KODA™ LTD

AR | 2018

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.

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CRAFTED FOR GREATER SUCCESS

As a Group, we are financially prudent and well-positioned with a strong balance sheet comprising net assets and a healthy cash position. This will facilitate our intended future expansion and continue to build a strong branding platform.

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 decades of specialised experience in furniture production, Koda has made significant investments in Vietnam, Malaysia and China. Koda has been recognised by Forbes Asia as part of "Asia's 200 Best Under a Billion" list of companies in 2006 and was profiled by CSIL Milano in its Top World Furniture Manufacturers Report 2006 as one of the top 200 major furniture manufacturers worldwide.

Koda puts our customers first in all we do, with a focus on delivering exceptional customer experiences. Koda is proud of the company's history of serving customers, delivering value to shareholders, and environmental stewardship. We strive to continue that tradition through our endeavour to provide the best quality in our products, and in everything we do. High-quality design, good taste, excellent value and clear functionality are now synonymous with the Koda brand. We distil, through the meticulous processes of drawing and making, a multitude of ideas, references and varied international cultures into simple, elegant furniture profiles that remain beautiful and eye-catching for years to come.

Koda has established its reputation as a style leader in the industry, investing heavily and consistently in teams of talent that fosters quality research, design and development. Koda constantly reinvents its operations for greater cost efficiency and to create convenience for its retail and commercial clients, most of which have fast-changing expectations generated by the ever-shifting pace of the consumer market. To stay ahead of changing trends, Koda has embarked upon a series of initiatives designed to embrace new marketing and branding programmes to better compete in today's fluid environment and to drive future growth. This includes developing its own digitally savvy retail brand to expand awareness of its quality and premium furniture offerings using environmentally responsible materials, with the intent to reap profitable sales growth. Koda believes that charting this course now is prudent, exciting, and necessary to provide the company with its own unique space amidst the disruptive forces that define the manufacturing and retail sectors today.

CHAIRMAN'S STATEMENT

Dear Stakeholders,

I am very happy to write you this good report. We work really hard and we made money for you. I am proud of my management and I am pleased with the results.

We went through many challenges. We read enough news. We know it is not easy to do business when markets are fast changing, costs are increasing and there are market uncertainties. We have to manage people, operate factories, develop products, deal with suppliers and talk to clients. These are important for our business cycles and we can't afford to miss any part of this in our operations.

I must say, my management handled these business processes very well during the last financial year and that explained why our results improved so much. My management also made some of these key decisions and did it correctly. I am very supportive:

- we bought another industrial property in Vietnam for factory expansion;
- we upgraded our machine and equipment for improving efficiencies;
- we remain focused in marketing for our export customers in the US;
- we developed good products and managed our brands well;
- we expanded Commune in China (I lived in China for many years and I know this is the right time to grow bigger); and
- we set up our first Commune store in Manila and soon, in Hong Kong.

Considering the good financial performance and after careful cash flows planning, we paid S$0.2 million in interim dividend and we will pay another S$1.2 million final and special dividend once you approve the dividend declaration in the upcoming AGM. All in all, my management calculated and told me that the total dividends work out to be S$1.44 million or 1.75 Singapore cents for every share you own in Koda. I strongly agree with my management that we must reward shareholders.

Thank you very much for your 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

	2018 US$'000	2017 US$'000	Change %
REVENUE	**52,400**	**49,491**	**5.9**
Cost of sales	(33,628)	(33,571)	0.2
GROSS PROFIT	**18,772**	**15,920**	**17.9**
Other income	683	772	(11.5)
Distribution costs	(5,405)	(4,096)	32.0
Administrative expenses	(7,231)	(7,215)	0.2
Other expenses	(533)	(385)	38.4
Finance costs	(32)	(33)	(3.0)
Share of results of associate	(1)	(1)	–
PROFIT BEFORE TAX	**6,253**	**4,962**	**26.0**
Income tax expense	(581)	(912)	(36.3)
PROFIT FOR THE YEAR	**5,672**	**4,050**	**40.0**
OTHER COMPREHENSIVE INCOME:			
(Loss) Gain on revaluation of properties, net of deferred tax	(79)	2,329	NM
Translation differences from consolidation of foreign operations	647	(635)	NM
Other comprehensive income for the year	**568**	**1,694**	**(66.5)**
Total comprehensive income for the year	**6,240**	**5,744**	**8.6**

NM: Not meaningful

REVENUE

Rose by US$2.9 million due mainly to higher sales from our in-house brand (Commune).

GROSS PROFIT

Rose by US$2.9 million propelled by higher revenues.

Gross margin rose to 35.8% compared to 32.2% in FY2017 as a result of

(i) improved economies of scale from higher capacity utilisation and supply-chain efficiencies; and
(ii) higher revenue and margin contribution from Commune.

OTHER INCOME

Fell by US$0.09 million in the absence of net foreign exchange gain.

DISTRIBUTION COSTS

Rose by US$1.3 million due mainly to

(i) higher advertising, fair and exhibition related expenses for the retail and distribution business in China; and
(ii) higher logistics costs for increased shipments in Vietnam and China.

OTHER EXPENSES

Rose by US$0.15 million due mainly to revaluation loss on a freehold building.

INCOME TAX EXPENSES

Fell by US$0.3 million in the absence of capital gains tax on disposal of investment property in Vietnam.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

As a result of the above, our Net Profit rose by 40% to US$5.7 million in FY2018 compared to US$4.1 million in FY2017.

RESULTS AT A GLANCE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30

	Group	
ASSETS	**2018 US$'000**	**2017 US$'000**
CURRENT ASSETS		
Cash and bank balances	10,502	8,352
Trade receivables	3,905	4,294
Other receivables and prepayments	2,465	2,780
Inventories	9,552	6,727
TOTAL CURRENT ASSETS	**26,424**	**22,153**
NON-CURRENT ASSETS		
Investment in associate	2	3
Club memberships	208	207
Property, plant and equipment	17,221	15,028
Other receivables and prepayment	–	548
Deferred tax assets	52	32
TOTAL NON-CURRENT ASSETS	**17,483**	**15,818**
TOTAL ASSETS	**43,907**	**37,971**

CURRENT ASSETS

CASH AND BANK BALANCES

Rose by US$2.2 million due mainly to positive operating cash flows, net of cash used for investing and financing activities.

TRADE RECEIVABLES

Fell by US$0.4 million to US$3.9 million. Trade receivables turnover period improved from 32 days in FY2017 to 27 days in FY2018 due mainly to faster collections from export customers.

OTHER RECEIVABLES

Including non-current portion, fell by US$0.9 million due mainly to

(i) capitalisation of the deposit placed for the purchase of land in Vietnam; and

(ii) lower advances made to suppliers.

INVENTORIES

Rose by US$2.8 million due mainly to higher stock of raw materials.

NON-CURRENT ASSETS

PROPERTY, PLANT AND EQUIPMENT

Rose by US$2.2 million due mainly to

(i) additions of our land and buildings in Vietnam; and

(ii) investments in new equipment and machinery.

RESULTS AT A GLANCE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at June 30

LIABILITIES AND EQUITY	Group 2018 US$'000	Group 2017 US$'000
CURRENT LIABILITIES		
Bills payables	52	127
Trade payables	2,768	1,914
Other payables	5,282	5,323
Current portion of obligations under finance leases	33	51
Current portion of bank loans	182	146
Income tax payable	412	375
TOTAL CURRENT LIABILITIES	**8,729**	**7,936**
NON-CURRENT LIABILITIES		
Deferred tax liabilities	1,071	1,152
Non-current portion of bank loans	410	477
Obligations under finance leases	36	67
TOTAL NON-CURRENT LIABILITIES	**1,517**	**1,696**
CAPITAL AND RESERVES		
Share capital	4,525	4,362
Treasury shares	(71)	(13)
Other reserves	5,924	7,939
Translation reserve	(1,585)	(2,232)
Accumulated profits	24,868	18,283
TOTAL EQUITY	**33,661**	**28,339**
TOTAL LIABILITIES AND EQUITY	**43,907**	**37,971**

CURRENT LIABILITIES

BILLS PAYABLES

Fell by US$0.08 million mainly due to lower working capital borrowings and repayment of borrowings.

TRADE PAYABLES

Rose by US$0.9 million due mainly to increased purchases from suppliers.

OTHER PAYABLES

Fell by US$0.04 million due mainly to lower deposits received from customers.

OBLIGATIONS UNDER FINANCE LEASES AND CURRENT PORTION OF BANK LOANS

Rose by US$0.02 million mainly due to draw down of a bank loan.

NON-CURRENT LIABILITIES

NON-CURRENT PORTION OF BANK LOANS

Fell by US$0.07 million mainly due repayments.

CAPITAL AND RESERVES

TREASURY SHARES

We repurchased 119,000 shares during the year and held 230,000 treasury shares as at June 30, 2018.

EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

Rose by US$5.3 million due mainly to

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

(ii) increase in earnings of US$5.7 million.

MANAGING DIRECTOR'S STATEMENT

Dear Stakeholders,

I am pleased to say that in spite of the many uncertainties in the global economy, not only did our business hold up well in Koda's latest financial year but it also exceeded our expectations and improved over the previous 12 months. This is a testament to the calibre of our management, the success of our branding and the quality of our products.

OVERVIEW

Koda's performance in the financial year ended 30 June 2018 ("FY2018") was not a result of an overnight effort. Rather, it was a culmination of a slew of carefully thought-through decisions and turnaround strategies, as well as persistent hard work over the years, from operational restructuring to corporate brand building.

These decisions and efforts gave rise to higher capacity utilisation at our production plants, greater efficiency of our supply chain and increased contributions from our retail and distribution brand, *Commune*, in FY2018.

One such decision entailed the acquisition of additional industrial property in Vietnam in 2017, which integrated well with our future expansion plans by having more dedicated production lines for mix-material production.

FINANCIAL PERFORMANCE

The Group reported higher revenue and earnings in FY2018 and ended the year with a stronger cash position compared to FY2017. Notably,

– Export sales to most markets went up; revenue from exports to the US – our single largest market – were comparable to that in FY2017;

– Overall gross profit margins increased to 35.8% from 32.2% due to greater economies of scale from higher capacity utilization, improved supply chain efficiencies, and higher revenue from *Commune*, which typically commands better margins than the export business;

– Income tax expenses declined 36.3% to US$0.6 million in the absence of capital gains tax following the disposal of certain real estate in Vietnam in June 2017.

We reported a net profit in FY2018 of US$5.7 million, the highest in nine years and 40.1% more than the US$4.1 million we earned in FY2017.

FINANCIAL POSITION

With the higher earnings, our financial position strengthened further in FY2018. This can be seen from the improvement in the following:

– Assets-to-liabilities ratio improved from 3.9 times as at 30 June 2017 to 4.3 times as at 30 June 2018. This means that every dollar of liability is supported by US$4.30 worth of assets;

MANAGING DIRECTOR'S STATEMENT

– Return on equity rose to 16.9% as at 30 June 2018 from 14.3% in the previous year. This indicates that for every dollar of your entrusted funds, we earned you US$0.17; and

– Gearing reduced to 0.02 times as at 30 June 2018 from 0.03 times at the end of the previous year. This means we borrowed only US$0.02 for every dollar of net asset we own.

ASSETS

Current assets increased by US$4.3 million to US$26.4 million as at 30 June 2018, driven mainly by the following:

– Cash at bank improved by US$2.2 million to US$10.5 million given positive operating cash flows, net of cash used to repay bank borrowings;

– Trade receivables fell by US$0.4 million to US$3.9 million, with an improved turnaround time from 32 to 27 days due mainly to quicker collection from export customers;

– Other receivables (including non-current portion) declined by US$0.9 million to US$2.5 million given the capitalisation of the deposit placed on completion of the land acquisition in Vietnam and lower advances made to suppliers; and

– Inventories rose by US$2.8 million to US$9.6 million due to higher stock of raw materials, with turnaround time of 45, 15, and 33 days for raw materials, work-in-progress and finished goods, respectively.

Non-current assets increased by US$1.7 million to US$17.5 million given the (i) addition of the Group's new land and buildings in Vietnam; and (ii) investments in new equipment and machinery.

LIABILITIES

Current liabilities rose by US$0.8 million to US$8.7 million as at 30 June 2018. Significant movements in current liabilities were as follows:

– Bills payable fell by US$0.075 million due mainly to lower trade financing and repayment of trade bills;

– Trade payables rose by US$0.9 million to US$2.8 million due mainly to higher purchases from suppliers;

– Other payables fell by US$0.04 million to US$5.3 million given lower deposits placed by our customers; and

– Income tax payables rose by US$0.03 million to US$0.4 million due mainly to higher tax provisions for our Vietnam operations and *Commune* business.

Non-current liabilities decreased by US$0.2 million to US$1.5 million as at 30 June 2018 due to repayment of borrowings.

EQUITY ATTRIBUTABLE TO OWNERS OF KODA

Net asset or equity attributable to owners of the Company rose by US$5.3 million to US$33.7 million as at 30 June 2018 due to:

– Earnings of US$5.7 million for FY2018;

– Increased share capital following the issuance of new shares under Koda's Performance Share Plan; and

– After accounting for a deficit in currency translation reserve and dividend payments.

The Group's net asset value per share rose to 40.9 US cents as at 30 June 2018 from 34.5 US cents as at 30 June 2017.

CASH FLOWS

Net cash from operating activities amounted to US$6.0 million for FY2018, similar to that for the previous year, after accounting for pre-tax earnings of US$6.3 million,, net working capital investments of US$1.1 million and net payments of income tax and interest of US$0.7 million.

Net cash used in investing activities was US$2.8 million due mainly to investments in property, plant and equipment for our Vietnam operations.

Net cash used in financing activities was US$1.3 million, mainly in the form of repayment of loans, lower bills payables, and dividend payments during the year.

Given the above, cash and cash equivalents rose by US$2.2 million to US$10.5 million as at 30 June 2018.

GOING FORWARD

The operating environment remains highly competitive and could be further clouded by growing concerns worldwide of a full-blown trade war between the US and its key trading partners, especially China.

Whilst the trade tensions have so far not affected our export-oriented manufacturing business or *Commune*, we are closely monitoring the recently announced tariffs-war that spread far and wide in scope. This trade spat is dangerous and will cause vulnerabilities.

Despite the looming trade war, we are expanding. We expand production capacity in Malaysia and Vietnam (our main factories are located here), we intensify brand-building efforts for *Commune* in China (*Commune's* largest distribution channel is here) and we will

MANAGING DIRECTOR'S STATEMENT

FINANCIAL PERFORMANCE

Summarised Profit and Loss Account
For The Year Ended June 30

US$'000	2018	2017	2016	2015	2014
Revenue	**52,400**	49,491	37,110	47,324	52,323
Gross profit	**18,772**	15,920	10,275	11,288	12,369
Profit (Loss) before income tax	**6,253**	4,962	2,354	(264)	(1,236)
Income tax expense – current year	**(511)**	(960)	(508)	(803)	(385)
Net profit (loss) after current year tax expense	**5,742**	4,002	1,846	(1,067)	(1,621)
Income tax – prior year	**(70)**	48	(263)	20	(91)
Profit (Loss) for the year	**5,672**	4,050	1,583	(1,047)	(1,712)
Profit (Loss) attributable to:					
Owners of the Company	**5,672**	**4,050**	**1,641**	**406**	**(1,237)**
Non-controlling interests	**–**	–	(58)	(1,453)	(475)
	5,672	4,050	1,583	(1,047)	(1,712)
Earnings (Loss) per share (US cents)[1]	**8.39**	7.31	2.00	0.59	(1.81)
Gross Margin %	**35.8**	32.2	27.7	23.9	23.6
Net Margin %	**10.8**	8.2	4.4	0.9	–

Revenue from (US$'000)	2018	%	2017	%	Change
Asia-Pacific	**24,997**	47.7	23,392	47.3	1,605
North America	**20,968**	40.0	21,192	42.8	(224)
Europe	**5,554**	10.6	4,437	9.0	1,117
Others	**881**	1.7	470	0.9	411
Total Revenue	**52,400**	**100**	**49,491**	**100**	**2,909**

(1) Computed based on weighted average number of shares as at June 30, 2018 and accordingly, comparatives have been restated.

MANAGING DIRECTOR'S STATEMENT

FINANCIAL POSITION

Summarised Balance Sheet
As at June 30

US$'000	2018	2017	2016	2015	2014
Property, plant and equipment	**17,221**	15,028	12,085	11,599	13,566
Investment properties	**–**	–	–	934	2,800
Other investments and assets	**262**	790	243	246	818
Goodwill	**–**	–	–	–	758
Total non-current assets	**17,483**	15,818	12,328	12,779	17,942
Current assets	**26,424**	22,153	20,039	19,319	24,484
Current liabilities	**(8,729)**	(7,936)	(8,301)	(9,515)	(16,895)
Net current assets	**17,695**	14,217	11,738	9,804	7,589
Total non-current liabilities	**(1,517)**	(1,696)	(1,156)	(895)	(2,088)
Non-controlling interests	**–**	–	–	(216)	772
Equity attributable to shareholders	**33,661**	28,339	22,910	21,904	22,671
Net assets value per share (US cents)[1]	**40.9**	34.5	27.9	26.6	27.6
Other key ratios:					
Inventory turnover – average (days)	**104**	73	94	74	145
Trade receivables turnover (days)	**27**	32	35	27	28
Quick ratio (times)	**1.9**	1.9	1.6	1.2	0.5
Current ratio (times)	**3.0**	2.8	2.4	2	1.4
Gearing (times)	**0.02**	0.03	0.07	0.16	0.38
Return on equity (%)	**16.9**	14.3	7.2	1.9	–

(1) Net asset value ("NAV") per ordinary share is computed based on 82,236,160 number of ordinary shares in issue as at 30 June 2018 and accordingly, comparatives have been restated.

MANAGING DIRECTOR'S STATEMENT

CASH FLOWS

Summarised Cash Flow Statement
For The Year Ended June 30

US$'000	2018	2017	2016	2015	2014
Operating cash flow before movements in working capital	**7,846**	6,497	3,126	2,861	1,545
Net cash from operating activities	**6,019**	6,016	3,778	6,356	1,646
Net cash (used in) from investing activities	**(2,758)**	(960)	(342)	181	(147)
Net cash used in financing activities	**(1,273)**	(1,196)	(1,939)	(5,035)	(1,489)
Net increase in cash and cash equivalents	**1,988**	3,860	1,497	1,502	10
Cash and cash equivalents at beginning of year	**8,352**	4,607	2,933	1,545	1,534
Effects of foreign exchange translation	**162**	(115)	177	(114)	1
Cash and cash equivalents at end of year	**10,502**	**8,352**	**4,607**	**2,933**	**1,545**

continue to invest in marketing for the US market (our single largest export market).

In US, the economy seems to be supportive of job creation, wage growth and improving housing market. This should bode well given our focused marketing strategies for the US market.

In China, the government continues to push towards consumer-driven growth policies, which seem to be supportive of our planned rollout of 100 *Commune* stores by the year 2020. We will continue to expand in main cities such as Shanghai and expect to set up more outlets in lower-tier cities, where population is growing, infrastructure is improving and appetite for discretionary spending is shifting. Meanwhile, we will evaluate the marketing potential for *Commune* in the Greater Bay Area where the Chinese government plans to have strategic clusters leveraging on the strength of urbanisation in the first-tier cities. Given its sheer size, the Chinese market offers immense growth potential for *Commune*.

Back in Singapore, we are working with government agency Enterprise Singapore to develop an omni-channel strategy using business intelligence and data analytics to better analyse consumer behaviours. This involves building an e-commerce strategy and a seamless online and offline brand to engage digitally-savvy new home-owners. This digital platform will complement *Commune's* physical presence by allowing it to increase brand awareness online and track consumer insights to improve consumer retention and sales. It will also help *Commune's* dealers boost sales, especially in Chinese cities where they do not have a physical presence.

Elsewhere in Asia, we opened our very first *Commune* store in Manila in May 2018, making the Philippines our third market in Southeast Asia after Singapore and Malaysia. Before the end of 2018, *Commune* will make its debut in Hong Kong, which will be yet another new market for our retail and distribution business.

Overall, we expect to remain profitable in the current financial year, barring any unforeseen circumstances.

I would like to thank all shareholders, business partners and employees for your invaluable support. I look forward very much to seeing you all at Koda's upcoming AGM.

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 CO LTD — VIETNAM
- 100% | KODA INDOCHINE CO LTD — VIETNAM
- 100% | KODA SAIGON CO LTD — VIETNAM
- 100% | COMMUNE LIFESTYLE PTE LTD — SINGAPORE
    - 100% | COMMUNE LIFESTYLE SDN BHD — MALAYSIA
    - 19.9% | COMMUNE FURNITURE (M) SDN BHD — MALAYSIA
    - 100% | COMMUNE (DONGGUAN) TRADING CO LTD — CHINA

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 instrumental in identifying the latest design trends and meeting changing consumer preferences. He is also the Chairman of Commune Lifestyle Pte Ltd.

Ernie served as President of the Singapore Furniture Industries Council ("SFIC"). He is currently 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 also appointed Co-Chairman of the Independent Experts Panel for the Furniture Industry by Enterprise 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 plays an integral role in the daily operations of the Group. 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 at the 2017 AGM.

BOARD OF DIRECTORS

MR. TAN CHOON SENG ("CHOON SENG")
Lead Independent Director

Choon Seng was appointed on 18 November 2016 as an Independent Director of Koda, and is currently the Lead Independent Director, Chairman of the Audit Committee and member of the Remuneration Committee and Nominating and Governance 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. He was last re-elected to the Board at the 2017 AGM.

MR. CHAN WAH TIONG ("WAH TIONG")
Independent Director

Wah Tiong was appointed as an Independent Director of Koda in 2001. He is currently a member of the Audit Committee, Remuneration Committee and Nominating and Governance Committee.

Wah Tiong is the 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 is 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.

BOARD OF DIRECTORS

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 and Governance 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 2017 AGM .

MR. YING SIEW HON FRANCIS ("FRANCIS")
Independent Director

Francis was appointed on 18 November 2016 as an Independent Director of Koda. He is currently the Chairman of the Remuneration Committee and member of the Audit Committee and Nominating and Governance 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). He was last re-elected to the Board at the 2017 AGM.

MANAGEMENT PROFILE

TEH WING KWAN ("TEH")
Management Advisor

Teh is a sophisticated investor and specialises in corporate restructuring, corporate finance and merger & acquisition. He is currently the Executive Chairman and Chief Executive Officer ("CEO") of Advance SCT Limited (listed on the Mainboard of the Singapore Exchange ("SGX")) and the Non-Executive Chairman of China Vanadium Titano-Magnetite Mining Company Ltd (listed on the Mainboard of the Hong Kong Stock Exchange ("HKEx")). He also served as a non-executive director of other public companies listed on HKEx, SGX and Australian Securities Exchange.

Teh was the Group CEO and Managing Director of Sapphire Corporation Limited (a company listed on the main board of Singapore Exchange Securities Trading Limited (the "SGX")) from October 2013 to December 2017. Under his leadership, Sapphire has undergone a major corporate restructuring exercise and he has transformed Sapphire by acquiring one of the largest privately-owned urban rail transit engineering groups in China. Teh has also led Sapphire to be the first company listed outside Hong Kong to receive The Listed Enterprise Excellence Awards 2016 from the Hong Kong-based Capital Weekly.

Teh was nominated for the 2015 and 2016 Asia Pacific Entrepreneurship Awards (Singapore) under the Industrial and Commercial Products Industry; and the 2017 and 2018 Outstanding Leaders in Asia Corporate Excellence & Sustainability Awards under the Leadership Category. He is a Fellow of the Association of Chartered Certified Accountants (United Kingdom), a Fellow Chartered Accountant of Institute of Singapore Chartered Accountant, 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.

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 was appointed as Group Chief Financial Officer in 2017. He 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.

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.

MANAGEMENT PROFILE

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 the Group's manufacturing 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 and appointed as an Executive officer in 2014.

SS Wong 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
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.

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. 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 was appointed as an Executive Officer and continues to serve as a member of the Executive Committee. He 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. He supervises a diverse and international marketing team, and manages overseas representative offices in China and Japan.

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.

In Commune, Shee Wen manages the operations, sales and marketing functions. He is responsible for the development and improvement of the systems that create and deliver Commune's products and securing the functionality of business plans and procedures that drive extensive and sustainable growth for Commune. Shee Wen also leads the expansion activities, maintains corporate marketing relationships and sales partnerships, and manages vendor and dealer recruitment for Commune.

Shee Wen joined Koda 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")

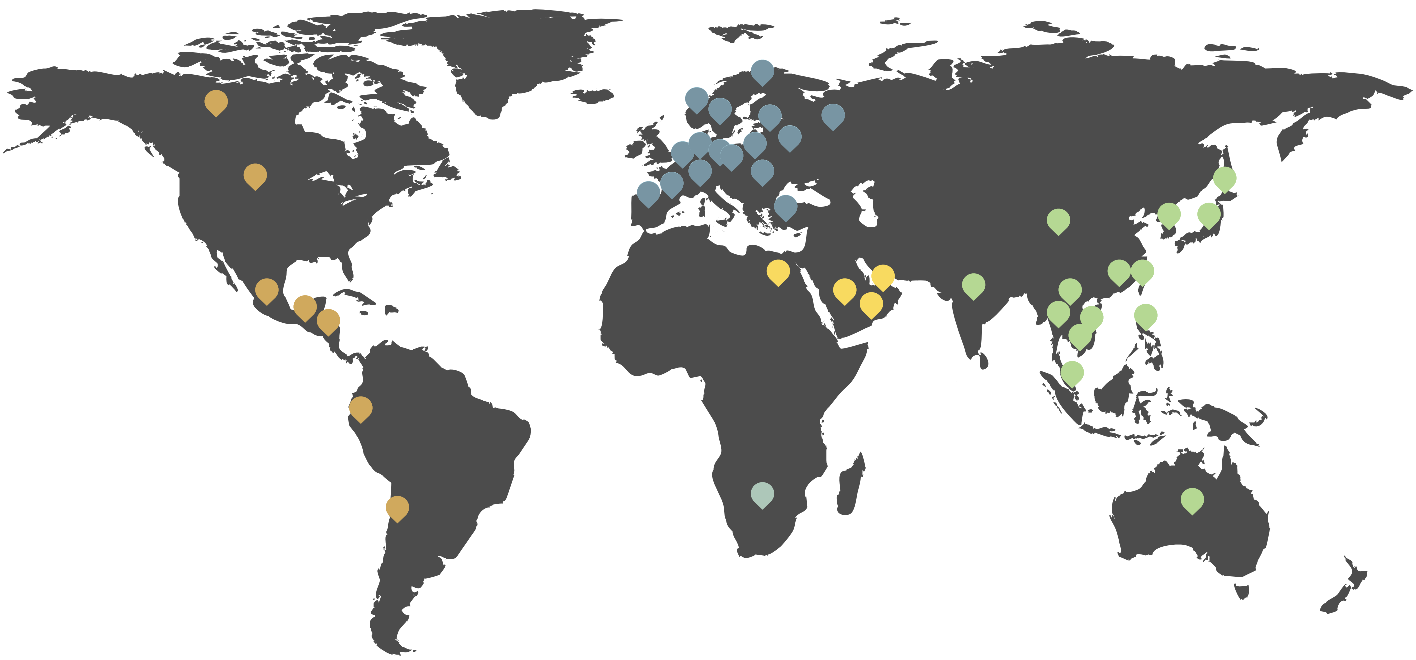
Head of Design

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	NORTH AMERICA	OTHERS
BELGIUM	AUSTRALIA	CANADA	COLOMBIA
FINLAND	CHINA	U.S.A.	GUATEMALA
FRANCE	HONG KONG		ISRAEL
GERMANY	JAPAN		MEXICO
GREECE	MALAYSIA		MONGOLIA
ITALY	NEW ZEALAND		SOUTH AFRICA
LUXEMBOURG	PHILIPPINES		UGANDA
NETHERLANDS	SINGAPORE		UNITED ARAB EMIRATES
NORWAY	SOUTH KOREA		
PORTUGAL	TAIWAN		
SPAIN	THAILAND		
TURKEY	VIETNAM		
UNITED KINGDOM			

SUSTAINABILITY REPORT CONTENTS

SUSTAINABILITY REPORT

ABOUT THIS REPORT

We are pleased to present the first annual sustainability report for Koda Ltd ("Koda"). This report outlines Koda's Environmental, Social and Governance ("ESG") performance for the financial year ended 30 June 2018.

Reporting Framework
This report has been prepared in accordance with the GRI standards: Core option. The report complies with the SGX-ST Listing Rules (711A and 711B) and the SGX Sustainability Reporting Guide.

Reporting Process
We have used the GRI Standards (GRI 101: Foundation and GRI 102: General Disclosures) to identify Koda's material economic, environmental and social impacts. Using the topic-specific GRI Standards, we have selected the most relevant disclosures for this report.

Report Content and Quality
We have determined the content of this report by applying GRI's principles of stakeholder inclusiveness, sustainability context, materiality, and completeness. The report content has been prepared using GRI's principles of accuracy, balance, clarity, comparability, reliability and timeliness to help stakeholders assess our sustainability performance.

The ESG data provided in this report covers our offices and manufacturing facilities in Malaysia and Vietnam, our office and warehouse in China and the Head Office in Singapore.

The majority of data is collected from primary sources.

Restatements
As this is our first sustainability report, restatements do not apply.

Assurance
We have not obtained external assurance for this sustainability report. We have relied on internal verification to ensure the accuracy of data.

Availability
This report, published as a part of our Annual Report, is available in PDF form for download on our website at www.kodaonline.com

Feedback
We welcome stakeholders' input on this report at sustainability@kodaltd.com

SUSTAINABILITY REPORT

ESG PERFORMANCE HIGHLIGHTS

ESG PERFORMANCE SUMMARY (Financial Year)			
ESG FACTORS	**FY2018**	**FY2017**	**FY2016**
ENVIRONMENTAL			
Total energy consumption (GJ)	24,257	24,047	18,700
Electricity used (kWh)	6,057,025	5,966,086	4,467,421
CO_2 emissions (tonnes)	4,824	4,770	3,571
Water consumption (m^3)	90,961	94,470	84,329
General waste (tonnes)	259	263	220
SOCIAL			
Employees			
Total number of employees	3,172	2,807	2,110
Permanent employees	867	831	670
Contract employees	2,305	1,976	1,440
New hires	448	856	869
Female employees (as % of permanent employees)	27	27	31
Fatal Accidents	0	0	0
FINANCIAL (US$'000)			
Revenue	52,400	49,491	37,110
Profit for the year	5,672	4,050	1,583
Employee wages	14,063	13,435	10,221
Income tax expense	581	912	771
Dividends to shareholders	1,068	1,003	394

Notes:

1. Water consumption relates to our manufacturing facilities in Malaysia and Vietnam
2. General Waste data is for our Head office in Singapore, manufacturing facilities in Malaysia and office and warehouse in China

SUSTAINABILITY REPORT

OUR APPROACH TO SUSTAINABILITY

Our sustainability approach is to conduct our business in a socially and environmentally responsible manner. Sustainability is infused right from the product development and design and choice of materials to production processes. We focus on managing the economic, social and environmental impacts of our operations and take into consideration the expectations of our key stakeholders. We also actively work with our trade customers to understand and to respond to their sustainability priorities.

As a furniture manufacturer, we choose our materials carefully to reduce the impact on the environment. Safety and health of our people at workplace is one of our top priorities. We are committed to hiring, developing and retaining the best talent to grow our business. Customer satisfaction remains our paramount goal. Customer satisfaction is directly linked to our ability to stay design-relevant, product quality and craftsmanship, productivity and timely delivery.

BOARD STATEMENT

Koda is committed to upholding the highest standards of ethics and integrity while conducting its business activities. The Group takes its environmental, social and governance responsibility seriously and ensures compliance with the applicable laws and regulations.

The Board of KODA Ltd considers sustainability issues as part of strategic formulation. The Board endorses the material ESG factors presented in this report. The Board also provides oversight of the management and monitoring of these material ESG factors, through periodic review of the key performance indicators.

MATERIALITY

With the help of an external sustainability consultant, we have conducted an assessment of the most significant economic, social and environmental impacts, including risks and opportunities, of our business activities. Based on the assessment, we have identified our priority material ESG factors for reporting.

We have offered a detailed account of how we manage these issues throughout the report. A snapshot of our material ESG factors and their boundaries is provided in the table below.

Material Factors	Impact Boundary	Our Involvement	Management Approach and Goals
Environment			
Energy Consumption	Use of electricity in offices, factories and retail stores Diesel and petrol consumption of on-site equipment and company vehicles	Direct	Minimise our energy consumption
Greenhouse Gas (GHG) Emissions	Our carbon dioxide emissions are attributable to electricity and fuel consumption	Direct	Minimise our carbon emissions footprint
Waste	Waste is generated mainly in our manufacturing facilities	Direct	Reduce, Recycle and Reuse waste Safe disposal of hazardous waste
Environmental Compliance	Applicable across the Group	Direct	Ensure compliance with applicable environmental regulations

SUSTAINABILITY REPORT

Material Factors	Impact Boundary	Our Involvement	Management Approach and Goals
Social			
Attract, Develop and Retain Talent	Applicable across the Group	Direct	Hire the best talent. Provide ongoing employee training and development
Occupational Health and Safety	Mainly applicable to our manufacturing operations	Direct and Indirect	Ensure health and safety of all employees at work
Human Rights (non-discrimination, forced labour, child labour, freedom of association and collective bargaining)	Mainly relevant to our manufacturing operations and supply chain	Direct and Indirect	Committed to protect human rights in accordance with applicable national laws and international conventions
Communities			
Local communities	Applicable across the Group	Indirect	Be a responsible corporate citizen
Economic			
Economic Performance	Applicable across the Group	Direct	Long-term sustainable growth of business with consistent value creation
Anti-corruption	Applicable across the Group	Direct	Maintain zero-tolerance to corruption
Socio-economic Compliance	Applicable across the Group	Direct	Ensure compliance with applicable laws and regulations

ESG GOALS AND TARGETS

We have indicated our broad goals for each material ESG factor in the above table as well as throughout the report where we have described our sustainability policies, programmes and initiatives. We plan to develop more specific targets for the relevant ESG factors in due course and will include the necessary information in our future sustainability reports.

STAKEHOLDER ENGAGEMENT

We engage with our key stakeholders throughout the year in the course of our business. We consider our trade and retail customers, suppliers, employees, regulators, and local communities as our significant stakeholders as their opinion may have a material impact on our business.

We maintain ongoing engagement with our key stakeholders. Feedback from stakeholders helps us respond to their expectations and concerns more effectively.

SUSTAINABILITY REPORT

We have summarized our stakeholder engagement in the table below.

Stakeholders	Their Expectations	How We Engage	How We Respond
• Trade Customers and their end customers • Retail Customers	• Value for money • Stylish and aesthetic design • High-quality material • Green material • Good craftsmanship • Timely delivery	• Regular meetings and communication • Regular visits to trade customers • Factory audits • Visits to our stores (retail customers) • Marketing communications, website, and digital media	• Investment in research and development • Well-equipped design studio and talented designers • Stringent quality assurance process
• Employees	• Personal and professional development • Workplace safety	• Performance appraisal • Training • Team meetings • Company events	• HR policies to promote a conducive work environment, fair employment practices and people development • Occupational health and safety system
• Suppliers	• Regular business • Long-term relationship • Clarity of specifications • Timely payment	• Meetings and electronic communications • Purchase orders and agreements	• Establish fair selection process • Pay as per agreement
• Government and Regulators	• Regulatory compliance • Taxes	• Inspections and meetings • Circulars and notices • Regulatory filings	• Adhere to the applicable laws and regulations • Maintain the necessary records
• Community	• Support for communities • Responsible business operations	• Community development initiatives	• Commitment to corporate social responsibility
• Shareholders	• Return on investment • Sustainable business growth • Good governance	• Board meetings • Annual General Meeting • Investor Relations briefings	• Ensuring good corporate governance • Prudent business and financial planning • Risk management

SUSTAINABILITY REPORT

Membership of Associations
We engage with relevant trade associations through membership and attending their events.

We play an active role at Singapore Furniture Industries Council (SFIC), the official representative body of Singapore's furniture and furnishings industry. Our executive director Mr Ernie Koh is the Immediate Past President of SFIC. Ernie is also the Chairman of the Manufacturing Cluster Committee. Our Deputy Chairman and Managing Director Mr James Koh is a Presidential Advisor at the organisation. Mr Gan Shee Wen, Koda's VP of Marketing, is an executive committee member. Shee Wen also holds the position of Chairman of the Retail Cluster Committee.

Our trade memberships include:

- Singapore Furniture Industries Council
- Shenzhen Furniture Industries Association
- Singapore Business Federation

PRODUCT

Koda's vision is to be a reputable, profitable and significant global original design manufacturer of furniture. As a leading Original Design Manufacturer (ODM), Koda has built its reputation by focusing on the product design and impeccable workmanship. Koda products exude individuality, sophistication and elegance.

Our product range includes extensive collections of dining, living and bedroom furniture and chairs made from solid wood. Koda's furniture products are appreciated by upscale customers worldwide for its aesthetical and functional pieces. Koda products are exported to more than 200 established customers in nearly 50 countries.

Our retail brand Commune offers modern lifestyle furniture and accessories bringing trendy designs from around the world. There are a total of 55 Commune outlets in Singapore, Malaysia, the Philippines, China and Australia.

PRODUCT DESIGN
Product design is our core strength. Over the decades, we have built significant in-house design expertise to focus on product development and to stay design-relevant.

MATERIALS
Our furniture range is produced primarily from high-quality sustainably sourced solid wood and veneer including American walnut, natural oak, acacia, rubber wood and pine.

We source the timber used in our furniture from sustainable forests in North America as well as in Asia. We require our suppliers to follow ethical practices and strict guidelines for compliance with social and environmental standards.

QUALITY AND CRAFTSMANSHIP
From cutting and molding, to wood bending and even sanding down surfaces, we take extra care in the crafting of our furniture to make sure that every finished piece feels just right in your hands.

We value quality and craftsmanship, and our craftsmen are dedicated to ensuring the highest quality control in every step of the process – from design to creation.

SUSTAINABILITY REPORT

PRODUCTION

Our design excellence is complemented by our cost-effective yet state-of-the-art production facilities in Malaysia and Vietnam.

TECHNOLOGY

We have started implementing 3D and Virtual Reality (VR) technologies to enhance customer experience at our Commune stores. With the help of 3D floor planner and VR simulations, consumers can experience precisely how Commune products will look like when placed in their homes. Consumers can use our extensive library of wall colors and flooring options to replicate their existing homes and visualize their furnished home under different light conditions.

PEOPLE

We are committed to nurturing a performance-driven organisation based on mutual respect and trust. Our human resources policies are designed to attract, develop and retain talent. Our workplace practices promote fairness, inclusivity, open communication, teamwork and health and safety.

EMPLOYEES

As at end of FY2018, we employed 2,754 people across our operations in Singapore, Malaysia, Vietnam and China. Out of the total workforce, 31% were permanent employees, and the remaining were on fixed-term contracts. There were no temporary and part-time employees in the reported year.

TRAINING

It is crucial that our employees have the rights skills and have the opportunities to continuously upgrade their skills and knowledge to be productive and efficient. We have implemented a comprehensive training policy to ensure ongoing learning and development of our employees at all levels.

The HR department prepares an annual training plan for all employees in consultation with the respective heads of department. The training program includes topics based on a need assessment.

This report includes our training data for Malaysia. We are taking steps to collect training data for other locations for reporting in future.

BENEFITS AND WELFARE

We comply with the local minimum wage regulations where we operate our factories. Koda full-time employees are eligible for a host of benefits in accordance with local laws. The employee benefits include annual leave, marriage leave, maternity leave, paternity leave, medical leave and expenses and retirement benefits.

In Malaysia, we organise multiple recreational activities that include sports tournaments, annual dinner and team building activities. In Vietnam, we host events to celebrate various festivals and employees are treated to a year-end party.

SUSTAINABILITY REPORT

HUMAN RIGHTS
We respect and uphold human rights in accordance with national laws and international conventions including the International Labor Organization's (ILO) standards. Our policies prohibit child labor, forced labor and discrimination in our operations as well as in our supply chain.

We respect the right of workers to freedom of association and collective bargaining. In Vietnam, we have a collective bargaining agreement with Koda Saigon Trade Union which represents our employees in the country. The agreement covers a wide range of topics including wages, working hours, overtime, holidays, annual leave, safety, insurance and the welfare of female workers.

We maintain a cordial relationship with the union through regular engagement.

There were no known or confirmed incidents of child labor, forced labor, discrimination or violation of workers' right to freedom of association in the reported period.

GRIEVANCE RESOLUTION
We have implemented a grievance resolution mechanism in our facilities to ensure fair and transparent resolution of grievances filed by workers. We also encourage open communication between the managers and workers to promote harmonious working relations and to minimize complaints.

EMPLOYEE TURNOVER
Our approach is to attract and retain the most suitable talent to support our business growth and to ensure quality and productivity to meet our customers' expectations.

PERFORMANCE MANAGEMENT
We recognize and objectively reward performance of our employees. We have implemented a comprehensive appraisal system to assess the performance which covers all employees.

HEALTH AND SAFETY
Protecting our people from health and safety risks is our top priority. We have implemented a health and safety management system aimed at prevention of risks by taking appropriate measures and adopting safe work practices.

In our furniture manufacturing facilities, the potential health and safety issues arise from use of machinery and tools, movement of bulky items, wood dust and chemical fume from spraying operations.

We provide the necessary personal protective equipment such as face masks, respiratory masks, safety glasses and safety gloves to employees engaged in manufacturing operations. Our facility employees receive regular training in operational safety.

To minimize the health effects of wood dust, our facilities are fitted with dust collector system and local exhaust ventilation mechanisms. Spraying operations are conducted in a secure booth to minimize the health hazards.

We ensure all machinery, tools and equipment remain in good working order through regular maintenance and periodic inspections.

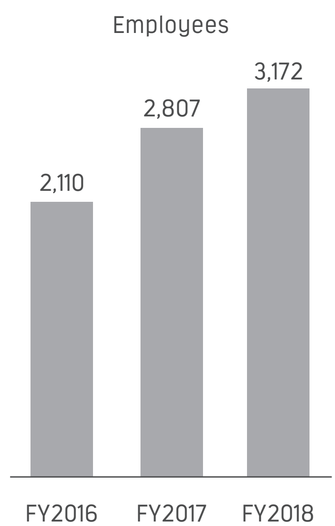
We have implemented procedures to collect and monitor health and safety data including the injury rate, accident frequency rate, occupational disease rate and fatality rate.

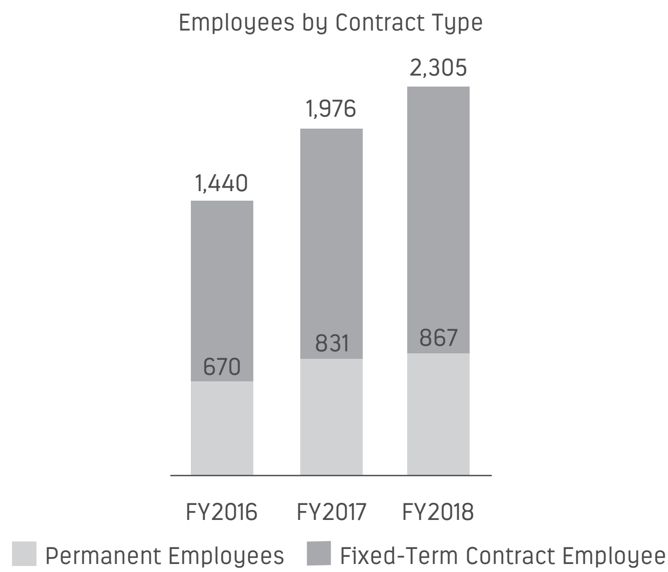
SUSTAINABILITY REPORT

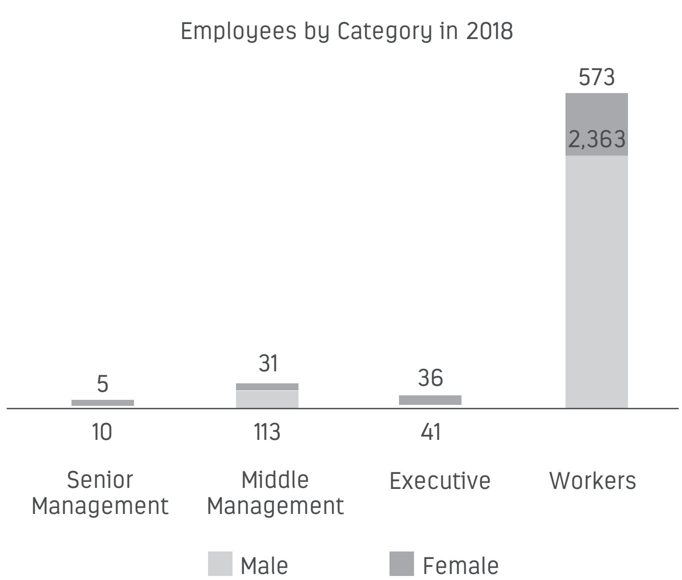
CHEMICAL SAFETY

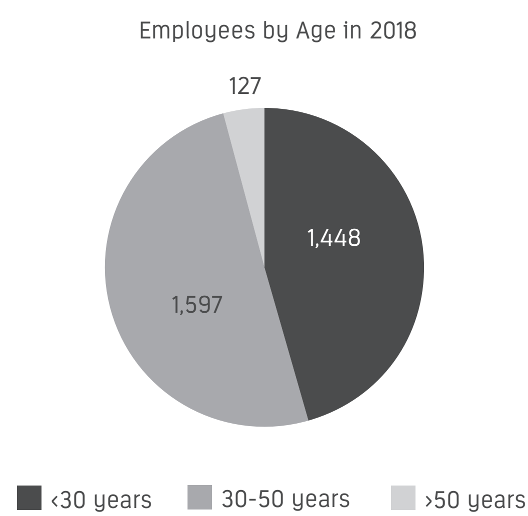
We carefully choose chemicals such as paints, resins, lacquers and solvents with lower led-content for our production processes to minimise the harmful effects on the health of our workers.

We maintain Material Safety Data Sheets (MSDS) for all chemicals that are used in our production processes to ensure safety procedures are followed while handling these chemicals.



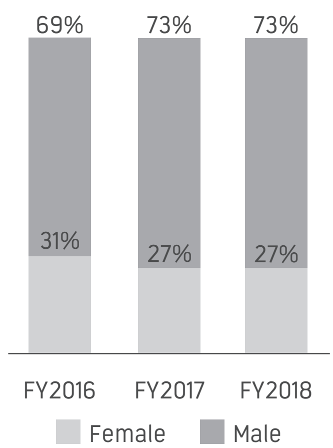




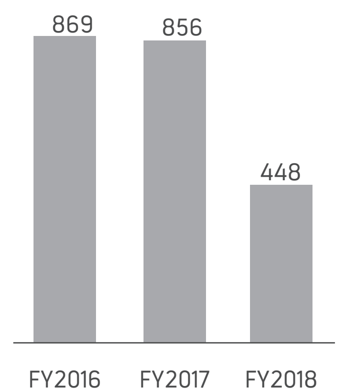


SUSTAINABILITY REPORT

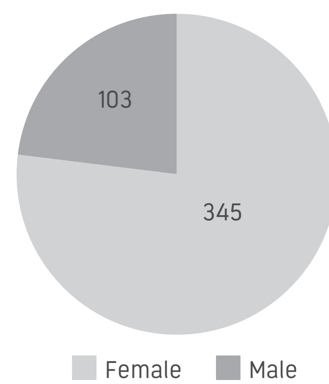
Permanent Employees by Gender



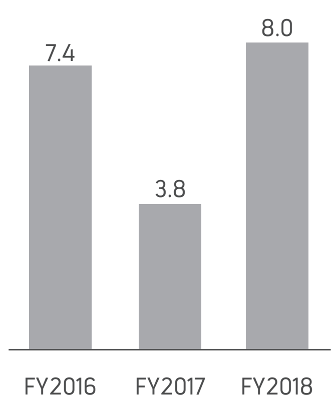
New Hires



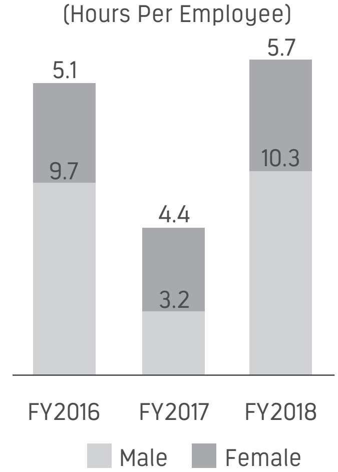
New Hires by Gender in 2018



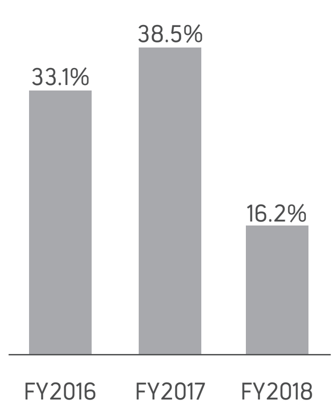
Average Training Hours in Malaysia
(Hours Per Employee)



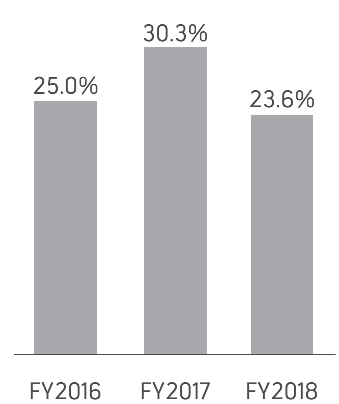
Average Training Hours by Gender in Malaysia
(Hours Per Employee)



Employee Turnover in Malaysia



Employee Turnover in Vietnam



SUSTAINABILITY REPORT

ENVIRONMENT

We are committed to minimizing the environmental impact of our operations through waste and emission reduction, energy efficiency, promoting sustainability practices, both internally and among our customers and suppliers, and by meeting or exceeding all regulations applicable to our facilities.

We have implemented a comprehensive environmental management system in our facilities to protect the environment and make continuous improvement. Assessing environmental risks, taking preventive measures, employee training, setting goals and targets are integral parts of our environmental management efforts.

We strive to adopt environmental best practices aimed at pollution control, process improvement and efficient utilization of materials and to reduce and recycling of waste in all our activities and products.

We have programmes in place to increase employee awareness about environmental issues through training.

SUSTAINABLE MATERIALS

To minimise the impact on the environment, we use wood ethically sourced from sustainably-managed forests. We also use recycled materials where possible.

We have also removed banned chemicals, identified by the industry as harmful to human health or the environment, from our production processes. We use high-grade lacquers, paints, coatings and solvents with low lead content. We use high-quality resins and glue in our production processes to minimise formaldehyde emissions.

ENERGY

Our approach is to continuously improve our energy efficiency to reduce our environmental footprint and to lower costs. Our energy consumption includes electricity, petrol and diesel. We use electricity in our offices, warehouses and stores for lighting, air-conditioning and to run equipment. Petrol is used in company vehicles, and diesel is used in company vehicles and equipment such as backup power generators.

GREENHOUSE GAS (GHG) EMISSIONS

Our GHG emissions result from the use of electricity, petrol and diesel. We strive to minimise our GHG footprint by improving energy efficiency. We have started measuring and monitoring the carbon dioxide (CO2) emissions from our energy consumption.

WASTE

In line with our eco-design philosophy, all our products are designed to minimise waste. Waste is generated primarily in our manufacturing facilities. Our hazardous waste includes chemical waste consisting of solvents, paints, inks, lacquer, contaminated cotton rags and chemical drums.

We have procedures in place for the segregation, storage and disposal of wastes as required by local regulations.

General waste figures reported this year refer to our Head Office in Singapore, manufacturing facility in Malaysia and the office and warehouse in China. Hazardous waste data is for our Malaysia facility.

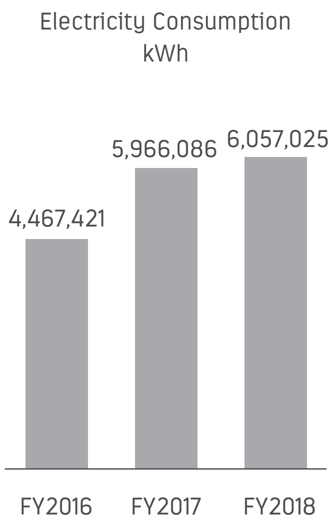
WATER

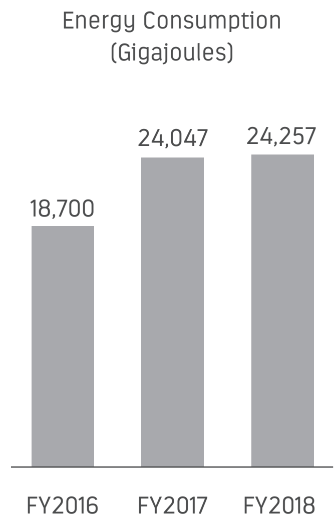
Our operations do not require significant amount of water. However, we understand the importance of conserving water. We monitor our water use and strive to use it more efficiently.

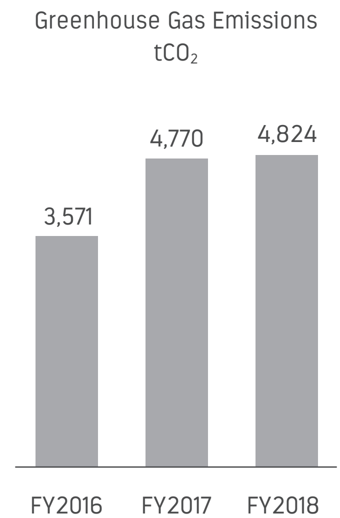
SUSTAINABILITY REPORT

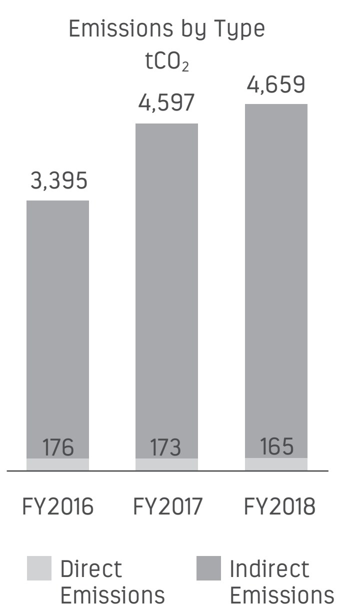
ENVIRONMENTAL COMPLIANCE

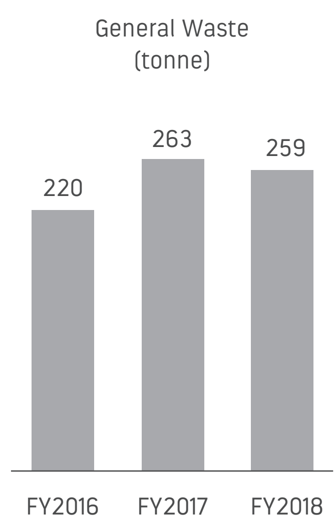
We are committed to complying with applicable environmental laws and regulations in countries where we have operations. There were no known or reported breaches or violations of environmental rules in the reported period.

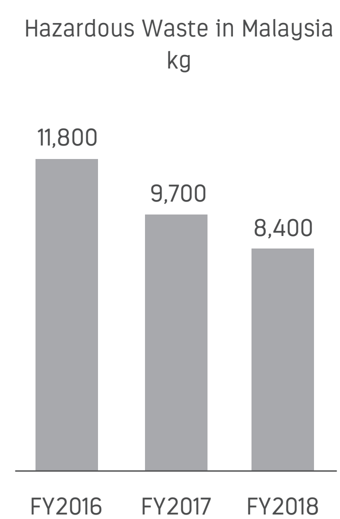




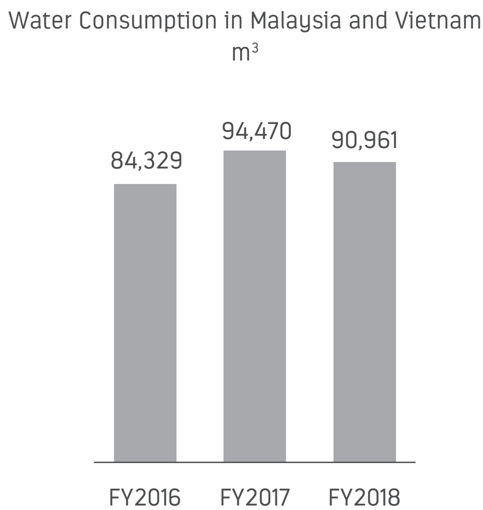


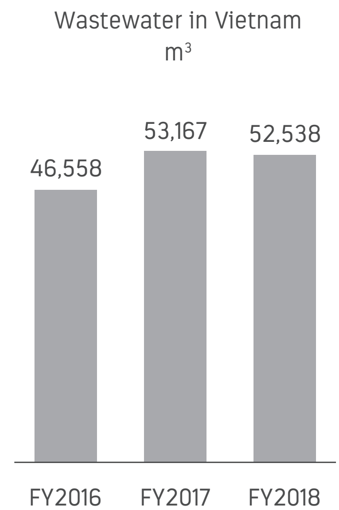






SUSTAINABILITY REPORT





COMMUNITY

Koda is committed to sustainable growth of its business by leaving a positive footprint in the communities where we operate our business. The welfare of the local communities is an integral part of our approach to sustainability. We believe in nurturing trusted partnerships with the local communities where we operate our business.

We support various community programmes under our corporate social responsibility initiatives. We also help the art and culture initiatives by sharing our expertise and resources.

Collaboration with The Art Faculty by Pathlight

In 2017, our retail brand Commune collaborated with The Art Faculty by Pathlight, an organisation that promotes the special talent of people with autism through creativity, craft culture and visual art. For every sale of artwork and product, differently-abled artists earn royalties to learn the value of work and financial independence.

Commune provided our versatile Dewey wooden stools to The Art Faculty for the differently abled artists who applied their creative skills to clad the pieces with Archival prints. The final products were put up for sale at their Art for Autism exhibition at The Fullerton Hotel Singapore.

Supporting W!LD RICE Theatre

We worked with Singapore's premier theatre company, W!LD RICE to provide furniture for two theatre productions in 2017. Our Tusk side chairs and Geormani sofa made a special appearance in La Cage Aux Folles at the Victoria Theatre, while our Tusk bench, Wilbur end table and accessories also made a guest appearance in Boeing Boeing, playing at the Victoria Theatre.

Project Refresh

Spearheaded by Young NTUC and the North East Community Development Council (NECDC), Project Refresh aims to improve the living environment of the less fortunate elderly and families staying in 1-room rental units in Kaki Bukit, through a series of refurbishment works such as painting, cleaning, bed bug fumigation and de-cluttering.

In 2017, Commune supported the initiative by donating furniture and helping out with the spring cleaning of the home and placement of new furniture. The project helped 24 low-income families at Kaki Bukit.

SUSTAINABILITY REPORT

ECONOMIC PERFORMANCE

Our commitment is to generate long-term economic value for our shareholders and stakeholders including our customers, employees, suppliers and the local communities.

DIRECT ECONOMIC PERFORMANCE

A summarized version of our economic performance, obtained from the financial statement, is provided in the table below. For our complete financial performance, please refer to the Annual Report section of this report.

ECONOMIC PERFORMANCE (US$'000)			
Economic performance indicators	**FY2018**	**FY2017**	**FY2016**
Revenue	52,400	49,491	37,110
Profit for the year	5,672	4,050	1,583
Employee wages	14,063	13,435	10,221
Income tax expense	581	912	771
Dividends paid	1,068	1,003	394

INDIRECT ECONOMIC CONTRIBUTION

Our business activities generate significant direct and indirect jobs especially in Vietnam and Malaysia where we have established manufacturing facilities. Employee wages and taxes contribute to the local economies.

SUPPLIERS

Our supply chain includes suppliers of raw material, mainly wood, components and paint products. We actively engage with our suppliers to ensure they adhere to our social, environmental and quality standards.

Our standard procedure for evaluating suppliers includes assessment of their compliance with our social and environmental criteria. The social and environmental indicators included in the supplier assessment include freedom of association, child labor, forced labor, non-discrimination, overtime, health and safety, minimum wage, environmental protection and anti-corruption.

ANTI-CORRUPTION

We require high ethical standards from our employees including the directors. We maintain zero tolerance against corruption, bribery, fraud and unethical conduct.

Our Employee Code of Ethics sets out the Group's ethics policy that prohibits accepting or offering illegal payments or gifts. Employees are given a copy of the Code of Conduct and are required to acknowledge they have read and understood the Company's ethics policy.

There were no known or reported incidents of corruption in the reported period.

SOCIO-ECONOMIC COMPLIANCE

We are committed to conducting our business in a lawful manner in compliance with applicable rules and regulations. There were no known or reported breaches or violations of socio-economic regulations in the reported period.

SUSTAINABILITY REPORT

GRI CONTENT INDEX

GRI Content Index "in accordance" – Core		
GRI Standard	**Disclosure**	**Page Number(s)**
GRI 101: Foundation 2016 (GRI 101 does not include any standards)		
General Disclosures		
GRI 102: General Disclosures 2016	**Organizational Profile**	
	102-1 Name of the organisation	Koda Ltd
	102-2 Activities, brands, products, and services	5, 15
	102-3 Location of headquarters	Singapore
	102-4 Location of operations	15
	102-5 Ownership and legal form	44, 154-155
	102-6 Markets served	23
	102-7 Scale of the organisation	15, 23, 26, 153
	102-8 Information on employees and other workers	26,31, 33-34
	102-9 Supply chain	10, 38
	102-10 Significant changes to the organisation and its supply chain	None
	102-11 Precautionary Principle or approach	27, 35
	102-12 External initiatives	25
	102-13 Membership of associations	30
	Strategy	
	102-14 Statement from senior decision-maker	10-14, 27
	Ethics and Integrity	
	102-16 Values, principles, standards, and norms of behaviour	27, 38
	Governance	
	102-18 Governance structure	44-85
	Stakeholder Engagement	
	102-40 List of stakeholder groups	28-29
	102-41 Collective bargaining agreements	32
	102-42 Identifying and selecting stakeholder engagement	28-29
	102-43 Approach to stakeholder engagement	28-29
	102-44 Key topics and concerns raised	28-29
	Reporting Practice	
	102-45 Entities included in the consolidated financial statements	131-132
	102-46 Defining report content and topic Boundaries	25, 27-28

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GRI Content Index "in accordance" – Core		
GRI Standard	**Disclosure**	**Page Number(s)**
	102-47 List of material topics	27-28
	102-48 Restatements of information	Not applicable as this is our first sustainability report
	102-49 Changes in reporting	No changes
	102-50 Reporting period	25
	102-51 Date of most recent report	Not applicable as this is our first report
	102-52 Reporting cycle	Annual
	102-53 Contact point for questions regarding the report	25
	102-54 Claims of reporting in accordance with the GRI Standards	25
	102-55 GRI content index	39-42
	102-56 External assurance	25
Material Topics		
Economic performance		
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundaries	28, 38
	103-2 The management approach and its components	28, 38
	103-3 Evaluation of the management approach	28, 38
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	38
Indirect Economic Impacts		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	38
	103-2 The management approach and its components	38
	103-3 Evaluation of the management approach	38
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	38
Anti-corruption		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	28
	103-2 The management approach and its components	28
	103-3 Evaluation of the management approach	38
GRI 205: Anti-Corruption 2016	205-3 Confirmed incidents of corruption and actions taken	38

SUSTAINABILITY REPORT

GRI Content Index "in accordance" – Core		
GRI Standard	**Disclosure**	**Page Number(s)**
Energy		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	27
	103-2 The management approach and its components	27
	103-3 Evaluation of the management approach	35
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	35-36
Emissions		
GRI103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	27
	103-2 The management approach and its components	27
	103-3 Evaluation of the management approach	35
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	35-36
	305-2 Energy indirect (Scope 2) GHG emissions	35-36
Water		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	27
	103-2 The management approach and its components	27
	103-3 Evaluation of the management approach	35
GRI 303: Water	303-1 Water withdrawal by source	35
Effluents and Waste		
GR 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	27
	103-2 The management approach and its components	27
	103-3 Evaluation of the management approach	35
GRI 306: Effluents and Waste 2016	306-2 Waste by type and disposal method	36
Environmental Compliance		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	27
	103-2 The management approach and its components	27
	103-3 Evaluation of the management approach	36
GRI 307: Environmental Compliance 2016	GRI 307-1 Non-compliance with environmental laws and regulations	36
Employment		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	28
	103-2 The management approach and its components	28
	103-3 Evaluation of the management approach	31
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	34

SUSTAINABILITY REPORT

GRI Content Index "in accordance" – Core		
GRI Standard	**Disclosure**	**Page Number(s)**
Occupational Health & Safety		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	28
	103-2 The management approach and its components	28
	103-3 Evaluation of the management approach	32-33
GRI 403: Occupational Health and Safety	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	32-33
Training and Education		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	28
	103-2 The management approach and its components	28
	103-3 Evaluation of the management approach	31
GRI 404: Training and Educations 2016	404-1 Average hours of training per year per employee	31, 34
Socio-economic Compliance		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	28, 38
	103-2 The management approach and its components	28, 38
	103-3 Evaluation of the management approach	38
GRI 419: Socio-economic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	38

CORPORATE GOVERNANCE REPORT

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;

CORPORATE GOVERNANCE REPORT

- approving nominations of Directors to the Board and appointment of key management personnel;
- reviewing corporate governance practices;
- 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 and Governance 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 and Governance 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.

CORPORATE GOVERNANCE REPORT

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 Ernie Koh Jyh Eng, Mdm Koh Shwu Lee, Mr Teh Wing Kwan and Mr Koh Zhu Xian Joshua.

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

For new appointments to the Board, the newly-appointed Director will be given a formal letter setting out his 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. 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 Tan Choon Seng (Lead Independent Director), Mr Chan Wah Tiong, Mr Sim Cheng Huat and Mr Ying Siew Hon, Francis. 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

CORPORATE GOVERNANCE REPORT

The Board, taking into account the views of the Nominating and Governance 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.

The Board and the Nominating and Governance 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 and Governance 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 and Governance 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" in this Annual Report. Where appropriate, the Nominating and Governance 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

CORPORATE GOVERNANCE REPORT

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 built the Group into an international organisation is exceptionally important to the Group.

Guideline 3.1

Guideline 3.2

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, among others:

- 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;
- 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.

Guideline 3.3

Mr Tan Choon Seng is the Lead Independent Director of the Board. As the Lead Independent Director, Mr Tan Choon Seng:

- 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;

CORPORATE GOVERNANCE REPORT

- 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 2018 are as follows:

Guideline 1.4

	Board		Audit Committee		Nominating and Governance 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	4	3	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
James Koh Jyh Gang	4	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	4	4
Koh Jyh Eng	4	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	4	4
Koh Shwu Lee	4	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	4	4
Tan Choon Seng(1)	4	3	4	3	1	1	2	2	N.A.	N.A.
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.
Ying Siew Hon, Francis	4	4	4	4	1	1	2	2	N.A.	N.A.

Notes:

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

(1) Mr Tan Choon Seng was appointed as the Lead Independent Director and Chairman of the Audit Committee with effect from 13 November 2017 in replacement of Mr Chan Wah Tiong. Mr Chan Wah Tiong continues to serve as a member of the Audit Committee, the Nominating and Governance Committee, and the Remuneration Committee.

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.

CORPORATE GOVERNANCE REPORT

PRINCIPLE 4: BOARD MEMBERSHIP

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

The Nominating Committee was reconstituted as the Nominating and Governance Committee with effect from 13 November 2017. Please refer to the Company's announcement dated 13 November 2017 for further details.

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

The Nominating and Governance 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 and Governance Committee, which are regulated by written terms of reference, are as follows: Guideline 4.1

- reviewing and recommending Board succession plans for Directors, and in particular, the Chairman and Managing Director to the Board; 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;

- 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;

CORPORATE GOVERNANCE REPORT

- 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 and Governance 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 and Governance 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 and Governance 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 and Governance Committee is empowered to engage professional search firms to seek out and source for suitable candidates, at the Company's expense. The Nominating and Governance Committee gives due consideration to all suitable candidates regardless of who identified the candidate. The Nominating and Governance 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

CORPORATE GOVERNANCE REPORT

The Nominating and Governance 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 and Governance Committee notes that Directors with multiple listed company board representations have been taking independent actions to address the issue. The Nominating and Governance 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.

Guideline 4.2

Guideline 4.4

Guideline 4.6

Mr Koh Teng Kwee will retire as the Non-Executive Chairman pursuant to Regulation 89 of the Company's Constitution. The Nominating and Governance Committee has recommended to the Board that Mr Koh Teng Kwee be nominated for re-election at the forthcoming AGM. Mr Koh Teng Kwee will, upon re-election as a Director of the Company, remain as the Non-Executive Chairman.

Guideline 4.7

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

Guideline 4.7

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

Guideline 4.7

Every year, the Nominating and Governance 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 and Governance 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 and Governance Committee, considers Mr Tan Choon Seng, Mr Chan Wah Tiong, Mr Sim Cheng Huat and Mr Ying Siew Hon, Francis to be independent. Given that Mr Chan Wah Tiong and Mr Sim Cheng Huat have served on the Board as Independent Non-Executive Directors for more than nine (9) years, the question of whether each of them is independent was subject to more rigorous scrutiny. The Board and the Nominating and Governance Committee consider Mr Chan Wah Tiong and Mr Sim Cheng Huat to be independent as each of them has continually demonstrated strong independence in character and judgment and contributed effectively by providing impartial and autonomous views, and which, coupled with their familiarity with the business of the Group, have proven themselves to be valuable members of the Board.

Guideline 2.4

Guideline 4.3

CORPORATE GOVERNANCE REPORT

Currently, the Board does not have any alternate Director and did not appoint any alternate Directors for the financial year ended 30 June 2018. 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 and Governance Committee met once during the financial year ended 30 June 2018.

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" in 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" in 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	27 October 2017	–	–
Tan Choon Seng	Lead Independent Director	18 November 2016	27 October 2017	–	–
Chan Wah Tiong	Independent Non-Executive 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	27 October 2017	–	–
Ying Siew Hon, Francis	Independent Non-Executive Director	18 November 2016	27 October 2017	–	–

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.

CORPORATE GOVERNANCE REPORT

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 2018, no Director held more than six (6) listed company board representations concurrently. Guideline 4.4

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 and Governance Committee is tasked with the assessment of the Board's performance.

The performance criteria used by the Nominating and Governance 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 and Governance Committee also takes into account the Directors' standards of conduct and such financial indicators as the Nominating and Governance Committee considers appropriate in its evaluation of the Board and Board Committees. The Nominating and Governance 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 5.2

In assessing the effectiveness of the Board and Board Committees, the Nominating and Governance Committee takes into consideration the individual Director's industry knowledge and/or functional expertise, and workload requirements. The Nominating and Governance 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 and Governance 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 and Governance Committee. In particular, the Chairman of the Nominating and Governance Committee reviewed the results of these self-assessment checklists and, in consultation with the Nominating and Governance 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. Guideline 5.1 Guideline 5.3

The Nominating and Governance 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 2018 and was of the view that the performance of the Board as a whole, each Board Committee and each individual Director were satisfactory.

No external facilitator was used in the Nominating and Governance Committee's assessment of the Board, Board Committees and individual Directors. Guideline 5.1

CORPORATE GOVERNANCE REPORT

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 Tan Choon Seng (Member), Mr Chan Wah Tiong (Member) and Mr Sim Cheng Huat (Member).

Guideline 7.1

CORPORATE GOVERNANCE REPORT

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

- 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

- 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 Guideline 7.4

- 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 feasibly 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 2018. Guideline 7.3

CORPORATE GOVERNANCE REPORT

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.

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.

CORPORATE GOVERNANCE REPORT

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.

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 consider 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 of 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.

CORPORATE GOVERNANCE REPORT

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

The duration of the performance share plan was subject to a maximum period of 10 years from the date it was adopted. The performance share plan will accordingly expire and lapse on 28 October 2018. In the circumstances, the Company is proposing to adopt a new performance share plan, known as the Koda Performance Share Plan 2018, to replace the existing performance share plan. Please refer to the Company's Circular dated 15 October 2018 for further details.

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 shares granted**	**Aggregate number of performance shares vested**	**Aggregate number of performance shares cancelled or forfeited**	**Aggregate number of performance shares not vested as at end of financial year under review**
Koh Zhu Xian Joshua[1]	41,846	Up to 117,000[2]	54,846[3]	–	Up to 219,000[4][5]
Koh Zhu Lian Julian[1]	41,846	Up to 123,000[2]	60,846[3]	–	Up to 219,000[4][5]
Total	83,692	Up to 240,000	115,692	–	Up to 438,000

Notes:

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

(2) The total number of performance shares granted on 28 November 2016.

(3) These performance shares, which were allotted and issued on 28 December 2016 and 19 December 2017, are subject to a two (2) year moratorium from 28 December 2016 and 19 December 2017 respectively (the "**Moratorium Period**"). During the Moratorium Period, Mr Koh Zhu Xian Joshua and Mr Koh Zhu Lian Julian shall not transfer or dispose their respect interests in these performance shares.

(4) The number of performance shares to be vested will be decided by the Remuneration Committee based on certain performance metrics of the participant. Mr Koh Zhu Xian Joshua and Mr Koh Zhu Lian Julian will be eligible for up to 219,000 performance shares each six (6) months from 30 June 2018. As at the date of grant on 28 November 2016, Mr Koh Zhu Xian Joshua and Mr Koh Zhu Lian Julian were eligible to up to 73,000 performance shares each six (6) months from 30 June 2018. This number of performance shares was adjusted to 109,500 following the completion of the first bonus issue on 8 June 2017 and further adjusted to 219,000 following the completion of the second bonus issue on 7 November 2017.

(5) 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.

CORPORATE GOVERNANCE REPORT

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 2018 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$600,000 to S$700,000					
James Koh Jyh Gang	62	22	16	–	100
S$500,000 to S$600,000					
Koh Jyh Eng	48	28	24	–	100
S$300,000 to S$400,000					
Koh Shwu Lee	55	40	5	–	100
S$100,000 to S$200,000					
Koh Teng Kwee	91	–	9	–	100
Below S$100,000					
Tan Choon Seng	–	–	–	100	100
Chan Wah Tiong	–	–	–	100	100
Sim Cheng Huat	–	–	–	100	100
Ying Siew Hon, Francis	–	–	–	100	100
Key Management Personnel					
S$300,000 to S$400,000					
Wong Se Sun	35	61	4	N.A.	100
S$200,000 to S$300,000					
Gan Shee Wen	62	27	11	N.A.	100
Below S$200,000					
Lim Swee Hua	92	–	8	N.A.	100
Darren Tan Kian Peng	81	12	7	N.A.	100
Key Management Personnel who are immediate family members of a Director					
S$250,00 to S$300,000					
Koh Zhu Xian Joshua[1]	73	19	8	N.A.	100
S$200,000 to S$250,000					
Koh Zhu Lian Julian[1]	61	30	9	N.A.	100

Note:

(1) Save for Mr Koh Zhu Xian Joshua and Mr Koh Zhu Lian Julian 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 2018.

CORPORATE GOVERNANCE REPORT

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 9.2

Guideline 9.3

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 2018.

Guideline 9.1

For the financial year ended 30 June 2018, the total remuneration paid to the Directors (including Directors' fees paid to the Independent Non-Executive Directors) was S$1,879,214 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$1,385,482.

Guideline 9.3

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 profit before tax, relative financial performance of the Group to its industry peers, and order book and sales growth 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 a 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 2018. 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 2018 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.

Guideline 9.6

The Directors' fees paid to the Independent Non-Executive Directors, namely, Mr Tan Choon Seng, Mr Chan Wah Tiong, Mr Sim Cheng Huat and Mr Ying Siew Hon, Francis for the financial year ended 30 June 2018 were S$40,000, S$40,000, S$23,000 and S$33,000 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.

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE REPORT

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 2018. 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.

CORPORATE GOVERNANCE REPORT

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, if the US$ appreciates against the RM, it will mean lower RM-denominated expenses in US$ terms or higher US$-denominated receivables. As the currencies market is volatile and uncertain, this may affect the Group's financial performance one way or the other. The Group generally rely on natural hedge but will also monitor the foreign exchange exposure closely and may hedge the exposure by entering into relevant foreign exchange forward contracts or continue to rely on natural hedge or a combination of both.

CORPORATE GOVERNANCE REPORT

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 Tan Choon Seng (Chairman), Mr Chan Wah Tiong (Member), Mr Sim Cheng Huat (Member) and Mr Ying Siew Hon, Francis (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. For example, 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 20 years of experience in 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; Mr Chan Wah Tiong is a Certified Public Accountant with the Institute of Singapore Chartered Accountants and holds a Bachelor of Accountancy from the National University of Singapore; Mr Sim Cheng Huat has over 40 years of international trade, market development and banking experience; and 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 well as the securities industry. 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. Guideline 12.2 Guideline 12.8

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. Specifically, the Audit Committee: Guideline 11.4 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;

CORPORATE GOVERNANCE REPORT

- 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;

- 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 2018 is as follows:

Guideline 12.6

Fees for audit services:	US$145,750	(FY2017: US$140,725)
Fees for non-audit services:	Nil	(FY2017: Nil)

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 2018 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

- no former partner or director of the Company's existing audit firm has acted as member of the Audit Committee.

CORPORATE GOVERNANCE REPORT

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 2018.

CORPORATE GOVERNANCE REPORT

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 Crowe Horwath First Trust Risk Advisory Pte Ltd as the Company's internal auditors to review the Group's internal control system. The internal audit partner is Mr Goh Sia who is a Certified Internal Auditor with the Institute of Internal Auditors. Mr Goh Sia has over 20 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 Guideline 15.1

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 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.

CORPORATE GOVERNANCE REPORT

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 2018, 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:

Sino-Lion Communications Pte. Ltd. (Financial PR)
Tel: +65 6438 2990 | Fax: +65 6438 0064
Mr James Bywater – james@financialpr.com.sg

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

CORPORATE GOVERNANCE REPORT

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 by post and 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 on 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.

CORPORATE GOVERNANCE REPORT

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 2018 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$99,000[(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 2018 with regard to the Lease are rental expenses of RM296,382 (equivalent to approximately S$99,000 based on an exchange rate at the relevant time of S$1: RM3.00).

(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 2018.

The Company had also previously disclosed the details of the Company's IPTs for the financial year ended 30 June 2018 in its full year financial statements and dividend announcement for the financial year ended 30 June 2018 dated 28 August 2018.

CORPORATE GOVERNANCE REPORT

DIVIDEND POLICY

Although the Company does not have a fixed dividend policy, the Company has consistently 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

For the financial year ended 30 June 2018, the Company has paid a tax-exempt (one-tier) interim dividend of 0.25 Singapore cent per ordinary share, and has declared a tax-exempt (one-tier) final dividend of 0.75 Singapore cent per ordinary share and a tax-exempt (one-tier) special dividend of 0.75 Singapore cent per ordinary share.

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 2018.

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 2018.
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 consider 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" in 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 and Governance 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 and Governance 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.

CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
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 and Governance 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 and Governance 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.
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 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.

CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
	(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.
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 2018, 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?	(a) The performance criteria used by the Nominating and Governance 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 and Governance Committee. In particular, the Chairman of the Nominating and Governance Committee reviewed the results of these self-assessment checklists and, in consultation with the Nominating and Governance 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) Has the Board met its performance objectives?	(b) The Nominating and Governance 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 2018 and was of the view that the performance of the Board as a whole, each Board Committee and each individual Director were satisfactory.

CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
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.
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 and Mr Sim Cheng Huat have served on the Board as Independent Non-Executive Directors 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 and Mr Sim Cheng Huat to rigorous review. The Board and the Nominating and Governance Committee considers Mr Chan Wah Tiong and Mr Sim Cheng Huat to be independent as each of them has continually demonstrated strong independence in character and judgment and contributed effectively by providing impartial and autonomous views, and which, coupled with their familiarity with the business of the Group, have proven themselves to be a valuable members of the Board.

CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
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. 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.
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? (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	(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) 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$1,385,482 for the financial year ended 30 June 2018.
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 Koh Zhu Xian Joshua and Mr Koh Zhu Lian Julian 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 2018.

CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
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. 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.

CORPORATE GOVERNANCE QUESTION & ANSWER TABLE

Guideline	Questions	How has the Company complied?
		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 consider 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 2018 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 Crowe Horwath First Trust Risk Advisory Pte Ltd to carry out 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 2018.
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 2018 is as follows: Fees for audit services: US$145,750 (FY2017: US$140,725) Fees for non-audit services: Nil (FY2017: Nil) (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 analysts' 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: Sino-Lion Communications Pte. Ltd. (Financial PR) Tel: +65 6438 2990 Fax: +65 6438 0064 Mr James Bywater james@financialpr.com.sg 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.	For the financial year ended 30 June 2018, the Company has paid a tax-exempt (one-tier) interim dividend of 0.25 Singapore cent per ordinary share, and declared a tax-exempt (one-tier) final dividend of 0.75 Singapore cent per ordinary share and a tax-exempt (one-tier) special dividend of 0.75 Singapore cent per ordinary share.

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, 2018.

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 93 to 152 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, 2018, 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
Tan Choon Seng
Chan Wah Tiong
Sim Cheng Huat
Ying Siew Hon, Francis

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, except as disclosed in this statement.

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	9,427,872	9,427,872	–	–
James Koh Jyh Gang	16,811,190	13,523,094	–	–
Koh Jyh Eng	8,933,388	8,933,388	21,600	21,600
Koh Shwu Lee	8,285,226	8,285,226	259,200	259,200

DIRECTORS' STATEMENT

On November 7, 2017, the Company allotted and issued bonus shares on the basis of one bonus share for every one ordinary share in the capital of the Company (the "Bonus Issue"). Accordingly, the directors' interest in shares as at July 1, 2017 had been adjusted as if the Bonus Issue had been completed on July 1, 2017 for comparative purposes.

By virtue of Section 7 of the Singapore Companies Act, James Koh Jyh Gang is deemed to have an interest in the Company and in all the related corporations of the Company at the beginning of the financial year.

Except as disclosed in this statement, no directors who held office at the end of the financial year 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, 2018 were the same as those at the end of the financial year.

4 SHARE OPTIONS AND PERFORMANCE SHARE PLAN

Except for the Performance Share Plan (as defined below), the Company and corporations in the Group did not have any share schemes in force during the financial year.

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.

Eligible participants of the Performance Share Plan who have been granted awards 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

Details of the Performance Share Plan as at June 30, 2018 are as follows:

Name of participant	Vesting period: 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. 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)]	41,846[(2)]	219,000[(1)(3)]	273,846	(54,846)[(2)]	219,000[(1)(3)]
Koh Zhu Lian Julian	19,000[(2)]	41,846[(2)]	219,000[(1)(3)]	279,846	(60,846)[(2)]	219,000[(1)(3)]
Gan Shee Wen	18,834[(2)]	41,846[(2)]	218,748[(1)(3)]	279,428	(60,680)[(2)]	218,748[(1)(3)]
Wong Se Sun	47,546[(2)]	138,190[(2)]	528,414[(1)(3)]	714,150	(185,736)[(2)]	528,414[(1)(3)]
Total	**98,380[(2)]**	**263,728[(2)]**	**1,185,162[(1)(3)]**	**1,547,270**	**(362,108)[(2)]**	**1,185,162[(1)(3)]**

(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.

(3) The number of shares were adjusted following the bonus issues completed on June 8, 2017 and November 7, 2017.

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

The Company has made 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 Tan Choon Seng, an independent director, and includes Sim Cheng Huat, an independent director, Ying Siew Hon, Francis, an independent director and Chan Wah Tiong, 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 audit plan of the external auditors;

(d) 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;

(e) 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;

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

(g) 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

....

James Koh Jyh Gang

....

Koh Shwu Lee

October 1, 2018

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, 2018, 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 93 to 152.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity 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, 2018 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.

Allowance for inventories

The Group is involved in the business of trading and manufacturing of furniture and it has significant inventory balances amounting to approximately 22% (2017: 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

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 independent valuations by 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 14 to the financial statements.

Our audit performed and responses thereon

We read the valuation reports and held discussions with the external professional valuers to evaluate the independence, qualification, competence and objectivity of the valuers and the scope of works. We have also discussed with the valuers to understand 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.

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KODA LTD

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

(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

October 1, 2018

STATEMENTS OF FINANCIAL POSITION

June 30, 2018

	Note	GROUP 2018 US$'000	GROUP 2017 US$'000	COMPANY 2018 US$'000	COMPANY 2017 US$'000
ASSETS					
Current assets					
Cash and bank balances	6	**10,502**	8,352	**4,950**	1,691
Trade receivables	7	**3,905**	4,294	**5,307**	5,534
Other receivables	8	**2,465**	2,780	**6,617**	9,229
Inventories	9	**9,552**	6,727	**100**	–
Total current assets		**26,424**	22,153	**16,974**	16,454
Non-current assets					
Investment in subsidiaries	10	**–**	–	**7,935**	8,135
Investment in an associate	11	**2**	3	**–**	–
Available-for-sale investment	12	**–**	–	**–**	–
Club memberships	13	**208**	207	**192**	192
Property, plant and equipment	14	**17,221**	15,028	**347**	616
Other receivables	8	**–**	548	**–**	–
Deferred tax assets	15	**52**	32	**–**	–
Total non-current assets		**17,483**	15,818	**8,474**	8,943
Total assets		**43,907**	37,971	**25,448**	25,397
LIABILITIES AND EQUITY					
Current liabilities					
Bills payables	16	**52**	127	**–**	–
Trade payables	17	**2,768**	1,914	**5,726**	5,548
Other payables	18	**5,282**	5,323	**2,291**	2,311
Current portion of obligations under finance leases	19	**33**	51	**12**	32
Current portion of bank loans	20	**182**	146	**182**	146
Income tax payable		**412**	375	**–**	–
Total current liabilities		**8,729**	7,936	**8,211**	8,037
Non-current liabilities					
Deferred tax liabilities	15	**1,071**	1,152	**–**	–
Non-current portion of bank loans	20	**410**	477	**410**	477
Obligations under finance leases	19	**36**	67	**15**	27
Total non-current liabilities		**1,517**	1,696	**425**	504
Capital and reserves					
Share capital	21	**4,525**	4,362	**4,525**	4,362
Treasury shares	22	**(71)**	(13)	**(71)**	(13)
Other reserves	23	**5,924**	7,939	**224**	187
Translation reserve		**(1,585)**	(2,232)	**–**	–
Accumulated profits		**24,868**	18,283	**12,134**	12,320
Total equity		**33,661**	28,339	**16,812**	16,856
Total liabilities and equity		**43,907**	37,971	**25,448**	25,397

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended June 30, 2018

	Note	2018 US$'000	2017 US$'000
Revenue	24	**52,400**	49,491
Cost of sales		**(33,628)**	(33,571)
Gross profit		**18,772**	15,920
Other income	25	**683**	772
Distribution costs		**(5,405)**	(4,096)
Administrative expenses		**(7,231)**	(7,215)
Other expenses	26	**(533)**	(385)
Share of results of associate	11	**(1)**	(1)
Finance costs	27	**(32)**	(33)
Profit before income tax		**6,253**	4,962
Income tax expense	28	**(581)**	(912)
Profit for the year	29	**5,672**	4,050
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of properties:			
(Loss) Gain on revaluation	14	**(109)**	2,914
Deferred tax arising on revaluation	15	**30**	(585)
		(79)	2,329
Items that may be reclassified subsequently to profit or loss:			
Translation differences arising from consolidation of foreign operations		**647**	(635)
Other comprehensive income for the year, net of tax		**568**	1,694
Total comprehensive income for the year		**6,240**	5,744
Earnings per share (US cents)			
Basic	31	**8.39**	7.31
Diluted	31	**8.39**	7.31

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended June 30, 2018

	Note	Share capital US$'000	Treasury shares US$'000	Other reserves US$'000	Translation reserve US$'000	Accumulated profits US$'000	Total US$'000
GROUP							
Balance at July 1, 2016		4,312	(10)	5,419	(1,597)	14,786	22,910
Total comprehensive income for the year:							
Profit for the year		–	–	–	–	4,050	4,050
Other comprehensive income		–	–	2,329	(635)	–	1,694
Total		–	–	2,329	(635)	4,050	5,744
Transactions with owners, recognised directly in equity:							
Dividends	30	–	–	–	–	(491)	(491)
Issue of new shares	21, 23	50	–	(50)	–	–	–
Share-based payments	23	–	–	179	–	–	179
Repurchase of shares	22	–	(3)	–	–	–	(3)
Transfers	23	–	–	62	–	(62)	–
Total		50	(3)	191	–	(553)	(315)
Balance at June 30, 2017		4,362	(13)	7,939	(2,232)	18,283	28,339
Total comprehensive income for the year:							
Profit for the year		–	–	–	–	5,672	5,672
Other comprehensive income		–	–	(79)	647	–	568
Total		–	–	(79)	647	5,672	6,240
Transactions with owners, recognised directly in equity:							
Dividends	30	–	–	–	–	(1,060)	(1,060)
Issue of new shares	21, 23	163	–	(163)	–	–	–
Share-based payments	23	–	–	200	–	–	200
Repurchase of shares	22	–	(58)	–	–	–	(58)
Transfers	23	–	–	(1,973)	–	1,973	–
Total		163	(58)	(1,936)	–	913	(918)
Balance at June 30, 2018		**4,525**	**(71)**	**5,924**	**(1,585)**	**24,868**	**33,661**

STATEMENTS OF CHANGES IN EQUITY

Year ended June 30, 2018

	Note	Share capital US$'000	Treasury shares US$'000	Other reserves US$'000	Accumulated profits US$'000	Total US$'000
COMPANY						
Balance at July 1, 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	30	–	–	–	(491)	(491)
Issue of new shares	21, 23	50	–	(50)	–	–
Share-based payments	23	–	–	179	–	179
Repurchase of shares	22	–	(3)	–	–	(3)
Total		50	(3)	129	(491)	(315)
Balance at June 30, 2017		4,362	(13)	187	12,320	16,856
Profit for the year, representing total comprehensive income for the year		–	–	–	874	874
Transactions with owners, recognised directly in equity:						
Dividends	30	–	–	–	(1,060)	(1,060)
Issue of new shares	21, 23	163	–	(163)	–	–
Share-based payments	23	–	–	200	–	200
Repurchase of shares	22	–	(58)	–	–	(58)
Total		163	(58)	37	(1,060)	(918)
Balance at June 30, 2018		**4,525**	**(71)**	**224**	**12,134**	**16,812**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2018

	2018 US$'000	2017 US$'000
Operating activities		
Profit before income tax	**6,253**	4,962
Adjustments for:		
Depreciation of property, plant and equipment	**1,175**	1,047
Property, plant and equipment written off	**2**	–
Loss on revaluation of property (Note A)	**265**	–
(Reversal of) Allowance for inventories – net	**(24)**	158
Inventories written off	**1**	2
Allowance for doubtful other receivables – net	**–**	39
Allowance for doubtful trade receivables – net	**20**	–
Bad debts written off	**–**	90
Gain on disposal of property, plant and equipment – net	**(3)**	(2)
Loss on disposal of assets held for sale (Note C)	**–**	46
Equity-settled share-based payments	**200**	179
Share of results of associate	**1**	1
Interest income	**(76)**	(58)
Interest expense	**32**	33
Operating cash flows before movements in working capital	**7,846**	6,497
Trade receivables	**369**	(856)
Other receivables	**480**	(246)
Inventories	**(2,802)**	(4)
Trade payables	**854**	(944)
Other payables	**(41)**	2,535
Cash generated from operations	**6,706**	6,982
Interest paid	**(32)**	(33)
Interest received	**76**	58
Income tax paid	**(731)**	(991)
Net cash from operating activities	**6,019**	6,016

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2018

	2018 US$'000	2017 US$'000
Investing activities		
Proceeds from disposal of assets held for sale (Note C)	–	1,067
Proceeds from disposal of property, plant and equipment	**140**	50
Purchase of property, plant and equipment (Note B)	**(2,898)**	(1,536)
Deposits paid for purchase of property, plant and equipment (Note B)	–	(548)
Dividend received from associate	–	7
Net cash used in investing activities	**(2,758)**	(960)
Financing activities		
Dividends paid	**(1,060)**	(491)
Decrease in bills payables (Note D)	**(75)**	(395)
Repayment of bank loans (Note D)	**(167)**	(440)
Proceeds from bank loans (Note D)	**136**	233
Purchase of treasury shares	**(58)**	(3)
Repayment of finance leases (Note D)	**(49)**	(100)
Net cash used in financing activities	**(1,273)**	(1,196)
Net increase in cash and cash equivalents	**1,988**	3,860
Cash and cash equivalents at beginning of year (Note 6)	**8,352**	4,607
Effects of foreign exchange translation	**162**	(115)
Cash and cash equivalents at end of year (Note 6)	**10,502**	8,352

Note A:

Loss on revaluation of property

In 2018, the Group recognised a net revaluation loss of US$374,000 (Note 14), of which US$265,000 is recorded under "other expenses" while the remaining US$109,000 is recorded under "other comprehensive income".

Note B:

Purchase of property, plant and equipment

In 2018, the Group acquired property, plant and equipment with aggregate cost of US$3,446,000 (2017: US$1,536,000) of which deposit of US$548,000 (2017: US$Nil) was paid in 2017. Cash payment of US$2,898,000 (2016: US$1,536,000) was made to purchase the property, plant and equipment.

Note C:

Assets classified as held for sale

The assets classified as held for sale in previous years relate to the Group's sale of investment properties in Vietnam for a total cash consideration of US$2,402,000, of which US$1,067,000 was received in 2017 and the remaining US$1,335,000 was received prior to 2017. As at June 30, 2017, the transfer of ownership to the respective buyers of the investment properties was completed and a loss of US$46,000 was recorded in profit or loss upon completion of the transfers (Note 26).

Note D:

Reconciliation of liabilities arising from financing activities

Changes arising from cash flows from financing activities are disclosed on the Consolidated Statement of Cash Flows and there are no non-cash reconciling items for these financing activities.

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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 10 and 11 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, 2018 were authorised for issue by the Board of Directors on October 1, 2018.

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 ("FRSs").

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.

ADOPTION OF NEW AND REVISED STANDARDS – On July 1, 2017, 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 FRS 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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Adoption of a new financial reporting framework in 2018

In December 2017, the Accounting Standards Council (ASC) has issued a new financial reporting framework – Singapore Financial Reporting Standards (International) (SFRS(I)), which is to be adopted by Singapore–incorporated companies listed on the Singapore Exchange (SGX), for annual periods beginning on or after January 1, 2018. SFRS(I) is identical to the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Group will be adopting the new framework for the first time for financial year ending June 30, 2019 and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* will be applied in the first set of SFRS(I) financial statements.

SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*

As a first-time adopter, the Group is to apply retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (June 30, 2019), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ending June 30, 2019, an additional opening statement of financial position as at date of transition (July 1, 2017) will be presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are required for equity as at date of transition (July 1, 2017) and as at end of last financial period under FRS (June 30, 2018), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended June 30, 2018). Additional disclosures may also be required for specific transition adjustments if applicable.

Management has performed an analysis of the transition options and other requirements of SFRS(I) and has preliminarily determined that there will be no significant change to the Group's and Company's current accounting policies or material adjustments on the initial transition to the new framework, other than those that may arise from implementing certain new SFRS(I) pronouncements effective at the same time (see below), and the election of certain transition options available under SRFS(I) 1, including:

- Option to reset the translation reserve to zero as at date of transition.

- Option to use fair value as deemed cost for certain property, plant and equipment.

As SFRS(I) 1 requires a first-time adopter to apply accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (June 30, 2019), it is not possible to know all possible effects as at date of authorisation of current year's financial statements. If there are any subsequent pronouncements on SRFS(I) that are effective as at June 30, 2019, they may impact the disclosures of estimated effects discussed below.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

New SFRS(I) and SFRS(I) INT that may have impact – The following SFRS(I) pronouncements are expected to have an impact to the group and the company in the periods of their initial application under the new SFRS(I) framework:

Effective for annual periods beginning on or after January 1, 2018

- SFRS(I) 9 *Financial Instruments*
- SFRS(I) 15 *Revenue from Contracts with Customers (with clarifications issued)*
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*

Effective for annual periods beginning on or after January 1, 2019

- SFRS(I) 16 *Leases*

Effective date is deferred indefinitely

- Amendments to SFRS(I) 10 *Consolidated Financial Statements and* SFRS(I) 1 – 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities; and (ii) impairment requirements for financial assets.

Key requirements of SFRS(I) 9:

- All recognised financial assets that are within the scope of SFRS(I) 9 are now required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments 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 instruments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under SFRS(I) 9, 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.

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, SFRS(I) 9 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be 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 the financial liability's credit risk are not subsequently reclassified to profit or loss.

- In relation to the impairment of financial assets, SFRS(I) 9 requires an expected credit loss model to be applied. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Management has performed a preliminary analysis of the requirements of the initial application of the new SFRS(I) 9 which will result in changes to the accounting policies relating to the impairment provisions of financial assets.

Based on the preliminary assessment by the management, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group and the Company as at July 1, 2018 may be increased as compared to the accumulated amount recognised under FRS 39 mainly attributable to expected credit losses provision on trade and other receivables. Such further impairment recognised under expected credit loss model would reduce the opening revenue reserve and increase the unrecorded deferred tax assets at July 1, 2018 but is expected not to have a material impact on the Group's and the Company's financial performance in the foreseeable future.

SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of SFRS(I) 15 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 SFRS(I) 15, 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. Far more prescriptive guidance has been added in SFRS(I) 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SFRS(I) 15.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Management has performed an analysis of the requirements of the initial application of SFRS(I) 15. Based on preliminary assessment, management has identified the performance obligations with respect to the various revenue streams of the Group and the Company, and has assessed that the application of SFRS(I) 15 may not result in material changes to the accounting policies relating to revenue recognition. The application of SFRS(I) 15 may also result in additional disclosures including:

- Qualitative descriptions of the types of goods or services, significant payment terms and typical timing of satisfying obligations of an entity's contracts with customers; and

- A description of the significant judgements about the amount and timing of revenue recognition.

SFRS(I) *16 Leases*

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 existing framework.

Management anticipates that the initial application of the new SFRS(I) 16 will result in changes to the accounting policies relating to operating leases, where the Group is a lessee. As at June 30, 2018, the Group has certain non-cancellable operating lease commitments as disclosed in Note 35 to the financial statements. Under the new SFRS(I) 16, a leased asset will be recognised on statement of financial position, representing the Group's right to use the leased asset over the lease term and, recognise a corresponding liability to make lease payments. Management does not plan to early adopt SFRS(I) 16.

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.

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.

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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.

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.

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.

Available-for-sale financial assets

Equity investment 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 12. 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.

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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.

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.

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).

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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.

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.

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

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.

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.

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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 1⅔% to 4%
Leasehold improvements	–	50%
Plant and machinery	–	10% to 16⅔%
Office equipment	–	10% to 33⅓%
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.

IMPAIRMENT OF TANGIBLE ASSETS – At the end of each reporting period, the Group reviews the carrying amounts of its tangible 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.

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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.

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.

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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.

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 32. 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.

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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.

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.

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.

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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.

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 other 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 IN THE STATEMENT OF CASH FLOWS – 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.

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 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.

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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.

(b) 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 respective fair values, the valuer has used valuation techniques which involve certain estimates and significant unobservable inputs which are disclosed in Note 14.

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

(c) 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 by management, including taking into account past collection history of the debtors involved and the ongoing dealings with the debtors. 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.

(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 14 to the financial statements.

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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	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Financial assets				
Loans and receivables (including cash and bank balances)	**14,794**	13,079	**16,678**	16,344
Financial liabilities				
Amortised cost	**7,229**	6,330	**8,034**	7,759

(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 instruments 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.

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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
2018					
GROUP					
Assets					
Cash and bank balances	1,846	8	398	617	29
Trade receivables	34	–	–	–	–
Other receivables	–	–	133	–	–
Total	1,880	8	531	617	29
Liabilities					
Trade payables	29	67	1	1,740	–
Other payables	–	–	518	514	–
Finance leases	–	–	27	–	–
Total	29	67	546	2,254	–

	USD US$'000	RMB US$'000	SGD US$'000	VND US$'000	Others US$'000
2018					
COMPANY					
Assets					
Cash and bank balances	–	8	398	–	29
Other receivables	–	–	133	–	–
Total	–	8	531	–	29
Liabilities					
Trade payables	–	67	1	–	–
Other payables	–	–	516	–	–
Finance leases	–	–	27	–	–
Total	–	67	544	–	–

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	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	–	–

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.

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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	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
GROUP										
Profit or loss	**(185)**	(46)	**6**	5	**1**	23	**164**	(126)	**(3)**	(2)
COMPANY										
Profit or loss	**–**	–	**6**	5	**1**	23	**–**	–	**(3)**	(2)

(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, 2018 would decrease/increase by US$3,000 and US$3,000 (2017: US$4,000 and US$3,000) respectively. This is mainly attributable to the Group's and Company's exposure to variable interest rates on its interest-bearing borrowings.

(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.

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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 39% (2017: 57%) of total trade receivables balance at year end.

At the end of the year, the Company has outstanding trade and other receivables of US$1,476,000 (2017: US$1,335,000) and US$6,356,000 (2017: US$9,011,000) respectively from its subsidiaries which represent 28% (2017: 24%) and 96% (2017: 98%) 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.

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	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Carrying amount (Note 7)	**3,905**	4,294	**5,307**	5,534
Less: Amount covered by letters of credits from customers	**(1,408)**	(1,238)	**(1,408)**	(1,238)
Less: Credit insurance	**(1,879)**	(1,890)	**(1,879)**	(1,890)
Net exposure to credit risk	**618**	1,166	**2,020**	2,406

(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.

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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.

	Weighted average effective interest rate %	On demand or within 1 year US$'000	Adjustment US$'000	Total US$'000
GROUP				
2018				
Non-interest bearing	**–**	**8,845**	**–**	**8,845**
Fixed interest rate instruments	**1.73**	**5,975**	**(26)**	**5,949**
Total		**14,820**	**(26)**	**14,794**
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
COMPANY				
2018				
Non-interest bearing	**–**	**12,472**	**–**	**12,472**
Fixed interest rate instruments	**1.59**	**4,218**	**(12)**	**4,206**
Total		**16,690**	**(12)**	**16,678**
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

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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					
2018					
Non-interest bearing	**–**	**6,516**	**–**	**–**	**6,516**
Finance lease liability (fixed rate)	**4.6**	**36**	**39**	**(6)**	**69**
Variable interest rate instruments	**3.9**	**264**	**501**	**(121)**	**644**
		6,816	**540**	**(127)**	**7,229**
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

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	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					
2018					
Non-interest bearing	**–**	**7,415**	**–**	**–**	**7,415**
Finance lease liability (fixed rate)	**4.5**	**14**	**16**	**(3)**	**27**
Variable interest rate instruments	**3.7**	**212**	**500**	**(120)**	**592**
		7,641	**516**	**(123)**	**8,034**
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

(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.

(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 of issued shares as well as the issue of new debt or the redemption of existing debt. The Group is in compliance with all externally imposed capital requirements.

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

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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 and the balances are unsecured, interest-free and repayable on demand unless stated otherwise.

Significant related party transactions are as follows:

	GROUP	
	2018	2017
	US$'000	US$'000
Companies in which a director has interests in:		
Rental of land from a related party	**73**	69
Companies in which a key management personnel has interests in:		
Management fee income from a related party	**25**	22

Compensation of directors and key management personnel

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

	GROUP	
	2018	2017
	US$'000	US$'000
Short-term benefits	**2,060**	1,379
Post-employment benefits	**94**	84
Share-based payments	**163**	179
	2,317	1,642

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	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Cash at bank	**10,488**	8,329	**4,940**	1,681
Cash on hand	**14**	23	**10**	10
Cash and bank balances, representing cash and cash equivalents in the consolidated statement of cash flows	**10,502**	8,352	**4,950**	1,691

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The Group's cash at bank includes short-term deposits with an original maturity period of six months or less amounting to US$5,949,000 (2017: US$2,050,000) which bear effective interest at a fixed rate of 1.18% to 6.60% (2017: 1.29% to 5.90%) per annum.

The Company's cash at bank includes short-term deposits with an original maturity period of six months or less amounting to US$4,206,000 (2017: US$1,000,000) which bear effective interest at a fixed rate of 1.18% to 2.25% (2017: 1.22% to 1.27%) per annum.

7 TRADE RECEIVABLES

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Outside parties	**3,925**	4,281	**3,851**	4,199
Related parties, which a key management personnel has interests in (Note 5)	**–**	13	**–**	–
Subsidiaries (Note 10)	**–**	–	**1,476**	1,335
Less: Allowance for doubtful debts	**(20)**	–	**(20)**	–
	3,905	4,294	**5,307**	5,534
Movement in allowance for doubtful debts:				
Balance at beginning of year	**–**	–	**–**	–
Charge to profit or loss	**20**	–	**20**	–
Balance at end of year	**20**	–	**20**	–

The average credit period on sale of goods is 30 days (2017: 30 days). No interest is charged on the trade receivables.

Allowance for trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods when there is objective evidence of impairment.

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$Nil (2017: US$90,000) 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$1,244,000 and US$2,718,000 (2017: US$1,629,000 and US$2,867,000) 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.

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

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Not past due and not impaired	**2,661**	2,665	**2,589**	2,667
Past due but not impaired[(i)]	**1,244**	1,629	**2,718**	2,867
	3,905	4,294	**5,307**	5,534
Impaired receivables – collectively assessed[(iii)]	**20**	–	**20**	–
Less: Allowance for impairment	**(20)**	–	**(20)**	–
	–	–	**–**	–
Total trade receivables, net	**3,905**	4,294	**5,307**	5,534

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

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
<30 days	**730**	1,156	**904**	1,173
31 – 90 days	**247**	345	**502**	349
91 – 180 days	**146**	10	**243**	14
181 – 360 days	**38**	82	**48**	140
>360 days[(ii)]	**83**	36	**1,021**	1,191
	1,244	1,629	**2,718**	2,867

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

(iii) These amounts are stated before any deduction for allowance for impairment.

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8 OTHER RECEIVABLES

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Subsidiaries[1] (Note 10)	**–**	–	**7,617**	10,251
Related parties with common directors (Note 5)	**23**	24	**21**	21
Other deposits[2]	**363**	896	**14**	20
Prepayments	**1,019**	1,582	**191**	102
Value added tax recoverable	**1,059**	765	**5**	8
Others	**138**	198	**51**	88
	2,602	3,465	**7,899**	10,490
Less: Allowance for doubtful debts				
Outside parties	**(116)**	(116)	**–**	–
Subsidiaries	**–**	–	**(1,261)**	(1,240)
Related parties	**(21)**	(21)	**(21)**	(21)
	2,465	3,328	**6,617**	9,229
Less: Other receivable[2] (non-current portion)	**–**	(548)	**–**	–
	2,465	2,780	**6,617**	9,229

(1) Included in other receivables due from subsidiaries is an amount of US$2,437,000 (2017: US$5,344,000) dividend receivable from a subsidiary.

(2) Included in other deposits at the Group in 2017 was an amount of US$548,000 which was related to deposit paid for the purchase of a land which was completed on October 25, 2017.

Movement in allowance for doubtful debts:

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Balance at beginning of year	**137**	98	**1,261**	1,131
Charge to profit or loss during the year	**–**	116	**21**	207
Credit to profit or loss during the year	**–**	(77)	**–**	(77)
Balance at end of year	**137**	137	**1,282**	1,261

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9 INVENTORIES

	GROUP	
	2018	2017
	US$'000	US$'000
Raw materials	**4,707**	3,583
Work in progress	**1,707**	1,015
Finished goods	**3,524**	2,539
	9,938	7,137
Less: Allowance for inventories	**(386)**	(410)
	9,552	6,727
Movement in allowance for inventories:		
Balance at beginning of the year	**410**	252
(Credit) Charge to profit or loss for the year	**(24)**	158
Balance at end of the year	**386**	410

In 2018, Company held finished goods of US$100,000 (2017: US$Nil) as at the end of the reporting period.

Inventories of US$1,000 (2017: US$2,000) were written off and recognised directly in profit or loss for goods which are not in saleable conditions.

10 INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2018	2017
	US$'000	US$'000
Unquoted equity shares, at cost	**9,461**	9,661
Impairment loss	**(1,526)**	(1,526)
	7,935	8,135
Movement in impairment loss:		
Balance at beginning and end of year	**1,526**	1,526

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

In 2018 and 2017, the Company carried out a review of the recoverable amount of its investments in subsidiaries and determined that no further impairment is required.

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Details of the subsidiaries are described below:

Subsidiaries	Proportion of ownership interest and voting power held		Principal activities and country of incorporation (or registration)/operations
	2018 %	2017 %	
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 Co., Ltd[1]	**100**	100	Dormant (Vietnam)
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.

(2) In the process of liquidation.

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11 INVESTMENT IN AN ASSOCIATE

	GROUP	
	2018	2017
	US$'000	US$'000
Cost of investment in associate	**6**	6
Share of post-acquisition results, net of dividend received	**(3)**	(2)
Currency realignment	**(1)**	(1)
	2	3

Details of the Group's associate at June 30, 2018 are as follows:

Name of Associate	Proportion of ownership interest and voting power held		Principal activities and country of incorporation (or registration)/operations
	2018	2017	
	%	%	
Commune Furniture (M) Sdn. Bhd[(1)]	**19.9**	19.9	Dormant (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:

	2018	2017
	US$'000	US$'000
Current assets	**28**	30
Loss net of tax	**(4)**	(7)
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	
	2018	2017
	US$'000	US$'000
Net assets of the associate	**28**	30
Proportion of the Group's ownership interest in associate	**19.9%**	19.9%
Share of net assets of the associate	**6**	6
Less: Share of pre-acquisition losses	**(3)**	(10)
Dividends received	**–**	7
Currency realignment	**(1)**	–
Carrying amount of the Group's interest in associate	**2**	3

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12 AVAILABLE-FOR-SALE INVESTMENT

	GROUP AND COMPANY	
	2018	2017
	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 available-for-sale investment and an impairment loss was recognised.

13 CLUB MEMBERSHIPS

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Club memberships, at cost	**280**	280	**192**	192
Impairment loss	**(69)**	(69)	**–**	–
Currency realignment	**(3)**	(4)	**–**	–
	208	207	**192**	192
Movement in impairment loss:				
Balance at beginning and end of year	**69**	69	**–**	–

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14 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, 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
Currency realignment	177	117	2	180	55	8	64	603
Additions	–	2,343	10	872	99	58	64	3,446
Reclassification	–	1,290	–	–	–	–	(1,290)	–
Revaluation	68	(703)	–	–	–	–	–	(635)
Write off	–	–	–	(10)	–	–	–	(10)
Disposals	–	–	–	(45)	–	(402)	–	(447)
At June 30, 2018	**3,033**	**12,444**	**289**	**8,036**	**1,926**	**868**	**–**	**26,596**
Comprising:								
June 30, 2018:								
At cost	**–**	**3,082**	**289**	**8,036**	**1,926**	**868**	**–**	**14,201**
At valuation	**3,033**	**9,362**	**–**	**–**	**–**	**–**	**–**	**12,395**
Total	**3,033**	**12,444**	**289**	**8,036**	**1,926**	**868**	**–**	**26,596**
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

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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
Accumulated depreciation:								
At July 1, 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
Currency realignment	–	–	2	132	30	4	–	168
Depreciation	–	328	33	535	168	111	–	1,175
Eliminated on revaluation	–	(261)	–	–	–	–	–	(261)
Write off	–	–	–	(8)	–	–	–	(8)
Disposals	–	–	–	(45)	–	(265)	–	(310)
At June 30, 2018	**–**	**1,306**	**283**	**5,932**	**1,340**	**514**	**–**	**9,375**
Carrying amount:								
At June 30, 2018	**3,033**	**11,138**	**6**	**2,104**	**586**	**354**	**–**	**17,221**
At June 30, 2017	2,788	8,158	29	1,721	630	540	1,162	15,028

The Group has motor vehicles with carrying amounts of US$132,000 (2017: US$275,000) respectively under finance lease agreements (Note 19).

At June 30, 2018, 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$3,611,000 (2017: US$2,691,000).

The Group had recognised a revaluation loss of US$265,000 as part of other operating expenses to adjust one of its leasehold buildings to its fair value as at June 30, 2018.

Fair value measurement of the Group's land and buildings

Land and buildings of certain subsidiaries were revalued at June 30, 2018 and 2017 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 replace assets of comparable utility and age, adjusted for obsolescence. There has been no change to the valuation technique during the year.

NOTES TO THE FINANCIAL STATEMENTS

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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$'000 2018	Fair value US$'000 2017	Unobservable inputs
Freehold land (Malaysia)	**3,033[1]**	2,788[1]	Transacted price of comparable industrial plots; range from US$80 to US$174 (2017: US$63 to US$163) per square metre
Leasehold buildings (Malaysia)	**2,905[1]**	1,708[1]	Replacement cost of comparable industrial buildings range from US$12 to US$25 (2017: US$12 to US$23) per square foot
Leasehold buildings (Vietnam)	**5,700[1]**	5,000[1]	Replacement cost of comparable industrial buildings range from US$100 to US$130 (2017: US$80 to US$130) per square metre
Leasehold building (Singapore)	**757[2]**	757[2]	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 and/or replacement cost would result in an increase in the fair value of the respective land and buildings. A significant movement in inputs would result in a significant change to the fair value of the respective land and buildings. There were no transfers between levels during the year.

(2) 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.

	Leasehold building US$'000	Plant and machinery US$'000	Office equipment US$'000	Motor vehicles US$'000	Total US$'000
COMPANY					
Cost or valuation:					
At July 1, 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
Additions	–	–	2	–	2
Write off	–	(1)	–	(402)	(403)
At June 30, 2018	**757**	**648**	**403**	**465**	**2,273**
Comprising:					
June 30, 2018:					
At cost	**–**	**648**	**403**	**465**	**1,516**
At valuation	**757**	**–**	**–**	**–**	**757**
Total	**757**	**648**	**403**	**465**	**2,273**
June 30, 2017:					
At cost	–	649	401	867	1,917
At valuation	757	–	–	–	757
Total	757	649	401	867	2,674

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	Leasehold building US$'000	Plant and machinery US$'000	Office equipment US$'000	Motor vehicles US$'000	Total US$'000
Accumulated depreciation:					
At July 1, 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
Depreciation	–	28	32	74	134
Write off	–	(1)	–	(265)	(266)
Disposals	–	–	–	–	–
At June 30, 2018	**757**	**553**	**359**	**257**	**1,926**
Carrying amount:					
At June 30, 2018	**–**	**95**	**44**	**208**	**347**
At June 30, 2017	–	123	74	419	616

At June 30, 2018, had the leasehold building been carried at historical cost less accumulated depreciation, the carrying amount would have been US$Nil (2017: US$Nil).

The Company has motor vehicles with carrying amounts of US$90,000 (2017: US$215,000) under finance lease agreements (Note 19).

15 DEFERRED TAX (LIABILITIES) ASSETS

	GROUP		COMPANY	
	2018 US$'000	2017 US$'000	**2018 US$'000**	2017 US$'000
Balance at beginning of year	**(1,120)**	(585)	**–**	3
Credit to profit or loss (Note 28)	**106**	12	**–**	(3)
Credit (Charge) to other comprehensive income	**30**	(585)	**–**	–
Currency realignment	**(35)**	38	**–**	–
Balance at end of year	**(1,019)**	(1,120)	**–**	–

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	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Deferred tax assets	**52**	32	**–**	–
Deferred tax liabilities	**(1,071)**	(1,152)	**–**	–
	(1,019)	(1,120)	**–**	–

The balance comprises mainly the tax effect of:

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Tax loss carry forward	**52**	32	**–**	–
Property, plant and equipment	**(253)**	(304)	**–**	–
Revaluation of property	**(818)**	(848)	**–**	–
Net	**(1,019)**	(1,120)	**–**	–

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$16,620,000 (2017: US$12,278,000). 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.

16 BILLS PAYABLES

The bank facilities of subsidiaries with a balance of US$52,000 (2017: US$127,000) 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 of 4% (2017: 2% to 3.15%) per annum.

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17 TRADE PAYABLES

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Subsidiaries (Note 10)	**–**	–	**5,608**	5,477
Related parties with common directors	**13**	13	**13**	13
Outside parties	**2,755**	1,901	**105**	58
	2,768	1,914	**5,726**	5,548

The average credit period on purchases of goods is 30 days (2017: 30 days). No interest is charged on the trade payables.

18 OTHER PAYABLES

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Accrued expenses	**3,180**	3,327	**1,319**	1,294
Advances from customers	**1,353**	1,588	**602**	782
Due to related parties (Note 5)[i]	**8**	8	**1**	1
Due to subsidiaries (Note 10)	**–**	–	**186**	183
Refundable deposits received	**248**	51	**34**	51
Value added tax payable	**181**	187	**–**	–
Others	**312**	162	**149**	–
	5,282	5,323	**2,291**	2,311

(i) Due to a related party in which a key management personnel holds an interest.

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19 OBLIGATIONS UNDER FINANCE LEASES

	GROUP				COMPANY			
	Minimum lease payments		Present value of minimum lease payments		Minimum lease payments		Present value of minimum lease payments	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
Amounts payable under finance leases:								
Within one year	**36**	56	**33**	51	**14**	35	12	32
In the second to fifth years inclusive	**39**	73	**36**	67	**16**	30	15	27
	75	129	**69**	118	**30**	65	27	59
Less: Future finance charges	**(6)**	(11)	**–**	–	**(3)**	(6)	–	–
Present value of lease obligations	**69**	118	**69**	118	**27**	59	27	59
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(33)**	(51)			**(12)**	(32)
Amount due for settlement after 12 months			**36**	67			**15**	27

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 5 years (2017: 3 to 5 years). For the year ended June 30, 2018, the range of effective borrowing rate was 4% to 5% (2017: 4% 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 14). The fair value of the Group's and Company's obligations approximates their carrying amounts.

20 BANK LOANS

	GROUP		COMPANY	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Bank loans	**592**	623	**592**	623
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(182)**	(146)	**(182)**	(146)
Amount due for settlement after 12 months	**410**	477	**410**	477

The carrying amounts of bank loans approximate the fair value.

NOTES TO THE FINANCIAL STATEMENTS

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The Group and the Company have the following principal bank loans as at the end of the reporting period:

(a) Loan of US$325,000 (2017: US$426,000). 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 3.66% (2017: 2.96%) per annum.

(b) Loan of US$150,000 (2017: US$197,000). 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 3.70% (2017: 3.07%) per annum.

(c) Loan of US$117,000. The loan is repayable over 55 monthly instalments of US$2,500 each, commencing December 2017 and continues until July 2020. The loan is unsecured and bears interest at 2% per annum above the LIBOR. The effective interest rate for the year is 3.91% per annum.

21 SHARE CAPITAL

	GROUP AND COMPANY			
	2018	2017	**2018**	2017
	Number of ordinary shares		**US$'000**	US$'000
	'000	'000		
Issued and paid up:				
At beginning of year	**41,101**	27,303	**4,362**	4,312
Issued during the year (Note 23)	**264**	98	**163**	50
Bonus share issue	**41,101**[(2)]	13,700[(1)]	**–**	–
At end of year	**82,466**	41,101	**4,525**	4,362

(1) On June 8, 2017, the Company allotted and issued 13,700,400 bonus shares on the basis of one bonus share 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 7, 2017, the Company alloted and issued 41,101,216 bonus shares on the basis of one bonus share for every one ordinary share in the capital of the Company. Following the issuance of bonus shares, the issued shares of the Company has been increased to 82,466,160 shares as at June 30, 2018, after disregarding any fractions of the bonus shares arising from the bonus issue.

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.

22 TREASURY SHARES

	GROUP AND COMPANY			
	2018	2017	**2018**	2017
	Number of ordinary shares		**US$'000**	US$'000
	'000	'000		
At beginning of year	**56**	30	**13**	10
Repurchased during the year	**119**	7	**58**	3
Bonus share issue	**55**	19	**–**	–
At end of year	**230**	56	**71**	13

The Company acquired 119,000 (2017: 7,000) of its own shares through purchases on the SGX-ST during the year. The total amount paid to acquire the shares was US$58,000 (2017: US$3,000) 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.

On November 7, 2017, the Company alloted and issued bonus shares on the basis of one bonus shares for every one ordinary share in the capital of the Company. Following the issuance of bonus shares, the number of treasury shares of the Company increased to 111,000 shares. As at June 30, 2018, the number of treasury shares held is 230,000.

23 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, 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 payments	–	–	179	–	179
Issuance of new shares	–	–	(50)	–	(50)
Balance at June 30, 2017	5,763	62	129	1,985	7,939
Change in valuation of property, plant and equipment in other comprehensive income	(79)	–	–	–	(79)
Transfer from (to) retained earnings	–	12	–	(1,985)	(1,973)
Share-based payments	–	–	200	–	200
Issuance of new shares	–	–	(163)	–	(163)
Balance at June 30, 2018	**5,684**	**74**	**166**	**–**	**5,924**
COMPANY					
Balance at July 1, 2016	58	–	–	–	58
Share-based payments	–	–	179	–	179
Issuance of new shares	–	–	(50)	–	(50)
Balance at June 30, 2017	58	–	129	–	187
Share-based payments	–	–	200	–	200
Issuance of new shares	–	–	(163)	–	(163)
Balance at June 30, 2018	**58**	**–**	**166**	**–**	**224**

(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 32)

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

* Amount less than US$1,000

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24 REVENUE

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

25 OTHER INCOME

	GROUP	
	2018	2017
	US$'000	US$'000
Rental income	**73**	173
Interest income on bank balances	**76**	58
Foreign exchange gain – net	**–**	204
Gain on disposal of property, plant and equipment	**3**	2
Freight revenue	**187**	103
Design fee	**99**	55
Sundry income	**245**	177
	683	772

26 OTHER EXPENSES

	GROUP	
	2018	2017
	US$'000	US$'000
Allowance for doubtful other receivables – net	**–**	39
Allowance for doubtful trade receivables – net	**20**	–
Bad debts written off	**–**	90
Foreign exchange loss – net	**22**	–
Inventories written off	**1**	2
Loss on disposal of assets held for sale	**–**	46
Equity-settled share-based payments	**200**	179
Loss on revaluation of property, plant and equipment	**265**	–
Others	**25**	29
	533	385

27 FINANCE COSTS

	GROUP	
	2018	2017
	US$'000	US$'000
Interest expense on:		
Bank loans	**23**	22
Finance leases	**5**	9
Bills payable	**3**	1
Bank overdrafts	**1**	1
	32	33

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28 INCOME TAX EXPENSE

	GROUP	
	2018	2017
	US$'000	US$'000
Current tax	**624**	929
Deferred tax	**(113)**	31
(Over) Under provision in prior years:		
Current tax	**63**	(5)
Deferred tax	**7**	(43)
Income tax	**581**	912

Domestic income tax is calculated at 17% (2017: 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 Co., Ltd and Koda Vietnam Co., Ltd are incorporated in Vietnam and are subjected to a corporate income tax rate of 20% on their 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% of the corporate income tax rate it is subjected to the following seven years. The corporate income tax exemption period expired at the end of FY2012. 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.

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.

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.

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

	GROUP	
	2018	2017
	US$'000	US$'000
Profit before income tax	**6,253**	4,962
Tax benefit at the domestic tax rate of 17% (2017: 17%)	**1,063**	844
Tax effect of revenue that is exempt from taxation	**(49)**	(8)
Tax effect of expenses that are not deductible in determining taxable profit	**28**	364
Tax effect of utilisation of deferred tax benefits previously not recognised	**(63)**	(16)
Double tax deduction	**(47)**	(45)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(421)**	(179)
(Over) Under provision in prior years	**70**	(48)
Total income tax	**581**	912

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	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Tax losses:				
At the beginning of the year	**5,817**	6,342	**5,386**	5,720
Adjustments	**(183)**	(508)	**22**	(379)
Arising during the year	**30**	94	**–**	45
Utilised during the year	**(376)**	(111)	**(341)**	–
At the end of the year	**5,288**	5,817	**5,067**	5,386
Deferred tax benefits on above recorded	**52**	32	**–**	–
Deferred tax benefits on above unrecorded	**906**	1,002	**861**	922

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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

29 PROFIT FOR THE YEAR

	GROUP	
	2018	2017
	US$'000	US$'000
Directors' remuneration:		
Directors of the Company	**1,291**	864
Directors of the subsidiaries	**272**	173
Fees to directors of the Company	**101**	83
Employee benefits expense (including directors' remuneration)	**14,063**	13,435
Costs of defined contribution plans included in employee benefits expense	**1,133**	887
Equity-settled share-based payments	**200**	179
Allowance for doubtful other receivables – net	**–**	39
Allowance for doubtful trade receivables – net	**20**	–
(Reversal of) Allowance for inventories – net	**(24)**	158
Inventories written off	**1**	2
Loss on revaluation of property, recorded under "other expenses"	**265**	–
Audit fees paid to:		
Auditors of the Company	**146**	140
Other auditors	**–**	–
Bad debts written off, recorded under "other expenses"	**–**	90
Cost of inventories recognised as expense	**19,165**	22,603

30 DIVIDENDS

	GROUP	
	2018	2017
	US$'000	US$'000
Dividends paid during the financial year 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
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
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 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**	–
Interim tax-exempt (1-tier) dividend of US$0.0019 (equivalent to S$0.0025) per share for the financial year ended June 30, 2018	**154**	–
	1,060	491
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$0.0074 (equivalent to S$0.01) per share	**–**	302
Special tax-exempt (1-tier) dividend of US$0.00147 (equivalent to S$0.02) per share	**–**	604
Final tax-exempt (1-tier) dividend of US$0.0056 (equivalent to S$0.0075) per share	**457**	–
Special final tax-exempt (1-tier) dividend of US$0.0056 (equivalent to S$0.0075) per share	**457**	–
	914	906

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

31 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$5,672,000 (2017: US$4,050,000) divided by 67,584,000 (2017: 55,413,894[1]) weighted average number of ordinary shares in issue during the financial year.

The fully diluted earnings per share and basic earnings per share are the same for the financial years ended June 30, 2018 and 2017.

(1) On November 7, 2017, the Company has allotted and issued bonus shares on the basis of one bonus share for every one ordinary share 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.

32 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.

Eligible participants of the Performance Share Plan who have been granted awards 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.

Details of the Performance Share Plan as at June 30, 2018 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. 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]	263,728[2]	1,185,162[1][3]	1,547,270	(362,108)[2]	1,185,162[1][3]

(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.

(3) The number of shares were adjusted following the bonus issues completed on June 8, 2017 and November 7, 2017.

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 performance shares for the Performance Share Awards during the financial year were as follows:

	Group and Company	
	2018	2017
	No. of shares	
Outstanding at the beginning of the year	**648,429**	–
Adjusted/Granted during the year	**800,461**	746,809
Cancelled, expired or lapsed	**–**	–
Vested during the year	**(263,728)**	(98,380)
Outstanding at the end of the year	**1,185,162**	648,429

The Group recognised total expenses of US$200,000 (2017: US$179,000) related to equity-settled share-based payment transactions during the year.

33 SEGMENT INFORMATION

Business segments

The Group determines its operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The Group is organised into business units based on their products on which information is prepared and reportable to the Group's chief operating decision maker for the purposes of resources allocation and assessment of performance.

The Group is principally engaged in two reportable segments, namely "manufacturing" and "retail and distribution".

Information regarding the Group's reporting segments is presented below.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Segment revenue		Segment profit/(loss)	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Manufacturing	**41,573**	41,756	**5,268**	3,844
Retail and distribution	**10,827**	7,735	**868**	765
Total	**52,400**	49,491	**6,136**	4,609
Finance costs			**(32)**	(33)
Other income			**683**	849
Other expenses			**(533)**	(462)
Share of results of associate			**(1)**	(1)
Profit before income tax			**6,253**	4,962
Income tax expense			**(581)**	(912)
Profit for the year			**5,672**	4,050

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

	2018	2017
	US$'000	US$'000
Segment assets		
Manufacturing	**38,499**	33,515
Retail and distribution	**5,146**	4,214
Total segment assets	**43,645**	37,729
Unallocated assets	**262**	242
Consolidated total assets	**43,907**	37,971
Segment liabilities		
Manufacturing	**6,227**	5,935
Retail and distribution	**2,235**	1,677
Total segment liabilities	**8,462**	7,612
Unallocated liabilities	**1,784**	2,020
Consolidated total liabilities	**10,246**	9,632

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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

All assets are allocated to reportable segments other than investment in an associate, available-for-sale investments, club memberships and deferred tax assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

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	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Manufacturing	**1,054**	917	**3,290**	1,396
Retail and distribution	**121**	130	**156**	140
Total	**1,175**	1,047	**3,446**	1,536

In addition to the information reported above, the following were attributable to the following reportable segments:

	2018	2017
	US$'000	US$'000
Manufacturing segment		
Allowance for doubtful other receivables – net	**–**	39
Allowance for doubtful trade receivables – net	**20**	–
(Reversal of) Allowance for inventories -net	**(25)**	158
Loss on revaluation of property, plant and equipment	**265**	–
Retail and distribution segment		
Allowance for inventories	**1**	–
Bad debts written off	**–**	90
Inventories written off	**1**	2

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Asia-Pacific	**24,997**	23,392	**17,221**	15,028
North America	**20,968**	21,192	**–**	–
Europe	**5,554**	4,437	**–**	–
Others	**881**	470	**–**	–
	52,400	49,491	**17,221**	15,028

Information about major customers

Included in revenue arising from sales of manufacturing segment of US$41,573,000 (2017: US$41,756,000), (see Note 33 (i) above) are revenues of approximately US$7,529,000 (2017: US$7,329,000) which arose from sales to the Group's largest customer.

34 COMMITMENTS

	GROUP	
	2018	2017
	US$'000	US$'000
Commitments for the acquisition of property plant and equipment	**–**	60

35 OPERATING LEASE ARRANGEMENTS

The Group as lessee

	GROUP	
	2018	2017
	US$'000	US$'000
Minimum lease payments under operating leases	**1,253**	1,218

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	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Future minimum lease payments payable:				
Within one year	**833**	939	**74**	219
In the second to fifth year inclusive	**706**	417	**–**	94
After five years	**472**	708	**–**	–
	2,011	2,064	**74**	313

Operating lease payments represent rentals payables by the Group for certain of its office properties and warehouse facilities. 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$581,000 (2017: US$615,000) which relates to a 10 year lease agreement with a related party of the Group which certain directors have interest in.

The Group as lessor

The Group sublets its leasehold building in Singapore under operating leases. Property rental income earned during the year was US$73,000 (2017: US$173,000). In 2017, the leased premises had committed tenants for the next 17 months.

	GROUP	
	2018	2017
	US$'000	US$'000
Rental income under operating lease	**73**	173

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease receivables.

	GROUP	
	2018	2017
	US$'000	US$'000
Future minimum lease payments receivable:		
Within one year	**–**	174
In second to fifth year inclusive	**–**	73
	–	247

36 EVENTS AFTER REPORTING PERIOD

Subsequent to the end of the reporting period on October 1, 2018, the Company received the approval in-principle from SGX-ST for the listing and quotation of new shares to be allotted and issued pursuant to the vesting of awards under the Koda Performance Share Plan 2018 ("Performance Share Plan"), subject to the shareholders' approval for the Performance Share Plan and the Company's compliance with the SGX-ST's listing requirements and guidelines.

PARTICULARS OF PROPERTIES OWNED BY THE GROUP

Freehold land, leasehold land & buildings as at June 30, 2018

Location	Size	Regular Payments	Expiry	Lessor
Head Office & Warehouse[1] 28 Defu Lane 4 Singapore 539424	49,731 sf	Annual lease payment of S$251,753 pa (subject to 5.5% annual increase Cap)	2018	JTC Corporation
Malaysia Site[2]	572,963 sf			
Lot No. 9;		NA	Freehold	NA
Lot No. 15 Mukim Senai-Kulai 81400 Senai Johor, Malaysia		RM296,282	2026	Zenith Heights Sdn Bhd
Vietnam Factory[3] Lot A1, A4, A5 & A6 Thuan Dao Industrial Zone Ben Luc District Long An Province, Vietnam	665,894 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 S$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 5 months as at June 30, 2018. The lease will expire on 30 November 2018 and the leasehold property will be subject to approval for any lease extensions to be granted by the lessor at the time of the lease expiry.

2. Based on professional valuation made by Messrs Chen Foo Property Consultants on June 30, 2018, properties at this site were valued at RM23.98 million.

3. These properties were acquired under finance lease. Based on professional valuation made by Jones Lang Lasalle Vietnam Company Limited on June 30, 2018, this property was valued at USD11.7 million.

Na not applicable
RM Ringgit Malaysia
S$ Singapore Dollars

STATISTICS OF SHAREHOLDINGS

AS AT 21 SEPTEMBER 2018

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	299	25.98	24,624	0.03
100 – 1,000	226	19.63	124,807	0.15
1,001 – 10,000	354	30.76	1,652,732	2.01
10,001 – 1,000,000	258	22.41	20,166,851	24.52
1,000,001 AND ABOVE	14	1.22	60,267,146	73.29
TOTAL	**1,151**	**100.00**	**82,236,160**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	JAMES KOH JYH GANG	13,523,094	16.44
2	KOH TENG KWEE	9,427,872	11.46
3	KOH JYH ENG	8,933,388	10.86
4	KOH SHWU LEE	8,285,226	10.07
5	KOH SHWU LING	3,056,954	3.72
6	TAN KIA HONG @TANG KIA HONG	2,731,400	3.32
7	KOH ZHUXIAN JOSHUA (XU ZHUXIAN JOSHUA)	2,266,752	2.76
8	KOH ZHU LIAN JULIAN (XU ZHULIAN)	2,207,452	2.68
9	PHILLIP SECURITIES PTE LTD	2,016,764	2.45
10	DBS NOMINEES (PRIVATE) LIMITED	1,910,470	2.32
11	KOH SHUH JEN	1,735,890	2.11
12	DBSN SERVICES PTE. LTD.	1,701,000	2.07
13	DOMINIC RICHARD PEMBERTON	1,299,000	1.58
14	MAYBANK KIM ENG SECURITIES PTE LTD	1,171,884	1.43
15	CHEE KWAI FUN (ZHU GUIFEN)	852,000	1.04
16	KOH CHIN HWA	800,000	0.97
17	POH IK TNG	720,000	0.88
18	WEE HIAN KOK	712,800	0.87
19	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	647,305	0.79
20	GOH HAN PENG (WU HANPING)	582,280	0.71
	TOTAL	**64,581,531**	**78.53**

STATISTICS OF SHAREHOLDINGS

AS AT 21 SEPTEMBER 2018

SUBSTANTIAL SHAREHOLDERS:

Name	Direct Interest	%	Indirect Interest	%
JAMES KOH JYH GANG	13,523,094	16.44	–	–
KOH TENG KWEE	9,427,872	11.46	–	–
KOH JYH ENG	8,933,388	10.86	21,600	0.03
KOH SHWU LEE	8,285,226	10.07	259,200	0.32

PERCENTAGE OF SHAREHOLDING HELD IN THE HANDS OF PUBLIC

As at September 21, 2018, the percentage of shareholding in the Company held in the hands of public is approximately 38.6%. 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, 2018, the Company had 230,000 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 Wednesday, 31 October 2018 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 30 June 2018 together with the Directors' Statement and the Auditors' Report thereon. **(Ordinary Resolution 1)**

2. To declare a tax-exempt (one-tier) final dividend of 0.75 Singapore cent per ordinary share and a tax-exempt (one-tier) special dividend of 0.75 Singapore cent per ordinary share for the financial year ended 30 June 2018. **(Ordinary Resolution 2)**

3. To approve the payment of Directors' fees of S$136,000 and for the financial year ended 30 June 2018. (2017: S$116,000) **(Ordinary 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. **(Ordinary Resolution 4)**

5. To re-elect Mr Koh Teng Kwee who is retiring pursuant to Regulation 89 of the Company's Constitution. **(Ordinary Resolution 5)**

   Mr Koh Teng Kwee will, upon re-election as a Director of the Company, remain as the Non-Executive Chairman.

6. To re-elect Mr Ernie Koh Jyh Eng who is retiring pursuant to Regulation 89 of the Company's Constitution. **(Ordinary Resolution 6)**

   Mr Ernie Koh Jyh Eng will, upon re-election as a Director of the Company, remain as an Executive Director.

7. To re-elect Mr Chan Wah Tiong who is retiring pursuant to Regulation 89 of the Company's Constitution. **(Ordinary Resolution 7)**

   *Mr Chan Wah Tiong will, upon re-election as a Director of the Company, remain as an Independent Non-Executive Director, and a member of the Audit, Nominating and Governance, and Remuneration Committee. Mr Chan Wah Tiong 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**").*

8. 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:

9. **Authority to allot and issue new Shares and/or Instruments**

That, pursuant to Section 161 of the Companies Act, Cap. 50, of Singapore (the "**Act**") and Rule 806 of the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), 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 to be allotted and issued pursuant to this Resolution (including new Shares to be allotted and issued in pursuance of the Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued Shares in the capital of the Company (excluding treasury shares and subsidiary holdings) 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 new 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 in the capital of the Company (excluding treasury shares and subsidiary holdings) calculated in accordance with sub-paragraph (2) below;

(2) subject to such calculation 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 in the capital of the Company (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares in the capital of the Company (excluding treasury shares and subsidiary holdings) 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;

NOTICE OF ANNUAL GENERAL MEETING

(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 the 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;

(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 a general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company 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)]. **(Ordinary Resolution 8)**

By Order of the Board

Gn Jong Yuh Gwendolyn
Company Secretary
Singapore, 15 October 2018

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) The Ordinary Resolution 8 proposed in item 9 above, if passed, will empower the Directors of the Company to allot and issue new Shares, make or grant Instruments convertible into Shares and to allot and issue new Shares pursuant to such Instruments. The aggregate number of new Shares to be allotted and issued pursuant to Ordinary Resolution 8 (including new Shares to be allotted and issued in pursuance of the Instruments made or granted pursuant to Ordinary Resolution 8) shall not exceed 50% of the total number of issued Shares in the capital of the Company (excluding treasury shares and subsidiary holdings) at the time Ordinary Resolution 8 is passed. For allotting and issuing of new Shares, making or granting Instruments convertible into Shares and allotting and issuing new Shares pursuant to such Instruments other than on a pro rata basis to existing shareholders of the Company, the aggregate number of new Shares to be allotted and issued pursuant to Ordinary Resolution 8 (including Shares to be allotted and issued in pursuance of the Instruments made or granted pursuant to Ordinary Resolution 8) shall not exceed 15% of the total number of issued Shares in the capital of the Company (excluding treasury shares and subsidiary holdings) of the Company at the time Ordinary Resolution 8 is passed. The authority conferred by Ordinary Resolution 8 will, unless previously revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

Notes:

1. (a) A member of the Company who is not a Relevant Intermediary and entitled to attend, speak and vote at the Annual General Meeting of the Company is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. Where a member appoints more than one (1) proxy, the number and class of Shares in relation to which each proxy has been appointed shall be specified in the Proxy Form.

   (b) A member of the Company who is a Relevant Intermediary and entitled to attend, speak and vote at the Annual General Meeting of the Company is entitled to appoint more than two (2) proxies to attend and vote on his behalf, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where a member appoints more than one (1) proxy, the number and class of Shares in relation to which each proxy has been appointed shall be specified in the Proxy Form.

   (c) "Relevant Intermediary" shall have the same meaning ascribed to it in Section 181 of the Act.

2. A proxy need not be a member of the Company.

3. The Proxy Form must be deposited at the registered office of the Company at **28 Defu Lane 4, Singapore 539424**, not less than 72 hours before the time fixed for holding the Annual General Meeting of the Company.

4. 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.

Personal data privacy:

By attending the Annual General Meeting of the Company and/or any adjournment thereof and/or submitting the Proxy Form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting of the Company 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 or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting of the Company (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), and (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 or service providers), 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 or service providers) 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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KODA LTD
(Incorporated in the Republic of Singapore)
(Company Registration Number 198001299R)

PROXY FORM

IMPORTANT
1. Pursuant to Section 181(1C) of the the Companies Act, Cap. 50, of Singapore (the "**Act**"), Relevant Intermediaries (as defined in the Act) may appoint more than two (2) proxies to attend, speak and vote at the Annual General Meeting of the Company.
2. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the Annual General Meeting of the Company in person, provided that he has been appointed as a proxy by his CPF and/or SRS approved agent bank. CPF Investors and SRS Investors who are unable to attend the Annual General Meeting of the Company but would like to vote, may inform their CPF and/or SRS approved agent banks to appoint the Chairman of the Annual General Meeting of the Company to act as their proxy, in which case, the CPF Investors and SRS Investors shall be precluded from attending the Annual General Meeting of the Company.
3. This Proxy Form is not valid for use by CPF Investors and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by CPF Investors and SRS Investors.

I/We* ________________________ (Name) ______________ (NRIC/Passport/Company Registration Number*)

of ____ (Address)

being a member/members* of **KODA LTD** (the "**Company**"), hereby appoint:

Name	**NRIC/Passport Number**	**Proportion of Shareholdings**	
		Number of Shares	**%**
Address			

and/or*

Name	**NRIC/Passport Number**	**Proportion of Shareholdings**	
		Number of Shares	**%**
Address			

or failing him/her*, the Chairman of the Annual General Meeting of the Company as my/our* proxy/proxies* to attend and vote for me/us* on my/our* behalf at the Annual General Meeting of the Company to be held at 28 Defu Lane 4, Singapore 539424 on Wednesday, 31 October 2018 at 10.00 a.m. and at any adjournment thereof.

I/We* direct my/our* proxy/proxies* to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting of the Company as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Annual General Meeting of the Company and at any adjournment thereof, the proxy/proxies* may vote or abstain from voting at his/her* discretion. The Ordinary Resolutions will be put to vote at the Annual General Meeting of the Company by way of poll.

	Ordinary Resolutions	**Number of Votes For#**	**Number of Votes Against#**
Ordinary Business			
1.	To adopt the Audited Financial Statements of the Company for the financial year ended 30 June 2018		
2.	To declare the final dividend and the special dividend		
3.	To approve the payment of Directors' fees of S$136,000 for the financial year ended 30 June 2018		
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 Mr Koh Teng Kwee as a Director of the Company		
6.	To re-elect Mr Ernie Koh Jyh Eng as a Director of the Company		
7.	To re-elect Mr Chan Wah Tiong as a Director of the Company		
Special Business			
8.	Authority to allot and issue new Shares and/or Instruments		

* 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 ________________ 2018.

Total number of Shares in:	**Number of Shares**
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Shareholder(s) and
Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM

Notes:

1. Please insert the total number of 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, of Singapore), 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. (a) A member of the Company who is not a Relevant Intermediary and entitled to attend, speak and vote at the Annual General Meeting of the Company is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. Where a member appoints more than one (1) proxy, the number and class of Shares in relation to which each proxy has been appointed shall be specified in this Proxy Form.

   (b) A member of the Company who is a Relevant Intermediary and entitled to attend, speak and vote at the Annual General Meeting of the Company is entitled to appoint more than two (2) proxies to attend and vote on his behalf, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where a member appoints more than one (1) proxy, the number and class of Shares in relation to which each proxy has been appointed shall be specified in this Proxy Form.

   (c) "Relevant Intermediary" shall have the same meaning ascribed to it in Section 181 of the Act.

3. A proxy need not be a member of the Company.

4. 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 fixed for holding the Annual General Meeting of the Company.

5. 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.

6. 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.

7. A corporation which is a member of the Company 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 of the Company, 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 of the Company, 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 of the Company and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time fixed for holding the Annual General Meeting of the Company.

Personal data privacy:

By attending the Annual General Meeting of the Company and/or any adjournment thereof and/or submitting this Proxy Form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting of the Company 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 or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting of the Company (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), and (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 or service providers), 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 or service providers) 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	Independent Director
SIM CHENG HUAT	Independent Director
YING SIEW HON, FRANCIS	Independent Director
TAN CHOON SENG	Independent Director

REGISTERED OFFICE & PRINCIPAL PLACE OF WORK

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
193, 194, 195 & 196 Jalan Kenaga 29/4,
Indahpura
81000 Kulai, Johor

COMPANY SECRETARY

GN JONG YUH GWENDOLYN
Date of Appointment
1 November 2013

SHARE REGISTRAR

RHT CORPORATE ADVISORY PTE LTD
9 Raffles Place, #29-01
Republic Plaza Tower 1
Singapore 048619

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

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
Group Chief Financial Officer
david.lim@kodaltd.com

KODA™ LTD

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