has been recognised by Forbes Asia under the category of 'Best Under A Billion Company' in 2006 and profiled by CSIL Milano in its Top World Furniture Manufacturers Report 2006 as one of the top 200 major furniture manufacturers worldwide.

Luxury defined, Koda distinguishes itself by its aesthetically pleasing design mastery, technically feasible concepts and practically oriented craftsmanship with its patience of not seeing R&D micro-management a fuss and design trifles a bother – we are just as exacting about every single detail of our designs. While exuding design sophistication and elegance, we have also been instilling a sense of responsibility to balance aesthetics with the environment by infusing 'GREEN' in the materials we use; in the process we engage; and in the products we develop.

Koda's designs are intensive and our product range is extensive – whether in occasional pieces or collection themes – we design and produce furniture for the dining room, living room and bedroom furniture.

CHAIRMAN'S STATEMENT



Dear Stakeholders,

I am really happy to report our good results this year. Our board and management are very involved in the business. They have good business plans. They can turn good ideas into actions. They are hardworking.

It has not been easy for the team to achieve higher sales and higher profits when the markets are so uncertain and I want to update you here on some of the decisions we have made to improve our operational flows and financial results:

- We built additional distribution hubs so that our logistic management can be more efficient;
- We sold some properties in Vietnam and combined all factories there into one main location;
- We invested in new machines and equipment for higher productivity;
- We expanded *Commune's* business well in China; and
- We visited important overseas customers and we talked to them very often.

I like the *Commune* concept. It is a business and a furniture idea which my grandsons have put in a lot of effort over the last few years. I am so happy to see this brand growing fast, finding new markets and getting good feedback. Of course, the older Koh family members (including me) have given the younger generation some good guidance and I will continue to support the expansion of *Commune*.

This year, we proposed to pay higher dividends to shareholders. Altogether, we will pay out a total cash dividend of about S$1.4 million in 2017 if you approve the latest dividends which we have just declared in this coming AGM.

In June 2017, we first gave out 1 bonus share for every 2 shares you owned and after announcing the recent good results for 2017, my board proposed to give out another 1 bonus share for every 1 share you own.

The cash dividends and bonus shares are meant to reward supportive shareholders.

Thank you very much. Many thanks for your continual support.

Koh Teng Kwee
Non-Executive Chairman

RESULTS AT A GLANCE

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended June 30

	2017 US$'000	2016 US$'000	Change %
REVENUE	**49,491**	**37,110**	**33.4**
Cost of sales	(33,571)	(26,835)	25.1
GROSS PROFIT	**15,920**	**10,275**	**54.9**
Other income	772	1,657	(53.4)
Distribution costs	(4,096)	(3,278)	25.0
Administrative expenses	(7,215)	(5,770)	25.0
Other expenses	(385)	(472)	(18.4)
Share of results of associate	(1)	1	NM
Finance costs	(33)	(59)	(44.1)
PROFIT BEFORE INCOME TAX	**4,962**	**2,354**	**110.8**
Income tax expense	(912)	(771)	18.3
PROFIT FOR THE YEAR	**4,050**	**1,583**	**155.8**
OTHER COMPREHENSIVE INCOME:			
Gain on revaluation of properties, net of deferred tax liability	2,329	46	4,963.0
Translation differences from consolidation of foreign operations	(635)	(470)	(35.1)
Other comprehensive income (loss) for the year	**1,694**	**(424)**	**499.5**
Total comprehensive income for the year	**5,744**	**1,159**	**395.6**

NM: Not meaningful

REVENUE

Rose by US$12.4 million – due mainly to
(i) higher export sales to our key markets
(ii) higher sales recorded by *Commune*

GROSS PROFIT

Rose by US$5.6 million propelled by higher revenues. Gross margin rose to 32.2% in FY2017 compared to 27.7% in FY2016 as a result of
(i) improved factories and supply-chain efficiencies
(ii) higher revenue and margin contribution from *Commune*

OTHER INCOME

Fell by US$0.89 million in the absence of gains on disposal of our investment in Rossano

DISTRIBUTION COSTS

Rose by US$0.09 million – due mainly to
(i) higher showroom rental costs in Singapore
(ii) higher logistics costs for increased shipments in Vietnam and China

ADMINISTRATIVE EXPENSES

Rose by US$1.4 million – due mainly to higher staff costs

OTHER EXPENSES

Fell by US$0.09 million in the absence of impairment losses

FINANCE COSTS

Fell by US$0.03 million – due to lower borrowings

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

As a result of the above, our Net Profit rose to US$4.1 million in FY2017 compared to US$1.6 million in FY2016

RESULTS AT A GLANCE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30

ASSETS	Group 2017 US$'000	Group 2016 US$'000
CURRENT ASSETS		
Cash and bank balances	8,352	4,607
Trade receivables	4,294	3,528
Other receivables	2,780	2,573
Inventories	6,727	6,883
	22,153	17,591
Assets classified as held for sale	–	2,448
TOTAL CURRENT ASSETS	**22,153**	**20,039**
NON-CURRENT ASSETS		
Investment in an associate	3	11
Club memberships	207	208
Property, plant and equipment	15,028	12,085
Other receivables	548	–
Deferred tax assets	32	24
TOTAL NON-CURRENT ASSETS	**15,818**	**12,328**
TOTAL ASSETS	**37,971**	**32,367**

CURRENT ASSETS

CASH AND BANK BALANCES

We had US$8.4 million cash as at 30 June 2017. Cash balance increased – due mainly to

(i) cash received from the disposal of investment property in Vietnam

(ii) positive operating cash flows

TRADE RECEIVABLES

Rose by US$0.8 million to US$4.3 million with trade receivables turnaround time improved to 32 days in FY2017 from 35 days in FY2016

OTHER RECEIVABLES

Including non-current portion, rose by US$0.8 million – due mainly to the deposit placed for the purchase of land and buildings in Vietnam

INVENTORIES

Fell by US$0.2 million – due mainly to improved supply chain efficiencies resulting in lower raw materials and work-in-progress stocks

ASSETS CLASSIFIED AS HELD FOR SALE

Fell by US$2.5 million as the disposal of investment properties in Vietnam was completed during the year

NON-CURRENT ASSETS

PROPERTY, PLANT AND EQUIPMENT

Rose by US$2.9 million – due mainly to

(i) valuation increase of buildings in Vietnam

(ii) additions of property, plant & equipment

RESULTS AT A GLANCE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at June 30

LIABILITIES AND EQUITY	Group 2017 US$'000	Group 2016 US$'000
CURRENT LIABILITIES		
Bills payables	127	522
Trade payables	1,914	2,858
Other payables	5,323	4,124
Current portion of obligations under finance leases	51	96
Current portion of bank loans	146	405
Income tax payable	375	296
TOTAL CURRENT LIABILITIES	**7,936**	**8,301**
NON-CURRENT LIABILITIES		
Deferred tax liabilities	1,152	609
Non-current portion of bank loans	477	425
Obligations under finance leases	67	122
TOTAL NON-CURRENT LIABILITIES	**1,696**	**1,156**
CAPITAL, RESERVES AND NON-CONTROLLING INTERESTS		
Share capital	4,362	4,312
Treasury shares	(13)	(10)
Capital reserves	7,939	5,419
Translation reserve	(2,232)	(1,597)
Accumulated profits	18,283	14,786
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**28,339**	**22,910**
Non-controlling interests	–	–
TOTAL EQUITY	**28,339**	**22,910**
TOTAL LIABILITIES AND EQUITY	**37,971**	**32,367**

CURRENT LIABILITIES

BILLS PAYABLES

Fell by US$0.4 million – due to lower working capital borrowings. We repaid these borrowings from our operating cash flows

TRADE PAYABLES

Fell by US$0.9 million – due mainly to faster payments to suppliers

OTHER PAYABLES

Rose by US$1.2 million – due mainly to

(i) accruals of expenses

(ii) higher deposits received from our customers

OBLIGATIONS UNDER FINANCE LEASES AND CURRENT PORTION OF BANK LOANS AND OVERDRAFTS

Fell by US$0.3 million – due mainly to repayments.

NON-CURRENT LIABILITIES

NON-CURRENT PORTION OF BANK LOANS

Rose by US$0.05 million – due to draw down of a bank loan

CAPITAL, RESERVES AND NON-CONTROLLING INTERESTS

TREASURY SHARES

We repurchased 7,000 shares during the year and held 55,500 treasury shares as at June 30, 2017

EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

Rose by US$5.4 million – due mainly to

(i) increase in share capital from the issue of new shares under the Performance Share Plan

(ii) increase in earnings of US$4.1 million

MANAGING DIRECTOR'S STATEMENT

Dear Stakeholders,

I am pleased to report that it has been an exceptional year for Koda as our efforts to improve supply chain efficiency and expand distribution networks of our own furniture brand *Commune*, gathered significant momentum.

OVERVIEW

During the year under review, the *Commune* business did well, export to key markets (the US, in particular) increased, procurement functions improved, products mix has been broadened and our factories are now more efficient.

To further strengthen our supply chain eco-system, we have also built a dedicated hub in Malaysia during the year under review that has helped to facilitate logistic consolidation, reduce transportation costs and improve in-house production flows.

While *Commune* is expanding fast, my elder son Joshua has been re-designated as the Chief Executive Officer of *Commune* to sharpen our focus on execution of its strategic plans. Joshua is financially trained and was our Group Chief Financial Officer since 2014. As you might have read in our recent business update and press releases that much has been said on *Commune*'s expansion and its design concepts – we see *Commune* as key driver of growth indeed.

Given the above, the Group showed significant improvements in financial performance and operating cash flows for the financial year ended 2017 ("FY2017") following the successful restructuring of operations and implementation of new business strategies.

The Group announced a 2-for-1 Bonus Issue in March 2017 enlarging our share capital to approximately 41.1 million shares on completion. More recently, the Group announced another Bonus Issue in September 2017 on a 1-for-1 basis, which will then double our share capital base to some 82.2 million shares on completion. Both Bonus Issue exercises give further recognition to our supportive shareholders.

In addition to the two Bonus Issue announced over the last six months, we have paid an interim dividend of S$0.005 for FY2017 and is also pleased to propose a final dividend of S$0.01 as well as a one-off special dividend of S$0.02 for each share you own in FY2017. If the final and special dividends are approved at the upcoming AGM, the total dividend payments for FY2017 will amount to S$0.035 per share – our highest ever dividend declared.

FINANCIAL PERFORMANCE

As highlighted, the Group recorded a strong surge in both revenues and Net Profit for FY2017, significantly outpacing that in FY2016. Notably,

- we recorded higher revenues to our key export markets and from our successful *Commune*'s business models;

- we earned higher gross margin given our supply chain efficiencies and increased sales of the higher-margin *Commune*'s product range;

MANAGING DIRECTOR'S STATEMENT

FINANCIAL PERFORMANCE

Summarized Profit and Loss Account
Year ended June 30

US$'000	2017	2016	2015	2014	2013
Revenue	**49,491**	37,110	47,324	52,323	50,499
Gross profit	**15,920**	10,275	11,288	12,369	14,616
Profit (loss) before income tax	**4,962**	2,354	(264)	(1,236)	545
Income tax expense – current year	**(960)**	(508)	(803)	(385)	(120)
Net profit (loss) after current year tax expense	**4,002**	1,846	(1,067)	(1,621)	425
Income tax – prior year	**48**	(263)	20	(91)	(53)
Profit (loss) for the year	**4,050**	1,583	(1,047)	(1,712)	372
Attributable to:					
Owners of the Company	**4,050**	**1,641**	**406**	**(1,237)**	**569**
Non-controlling interests	**–**	(58)	(1,453)	(475)	(197)
	4,050	1,583	(1,047)	(1,712)	372
Earnings (Loss) per share (US cents)[1]	**14.39**	5.51	1.36	(4.15)	1.91
Gross Margin %	**32.2**	27.7	23.9	23.6	28.9
Net Margin %	**8.2**	4.4	0.9	–	1.1

Revenue from (US$'000)	2017	%	2016	%	Change
Asia-Pacific	**22,501**	45.5	18,116	48.8	4,385
North America	**21,192**	42.8	13,960	37.6	7,232
Europe	**3,818**	7.7	2,805	7.6	1,013
Others	**1,980**	4.0	2,229	6.0	(249)
Total Revenue	**49,491**	**100**	**37,110**	**100**	**12,381**

(1) *Computed based on weighted average number of shares as at June 30, 2017 and accordingly, comparatives have been restated.*

– We earned higher net margins as both our selling costs (mainly showroom rent and logistic costs) and administrative expenses (mainly staff cost), as a percentage of our revenues, fell;

– We didn't incur much finance cost as our borrowings have been low; and

– We have to pay more taxes given higher profitability of our Vietnam operations and *Commune* business

Given the above, net profit for FY2017 rose by US$2.5 million to US$4.1 million, a 155.8% increase compared to US$1.6 million in FY2016. This is our strongest bottom-line performance in 8 years and reflects the success of our business transformation.

You may also refer to the section Results At A Glance for detailed explanations on our Profit or Loss account.

MANAGING DIRECTOR'S STATEMENT

FINANCIAL POSITION

Summarized balance sheet
As at June 30

US$'000	2017	2016	2015	2014	2013
Property, plant and equipment	**15,028**	12,085	11,599	13,566	13,615
Investment Properties	**–**	–	934	2,800	2,800
Other investments and assets	**790**	243	246	818	920
Goodwill	**–**	–	–	758	1,206
Total non-current assets	**15,818**	12,328	12,779	17,942	18,541
Current assets	**22,153**	20,039	19,319	24,484	26,323
Current liabilities	**(7,936)**	(8,301)	(9,515)	(16,895)	(19,451)
Net current assets	**14,217**	11,738	9,804	7,589	6,872
Total non-current liabilities	**(1,696)**	(1,156)	(895)	(2,088)	(993)
Non-controlling interests	**–**	–	(216)	772	1,226
Equity attributable to shareholders	**28,339**	22,910	21,904	22,671	23,194
Net assets value per share (US cents)[1]	**100.70**	76.97	73.58	76.15	77.91
Other key ratios:					
Inventory turnover – average (days)	**73**	94	74	145	179
Trade receivables turnover (days)	**32**	35	27	28	29
Quick ratio (times)	**1.9**	1.6	1.2	0.5	0.4
Current ratio (times)	**2.8**	2.4	2.0	1.4	1.3
Gearing (times)	**0.03**	0.07	0.16	0.38	0.42
Return on equity (%)	**14.3**	7.2	1.9	–	2.5

(1) Computed based on weighted average number of shares as at June 30, 2017 and accordingly, comparatives have been restated.

MANAGING DIRECTOR'S STATEMENT

FINANCIAL POSITION

Our overall financial position as at 30 June 2017 improved due to the higher net profit as well as lower borrowings. Specifically, there were significant improvements in the following key ratios:

- Assets-to-Liabilities ratio improved to 3.9 times as at 30 June 2017 compared to 3.4 times a year earlier. This indicates that every dollar of liability is backed by US$3.90 worth of assets;
- Return on Equity improved to 14.39% as at 30 June 2017 nearly doubling from 7.2% a year ago – meaning for every dollar of your entrusted funds, we earned you US$0.14; and
- Gearing fell to 0.03 times as at 30 June 2017 compared to 0.07 times as at 30 June 2016 – meaning for every dollar of net asset we have, we only borrowed US$0.03.

ASSETS

Current assets rose by US$2.1 million to US$22.2 million, with significant movements during the period under review as follows:

- Cash at bank (inclusive of fixed deposits) rose by US$3.7 million due mainly to (i) cash received from the disposal of an investment property in Vietnam; and (ii) positive operating cash flows, net of cash used to repay bank borrowings;
- Trade receivables rose by US$0.8 million on the back of higher revenues, with turnaround time improving from 35 to 32 days;
- Other receivables and prepayments rose by US$0.8 million, including the deposit placed for the purchase of land and buildings in Vietnam;
- Inventories fell by US$0.2 million given our improved supply chain efficiency, which also implied that our turnaround times for our raw materials stock and work-in-progress were faster; and
- There were no assets held for sale ("AHS") at the end of FY2017 following the completion of the disposal of our investment properties in Vietnam.

Non-current assets rose by US$3.5 million to US$15.8 million due mainly to valuation gain in our Vietnam's buildings as well as investments in new equipment.

LIABILITIES

Current liabilities fell by US$0.4 million to US$7.9 million, with significant movements during the period under review as follows:

- Bills payable fell by US$0.4 million due to lower short-term borrowings and loans repayment. We repaid bank borrowings from our operating cash flows;
- Trade payables fell by US$0.9 million due mainly to faster repayments to suppliers;
- Other payables rose by US$1.2 million given higher accruals of expenses and higher customer's deposits; and
- Income tax payable rose by US$0.1 million due to higher tax provisions on taxable profits

Non-current liabilities rose by US$0.5 million to US$1.7 million due to an increase in deferred tax liabilities and draw down of a bank loan.

EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

Net asset or equity attributable to shareholders rose by US$5.4 million or 23.7% to US$28.3 million as at 30 June 2017 due to:

- Increase in capital on the issue of new shares under the Performance Share Plan;
- Increase in capital reserve given higher valuation of buildings; and
- Increase in current year earnings of US$4.1 million, net of a deficit in currency translation reserve and dividend payments.

The Group's net asset value per ordinary share rose to US 100.7 cents (about S$0.74) as at 30 June 2017.

You may also refer to the section Results At A Glance for detailed explanations on our Balance Sheet.

CASH FLOWS

Net cash from operating activities improved to US$6.0 million, after accounting for a cash profit of US$6.5 million, net working capital of US$0.5 million and income tax and interest payments of US$1.0 million.

Net cash used in investing activities was US$1.0 million due to investment in properties and new equipment, offset by proceeds received from the disposal of our investment properties in Vietnam.

Net cash used in financing activities was US$1.2 million due to lower bills payables, dividend payments (for FY2016 and Interim Dividend 2017) and loan repayments during the year.

Given the above, net cash and cash equivalents rose by US$3.8 million to US$8.4 million as at 30 June 2017.

MANAGING DIRECTOR'S STATEMENT

CASH FLOWS

Summarized cash flows statement
For the year ended June 30

US$'000	2017	2016	2015	2014	2013
Operating cash flow before movements in working capital	**6,497**	3,126	2,861	1,545	2,143
Net cash from (used in) operating activities	**6,016**	3,778	6,356	1,646	199
Net cash (used in) from investing activities	**(960)**	(342)	181	(147)	777
Net cash (used in) from financing activities	**(1,196)**	(1,939)	(5,035)	(1,489)	(1,133)
Net increase (decrease) in cash and cash equivalents	**3,860**	1,497	1,502	10	(157)
Cash and cash equivalents at beginning of year	**4,607**	2,933	1,545	1,534	1,878
Effects of foreign exchange translation	**(115)**	177	(114)	1	(187)
Cash and cash equivalents at end of year	**8,352**	**4,607**	**2,933**	**1,545**	**1,534**

GOING FORWARD

The latest job report in the US showed hiring has continued apace under the recent political developments in the US (our largest export market). So, we remain hopeful that the overall consumer confidence will continue to improve. On the other hand, we are also observing if there is a possible interest rate hikes in the US and if any, the pace of such rises could impact consumer spending.

Elsewhere in China, *Commune*'s business has grown fast with steady increase in middle-class affluence and retail sales of consumer goods registering a steady increase year-on-year. We thus believe there is a good opportunity here to accelerate *Commune*'s expansion in China while the Chinese government is also emphasising consumption-driven economic growth, albeit, moderating to a slower pace.

On the whole, we remain focused on sustaining our operating margins, improving our cash flows, and intensifying our R&D efforts. As part of our succession plans, we have also entrusted more of the key operations outlined above to the third generation of the Koh family, who have taken on larger roles in recent years and we are confident of their capabilities.

On a final note, I wish to thank all our valued shareholders, bankers, management team and associates for your loyalty to Koda through the years. Your support has been invaluable.

I look forward to seeing you all very soon.

James Koh Jyh Gang
Managing Director & Deputy Chairman

GROUP STRUCTURE

KODA™ LTD

- 100% | KODA WOODCRAFT SDN BHD **MALAYSIA**
- 100% | JATAT FURNITURE INDUSTRIES SDN BHD **MALAYSIA**
- 100% | KODA VIETNAM CO., LTD **VIETNAM**
- 100% | KODA INTERNATIONAL LTD **VIETNAM**
- 100% | KODA INDOCHINE CO., LTD **VIETNAM**
- 100% | KODA SAIGON CO., LTD **VIETNAM**
- 100% | COMMUNE LIFESTYLE PTE LTD ("COMMUNE") **SINGAPORE**
    - 100% | COMMUNE LIFESTYLE SDN BHD **MALAYSIA**
    - 100% | COMMUNE (DONGGUAN) TRADING CO., LTD **CHINA**
    - 19.9% | COMMUNE FURNITURE (M) SDN BHD **MALAYSIA**

BOARD OF DIRECTORS

MR. KOH TENG KWEE ("MR. KOH")
FOUNDER AND NON-EXECUTIVE CHAIRMAN

Mr. Koh is the founder and Non-Executive Chairman of Koda and was responsible for driving the company's growth during its formative years. A visionary with more than 45 years of experience in the furniture industry, Mr. Koh provides the Group with valuable insight and counsels the Group on growth strategies and design initiatives. He is instrumental in advising us on design trends and product development.

Mr. Koh was appointed to the Board in 1980. Prior to founding Koda, he was a certified craftsman from the City & Guild Advanced Craft Institute (UK) and a Senior Craft Teacher at the Adult Education Board.

Mr. Koh was last re-elected to the Board at the 2015 Annual General Meeting ("AGM").

MR. JAMES KOH JYH GANG ("JAMES")
DEPUTY CHAIRMAN AND MANAGING DIRECTOR

James spearheads the Group's operations and growth strategies. He has initiated a range of industry-wide projects in Singapore, Vietnam and China, and has drawn on that experience to formulate our business development strategies, strengthen supply chain management, broach new design concepts and manage our international marketing efforts. In addition, he also contributes technical knowledge by advising our Research & Development ("R&D") and production teams on product development and processes.

James served as the President of the Singapore Furniture Industries Council ("SFIC") for two terms, during which he advised the SFIC on matters relating to the development of Singapore's furniture industry. During his illustrious tenures as President, James initiated several successful projects including but not limited to the International Furniture Fair Singapore ("IFFS") and the Singapore Furniture Industry Park in Kunshan, China. He was also appointed the Chairman of IFFS Pte Ltd and the International Furniture Centre Steering Committee, where he established the IFFS as a world-class trade show and positioned Singapore as a premier furniture hub for the global market.

James also spearheaded the multi-agency, three-year Local Enterprise Association Development ("LEAD") programme, which partners industry associations to enhance industry and enterprise competitiveness.

James was appointed to the Board in 1980 and holds a Diploma in Management Studies from the Singapore Institute of Management.

BOARD OF DIRECTORS

MR. ERNIE KOH JYH ENG ("ERNIE")
EXECUTIVE DIRECTOR, SALES & MARKETING

Ernie manages the Group's Sales and Marketing functions, and has significant experience in international marketing and corporate branding. He helms the Group's marketing initiatives, particularly in customer relationship management, client base diversification, trade fair participation, new product launches and marketing talent recruitment. More specifically, he is in charge of our furniture fair management, formulating the Group's strategies for new market penetration, and devising pricing plans.

Ernie has been with the Group for more than 15 years, during which he has rapidly expanded Koda's market share by reaching out to more than 190 customers across more than 35 countries. He is also instrumental in identifying the latest design trends and meeting changing consumer preferences.

Ernie was elected as President of the Singapore Furniture Industries Council ("SFIC") in 2012. He is Chairman of International Furniture Fair Singapore Pte Ltd and the SFIC Finance Advisory Committee. He is also Chairman of SFIC's Local Enterprise and Association Development ("LEAD") Programme for SFIC, a multi-agency program that partners industry associations to enhance industry and enterprise competitiveness. He was recently also appointed Co-Chairman of the Independent Experts Panel for the Furniture Industry by Spring Singapore.

Ernie was appointed to the Board in 2001 and holds a BSc. in Marketing from the University of Oregon (USA) and an MBA in International Marketing from the San Francisco State University (USA). He was last re-elected to the Board at the 2016 AGM.

MDM. KOH SHWU LEE ("SHWU LEE")
EXECUTIVE DIRECTOR, FINANCE & ADMINISTRATION

Shwu Lee manages the Group's administration, finance, logistics, sourcing and human resource functions. She is at the forefront of the Group's administration and plays an integral role in the daily operations that form the backbone of the organisation. More specifically, she is responsible for the Group's capital investment evaluation, credit control management, cash flow planning, budgetary control and documentary credit review.

Shwu Lee has been with the Group for more than 30 years, and oversees our Malaysia and Vietnam operations; where she reviews management accounts and reports, analyses variance reports, manages credit risks, initiates internal control procedures, oversees expansion plans and formulates human resource policies.

Shwu Lee was appointed to the Board in 2001 and holds a BA from the National University of Singapore. She was last re-elected to the Board in the 2015 AGM.

BOARD OF DIRECTORS

MR. TEH WING KWAN ("TEH")
ADVISOR TO THE BOARD

Teh, appointed Advisor to the Board, specialises in corporate finance and restructuring, as well as mergers and acquisitions. Teh has had significant experience as a financial professional advising and investing in companies, family-owned enterprises and regional asset owners with their businesses listed in and preparing to list in Singapore, Hong Kong, Australia, Malaysia, Vietnam and Taiwan.

Teh is currently the Managing Director and Group Chief Executive Officer of Sapphire Corporation Limited (listed on the Main Board of the SGX-ST) ("Sapphire"). As part of his new strategic direction, Sapphire has undergone a major restructuring exercise and successfully acquired China's second largest privately-owned urban rail transit infrastructure group.

Teh was a candidate for the Asia Pacific Entrepreneurship Awards 2015 and 2016 (Singapore) under the Industrial and Commercial Products Industry. A sophisticated investor, Teh served as non-executive and non-independent director for public companies listed on the Catalist of the Singapore Exchange, the Hong Kong Stock Exchange and the Australian Securities Exchange. He was also an appointed Audit Committee Chairman and Independent Director of other public companies listed on the SGX-ST.

Teh is a Fellow of the Association of Chartered Certified Accountants (United Kingdom), a Fellow Chartered Accountant of Singapore, an International Affiliate of the Hong Kong Institute of Certified Public Accountants, a Chartered Accountant of Malaysian Institute of Accountants, a Full Member of Singapore Institute of Directors and a Member of the Hong Kong Securities and Investment Institute.

BOARD OF DIRECTORS

MR. CHAN WAH TIONG ("WAH TIONG")
LEAD INDEPENDENT DIRECTOR

Wah Tiong is the Lead Independent Director of Koda, Chairman of the Group's Audit Committee and a member of the Group's Nominating and Remuneration Committees.

Wah Tiong is the Senior Project Consultant of Vanguard Healthcare Pte Limited, a wholly owned subsidiary of MOH Holdings Pte Limited; Chief Executive Officer (Nursing Home Cluster) of St. Andrew's Nursing Home (SANH); and Executive Director of St. Andrew's Nursing Home (Queenstown).

Wah Tiong brings the Group extensive financial and accounting experience. He previously served as an external auditor, financial analyst, accountant, finance director and financial controller of several local and multinational companies operating in the manufacturing, trading and construction industries, as well as for non-profit sectors.

Wah Tiong was appointed as the Group's Independent Director in 2001. A Chartered Accountant with the Institute of Singapore Chartered Accountants, he holds a Bachelor of Accountancy and a Graduate Diploma in Social Work from the National University of Singapore. He was last re-elected to the Board at the 2016 AGM.

MR. SIM CHENG HUAT ("SIM")
INDEPENDENT DIRECTOR

Sim was appointed as an Independent Director of Koda in 2008. He is currently the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee.

Sim has extensive experience in international trade, market development and banking. He previously served as Commercial Secretary in the Singapore Embassy in New York, Alternate Executive Director of the Asian Development Bank (Manila, Philippines); assorted senior managerial positions at International Enterprise (IE) Singapore, Advisor to the Investment & Promotion Board of the Riau Islands Province; and a Consultant to Universal Procurement Systems Pte Ltd, an electronic products distributor, retailer and service provider.

Sim holds a Bachelor of Arts from New York University. He was last re-elected to the Board at the 2015 AGM.

BOARD OF DIRECTORS

MR. YING SIEW HON FRANCIS ("FRANCIS")
INDEPENDENT DIRECTOR

Francis was appointed on 18 November 2016 as an Independent Director of Koda, Chairman of the Remuneration Committee and member of the Audit Committee and Nominating Committee.

Francis has considerable experience in investment and corporate banking as well as the securities industry. He held senior managerial positions in UOB Bank Group before moving to DBS Securities Group where he was a Director of Business Development.

Francis has worked for a private group of companies since 2000. He is a Director of Kaicoh Ltd., a holding company which owns various companies in the metal stamping and assembly, machine manufacturing and fabrication, laser and lighting businesses. He sat on the boards of these subsidiaries that are located in Singapore, Malaysia, Thailand and Germany. He oversaw the operations of some of these subsidiaries as Managing Director and was also involved in various merger and acquisition transactions.

Francis is a Fellow of the Association of Chartered Certified Accountants (United Kingdom).

MR. TAN CHOON SENG ("CHOON SENG")
INDEPENDENT DIRECTOR

Choon Seng was appointed on 18 November 2016 as an Independent Director of Koda, member of the Audit Committee, Nominating Committee and Remuneration Committee.

Choon Seng is a council member of the Singapore Institute of Management and is also Chairman of the Applied Entrepreneurship Centre. In addition, he has been appointed to the Board of Trustee of the Singapore University of Social Sciences.

Choon Seng was previously the Group Chief Executive Officer and a Non-independent and Executive Director of WBL Corporation Ltd. He was also previously Vice President (Customer Solutions Group) and Managing Director of Hewlett-Packard Southeast Asia, a post he held from June 2002 when Hewlett-Packard acquired Compaq. He also served as the Vice President and Managing Director for the ASEAN region of Compaq Computer Asia Pte Ltd between June 1999 and June 2002. He joined Compaq in 1996 as the Chief Financial Officer for its Asia-Pacific operations. Prior to joining Compaq, he spent 20 years in various multinational organisations in the audit and tax, oil services and information technology industries, where he held a number of senior leadership positions in operations, sales, strategy and business development.

Choon Seng holds an Accountancy degree from the University of Singapore and is a non-practising Fellow Chartered Accountant of Singapore.

MANAGEMENT PROFILE

LIM SWEE HUA DAVID ("DAVID")
GROUP CHIEF FINANCIAL OFFICER

David is responsible for the Group's overall finance, compliance, corporate governance and accounting functions.

David has extensive experience in professional services, particularly in the field of accounting and audit. Much of his professional career was spent with mid-sized and Big Four accounting firms where he has served companies in varied industries and was involved in various corporate actions during his tenure. Prior to joining Koda, he was the Chief Financial Officer and Company Secretary of another listed company.

David holds a Bachelor of Commerce in Accounting and Finance from the University of Queensland and is a member of the Institute of Singapore Chartered Accountants and CPA Australia.

WONG SE SUN ("SS WONG")
MANUFACTURING DIRECTOR

SS Wong joined the Group in 2010 as General Manager for our subsidiary Koda Woodcraft Sdn Bhd. An Industrial Engineer by profession, he is in charge of all Malaysian operations and ensures production lines run smoothly. He also oversees various key operational functions including purchasing, inventory management, factory capacity planning, labour deployment, manufacturing processes, quality control and logistics planning. He has significant experience in product re-engineering and new product development.

SS Wong was promoted to Manufacturing Director in 2013 in recognition of his contributions to the Group, and now also oversees the Group's manufacturing operations in Malaysia and Vietnam.

Prior to joining Koda, SS Wong was the General Manager of a furniture company in Malaysia. He holds a Bachelor of Science in Industrial Engineering from the University of Oklahoma, USA, a Diploma in Engineering from the college of Westark, USA and a Diploma in Civil Engineering from the Federal Institute of Technology, Malaysia.

DARREN TAN KIAN PENG ("DARREN")
GROUP FINANCIAL CONTROLLER

Darren is responsible for the Group's accounts and finance functions, specifically financial reporting and analysis, budgetary and internal controls, performance measurement and work processes. His professional experience includes but is not limited to audit, taxation, corporate finance and accounting.

Darren was promoted to Group Financial Controller and appointed as an Executive Officer in 2014 in recognition of his significant contributions to the Group. Prior to joining Koda, he was the Head of Finance of a food & beverage company in China.

Darren is a Fellow of the Association of Chartered Certified Accountants (United Kingdom) and a Chartered Accountant with the Malaysian Institute of Accountants.

MANAGEMENT PROFILE

JOSHUA KOH ZHU XIAN ("JOSHUA")
CHIEF EXECUTIVE OFFICER, COMMUNE LIFESTYLE PTE. LTD.

Joshua is responsible for overseeing the operations of the retail and distribution business (Commune), its business development and provides overall strategy for the brand.

Joshua was the Group's Chief Financial Officer before being re-designated as the Chief Executive Officer of Commune Lifestyle Pte. Ltd. He began his career as a financial analyst at Bloomberg LLP and joined the Group in 2008, assisting the then Group Chief Financial Officer in reviewing and analysing potential acquisition opportunities. He was also responsible for implementing the Group's internal control policies and procedures. In 2010, he also took on an active operational role overseeing our Vietnam operations.

Joshua holds a Bachelor of Commerce. in Accounting & Finance from The University of Western Australia and an MBA from INSEAD (France/Singapore).

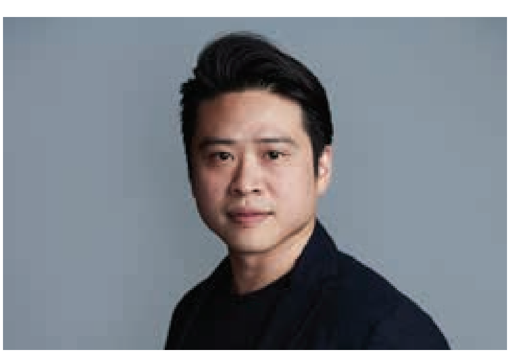
GAN SHEE WEN ("SHEE WEN")
VICE PRESIDENT, GROUP SALES AND MARKETING

Shee Wen is responsible for the sales and marketing functions of the Asia Pacific markets, including the Group's overall sales growth and profit targets. He supervises a diverse and international marketing team, and manages overseas representative offices in China, Japan and Taiwan.

His key duties are to build and maintain close ties with clients and develop products for their specific markets. This involves design research, idea generation and technical development, culminating in the development of marketable products for Koda's international client base.

Shee Wen joined the Group in 2005 as a Marketing Executive and has through the years demonstrated his ability to strategise and execute marketing plans to capture new markets and stay ahead of competitors.

In recognition of his contributions to the industry, Shee Wen received the Gold award in the Outstanding Individual category of the Singapore Furniture Industry Awards 2013. He holds a Bachelor of Science in Business (Honours) from The University of London.



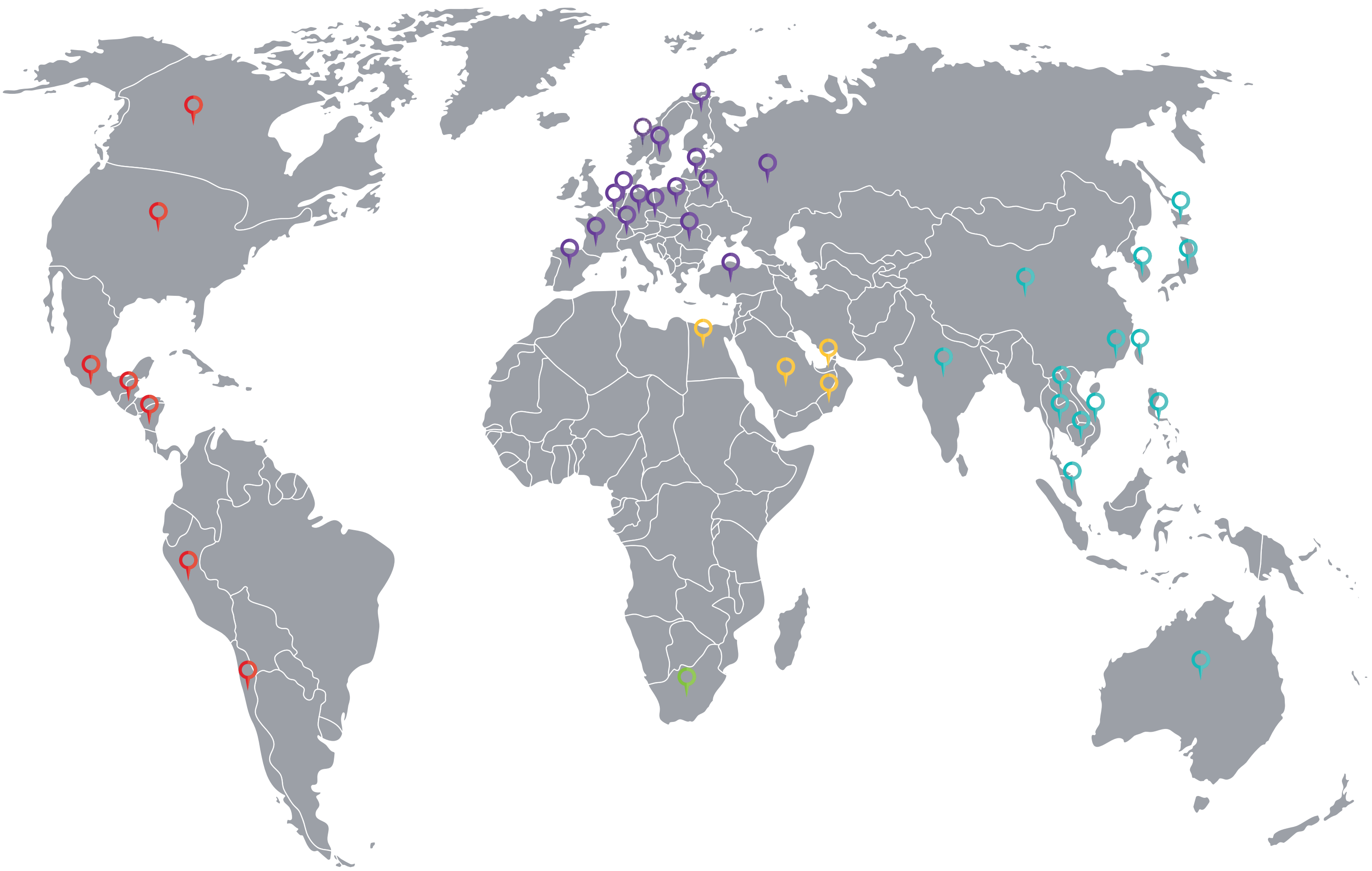
JULIAN KOH ZHU LIAN ("JULIAN")
HEAD OF DESIGN

Julian is responsible for the Group's design and innovation. He leads the design team and oversees the Group's designing and branding, as well as sample and product development. He is also the creative mind behind the Group's local and overseas exhibitions.

Julian is the creative force behind Commune Lifestyle Pte. Ltd., curating sensory environments in retail spaces and unique shopping experiences for consumers, centred on the concept of bringing people together.

He holds a Diploma in Product Industrial Design from Temasek Polytechnic and a Bachelor in Industrial Design from Swinburne University of Technology, Australia.

GROUP PRESENCE



COUNTRIES WE SELL TO :

EUROPE	ASIA-PACIFIC	AMERICAS	MIDDLE EAST
FRANCE	AUSTRALIA	CANADA	ISRAEL
GERMANY	NEW ZEALAND	CHILE	UNITED ARAB EMIRATES
GREECE	CHINA	COSTA RICA	KUWAIT
ITALY	HONG KONG	GUATEMALA	
NORWAY	INDIA	U.S.A	OTHERS
NETHERLANDS	JAPAN		SOUTH AFRICA
PORTUGAL	MALAYSIA		
RUSSIA	PHILIPPINES		
SPAIN	SINGAPORE		
SWITZERLAND	SOUTH KOREA		
SWEDEN	TAIWAN		
TURKEY	THAILAND		
UNITED KINGDOM	VIETNAM		

FINANCIAL CONTENTS

REPORT ON CORPORATE GOVERNANCE

The Board of Directors (the "**Board**" or the "**Directors**") and the management (the "**Management**") of Koda Ltd (the "**Company**", and together with its subsidiaries, the "**Group**") are strongly committed to maintaining a high level of corporate governance which is essential to the protection of interests of shareholders of the Company ("**Shareholders**") and enhancing long-term Shareholder value and returns. Accordingly, it has set in place corporate governance practices to provide the structure through which the objectives of protection of Shareholders' interests and enhancement of long-term Shareholder value and returns are met, and by complying with the principles and guidelines of the Singapore Code of Corporate Governance 2012 issued on 2 May 2012 (the "**Code**") by the Monetary Authority of Singapore. The Code took effect in respect of annual reports relating to financial years commencing on or after 1 November 2012.

This Corporate Governance Report outlines the corporate governance practices adopted by the Company with specific reference made to the principles of the Code pursuant to Rule 710 of the listing manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board meets at least four (4) times a year. Directors are provided with complete, adequate information in a timely manner, including management reports and all relevant information on material events and transactions, to enable them to be fully cognisant of the decisions and actions of the Management. Detailed Board and Board Committee papers are prepared for each Board and Board Committee meeting respectively. The Board papers include sufficient information from the Management on financial, business and corporate issues and are normally circulated in advance of each Board and Board Committee meeting. This enables the Directors to request for and obtain further explanations, where necessary, in order to be adequately briefed before each Board and Board Committee meeting. The schedule of all regular Board and Board Committee meetings in a year are planned in advance. Additional ad-hoc Board and Board Committee meetings are held at such other times as and when required to review and adjust the medium and longer term strategic plans and to address any specific significant matters that may arise. The attendance of the Directors at Board and Board Committee meetings, as well as the frequency of such meetings, are disclosed in this Corporate Governance Report. Guideline 1.4

The principal functions of the Board are: Guideline 1.1

- protecting the assets of the Company and enhancing the long-term Shareholder value and returns;
- charting the corporate strategy and direction of the Group, including but not limited to approving broad policies, strategies and financial objectives of the Group;
- supervising and monitoring of the Group's Management, including reviewing their performance;
- overseeing the processes for evaluating the adequacy of internal controls, management controls, risk management, financial reporting and compliance with the help of the Audit Committee;
- approving annual budgets, proposals for acquisitions, investments and disposals;
- approving nominations of Directors to the Board and appointment of key management personnel;
- reviewing corporate governance practices;

REPORT ON CORPORATE GOVERNANCE

- setting the Group's values and standards (including ethical standards), and ensuring that obligations to Shareholders and other stakeholders are understood and met;
- identifying the key stakeholder groups of the Company and recognising that their perceptions affect the Company's reputation; and
- considering corporate responsibility issues including sustainability issues.

The Directors are required to objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. Guideline 1.2

The Board is supported by the Audit Committee, the Nominating Committee and the Remuneration Committee (collectively, the "Board Committees"), each with specific terms of reference where their powers, functions and duties as well as procedures governing their operation and decision making are described. The Board Committees meet regularly throughout the year. Details on the Audit Committee, Nominating Committee and Remuneration Committee are set out below in this Corporate Governance Report. The Board has delegated authority to the Board Committees without abdicating its responsibility. Guideline 1.3

Matters which require the Board's approval include the following:

Guideline 1.5

- review of the annual budgets and the performance of the Group;
- review of key activities and business strategies;
- approval of the corporate strategy and direction of the Group;
- approval of transactions involving a conflict of interest for a substantial Shareholder or a Director, or interested person transactions;
- material acquisitions and disposals;
- acceptance of bank facilities;
- corporate or financial restructuring and share issuances;
- declaration of dividends and other returns to Shareholders;
- appointment of new Directors to the Board; and
- appointment and removal of the Company Secretary.

In addition to the Board Committees, an Executive Committee had been formed to supervise the management of the business and affairs of the Company and reduce the administrative time, inconvenience and expenses associated with the convening of Board and Board Committee meetings and circulation of Board and Board Committee resolutions, without compromising the Group's corporate objectives or adversely affecting the day to day operations of the Company. The Executive Committee comprises Mr James Koh Jyh Gang, Mr Koh Jyh Eng, Mdm Koh Shwu Lee, Mr Teh Wing Kwan and Mr Joshua Koh Zhu Xian.

The Company's Constitution provides for Board and Board Committee meetings to be held by means of telephone conference, video conference, audio visual, or by other similar communication equipment. Guideline 1.4

REPORT ON CORPORATE GOVERNANCE

For new appointments to the Board, the newly-appointed Director will be given a formal letter setting out his/her duties and obligations. The newly-appointed Director will be briefed by the Lead Independent Director and the Management, and will also be provided with a Director's folder which shall contain information and materials to allow him to be familiar with the Group's businesses and governance practices. All Directors are also invited to visit the Group's local and overseas factories and/or operations and to meet with the local and overseas management so as to gain a better understanding of the Group's business operations. Where appropriate, the Company will also provide training to first-time Directors of listed companies in areas such as accounting, legal and industry specific knowledge. To keep pace with regulatory changes, the Directors' own initiatives are supplemented from time to time with information, updates and may attend seminars conducted by external professionals, including any changes in legislation and financial reporting standards, government policies, and regulations and guidelines from the SGX-ST that affect the Group and/or the Directors in discharging their duties, at the Company's expense. The Directors are also informed of developments relevant to the Group, including changes in laws, regulations and risks that may impact the Group.

Guideline 1.6

Guideline 1.7

Independent Non-Executive Directors are encouraged to purchase shares in the Company and to hold them till they leave the Board.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

As at the date of this Corporate Governance Report, the Board comprises eight (8) Directors, four (4) of whom are Independent Non-Executive Directors, namely, Mr Chan Wah Tiong (Lead Independent Director), Mr Sim Cheng Huat, Mr Ying Siew Hon, Francis and Mr Tan Choon Seng. The Independent Non-Executive Directors make up half of the Board and provide a strong and independent element on the Board. The Independent Non-Executive Directors provide independent judgment on the corporate affairs of the Group as well as diverse and objective perspectives to enable balanced and well-considered decisions to be made. In particular, the Independent Non-Executive Directors constructively challenge and help develop proposals on the Group's strategies, and review the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance.

Guideline 2.1

Guideline 2.2

Guideline 2.7

The Board, taking into account the views of the Nominating Committee, determines on an annual basis the independence of each Independent Non-Executive Director based on the guidelines provided in the Code, such as one who:

Guideline 2.3

- has no relationship with the Company, its related corporations, any person who has an interest or interests in one (1) or more voting shares (excluding treasury shares and subsidiary holdings) in the Company and the total votes attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares (excluding treasury shares and subsidiary holdings) in the Company, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment in the conduct of the Company's affairs with a view to the best interests of the Company;
- is independent in character and judgment; and
- is not in any relationship or circumstance which is likely to affect, or could appear to affect, the Director's judgment.

REPORT ON CORPORATE GOVERNANCE

The Board and the Nominating Committee are of the view that there is a strong and independent element on the Board, that there is no individual or small group of individuals dominating the Board's decision making process, and that the Board's current size, taking into account the scope and nature of the operations of the Group and the requirements of the Group's business, is appropriate for facilitating effective decision making. As the Group's activities continue to grow, the Nominating Committee will continuously review the composition and size of the Board to ensure that it has the necessary competence and a strong and independent element for effective decision making. Guideline 2.5

The Independent Non-Executive Directors are encouraged to communicate among themselves with the Company's internal auditors, external auditors and/or senior management. The Independent Non-Executive Directors also meet among themselves and with the Company's internal auditors, external auditors and the legal advisers of the Group without the presence of the Executive Directors and the Management at least once a year. Guideline 2.8

The Nominating Committee believes that the Board and its Board Committees have a good balance of Directors in terms of gender, and who have a diverse set of skills, extensive business, financial, accounting, marketing and management experience and knowledge of the Group. Profiles of the Directors are set out under the section entitled "Board of Directors" on pages 16 to 20 of this Annual Report. Where appropriate, the Nominating Committee and the Board will continue to search actively for suitable candidates for appointment to the Board as independent non-executive Director(s). Guideline 2.6

PRINCIPLE 3: CHAIRMAN AND MANAGING DIRECTOR

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Mr Koh Teng Kwee, the founder of the Group, is its Non-Executive Chairman. Mr James Koh Jyh Gang, his son, is the Deputy Chairman and Managing Director. Mr Koh Teng Kwee's experience and knowledge of the industry is very valuable to the Group. Mr James Koh Jyh Gang's able management which has helped build the Group into an international organisation is exceptionally important to the Group.

The Code encourages non-connected persons to assume the Chairman and Managing Director positions. The separation of the roles of Chairman and Managing Director is to ensure that the working of the Board and the executive responsibility of the Group's business are kept distinct, increasing the accountability and capacity of the Board for independent decision making. Given that both Mr Koh Teng Kwee and Mr James Koh Jyh Gang's services are invaluable to the Group, the principle of accountability and the capacity for independent decision making have been achieved by clearly defining the role of the Chairman. In particular, the Chairman shall, amongst others: Guideline 3.1 Guideline 3.2

- lead the Board to ensure its effectiveness on all aspects of its role;
- in consultation with the Managing Director, schedule meetings that enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;
- prepare meeting agendas in consultation with the Managing Director thereby ensuring all aspects of the business the Chairman believes is important are covered, and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
- promote a culture of openness and debate at the Board level;
- ensure effective communication with Shareholders;

REPORT ON CORPORATE GOVERNANCE

- encourage constructive relations within the Board, and between the Board and the Management;
- facilitate the effective contribution of Independent Non-Executive Directors in particular;
- in consultation with the Managing Director, exercise control over quality, quantity and timeliness of the flow of information within the Board and between the Management and the Board; and
- assist in ensuring compliance with the Group's corporate governance practices.

Mr Chan Wah Tiong is the Lead Independent Director of the Board. As the Lead Independent Director, Mr Chan Wah Tiong: Guideline 3.3

- meets with the Management regularly including separate, frank and detailed meetings with the Chief Financial Officer and Group Financial Controller;
- meets with the Company's internal auditors, external auditors and legal advisers of the Group independently several times a year;
- arranges conference calls with other Independent Non-Executive Directors only to discuss issues; and
- is the contact person for Shareholders in situations where Shareholders have concerns or issues which communication with the Chairman, Managing Director or Chief Financial Officer is inappropriate or where such communication has failed to resolve the concerns or issues raised.

Led by the Lead Independent Director, the Independent Non-Executive Directors meet periodically without the presence of the other Directors. The Lead Independent Director provides feedback to the Chairman on the issues discussed at such meetings. Guideline 3.4

The Board holds regular scheduled Board and Board Committee meetings and additional ad-hoc Board and Board Committee meetings are held when warranted by circumstances relating to matters that are material to the Group. The Board meets at least four (4) times a year. The Company's Constitution provides for Board and Board Committee meetings to be held by means of telephone conference, video conference, audio visual, or by other similar communication equipment. The number of meetings held and the attendance of each Director and member of the Executive Committee at every Board, Board Committee and Executive Committee meeting during the financial year ended 30 June 2017 are as follows: Guideline 1.4

	Board		Audit Committee		Nominating Committee		Remuneration Committee		Executive Committee	
Name of Director	**No. of meetings held***	**No. of meetings attended**	**No. of meetings held***	**No. of meetings attended**	**No. of meetings held***	**No. of meetings attended**	**No. of meetings held***	**No. of meetings attended**	**No. of meetings held***	**No. of meetings attended**
Koh Teng Kwee[1]	4	4	N.A.	N.A.	N.A.	N.A.	1	1	N.A.	N.A.
James Koh Jyh Gang	4	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	6	6
Koh Jyh Eng	4	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	6	6
Koh Shwu Lee	4	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	6	6
Chan Wah Tiong[1]	4	4	4	4	1	1	2	2	N.A.	N.A.
Sim Cheng Huat	4	4	4	4	1	1	2	2	N.A.	N.A.
Aric Loh Siang Khee[2]	1	1	1	1	1	1	1	1	N.A.	N.A.
Ying Siew Hon, Francis[3]	2	2	2	2	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Tan Choon Seng[4]	2	2	2	2	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

REPORT ON CORPORATE GOVERNANCE

Notes:

* Number of meetings held during his/her appointment as a Director of the Company.

(1) Mr Chan Wah Tiong stood in as the Chairman of the Remuneration Committee and Mr Koh Teng Kwee stood in as a member of the Remuneration Committee for the Remuneration Committee meeting held on 10 November 2016.

(2) Mr Aric Loh Siang Khee retired as an Independent Non-Executive Director at the Annual General Meeting held on 28 October 2016, and ceased to be the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee with effect from that date.

(3) Mr Ying Siew Hon, Francis was appointed to the Board as an Independent Non-Executive Director on 18 November 2016, and appointed as the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee with effect from that date.

(4) Mr Tan Choon Seng was appointed to the Board as an Independent Non-Executive Director on 18 November 2016, and appointed as a member of the Audit Committee, the Nominating Committee and Remuneration Committee with effect from that date.

Apart from the formal Board and Board Committee meetings, Directors also speak among themselves on specific subjects. During the year, Directors consulted one another several times with respect to the Group's business plans.

PRINCIPLE 4: BOARD MEMBERSHIP

There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

As at the date of this Corporate Governance Report, the Nominating Committee comprises four (4) members, all of whom are Independent Non-Executive Directors, namely, Mr Sim Cheng Huat (Chairman), Mr Chan Wah Tiong (Member), Mr Ying Siew Hon, Francis (Member) and Mr Tan Choon Seng (Member). Mr Chan Wah Tiong, the Lead Independent Director, is a member of the Nominating Committee. Guideline 4.1

The Nominating Committee meets, when necessary, to discuss issues of appointment of Directors to the Board and appointment of key management personnel.

The principal functions of the Nominating Committee, which are regulated by written terms of reference, are as follows: Guideline 4.1

- reviewing and recommending to the Board succession plans for Directors, and in particular, the Chairman and Managing Director; Guideline 4.2
- developing and recommending to the Board a process for evaluation of the performance of the Board, its Board Committees and Directors; Guideline 4.3
- reviewing and recommending to the Board training and professional development programs for the Board; Guideline 4.4
- reviewing and assessing candidates for directorships (including executive directorships) before making recommendations to the Board for the appointment of a Director taking into consideration the composition and progressive renewal of the Board, and each Director's competencies, commitment, contribution, performance, attendance, preparedness, participation and candour;
- nominating Directors for re-election in accordance with the Company's Constitution at each annual general meeting ("AGM") of the Company taking into consideration the composition and progressive renewal of the Board, and each Director's competencies, commitment, contribution, performance, attendance, preparedness, participation and candour;

REPORT ON CORPORATE GOVERNANCE

- determining annually, and as and when circumstances require, the independence of Directors;
- deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company, taking into consideration the number of his listed company board representations and other principal commitments;
- deciding the assessment process and implementing a set of objective performance criteria for evaluation of the Board's and Board Committee's performance; and
- evaluating the effectiveness of the Board Committees and the effectiveness of the Board as a whole, and each Director's contribution to the Board's or Board Committee's effectiveness in accordance with the assessment process and performance criteria adopted.

For appointment of new Directors to the Board, the Nominating Committee would, in consultation with the Board, evaluate and determine the selection criteria with due consideration to the mix of skills, experience, gender and knowledge of the existing Board. Guideline 4.6

The Nominating Committee: Guideline 4.6

- first evaluates the strengths and capabilities of the existing Board before it proceeds to assess the needs of the future Board;
- assess whether the needs of the future Board can be fulfilled by the appointment of one (1) person, and if not, to consult the Board with respect to the appointment of two (2) persons;
- seek out and source for a wide range of suitable candidates and obtain their resumes for review;
- conduct background checks on the candidates whose resumes the Company has received; and
- narrow this list of candidates to a short list, and then invite the shortlisted candidates for an interview which may include a briefing of the duties required to ensure that there are no differences in expectations, and to ensure that any new Director appointed has the ability and capacity to adequately carry out his duties as a Director of the Company, taking into consideration the number of listed company board representations he holds and other principal commitments he may have.

The Nominating Committee will seek out and source for a wide range of suitable candidates including persons not directly known to the Directors. In addition, the Nominating Committee is empowered to engage professional search firms to seek out and source for suitable candidates, at the Company's expense. The Nominating Committee gives due consideration to all suitable candidates regardless of who identified the candidate. The Nominating Committee will interview all suitable candidates in frank and detailed meetings, and thereafter make its recommendations to the Board for approval. Guideline 4.6

Pursuant to the Company's Constitution, new Directors must submit themselves for re-election at the following AGM. In addition, at each AGM at least one-third of the Directors for the time being (other than the Managing Director) shall retire from office by rotation. Retiring Directors are eligible to stand for re-election. All Directors (other than the Managing Director) are also required to submit themselves for re-election at least once every three (3) years. Under the Company's Constitution, the Managing Director, namely, Mr James Koh Jyh Gang is not subject to retirement by rotation or be taken into account in determining the number of Directors to retire. Guideline 4.2

REPORT ON CORPORATE GOVERNANCE

Guideline 4.2 Guideline 4.4 Guideline 4.6

The Nominating Committee, in determining whether to nominate a Director for re-election, will have regard to the Director's performance and contribution to the Group, and whether the Director has been adequately carrying out his or her duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments. The Nominating Committee notes that Directors with multiple listed company board representations have been taking independent actions to address the issue. The Nominating Committee has reviewed the independent actions taken by such Directors to address the issue and assessed the attendance record of such Directors at Board and Board Committee meetings, participation of such Directors in discussions at Board and Board Committee meetings and contributions made by such Directors to the effectiveness of the Board Committees and Board as a whole, and it is satisfied that adequate time and attention have been given to the affairs of the Company and such Directors have adequately carried out their duties notwithstanding their multiple listed company board representations.

Mdm Koh Shwu Lee will retire as an Executive Director pursuant to Regulation 89 of the Company's Constitution. The Nominating Committee has recommended to the Board that Mdm Koh Shwu Lee be nominated for re-election at the forthcoming AGM. Mdm Koh Shwu Lee will, upon re-election as a Director of the Company, remain as an Executive Director.

Guideline 4.7

Mr Sim Cheng Huat will retire as Independent Non-Executive Director pursuant to Regulation 89 of the Company's Constitution. The Nominating Committee has recommended to the Board that Mr Sim Cheng Huat be nominated for re-election at the forthcoming AGM. Mr Sim Cheng Huat will, upon re-election as a Director of the Company, remain as an Independent Non-Executive Director, the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee. Mr Sim Cheng Huat is considered independent for the purposes of Rule 704(8) of the Listing Manual.

Guideline 4.7

Mr Ying Siew Hon, Francis was appointed to the Board as an Independent Non-Executive Director on 18 November 2016. Accordingly, Mr Ying Siew Hon, Francis shall retire as an Independent Non-Executive Director pursuant to Regulation 88 of the Company's Constitution. The Nominating Committee has recommended to the Board that Mr Ying Siew Hon, Francis be nominated for re-election at the forthcoming AGM. Mr Ying Siew Hon, Francis will, upon re-election as a Director of the Company, remain as an Independent Non-Executive Director, the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee. Mr Ying Siew Hon, Francis is considered independent for the purposes of Rule 704(8) of the Listing Manual.

Guideline 4.7

Mr Tan Choon Seng was appointed to the Board as an Independent Non-Executive Director on 18 November 2016. Accordingly, Mr Tan Choon Seng shall retire as an Independent Non-Executive Director pursuant to Regulation 88 of the Company's Constitution. The Nominating Committee has recommended to the Board that Mr Tan Choon Seng be nominated for re-election at the forthcoming AGM. Mr Tan Choon Seng will, upon re-election as a Director of the Company, remain as an Independent Non-Executive Director, and a member of the Audit Committee, Nominating Committee and Remuneration Committee. Mr Tan Choon Seng is considered independent for the purposes of Rule 704(8) of the Listing Manual.

REPORT ON CORPORATE GOVERNANCE

Every year, the Nominating Committee reviews and affirms the independence of the Company's Independent Non-Executive Directors. Each Director is required to complete a Director's independence checklist on an annual basis to confirm his/her independence. The Director's independence checklist is drawn up based on the guidelines provided in the Code and requires each Director to assess whether he/she considers himself/herself independent despite not being involved in any of the relationships identified in the Code. The Nominating Committee then reviews the Director's independence checklist to determine whether each Director is independent. Guideline 4.3 Guideline 4.7

The Board, in consultation with the Nominating Committee, considers Mr Chan Wah Tiong, Mr Sim Cheng Huat, Mr Ying Siew Hon, Francis and Mr Tan Choon Seng to be independent. Given that Mr Chan Wah Tiong has served on the Board as an Independent Non-Executive Director for more than nine (9) years, the question of whether he is independent was subject to more rigorous scrutiny. The Board and the Nominating Committee considers Mr Chan Wah Tiong to be independent as he has continually demonstrated strong independence in character and judgment and contributed effectively by providing impartial and autonomous views, and which, coupled with his familiarity with the business of the Group, has proven him to be a valuable member of the Board. Guideline 2.4 Guideline 4.3

Currently, the Board does not have any alternate Director and did not appoint any alternate Directors for the financial year ended 30 June 2017. The Board will avoid the appointment of alternate Directors, save for limited periods in exceptional cases such as when a Director has a medical emergency. Guideline 4.5

The Nominating Committee met once during the financial year ended 30 June 2017.

Key information regarding the Directors such as the Directors' academic and professional qualifications, date of first appointment, date of last re-election, present and past three (3) years' directorships in other listed companies and other relevant information is disclosed in the table below and under the section entitled "Board of Directors" on pages 16 to 20 of this Annual Report. Information on the interests of Directors in shares and debentures and share options in the Company and in related corporations (other than the wholly-owned subsidiaries) are set out in the section entitled "Directors' Statement" on pages 60 to 69 of this Annual Report. Guideline 4.7

				Directorships in other listed companies	
Name of Director	**Appointment**	**Date of first appointment**	**Date of last re-election**	**Current**	**Past three (3) years**
Koh Teng Kwee[1]	Non-Executive Chairman	17 April 1980	30 October 2015	–	–
James Koh Jyh Gang[1][2]	Deputy Chairman and Managing Director	17 April 1980	N.A.	–	–
Koh Jyh Eng[1]	Executive Director	30 March 2001	28 October 2016	–	–
Koh Shwu Lee[1]	Executive Director	30 March 2001	30 October 2015	–	–

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				Directorships in other listed companies	
Name of Director	**Appointment**	**Date of first appointment**	**Date of last re-election**	**Current**	**Past three (3) years**
Chan Wah Tiong	Lead Independent Director	1 October 2001	28 October 2016	–	Hiap Hoe Limited Listed on the Main Board of the SGX-ST Independent Non-Executive Director Date of resignation: 27 April 2015
Sim Cheng Huat	Independent Non-Executive Director	1 March 2008	30 October 2015	–	–
Ying Siew Hon, Francis[3]	Independent Non-Executive Director	18 November 2016	N.A.	–	–
Tan Choon Seng[4]	Independent Non-Executive Director	18 November 2016	N.A.	–	–

Notes:

(1) Mr Koh Teng Kwee is the father of Mr James Koh Jyh Gang, Mr Koh Jyh Eng and Mdm Koh Shwu Lee.

(2) Mr James Koh Jyh Gang is the Managing Director of the Company. Pursuant to the Company's Constitution, the Managing Director shall not while he continues to hold that office be subject to retirement by rotation and he shall not be taken into account in determining the rotation of retirement of Directors.

(3) Mr Ying Siew Hon, Francis was appointed to the Board as an Independent Non-Executive Director on 18 November 2016.

(4) Mr Tan Choon Seng was appointed to the Board as an Independent Non-Executive Director on 18 November 2016.

Guideline 4.4

The Board has resolved that no Director shall hold more than six (6) listed company board representations concurrently even if that Director has the capability of managing that many listed company board representations as the Board is of the view that more than six (6) concurrent listed company board representations will interfere with the Director's ability to devote sufficient time and attention to the affairs of the Company. During the financial year ended 30 June 2017, no Director held more than six (6) listed company board representations concurrently.

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PRINCIPLE 5: BOARD PERFORMANCE

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The Nominating Committee is tasked with the assessment of the Board's performance.

Guideline 5.2

The performance criteria used by the Nominating Committee in the evaluation of the Board and Board Committees includes the evaluation of the size and composition of the Board and Board Committees, the Board's and Board Committees' access to information, the Board's and Board Committees' processes and accountability, and the Board's and Board Committees' performance in relation to discharging their principal functions and responsibilities. These performance criteria do not change from year to year unless circumstances deem it necessary, and a decision to change any of the performance criteria will be justified by the Board. The Nominating Committee also takes into account the Directors' standards of conduct and such financial indicators as the Nominating Committee considers appropriate in its evaluation of the Board and Board Committees. The Nominating Committee, however, notes that the financial indicators provide only a snapshot of the Company's performance, and do not fully reflect on-going risk or measure the sustainable long-term wealth and value creation of the Company.

Guideline 5.1

Guideline 5.3

In assessing the effectiveness of the Board and Board Committees, the Nominating Committee takes into consideration the individual Director's industry knowledge and/or functional expertise, and workload requirements. The Nominating Committee also assesses the contribution by the Chairman and each individual Director to the effectiveness of the Board and Board Committees. In addition, the Nominating Committee considers the attendance, level of preparedness, participation and candour of the Directors in its assessment of each individual Director (including the Chairman), although re-nomination or replacement does not necessarily reflect the Directors' performance or contributions to the Board and Board Committees. A Board evaluation was conducted whereby Directors completed a self-assessment checklist based on various areas of assessment to assess their views on various aspects of the Board's and Board Committees' performance. The results of these self-assessment checklists were considered by the Nominating Committee. In particular, the Chairman of the Nominating Committee reviewed the results of these self-assessment checklists and, in consultation with the Nominating Committee, has decided that it is not appropriate to propose new Directors to be appointed to the Board or seek the resignation of the current Directors.

The Nominating Committee has assessed the overall performance to-date of the current Board, Board Committees and each individual Director for the financial year ended 30 June 2017 and was of the view that the performance of the Board as a whole, each Board Committee and each individual Director were satisfactory.

Guideline 5.1

No external facilitator was used in the Nominating Committee's assessment of the Board, Board Committees and individual Directors.

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PRINCIPLE 6: ACCESS TO INFORMATION

In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Directors are regularly updated by the Management on the developments within the Group and supplied with such other information so that they are equipped to participate fully at Board and Board Committee meetings. Board and Board Committee papers are prepared for each Board and Board Committee meeting respectively and include information from the Management on the financial, business and corporate issues to enable the Directors to be properly briefed on issues to be raised at Board and Board Committee meetings. Related materials, background or explanatory information relating to issues to be raised at Board and Board Committee meetings such as disclosure documents, budgets, forecasts and monthly internal financial statements are also provided to the Directors. In respect of budgets, the Management also discloses and explains any material variance between the projections and actual results. The Board and Board Committees may also request from the Management such other additional information as it may consider necessary to be provided.

Guideline 6.1
Guideline 6.2

The Board has separate and independent access to the Management and the Company Secretary at all times. In addition, all Directors have unrestricted access to the Group's records and information and the Independent Non-Executive Directors have access to all levels of key personnel in the Group. The Company Secretary and/or her representative(s) are in attendance at Board and Board Committee meetings. The Company Secretary is responsible for ensuring that Board and Board Committee procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the Company Secretary ensures good information flows within the Board and Board Committees, and between the Management and the Independent Non-Executive Directors, as well as facilitating orientation and assisting with professional development, where required.

Guideline 6.1
Guideline 6.3

The appointment and removal of the Company Secretary is a matter for the Board to decide as a whole.

Guideline 6.4

Should the Directors, whether as a group or individually, in furtherance of their duties require independent professional advice, the Directors may, only with the consent of the Chairman or the Audit Committee, appoint an independent professional adviser to render advice, at the Company's expense.

Guideline 6.5

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

As at the date of this Corporate Governance Report, the Remuneration Committee comprises four (4) members, all of whom are Independent Non-Executive Directors, namely, Mr Ying Siew Hon, Francis (Chairman), Mr Chan Wah Tiong (Member), Mr Sim Cheng Huat (Member) and Mr Tan Choon Seng (Member).

Guideline 7.1

The principal functions of the Remuneration Committee, which are regulated by written terms of reference, are as follows:

Guideline 7.1

- reviewing and recommending to the Board a general remuneration framework and specific remuneration packages for the Directors and key management personnel;

Guideline 7.2

REPORT ON CORPORATE GOVERNANCE

- considering all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind, and if necessary, with independent and objective expert advice inside and/or outside the Company; Guideline 7.3 Guideline 7.4
- performing an annual review of the remuneration of employees related to the Directors and substantial Shareholders to ensure that their remuneration packages are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities; and
- reviewing the Company's obligations arising in the event of the termination of the Executive Directors' and key management personnel's contracts of service.

No member of the Remuneration Committee shall be involved in any deliberation or decision making in respect of any compensation to be offered or granted to him or in respect of his effectiveness as a Director. The Remuneration Committee also has access to independent and objective expert advice inside and/or outside the Group, if necessary, on matters of executive compensation. Guideline 7.3

The Company has in place contracts of service for each of its Executive Directors and key management personnel which set out the framework of their remuneration. The Remuneration Committee will, upon the expiry of such contracts of service, recommend to the Board a general remuneration framework for the Board and key management personnel and determine specific remuneration packages for each Executive Director and key management personnel, to ensure that their service contracts contain fair and reasonable termination clauses and that the remuneration packages are, as a whole, fair and do not reward poor performance. The Remuneration Committee's recommendations will be made in consultation with the Chairman and submitted for endorsement by the entire Board. The Company currently does not use contractual provisions to reclaim incentive components of the remuneration of Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results or misconduct resulting in financial loss to the Group. The Executive Directors owe a fiduciary duty to the Company and the Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties. The Company shall also review the feasibility of having such contractual provisions in future contracts of service as recommended by the Code upon the expiry of the current contracts of service of its Executive Directors and key management personnel. Guideline 7.2 Guideline 7.4 Guideline 8.4

No remuneration consultant was appointed by the Remuneration Committee in the financial year ended 30 June 2017. Guideline 7.3

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The Group's remuneration policy is to provide compensation packages which are aligned with the long-term interest and risk policies of the Group, and are appropriate to attract, retain and motivate the Directors and key management personnel required to run the Group successfully.

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The Company is of the view that performance-related elements of remuneration should form a significant proportion of the total remuneration package of executives so as to link rewards to corporate and individual performance. The Group's performance-related elements of remuneration are designed to align the executive's interests with those of Shareholders and promote the long-term success of the Group while taking into account the risk policies of the Group, be symmetric with risk outcomes and be sensitive to time horizon risks. An executive's performance is assessed based on a set of performance criteria which includes, among others, the Group's financial performance, and the executive's quality of work and diligence. The Company has in place an employee profit sharing scheme pursuant to which executives and management staff whose job responsibilities have an impact on the performance and profitability of their department or section are eligible. The limitation of profit sharing to a maximum of six (6) months of an eligible employee's salary as described in the Company's Prospectus dated 8 January 2002 remains unchanged. Guideline 8.1

The remuneration of Independent Non-Executive Directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors. Independent Non-Executive Directors shall not be over-compensated to the extent that their independence may be compromised. The Board will, if necessary, consult experts on the remuneration of Independent Non-Executive Directors. The Board will recommend the remuneration of the Independent Non-Executive Directors for approval at the forthcoming AGM. Going forward, the Remuneration Committee will consider amending the performance share plan to allow Independent Non-Executive Directors to participate and awarding shares to Independent Non-Executive Directors under the performance share plan so as to better align the interests of Independent Non-Executive Directors with the interests of Shareholders. Guideline 8.3

Contracts of service entered into by the Company with Executive Directors have a fixed appointment period which is automatically renewable on a yearly basis, and have fair and reasonable termination clauses which are not excessively long or onerous. The Remuneration Committee has reviewed and considered the remuneration packages of the Executive Directors and is of the view that the remuneration packages of the Executive Directors, as a whole, are fair and do not reward poor performance. Guideline 7.4

The Remuneration Committee also considers whether Directors and key management personnel should be eligible for benefits under long-term incentive schemes, such as share based incentive schemes. Currently, the Company has in place a performance share plan which was implemented on 28 October 2008 and subsequently amended on 28 October 2016. The performance share plan is administered by the Remuneration Committee. Guideline 8.2 Guideline 9.5 Guideline 9.6

The performance share plan aims to recognise and reward past contributions and services and motivate employees to continue to strive for the Group's long-term prosperity and to foster an ownership culture within the Group.

The following persons shall be eligible to participate in the performance share plan:

- an employee of the Group;
- executive directors of the Group; and
- controlling Shareholders and/or their associates who are either employees of the Group or executive directors of the Group provided that their participation and the actual number of performance shares and the terms of any award have been approved by independent Shareholders at a general meeting of the Company in separate resolutions.

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Other salient information relating to the performance share plan is set out below:

- The selection of a participant and the aggregate number of performance shares which are the subject of each award to be granted to a participant in accordance with the performance share plan shall be determined at the sole and absolute discretion of the Remuneration Committee, who shall take into account criteria such as the participant's rank, length of service, achievements, job performance, potential for future development, his contribution to the success and development of the Company, and the extent of effort and resourcefulness required to achieve the performance target(s) within the performance period. The performance targets will be set by the Remuneration Committee depending on each individual participant's job scope and responsibilities.

- The total number of performance shares that may be issued pursuant to awards granted under the performance share plan, when added to the aggregate number of shares that are issued or are issuable in respect of the performance share plan and such other share based incentive schemes of the Company, shall not exceed 15% (or such other percentage as may be prescribed or permitted from time to time by the SGX-ST) of the total number of issued shares of the Company on the day immediately preceding the date on which the award shall be granted, provided that the aggregate number of performance shares which may be awarded to participants who are controlling Shareholders and/or their associates under the performance share plan shall not exceed 25% of the total number of shares available under the performance share plan and such other share based incentive schemes of the Company, and the aggregate number of performance shares which may be awarded to each participant who is a controlling Shareholder and/or an associate of a controlling Shareholder under the performance share plan shall not exceed 10% of the total number of shares available under the performance share plan and such other share based incentive schemes of the Company.

- Awards represent the right of a participant to receive fully-paid performance shares free of charge, upon the participant achieving the prescribed performance targets and/or service conditions or otherwise having performed well and/or made a significant contribution to the Company. Awards are vested and the performance shares comprised in the awards are issued at the end of the performance and/or service period once the Remuneration Committee is, at its sole discretion, satisfied that the prescribed performance targets and/or service conditions have been achieved. The Remuneration Committee may also grant an award where, in its opinion, a participant's performance and/or contribution to the Company warrants it. Awards granted may be performance based or time-based.

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Further details are set out in the Company's Circulars dated 10 October 2008 and 6 October 2016.

Since the implementation of the performance share plan, no award of performance shares has been granted to Directors of the Company and no employees have received 5% or more of the total number of performance shares available under the performance share plan. The total number of performance shares granted to controlling Shareholders and/ or their associates are set out in the table below.

		Since commencement of the performance share plan to end of financial year under review			
Name of participant	Number of performance shares granted during financial year under review	Aggregate number of performance share granted	Aggregate number of performance shares vested	Aggregate number of performance shares not vested and forfeited	Aggregate number of performance shares not vested as at end of financial year under review
Joshua Koh Zhu Xian[1]	Up to 117,000	Up to 117,000[2]	13,000	–	Up to 104,000[3][4]
Julian Koh Zhu Lian[1]	Up to 123,000	Up to 123,000[2]	19,000	–	Up to 104,000[3][4]
Total	Up to 240,000	Up to 240,000	32,000	–	208,000

Notes:

(1) Mr Joshua Koh Zhu Xian and Mr Julian Koh Zhu Lian are the sons of Mr James Koh Jyh Gang, a controlling Shareholder of the Company. Accordingly, Mr Joshua Koh Zhu Xian and Mr Julian Koh Zhu Lian are associates of a controlling Shareholder of the Company.

(2) These performance shares were allotted and issued on 28 December 2016 are subject to a two (2) year moratorium from 28 December 2016 (the "**Moratorium Period**"). During the Moratorium Period, Mr Joshua Koh Zhu Xian and Mr Julian Koh Zhu Lian shall not transfer or dispose their respect interests in these performance shares.

(3) The number of performance shares to be vested will be decided by the Remuneration Committee based on certain performance metrics of the participant. Mr Joshua Koh Zhu Xian and Mr Julian Koh Zhu Lian will be eligible for up to 31,000 performance shares each 6 months from 30 June 2017 and up to 73,000 performance shares each 6 months from 30 June 2018.

(4) These performance shares, when allotted and issued, will be subject to a similar two (2) year moratorium from the date such performance shares are allotted and issued.

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PRINCIPLE 9: DISCLOSURE ON REMUNERATION

Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

A breakdown showing the level and mix of the remuneration of the Directors and key management personnel during the financial year ended 30 June 2017 is as follows:

Guideline 9.1

Guideline 9.2

Guideline 9.3

Guideline 9.4

	Salary %	Bonus %	Allowance and other benefits %	Directors' fee %	Total %
Directors					
S$400,000 to S$500,000					
James Koh Jyh Gang	78	19	3	–	100
S$300,000 to S$400,000					
Koh Jyh Eng	74	17	9	–	100
S$200,000 to S$300,000					
Koh Shwu Lee	75	18	7	–	100
S$100,000 to S$200,000					
Koh Teng Kwee	88	7	5	–	100
Below S$100,000					
Aric Loh Siang Khee[1]	–	–	–	–	–
Chan Wah Tiong	–	–	–	100	100
Sim Cheng Huat	–	–	–	100	100
Tan Choon Seng[2]	–	–	–	100	100
Ying Siew Hon, Francis[3]	–	–	–	100	100
Key Management Personnel					
S$200,000 to S$300,000					
Wong Se Sun	49	31	20	N.A.	100
S$100,000 to S$200,000					
Darren Tan Kian Peng	75	19	6	N.A.	100
Gan Shee Wen	76	7	17	N.A.	100
Below S$100,000					
Lim Swee Hua[4]	90	–	10	–	100
Key Management Personnel who are immediate family members of a Director					
S$200,00 to S$250,000					
Joshua Koh Zhu Xian[5]	83	7	10	N.A.	100
S$150,000 to S$200,000					
Julian Koh Zhu Lian[5]	73	8	19	N.A.	100

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Notes:

(1) Mr Aric Loh Siang Khee retired as an Independent Non-Executive Director at the Annual General Meeting held on 28 October 2016, and ceased to be the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee with effect from that date.

(2) Mr Tan Choon Seng was appointed to the Board as an Independent Non-Executive Director on 18 November 2016, and appointed as a member of the Audit Committee, the Nominating Committee and Remuneration Committee with effect from that date.

(3) Mr Ying Siew Hon, Francis was appointed to the Board as an Independent Non-Executive Director on 18 November 2016, and appointed as the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee with effect from that date.

(4) Mr Lim Swee Hua was appointed as the Group Chief Financial Officer on 19 June 2017.

(5) Save for Mr Joshua Koh Zhu Xian and Mr Julian Koh Zhu Lian who are the sons of Mr James Koh Jyh Gang, the Managing Director of the Company, there are no other employees who are immediate family members of a Director whose remuneration exceeded S$50,000 in the financial year ended 30 June 2017.

Guideline 9.2
Guideline 9.3

The Board has considered Guideline 9.2 and 9.3 of the Code, and after careful deliberation, has decided that to fully disclose the remuneration of each individual Director on a named basis and each of the key management personnel to the nearest thousand dollars, would be prejudicial to the Group given the highly competitive business environment and potential staff retention issues which may arise from such detailed disclosures. The Board believes that the disclosure of each Director's and key management personnel's remuneration breakdown in bands of S$100,000 is sufficient to address the concerns of stakeholders in this area.

Guideline 9.1

Other than statutory defined contribution plans such as Singapore's Central Provident Fund ("**CPF**"), there were no termination, retirement and post-employment benefits that were granted to the Directors, the Managing Director and key management personnel (set out in the table above) in financial year ended 30 June 2017.

Guideline 9.3

For the financial year ended 30 June 2017, the total remuneration paid to the Directors (including Directors' fees paid to the Independent Non-Executive Directors) was S$1,318,712 and the total remuneration paid to the key management personnel (who are not Directors or the Managing Director set out in the table above) was S$905,822.

Guideline 9.6

The Executive Directors do not receive Directors' fees. The remuneration for the Executive Directors and key management personnel comprises primarily a basic salary component and a variable bonus component, which are determined based on the performance of the Group as a whole and their individual performance. The Group has adopted qualitative performance conditions such as leadership, people development, commitment, teamwork, and current and industry practices as well as quantitative performance conditions such as profitability, order book and sales growth amongst other pre-determined indicators and/or metrics to assess an individual's performance. Such performance conditions are designed to align Executive Directors' and key management personnel's interests with those of Shareholders and to motivate them to strive for the Group's long-term prosperity. In particular, the Company has in place a performance share plan to recognise and reward past contributions and services, to ensure Executive Directors' and key performance personnel's remuneration packages remain competitive and ultimately, to foster an ownership culture within the Group. The Executive Directors and key management personnel have substantially met their qualitative and quantitative performance conditions in the financial year ended 30 June 2017. Considering the economic climate and industry performance, the Board, in consultation with the Remuneration Committee, is of the view that the performance of the Executive Directors and key management personnel for the financial year ended 30 June 2017 was satisfactory. The contracts of service entered into with the Executive Directors are automatically renewable on a yearly basis unless terminated by either party giving written notice of not less than three (3) months.

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The Directors' fees paid to the Independent Non-Executive Directors, namely, Mr Chan Wah Tiong, Mr Sim Cheng Huat, Mr Ying Siew Hon, Francis and Mr Tan Choon Seng for the financial year ended 30 June 2017 were S$35,000, S$18,000, S$28,000 and S$35,000 respectively. The Directors' fees paid to the Independent Non-Executive Directors are in accordance with their credentials, qualifications, experience and contributions. Other factors such as responsibilities, effort and time spent for serving on the Board and Board Committees also form part of the consideration in the determination of the Directors' fees. The Company does not have contracts of service with the Independent Non-Executive Directors. Directors' fees are recommended by the Board and are subject to the approval of Shareholders at the forthcoming AGM.

PRINCIPLE 10: ACCOUNTABILITY

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Company recognises that the Board should provide Shareholders with a balanced and understandable assessment of the Group's performance, position and prospects on a regular basis and adopts the practice of communicating major developments and other price-sensitive developments in its business and operations to the SGX-ST, its Shareholders and its employees. The Company announces its interim financial results on a quarterly basis and other price sensitive information via SGXNET. Guideline 10.1

The Management provides the Directors with balanced and understandable management accounts of the Group's performance regularly prior to Board meetings, and as and when necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects. The Directors also have separate and independent access to all levels of key personnel in the Group. Guideline 10.3

The Board has also taken steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the SGX-ST. Guideline 10.2

In line with the requirements of the SGX-ST, negative assurance confirmations on interim financial results were issued by the Board confirming that to the best of its knowledge, nothing had come to the attention of the Board which would render the Company's interim financial results to be false or misleading in any material respect.

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Group has a risk management and internal control system designed to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained and that financial information used for financial reporting is reliable. The Board recognises that no risk management and internal control system could provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human errors, losses, fraud or other irregularities. The risk management and internal control system is designed to manage rather than eliminate the risk of failure to achieve the business objectives. Under the Group's risk management and internal control system, risks which the Group faces are periodically identified, evaluated and ranked based on the likelihood and magnitude of eventuation. The Company's internal auditors will assess these risks and recommend internal controls to be implemented by the Management to address these risks. The Board, in consultation with the Audit Committee, has established risk tolerance levels to provide guidance to the Management on key risk parameters set out in the risk registers of the Group, and has adopted and circulated the internal controls recommended by the internal auditors to be implemented by the Management to manage and mitigate these risks. Guideline 11.1

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The Audit Committee assists the Board in overseeing the Group's risk management and internal control system. The Audit Committee reviews the adequacy and effectiveness of the Group's risk management and internal control system annually. In particular, internal and external audit reports on any material non-compliance or internal control weaknesses, including financial, operational, compliance and information technology controls and recommendations for improvements are submitted to the Audit Committee for review at least annually. The Audit Committee reviews the adequacy and effectiveness of the actions taken by the Management based on the recommendations made by the Company's internal auditors and external auditors to the Audit Committee. The Audit Committee is satisfied that there are adequate internal controls within the Group taking into account the nature and size of the Group's business and operations. Guideline 11.2 Guideline 11.4

Based on the internal controls established and maintained by the Group, work performed by the Company's internal auditors and external auditors and reviews performed by the Management, the various Board Committees and the Board, as well as the positive assurance from the Managing Director and the Chief Financial Officer as to the adequacy and effectiveness of the Group's risk management and internal control system, the Board and the Audit Committee are of the opinion that the Group's system of internal controls and risk management including financial, operational, compliance and information technology controls, and its risk management systems, were adequate and effective as at 30 June 2017. Guideline 11.3

The Board and the Audit Committee has also received positive assurance from the Managing Director and the Chief Financial Officer that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and the Group has put in place and will continue to maintain an effective, reliable, comprehensive and sound system of risk management and internal controls (addressing financial, operational, informational technology and compliance risks). Guideline 11.3

Key operational risks

The Board is aware of the operational risks that may adversely affect the Group's operating results if any of these risk factors and uncertainties develops into actual events. The following is a non-exhaustive list of some of the key operational risks that may affect the Group.

Macro economic risk – The Group's business is sensitive to global economic conditions. The global economic slowdown has resulted in lower consumer confidence and reduced purchasing power with consumers changing their spending pattern to save more for necessities. Furniture purchase is discretionary and has inevitably been affected by the generally weak economic factors and such market uncertainties. In the event of a prolonged economic downturn, demand for the Group's furniture is likely to be affected and this may have an adverse impact on the Group's operating results.

Design risk – The Group's business segments have been design-intensive and its operating results depend heavily on the Group's ability to continually design products which are market-oriented and production-feasible, failing which the Group's operating results may be adversely affected.

Change in customers' ordering pattern – As a result of recent market uncertainties, the Group's clients have now placed orders in smaller batches and expect goods to be delivered faster; switching part of the stock holding risks to the suppliers. To meet shorter lead times, the Group would have to increase raw material stocks and produce semi-finished components ahead of confirmed orders in accordance with its internal order projections, which means investment in inventories would be higher and warehousing facilities would be larger. In the event that the Group's customers do not order goods in quantities and specifications as projected, the Group may have to make provisions for slow-moving stocks or stock obsolescence and its operating results may be affected by such provisions.

REPORT ON CORPORATE GOVERNANCE

Increasing credit risks – Whilst the Group's current bad debts risk is currently low and existing receivables turnover period remains manageable, clients expect longer credit terms as a result of changing market conditions in the countries that the Group has been selling to. The extension of credit terms means increasing credit risk which needs to be closely monitored. The increasing credit risk may result in the Group having a need to make provision for doubtful debts and incur additional costs in collecting payments. Any bad debt provisions and write-offs may have a negative impact on the Group's net operating margins.

Supplies of raw materials – The Group purchases raw materials such as wood, leather, fabrics and finishes for its production. The supply and prices of wood based raw materials are affected by the weather conditions in the region in which they are sourced. Adverse weather may reduce the supply availability, driving up purchase prices which may have a negative impact on gross margins. The production cycles are also dependent on the ability of the Group's suppliers to supply raw materials at acceptable terms – such as quantity, quality, prices, specifications and lead times – failing which the Group's production cycles may be disrupted and its operating results may also be adversely affected.

Risk of stock obsolescence and slow-moving – The Group's international clients have not been able to provide firm order projections due to market uncertainty but these clients expect their goods to be shipped faster. Given the low orders' visibility and short delivery lead times, the Group needs to make certain commercial assumptions and rely on its internal projections while investing in inventories of raw materials and producing semi-finished components ahead of confirmed orders. In the event that such commercial assumptions are inaccurate and/or the internal projections do not materialise, the Group may either have to sell off such inventories at a lower value or write-off such inventories completely. In such a case, the Group's operating results may be adversely affected.

Risk of fire – The extensive use of wood, chemicals, lacquers and solvents increase the risk of fire. Several fires have occurred at the Group's factories in the past (the risk of fire in those instances was fully insured). Whilst the Group takes every precaution against fire, there is no assurance there will be no major fire occurrence in the future and the occurrence of a major fire may adversely affect the Group's operations.

Labour supply – Approximately one-third of the Group's production capacity is located in Malaysia for which the workers are mainly from Bangladesh, Myanmar and Nepal. The employment of these foreign workers is subject to quota and other immigration rules as imposed by the Malaysian government. Tightening of and adverse changes made to such rules may result in the Group not being able to source sufficient workers and find suitable replacements for its Malaysia operations and the operating results of the Group may be partially affected.

Changes in tax legislation (Vietnam) – There were previously changes made to the tax legislations in Vietnam resulting in additional and retrospective tax liabilities incurred by the Group's subsidiaries in Vietnam. If the Vietnamese government were to revise concessionary tax rates upwards or for any reason, change tax legislations, withdraw or reduce tax incentives granted to the Group's Vietnam-based subsidiaries, the effective tax rates would be significantly higher and this may adversely affect the Group's net profit margin.

Currency risk – Foreign currency exchange effects could be volatile. For example, during the year under review, the US$ appreciated against the RM which meant lower RM-denominated expenses in US$ terms or higher US-denominated receivables for the financial year ended 30 June 2017. Whilst there were exchange translation gains during the year, it might not be sustainable as currencies market has been volatile and exposure is highly uncertain, which may affect the Group's financial performance one way or the other. The Group will continue to monitor the foreign exchange exposure closely and may hedge the exposure by either entering into relevant foreign exchange forward contracts or relying on natural hedge or a combination of both.

REPORT ON CORPORATE GOVERNANCE

PRINCIPLE 12: AUDIT COMMITTEE

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

As at the date of this Corporate Governance Report, the Audit Committee comprises four (4) members, all of whom are Independent Non-Executive Directors, namely, Mr Chan Wah Tiong (Chairman), Mr Sim Cheng Huat (Member), Mr Ying Siew Hon, Francis (Member) and Mr Tan Choon Seng (Member). Guideline 12.1

The Board is of the opinion that the members of the Audit Committee have considerable legal, tax and financial management expertise as well as business experience to discharge their duties. Guideline 12.2 For example, Mr Chan Wah Tiong is a Certified Public Accountant with the Institute of Singapore Chartered Accountants and holds a Bachelor of Accountancy Guideline 12.8 from the National University of Singapore; Mr Sim Cheng Huat has over forty (40) years of international trade, market development and banking experience; Mr Ying Siew Hon, Francis is a Fellow of the Association of Chartered Certified Accountants (United Kingdom) and has considerable experience in investment and corporate banking as wel as the securities industry; and Mr Tan Choon Seng is a non-practising Fellow of the Institute of Singapore Chartered Accountants, holds a Bachelor of Accountancy from the University of Singapore, and has over twenty (20) years of experience in accounting, audit and tax and various industries, where he held a number of senior leadership positions in operations, sales, strategy and business development. To ensure that the Audit Committee keeps abreast of changes that may impact the financial statements of the Company, the Chairman of the Audit Committee regularly receives and circulates updates from the Company's internal auditors' technical department to members of the Audit Committee. The Chairman of the Audit Committee has also informed the Board that he also receives regular updates from other audit firms, the Institute of Singapore Chartered Accountants and other regulatory bodies and circulates these updates to the members of the Audit Committee. The operations of the Audit Committee are regulated by its terms of reference, which were approved and are subject to periodic review by the Board. The Audit Committee meets at least four (4) times a year. Where appropriate, the Audit Committee may undertake activities and seminars as it considers necessary to keep itself abreast of changes to accounting standards and issues which have a direct impact on financial statements, at the Company's expense.

The duties of the Audit Committee include reviewing, with the Company's internal auditors, external auditors and the Management, the Group's policies and control procedures, interested person transactions, as well as any financial information presented to Shareholders. Guideline 11.4 Specifically, the Audit Committee: Guideline 12.1

- reviews the scope and results of the external audit, the independence and objectivity of the external auditors and the nature and extent of non-audit services provided by the external auditors; Guideline 12.4
- reviews the quarterly and full year financial statements announcements before submission to the Board for adoption; Guideline 12.8
- reviews the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;
- reviews the financial statements of the Group, accounting principles and policies thereto and the management of financial matters before submission to the Board for endorsement;
- reviews and reports to the Board on the scope and results of the internal audit procedures, the adequacy and effectiveness of the internal control procedures and the internal audit function;

REPORT ON CORPORATE GOVERNANCE

- reviews the audit plans and reports of the internal auditors and external auditors and reports to the Board at least annually on the adequacy and effectiveness of the internal control systems of the Group, including financial, operational, compliance and information technology controls and the Management's responses and actions to correct any deficiencies;
- reviews and oversees the Group's risk management framework and policies;
- reviews the co-operation given by the Company's officers to the internal auditors and external auditors;
- recommends to the Board on the appointment, re-appointment or removal of external auditors and their fees for Shareholders' approval;
- approves the remuneration and terms of engagement of external auditors; and
- reviews interested person transactions in accordance with the requirements of the Listing Manual.

The Audit Committee has explicit authority to investigate any matter within the scope of its duties and is authorised to obtain independent professional advice at the Company's expense. It has full access to and co-operation of the Management and reasonable resources to enable it to discharge its duties properly. It also has full discretion to invite any Executive Director or executive officer or any other person to attend its meetings. The Audit Committee meets with the Company's internal auditors and external auditors separately, at least once a year, without the presence of the Management to review any areas of audit concern. Individual members of the Audit Committee also engage the internal auditors and external auditors separately in ad-hoc meetings. The external auditors have unrestricted access to the Audit Committee.

Guideline 12.3

Guideline 12.5

The aggregate amount of fees paid or payable to the Company's external auditors for the financial year ended 30 June 2017 is as follows:

Guideline 12.6

Fees for audit services:	US$140,725	(FY2016: US$136,117)
Fees for non-audit services:	US$0	(FY2016: US$0)

The Audit Committee reviews the independence of the Company's external auditors annually. The Audit Committee noted that:

Guideline 12.6

- no non-audit services have been provided by the external auditors for the financial year ended 30 June 2017 and was satisfied that the independence of the external auditors was not affected by any provision of non-audit services by the external auditors; and

Guideline 12.9

- other than for Mr Aric Loh Siang Khee who retired as an Independent Non-Executive Director at the Annual General Meeting held on 28 October 2016, and ceased to be the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee with effect from that date, no former partner or director of the Company's existing audit firm has acted as member of the Audit Committee. Mr Aric Loh Siang Khee was a partner of the Company's existing audit firm from 1997 to 2013.

REPORT ON CORPORATE GOVERNANCE

The Audit Committee has recommended to the Board the nomination of Deloitte & Touche LLP for re-appointment as the Company's external auditors at the forthcoming AGM.

The Company confirms that it is in compliance with Rule 712 and Rule 715 of the Listing Manual in relation to the auditing firms engaged for the Company, its subsidiaries and associated companies.

The Board has put in place whistle-blowing procedures pursuant to which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. Guideline 12.7

Pursuant to such whistle-blowing procedures, employees are free to submit complaints confidentially or anonymously to the Chairman of the Audit Committee and in this regard a dedicated email address has been set up which is accessible only by the Chairman of the Audit Committee and/or a designated member of the Audit Committee. The procedures for submission of complaints have been explained to all employees of the Group. All complaints are to be treated as confidential and are to be brought to the attention of the Audit Committee. Assessment, investigation and evaluation of complaints are conducted by or at the direction of the Audit Committee and the Audit Committee, if it deems appropriate, may engage independent advisers, at the Company's expense. Following investigation and evaluation of a complaint, the Audit Committee will then decide on recommended disciplinary or remedial action, if any. The action so determined by the Audit Committee to be appropriate shall then be brought to the Board or to the appropriate members of senior management for authorisation or implementation respectively. Guideline 12.7

Whistle-blowing policy

The Company has put in place a whistle-blowing policy and procedures duly endorsed by the Audit Committee, where employees of the Group may, in confidence, raise concerns about possible corporate improprieties in financial reporting or other matters such as suspected fraud, corruption, dishonest practices etc. All reports including unsigned reports, reports weak in details and verbal reports are considered. To ensure independent investigation into such matters and for appropriate follow up action, all whistle-blowing reports are reviewed by the Audit Committee and the Board. In the event that the whistle-blowing report is about a Director, that Director shall not be involved in the review and any decisions with respect to that whistle-blowing report. The whistle-blowing policy aims to encourage the reporting of such matters in good faith, with the confidence that any employees of the Group making such reports will be treated fairly and be protected from reprisals. Details on the whistle-blowing policy have been made available to all employees of the Group. Guideline 12.7

There were no whistle-blowing reports received by the Company for the financial year ended 30 June 2017.

REPORT ON CORPORATE GOVERNANCE

PRINCIPLE 13: INTERNAL AUDIT

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

Guideline 13.1, Guideline 13.2, Guideline 13.3, Guideline 13.4, Guideline 13.5

The Company has appointed Messrs Yang Lee & Associates as the Company's internal auditors to review the Group's internal control system. The internal audit partner is Mr Lee Dah Khang who is a Certified Internal Auditor with the Institute of Internal Auditors. Mr Lee Dah Khang has over 10 years of experience in providing external and internal audit, and consultancy services. The internal auditors will plan its internal audit in consultation with, but independent of the Management, and has unfettered access to all the Group's documents, records, properties and personnel, including access to the Audit Committee. The internal audit plan will be submitted to the Audit Committee for approval prior to the commencement of the internal audit. The Audit Committee will review the activities of the internal auditors on a regular basis, including overseeing and monitoring of the implementation of improvement required on internal control weaknesses identified. The Audit Committee will, at least annually, review the adequacy and effectiveness of the internal audit function and whether the internal audit function is staffed with persons with the relevant qualifications and experience. The internal auditors adopt the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The internal auditors report directly to the Audit Committee, which approves the hiring, removal, evaluation and compensation of the head of the internal control function. The Audit Committee also ensures that the internal audit function is adequately resourced and has appropriate standing within the Group.

PRINCIPLE 14: SHAREHOLDER RIGHTS

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Guideline 14.1

In line with the continuous disclosure obligations of the Company under the Listing Manual, the Company has put in place an investor relations policy to inform all Shareholders in a comprehensive manner and on a timely basis of all material developments that impact the Group and in particular, changes in the Group or its business which would be likely to materially affect the price or value of the Company's shares.

Guideline 14.2, Guideline 14.3

The Company has also taken steps to ensure that Shareholders have the opportunity to participate effectively in, and vote at the AGMs and general meetings of the Company. The rules, including the voting procedures, that govern the AGMs and general meetings of the Company are explained by the scrutineers at each AGM and general meeting of the Company. Shareholders can vote in person or appoint not more than two (2) proxies to attend and vote on their behalf at the AGMs and general meetings of the Company, unless they are Relevant Intermediaries (as defined in the Companies Act, Cap. 50). Shareholders who are Relevant Intermediaries (as defined in the Companies Act, Cap. 50) may appoint more than two (2) proxies to attend and vote on their behalf at the AGMs and general meetings of the Company.

REPORT ON CORPORATE GOVERNANCE

PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Directors are mindful of their obligation to provide Shareholders with regular and timely disclosure of material information that is presented in a fair and objective manner. Shareholders and other investors are provided regularly with:

- Annual Reports;
- quarterly and full year financial statements and other financial announcements as required under the Listing Manual;
- presentations on the state of the Company (available when the Company holds a results briefing after the announcement of its financial statements);
- press releases and other announcements on important developments;
- a website and portal (www.kodaonline.com); and
- replies to email queries from Shareholders.

On the Company's website, investors will find information about the Company, its products, its Directors and their contact details, and under the "Investor Relations" link, investors will find all information the Company has released.

In the financial year ended 30 June 2017, the Company released 39 announcements or on average approximately 10 per quarter. Financial statements, annual reports, notices of general meetings, press releases and presentations on the performance and major developments in the business and operations of the Group, and any other material announcements are released on a timely basis via SGXNET and are available on the Company's website (www.kodaonline.com). The Company does not practice selective disclosure and price sensitive information is publicly released on an immediate basis where required under the Listing Manual. In the event that inadvertent disclosure is made to a selected group, the Company will make the same disclosure publicly to all Shareholders as soon as practicable. Guideline 14.1 Guideline 15.2

The Company has also put in place a dedicated external investor relations team guided by the abovementioned investor relations policy to promote regular, effective and fair communication with Shareholders. Guideline 15.1

The contact details of the Company's dedicated external investor relations team are as follows:

WeR1 Consultants Pte Ltd
Tel: (+65) 6737 4844 | Fax: (+65) 6737 4944
Mr Frankie Ho – frankieho@wer1.net

In addition, to encourage and promote the communication with Shareholders and the investment community, the Management has provided their email addresses in the Annual Report. Shareholders and the investment community are thus invited to send emails to the Management to share their views or inputs, raise any concerns they might have, or make enquiries on various matters relating to the Company or the Group. The Company meets with institutional and retail investors at least once a year at AGMs and will also consider holding analysts' briefings and investor roadshows in the future to understand the views of Shareholders on various matters relating to the Company or the Group. Guideline 15.3 Guideline 15.4

REPORT ON CORPORATE GOVERNANCE

PRINCIPLE 16: CONDUCT OF SHAREHOLDER MEETINGS

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

All Shareholders will receive the Annual Report of the Company and notice of AGM, any circulars and notices of general meetings of the Company by post and will be notified through notices published in the newspapers within the mandatory period. Shareholders can also access information relating to the Group on the Company's website (www.kodaonline.com). The Company's website provides, among others, all publicly disclosed financial information, corporate announcements, press releases, annual reports and profiles of the Group. Guideline 15.2

The Board regards the AGMs and general meetings of the Company as an opportunity to communicate directly with Shareholders and encourages Shareholders to attend the AGMs and general meetings of the Company to achieve a greater level of Shareholder participation. The Chairman and the other Directors (which includes the Chairmen of each Board Committee) attend the AGMs and general meetings of the Company and are available to answer questions from Shareholders at the AGMs and general meetings of the Company. The Company's external auditors are also present to assist Directors in addressing any relevant queries from Shareholders about the conduct of the audit and the preparation and content of the auditor's report. Guideline 15.3 Guideline 16.3

The Company has also taken steps to ensure that Shareholders have the opportunity to participate effectively in, and vote at the AGMs and general meetings of the Company. The Company's Constitution has been amended on 28 October 2016 to allow Shareholders who are unable to vote in person at the AGMs and general meetings of the Company to vote in absentia, including but not limited to voting by mail, electronic email or facsimile, subject to such security measures as may be deemed necessary or expedient. Guideline 16.1

Minutes of the AGMs and general meetings of the Company, which include substantial comments or queries from Shareholders and responses from the Board and the Management, are prepared and made available to Shareholders upon written request. Guideline 16.4

Separate resolutions on each distinct issue are tabled at the AGMs and general meetings of the Company. "Bundling" of resolutions will be done only where resolutions are interdependent and linked so as to form one significant proposal. All resolutions at the AGMs and general meetings of the Company are put to vote by poll so as to better reflect Shareholders' shareholding interest and ensure transparency. The detailed results of the number of votes cast for and against each resolution tabled at the AGMs and general meetings of the Company and the respective percentages are announced after the AGMs and general meetings of the Company via SGXNET. The Company relies on the advice of the independent scrutineers to determine the need for electronic voting, taking into consideration, among others, the logistics involved, costs, and number of Shareholders. Guideline 16.2 Guideline 16.5

In consideration of the dilutive impact to Shareholders, the Company has voluntarily reduced the limit for the allotment and issue of new shares in the capital of the Company other than on a pro rata basis under its general mandate from 20% to 15% of the total number of issued shares in the capital of the Company excluding treasury shares and subsidiary holdings of the Company.

REPORT ON CORPORATE GOVERNANCE

CODE ON SECURITIES TRANSACTIONS BY OFFICERS

In compliance with the best practices on dealings in securities set out in Listing Manual, the Company has adopted its own internal compliance code to provide guidance to its officers with regard to dealing by the Company and its officers in the Company's securities. Directors, officers and employees of the Company have been advised not to deal in the Company's securities on short-term considerations or when they are in the possession of unpublished price-sensitive information. In addition, dealings in the Company's securities and during the period commencing one (1) month (in the case of full year financial statements announcements) or two (2) weeks (in the case of quarterly financial statements announcements) before any announcement of the Company's financial statements and ending on the date of announcement of the Company's financial statements is prohibited. Directors, officers and employees of the Company have also been advised to observe insider trading laws when dealing in the Company's securities within the permitted trading period.

INTERESTED PERSON TRANSACTIONS ("IPTs")

The Group has set up a procedure to record and report IPTs. All IPTs are reported in a timely manner to the Audit Committee and the Group ensures that all such transactions are conducted on an arm's length basis and are not prejudicial to the interests of the Company and its minority Shareholders.

Save as disclosed below, there were no material contracts exceeding S$100,000 in value which were entered into by the Company and/or its subsidiaries involving the interests of a Director or substantial Shareholder, which are either subsisting at the end of the financial year ended 30 June 2017 or, if not then subsisting, entered into since the end of the previous financial year.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920 of the Listing Manual)	Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S$100,000)
Koh Jyh Eng[1] Koh Shwu Lee[1]	S$94,000[2]	Not applicable[3]

Notes:

(1) Mr Koh Jyh Eng and Mdm Koh Shwu Lee are Executive Directors of the Company.

(2) The Group has, in June 2016, entered into a 10-year long-term lease with Zenith Heights Sdn Bhd (of which Mr Koh Jyh Eng and Mdm Koh Shwu Lee are directors) for land owned by Zenith Heights Sdn Bhd to build warehousing facilities in Malaysia (the "Lease"). The IPTs in the financial year ended 30 June 2017 with regard to the Lease are rental expenses of RM296,382 (equivalent to approximately S$94,000 based on an exchange rate at the relevant time of S$1: RM3.15).

(3) There was no subsisting Shareholders' mandate for interested person transactions pursuant to Rule 920 of the SGX-ST Listing Manual in the financial year ended 30 June 2017.

The Company had also previously disclosed the details of the Company's IPTs for the financial year ended 30 June 2017 in its full year financial statements and dividend announcement for the financial year ended 30 June 2017 dated 29 August 2017.

REPORT ON CORPORATE GOVERNANCE

DIVIDEND POLICY

Although the Company does not have a fixed dividend policy, the Company has been paying out dividends to its Shareholders over the years. The form, frequency and amount of future dividends on the Company's shares will depend on the Group's earnings, cash flow, financial condition and other factors. Not having a fixed dividend policy gives the Company flexibility to manage its available cash and working capital, and in particular, retain profits for future investment as part of the Company's efforts to achieve long-term growth for the benefit of Shareholders. Guideline 15.5

The Company has declared a final tax-exempt (one-tier) dividend of 1.0 Singapore cents per ordinary share and a tax-exempt (one-tier) special dividend of 2.0 Singapore cents per ordinary share for the financial year ended 30 June 2017.

MATERIAL CONTRACTS

Save as disclosed in the "Interested Person Transactions" section of this Corporate Governance Report, since the end of the previous financial year, the Company and/or its subsidiaries did not enter into any material contracts involving the interests of any Directors or any controlling Shareholders or their associates and there are no such material contracts still subsisting at the end of the financial year ended 30 June 2017.

SGX-ST CHECKLISTS

The Board has accepted and uses the following compliance checklists when required:

- Acquisitions and Realisations Compliance Checklist;
- Annual Report Compliance Checklist;
- Bonus Issue of Shares or Convertibles Compliance Checklist;
- Financial Statements Compliance Checklist;
- General Mandate for Interested Person Transactions Compliance Checklist;
- Interested Person Transactions that Require Specific Shareholders Approval Compliance Checklist;
- Placement of Shares or Convertibles for Cash Compliance Checklist;
- Proposed Employee Share Option Share Scheme Compliance Checklist;
- Rights Issue of Shares or Convertibles Compliance Checklist;
- Scrip Dividend Scheme Compliance Checklist;
- Share Split Compliance Checklist; and
- Share Buy-Back Mandate Compliance Checklist.

CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

The Corporate Governance Question and Answer Table below sets out the main corporate governance matters required by the Code, and is presented in a question and answer format for easier readability.

Guideline	Questions	How has the Company complied?
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code. (b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	(a) The Company has complied with the principles and guidelines as set out in the Code, where applicable. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code. (b) Not applicable. The Company did not adopt any alternative corporate governance practices in the financial year ended 30 June 2017.
Board Responsibility		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	Matters which require the Board's approval include the following: • review of the annual budgets and the performance of the Group; • review of key activities and business strategies; • approval of the corporate strategy and direction of the Group; • approval of transactions involving a conflict of interest for a substantial Shareholder or a Director, or interested person transactions; • material acquisitions and disposals; • acceptance of bank facilities; • corporate or financial restructuring and share issuances; • declaration of dividends and other returns to Shareholders; • appointment of new Directors to the Board; and • appointment and removal of the Company Secretary.

CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
Members of the Board		
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees?	(a) In identifying potential Director nominees, the Board would take into account factors such as relevant background, experience and knowledge in various categories such as business, finance and management skills which would be valuable to the Group's business and to enable the Board to make sound and well-considered decisions. The Board would seek an appropriate balance and diversity of skills, experience, gender and knowledge of the Company.
	(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.	(b) The composition of the Board currently has diversity in terms of skills, experience, knowledge and gender (whereby one (1) female Director, Mdm Koh Shwu Lee, sits on the Board). Profiles of the various Directors are set out in the section entitled "Board of Directors" on pages 16 to 20 of this Annual Report.
	(c) What steps has the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?	(c) The Board, through the delegation of its authority to the Nominating Committee, has been actively reviewing potential candidates with relevant experience and knowledge in and familiarity with the sector who have been recommended for its consideration for appointment to the Board as Independent Non-Executive Director(s). As the Group's activities continue to grow, the Nominating Committee will continuously review the composition and size of the Board to ensure that it has the necessary competence and a strong and independent element for effective decision making.
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	For appointment of new Directors to the Board, the Nominating Committee would, in consultation with the Board, evaluate and determine the selection criteria with due consideration to the mix of skills, experience, gender and knowledge of the existing Board. The Nominating Committee, in determining whether to nominate a Director for re-election, will have regard to the Director's performance and contribution to the Group and whether the Director has been adequately carrying out his or her duties as a Director, taking into consideration the Director's number of listed company board representations and other principal commitments.

CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why.	(a) Yes. For new appointments to the Board, the newly-appointed Director will be given a formal letter setting out his/her duties and obligations. To orientate him, the newly-appointed Director will be briefed by the Lead Independent Director and the Management, and will also be provided with a Director's folder which shall contain information and materials to allow him to be familiar with the Group's businesses and governance practices. Where appropriate, the Company will also provide training to first-time Directors of listed companies in areas such as accounting, legal and industry-specific knowledge.
	(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?	(b) All Directors are also invited to visit the Group's local and overseas factories and/or operations and to meet with the local and overseas management so as to gain a better understanding of the Group's business operations. To keep pace with regulatory changes, the Directors' own initiatives are supplemented from time to time with information, updates and may attend seminars conducted by external professionals, including any changes in legislation and financial reporting standards, government policies, and regulations and guidelines from the SGX-ST that affect the Group and/or the Directors in discharging their duties, at the Company's expense. The Directors are also informed of developments relevant to the Group, including changes in laws, regulations and risks that may impact the Group.

CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?	(a) The Board has resolved that no Director shall hold more than six (6) listed company board representations concurrently even if that Director has the capability of managing that many listed company board representations as the Board is of the view that more than six (6) concurrent listed company board representations will interfere with the Director's ability to devote sufficient time and attention to the affairs of the Company. During the financial year ended 30 June 2017, no Director held more than six (6) listed company board representations concurrently.
	(b) If a maximum number has not been determined, what are the reasons?	(b) Not applicable.
	(c) What are the specific considerations in deciding on the capacity of directors?	(c) The specific considerations in deciding on the capacity of Directors include the number of listed company board representations that Director has, the attendance of that Director at Board and Board Committee meetings, as well as the attention and contributions of that Director in discussions relating to Board and Board Committee matters.

CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
Board Evaluation		
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year? (b) Has the Board met its performance objectives?	(a) The performance criteria used by the Nominating Committee in the evaluation of the Board and Board Committees includes the evaluation of the size and composition of the Board and Board Committees, the Board's and Board Committees' access to information, the Board's and Board Committees' processes and accountability, and the Board's and Board Committees' performance in relation to discharging their principal functions and responsibilities. A Board evaluation was conducted whereby Directors completed a self-assessment checklist based on various areas of assessment to assess their views on various aspects of the Board's and Board Committees' performance. The results of these self-assessment checklists were considered by the Nominating Committee. In particular, the Chairman of the Nominating Committee reviewed the results of these self-assessment checklists and, in consultation with the Nominating Committee, has decided that it is not appropriate to propose new Directors to be appointed to the Board or seek the resignation of the current Directors. (b) The Nominating Committee has assessed the overall performance to-date of the current Board, Board Committees and each individual Director for the financial year ended 30 June 2017 and was of the view that the performance of the Board as a whole, each Board Committee and each individual Director were satisfactory.
Independence of Directors		
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	The Board has complied with the requirements of the Code. At least one-third of the Board comprises Independent Non-Executive Directors. The Independent Non-Executive Directors chair all the Board Committees, which play a pivotal role in supporting the Board.

CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	(a) No Director falls under the category as described here. (b) Not applicable.
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	Mr Chan Wah Tiong has served on the Board as an Independent Non-Executive Director for more than nine (9) years. Pursuant to the guidelines of the Code, the Board has subjected the independence of the Mr Chan Wah Tiong to rigorous review. The Board and the Nominating Committee considers Mr Chan Wah Tiong to be independent as he has continually demonstrated strong independence in character and judgment and contributed effectively by providing impartial and autonomous views, and which, coupled with his familiarity with the business of the Group, has proven him to be a valuable member of the Board.
Disclosure on Remuneration		
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	The Company has disclosed each Director's remuneration in bands of S$100,000 as to fully disclose the remuneration of each individual Director on a named basis would be prejudicial to the Group given the highly competitive business environment and potential staff retention issues which may arise from such detailed disclosures. However, the Company has provided the breakdown of remuneration (in percentage terms) into salary, bonus, allowance and other benefits, and Directors' fees. Details are set out in the section entitled "Principle 9: Disclosure on Remuneration" of this Corporate Governance Report.

CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	(a) The Company has disclosed each key management personnel's remuneration in bands of S$100,000 as well as provided the breakdown of remuneration (in percentage terms) into salary, bonus, allowance and other benefits. Details are set out in the section entitled "Principle 9: Disclosure on Remuneration" of this Corporate Governance Report.
	(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	(b) The aggregate remuneration paid to the key management personnel (who are not Directors or the Managing Director set out in the section entitled "Principle 9: Disclosure on Remuneration" of this Corporate Governance Report) was S$905,822 for the financial year ended 30 June 2017.
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	Yes. Mr Joshua Koh Zhu Xian and Mr Julian Koh Zhu Lian are the sons of Mr James Koh Jyh Gang, the Managing Director of the Company and their remuneration exceeded S$50,000 during the financial year ended 30 June 2017.
Guideline 9.6	(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.	(a) The remuneration for the Executive Directors and key management personnel comprises primarily a basic salary component and a variable bonus component, which are determined based on the performance of the Group as a whole and their individual performance.
	(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?	(b) Currently, the Company has in place a performance share plan which was implemented on 28 October 2008 and subsequently amended on 28 October 2016. The performance share plan aims to recognise and reward past contributions and services and motivate employees to continue to strive for the Group's long-term prosperity and to foster an ownership culture within the Group.

CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
		The following persons shall be eligible to participate in the performance share plan: • an employee of the Group; • executive directors of the Group; and • controlling Shareholders and/or their associates who are either employees of the Group or executive directors of the Group provided that their participation and the actual number of performance shares and the terms of any award have been approved by independent Shareholders at a general meeting of the Company in separate resolutions. The selection of a participant and the aggregate number of performance shares which are the subject of each award to be granted to a participant in accordance with the performance share plan shall be determined at the sole and absolute discretion of the Remuneration Committee, who shall take into account criteria such as the participant's rank, length of service, achievements, job performance, potential for future development, his contribution to the success and development of the Company, and the extent of effort and resourcefulness required to achieve the performance target(s) within the performance period. The performance targets will be set by the Remuneration Committee depending on each individual participant's job scope and responsibilities. Further details are set out in the Company's Circulars dated 10 October 2008 and 6 October 2016. Details on performance shares granted to Directors of the Company, and controlling Shareholders and/or their associates are set out in the section entitled "Principle 7: Procedures for Developing Remuneration Policies" of this Corporate Governance Report.
	(c) Were all of these performance conditions met? If not, what were the reasons?	(c) The Executive Directors and the key management personnel had met the performance conditions for the financial period ended 30 June 2017 pursuant to their respective contracts of service and are therefore entitled to their respective bonuses.

CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
Risk Management and Internal Controls		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	Directors are regularly updated by the Management on the developments within the Group and supplied with such other information so that they are equipped to participate fully at Board and Board Committee meetings. Board and Board Committee papers are prepared for each Board and Board Committee meeting respectively and include information from the Management on the financial, business and corporate issues to enable the Directors to be properly briefed on issues to be raised at Board and Board Committee meetings. Related materials, background or explanatory information relating to issues to be raised at Board and Board Committee meetings such as disclosure documents, budgets, forecasts and monthly internal financial statements are also provided to the Directors. In respect of budgets, the Management also discloses and explains any material variance between the projections and actual results. The Board and Board Committees may also request from the Management such other additional information as it may consider necessary to be provided.
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Yes. The Company has appointed Messrs Yang Lee & Associates to handle its internal audit function.
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	(a) The Audit Committee reviews the adequacy and effectiveness of the Group's risk management and internal control system annually. In particular, internal and external audit reports on any material non-compliance or internal control weaknesses, including financial, operational, compliance and information technology controls and recommendations for improvements are submitted to the Audit Committee for review at least annually. The Audit Committee reviews the adequacy and effectiveness of the actions taken by the Management based on the recommendations made by the Company's internal auditors and external auditors to the Audit Committee.

CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	(b) The Board and the Audit Committee has also received positive assurance from the Managing Director and the Chief Financial Officer that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and the Group has put in place and will continue to maintain an effective, reliable, comprehensive and sound system of risk management and internal controls (addressing financial, operational, informational technology and compliance risks). In addition, based on the internal controls established and maintained by the Group, work performed by the Company's internal auditors and external auditors and reviews performed by the Management, the various Board Committees and the Board, as well as the positive assurance from the Managing Director and the Chief Financial Officer as to the adequacy and effectiveness of the Group's risk management and internal control system, the Board and the Audit Committee are of the opinion that the Group's system of internal controls and risk management including financial, operational, compliance and information technology controls, and its risk management systems, were adequate and effective as at 30 June 2017.
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. (b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	(a) The aggregate amount of fees paid or payable to the Company's external auditors for the financial year ended 30 June 2017 is as follows: Fees for audit services: US$140,725 (FY2016: US$136,117) Fees for non-audit services: US$0 (FY2016: US$0) (b) Not applicable.

CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
Communication with Shareholders		
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	(a) The Directors are mindful of their obligation to provide Shareholders with regular and timely disclosure of material information that is presented in a fair and objective manner. Shareholders and other investors are provided regularly with: • Annual Reports; • quarterly and full year financial statements and other financial announcements as required under the Listing Manual; • presentations on the state of the Company (available when the Company holds a results briefing after the announcement of its financial statements); • press releases and other announcements on important developments; • a website and portal (www.kodaonline.com); and • replies to email queries from Shareholders. The Company meets with institutional and retail investors at least once a year at AGMs and will also consider holding analyst briefings and investor roadshows in the future to understand the views of Shareholders on various matters relating to the Company or the Group.

CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
	(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	(b) The Company has put in place a dedicated external investor relations team guided by the below described investor relations policy to promote regular, effective and fair communication with Shareholders. The contact details of the Company's dedicated external investor relations team are as follows: WeR1 Consultants Pte Ltd Tel: (+65) 6737 4844 | Fax: (+65) 6737 4944 Mr Frankie Ho – frankieho@wer1.net In line with the continuous disclosure obligations of the Company under the Listing Manual, the Company has put in place an investor relations policy to inform all Shareholders in a comprehensive manner and on a timely basis of all material developments that impact the Group and in particular, changes in the Group or its business which would be likely to materially affect the price or value of the Company's shares.
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	(c) Apart from SGXNET announcements and the annual report, the Company keep Shareholders informed of corporate developments through updates on the Company's website and press releases from time to time.
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	The Company has declared a final tax-exempt (one-tier) dividend of 1.0 Singapore cents per ordinary share and a tax-exempt (one-tier) special dividend of 2.0 Singapore cents per ordinary share for the financial year ended 30 June 2017.

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended June 30, 2017.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 74 to 144 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at June 30, 2017, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

The directors of the Company in office at the date of this statement are:

Koh Teng Kwee
James Koh Jyh Gang
Koh Jyh Eng
Koh Shwu Lee
Chan Wah Tiong
Sim Cheng Huat
Ying Siew Hon, Francis (Appointed on November 18, 2016)
Tan Choon Seng (Appointed on November 18, 2016)

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

	Direct interests		Indirect interests	
Names of directors and company in which interests are held	**At beginning of year**	**At end of year**	**At beginning of year**	**At end of year**
Koda Ltd				
– Ordinary shares				
Koh Teng Kwee	4,713,936	4,713,936	–	–
James Koh Jyh Gang	8,405,595	8,405,595	–	–
Koh Jyh Eng	4,466,694	4,466,694	10,800	10,800
Koh Shwu Lee	4,142,613	4,142,613	129,600	129,600

DIRECTORS' STATEMENT

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

On June 8, 2017, the Company allotted and issued bonus shares on the basis of one bonus share for every two ordinary shares in the capital of the Company (the "Bonus Issue"). Accordingly, the directors' interest in shares as at July 1, 2016 had been adjusted as if the Bonus Issue had been completed on July 1, 2016 for comparative purposes.

By virtue of Section 7 of the Singapore Companies Act, Koh Teng Kwee and James Koh Jyh Gang are deemed to have an interest in the Company and in all the related corporations of the Company.

The directors' interests as at July 21, 2017 were the same as those at the end of the financial year.

4 SHARE OPTIONS AND PERFORMANCE SHARE PLAN

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

Performance Share Plan

The Koda Performance Share Plan ("Performance Share Plan") was approved by shareholders at an Extraordinary General Meeting ("EGM") held on October 28, 2008. The Performance Share Plan was subsequently amended and approved by shareholders at an EGM held on October 28, 2016. The Performance Share Plan is administered by the Remuneration Committee comprising the Independent Directors Ying Siew Hon, Francis, Chan Wah Tiong, Sim Cheng Huat and Tan Choon Seng. The maximum period of the Performance Share Plan is 10 years commencing on the date on which it is adopted by the Company and will expire on October 28, 2018.

The participants of the Performance Share Plan will receive fully paid shares of the Company free of charge, provided that certain prescribed performance targets and/or service conditions are met, or where in the opinion of the Remuneration Committee, a participant's performance and/or contribution to the Company warrants it. The aggregate number of shares which are the subject of each award to be granted to any participants, and the conditions under which the awards are granted such as the date of grant, vesting periods and other relevant and applicable rules under the Performance Share Plan, is determined at the sole and absolute discretion of the Remuneration Committee and may be performance based or time based.

DIRECTORS' STATEMENT

4 **SHARE OPTIONS AND PERFORMANCE SHARE PLAN (CONTINUED)**

Performance Share Plan (Continued)

On November 28, 2016, the Company granted up to 746,809 shares under the Performance Share Plan, details of which are as follows –

Name of participant	1 month from November 28, 2016	Vesting period: 6 months from June 30, 2017	Vesting period: 6 months from June 30, 2018	Total	Vested	Unvested
	No. of shares	No. of shares No more than:	No. of shares No more than:	No. of shares No more than:	No. of shares	No. of shares No more than:
Koh Zhu Xian Joshua	13,000[2]	31,000[1]	73,000[1]	117,000	(13,000)[2]	104,000[1]
Koh Zhu Lian Julian	19,000[2]	31,000[1]	73,000[1]	123,000	(19,000)[2]	104,000[1]
Gan Shee Wen	18,834[2]	31,250[1]	72,916[1]	123,000	(18,834)[2]	104,166[1]
Wong Se Sun	47,546[2]	160,125[1]	176,138[1]	383,809	(47,546)[2]	336,263[1]
Total	**98,380[2]**	**253,375[1]**	**395,054[1]**	**746,809**	**(98,380)[2]**	**648,429[1]**

(1) The number of shares to be vested will be determined by the Remuneration Committee based on certain performance metrics of the participants.

(2) Vested shares are allotted and issued to the respective participants and are subject to a two (2) year moratorium ("Moratorium Period") from the date the shares ("Moratorised Shares") are allotted and issued. The Moratorised Shares shall not be transferred or disposed during the Moratorium Period.

During the financial year, no shares granted under the Performance Share Plan were cancelled or lapsed.

The Company will be making the necessary adjustments to the unvested shares in accordance with the rules of the Performance Share Plan as a result of the Bonus Issue.

5 **OPTIONS EXERCISED**

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

6 **UNISSUED SHARES UNDER OPTIONS**

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

DIRECTORS' STATEMENT

7 AUDIT COMMITTEE

The Audit Committee of the Company, consisting of all non-executive directors, is chaired by Chan Wah Tiong, the lead independent director, and includes Sim Cheng Huat, an independent director, Ying Siew Hon, Francis, an independent director and Tan Choon Seng, an independent director. The Audit Committee has met four times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

(a) the audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

(b) the Group's financial and operating results and accounting policies;

(c) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;

(d) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial positions of the Company and the Group;

(e) the co-operation and assistance given by the management to the Group's external and internal auditors; and

(f) the re-appointment of the external auditors of the Group.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors at the forthcoming AGM of the Company.

8 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

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James Koh Jyh Gang

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Koh Shwu Lee

September 28, 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KODA LTD

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Koda Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at June 30, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 74 to 144.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at June 30, 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the statement of changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Allowance for inventories</u>

As the Group is involved in the business of trading and manufacturing of furniture, it has significant inventory balances amounting to approximately 18% of total assets, which are recorded at the lower of cost and net realisable value. The determination of the net realisable value is critically dependent upon the management's assessment of the inventory obsolescence.

This assessment involves the exercise of significant judgement in determining the level of allowance for inventory obsolescence required, where management takes into consideration, the age, type of inventories, likelihood of obsolescence due to customers' receptiveness to designs of the furniture products, presence of distributorships, past sales history and the condition of the inventory items.

The Group's disclosure on inventories is set out in Note 9 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KODA LTD

Key Audit Matters (Continued)

Allowance for inventories (Continued)

Our audit performed and responses thereon

We performed procedures to understand management's process over the monitoring and review of inventory obsolescence and the policy in place to determine the level of allowance required.

We discussed with management and evaluated the appropriateness of the Group's policy and basis used in the assessment of allowance for inventories, and recalculated the allowance recorded, including testing the accuracy of the aging data used on a sample basis.

We also assessed the reasonableness of the level of allowance recorded by comparing to recently transacted prices or prices of past sales of similar furniture products. We performed sensitivity analysis on the estimated selling prices and also assessed the adequacy of disclosures made by management in respect of allowance for inventories.

Valuation of the Group's freehold land and leasehold buildings

The Group has freehold land and leasehold buildings stated at fair value, determined based on professional external valuers engaged by the Group. The valuation process involves significant judgement and estimation. The valuations are dependent on the valuation methodology applied and these are underpinned by a number of assumptions which included price per square metre of market comparables used; location; estimated replacement costs on the buildings adjusted for depreciation allowances, professional fees and finance cost. A change in the key assumptions applied may have a significant impact to the valuation.

Disclosures on key assumptions and valuation techniques of the freehold land and leasehold buildings are set out in Note 16 to the financial statements.

Our audit performed and responses thereon

We read the valuation reports from the external professional valuers and held discussions with the valuers to evaluate the independence, qualifications, competence and objectivity of the external professional valuers and the scope of works. We have considered the valuation methodologies used and judgemental adjustments made by the valuers for the differences in property attributes between the Group's freehold land and leasehold buildings.

We have considered the related disclosures in the financial statements to be appropriate in describing key unobservable inputs and relationships between the key unobservable inputs and fair value.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KODA LTD

Information Other than the Financial Statements and Auditor's Report Thereon (Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KODA LTD

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary corporation incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Hoe Chi-Hsien.

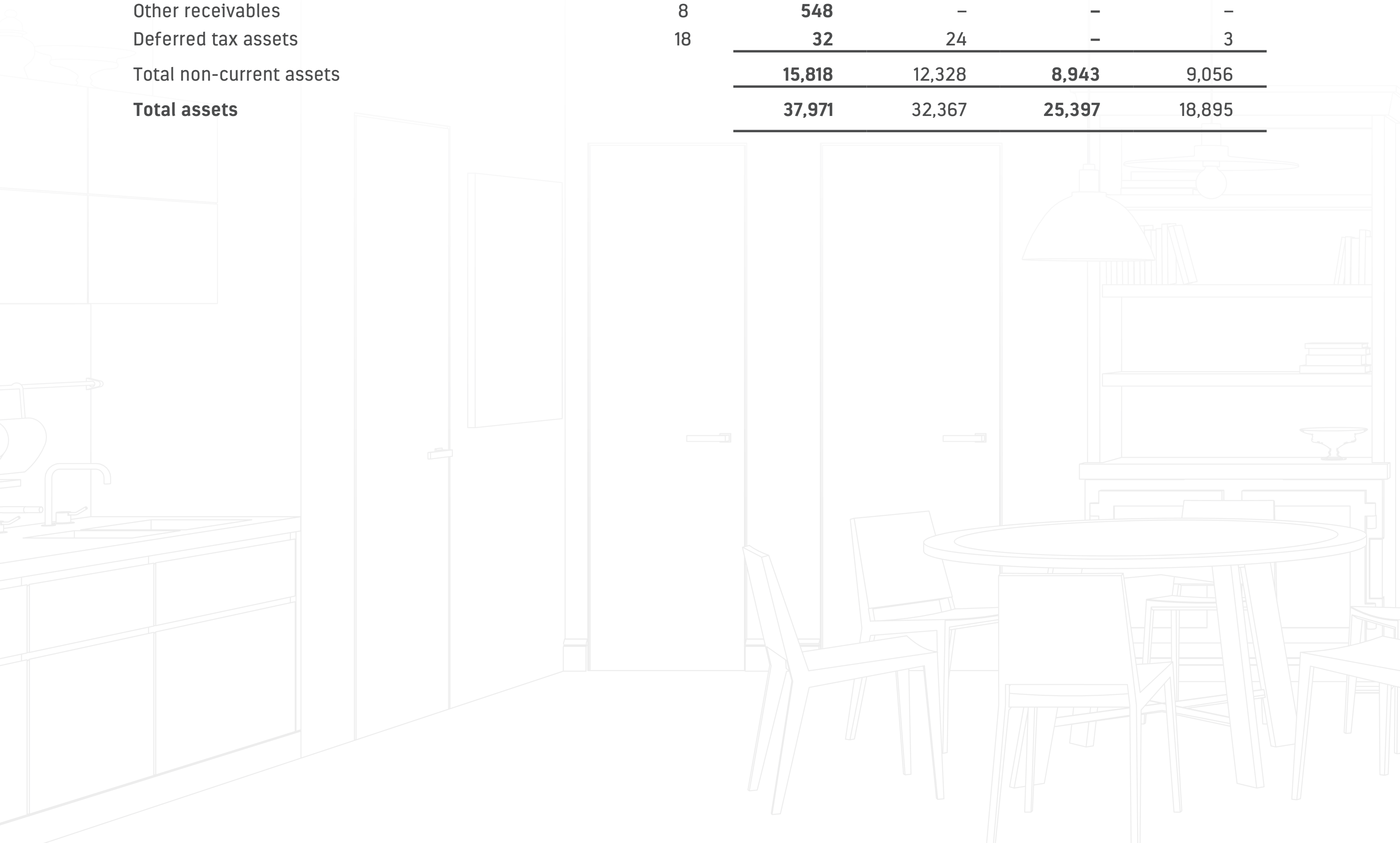
Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

September 28, 2017

STATEMENTS OF FINANCIAL POSITION

June 30, 2017

	Note	GROUP		COMPANY	
		2017	2016	**2017**	2016
		US$'000	US$'000	**US$'000**	US$'000
ASSETS					
Current assets					
Cash and bank balances	6	**8,352**	4,607	**1,691**	764
Trade receivables	7	**4,294**	3,528	**5,534**	4,664
Other receivables	8	**2,780**	2,573	**9,229**	4,365
Inventories	9	**6,727**	6,883	**–**	46
		22,153	17,591	**16,454**	9,839
Assets classified as held for sale	10	**–**	2,448	**–**	–
Total current assets		**22,153**	20,039	**16,454**	9,839
Non-current assets					
Investment in subsidiaries	11	**–**	–	**8,135**	8,135
Investment in an associate	12	**3**	11	**–**	–
Available-for-sale investments	13	**–**	–	**–**	–
Goodwill	14	**–**	–	**–**	–
Club memberships	15	**207**	208	**192**	192
Property, plant and equipment	16	**15,028**	12,085	**616**	726
Investment properties	17	**–**	–	**–**	–
Other receivables	8	**548**	–	**–**	–
Deferred tax assets	18	**32**	24	**–**	3
Total non-current assets		**15,818**	12,328	**8,943**	9,056
Total assets		**37,971**	32,367	**25,397**	18,895



STATEMENTS OF FINANCIAL POSITION (Cont'd)

June 30, 2017

	Note	GROUP 2017 US$'000	GROUP 2016 US$'000	COMPANY 2017 US$'000	COMPANY 2016 US$'000
LIABILITIES AND EQUITY					
Current liabilities					
Bills payables	19	**127**	522	**–**	–
Trade payables	20	**1,914**	2,858	**5,548**	5,530
Other payables	21	**5,323**	4,124	**2,311**	1,473
Current portion of obligations under finance leases	22	**51**	96	**32**	65
Current portion of bank loans	23	**146**	405	**146**	405
Income tax payable		**375**	296	**–**	–
Total current liabilities		**7,936**	8,301	**8,037**	7,473
Non-current liabilities					
Deferred tax liabilities	18	**1,152**	609	**–**	–
Non-current portion of bank loans	23	**477**	425	**477**	425
Obligations under finance leases	22	**67**	122	**27**	59
Total non-current liabilities		**1,696**	1,156	**504**	484
Capital, reserves and non-controlling interests					
Share capital	24	**4,362**	4,312	**4,362**	4,312
Treasury shares	25	**(13)**	(10)	**(13)**	(10)
Capital reserves	26	**7,939**	5,419	**187**	58
Translation reserve		**(2,232)**	(1,597)	**–**	–
Accumulated profits		**18,283**	14,786	**12,320**	6,578
Equity attributable to owners of the Company		**28,339**	22,910	**16,856**	10,938
Non-controlling interests		**–**	–	**–**	–
Total equity		**28,339**	22,910	**16,856**	10,938
Total liabilities and equity		**37,971**	32,367	**25,397**	18,895

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended June 30, 2017

	Note	2017 US$'000	2016 US$'000
Revenue	27	49,491	37,110
Cost of sales		(33,571)	(26,835)
Gross profit		15,920	10,275
Other income	28	772	1,657
Distribution costs		(4,096)	(3,278)
Administrative expenses		(7,215)	(5,770)
Other expenses	29	(385)	(472)
Share of results of associate	12	(1)	1
Finance costs	30	(33)	(59)
Profit before income tax		4,962	2,354
Income tax expense	31	(912)	(771)
Profit for the year	32	4,050	1,583
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of properties:			
Gain on revaluation	16	2,914	60
Deferred tax liability arising on revaluation	18	(585)	(14)
		2,329	46
Items that may be reclassified subsequently to profit or loss:			
Translation differences arising from consolidation of foreign operations		(635)	(470)
Other comprehensive income (loss) for the year, net of tax		1,694	(424)
Total comprehensive income for the year		5,744	1,159
Profit (Loss) attributable to:			
Owners of the Company		4,050	1,641
Non-controlling interests		–	(58)
		4,050	1,583
Total comprehensive income (loss) attributable to:			
Owners of the Company		5,744	1,211
Non-controlling interests		–	(52)
		5,744	1,159
Earnings per share (US cents)			
Basic	34	14.39	5.51
Diluted	34	14.39	5.51

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended June 30, 2017

	Note	Share capital US$'000	Treasury shares US$'000	Capital reserves US$'000	Translation reserve US$'000	Accumulated profits US$'000	Equity Attributable to owners of the Company US$'000	Non-controlling interests US$'000	Total US$'000
GROUP									
Balance at July 1, 2015		4,312	–	5,373	(1,121)	13,340	21,904	(216)	21,688
Total comprehensive income for the year:									
Profit for the year		–	–	–	–	1,641	1,641	(58)	1,583
Other comprehensive loss		–	–	46	(476)	–	(430)	6	(424)
Total		–	–	46	(476)	1,641	1,211	(52)	1,159
Transactions with owners, recognised directly in equity:									
Dividends	33	–	–	–	–	(195)	(195)	–	(195)
Repurchase of shares	25	–	(10)	–	–	–	(10)	–	(10)
Disposal of subsidiaries	36	–	–	–	–	–	–	268	268
Total		–	(10)	–	–	(195)	(205)	268	63
Balance at June 30, 2016		4,312	(10)	5,419	(1,597)	14,786	22,910	–	22,910
Total comprehensive income for the year:									
Profit for the year		–	–	–	–	4,050	4,050	–	4,050
Other comprehensive income		–	–	2,329	(635)	–	1,694	–	1,694
Total		–	–	2,329	(635)	4,050	5,744	–	5,744
Transactions with owners, recognised directly in equity:									
Dividends	33	–	–	–	–	(491)	(491)	–	(491)
Issue of new shares	24, 26	50	–	(50)	–	–	–	–	–
Share-based expenses	26	–	–	179	–	–	179	–	179
Repurchase of shares	25	–	(3)	–	–	–	(3)	–	(3)
Transfer to legal reserve	26	–	–	62	–	(62)	–		–
Total		50	(3)	191	–	(553)	(315)	–	(315)
Balance at June 30, 2017		**4,362**	**(13)**	**7,939**	**(2,232)**	**18,283**	**28,339**	**–**	**28,339**

STATEMENTS OF CHANGES IN EQUITY

Year ended June 30, 2017

	Note	Share capital US$'000	Treasury shares US$'000	Capital reserves US$'000	Accumulated profits US$'000	Total US$'000
COMPANY						
Balance at July 1, 2015		4,312	–	58	7,368	11,738
Loss for the year, representing total comprehensive income for the year		–	–	–	(595)	(595)
Transactions with owners, recognised directly in equity						
Dividends	33	–	–	–	(195)	(195)
Repurchase of shares	25	–	(10)	–	–	(10)
Total		–	(10)	–	(195)	(205)
Balance at June 30, 2016		4,312	(10)	58	6,578	10,938
Profit for the year, representing total comprehensive income for the year		–	–	–	6,233	6,233
Transactions with owners, recognised directly in equity:						
Dividends	33	–	–	–	(491)	(491)
Issue of new shares	24, 26	50	–	(50)	–	–
Share-based expenses	26	–	–	179	–	179
Repurchase of shares	25	–	(3)	–	–	(3)
Total		50	(3)	129	(491)	(315)
Balance at June 30, 2017		**4,362**	**(13)**	**187**	**12,320**	**16,856**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2017

	2017 US$'000	2016 US$'000
Operating activities		
Profit before income tax	**4,962**	2,354
Adjustments for:		
Depreciation of property, plant and equipment	**1,047**	1,024
Property, plant and equipment written off	**–**	11
Allowance for inventories	**158**	59
Inventories written off	**2**	1
Impairment loss on assets held for sale	**–**	286
Impairment loss on available-for-sale investments	**–**	6
Reversal of doubtful trade receivables	**–**	(4)
Allowance for doubtful other receivables -net	**39**	98
Bad debts written off	**90**	11
Gain on disposal of subsidiaries	**–**	(676)
Gain on disposal of property, plant and equipment – net	**(2)**	(50)
Loss on disposal of assets held for sale	**46**	–
Equity-settled share-based expenses	**179**	–
Share of results of associate	**1**	(1)
Interest income	**(58)**	(52)
Interest expense	**33**	59
Operating cash flows before movements in working capital	**6,497**	3,126
Trade receivables	**(856)**	36
Other receivables	**(246)**	86
Inventories	**(4)**	405
Trade payables	**(944)**	474
Other payables	**2,535**	154
Cash generated from operations	**6,982**	4,281
Interest paid	**(33)**	(59)
Interest received	**58**	52
Income tax paid	**(991)**	(496)
Net cash from operating activities	**6,016**	3,778

CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

Year ended June 30, 2017

	2017 US$'000	2016 US$'000
Investing activities		
Proceeds from disposal of assets held for sale	1,067	–
Proceeds from disposal of property, plant and equipment	50	128
Purchase of property, plant and equipment (Note A)	(1,536)	(1,744)
Deposits received from sale of investment properties	–	1,335
Deposits paid for purchase of property, plant and equipment	(548)	–
Assets classified as held for sale	–	(51)
Disposal of subsidiaries	–	(10)
Dividend received from associate	7	–
Net cash used in investing activities	(960)	(342)
Financing activities		
Dividends paid	(491)	(195)
Decrease in bills payables	(395)	(1,804)
Repayment of bank loans	(440)	(333)
Proceeds from bank loans	233	524
Purchase of treasury shares	(3)	(10)
Repayment of finance leases	(100)	(121)
Net cash used in financing activities	(1,196)	(1,939)
Net increase in cash and cash equivalents	3,860	1,497
Cash and cash equivalents at beginning of year (Note 6)	4,607	2,933
Effects of foreign exchange translation	(115)	177
Cash and cash equivalents at end of year (Note 6)	8,352	4,607

Note A:

Purchase of property, plant and equipment

In 2016, the Group acquired property, plant and equipment with aggregate cost of US$1,850,000 of which US$106,000 was acquired under finance lease arrangement. Cash payment of US$1,744,000 was made to purchase the property, plant and equipment.

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

1 GENERAL

The Company (Registration No. 198001299R) is incorporated in Singapore with its principal place of business and registered office at 28 Defu Lane 4, Singapore 539424. The Company is listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The financial statements are expressed in United States dollars.

The principal activities of the Company are those relating to the manufacture of furniture and fixtures of wood (including upholstery), furniture design services and investment holding.

The principal activities of the subsidiaries and associate are disclosed in Notes 11 and 12 respectively to the financial statements.

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the year ended June 30, 2017 were authorised for issue by the Board of Directors on September 28, 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Financial Reporting Standards in Singapore ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADOPTION OF NEW AND REVISED STANDARDS – On July 1, 2016, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- FRS 109 *Financial Instruments*(2)
- FRS 115 *Revenue from Contracts with Customers (with clarifications issued)*(2)
- FRS 116 *Leases*(3)
- Amendments to FRS 115 *Clarifications to FRS 115 Revenue from Contracts with Customers*(2)
- Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*(1)

(1) Applies to annual periods beginning on or after January 1, 2017, with early application permitted.

(2) Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

(3) Applies to annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply FRS 115 at or before the date of initial application of FRS 116.

Consequential amendments were also made to various standards as a result of these new/revised standards.

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

FRS 109 *Financial Instruments*

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting (iii) impairment requirements for financial assets.

Key requirements of FRS 109:

All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss ("FVTPL"). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

Key requirements of FRS 109: (Continued)

With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under FRS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL is presented in profit or loss.

Management is currently assessing the potential financial impact of FRS 109 on the financial statements of the Group and of the Company in the period of initial adoption. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the financial statements in the period of initial application as management has yet to complete its detailed assessment. Management does not plan to early adopt the new FRS 109.

FRS 115 *Revenue from Contracts with Customers*

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 Revenue, FRS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. More prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

In June 2017, amendments to FRS 115 was issued to provide clarifications on (i) identifying performance obligations (ii) principal versus agent considerations and (iii) licensing application guidance. The amendments also included two additional transition reliefs on contract modifications and completed contracts.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

FRS 115 *Revenue from Contracts with Customers* (Continued)

Management is currently assessing the potential financial impact of FRS 115 on the financial statements of the Group and of the Company in the period of initial application. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the financial statements in the period of initial application as management has yet to complete its detailed assessment. Management does not plan to early adopt the new FRS 115.

FRS 116 *Leases*

FRS 116 was issued in June 2017 and it will supersede FRS 17 *Leases* and its associated interpretative guidance.

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

Management is currently assessing the potential financial impact of FRS 116 on the financial statements of the Group and of the Company in the period of initial application. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the financial statements in the period of initial application as management has yet to complete its detailed assessment. Management does not plan to early adopt the new FRS 116.

Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*

The amendments required an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Management is currently estimating the effects of Amendments to FRS 7 on its presentation of financial statements in the period of initial adoption.

FRS convergence in 2018

Singapore-incorporated companies listed on the SGX will be required to apply a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after January 1, 2018. The Group will be adopting the new framework for the first time for financial year ending June 30, 2019.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

FRS convergence in 2018 *(Continued)*

Based on a preliminary assessment of the potential impact arising from IFRS 1 First-time adoption of IFRS, management does not expect significant changes to the Group's current accounting policies or material adjustments on transition to the new framework, other than those that may arise from implementing new/revised IFRSs as set out in the preceding paragraphs on the equivalent FRSs.

Management is currently performing a detailed analysis of the transition options and other requirements of IFRS 1. The preliminary assessment above may be subject to change arising from the detailed analysis.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has the power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and

Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in their subsidiaries. Any difference between the amount of which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs).

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS – Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments*: *Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year from acquisition date.

The accounting policy for initial measurement of non-controlling interests is described above.

FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised on the Group's statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

Financial assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity investments", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

Financial assets (Continued)

Available-for-sale financial assets

Certain shares and debt securities held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in Note 13. Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in revaluation reserve is included in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

Available-for-sale financial assets are stated at cost, less any impairment in recoverable value, where fair values cannot be reliably measured.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables where the effect of discounting is immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through the profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserves. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Treasury shares

When the Company purchase its own equity share capital, the consideration paid, including any directly attributable costs, is recognised as 'Treasury shares' within equity. When the treasury shares are subsequently disposed, the realised gains or losses on disposal of the treasury shares are recognised in equity.

Bank borrowings and bills payables

Interest-bearing bank loans, bank overdrafts and bills payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

LEASES – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

CLUB MEMBERSHIPS – Club memberships are stated at cost less impairment losses recognised when the carrying amount exceeds the estimated recoverable amount.

NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE – Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

INVENTORIES – Inventories are stated at the lower of cost (weighted average method) and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENT IN AN ASSOCIATE – An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with FRS 105. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with FRS 36 Impairment of Assets as a single asset by comparing its recoverable amount with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

PROPERTY, PLANT AND EQUIPMENT – Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their costs or revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land and construction-in-progress over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold land and buildings	–	over terms of lease of $1^{2}/_{3}\%$ to 4%
Leasehold improvements	–	50%
Plant and machinery	–	10% to $16^{2}/_{3}\%$
Office equipment	–	10% to $33^{1}/_{3}\%$
Motor vehicles	–	10% to 25%

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to accumulated profits. No transfer is made from the revaluation reserve to accumulated profits except when an asset is derecognised.

INVESTMENT PROPERTY – Investment property, which is property held to earn rentals and/or for capital appreciation, including property under construction for such purposes, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOODWILL – Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

INTANGIBLE ASSETS

<u>Intangible assets acquired separately</u>

Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

<u>Intangible assets acquired in a business combination</u>

Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

INTANGIBLE ASSETS (Continued)

Intangible assets acquired in a business combination (Continued)

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL – At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

PROVISIONS – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

GOVERNMENT GRANTS – Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Rental income

The Group's policy for recognition of revenue from operating leases is described above.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

BORROWING COSTS – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

SHARE-BASED PAYMENTS – The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 35. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity settled employee benefits reserve.

RETIREMENT BENEFIT COSTS – Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAX – Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Except for investment properties measured using fair value model, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The group has not rebutted the presumption that the carrying amount of the investment properties will be recovered entirely through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company are presented in United States dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in United States dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the Group's translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve within capital reserves.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

CASH AND CASH EQUIVALENTS – Cash and cash equivalents in the statement of cash flows comprise cash on hand, bank balances and other short-term highly liquid assets and are subject to an insignificant risk of changes in value and are readily convertible to a known amount of cash.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) ***Critical judgements in applying the Group's accounting policies***

Management did not make any material judgements that have significant effect on the amounts recognised in the financial statements except for those affecting accounting estimates as disclosed in Note 3(ii) to the financial statements.

(ii) ***Key sources of estimation uncertainty***

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

a) Allowances for doubtful debts

The Group makes allowances for doubtful debts based on an assessment of the recoverability of trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts require the use of judgement and estimates, including taking into account past collection history of the debtors invoiced and the ongoing dealings with the debtors by management. Where the expectation is different from the original estimate, such differences will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate have been changed. The carrying amounts of the Group's trade and other receivables and the related allowances for doubtful debts are disclosed in Notes 7 and 8 to the financial statements respectively.

b) Allowances for inventories

Management determines whether an allowance for inventory obsolescence or slow-moving inventories or for any shortfall in net realisable value of inventories is required by reviewing the inventory listing on a periodic basis. The review involves consideration of the age, type of inventories, likelihood of obsolescence due to customers' receptiveness to designs of the furniture products, presence of distributorships, past sales history and the condition of the inventory items.

Arising from the review, management sets up the necessary allowance for obsolete and slow-moving inventories or for any shortfall in the net realisable value of the inventories. The carrying amounts of the Group's inventories are disclosed in Note 9 to the financial statements.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

3 **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY** (CONTINUED)

(ii) ***Key sources of estimation uncertainty*** (Continued)

c) Valuation of freehold land and leasehold buildings

Freehold land and leasehold buildings are stated at fair values based on independent professional valuations. In determining the fair value, the valuer has used valuation techniques which involve certain estimates and significant unobservable inputs which are disclosed in Note 16.

In relying on the valuation reports, management has exercised its judgement and is satisfied that the independent valuer has appropriate recognised professional qualifications and the estimates are reflective of current market conditions at the end of each reporting period.

d) Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment exhibit any indication of impairment. Where such indications exist, the recoverable amounts of property, plant and equipment will be determined based on value-in-use calculations. These calculations require the use of judgement and estimates. The carrying amounts of the Group's property, plant and equipment are disclosed in Note 16 to the financial statements.

e) Impairment of investment in subsidiaries

The Company assesses annually whether its investment in subsidiaries exhibits any indication of impairment. Where such indications exist, the recoverable amounts of the investment in subsidiaries will be determined based on value-in-use calculations.

The value-in-use calculation requires the Company to estimate the future cash flows expected from these investments and a suitable discount rate in order to calculate present value. The carrying amount of the Company's investment in subsidiaries is disclosed in Note 11 to the financial statements.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period.

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Financial assets				
Loans and receivables (including cash and bank balances)	**13,079**	11,358	**16,344**	9,520
Financial liabilities				
Amortised cost	**6,330**	5,640	**7,759**	6,998

(b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

The Group and the Company do not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting agreements.

(c) Financial risk management policies and objectives

The Group is exposed to various financial risks arising from the normal course of business. It has adopted risk management policies and utilises a variety of techniques to manage its exposure to these risks.

The Group does not hold nor issue derivative financial instruments.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

(i) Foreign currency risk management

The Group transacts its business in various foreign currencies and therefore is exposed to foreign exchange risk. Significant foreign currencies include the United States dollar ("USD"), the Chinese Renminbi ("RMB"), the Singapore dollar ("SGD") and the Vietnam Dong ("VND"). The Group does not enter into any derivative financial investments to hedge this risk.

The Group uses natural hedges that arise from offsetting assets and liabilities that are denominated in foreign currencies.

The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

(i) Foreign currency risk management (Continued)

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

	USD US$'000	RMB US$'000	SGD US$'000	VND US$'000	Others US$'000
2017					
GROUP					
Assets					
Cash and bank balances	693	–	60	3,671	16
Trade receivables	86	–	–	–	–
Other receivables	–	–	52	–	–
Total	779	–	112	3,671	16
Liabilities					
Trade payables	317	52	6	1,434	–
Other payables	–	–	276	973	–
Finance leases	–	–	59	–	–
Total	317	52	341	2,407	–

	USD US$'000	RMB US$'000	SGD US$'000	VND US$'000	Others US$'000
2017					
COMPANY					
Assets					
Cash and bank balances	–	–	60	–	16
Other receivables	–	–	52	–	–
Total	–	–	112	–	16
Liabilities					
Trade payables	–	52	6	–	–
Other payables	–	–	276	–	–
Finance leases	–	–	59	–	–
Total	–	52	341	–	–

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

(i) Foreign currency risk management (Continued)

	USD US$'000	RMB US$'000	SGD US$'000	VND US$'000	Others US$'000
2016					
GROUP					
Assets					
Cash and bank balances	263	148	85	1,732	14
Trade receivables	439	–	–	–	–
Total	702	148	85	1,732	14
Liabilities					
Trade payables	33	64	2	1,599	–
Other payables	–	–	2	1,784	–
Finance leases	–	–	124	–	–
Total	33	64	128	3,383	–

	USD US$'000	RMB US$'000	SGD US$'000	VND US$'000	Others US$'000
2016					
COMPANY					
Assets					
Cash and bank balances	–	148	85	–	14
Total	–	148	85	–	14
Liabilities					
Trade payables	–	64	1	–	–
Other payables	–	–	2	–	–
Finance leases	–	–	124	–	–
Total	–	64	127	–	–

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 10% is the sensitivity rate which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's profit or loss and/or equity.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

(i) Foreign currency risk management (Continued)

Foreign currency sensitivity (Continued)

A positive number below indicates an increase in profit or loss where functional currency of each Group entity strengthens by 10% against the foreign currency. For a 10% weakening of the functional currency of each Group entity against the foreign currency, there would be an equal and opposite impact on the profit or loss.

	USD Impact		RMB Impact		SGD Impact		VND Impact		Others Impact	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
GROUP										
Profit or loss	**(46)**	(67)	**5**	(8)	**23**	4	**(126)**	165	**(2)**	(1)
COMPANY										
Profit or loss	**–**	–	**5**	(8)	**23**	4	**–**	–	**(2)**	(1)

(ii) Interest rate risk management

Summary quantitative data of the Group's interest-bearing financial instruments can be found in Section (iv) of this Note. The Group's policy is to maintain cash equivalents and borrowings in both fixed and variable rate instruments.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for financial instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease represents management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's and Company's profit or loss for the year ended June 30, 2017 would decrease/increase by US$4,000 and US$3,000 (2016: US$7,000 and US$4,000) respectively. This is mainly attributable to the Group's and Company's exposure to variable interest rates on its interest-bearing borrowings.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

(iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties

The Group's and Company's cash and bank balances are held with creditworthy financial institutions.

Trade receivables consist of various customers spread across different geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, letters of credit and credit insurance will be obtained on the trade receivables.

The Group and Company do not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristic except as described below.

The Group and Company defines counterparties as having similar characteristics if they are related entities.

At the end of the year, the Group has outstanding trade receivables from the top 5 customers which represent 57% (2016: 36%) of total trade receivables balance at year end.

At the end of the year, the Company has outstanding trade and other receivables of US$1,335,000 (2016: US$1,642,000) and US$9,011,000 (2016: US$3,815,000) respectively from its subsidiaries which represent 24% (2016: 35%) and 98% (2016: 87%) respectively of its total trade and other receivables. Ongoing credit evaluation is performed on the financial condition of its subsidiaries.

The carrying amounts of financial assets recorded in the financial statements, grossed up for any allowances for impairment losses, represents the Group's and the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained for trade receivables.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

(iii) Credit risk management (Continued)

The following table shows the net exposure to credit risk after taking into account of the value of collateral obtained for trade receivables:

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Carrying amount (Note 7)	**4,294**	3,528	**5,534**	4,664
Less: Amount covered by letters of credits from customers	**(1,238)**	(994)	**(1,238)**	(994)
Less: Credit insurance	**(1,890)**	(1,418)	**(1,890)**	(1,418)
Net exposure to credit risk	**1,166**	1,116	**2,406**	2,252

(iv) Liquidity risk management

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Short-term funding is obtained from overdraft facilities and short-term bank loans. Any temporary shortfall of funds of the Company or its subsidiaries would be managed by obtaining short-term financing within the Group.

Liquidity and interest risk analysis

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's and Company's liquidity risk management as the Group's and Company's liquidity risk is managed on a net asset and liability basis. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipate that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statements of financial position.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

(iv) Liquidity risk management (Continued)

Liquidity and interest risk analysis (Continued)

Non-derivative financial assets (Continued)

	Weighted average effective interest rate %	On demand or within 1 year US$'000	Adjustment US$'000	Total US$'000
GROUP				
2017				
Non-interest bearing	**–**	**11,029**	**–**	**11,029**
Fixed interest rate instruments	**3.14**	**2,067**	**(17)**	**2,050**
Total		**13,096**	**(17)**	**13,079**
2016				
Non-interest bearing	–	10,391	–	10,391
Fixed interest rate instruments	5.0	974	(7)	967
Total		11,365	(7)	11,358
COMPANY				
2017				
Non-interest bearing	**–**	**15,344**	**–**	**15,344**
Fixed interest rate instruments	**1.25**	**1,002**	**(2)**	**1,000**
Total		**16,346**	**(2)**	**16,344**
2016				
Non-interest bearing	–	9,520	–	9,520

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

4 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT** (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

(iv) Liquidity risk management (Continued)

Non-derivative financial liabilities

The following table detail the remaining contractual maturity for non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

	Weighted average effective interest rate %	On demand or within 1 year US$'000	Within 2 to 5 years US$'000	Adjustment US$'000	Total US$'000
GROUP					
2017					
Non-interest bearing		**5,462**	**–**	**–**	**5,462**
Finance lease liability (fixed rate)	**4.6**	**56**	**73**	**(11)**	**118**
Variable interest rate instruments	**3.0**	**292**	**502**	**(44)**	**750**
		5,810	**575**	**(55)**	**6,330**
2016					
Non-interest bearing		4,070	–	–	4,070
Finance lease liability (fixed rate)	3.2	106	133	(21)	218
Variable interest rate instruments	2.5	960	484	(92)	1,352
		5,136	617	(113)	5,640

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (CONTINUED)

(c) Financial risk management policies and objectives (Continued)

(iv) Liquidity risk management (Continued)

Non-derivative financial liabilities (Continued)

	Weighted average effective interest rate %	On demand or within 1 year US$'000	Within 2 to 5 years US$'000	Adjustment US$'000	Total US$'000
COMPANY					
2017					
Non-interest bearing		**7,077**	**–**	**–**	**7,077**
Finance lease liability (fixed rate)	**4.5**	**35**	**30**	**(6)**	**59**
Variable interest rate instruments	**3.0**	**164**	**502**	**(43)**	**623**
		7,276	**532**	**(49)**	**7,759**
2016					
Non-interest bearing		6,044	–	–	6,044
Finance lease liability (fixed rate)	2.3	71	65	(12)	124
Variable interest rate instruments	2.4	425	484	(79)	830
		6,540	549	(91)	6,998

(v) Fair values of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

4 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT** (CONTINUED)

(d) Capital management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders.

The capital structure of the Group consists of equity attributable to owners, comprising share capital, treasury shares, reserves and accumulated profits as presented in the Group's statement of changes in equity.

The Group reviews its capital structure periodically. It balances its overall capital structure through the payment of dividends, new share issues, buy back issued shares as well as the issue of new debt or the redemption of existing debt.

The Group's overall strategy remains unchanged from prior year.

5 **RELATED PARTY TRANSACTIONS**

Some of the Group's transactions and arrangements are with related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. Related parties in these financial statements refer to entities whose director is related to a director of the Company. The balances are unsecured, interest-free and repayable on demand unless stated otherwise.

Significant related party transactions are as follows:

	GROUP	
	2017	2016
	US$'000	US$'000
Companies in which a director has interests in:		
Prepaid rental of land to a related party	**–**	37
Refundable deposit placed with a related party	**–**	74
Rental of land from a related party	**69**	6
Companies in which a key management personnel has interests in:		
Management fee income from a related party	**22**	24

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

5 RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year are as follows:

	GROUP	
	2017	2016
	US$'000	US$'000
Short-term benefits	**1,379**	1,255
Post-employment benefits	**84**	78
Share-based payments	**179**	–
	1,642	1,333

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of the Group and individuals.

6 CASH AND BANK BALANCES

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Cash at bank	**8,329**	4,590	**1,681**	754
Cash on hand	**23**	17	**10**	10
Cash and bank balances, representing cash and cash equivalents in the consolidated statement of cash flows	**8,352**	4,607	**1,691**	764

The Group's cash at bank includes short-term deposits with an original maturity period of three months or less amounting to US$2,050,000 (2016: US$967,000) which bear effective interest at a fixed rate of 1.29% to 5.90% (2016: 5%) per annum.

The Company's cash at bank includes short-term deposits with an original maturity period of two months or less amounting to US$1,000,000 (2016: US$Nil) which bear effective interest at a fixed rate of 1.22% to 1.27% (2016: Nil%) per annum.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

7 TRADE RECEIVABLES

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Outside parties	**4,281**	3,000	**4,199**	2,933
Related parties, which a key management personnel has interests in (Note 5)	**13**	528	**–**	89
Subsidiaries (Note 11)	**–**	–	**1,335**	1,642
	4,294	3,528	**5,534**	4,664
Movement in allowance for doubtful debts:				
Balance at beginning of year	**–**	4	**–**	299
Amounts written off during the year	**–**	–	**–**	(299)
Credit to profit or loss		(4)	**–**	–
Balance at end of year	**–**	–	**–**	–

The average credit period on sale of goods is 30 days (2016: 30 days). No interest is charged on the trade receivables.

Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Before accepting any new customer, the Group will assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed periodically.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. In addition to allowance for doubtful debts recorded, management has assessed and written off US$90,000 (2016: US$11,000) deemed irrecoverable in profit or loss. The concentration of credit risk is disclosed in Note 4(c)(iii) to the financial statements.

Included in the Group's and Company's trade receivables are debtors with carrying amounts of US$1,629,000 and US$2,867,000 (2016: US$1,363,000 and US$2,500,000) respectively which are past due at the end of the reporting period for which the Group and Company have not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

7 TRADE RECEIVABLES (CONTINUED)

The table below is an analysis of trade receivables as at the end of reporting period:

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Not past due and not impaired	**2,665**	2,165	**2,667**	2,164
Past due but not impaired(i)	**1,629**	1,363	**2,867**	2,500
Total trade receivables, net	**4,294**	3,528	**5,534**	4,664

(i) Aging of receivables that are past due but not impaired:

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
<30 days	**1,156**	737	**1,173**	813
31 – 90 days	**345**	60	**349**	113
91 – 180 days	**10**	40	**14**	38
181 – 360 days	**82**	338	**140**	76
>360 days(i)	**36**	188	**1,191**	1,460
	1,629	1,363	**2,867**	2,500

(i) Due from long standing customers with no clear indicators of past credit default experience.

8 OTHER RECEIVABLES

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Subsidiaries(1) (Note 11)	**–**	–	**10,251**	4,848
Related parties with common directors (Note 5)	**24**	363	**21**	357
Other deposits(2)	**896**	311	**20**	17
Prepayments	**1,582**	1,018	**102**	266
Value added tax recoverable	**765**	780	**8**	7
Others	**198**	199	**88**	1
	3,465	2,671	**10,490**	5,496
Less: Allowance for doubtful debts				
Outside parties	**(116)**	–	**–**	–
Subsidiaries	**–**	–	**(1,240)**	(1,033)
Related parties	**(21)**	(98)	**(21)**	(98)
	3,328	2,573	**9,229**	4,365
Less: Other receivable(2) (non-current portion)	**(548)**	-	**-**	-
	2,780	2,573	**9,229**	4,365

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8 OTHER RECEIVABLES (CONTINUED)

(1) Included in other receivables due from subsidiaries in 2017 is an amount of US$5,344,000 dividend receivable from a subsidiary.

(2) Included in other deposits at the Group is an amount of US$548,000 which relates to deposit paid for the purchase of a land which is expected to be completed subsequent to year-end.

Movement in allowance for doubtful debts:

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Balance at beginning of year	**98**	–	**1,131**	600
Charge to profit or loss during the year	**116**	98	**207**	531
Credit to profit or loss during the year	**(77)**	–	**(77)**	–
Balance at end of year	**137**	98	**1,261**	1,131

9 INVENTORIES

	GROUP	
	2017	2016
	US$'000	US$'000
Raw materials	**3,235**	3,184
Work in progress	**1,015**	1,511
Finished goods	**2,477**	2,188
	6,727	6,883

In 2016, the Company held finished goods of US$46,000 as at the end of the reporting period.

As at June 30, 2017, inventories are net of an allowance of US$410,000 (2016: US$252,000) in respect of write-downs to net realisable value due to slow-moving inventories. The charge to "cost of sales" in profit or loss for the year amounts to US$158,000 (2016: US$59,000).

Inventories of US$2,000 (2016: US$1,000) were written off and recognised directly in profit or loss for goods which are not in saleable conditions.

10 ASSETS CLASSIFIED AS HELD FOR SALE

The assets classified as held for sale in 2016 consisted of the following:

A) On June 1, 2016, the management resolved to dispose the Group's remaining investment property (Note 17) and negotiation with a third party buyer to sell this remaining property for a cash consideration of US$649,000 had taken place before year end. Accordingly, the carrying amounts of the investment property, which was expected to be sold within twelve months, had been classified as held for sale.

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10 **ASSETS CLASSIFIED AS HELD FOR SALE** (CONTINUED)

B) On July 31, 2015, the Group entered into an agreement with the third party buyer to dispose certain of the Group's investment properties in Vietnam for a cash consideration of US$1,840,000.

As at June 30, 2016, the Group was pending for the local government on completing the transfer of ownership to the buyer. The Group remained committed in disposing these investment properties within the next 12 months. Accordingly, these investment properties continued to be classified as assets as held for sale.

The carrying amounts of the above investment properties which were expected to be sold within twelve months, had been classified as held for sale and were presented separately in the statement of financial position.

Investment properties classified as held for sale were as follows:

Investment properties

	GROUP	
	2017	2016
	US$'000	US$'000
Balance at beginning of year	**2,448**	1,800
Reclassified from "Investment properties" (Note 17)	**–**	934
Impairment loss (including estimated costs to sell)	**–**	(286)
Disposal	**(2,448)**	-
Balance at end of year	**–**	2,448

As at June 30, 2017, the transfer of ownership to the respective buyers of the investment properties has completed and a loss of US$46,000 was recorded in profit or loss upon completion of the transfers (Note 29).

11 **INVESTMENT IN SUBSIDIARIES**

	COMPANY	
	2017	2016
	US$'000	US$'000
Unquoted equity shares, at cost	**9,661**	9,661
Impairment loss	**(1,526)**	(1,526)
	8,135	8,135
Movement in impairment loss:		
Balance at beginning of year	**1,526**	4,282
Written off upon disposal/liquidation of subsidiaries	**–**	(2,756)
Balance at end of year	**1,526**	1,526

The balances with subsidiaries are unsecured, interest-free and repayable on demand.

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11 INVESTMENT IN SUBSIDIARIES (CONTINUED)

In 2017 and 2016, the Company carried out a review of the recoverable amount of its investments in subsidiaries and determined that no further impairment is required.

In 2016, the Company had written off impairment losses in the following subsidiaries which are disposed/liquidated:

	2016 US$'000
Richin Furniture Décor Pte Ltd [1]	1,890
Rossano Joint Stock Company [1]	53
Outdoor Living Pte Ltd [2]	63
Koda Furniture Dongguan Co., Ltd [2]	750
	2,756

[1] Disposed in 2016.

[2] Liquidated in 2016.

Details of the subsidiaries are described below:

Name of subsidiaries	**Proportion of ownership interest and voting power held**		**Principal activities and country of incorporation (or registration)/operations**
	2017 %	2016 %	
Jatat Furniture Industries Sdn Bhd [1]	**100**	100	Timber merchants and manufacturers, exporters, wholesalers and retailers of furniture (Malaysia)
Koda Woodcraft Sdn Bhd [1]	**100**	100	Timber merchants and manufacturers, exporters, wholesalers and retailers of furniture (Malaysia)
Koda Indochine Co., Ltd [1]	**100**	100	Dormant (Vietnam)
Koda International Ltd [1]	**100**	100	Dormant (Vietnam)

NOTES TO FINANCIAL STATEMENTS
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11 **INVESTMENT IN SUBSIDIARIES** (CONTINUED)

Name of subsidiaries	Proportion of ownership interest and voting power held		Principal activities and country of incorporation (or registration)/operations
	2017 %	2016 %	
Koda Saigon Co., Ltd [1]	**100**	100	Production of wooden furniture, steel furniture, inlaying of marble on wood and interior decoration (Vietnam)
Koda Vietnam Co., Ltd [2]	**100**	100	Dormant (Vietnam)
Commune Lifestyle Pte Ltd	**100**	100	Retail of furniture (Singapore)
Commune Lifestyle Sdn Bhd [1]	**100**	100	Trading and export of furniture (Malaysia)
Commune (Dongguan) Trading Co., Ltd [1]	**100**	100	Trading and export of furniture. (China)

The above subsidiaries are audited by Deloitte & Touche LLP Singapore except for the subsidiaries that are indicated below.

(1) Audited by overseas practices of Deloitte Touche Tohmatsu Limited.

(2) Undergoing liquidation.

12 **INVESTMENT IN AN ASSOCIATE**

	GROUP	
	2017 US$'000	2016 US$'000
Cost of investment in associate	**6**	6
Share of post-acquisition results, net of dividend received	**(2)**	6
Currency realignment	**(1)**	(1)
	3	11

NOTES TO FINANCIAL STATEMENTS

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12 INVESTMENT IN AN ASSOCIATE (CONTINUED)

Details of the Group's associate at June 30, 2017 are as follows:

Name of associate	Proportion of ownership interest and voting power held		Principal activities and country of incorporation (or registration)/operations
	2017 %	2016 %	
Commune Furniture (M) Sdn. Bhd [1]	19.9	19.9	Trading and distributor of furniture (Malaysia)

[1] Audited by T.Sim & Co.

The Group has significant influence over Commune Furniture (M) Sdn. Bhd. by virtue of its contractual right to appoint two out of four directors to the board of that company. In the event of a deadlock in the votes, the chairman who is appointed by the major shareholder will have the final vote on any resolutions tabled in the board meetings.

Summarised financial information in respect of the Group's associate is set out below:

	2017 US$'000	2016 US$'000
Current assets	**30**	186
Current liabilities	**–**	(109)
Revenue	**–**	310
(Loss) Profit net of tax	**(7)**	4
Dividend received from associate	**7**	-

Reconciliation of the above summarised financial information to the carrying amount of the interest in Commune Furniture (M) Sdn. Bhd. recognised in the consolidated financial statements:

	GROUP	
	2017 US$'000	2016 US$'000
Net assets of the associate	**30**	106
Proportion of the Group's ownership interest in associate	**19.9%**	19.9%
Share of net assets of the associate	**6**	21
Less: Share of pre-acquisition losses	**(10)**	(10)
Dividends received	**7**	–
Carrying amount of the Group's interest in associate	**3**	11

NOTES TO FINANCIAL STATEMENTS

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13 AVAILABLE-FOR-SALE INVESTMENTS

	GROUP AND COMPANY	
	2017	2016
	US$'000	US$'000
Unquoted equity shares, at fair value	**6**	6
Impairment loss	**(6)**	(6)
	–	–

The above investment relates to a remaining 10% share interest in a previous subsidiary which was disposed in year 2015. It was recorded based on the fair value of the investment as at date of disposal.

Since 2016, the Group carried out a review of the recoverable amount of the investment in available-for-sale investments. The review resulted in an impairment loss which was recognised in profit or loss in 2016.

14 GOODWILL

	GROUP
	US$'000
Cost:	
At July 1, 2015	728
Eliminated on disposal of a subsidiary (Note 36)	(728)
At June 30, 2016 and 2017	–
Impairment:	
At July 1, 2015	728
Eliminated on disposal of a subsidiary (Note 36)	(728)
At June 30, 2016 and 2017	–
Carrying amount:	
At June 30, 2017	–
At June 30, 2016	–

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination.

In 2016, the Company had disposed its investment in Rossano.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

15 CLUB MEMBERSHIPS

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Club memberships, at cost	**280**	280	**192**	192
Impairment loss	**(69)**	(69)	**–**	–
Currency realignment	**(4)**	(3)	**–**	–
	207	208	**192**	192
Movement in impairment loss:				
Balance at beginning and end of year	**69**	69	**–**	–

16 PROPERTY, PLANT AND EQUIPMENT

GROUP

	Freehold Land US$'000	Leasehold land & buildings US$'000	Leasehold improvements US$'000	Plant and machinery US$'000	Office equipment US$'000	Motor vehicles US$'000	Construction-in-progress US$'000	Total US$'000
Cost or valuation:								
At July 1, 2015	3,170	7,872	176	7,292	1,370	1,449	69	21,398
Currency realignment	(193)	(119)	3	(173)	(47)	(7)	29	(507)
Additions	–	–	109	414	140	157	1,030	1,850
Reclassification	–	98	–	36	(36)	–	(98)	–
Write off	–	(10)	–	(806)	(87)	–	–	(903)
Adjustment	–	6	–	–	58	–	–	64
Disposals	–	–	–	(15)	–	(236)	–	(251)
At June 30, 2016	2,977	7,847	288	6,748	1,398	1,363	1,030	21,651
Currency realignment	(189)	(115)	(6)	(181)	(42)	(9)	(64)	(606)
Additions	–	54	28	774	367	56	257	1,536
Reclassification	–	–	–	–	61	–	(61)	–
Revaluation	–	1,597	–	–	–	–	–	1,597
Write off		–	(33)	(157)	(11)	(22)	-	(223)
Adjustment	–	14	–	–	–	–	–	14
Disposals	–	–	–	(145)	(1)	(184)	–	(330)
At June 30, 2017	2,788	9,397	277	7,039	1,772	1,204	1,162	23,639

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP

	Freehold land US$'000	Leasehold land & buildings US$'000	Leasehold improvements US$'000	Plant and machinery US$'000	Office equipment US$'000	Motor vehicles US$'000	Construction-in-progress US$'000	Total US$'000
Comprising:								
June 30, 2017:								
At cost	–	1,932	277	7,039	1,772	1,204	1,162	13,386
At valuation	2,788	7,465	–	–	–	–	–	10,253
Total	2,788	9,397	277	7,039	1,772	1,204	1,162	23,639
June 30, 2016:								
At cost	–	5,294	288	6,748	1,398	1,363	1,030	16,121
At valuation	2,977	2,553	–	–	–	–	–	5,530
Total	2,977	7,847	288	6,748	1,398	1,363	1,030	21,651
Accumulated depreciation:								
At July 1, 2015	–	2,141	157	5,754	1,015	732	–	9,799
Currency realignment	–	–	–	(145)	(24)	(2)	–	(171)
Depreciation	–	241	53	466	113	151	–	1,024
Eliminated on revaluation	–	(60)	–	–	–	–	–	(60)
Write off	–	(5)	–	(803)	(84)	–	–	(892)
Adjustment	–	–	–	–	39	–	–	39
Disposals	–	–	–	(15)	–	(158)	–	(173)
At June 30, 2016	–	2,317	210	5,257	1,059	723	–	9,566
Currency realignment	–	–	(4)	(143)	(30)	(3)	–	(180)
Depreciation	–	239	75	484	124	125	–	1,047
Eliminated on revaluation	–	(1,317)	–	–	–	–	–	(1,317)
Write off	–	–	(33)	(157)	(11)	(22)	–	(223)
Disposals	–	–	–	(123)	–	(159)	–	(282)
At June 30, 2017	–	1,239	248	5,318	1,142	664	–	8,611
Carrying amount:								
At June 30, 2017	2,788	8,158	29	1,721	630	540	1,162	15,028
At June 30, 2016	2,977	5,530	78	1,491	339	640	1,030	12,085

NOTES TO FINANCIAL STATEMENTS
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16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group has plant and machinery and motor vehicles with carrying amounts of US$Nil and US$275,000 (2016: US$58,000 and US$591,000) respectively under finance lease agreements (Note 23).

At June 30, 2017, had the freehold land and leasehold land and buildings been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amounts would have been approximately US$2,691,000 (2016: US$608,000).

Fair value measurement of the Group's land and buildings

Land and buildings of certain subsidiaries were revalued at June 30, 2017 and 2016 by an independent valuer not connected to the Group, by reference to market evidence of recent transactions for similar properties. The valuations were performed in accordance with International Valuation Standards.

The fair value of the land was determined based on the market comparable approach that reflects recent transaction prices for similar properties. The fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence. There has been no change to the valuation technique during the year.

Details of the Group's land and buildings and information about the fair value hierarchy as at June 30 are as follows:

Description	Fair value US$'000		Unobservable inputs
	2017	2016	
Freehold land (Malaysia)	**2,788**[1]	2,977[1]	Transacted price of comparable industrial plots;
Leasehold buildings (Malaysia)	**1,708**[1]	1,796[1]	range from US$63 (2016: US$88) to US$163 (2016: US$174) per square metre
Leasehold buildings (Vietnam)	**5,000**[1][2]	–	Construction cost of comparable industrial buildings range from US$80 to US$130 per square metre
Leasehold building (Singapore)	**757**[3]	757[3]	NA

[1] The land and buildings categorised under Level 3 of the fair value hierarchy are generally sensitive to the unobservable inputs tabled above. An increase in transacted price would result in an increase in the fair value of the land and buildings. A significant movement in inputs would result in a significant change to the fair value of the land and buildings. There were no transfers between levels during the year.

[2] During the year, the Group adopted a revaluation model for leasehold buildings in Vietnam. In prior years, leasehold buildings in Vietnam was categorised as a separate class of assets as it allows for different usages by the Group.

[3] The leasehold building of the Company is stated at directors' valuation as at June 30, 1983 based on the professional valuation made by Messrs Associated Property Consultants Pte Ltd in November 1981. Regular revaluations have not subsequently been performed on the leasehold building as the directors' valuation was performed prior to January 1, 1984.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY

	Leasehold building US$'000	Plant and machinery US$'000	Office equipment US$'000	Motor vehicles US$'000	Total US$'000
Cost or valuation:					
At July 1, 2015	766	1,328	415	959	3,468
Additions	–	20	33	125	178
Write off	(9)	(699)	(83)	–	(791)
Disposals	–	–	–	(156)	(156)
At June 30, 2016	757	649	365	928	2,699
Additions	–	–	36	–	36
Write off	–	–	–	(22)	(22)
Disposals	–	–	–	(39)	(39)
At June 30, 2017	757	649	401	867	2,674
Comprising:					
June 30, 2017:					
At cost	–	649	401	867	1,917
At valuation	757	–	–	–	757
Total	757	649	401	867	2,674
June 30, 2016:					
At cost	–	649	365	928	1,942
At valuation	757	–	–	–	757
Total	757	649	365	928	2,699
Accumulated depreciation:					
At July 1, 2015	761	1,157	349	413	2,680
Depreciation	1	38	29	97	165
Write off	(5)	(698)	(80)	–	(783)
Disposals	–	–	–	(89)	(89)
At June 30, 2016	757	497	298	421	1,973
Depreciation	–	29	29	88	146
Write off	–	–	–	(22)	(22)
Disposals	–	–	–	(39)	(39)
At June 30, 2017	757	526	327	448	2,058
Carrying amount:					
At June 30, 2017	–	123	74	419	616
At June 30, 2016	–	152	67	507	726

At June 30, 2017, had the leasehold building been carried at historical cost less accumulated depreciation, the carrying amount would have been US$Nil (2016: US$Nil).

The Company has motor vehicles with carrying amounts of US$215,000 (2016: US$504,000) under finance lease agreements (Note 22).

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17 INVESTMENT PROPERTIES

	GROUP	
	2017	2016
	US$'000	US$'000
At fair value		
Balance at beginning of year	**–**	934
Property reclassified as "Assets held for sale" (Note 10)	**–**	(934)
Balance at end of year	**–**	–

18 DEFERRED TAX (LIABILITIES) ASSETS

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Balance at beginning of year	**(585)**	(428)	**3**	3
Charge to profit or loss (Note 31)	**12**	(183)	**(3)**	–
Charge to other comprehensive income	**(585)**	(14)	**–**	–
Currency realignment	**38**	40	**–**	–
Balance at end of year	**(1,120)**	(585)	**–**	3

Certain deferred tax assets and liabilities have been offset in accordance with the Group and Company's accounting policy. The following is the analysis of the net deferred tax balances as presented on the statement of financial position:

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Deferred tax assets	**32**	24	**–**	3
Deferred tax liabilities	**(1,152)**	(609)	**–**	–
Deferred tax (liabilities) assets	**(1,120)**	(585)	**–**	3

The balance comprises mainly the tax effect of:

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Tax loss carry forward	**32**	24	**–**	3
Property, plant and equipment	**(304)**	(346)	**–**	–
Revaluation of property	**(848)**	(263)	**–**	–
Net	**(1,120)**	(585)	**–**	3

NOTES TO FINANCIAL STATEMENTS

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18 DEFERRED TAX (LIABILITIES) ASSETS (CONTINUED)

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is US$12,278,000 (2016: US$13,963,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

19 BILLS PAYABLES

The bank facilities of subsidiaries with a balance of US$127,000 (2016: US$522,000) as at the end of reporting period are guaranteed by the Company.

Management has assessed that the fair value of the financial guarantees provided by the Company is not material and accordingly, has not accounted for the financial guarantee in the Company's financial statements.

The above credit facilities bear effective interest at floating rates ranging from 2% to 3.15% (2016: 2% to 5%) per annum.

20 TRADE PAYABLES

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Subsidiaries (Note 11)	**–**	–	**5,477**	5,421
Related parties with common directors	**13**	459	**13**	13
Outside parties	**1,901**	2,399	**58**	96
	1,914	2,858	**5,548**	5,530

The average credit period on purchases of goods is 30 days (2016: 30 days). No interest is charged on the trade payables.

21 OTHER PAYABLES

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Accrued expenses	**3,327**	1,077	**1,294**	277
Advances from customers	**1,588**	1,385	**782**	959
Due to a related party (Note 5)[1]	**8**	8	**1**	1
Due to subsidiaries (Note 11)	**–**	–	**183**	183
Refundable deposits received	**51**	51	**51**	51
Value added tax payable	**187**	192	**–**	–
Deposits received from sale of investment properties	**–**	1,335	**–**	–
Others	**162**	76	**–**	2
	5,323	4,124	**2,311**	1,473

[1] Due to a related party in which a key management personnel holds an interest.

NOTES TO FINANCIAL STATEMENTS

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22 OBLIGATIONS UNDER FINANCE LEASES

	GROUP				COMPANY			
	Minimum lease payments		Present value of minimum lease payments		Minimum lease payments		Present value of minimum lease payments	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Amounts payable under finance leases:								
Within one year	**56**	106	**51**	96	**35**	71	**32**	65
In the second to fifth years inclusive	**73**	133	**67**	122	**30**	65	**27**	59
	129	239	**118**	218	**65**	136	**59**	124
Less: Future finance charges	**(11)**	(21)	**–**	–	**(6)**	(12)	**–**	–
Present value of lease obligations	**118**	218	**118**	218	**59**	124	**59**	124
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(51)**	(96)			**(32)**	(65)
Amount due for settlement after 12 months			**67**	122			**27**	59

It is the Group's policy to lease certain of its plant and machinery and motor vehicles under finance leases. The average lease term is 3 to 5 years (2016: 2 to 5 years). For the year ended June 30, 2017, the range of effective borrowing rate was 4% to 5% (2016: 3% to 5%) per annum for the Group and the Company. Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's and Company's obligations under finance leases are secured by the lessors' title to the leased assets (Note 16). The fair value of the Group's and Company's obligations approximates their carrying amounts.

23 BANK LOANS

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Bank loans	**623**	830	**623**	830
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(146)**	(405)	**(146)**	(405)
Amount due for settlement after 12 months	**477**	425	**477**	425

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

23 BANK LOANS (CONTINUED)

The carrying amounts of bank loans approximate the fair value.

The Group and the Company have the following principal bank loans:

a) Loan of US$Nil (2016: US$306,000). The loan was repayable over 36 monthly instalments of US$28,000 each, commencing May 2014 and continued until May 2017. The loan was unsecured and bore interest at 1.25% per annum above the SIBOR. The effective interest rate for the year was 2.0% (2016: 2.0%) per annum. The loan had been fully repaid in current year.

b) Loan of US$426,000 (2016: US$524,000). The loan is repayable over 60 monthly instalments of US$8,700 each, commencing June 2016 and will continue until June 2021. The loan is unsecured and bears interest at 2% per annum above the LIBOR. The effective interest rate for the year was 2.96% (2016: 2.69%) per annum.

c) Loan of US$197,000 (2016: US$Nil). The loan is repayable over 60 monthly instalments of US$3,900 each, commencing September 2016 and will continue until September 2021. The loan is unsecured and bears interest at 2% per annum above the LIBOR. The effective interest rate for the year was 3.07% (2016: Nil%) per annum.

24 SHARE CAPITAL

	GROUP AND COMPANY			
	2017	2016	**2017**	2016
	Number of ordinary shares ‘000	‘000	**US$’000**	US$’000
Issued and paid up:				
At beginning of year	**27,302**	136,513	**4,312**	4,312
Issued during the year	**98**	–	**50**	–
Bonus share issue[1]	**13,700**	–	–	–
Share consolidation[2]	**–**	(109,211)	–	–
At end of year	**41,100**	27,302	**4,362**	4,312

[1] On June 8, 2017, the Company allotted and issued 13,700,400 bonus shares on the basis of one bonus shares for every two ordinary shares in the capital of the Company. Following the issuance of bonus shares, the issued shares of the Company has been increased to 41,101,216 shares as at June 30, 2017, after disregarding any fractions of bonus shares arising from the bonus issue.

[2] On November 12, 2015, the Company completed the share consolidation for every five existing ordinary shares into one consolidated ordinary share. Following the completion of the share consolidation, the issued shares of the Company has been reduced to 27,302,436 shares as at June 30, 2016, after disregarding any fractions of consolidated shares arising from the share consolidation.

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

25 TREASURY SHARES

	GROUP AND COMPANY			
	2017	2016	**2017**	2016
	Number of ordinary shares		**US$'000**	US$'000
	'000	'000		
At beginning of year	**30**	–	**10**	–
Repurchased during the year	**7**	30	**3**	10
Bonus share issue	**19**	–	–	–
At end of year	**56**	30	**13**	10

The Company acquired 7,000 (2016: 30,000) of its own shares through purchases on the SGX-ST during the year. The total amount paid to acquire the shares was US$3,000 (2016: US$10,000) and is presented as a deduction from shareholders' equity. The shares are held as "treasury shares".

On June 8, 2017, the Company allotted and issued bonus shares on the basis of one bonus shares for every two ordinary shares in the capital of the Company. Following the issuance of bonus shares, the number of treasury shares of the Company increased to 55,500 shares. As at June 30, 2017, the number of treasury shares held is 55,500.

26 CAPITAL RESERVES

	Property revaluation reserve US$'000	Legal reserve US$'000	Performance Share Plan reserve US$'000	Other reserve US$'000	Total US$'000
GROUP					
Balance at July 1, 2015	3,388	–	–	1,985	5,373
Change in valuation of property, plant and equipment in other comprehensive income	46	–	–	–	46
Transfer from retained earnings	–	*	–	–	–
Balance at June 30, 2016	3,434	*	–	1,985	5,419
Change in valuation of property, plant and equipment in other comprehensive income	2,329	–	–	–	2,329
Transfer from retained earnings	–	62	–	–	62
Share-based expenses	–	–	179	–	179
Issuance of new shares	–	–	(50)	–	(50)
Balance at June 30, 2017	5,763	62	129	1,985	7,939
COMPANY					
Balance at July 1, 2015 and June 30, 2016	58	–	–	–	58
Share-based expenses	–	–	179	–	179
Issuance of new shares	–	–	(50)	–	(50)
Balance at June 30, 2017	58	–	129	–	187

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

26 CAPITAL RESERVES (CONTINUED)

(i) The property revaluation reserve arises on the revaluation of land and buildings.

(ii) Legal reserve represents local statutory reserve required to be maintained by China tax regulations for the China entity.

(iii) Performance share plan reserve represents the equity-settled performance shares granted to certain key management personnel. The reserve is made up of the cumulative value of services received from certain key management personnel over the vesting period commencing from the grant date of equity-settled shares awards, and is reduced by the release of share awards. (Note 35)

(iv) Other reserve represents the capitalisation of accumulated profits of a subsidiary in prior years.

* Represented amount less than US$1,000

27 REVENUE

This represents the fair value of consideration received or receivable from goods sold.

28 OTHER INCOME

	GROUP	
	2017	2016
	US$'000	US$'000
Rental income	**173**	173
Interest income on bank balances	**58**	52
Foreign exchange gain – net	**204**	342
Gain on disposal of property, plant and equipment	**2**	50
Gain on disposal of subsidiaries (Note 36)	**–**	676
Reversal of allowance for doubtful trade receivables	**–**	4
Sundry income	**335**	360
	772	1,657

29 OTHER EXPENSES

	GROUP	
	2017	2016
	US$'000	US$'000
Allowance for doubtful other receivables – net	**39**	98
Bad debts written off	**90**	11
Impairment loss on asset held for sale (Note 10)	**–**	286
Impairment loss on available-for-sale investment (Note 13)	**–**	6
Inventories written off	**2**	1
Loss on disposal of assets held for sale (Note 10)	**46**	–
Equity-settled share-based expenses	**179**	–
Others	**29**	70
	385	472

30 FINANCE COSTS

	GROUP	
	2017	2016
	US$'000	US$'000
Interest expense on:		
Bank loans	**22**	9
Finance leases	**9**	12
Bills payable	**1**	32
Bank overdrafts	**1**	6
	33	59

31 INCOME TAX EXPENSE

	GROUP	
	2017	2016
	US$'000	US$'000
Current tax	**929**	529
Deferred tax	**31**	(21)
(Over) Under provision in prior years:		
Current tax	**(5)**	59
Deferred tax	**(43)**	204
Income tax	**912**	771

Domestic income tax is calculated at 17% (2016: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions except as disclosed below.

Koda International Ltd and Koda Vietnam Co., Ltd are incorporated in Vietnam and are subjected to a corporate income tax rate of 20% on its assessable income.

Koda Saigon Co., Ltd is incorporated in Vietnam and is subjected to a corporate income tax rate of 15% on its assessable income for the first twelve years from the commencement of its commercial operations and 20% of the years thereafter. The subsidiary is entitled to a corporate income tax exemption for the first three years from the first profit-making year and a reduction of 50% for the following seven years. As the corporate income tax exemption period expired in 2013, and this is the fourth year, the subsidiary is obliged to pay corporate income tax at the tax rate of 7.5% of its assessable income from operating activities. Income from non-operating activities is subject to tax rate of 20% on its assessable income from non-operating activities.

Koda Indochine Co., Ltd is incorporated in Vietnam and is subjected to a corporate income tax rate of 15% on its assessable income for the first twelve years from the commencement of its commercial operations and 20% for the years thereafter. The subsidiary is entitled to a corporate income tax exemption for the first three years from the first profit-making year and a reduction of 50% for the following seven years.

Koda Woodcraft Sdn Bhd, Commune Lifestyle Sdn Bhd and Jatat Furniture Industries Sdn Bhd are incorporated in Malaysia and are subject to corporate income tax at the rate of 24% on its assessable income.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

31 INCOME TAX EXPENSE (CONTINUED)

Commune (Dongguan) Trading Co., Ltd. is incorporated in China and is subject to corporate income tax at the rate of 25% on its assessable income.

The income tax for the year can be reconciled to the accounting profit or loss as follows:

	GROUP	
	2017	2016
	US$'000	US$'000
Profit before income tax	**4,962**	2,354
Tax benefit at the domestic tax rate of 17% (2016: 17%)	**844**	400
Tax effect of revenue that is exempt from taxation	**(8)**	(20)
Tax effect of expenses that are not deductible in determining taxable profit	**364**	121
Tax effect of utilisation of deferred tax benefits previously not recognised	**(16)**	(37)
Double tax deduction	**(45)**	(48)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(179)**	92
(Over) Under provision in prior years	**(48)**	263
Total income tax	**912**	771

Subject to agreement by the respective tax authorities, the Group and Company have temporary differences arising from unabsorbed tax loss carry forwards as follows:

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Tax losses:				
At the beginning of the year	**6,342**	9,762	**5,720**	5,700
Adjustments	**(508)**	(1,017)	**(379)**	(52)
Arising during the year	**94**	352	**45**	72
Utilised during the year	**(111)**	(436)	**–**	–
Disposal of subsidiaries	**–**	(2,319)	**–**	–
At the end of the year	**5,817**	6,342	**5,386**	5,720
Deferred tax benefits on above recorded	**32**	24	**–**	3
Deferred tax benefits on above unrecorded	**1,002**	1,069	**922**	969

Certain deferred tax benefits disclosed above have not been recognised due to the unpredictability of future profit streams.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

32 PROFIT FOR THE YEAR

	GROUP	
	2017	2016
	US$'000	US$'000
Directors' remuneration:		
Directors of the Company	**864**	728
Directors of the subsidiaries	**173**	104
Fees to directors of the Company	**83**	59
Employee benefits expense (including directors' remuneration)	**13,435**	10,221
Costs of defined contribution plans included in employee benefits expense	**887**	752
Equity-settled share-based expenses	**179**	–
Allowance for doubtful other receivables - net	**39**	98
Reversal of doubtful trade receivables	**–**	(4)
Allowance for inventories	**158**	59
Inventories written off	**2**	1
Audit fees paid to:		
Auditors of the Company	**140**	131
Other auditors	**–**	5
Bad debts written off, recorded under "other expenses"	**90**	11
Cost of inventories recognised as expense	**22,603**	16,215

33 DIVIDENDS

	GROUP	
	2017	2016
	US$'000	US$'000
Dividends paid during the financial year are as follows:		
Final tax-exempt (1-tier) dividend of US$0.0075 (equivalent to S$0.01) per share for the financial year ended June 30, 2015	**–**	195
Final tax-exempt (1-tier) dividend of US$0.0148 (equivalent to S$0.02) per share for the financial year ended June 30, 2016	**394**	–
Interim tax-exempt (1-tier) dividend of US$0.0034 (equivalent to S$0.005) per share for the financial year ended June 30, 2017	**97**	–
	491	195
Dividends proposed before these financial statements were authorised and not included as liabilities in these financial statements are as follows:		
Final tax-exempt (1-tier) dividend of US$0.0148 (equivalent to S$0.02) per share for the financial year ended June 30, 2016	**–**	394
Final tax-exempt (1-tier) dividend of US$0.0074 (equivalent to S$0.01) per share for the financial year ended June 30, 2017	**302**	–
Special final tax-exempt (1-tier) dividend of US$0.0147 (equivalent to S$0.02) per share for the financial year ended June 30, 2017	**604**	–
	906	394

34 EARNINGS PER SHARE

Basic earnings per ordinary share is calculated on the Group's profit after income tax attributable to the owners of the Company of US$4,050,000 (2016: US$1,641,000) divided by 28,141,000 (2016: 29,770,000[1]) weighted average number of ordinary shares in issue during the financial year.

There is no dilution as no share options were granted or were outstanding during the financial year.

(1) On June 8, 2017, the Company has allotted and issued bonus shares on the basis of one bonus share for every two ordinary shares in the capital of the Company. The weighted average number of ordinary shares used for the calculation of earnings per share for the comparatives have been adjusted for the effect of the bonus issue.

35 SHARE BASED PAYMENT EXPENSE

Performance Share Plan

The Koda Performance Share Plan ("Performance Share Plan") was approved by shareholders at an Extraordinary General Meeting ("EGM") held on October 28, 2008. The Performance Share Plan was subsequently amended and approved by shareholders at an EGM held on October 28, 2016. The Performance Share Plan is administered by the Remuneration Committee comprising the Independent Directors Ying Siew Hon, Francis, Chan Wah Tiong, Sim Cheng Huat and Tan Choon Seng. The maximum period of the Performance Share Plan is 10 years commencing on the date on which it is adopted by the Company and will expire on October 28, 2018.

The participants of the Performance Share Plan will receive fully paid shares of the Company free of charge, provided that certain prescribed performance targets and/or service conditions are met, or where in the opinion of the Remuneration Committee, a participant's performance and/or contribution to the Company warrants it. The aggregate number of shares which are the subject of each award to be granted to any participants, and the conditions under which the awards are granted such as the date of grant, vesting periods and other relevant and applicable rules under the Performance Share Plan, is determined at the sole and absolute discretion of the Remuneration Committee and may be performance based or time based.

On November 28, 2016, the Company granted up to 746,809 shares under the Performance Share Plan, details of which are as follows –

		Vesting period				
	1 month from November 28, 2016	6 months from June 30, 2017	6 months from June 30, 2018	Total	Vested	Unvested
	No. of shares	No. of shares No more than:	No. of shares No more than:	No. of shares No more than:	No. of shares	No. of shares No more than:
Eligible participants	**98,380[2]**	**253,375[1]**	**395,054[1]**	**746,809**	**(98,380)[2]**	**648,429[1]**

(1) The number of shares to be vested will be determined by the Remuneration Committee based on certain performance metrics of the participants.

(2) Vested shares are allotted and issued to the respective participants and are subject to a two (2) year moratorium ("Moratorium Period") from the date the shares ("Moratorised Shares") are allotted and issued. The Moratorised Shares shall not be transferred or disposed during the Moratorium Period.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

35 SHARE BASED PAYMENT EXPENSE (CONTINUED)

Performance Share Plan (Continued)

The fair values of the performance shares are estimated based on the market value of the share on grant date. The market value of the share on grant date is S$0.72 (US$0.52 equivalent).

The movements of the number of shares for the Performance Share Plan during the financial year were as follows -

	Group and Company 2017 No. of shares
Granted during the year	746,809
Cancelled, expired or lapsed	–
Vested during the year	(98,380)
Outstanding at the end of the year	648,429

The Group recognised total expenses of US$179,000 (2016: US$Nil) related to equity-settled share-based payment transactions during the year.

36 DISPOSAL OF SUBSIDIARIES

2016

In the prior year, on January 31, 2016, the Group had disposed its two subsidiaries, Richin Furniture Décor Pte Ltd and Rossano Joint Stock Company which were classified as assets held for sale as at June 30, 2015.

Details of the disposals are as follows:

Book values of net (liabilities) assets over which control was lost

	2016 US$'000
Non-current asset	
Property, plant and equipment	10
Current assets	
Inventories	87
Trade receivables	17
Other receivables and prepayments	52
Cash and cash equivalents	10
Total current assets	166
Current liabilities	
Trade payables	(232)
Other payables	(457)
Income tax payable	(49)
Total current liabilities	(738)
Net liabilities derecognised	(562)

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

36 DISPOSAL OF SUBSIDIARIES (CONTINUED)

Consideration received

	2016 US$'000
Cash, representing total consideration	*

	2016 US$'000
Gain (Loss) on disposal:	
Consideration received	*
Net liabilities derecognised	562
Non-controlling interest derecognised	(268)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity on loss of control of subsidiary	382
Gain on disposal (Note 28)	676

Net cash outflow arising on disposal:

	2016 US$'000
Cash and cash equivalents disposed	(10)

* Represented amount less than US$1,000

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

37 SEGMENT INFORMATION

The Group determines its operating segments based on internal reports that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

In prior years, segment information reported was analysed on the basis of goods and product categories (i.e., tables and chairs, bedroom furniture, outdoor and garden furniture and occasional and other furniture). During the year, segment information reported to the Group's chief operating decision maker was changed to business functions as a better reflection of the Group's business activities, as management and the Group's chief operating decision maker has determined that segment information reported based on business functions is more meaningful for the purposes of resource allocation and assessment of segment performance. Accordingly, comparative figures have been adjusted to conform to the current year's reporting segments. The Group's reportable segments under FRS 108 are therefore categorised as "Manufacturing" and "Retail and distribution".

Information regarding the Group's reporting segments is presented below.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Segment revenue		**Segment profit/(loss)**	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Manufacturing	**41,756**	30,492	**3,844**	1,402
Retail and distribution	**7,735**	6,618	**765**	(175)
Total	**49,491**	37,110	**4,609**	1,227
Finance costs			**(33)**	(59)
Other income			**849**	1,657
Other expenses			**(462)**	(472)
Share of results of associate			**(1)**	1
Profit before income tax			**4,962**	2,354
Income tax expense			**(912)**	(771)
Profit for the year			**4,050**	1,583
Non-controlling interests			**–**	58
Profit attributable to owners of the Company			**4,050**	1,641

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

37 SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

Revenue reported above represents revenue generated from external customers.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of central administration costs and director's salaries, share of results of associate, investment revenue and finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

	2017 US$'000	2016 US$'000
Segment assets		
Manufacturing	**33,515**	26,101
Retail and distribution	**4,214**	3,575
Total segment assets	**37,729**	29,676
Unallocated assets	**242**	2,691
Consolidated total assets	**37,971**	32,367
Segment liabilities		
Manufacturing	**5,935**	5,816
Retail and distribution	**1,677**	1,462
Total segment liabilities	**7,612**	7,278
Unallocated liabilities	**2,020**	2,179
Consolidated total liabilities	**9,632**	9,457

For the purpose of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible and financial assets attributable to each segment.

All assets are allocated to reportable segments other than investment in an associate, available-for-sale investments, club memberships, deferred tax assets and assets classified as held-for-sale. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

37 SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (Continued)

All liabilities are allocated to reportable segments other than bills payable, finance lease liabilities, bank loans and deferred tax liabilities. Liabilities used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

Other segment information

	Depreciation		Additions to non-current assets	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Manufacturing	**917**	939	**1,396**	1,581
Retail and distribution	**130**	85	**140**	269
Total	**1,047**	1,024	**1,536**	1,850

In addition to the information reported above, the following were attributable to the following reportable segments:

	2017	2016
	US$'000	US$'000
Manufacturing segment		
Allowance for doubtful other receivables - net	**39**	98
Bad debts written off	**–**	11
Allowance for inventories	**158**	59
Retail and distribution segment		
Bad debts written off	**90**	–
Inventories written off	**2**	1
Reversal of allowance for doubtful other receivables	**–**	(4)

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

37 SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's revenue from external customers and information about its segment assets (non-current assets including only property, plant and equipment) by geographical location are detailed below:

	Revenue from external customers based on location of customers		Non-current assets based on location of assets	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
United States of America	**19,080**	12,857	**–**	–
United Kingdom	**1,008**	1,086	**–**	–
Vietnam	**207**	1,385	**7,272**	4,428
Canada	**2,112**	1,103	**–**	–
New Zealand	**90**	311	**–**	–
Australia	**4,217**	2,904	**–**	–
Spain	**1,835**	1,133	**–**	–
Korea	**4,430**	3,270	**–**	–
China	**4,544**	2,964	**53**	–
Malaysia	**286**	190	**6,825**	6,597
Netherlands	**286**	128	**–**	–
Japan	**3,389**	2,906	**–**	–
France	**689**	457	**–**	–
Singapore	**5,338**	4,186	**878**	1,060
Russia	**–**	1	**–**	–
U.A.E	**182**	1	**–**	–
Turkey	**190**	298	**–**	–
Others	**1,608**	1,929	**–**	–
	49,491	37,110	**15,028**	12,085

Information about major customers

Included in revenue arising from sales of manufacturing segment of US$41,756,000 (2016: US$30,492,000), (see Note 37 (i) above) are revenues of approximately US$7,329,000 (2016: US$4,847,000) which arose from sales to the Group's largest customer.

NOTES TO FINANCIAL STATEMENTS
June 30, 2017

38 COMMITMENTS

	GROUP	
	2017	2016
	US$'000	US$'000
Commitments for the acquisition of property plant and equipment	**60**	207

39 OPERATING LEASE ARRANGEMENTS

The Group as lessee

	GROUP	
	2017	2016
	US$'000	US$'000
Minimum lease payments under operating leases	**1,218**	712

At the end of the reporting period, the commitments in respect of non-cancellable operating leases for the rental of office premises were as follows:

	GROUP		COMPANY	
	2017	2016	**2017**	2016
	US$'000	US$'000	**US$'000**	US$'000
Future minimum lease payments payable:				
Within one year	**939**	753	**219**	206
In the second to fifth year inclusive	**417**	896	**94**	318
After five years	**708**	352	**–**	–
	2,064	2,001	**313**	524

Operating lease payments represent rentals payables by the Group for certain of its office properties. Leases are negotiated for an average contractual periods of 1 to 10 years and rentals are fixed for the duration of the contractual periods.

Included in the Group's future lease payments payable is an amount of US$615,000 (2016: US$710,000) which relates to a 10 year lease agreement with a related party of the Group which certain directors have interest in.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

39 OPERATING LEASE ARRANGEMENTS (CONTINUED)

The Group as lessor

The Group sublets its leasehold building in Singapore under operating leases. Property rental income earned during the year was US$173,000 (2016: US$173,000). The leased premises have committed tenants for the next 17 months (2016: 29 months).

	GROUP	
	2017	2016
	US$'000	US$'000
Rental income under operating lease	**173**	173

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease receivables.

	GROUP	
	2017	2016
	US$'000	US$'000
Future minimum lease payments receivable:		
Within one year	**174**	178
In second to fifth year inclusive	**73**	252
	247	430

40 EVENTS AFTER REPORTING PERIOD

On September 8, 2017, the Company has proposed to undertake a bonus issue of new ordinary shares in the capital of the Company to the shareholders of the Company on the basis of one bonus issue for every one existing share in the capital of the Company, subject to approval of the shareholders.

PARTICULARS OF PROPERTIES OWNED BY THE GROUP

Freehold land, leasehold land & buildings as at June 30, 2017

Location	Size	Regular Payments	Expiry	Lessor
Head Office & Warehouse[(1)] 28 Defu Lane 4 Singapore 539424	49,731 sf	Annual lease payment of S$264,463 pa (subject to 7.6% annual increase)	2018	Housing & Development Board
Malaysia Site[(2)] PTD 42786 & 7 Mukim Senai-Kulai Johor, Malaysia	388,749 sf	na	Freehold	Na
Vietnam Factory[(3)] Lot A1, A4 & A5 Thuan Dao Industrial Zone Ben Luc District Long An Province, Vietnam	544,306 sf	na	2053	Development Investment Joint Venture Company of Ben Luc Industrial Park

1. The leasehold property located in Singapore as stated in the Company's books is based on a professional valuation made in November 1981. For information purposes, a second professional valuation of this property was carried out by Knight Frank Pte Ltd in June 2001 which valued the property at $1.6 million. The Company, however, continues to record this leasehold property at its existing book carrying value based on the November 1981 professional valuation on the ground of prudence as the leasehold property has a remaining lease period of about 1 year as at 30 June 2017

2. Based on professional valuation made by Messrs Chen Foo Property Consultants on 30 June 2017, this property was valued at RM19.31 million

3. These properties were acquired under finance lease. Based on professional valuation made by Jones Lang Lasalle Vietnam Company Limited on 30 June 2017, this property was valued at US$9.3 million.

Na not applicable
RM Ringgit Malaysia

STATISTICS OF SHAREHOLDINGS

AS AT 21 SEPTEMBER 2017

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	333	30.98	14,648	0.04
100 – 1,000	269	25.02	117,654	0.29
1,001 – 10,000	312	29.02	1,241,283	3.02
10,001 – 1,000,000	153	14.23	14,296,650	34.83
1,000,001 AND ABOVE	8	0.75	25,375,481	61.82
TOTAL	**1,075**	**100.00**	**41,045,716**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	JAMES KOH JYH GANG	6,761,547	16.47
2	KOH TENG KWEE	4,713,936	11.48
3	KOH JYH ENG	4,466,694	10.88
4	KOH SHWU LEE	4,142,613	10.09
5	KOH SHWU LING	1,785,435	4.35
6	TAN KIA HONG	1,357,200	3.31
7	KOH ZHUXIAN JOSHUA (XU ZHUXIAN JOSHUA)	1,095,253	2.67
8	KOH ZHU LIAN JULIAN (XU ZHULIAN)	1,052,803	2.56
9	DBS NOMINEES (PRIVATE) LIMITED	933,105	2.27
10	KOH SHUH JEN	867,945	2.11
11	DBSN SERVICES PTE. LTD.	850,500	2.07
12	PHILLIP SECURITIES PTE LTD	783,960	1.91
13	DOMINIC RICHARD PEMBERTON	649,500	1.58
14	MAYBANK KIM ENG SECURITIES PTE. LTD.	579,092	1.41
15	CHEE KWAI FUN (ZHU GUIFEN)	426,000	1.04
16	CIMB SECURITIES (SINGAPORE) PTE. LTD.	412,541	1.01
17	TOH ONG TIAM	401,520	0.98
18	WEE HIAN KOK	381,600	0.93
19	GOH HAN PENG (WU HANPING)	368,890	0.90
20	POH IK TNG	360,000	0.88
	TOTAL	32,390,134	78.90

STATISTICS OF SHAREHOLDINGS
AS AT 21 SEPTEMBER 2017

SUBSTANTIAL SHAREHOLDERS:

NAME	DIRECT INTEREST	%	INDIRECT INTEREST	%
JAMES KOH JYH GANG	6,761,547	16.45	–	–
KOH TENG KWEE	4,713,936	11.47	–	–
KOH JYH ENG	4,466,694	10.87	10,800	0.03
KOH SHWU LEE	4,142,613	10.08	129,600	0.32

PERCENTAGE OF SHAREHOLDING HELD IN THE HANDS OF PUBLIC

As at September 21, 2017, the percentage of shareholding in the Company held in the hands of public is approximately 37.09%. At least 10% of the Company's equity securities are held by the public at all times and the Company is in compliance with Rule 723 of the SGX-ST Listing Manual.

NUMBER OF TREASURY SHARES AND SUBSIDIARY HOLDINGS

As at September 21, 2017, the Company had 55,500 treasury shares and nil subsidiary holdings.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Koda Ltd (the "**Company**") will be held at 28 Defu Lane 4, Singapore 539424 on Friday, 27 October 2017 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 30 June 2017 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final tax-exempt (one-tier) dividend of 1.00 Singapore cent per ordinary share and a tax-exempt (one-tier) special dividend of 2.00 Singapore cents per ordinary share for the financial year ended 30 June 2017. **(Resolution 2)**

3. To approve Directors' fees of S$116,000 for the financial year ended 30 June 2017. (2016: S$81,000) **(Resolution 3)**

4. To re-appoint Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors of the Company to fix their remuneration. **(Resolution 4)**

5. To re-elect Mdm Koh Shwu Lee who is retiring pursuant to Regulation 89 of the Company's Constitution. **(Resolution 5)**

6. To re-elect Mr Sim Cheng Huat who is retiring pursuant to Regulation 89 of the Company's Constitution. **(Resolution 6)**

   *Mr Sim Cheng Huat will, upon re-election as a Director of the Company, remain as an Independent Non-Executive Director, the Chairman of the Nominating Committee, and a member of the Audit Committee and Remuneration Committee. Mr Sim Cheng Huat is considered independent for the purposes of Rule 704(8) of the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").*

7. To re-elect Mr Ying Siew Hon, Francis who is retiring pursuant to Regulation 88 of the Company's Constitution. **(Resolution 7)**

   Mr Ying Siew Hon, Francis will, upon re-election as a Director of the Company, remain as an Independent Non-Executive Director, the Chairman of the Remuneration Committee, and a member of the Audit Committee and Nominating Committee. Mr Ying Siew Hon, Francis is considered independent for the purposes of Rule 704(8) of the Listing Manual.

8. To re-elect Mr Tan Choon Seng who is retiring pursuant to Regulation 88 of the Company's Constitution. **(Resolution 8)**

   Mr Tan Choon Seng will, upon re-election as a Director of the Company, remain as an Independent Non-Executive Director, and a member of the Audit Committee, Nominating Committee and Remuneration Committee. Mr Tan Choon Seng is considered independent for the purposes of Rule 704(8) of the Listing Manual.

9. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

10. **Authority to allot and issue shares in the capital of the Company and/or instruments**

That, pursuant to Section 161 of the Companies Act, Cap. 50 (the "**Act**") and Rule 806 of the Listing Manual, authority be and is hereby given to the Directors of the Company to:

(a) (i) allot and issue new shares in the capital of the Company ("Shares") (whether by way of rights, bonus or otherwise); and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require new Shares to be allotted and issued, including but not limited to the creation, allotment and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) notwithstanding that the authority conferred by this Resolution may have ceased to be in force, allot and issue new Shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution is in force,

provided that:

(1) the aggregate number of new Shares (including Shares to be allotted and issued in pursuance of the Instruments made or granted pursuant to this Resolution), to be allotted and issued pursuant to this Resolution does not exceed 50% of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company (calculated in accordance with sub-paragraph (2) below), of which the aggregate number of new Shares to be allotted and issued other than on a pro rata basis to existing shareholders of the Company (including Shares to be allotted and issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 15% of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company (calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculations as may be prescribed by the SGX-ST), for the purpose of determining the aggregate number of new Shares that may be allotted and issued under sub-paragraph (1) above, the percentage of the total number of issued Shares excluding treasury shares and subsidiary holdings shall be based on the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company at the time this Resolution is passed after adjusting for:

(i) new Shares arising from the conversion or exercise of any Instruments or any convertible securities;

(ii) new Shares arising from exercising of share options or vesting of share awards outstanding and/or subsisting at the time of the passing of this Resolution, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual; and

(iii) any subsequent bonus issue, consolidation or sub-division of Shares;

NOTICE OF ANNUAL GENERAL MEETING

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST) and the Company's Constitution for the time being; and

(4) (unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

See Explanatory Note (i) **(Resolution 9)**

11. **Authority to offer and grant share awards and issue Shares under the Performance Share Plan**

That the Directors of the Company be and are hereby authorised to offer and grant share awards under the Performance Share Plan adopted on 28 October 2016 and to allot and issue such Shares as may be required to be allotted and issued under the Performance Share Plan, provided always that the aggregate number of new Shares to be allotted and issued pursuant to the Performance Share Plan and any other share based incentive schemes of the Company shall not exceed 15% of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company from time to time.

See Explanatory Note (ii) **(Resolution 10)**

By Order of the Board

Gn Jong Yuh Gwendolyn
Company Secretary
Singapore, 12 October 2017

Explanatory Notes:

(i) The Ordinary Resolution 9 proposed in item 10 above, if passed, will empower the Directors of the Company from the date of the passing of Ordinary Resolution 9 until the date of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, to allot and issue new Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments. The aggregate number of new Shares (including Shares to be allotted and issued in pursuance of the Instruments made or granted pursuant to Ordinary Resolution 9) to be allotted and issued pursuant to Ordinary Resolution 9 shall not exceed 50% of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company as at the date of the passing of Ordinary Resolution 9. For the allotment and issue of new Shares other than on a pro rata basis to existing shareholders of the Company, the aggregate number of new Shares (including Shares to be allotted and issued in pursuance of the Instruments made or granted pursuant to Ordinary Resolution 9) to be allotted and issued pursuant to Ordinary Resolution 9 shall not exceed 15% of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company as at the date of the passing of Ordinary Resolution 9. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

(ii) The Ordinary Resolution 10 proposed in item 11 above, if passed, will empower the Directors of the Company, to offer and grant share awards and to allot and issue such Shares as may be required to be allotted and issued under the Performance Share Plan.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Act, a member is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.

2. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the number and class of Shares in relation to which each proxy has been appointed shall be specified in the proxy form.

3. A proxy need not be a member of the Company.

4. The proxy form must be deposited at registered office of the Company at **28 Defu Lane 4, Singapore 539424**, not less than **72 hours** before the time appointed for holding the Annual General Meeting.

5. Where the proxy form is executed by an individual, it must be executed under the hand of the individual or his attorney duly authorised. Where the proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

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

IMPORTANT:
1. Pursuant to Section 181(1C) of the Companies Act, Cap. 50, of Singapore (the "**Act**"), relevant intermediaries may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF monies to buy shares in the Company ("**CPF Investors**"), the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
3. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
4. CPF Investors who wish to attend the Annual General Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM

I/We, ______________________________ (Name), ____________________ (NRIC/Passport Number*),

of ____ (Address)

being a member/members* of **KODA LTD** (the "**Company**"), hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or*

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her*, the Chairman of the Annual General Meeting ("AGM") as my/our* proxy/proxies* to attend and vote for me/us* on my/our* behalf at the AGM of the Company to be held at 28 Defu Lane 4, Singapore 539424 on 27 October 2017 at 10.00 a.m. and at any adjournment thereof.

I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies* may vote or abstain from voting at his/her* discretion. The Resolutions will be put to vote at the AGM by way of poll.

No.	Resolutions	Number of Votes For#	Number of Votes Against#
Ordinary Business			
1.	To adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 30 June 2017		
2.	To declare the final dividend and the special dividend		
3.	To approve Directors' fees of up to S$116,000 for the financial year ended 30 June 2017		
4.	To re-appoint Deloitte & Touche LLP as the Company's Auditors and to authorise Directors of the Company to fix their remuneration		
5.	To re-elect Mdm Koh Shwu Lee as a Director of the Company		
6.	To re-elect Mr Sim Cheng Huat as a Director of the Company		
7.	To re-elect Mr Ying Siew Hon, Francis as a Director of the Company		
8.	To re-elect Mr Tan Choon Seng as a Director of the Company		
Special Business			
9.	Authority to allot and issue shares in the capital of the Company and/or instruments pursuant to Section 161 of the Companies Act, Cap. 50		
10.	Authority to offer and grant share awards and issue shares under the Performance Share Plan		

* Delete as appropriate.
# If you wish to exercise all your votes "For" or "Against", please indicate so with a [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ________ day of __________________ 2017

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Shareholder(s) or
Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM

Notes:

1. Please insert the total number of shares in the capital of the Company ("Shares") held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this Proxy Form shall be deemed to relate to all the Shares held by you.
2. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Cap. 50 (the "Act"), a member is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the Proxy Form.
3. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the number and class of Shares in relation to which each proxy has been appointed shall be specified in the Proxy Form.
4. A proxy need not be a member of the Company.
5. This Proxy Form must be deposited at the Company's registered office at **28 Defu Lane 4, Singapore 539424**, not less than **72 hours** before the time appointed for the Annual General Meeting.
6. Where this Proxy Form is executed by an individual, it must be executed under the hand of the individual or his attorney duly authorised. Where this Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.
7. Where this Proxy Form is executed under the hand of an attorney duly authorised, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this Proxy Form, failing which this Proxy Form may be treated as invalid.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Act.

General:

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the Annual General Meeting.

Personal data privacy:

By submitting this Proxy Form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (a) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any Annual General Meeting laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (b) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (c) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

KOH TENG KWEE	Non-Executive Chairman
JAMES KOH JYH GANG	Deputy Chairman / Managing Director
ERNIE KOH JYH ENG	Executive Director, Sales & Marketing
KOH SHWU LEE	Executive Director, Finance & Administration
CHAN WAH TIONG	Lead Independent Director
SIM CHENG HUAT	Independent Director
TAN CHOON SENG	Independent Director
YING SIEW HON, FRANCIS	Independent Director

COMPANY SECRETARY

GN JONG YUH GWENDOLYN
Date of Appointment
1 November 2013

SHARE REGISTRAR

BOARDROOM CORPORATE
& ADVISORY SERVICES PTE. LTD
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

AUDITORS

DELOITTE & TOUCHE LLP
Public Accountants and
Chartered Accountants
6 Shenton Way #33-00
OUE Downtown 2
Singapore 068809

AUDIT PARTNER

HOE CHI-HSIEN
Date of Appointment
28 October 2014

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

28 Defu Lane 4 Singapore 539424

PRINCIPAL BANKERS

UNITED OVERSEAS BANK LIMITED
80 Raffles Place
UOB Plaza 1
Singapore 048624

HONGKONG AND SHANGHAI
BANKING CORPORATION
21 Collyer Quay #08-01
HSBC Building
Singapore 049320

MALAYAN BANKING BERHAD
136 & 137, Jalan Senai Utama 5/17,
Taman Senai Utama,
81400 Senai, Johor

CONTACT KEY MANAGEMENT AT:

JAMES KOH JYH GANG
Deputy Chairman/Managing Director
james@kodaltd.com

ERNIE KOH JYH ENG
Executive Director, Sales & Marketing
ernie@kodaltd.com

KOH SHWU LEE
Executive Director, Finance & Administration
shwulee@kodaltd.com

LIM SWEE HUA DAVID
Chief Financial Officer
david.lim@kodaltd.com

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