KODA

ANNUAL REPORT

2019

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.


Defy
Trace Elliot

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Defy

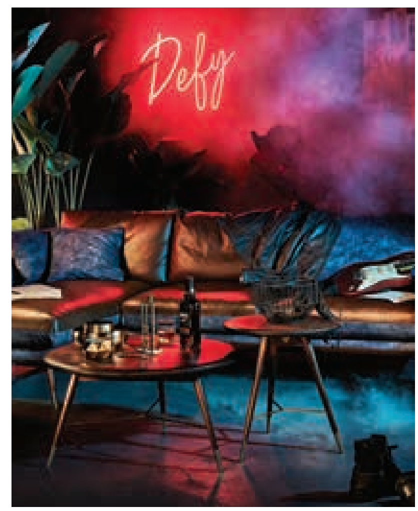

JURA

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

I have full confidence in my management. They will continue to manage the business well.

DEAR STAKEHOLDERS,

During the year, there were many sources of uncertainty – political, economic and business. Uncertainty is the enemy of many business cycles and we all know that doing business in this market condition is not easy.

For FY2019, I am glad to report that:

- Our operations remained profitable (despite those uncertainties);
- Our business generated positive cash flows;
- Our cash position was much higher;
- Our borrowings were very, very low;
- Our net assets base increased; and
- Our dividends payout was higher.

We were able to achieve better financial performance for FY2019 because we have been able to:

- improve our factory efficiencies;
- improve our supply chain management;
- build good business relationship with our clients;
- expand our market segments;
- expand our retail and distribution models;
- invest in research, innovate new products and launch new design concepts; and
- develop good marketing and branding strategies.

At the same time, we have to be careful of:

- uncertainty in business environment;
- increasing operating costs; and
- increasing competition.

I have full confidence in my management. They will continue to manage the business well. I also thank our board for their guidance and support.

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 30 June

	2019 US$'000	2018 US$'000	Change %
REVENUE	**57,892**	**52,400**	**10.5**
Cost of sales	(39,648)	(33,809)	17.3
GROSS PROFIT	**18,244**	**18,591**	**(1.9)**
Other income	828	683	21.2
Selling & distribution expenses	(5,001)	(5,405)	(7.5)
General & administrative expenses	(8,108)	(7,309)	10.9
Other expenses	(204)	(533)	(61.7)
Finance costs	(30)	(32)	(6.3)
Share of results of associate	*	(1)	NM
Profit before tax	**5,729**	**5,994**	**(4.4)**
Income tax expense	(420)	(581)	(27.7)
Profit for the year	**5,309**	**5,413**	**(1.9)**
OTHER CONPREHENSIVE INCOME:			
Translation differences from consolidation of foreign operations	(297)	666	(144.6)
Other comprehensive income for the year	**(297)**	**666**	**(144.6)**
Total comprehensive income for the year	**5,012**	**6,079**	**(17.6)**

N/M: Not meaningful

* Amount less than US$1,000

REVENUE
Rose by US$5.5 million due mainly to higher export sales to our key markets.

GROSS PROFIT
Fell by US$0.3 million due mainly to higher raw materials and labour costs.
Gross margin fell to 31.5% compared to 35.5% in FY2018 as a result of

(i) changes in sales mix; and
(ii) research and development costs incurred for new range of products.

OTHER INCOME
Rose by US$0.2 million due mainly to higher interest income and foreign exchange gain.

DISTRIBUTION COSTS AND GENERAL AND ADMINISTRATIVE EXPENSES
Rose by US$0.4 million in total due mainly to higher staff costs despite lower advertising and showroom rental expenses.

OTHER EXPENSES
Fell by US$0.3 million in the absence of impairment loss on property, plant and equipment.

INCOME TAX EXPENSES
Fell by US$0.2 million due mainly to the utilisation of unabsorbed tax losses brought forward.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
As a result of the above, our Net Profit fell by 1.9% to US$5.3 million in FY2019 compared to US$5.4 million in FY2018.

RESULTS AT A GLANCE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June

	Group	
	2019	**2018**
	US$'000	US$'000
ASSETS		
CURRENT ASSETS		
Cash and bank balances	13,394	10,502
Trade receivables	3,424	3,905
Other receivables	2,660	2,465
Inventories	10,581	9,552
TOTAL CURRENT ASSETS	**30,059**	**26,424**
NON-CURRENT ASSETS		
Investment in associate	2	2
Club memberships	207	208
Property, plant and equipment	16,116	17,072
Deferred tax assets	102	52
TOTAL NON-CURRENT ASSETS	**16,427**	**17,334**
TOTAL ASSETS	**46,486**	**43,758**

CURRENT ASSETS

CASH AND BANK BALANCES
Rose by US$2.9 million due mainly to positive operating cash flows, net of cash used for investing and financing activities.

TRADE RECEIVABLES
Fell by US$0.5 million to US$3.4 million. Trade receivables turnover period improved from 27 days in FY2018 to 23 days in FY2019 due mainly to faster collections from export customers.

OTHER RECEIVABLES
Rose by US$0.2 million due mainly to higher advances made to suppliers.

INVENTORIES
Rose by US$1.0 million due mainly to higher WIP inventory for orders backlog.

NON-CURRENT ASSETS

PROPERTY, PLANT AND EQUIPMENT
Fell by US$1.0 million due mainly to depreciation of property, plant and equipment, net of equipment investment.

RESULTS AT A GLANCE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June

	Group	
	2019	2018
	US$'000	US$'000
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Bills payables	–	52
Trade payables	2,275	2,768
Other payables	4,984	5,282
Current portion of obligations under finance leases	21	33
Current portion of bank loans	182	182
Income tax payable	337	412
TOTAL CURRENT LIABILITIES	**7,799**	**8,729**
NON-CURRENT LIABILITIES		
Deferred tax liabilities	228	297
Non-current portion of bank loans	221	410
Obligations under finance leases	–	36
TOTAL NON-CURRENT LIABILITIES	**449**	**743**
CAPITAL AND RESERVES		
Share capital	4,688	4,525
Treasury shares	(71)	(71)
Other reserves	212	240
Translation reserve	369	666
Accumulated profits	33,040	28,926
TOTAL EQUITY	**38,238**	**34,286**
TOTAL LIABILITIES AND EQUITY	**46,486**	**43,758**

CURRENT LIABILITIES

TRADE PAYABLES

Fell by US$0.5 million due mainly to early payments to suppliers.

OTHER PAYABLES

Fell by US$0.3 million due mainly to lower accruals of expenses.

OBLIGATIONS UNDER FINANCE LEASES

Fell by US$0.01 million due mainly to repayments.

NON-CURRENT LIABILITIES

NON-CURRENT PORTION OF BANK LOANS

Fell by US$0.2 million due mainly to repayments.

CAPITAL AND RESERVES

EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

Rose by US$4.0 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$5.3 million; and

(iii) payment of dividends.

MANAGING DIRECTOR'S STATEMENT

These improvements have laid a very strong fundamental for us and forged new paths in our supportive team environment.

DEAR STAKEHOLDERS,

I am pleased to report that our results for the financial year ended 30 June 2019 ("FY2019") remains robust. Looking back over the past few years of strenuous hard work – during which we conducted major strategic reviews and initiated business reorganisation plans – it would be of your interest to note that:

- In 2015 to 2016, we initiated major business reorganisation and we managed to turnaround;
- In 2017, we reported a sharp improvement in earnings given successful business restructuring;
- In 2018, our earnings continued to grow given our focused strategies despite market uncertainty; and
- In 2019, we managed to maintain our earnings amidst concerns over slowing global economic growth.

Given these efforts and strategic moves, I am pleased – again – to highlight that we have earned you a total net profits of about US$15 million during the last three years from FY2017 to FY2019 in addition to net earnings of US$1.6 million for FY2016 when we first turnaround our operations back then. These improvements have laid a very strong fundamental for us and forged new paths in our supportive team environment.

OVERVIEW OF FINANCIALS

FINANCIAL PERFORMANCE

In FY2019, we reported higher revenue, higher net cash position but lower margins. Specifically:

- Our sales from key export markets such as the US continued to grow as total revenue rose 10.5% to US$57.9 million; and
- Our operating costs rose and thus our margins fell given higher production costs and R&D expenses;

Given the above, net profit remained largely unchanged at US$5.3 million. On the back of this reported net profit, we also generated a net operating cash flows of US$5.3 million.

FINANCIAL POSITION

Our financial position remained resilient in FY2019. As at 30 June 2019:

- Assets-to-liabilities ratio was 5.6 times. This means that every dollar of liability is backed by US$5.60 worth of assets;
- Return on Equity was 13.9%. This means we have earned you approximately US$0.14 for every dollar of your entrusted funds; and
- Gearing was 0.01 times. This means we borrowed only US$0.01 for every dollar of net asset that we own.

MANAGING DIRECTOR'S STATEMENT

ASSETS

Current assets increased by US$3.6 million to US$30.1 million as at 30 June 2019. Significant changes comprised of:

- Cash at bank of US$13.4 million, which improved by US$2.9 million given operating cash flows generated from operations, net of cash used for capex, dividends payments and bank loans repayments;
- Trade receivables of US$3.4 million – fell by US$0.5 million with improvement in turnaround time from 27 to 23 days due to faster collections;
- Inventories of US$10.6 million – rose by US$1.0 million due mainly to higher work-in-progress for orders backlog.

Non-current assets fell by US$0.9 million to US$16.4 million due mainly to depreciation of property, plant and equipment, net of equipment investment.

LIABILITIES

Current liabilities fell by US$0.9 million to US$7.8 million. Significant changes comprised of:

- Trade payables of US$2.3 million – fell by US$0.5 million due to early payments to suppliers;
- Other payables of US$5.0 million – fell by US$0.3 million due to lower accruals of expenses.

Non-current liabilities fell by US$0.3 million to US$0.5 million due to the repayment of long-term borrowings.

FINANCIAL PERFORMANCE

Summarised Profit and Loss Account For The Year Ended 30 June

US$'000	2019	2018	2017	2016	2015
Revenue	**57,892**	52,400	49,491	37,110	47,324
Gross profit	**18,244**	18,591	15,920	10,275	11,288
Profit (loss) before income tax	**5,729**	5,994	4,962	2,354	(264)
Income tax expense	**(420)**	(581)	(912)	(771)	(783)
Profit (loss) for the year	**5,309**	5,413	4,050	1,583	(1,047)
Profit (loss) attributable to:					
Owners of the Company	**5,309**	**5,413**	**4,050**	**1,641**	**406**
Non-controlling interests	**–**	–	–	(58)	(1,453)
	5,309	5,413	4,050	1,583	(1,047)
Earnings per share (US cents) (1)	**6.44**	8.01	7.31	2.00	0.59
Gross Margin %	**31.5**	35.5	32.2	27.7	23.9
Net Margin %	**9.2**	10.3	8.20	4.40	0.90

Revenue from (US$'000)	2019	%	2018	%	Change
Asia-Pacific	**23,565**	40.7	24,997	47.7	(1,432)
North America	**28,187**	48.7	20,968	40.0	7,219
Europe	**5,024**	8.7	5,554	10.6	(530)
Others	**1,116**	1.9	881	1.7	235
Total Revenue	**57,892**	**100**	**52,400**	**100**	**5,492**

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

MANAGING DIRECTOR'S STATEMENT

EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY
Net asset or Equity attributable to shareholders rose by US$4.0 million to US$38.2 million as at 30 June 2019.

Significant changes comprised of:

- Current year earnings of US$5.3 million;
- Increased share capital for new shares issued under Koda's Performance Share Plan; and
- Payment of dividends.

As a result, our net asset value per share rose to 46.3 US cents (approximately 62.5 Singapore cents) as at 30 June 2019 from 41.7 US cents (approximately 56.3 Singapore cents) as at 30 June 2018.

CASH FLOWS
Net cash from operating activities was US$5.3 million, after accounting for operating cash flows of US$7.7 million, net working capital outflows of US$1.9 million and net payments of income tax and interest of US$0.5 million.

Net cash used in investing activities was US$0.9 million due mainly to investments in equipment for our Vietnam operations.

Net cash used in financing activities was US$1.5 million due mainly to payments of dividends and loans repayment.

Given the above, net cash and cash equivalents rose by US$2.9 million to US$13.4 million as at 30 June 2019.

GOING FORWARD
The already-complicated US-China trade war is getting more complicated. It is a headache. It is like a fickle weather after the tariff tit-for-tat. Under such observation, the global supply chain for furniture business has changed. Many export buyers have shifted their sourcing networks to Southeast Asia *(so, these moves have benefited us to a certain extent given our major facilities are in Vietnam and Malaysia)* but at the same time, many manufacturers are moving out from China to this region as well, a speeding-up trend that we can't afford to ignore *(so, these moves may escalate competition and costs will start to rise)*.

From supply chain perspective, these factors require us to improve production efficiency, invest in product development, shorten delivery lead times and expand sourcing networks. We have to integrate our entire eco-system more effectively for our manufacturing business given the shifting trends.

For our retail and distribution segment, the branding strategy for Commune has so far been quite successful. More recently, we have launched our new brand *ALT.O by Commune* ("ALT.O"), conceived via a strategic collaboration with established European brands such as Bolia and Hubsch. ALT.O's European influence caters to larger format homes and targets a more affluent customer base. With our first ALT.O concept store opening at Millenia Walk in Singapore, we envision the brand to progressively gain traction among new consumer segments.

Meanwhile, our expansion plans for Commune in China remain on track. While expanding here, we take note of:

- the business opportunities arising from China's switching policy of stimulating local consumption and rapid urbanisation plans;
- the market risk arising from the slowing Chinese economy and the weakening RMB; and
- the market potential arising from the growing interest for European designer brands (i.e., our newly launched ALT.O brand seems to fit in well)

Overall, we remain confident in our long-term growth prospects and we believe the Group will remain profitable in the coming year, barring unforeseen circumstances. For FY2019, we continue to reward our shareholders with total dividends (including proposed and declared) that work out to be S$2.1 million or 2.5 Singapore cents a share. The total payout ratio of which increased by 77% compared to a year earlier.

I would like to thank our shareholders, business partners and employees for your constant support throughout the years. I look forward to meeting with you all at the AGM.

MR JAMES KOH JYH GANG
Managing Director & Deputy Chairman

MANAGING DIRECTOR'S STATEMENT

FINANCIAL POSITION

Summarised Balance Sheet As At 30 June

US$'000	2019	2018	2017	2016	2015
Property, plant and equipment	**16,116**	17,072	15,028	12,085	11,599
Investment properties	**–**	–	–	–	934
Other investments and assets	**311**	262	790	243	246
Total non-current assets	**16,427**	17,334	15,818	12,328	12,779
Current assets	**30,059**	26,424	22,153	20,039	19,319
Current liabilities	**(7,799)**	(8,729)	(7,936)	(8,301)	(9,515)
Net current assets	**22,260**	17,695	14,217	11,738	9,804
Total non-current liabilities	**(449)**	(743)	(1,696)	(1,156)	(895)
Non-controlling interests	**–**	–	–	–	(216)
Equity attributable to shareholders	**38,238**	34,286	28,339	22,910	21,904
Net assets value per share (US cents) [(1)]	**46.3**	41.7	34.5	27.9	26.6
Other key ratios:					
Inventory turnover – average (days)	**97**	104	73	94	74
Trade receivables turnover (days)	**23**	27	32	35	27
Quick ratio (times)	**2.5**	1.9	1.9	1.6	1.2
Current ratio (times)	**3.9**	3.0	2.8	2.4	2
Gearing (times)	**0.01**	0.03	0.03	0.07	0.16
Return on equity (%)	**13.9**	15.8	14.3	7.2	1.9

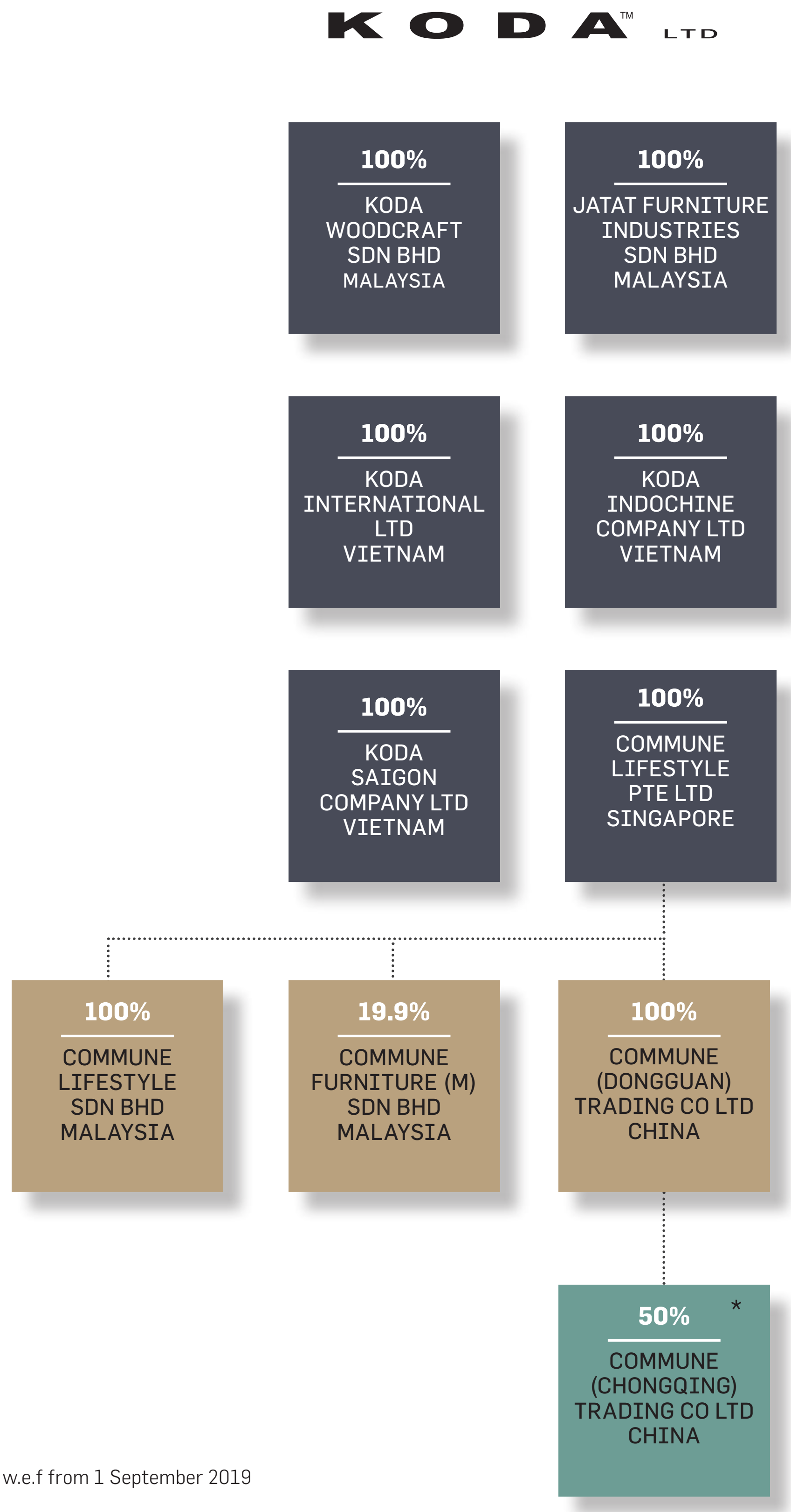
(1) Net asset value ("NAV") per share is computed based on number of ordinary shares in issue as at year end.

CASH FLOWS

Summarised Cash Flow Statement For The Year Ended 30 June

US$'000	2019	2018	2017	2016	2015
Operating cash flow before movements in working capital	**7,659**	7,845	6,497	3,126	2,861
Net cash from operating activities	**5,303**	6,122	6,016	3,778	6,356
Net cash (used in) from investing activities	**(857)**	(2,758)	(960)	(342)	181
Net cash (used in) from financing activities	**(1,484)**	(1,273)	(1,196)	(1,939)	(5,035)
Net increase in cash and cash equivalents	**2,962**	2,091	3,860	1,497	1,502
Cash and cash equivalents at beginning of year	**10,502**	8,352	4,607	2,933	1,545
Effects of foreign exchange translation	**(70)**	59	(115)	177	(114)
Cash and cash equivalents at end of year	**13,394**	**10,502**	**8,352**	**4,607**	**2,933**

GROUP STRUCTURE



* w.e.f from 1 September 2019

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 2018 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 is a Presidential Advisor of SFIC and is also a member of 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 is currently the Executive Director of Sales & Marketing for Koda Ltd. He has significant experience in international marketing and corporate branding. He is at the helm of the Group's marketing initiatives, particularly in customer relationship management, client base diversification, trade fairs participation, new product launches and marketing talent recruitment. Ernie is also instrumental in identifying the latest design trends and dealing with changing consumer preferences. Ernie has been with Koda for more than 20 years. During his tenure, he has rapidly expanded Koda's market share, reaching out to more than 120 customers across more than 40 countries throughout the globe.

Ernie is also actively involved in the business and creative communities. He was elected as President of the Singapore Furniture Industries Council ("SFIC") in 2012 and served from 2012 to 2016. He is Chairman of International Furniture Fair Singapore Pte Ltd and the SFIC Finance Advisory Committee. He is also Chairman of the Local Enterprise and Association Development (LEAD) Programme for SFIC, a multi-agency program that aims to partner industry associations to enhance industry and enterprise competitiveness. Ernie was appointed Co-Chairman of the Independent Experts Panel for Furniture Industry by Spring Singapore in 2013. He was also elected to the 60th Board of Singapore Chinese Chamber of Commerce and Industry (SCCCI) in 2019 for the 2019 – 2021 term. He is also a Vice-Chairman of the Singapore Business Federation's ("SBF") Small and Medium Enterprise Committee (SMEC), a member of DesignS (a network of 9 design-centric institutes and associations in Singapore) as well as a Distinguished Member of the Presidential Advisory Commission of Design Business Chamber Singapore. He is often invited to present papers in various international conferences globally.

Ernie was appointed to the Board in 2001 and holds a Bachelor of Science 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 2018 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 and 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 a member of the Board of Trustee of the Singapore University of Social Sciences. He is also the Chairman of the University's Investment and Endowment Fund. He is also a board member of Soup Restaurant Group Limited & the Chairman of its Audit Committee.

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 2018 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 was 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 has been the appointed Executive Chairman and CEO of Citicode Ltd (listed on the Mainboard of SGX) since July 2018. Teh is also the Chairman of China Vanadium Titano-Magnetite Mining Company Ltd (listed on the Mainboard of HKEX), for which he has led the completion of a RMB1.3 billion restructuring. He served as a non-executive director of other public companies listed on HKEX, SGX and ASX.

Teh was the Group CEO and Managing Director of Sapphire Corporation Limited (a company listed on the Mainboard of 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")
Manufacturing Director

SS 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 was promoted to Manufacturing Director in 2013 and appointed as an Executive officer in 2014.

SS 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.

TAN KIAN PENG DARREN ("DARREN")
Group Financial Controller

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

Darren was promoted to Group Financial Controller and appointed as an Executive Officer in 2014.

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 promoted 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, sales partnerships, and manages 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

FRANCE
GERMANY
LUXEMBOURG
NETHERLANDS
NORWAY
PORTUGAL
SPAIN
TURKEY
UNITED KINGDOM

ASIA-PACIFIC

AUSTRALIA
CHINA
HONG KONG
JAPAN
MALAYSIA
PHILIPPINES
SINGAPORE
SOUTH KOREA
TAIWAN
VIETNAM

NORTH AMERICA

CANADA
U.S.A.

OTHERS

COLOMBIA
ISRAEL
SAUDI ARABIA
SOUTH AFRICA
UNITED ARAB EMIRATES

SUSTAINABILITY REPORT CONTENTS

SUSTAINABILITY REPORT

ABOUT THIS REPORT

Koda Ltd ("Koda") is pleased to share our second annual sustainability report ("Report") for the financial year ended 30 June 2019. This Report provides comprehensive disclosure on our Environmental, Social and Governance ("ESG") performance for the reported period.

Reporting Framework
This Report has been prepared in accordance with the GRI Standards: Core Option. It has also been prepared to ensure compliance with the SGX Sustainability Reporting Guide and the SGX-ST Listing Rules (711A and 711B), in particular to the five Primary Components set out in Listing Rule 711B.

Report Scope & Boundary
This Report covers the ESG performance of our offices and manufacturing facilities in Malaysia and Vietnam, our office and warehouse in China and the Koda Head Office in Singapore.

Unless stated otherwise, ESG performance data from our value chain partners, including suppliers, vendors, customers and others have been excluded.

We are considering the feasibility of including value chain related ESG data in future reports as part of our continued commitment to better assess our ESG journey. This includes data related to ESG impacts that occur outside of the organisation, but which Koda may directly or indirectly be contributing towards in a significant manner.

Determining Report Content & Quality
The GRI Standards (GRI 101: Foundation and GRI 102: General Disclosures) were used to ascertain Koda's material economic, environmental and social impacts. Using topic-specific GRI Standards, we have selected the most relevant disclosures for our sustainability report.

The process was further streamlined by adhering to the following GRI principles for defining report content: stakeholder inclusiveness, sustainability context, materiality, and completeness. In addition, we have applied the GRI principles of accuracy, balance, clarity, comparability, reliability and timeliness to ensure report quality.

Restatements
We have adjusted energy and carbon emission data due to an error in calculating the fuel consumption data for FY2017 and FY2018 and have restated the figures for these two years. Also, employee figures have been restated for FY2017 and FY2018 for comparability with that of FY2019.

External Assurance
Data is sourced mostly from primary and internal sources and hence, we have chosen to undertake an internal verification process. We may consider obtaining external assurance for future reports.

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

Contact
We welcome feedback on our Report, which can be sent to sustainability@kodaltd.com

SUSTAINABILITY REPORT

ESG PERFORMANCE HIGHLIGHTS

ESG PERFORMANCE SUMMARY (Financial Year)			
ESG FACTORS	**FY2019**	**FY2018**	**FY2017**
ENVIRONMENTAL			
Total energy consumption (GJ)	25,338	24,433	24,200
Electricity used (kWh)	6,366,111	6,057,025	5,966,086
CO_2 emissions (tonnes)	5,057	4,838	4,782
Water consumption (m^3)	106,274	92,798	96,208
General waste (tonnes)	209	259	263
SOCIAL			
Employees			
Total number of employees	2,070	1,860	1,618
Permanent employees	787	645	540
Contract employees	1,283	1,215	1,078
New hires during the year	640	448	576
Female employees (as % of permanent employees)	26	40	43
Fatal Accidents	zero	zero	zero
FINANCIAL (US$'000)			
Revenue	57,892	52,400	49,491
Profit for the year	5,309	5,413	4,050
Employee wages	15,629	14,063	13,435
Income tax expense	420	581	912
Dividends to shareholders	1,527	1,044	1,003

Notes:

1. Energy refers to use of electricity, petrol and diesel
2. Carbon dioxide (CO_2) emissions are from electricity, petrol and diesel consumption

SUSTAINABILITY REPORT

OUR APPROACH TO SUSTAINABILITY

Sustainability is key to Koda in realising its vision of being a reputable, profitable and significant global original design manufacturer ("ODM") of high-quality furniture.

Hence, sustainability at Koda is infused at every stage of our business, from product design and development right to the finished product. We take into account all aspects of our product lifecycle and how these impacts the way we operate and our many interactions with stakeholders.

We also consider how our finished products impact the sustainability footprint of our customers. Going further, we also continue to engage our trade customers to clearly identify their sustainability issues and concerns; and to incorporate these, where possible into our overall sustainability approach.

Our wholesome approach to sustainability empowers us to develop a truly inclusive and effective means to mitigate and manage our most significant economic, social and environmental impacts and to also cascade the same across our value chain.

As a furniture manufacturer, we have identified material areas that require our attention. These are:

- Careful selection of materials to minimise environmental impact
- Ensuring occupational health and safety in our manufacturing operations
- Customer satisfaction, which is a direct result of our ability to stay design-relevant, product quality and craftsmanship, productivity and timely delivery
- Talent management (including recruiting, retaining and developing)

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 its approach to developing business strategies. 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

We had first conducted a comprehensive materiality assessment to determine the impact of our business activities on the economy, the environment and society in 2017. The material factors identified through the assessment were included in our first sustainability report. We have reviewed the material factors this year and have decided to keep them unchanged.

As part of the materiality review, we have also aligned our material ESG issues with the UN Sustainable Development Goals (SDGs) to reaffirm our commitment as a responsible business.

SUSTAINABILITY REPORT

The following table provides an overview of our material topics, where do the impacts occur, the Group's involvement in these impacts and management's approach to addressing these concerns.

Material Factors	Impact Boundary	Our Involvement	Management Approach
Environment			
Energy Consumption	Use of electricity in offices, factories and retail stores and diesel and petrol consumption in on-site equipment and company vehicles	Direct	Continuously improve energy efficiency in our operations
Greenhouse Gas (GHG) Emissions	Our carbon dioxide emissions are attributable to electricity and fuel consumption	Direct	Minimise our carbon emissions footprint through constantly improving our energy efficiency
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
Social			
Attract, Develop and Retain Talent	Applicable across the Group	Direct	• Hire the most skilled 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

Disclosure on our performance and how we have managed these material topics is provided in the subsequent pages of this Report.

Having set our management approach for the aforementioned ESG topics, going forward, it is our intention to develop more specific goals and targets and where possible, align them to the UN Sustainability Development Goals ("UN SDG").

ESG GOALS AND TARGETS

Material ESG Factors	Goals and Targets
Energy Consumption	Establish reduction targets in FY2020
Greenhouse Gas (GHG) Emissions	Establish reduction targets in FY2020
Waste	Reduce, Recycle and Reuse waste
Environmental Compliance	No incident of non-compliance with applicable environmental laws
Attract, Develop and Retain Talent	• Provide ongoing training opportunities to employees to improve productivity • Achieve and maintain higher retention rate compared with industry benchmarks
Occupational Health and Safety	Zero-accident workplace
Human Rights (non-discrimination, forced labour, child labour, freedom of association and collective bargaining)	No incident of non-compliance with our human rights policies
Local communities	Contribute to the development of local communities
Economic Performance	Maintain long-term sustainable growth of business with consistent financial performance
Anti-corruption	No incidents on non-compliance with anti-corruption regulations
Socio-economic Compliance	No incident of non-compliance with applicable socio-economic regulations

SUSTAINABILITY REPORT

UN SUSTAINABLE DEVELOPMENT GOALS

We have aligned our material ESG factors with the UN Sustainable Development Goals (SDGs) to understand our contribution to the SDGs. Going forward, we would explore further integration of the SDGs into our reporting process.

How our material factors contribute to the SDGs is presented in the table below.

Supporting the UN Sustainable Development Goals (SDGs)	
Material Topics	**SDGs Supported**
Energy Consumption, GHG Emissions	13 CLIMATE ACTION
Waste, Procurement Practices	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Employment, Attract, Develop and Retain Talent, Occupational Health and Safety, Employee Turnover, Human Rights, Indirect Economic Performance, Economic Performance, Local Communities	8 DECENT WORK AND ECONOMIC GROWTH; 4 QUALITY EDUCATION
Anti-corruption, Environmental Compliance, Socio-economic Compliance	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

STAKEHOLDER ENGAGEMENT

Engaging with stakeholders and understanding their expectations and concerns is a key aspect of our sustainability approach. Our business success depends on our relationship with our primary stakeholders that include customers, suppliers, employees and the community at large.

Koda has and will continue to adopt an inclusive approach to sustainability by seeking the diverse views of our stakeholders and where relevant, incorporating the many insights gleaned into our strategic and operational decisions.

In this way, we are better positioned to achieve a truer measure of sustainability that is closer aligned to stakeholders' expectations.

SUSTAINABILITY REPORT

A summary of our stakeholders, their expectations and concerns and how we have engaged and responded to them throughout the financial year is provided in the following table:

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

Koda is a member of several trade associations and related bodies. We continue to lend our support to these entities by participating in their events throughout FY2019. Several of Koda's senior management are past or present leaders within these trade organisations.

Koda Executive Director, Mr. Ernie Koh
Singapore Furniture Industries Council (SFIC) – Presidential Advisor
Singapore Chinese Chamber of Commerce & Industry (SCCCI) – Council Member
SBF-SMEC – International Sub-Committee Chairman
Franchising and Licensing Association (Singapore) (FLA) – VP

Koda Deputy Chairman and Managing Director Mr. James Koh is a SFIC Presidential Advisor and is also a member of the multi – agency, three year Local Enterprise Association Development ("LEAD") programme.

Mr Gan Shee Wen, Koda's VP of Marketing
SFIC – Assistant Honorary Treasurer and Chairman of Retail Cluster.

Mr. Joshua Koh, CEO of Commune Lifestyle Pte Ltd
SFIC – Honorary Secretary
Singapore Retailers Association (SRA) – Council member

Koda and its subsidiaries' trade memberships include:

- Singapore Furniture Industries Council (SFIC)
- Singapore Business Federation
- Singapore Chinese Chamber of Commerce & Industry
- Singapore Retailers Association
- Franchising and Licensing Association (Singapore)
- Malaysia Timber Industry Board
- Johor Bahru Chinese Chamber of Commerce and Industry
- Malaysia Furniture Council
- Shenzhen Furniture Industries Association
- Handicraft and Wood Industry Association of Ho Chi Minh City, Vietnam

PRODUCT

Koda's reputation as a leading ODM is built on excellent product design and impeccable workmanship as well as the selection of only high-grade materials. These provide our products with a high degree of individuality, sophistication and elegance. Our products are sold globally, meeting the needs of customers worldwide.

We manufacture an extensive range of solid-wood dining, living and bedroom furniture for upscale customers worldwide who appreciate finer quality products that offer both elegant form and functionality as well as superior quality.

Our retail brand, Commune, has developed a strong and growing appeal among high-end customers for its trendy designs and contemporary lifestyle furniture and accessories. There are a total of 67 Commune outlets in Singapore, Malaysia, the Philippines, Hong Kong S.A.R., 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.

SUSTAINABILITY REPORT

MATERIALS
We use solid wood in the manufacture of our products. Various types of wood are used which include American walnut, natural oak, Chinese walnut, acacia, rubber wood and pine.

All wood used are directly/indirectly sourced from sustainable forests in North America and Asia. We use certified third-party suppliers to ensure the traceability of forest wood. Suppliers must meet our set criteria for social and environmental standards in order to qualify as a KODA vendor.

QUALITY AND CRAFTSMANSHIP
At every step of the furniture manufacturing process, we take every possible care to ensure excellent product quality is achieved.

From start to finish, every Koda product is manufactured to exacting specifications with extensive checks carried out at all stages to ensure that only defect free throughputs is passed on across the manufacturing process. This is made possible via a vast range of quality control and quality assurance processes that eliminate defects across the production chain.

Together with the skills of highly trained craftsmen, we are able to achieve an impeccable level of quality for every piece of furniture that is shipped from our manufacturing centres.

TECHNOLOGY
Our ability to consistently deliver high quality to rigorous specifications is made possible via our state-of-the-art production facilities in Malaysia and Vietnam.

Technology is also used in helping customers better experience our products. At our Commune stores, using 3D, Virtual Reality ("VR") and Augmented Reality ("AR") technologies, we help customers visualise how our products would fit into their homes and lifestyles.

Customers have the luxury of choice in experimenting with our extensive library of wall colors and flooring options to replicate their existing homes and visualise their furnished home under different lighting conditions.

PRODUCT SAFETY
Safety of our customers who buy and use our furniture is of utmost importance to us. For example, we ensure that our furniture and upholstery material have the fire safety information label as required by the local law. We are committed to complying with the applicable product safety regulations where we sell our products.

PEOPLE

Talent management, development and retention remains material to Koda, especially in the key areas of product design and quality, customer sales and marketing, business development and leadership and management. As such, talent management remains a material aspect across the Group's operations.

Our human resources policies are designed to attract, develop and retain talent. Our workplace practices promote fairness, inclusivity, open communication, teamwork, health, and safety.

CREATING EMPLOYMENT
As at end of FY2019, we employed 2,070 people across our operations in Singapore, Malaysia, Vietnam and China.

Out of the total workforce at the end of FY2019, 787 were permanent employees, and the remaining were on fixed-term contracts. Among the permanent employees, women accounted for 26% of the jobs. Women also held 27% of the Head of Department positions and 33% of the supervisory or managerial roles. The proportion of women employees in the fixed-term contract workforce was 31%.

In FY2019, we hired 640 employees. Women accounted for 40% of the new hires.

SUSTAINABILITY REPORT

DEVELOPING PEOPLE

We continue to emphasise the importance of training and development for our staff towards upgrading their skills and knowledge, which ultimately contributes to improved productivity and enhanced employee motivation and satisfaction.

Beyond the benefit to Koda, providing training and development opportunities is also a form of employee recognition for their contributions to the Group as well as a clear response to their professional development and their needs. Supporting their development is to value our people as important stakeholders.

Our management approach to staff training and development is guided by our comprehensive training policy, which in essence aims to ensure learning and development opportunities for all staff at all levels of the Koda Group.

The HR department prepares an annual training plan for all employees in consultation with the respective heads of department. This Report includes our training data for Malaysia. We are taking steps to collect training data from other locations for inclusion in future reports.

STAFF WELFARE & BENEFITS

Koda staff are entitled to a wide range of perks above and beyond statutory benefits and requirements. We comply with minimum wage regulations in countries where we operate. Staff are paid competitive salaries that commensurate with their skills, experience, seniority and job roles in the Group.

Full-time employees are eligible to a wide range of benefits including various types of leave, including parental leave, annual leave, marriage leave and medical leave.

The Group also provides retirement benefits. Full time employee are entitled to various types of medical coverage, which include coverage for illness, accidents and hospitalisation.

ENSURING WORK LIFE BALANCE

We continue to engage our staff beyond work and support a wide range of fun activities for their benefit. These include sporting events, various casual get-togethers and more. The Koda annual dinner is one of the highlights on the company's social calendar. In addition, we also organise many team-building activities throughout the year across our operations.

Local festive events are also celebrated together with staff.

UPHOLDING HUMAN RIGHTS

We continue to uphold human rights as a cornerstone of our talent management policy. We do not tolerate any form of exploitation, abuse, violence, harassment or discrimination across our organisation and also within our supply chain. This includes child labour, forced labour, denial of access and rights and other exploitative practices.

In accordance to national laws and international conventions including the International Labour Organisation's (ILO) standards, workers have the right of freedom of association and to bargain collectively.

In Vietnam, we have signed 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.

In FY2019, there were no incidents of child labour, forced labour, discrimination or violation of workers' right to freedom of association.

GRIEVANCE RESOLUTION

Koda has implemented a clear grievance resolution mechanism for staff to raise concerns pertaining to any work-related matter.

SUSTAINABILITY REPORT

Importantly, workers are encouraged to use the grievance mechanism to ensure that their issues have been properly raised and addressed and that all involved parties are able to effectively respond to the issues towards satisfactory resolution in a transparent manner.

We also encourage open communication between the managers and workers to promote harmonious working relations and to minimise complaints.

REWARDING PERFORMANCE

Management is of the view that timely and fair appraisals of staff is essential in obtaining an accurate assessment of employees' performance and to identify any potential performance/skills gaps to drive customised training and development pathways.

PROMOTING HEALTH AND SAFETY

The health and safety of our staff remains a key aspect of our operations, notably at our production facilities in Malaysia and Vietnam. We also consider the health and safety of our customers who purchase Koda products.

Our management approach to health and safety is guided by our internal management system ("MS") which is based on statutory requirements and/or regulatory guidelines in the location where we operate. The MS provides for the development of related policies, standard operating procedures as well as processes to minimise the occurrence of any health and safety related incidents, most notably injuries or accidents to people.

The MS adopts a prevention or precautionary stance; that is to prevent incidents from occurring. However, it also provides for effective response towards containing any workplace incidents and to ensure that lessons are well learnt to avoid an occurrence.

The main health and safety issues we face are improper use of machinery and tools, movement of bulky items, wood dust and chemical fumes from spraying operations.

Human error is also a potential factor, though via constant reminders to staff across a wide range of communication channels, we have significantly reduced this risk.

Koda has responded effectively to the health and safety issues faced. All staff are provided with the necessary personal protective equipment ("PPE") when performing their jobs. Depending on their requirements, staff are provided with facemasks, respiratory masks, safety glasses and safety gloves.

Regular health and safety training briefings are held, particularly for Koda employees working in our manufacturing centres. This includes courses on how to use machinery and equipment, how to properly secure bulky items before moving them, to be mindful of their surroundings and to always maintain a clean and tidy workspace.

Our facilities are fitted with dust collector systems and local exhaust ventilation mechanisms to extract remove dust, which may be harmful to health if there is prolonged exposure. Chemical and paint spraying is conducted in a secure environment with chemicals used being approved as permitted for commercial application by local authorities.

All machines used are regularly serviced and checked according to a prescribed schedule to ensure good working order.

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 which we plan to share in future reports.

ENSURING CHEMICAL SAFETY

Paints, resins, lacquers and solvents used in our manufacturing processes are approved by the authorities as permissible for commercial use. Our selection of chemicals have lower lead content and formaldehyde compared to other commercial variants.

SUSTAINABILITY REPORT

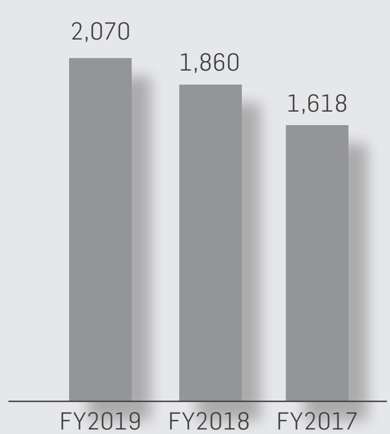
We maintain Material Safety Data Sheets ("MSDS") for all chemicals used in our production processes to ensure safety procedures are followed while handling these chemicals.

Employees handling chemicals are required to use the appropriate PPEs and strictly follow the safety instructions. The chemical store and handling area has prominently displayed safety warnings and instructions for safe operations.

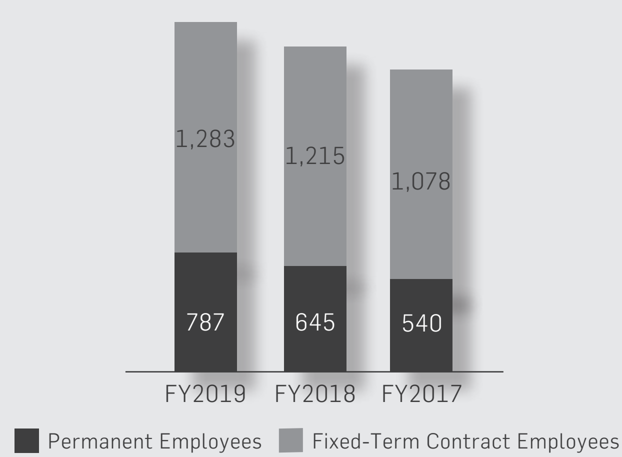
MEASURES FOR FIRE SAFETY

As a furniture manufacturer and retailer, fire safety is a crucial aspect of our overall health and safety management. Our manufacturing and warehouse facilities are equipped with fire-fighting equipment. Our employees are regularly trained in handling the on-site fire extinguishers and participate in fire drills.

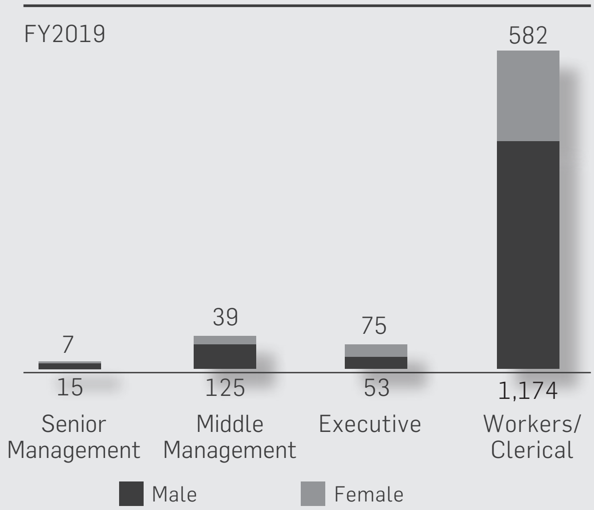
EMPLOYEES



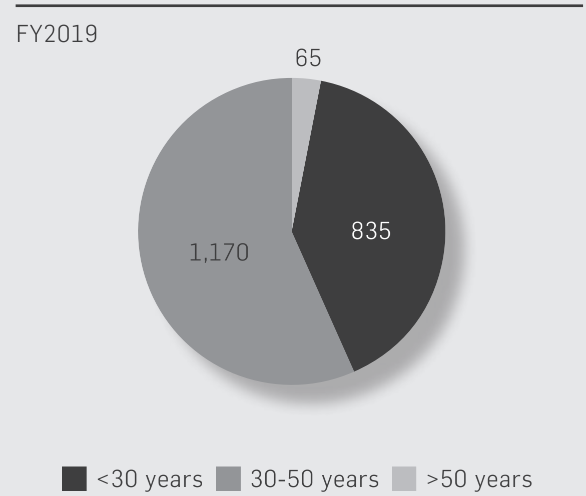
EMPLOYEES BY CONTRACT TYPE



EMPLOYEES BY CATEGORY

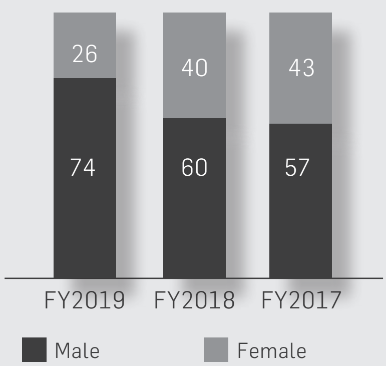


EMPLOYEES BY AGE

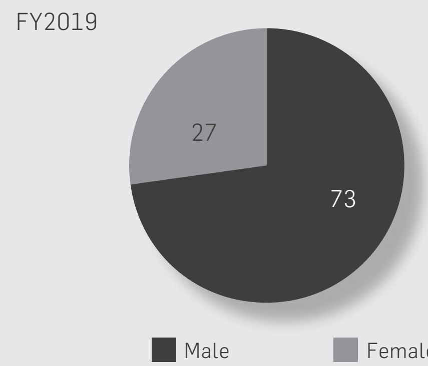


SUSTAINABILITY REPORT

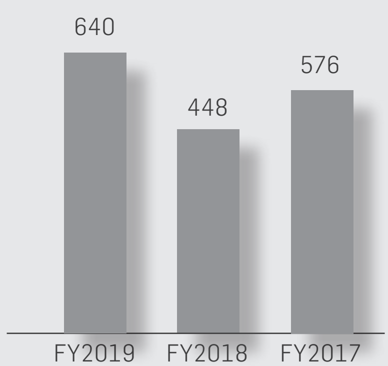
PERMANENT EMPLOYEES BY GENDER
%



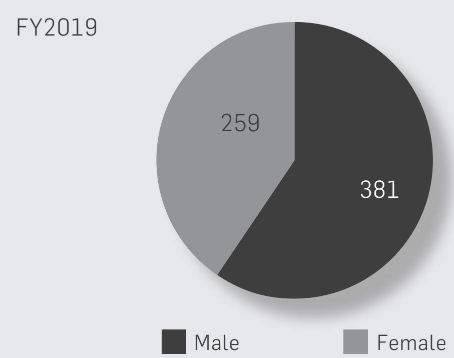
WOMEN HEADS OF DEPARTMENT
%



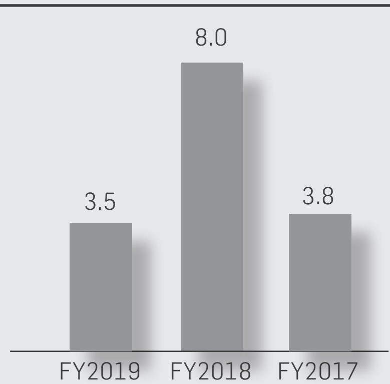
NEW HIRES



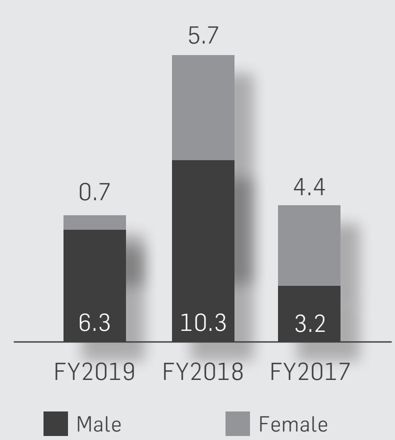
NEW HIRES BY GENDER



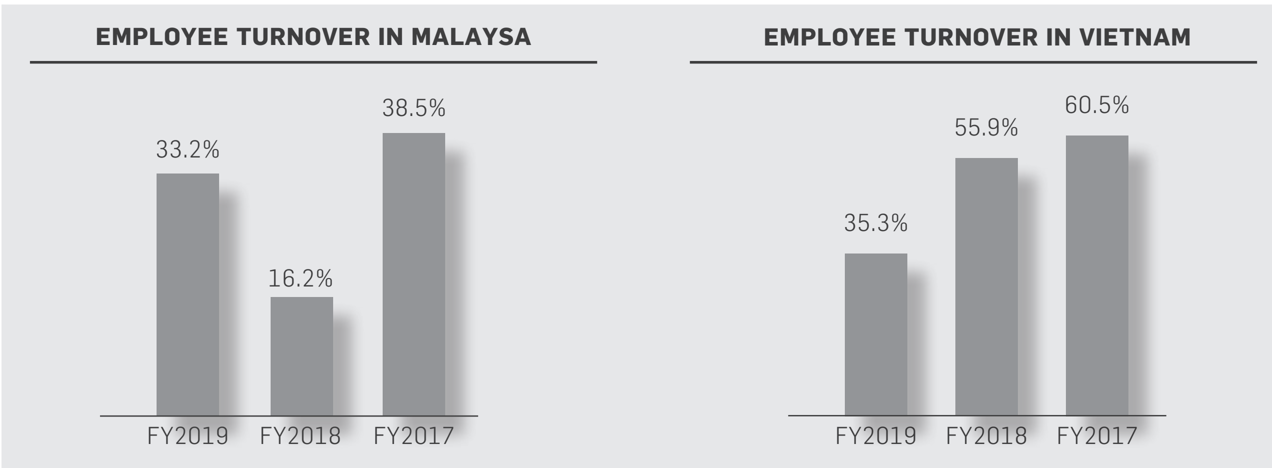
AVERAGE TRAINING HOURS IN MALAYSIA
Hours Per Employee



AVERAGE TRAINING BY GENDER IN MALAYSIA
Hours Per Employee



SUSTAINABILITY REPORT



ENVIRONMENT

Koda has developed a robust environmental management system ("EMS") based on industry best practices to mitigate and minimise our environmental impacts across our operations. Typically, environmental impacts largely occur at our manufacturing facilities.

Guided by our EMS, we seek to protect the environment and make continuous improvement in the following aspects: resource consumption, energy efficiency and waste and emissions reduction. We also strive to promote environmental responsibility across our value chain to our customers and suppliers. As a minimum, we ensure that our operations comply with the applicable environmental regulations. We continue to assess our environmental risks regularly.

Having identified our materiality aspects, our approach to mitigating and managing our environmental footprint is centred on process redesign, increasing recycling practices within our processes, adopting preventing measures and using more eco-friendly alternatives to chemical materials where possible. This is supported by ongoing employee training.

The establishment of clear environmental goals and targets and tracking of our performance on a periodic basis is essential towards ensuring we are able to measure our success in realising our KPIs and thus, the effectiveness of our environmental management efforts.

USING SUSTAINABLE MATERIALS

As mentioned earlier, solid wood, which is the primary raw material used by Koda is ethically sourced from sustainably managed forests.

We use high-quality resins and glue in our production processes to minimise formaldehyde emissions. Only low lead, high-grade lacquers, paints, coatings and solvents are used and these have been approved by the relevant regulatory authorities for commercial purposes.

DRIVING ENERGY EFFICIENCY

The Group's biggest consumers of energy are its production facilities in Malaysia and Vietnam. These account for 97% of Koda's electricity consumption. Aside from electricity, energy is consumed in the form of petrol and diesel.

Electricity is used in our offices, warehouses and stores for lighting, air-conditioning and to operate equipment. Petrol is used in company vehicles, and diesel is used in company vehicles and equipment such as back-up power generators.

We continue to seek ways to reduce our overall energy consumption.

SUSTAINABILITY REPORT

MINIMISING GREENHOUSE GAS EMISSIONS
Our greenhouse gas ("GHG") emissions has is a direct co-relation with our energy consumption. Hence, we continue to seek ways to increase energy efficiency towards minimising our GHG emissions. Our GHG performance is given in the performance data charts of our environmental disclosures.

REDUCING WASTE
Our furniture products are designed to minimise wastage. Reduction of wastage is achieved firstly, via intelligent product design and structured manufacturing processes to achieve efficient use of materials.

Secondly, non-hazardous waste products such as wood are recycled and reused in manufacturing processes, where possible.

Waste generated largely stems from our manufacturing facilities and comprises both hazardous and non-hazardous materials. The former includes chemical waste comprising solvents, paints, inks, lacquer, contaminated cotton rags and chemical drums.

Hazardous waste is disposed of in a safe manner in accordance with local laws. As for non-hazardous waste, we have implemented procedures for segregation, storage, recycling and eventual disposal in accordance with local laws.

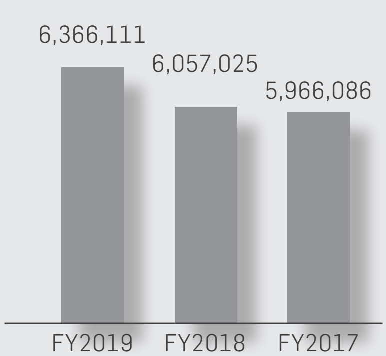
Data provided in this report for general waste includes our Head Office in Singapore, manufacturing facility in Malaysia and our office and warehouse in China. Hazardous waste data chart includes three-year figures for our Malaysia facility only. Our Vietnam facility generated 14.4 tonnes of hazardous waste in FY2019 where data became available from this financial year.

CONSERVING WATER
We use water only for drinking, cleaning and washing of our products. However, given the importance of water today and the growing need to conserve this finite resource, we have adopted various water saving measures across our operations and have reported on our water consumption in this Report.

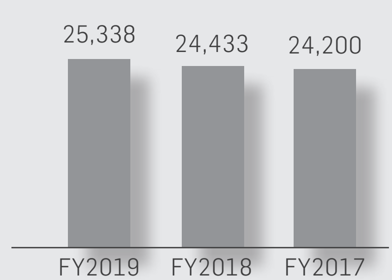
The largest consumers of water in Koda are our manufacturing facilities in Malaysia and Vietnam. We will continue to strive for greater water efficiency going forward.

COMPLYING WITH ENVIRONMENTAL RULES
We are pleased to report that during the financial year, Koda had not breached any environmental laws or regulations in any of the locations in which it operates. There were no incidents of non-compliances during the reported period.

ELECTRICITY COMSUMPTION
kwh



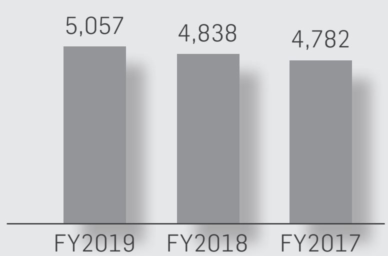
ENERGY CONSUMPTION
Gigajoules



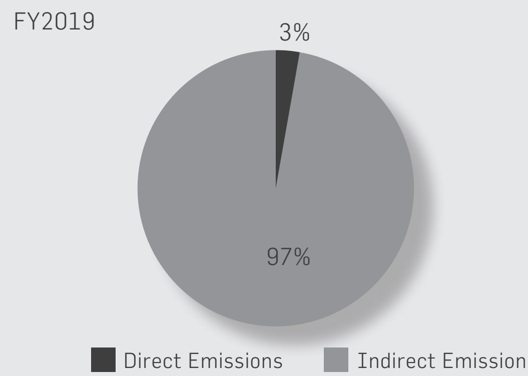
*Includes electricity, petrol and consumption

SUSTAINABILITY REPORT

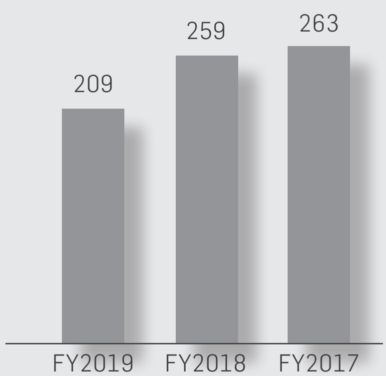
GREENHOUSE GAS EMISSIONS
tCO_2



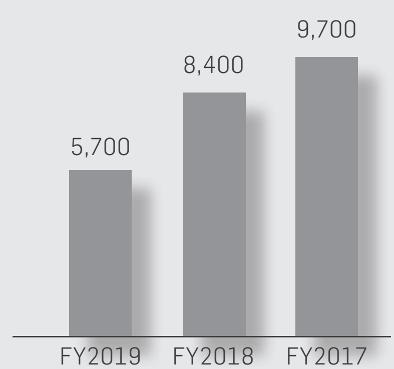
EMISSIONS BY TYPE
CO_2



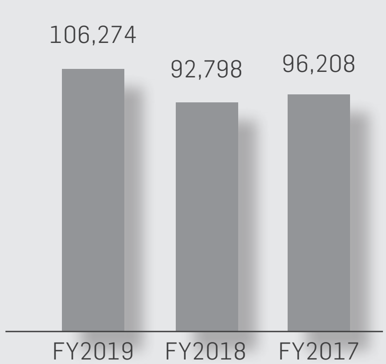
GENERAL WASTE
tonnes



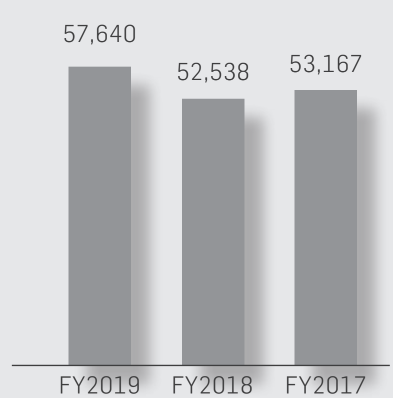
HAZARDOUS WASTE IN MALAYSIA
kg



WATER CONSUMPTION
m^3



WASTEWATER IN VIETNAM
m^3



SUSTAINABILITY REPORT

COMMUNITY

Koda believes in playing its part as a good corporate citizen and in making a positive difference to the communities in which we operate. Beyond job opportunities and economic upliftment, we strive to deliver meaningful contributions and to nurture trusted relationships with local communities.

Our Corporate Social Responsibility ("CSR") efforts include lending assistance and support to a range of community programmes aimed at spurring the development of the local community.

Thus far, we have assisted several communities by making monetary and non-monetary contributions. Koda employees have also volunteered to participate in many of these initiatives.

One of the leading CSR highlights during FY2019 was Koda staff, with the support of the company, stepping up on a voluntary basis to participate in Young NTUC-North East CDC Project Refresh in Singapore.

The project is a collaborative effort involving volunteers and centred on helping needy individuals spring clean their homes in time for Chinese New Year celebrations. Koda employees participated actively in the 1,000 strong CSR project – brightening the homes and hearts of 96 elderly folks residing in the Tampines area; many of whom live alone, face multiple hardships daily and also suffer from various physical disabilities or sickness.

As is custom, cleaning the family home before ushering the new Lunar Year is a long-standing tradition among the Chinese community. Many are unable to do so, due to old age, sickness and other reasons.

The contribution of Koda staff through Project Refresh has made a positive difference in the lives of many. Their selfless efforts have put smiles on faces, touched many hearts and given renewed hopes and a new sense of joy for the Lunar New Year.

Started in 2016, Project Refresh is usually held six times a year in conjunction with traditional festive celebrations in Singapore.

As part of our CSR, the other social causes we supported during the financial year included local arts and culture, especially in Singapore.

PROMOTING AUTISM AWARENESS

In support of the World Autism Awareness Month in April 2019, our retail arm Commune teamed up with The Art Faculty by Pathlight to launch a Limited Edition series of cushions for the month of April.

The proceeds from the sale of the cushions, retailing at Commune's Millenia Walk (#02-52) or IMM (#02-06) outlets at $35 and $15, was contributed to the artists in the form of royalty payment as well as to support the non-profit organisation Autism Resource Centre Singapore (ARCS). ARCS helps to train adults with autism for employment, and also runs Pathlight School, which helps individuals with an autism spectrum disorder maximise their potential in life through the cultivation of special talent and life readiness skills.

SUPPORTING MUSIC AND CULTURE

Through sponsorship, Commune supported the ICN Cultural Production, an annual musical theatre production that brings a new perspective on Indonesian folklore and history to the Singapore community. ICN is organized by the Indonesian Students of NTU (PINTU). Since its humble performance in 2007, it has grown to be a professional student-run musical performance with thousands of audiences. ICN has entertained more than 7,000 audiences from our various musical plays. The audience came from various age groups, ranging from teenagers to adults, and even of various nationalities.

SUSTAINABILITY REPORT

EMPLOYEE VOLUNTEERING IN VIETNAM
In Vietnam, our colleagues launched the CSR Committee in August 2019 to identify opportunities to support local communities. The first project undertaken by the CSR Committee was to organise employee volunteers to visit an orphanage in September where they donated money, milk powder and candies.

We also partnered with LIFE Centre Vietnam, an NGO, to promote health awareness among our employees.

ECONOMIC PERFORMANCE

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

ECONOMIC PERFORMANCE
Following is a summary of Koda's economic performance for the financial year ending June 2019. More detailed disclosure on the direct economic value generated is available from the Group's audited accounts and financial statements as provided in this combined annual report.

The leadership messages provided in this combined annual report also provide further explanation on the Group's financial performance for FY2019.

ECONOMIC PERFORMANCE (US$'000)			
Economic performance indicators	**FY2019**	**FY2018**	**FY2017**
Revenue	57,892	52,400	49,491
Profit for the year	5,309	5,413	4,050
Employee wages	15,629	14,063	13,435
Income tax expense	420	581	912
Dividends paid	1,527	1,044	1,003

INDIRECT ECONOMIC CONTRIBUTION
Through our business activities, Koda continues to deliver a wide range of indirect socio-economic benefits in the countries that we operate. This includes job creation, transfer of knowledge and expertise, tax payments, supporting local suppliers and wealth creation for communities and infrastructure development.

The indirect economic value generated is particularly felt in Vietnam and Malaysia where our manufacturing facilities are located. The Group pays taxes and makes statutory contributions as required, which is also another indirect economic contribution.

SUPPLY CHAIN
We continue to cascade our sustainability values across our supply chain with the intention of developing an increasingly sustainable value chain going forward. Our supply chain comprises suppliers of raw material, mainly wood, components and paint products. Where possible, we support local procurement.

As we support local procurement, we continue to evaluate our supply chain to ensure they comply with Koda's social, environmental and quality criteria.

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Social and environmental indicators used for assessing suppliers include freedom of association, child labor, forced labor, non-discrimination, overtime, health and safety, minimum wage, environmental protection and anti-corruption.

ANTI-CORRUPTION

We are committed to ensuring the highest levels of business integrity within the organisation. We practice a zero tolerance policy with regard to corruption, bribery, fraud and unethical conduct including intimidation, coercion, harassment or discrimination in any form. This policy governs all levels of the organisation, starting with the Board of Directors to rank and file employees across our operations.

New directors and employees are thoroughly orientated to our strong anti-corruption stance during their induction into Koda. This is reinforced via our Employee Code of Ethics, which clearly sets out the expected behaviour for all company personnel and what constitutes as unethical behaviour.

Each Koda personnel is given a copy of the Code of Ethics 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.

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GRI Content Index

Global Reporting Initiative (GRI) Content Index 'In accordance' – Core		
GRI Standard	**Disclosure**	**Page Number, URL(s) and/or Reference**
GRI 101: Foundation 2016		
General Disclosures		
GRI 102: General Disclosures 2016	102-1 Name of the organisation	Koda Ltd
	102-2 Activities, brands, products, and services	5, 19
	102-3 Location of headquarters	Singapore
	102-4 Location of operations	22
	102-5 Ownership and legal form	183-184
	102-6 Markets served	22
	102-7 Scale of the organisation	7-8, 14, 22, 35
	102-8 Information on employees and other workers	32, 35
	102-9 Supply chain	41
	102-10 Significant changes to the organisation and its supply chain	None
	102-11 Precautionary Principle or approach	26, 28, 37
	102-12 External initiatives	24, 29
	102-13 Membership of associations	31
	Strategy	
	102-14 Statement from senior decision-maker	10-12
	102-15 Key impacts, risks, and opportunities	26, 69-72
	Ethics and Integrity	
	102-16 Values, principles, standards and norms of behaviour	24, 26, 42
	Governance	
	102-18 Governance structure	49-102
	102-19 Delegating authority	50, 72-73, 82
	102-22 Composition of the highest governance body and its committees	49-53
	102-23 Chair of the highest governance body	54-55
	102-24 Nominating and selecting the highest governance body	55-60
	102-25 Conflicts of interest	50, 81
	102-26 Role of highest governance body in setting purpose, values, and strategy	49-50
	102-28 Evaluating the highest governance body's performance	60-61

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Global Reporting Initiative (GRI) Content Index 'In accordance' – Core		
GRI Standard	**Disclosure**	**Page Number, URL(s) and/or Reference**
	102-29 Identifying and managing economic, environmental, and social impacts	26
	102-30 Effectiveness of risk management processes	69-71
	102-31 Review of economic, environmental, and social topics	26
	102-32 Highest governance body's role in sustainability reporting	26
	Stakeholder Engagement	
	102-40 List of stakeholder groups	29-30
	102-41 Collective bargaining agreements	33
	102-42 Identifying and selecting stakeholders	29-30
	102-43 Approach to stakeholder engagement	29-30
	102-44 Key topics and concerns raised	29-30
	Reporting Practice	
	102-45 Entities included in the consolidated financial statements	14, 156
	102-46 Defining report content and topic Boundaries	24, 27
	102-47 List of material topics	27-28
	102-48 Restatements of information	24
	102-49 Changes in reporting	None
	102-50 Reporting period	24
	102-51 Date of most recent report	October 2018
	102-52 Reporting cycle	24
	102-53 Contact point for questions regarding the report	24
	102-54 Claims of reporting in accordance with the GRI Standards	24
	102-55 GRI Content Index	43-48
	102-56 External assurance	24
Economic Performance		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	27-29
	103-2 The management approach and its components	27-29
	103-3 Evaluation of the management approach	27-29, 41
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	41

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Global Reporting Initiative (GRI) Content Index 'In accordance' – Core		
GRI Standard	**Disclosure**	**Page Number, URL(s) and/or Reference**
Indirect Economic Impacts		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	41
	103-2 The management approach and its components	41
	103-3 Evaluation of the management approach	41
GRI 203: Indirect Economic Impacts 2016	203-2 Significant indirect economic impacts	41
Anti-corruption		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	27-29
	103-2 The management approach and its components	27-29
	103-3 Evaluation of the management approach	27-29
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	42
	205-3 Confirmed incidents of corruption and actions taken	42
Energy		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	27-29
	103-2 The management approach and its components	27-29
	103-3 Evaluation of the management approach	27-29
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	38
Emissions		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	27-29
	103-2 The management approach and its components	27-29
	103-3 Evaluation of the management approach	27-29
	305-1 Energy indirect (Scope 1) GHG emissions	39
GRI 305: Emissions 2016	305-2 Energy indirect (Scope 2) GHG emissions	39
Effluents and Waste		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	27-29
	103-2 The management approach and its components	27-29
	103-3 Evaluation of the management approach	27-29
GRI 306: Effluents and Waste 2016	306-2 Waste by type and disposal methods	39

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Global Reporting Initiative (GRI) Content Index 'In accordance' – Core		
GRI Standard	**Disclosure**	**Page Number, URL(s) and/or Reference**
Environmental Compliance		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	27-29
	103-2 The management approach and its components	27-29
	103-3 Evaluation of the management approach	27-29
GRI 307: Environmental Compliance 2016	GRI 307-1 Non-compliance with environmental laws and regulations	38
Employment		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	27-29
	103-2 The management approach and its components	27-29
	103-3 Evaluation of the management approach	27-29
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	36-37
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	27-29
	103-2 The management approach and its components	27-29
	103-3 Evaluation of the management approach	27-29
GRI 403: Occupational Health and Safety 2016	403-1 Workers representation in formal joint management-worker health and safety committees	34-35
Training and Education		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	27-29
	103-2 The management approach and its components	27-29, 33
	103-3 Evaluation of the management approach	27-29
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	36
	404-3 Percentage of employees receiving regular performance and career development reviews	34
Diversity and Equal Opportunity		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	32
	103-2 The management approach and its components	32
	103-3 Evaluation of the management approach	32
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	32, 35-36

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Global Reporting Initiative (GRI) Content Index 'In accordance' – Core		
GRI Standard	**Disclosure**	**Page Number, URL(s) and/or Reference**
Non-discrimination		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	27-29
	103-2 The management approach and its components	27-29
	103-3 Evaluation of the management approach	27-29
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	33
Freedom of Association and Collective Bargaining		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	27-29
	103-2 The management approach and its components	27-29
	103-3 Evaluation of the management approach	27-29
GRI 407: Freedom of Association and Collective Bargaining	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	33
Child Labour		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	27-29
	103-2 The management approach and its components	27-29
	103-3 Evaluation of the management approach	27-29
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	33
Forced or Compulsory Labour		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	27-29
	103-2 The management approach and its components	27-29
	103-3 Evaluation of the management approach	27-29
GRI 409: Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	33
Local Communities		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	27-29
	103-2 The management approach and its components	27-29
	103-3 Evaluation of the management approach	27-29
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments and development programmes	40

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Global Reporting Initiative (GRI) Content Index 'In accordance' – Core		
GRI Standard	**Disclosure**	**Page Number, URL(s) and/or Reference**
Socio-economic Compliance		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundaries	27-29
	103-2 The management approach and its components	27-29
	103-3 Evaluation of the management approach	27-29
GRI 419: Socio-economic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	42

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Material ESG factors	27-28
Policies, practices and performance	25, 27-42
Targets	28
Sustainability Reporting framework	24
Board Statement	26

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.

Rule 710 of the Listing Manual of Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Listing Manual**") requires an issuer to outline the corporate governance practices adopted by the Company as prescribed by the Code of Corporate Governance 2012 issued on 2 May 2012 (the "**Code**"). Accordingly, the Company 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 Code.

This report ("**Corporate Governance Report**") outlines the corporate governance practices adopted by the Company with specific reference made to the principles of the Code and the relevant rules of the Listing Manual for the financial year ended 30 June 2019. In line with the Code and the requirements under the rules of the Listing Manual, the Board hereby confirms that the Company has adhered to the principles and guidelines of the Code and all deviations from the Code are disclosed and explained.

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.

Guideline 1.4

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. The Board is supported by the Audit Committee, the Nomination and Governance Committee and the Remuneration Committee (collectively, "**Board Committee**"). 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 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 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 1.1

The principal functions of the Board are:

- protecting the assets of the Company and enhancing the long-term Shareholder value and returns;
- providing entrepreneurial leadership, charting the corporate strategy and direction of the Group, including but not limited to approving broad policies, setting the strategic and financial objectives of the Group, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;

CORPORATE GOVERNANCE REPORT

- supervising and monitoring of the Group's Management, including reviewing their performance;
- establishing a framework of prudent and effective controls which enables risk to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;
- overseeing the processes for evaluating the adequacy of internal controls, management controls, risk management, financial reporting and compliance with the help of the Audit Committee;
- approving annual budgets, proposals for acquisitions, investments and disposals;
- approving nominations of Directors to the Board and appointment of key management personnel;
- reviewing corporate governance practices;
- 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, each with specific written terms of reference where their powers, functions and duties as well as procedures governing their operation and decision making are clearly set out. 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 Listing Rule 210(5)(e)

The Company has in place internal guidelines that document, among others, the matters reserved for the Board's decision and clear directions to Management on matters that must be approved by the Board. Guideline 1.5

Matters reserved for the Board's decision, and matters and material transactions that require the Board's approval include, *inter alia*, 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;

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- material acquisitions and disposals;
- acceptance of bank facilities;
- corporate or financial restructuring and share issuances;
- declaration of dividends and other returns to Shareholders;
- appointment of new Directors to the Board; and
- appointment and removal of the Company Secretary.

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

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 2019 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	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	4	4
James Koh Jyh Gang	4	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	4	4
Koh Jyh Eng	4	2	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	4	4	4	4	1	1	3	3	N.A.	N.A.
Chan Wah Tiong	4	4	4	4	1	1	3	3	N.A.	N.A.
Sim Cheng Huat	4	4	4	4	1	1	3	3	N.A.	N.A.
Ying Siew Hon, Francis	4	4	4	4	1	1	3	3	N.A.	N.A.

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.

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 a listed company in areas such as accounting, legal and industry specific knowledge.

Guideline 1.6
Guideline 1.7

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.

In addition to the above, the Company has arrangements in place for newly appointed Directors with no prior experience as a director of a listed company on the SGX-ST to undergo training in the roles and responsibilities of a director of a listed company on the SGX-ST as prescribed by the SGX-ST. If the Nominating and Governance Committee is of the view that training is not required because the Director has other relevant experience, the basis of the Nominating and Governance Committee's assessment will be disclosed.

Listing Rule 210(5)(a)

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.

Guideline 2.1

Mr Koh Teng Kwee, the Group's Non-Executive Chairman and Mr James Koh Jyh Gang, Managing Director of the Group are immediate family members. Accordingly, 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 2.2
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.

In determining the independence of each Independent Non-Executive Director, the Board and the Nominating and Governance Committee also consider the new Rules 210(5)(d)(i) and (ii) of the Listing Manual, which took effect on 1 January 2019. Pursuant to Rules 210(5)(d)(i) and (ii) of the Listing Manual, the Board and the Nominating and Governance Committee consider that a director is not independent under any of the following circumstances:

- if he is employed by the Company or any of its related corporations for the current or any of the past three (3) financial years; and

- if he has an immediate family member who is employed or has been employed by the Company or any of its related corporations for the past three (3) financial years, and whose remuneration is determined by the Remuneration Committee of the Company.

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. Guideline 2.5

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.

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 have on some occasions met 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 in FY2019. 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" on pages 15 to 18 of 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

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. Listing Rule 1207(10A)

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. In particular, the division of responsibilities between the Chairman and the Managing Director is clearly established, set out in writing and agreed by the Board. 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: Guideline 3.1 Guideline 3.2

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

CORPORATE GOVERNANCE REPORT

Mr Tan Choon Seng has been appointed as the Lead Independent Director of the Board. As the Lead Independent Director, Mr Tan Choon Seng: Guideline 3.3

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

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

PRINCIPLE 4: BOARD MEMBERSHIP

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

As at the date of this Corporate Governance Report, the Nominating 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, include, *inter alia*, the following: 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

CORPORATE GOVERNANCE REPORT

- 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;

- reviewing and recommending corporate governance guidelines and policies to the Board;

- reviewing relevant local and international developments in the area of corporate governance and recommending changes to the Board when necessary;

- 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;

- 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;

- assesses 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;

- seeks out and source for a wide range of suitable candidates and obtain their resumes for review;

- conducts background checks on the candidates whose resumes the Company has received; and

- narrows this list of candidates to a short list, and then invites 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.

In selecting and appointing potential directors, 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, the Company's Constitution further provides that at least one-third of the Directors for the time being (other than the Managing Director) shall retire from office by rotation at each AGM. 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. Guideline 4.2

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. The Company notes the introduction of Rule 720(5) of the Listing Manual, which took effect from 1 January 2019 and prescribes that all directors of a Listed Company are required to submit themselves for re-nomination and re-appointment at least once every three (3) years. Accordingly, a director appointed or re-appointed before 1 January 2019 must submit himself for re-nomination and re-appointment to the board at a general meeting within three (3) years from 1 January 2019 (i.e. no later than 31 December 2021). The Company will take the necessary steps to ensure that Mr James Koh Jyh Gang will submit himself for re-nomination and re-appointment to the Board at a general meeting before 31 December 2021. Listing Rule 720(5)

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. After so doing, 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

CORPORATE GOVERNANCE REPORT

Mdm Koh Shwu Lee will retire as an Executive Director pursuant to Regulation 89 of the Company's Constitution. The Nominating and Governance Committee has recommended to the Board that Mdm Koh Shwu Lee be nominated for re-election at the forthcoming AGM. Mdm Koh Shwu Lee will, upon re-election as a Director of the Company, remain as an Executive Director. Guideline 4.7

Mr Sim Cheng Huat will retire as 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 Sim Cheng Huat be nominated for re-election at the forthcoming AGM. Mr Sim Cheng Huat will, upon re-election as a Director of the Company, remain as an Independent Non-Executive Director, the Chairman of the Nominating and Governance Committee, and a member of the Audit Committee and Remuneration Committee. Mr Sim Cheng Huat is considered independent for the purposes of Rule 704(8) of the Listing Manual. Guideline 4.7

Mr Ying Siew Hon, Francis 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 Ying Siew Hon, Francis be nominated for re-election at the forthcoming AGM. Mr Ying Siew Hon, Francis will, upon re-election as a Director of the Company, remain as an Independent Non-Executive Director, the Chairman of the Remuneration Committee, and a member of the Audit Committee and the Nominating and Governance Committee. Mr Ying Siew Hon, Francis 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 the Rules of the Listing Manual, 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 and the Listing Manual. 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

Currently, the Board does not have any alternate Director and did not appoint any alternate Directors for the financial year ended 30 June 2019. 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 2019.

CORPORATE GOVERNANCE REPORT

Key information regarding the Directors such as the Directors' academic and professional qualifications, date of first appointment, date of last re-election, present and past three (3) years' directorships in other listed companies and other relevant information is disclosed in the table below and under the section entitled "Board of Directors" on page 15 of this Annual Report. Information on the interests of Directors in shares and debentures and share options in the Company and in related corporations (other than the wholly-owned subsidiaries) are set out in the section entitled "Directors' Statement" on page 103 of this Annual Report. Guideline 4.7

				Directorships in other listed companies	
Name of Director	**Appointment**	**Date of first appointment**	**Date of last re-election**	**Current**	**Past three (3) years**
Koh Teng Kwee[1]	Non-Executive Chairman	17 April 1980	31 October 2018	–	–
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	31 October 2018	–	–
Koh Shwu Lee[1]	Executive Director	30 March 2001	27 October 2017	–	–
Tan Choon Seng	Lead Independent Director	18 November 2016	27 October 2017	Soup Restaurant Group Limited Listed on the Main Board of the SGX-ST Independent Non-Executive Director Date of appointment: 27 April 2019	–
Chan Wah Tiong	Independent Non-Executive Director	1 October 2001	31 October 2018	–	–
Sim Cheng Huat	Independent Non-Executive Director	23 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. The Company notes the introduction of Rule 720(5) of the Listing Manual, which took effect from 1 January 2019 and prescribes that all directors of a Listed Company are required to submit themselves for re-nomination and re-appointment at least once every three (3) years. Accordingly, a director appointed or re-appointed before 1 January 2019 must submit himself for re-nomination and re-appointment to the board at a general meeting within three (3) years from 1 January 2019 (i.e. no later than 31 December 2021). The Company will take the necessary steps to ensure that Mr James Koh Jyh Gang will submit himself for re-nomination and re-appointment to the Board at a general meeting before 31 December 2021.

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 2019, 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

CORPORATE GOVERNANCE REPORT

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 2019 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

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 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, advising the Board on governance matters, as well as facilitating orientation and assisting with professional development, where required. Guideline 6.1 Guideline 6.3

The Company Secretary and/or her representative(s) were in attendance at all Board and Board Committee meetings conducted in FY2019.

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

The principal functions of the Remuneration Committee, which are regulated by written terms of reference, include, *inter alia*, the following: 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 Guideline 7.4

- performing an annual review of the remuneration of employees related to the Directors and substantial Shareholders to ensure that their remuneration packages are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities; and

- reviewing the Company's obligations arising in the event of the termination of the Executive Directors' and key management personnel's contracts of service.

No member of the Remuneration Committee is 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. No remuneration consultant was appointed by the Remuneration Committee in the financial year ended 30 June 2019. Guideline 7.3

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

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. The Independent Non-Executive Directors are not 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. Guideline 8.2

Koda Performance Share Plan 2008

The Company had in place a performance share plan which was approved by shareholders at an extraordinary general meeting ("**EGM**") held on 28 October 2008 (the "**Koda Performance Share Plan 2008**"). The Koda Performance Share Plan 2008 was subsequently amended and approved by Shareholders at an EGM held on 28 October 2016. The duration of the Koda Performance Share Plan 2008 was subject to maximum period of 10 years from the date that it was adopted, and accordingly expired and lapsed on 28 October 2018.

Guideline 9.5

Guideline 9.6

During its tenure, the Koda Performance Share Plan 2008 was administered by the Remuneration Committee. Eligible participants of the Koda Performance Share Plan 2008 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 Koda Performance Share Plan 2008 was determined at the sole and absolute discretion of the Remuneration Committee and may be performance based or time based.

Koda Performance Share Plan 2018

Currently, the Company has in place a performance share plan that was adopted at an EGM of the Company held on 31 October 2018 (the "**Koda Performance Share Plan 2018**"). The Koda Performance Share Plan 2018 is administered by the Remuneration Committee, comprising the Independent Directors Ying Siew Hon, Francis, Chan Wah Tiong, Sim Cheng Huat and Tan Choon Seng.

Similar to the Koda Performance Share Plan 2008, the Koda Performance Share Plan 2018 aims to provide an opportunity for employees to be remunerated not just through cash bonuses but also an equity stake in the Company. The Koda Performance Share Plan 2018 further allows the Company to recognise and reward past contributions and services and incentivises them to contribute to the long-term growth and profitability of the Group.

Subject to the rules of the Koda Performance Share Plan 2018, the following persons are eligible to participate in the Koda Performance Share Plan 2018:

- a confirmed full-time employee of the Group ("**Group Employee**");
- a Director and/or a director of the Company's subsidiaries, as the case may be, who performs an executive function ("**Group Executive Director**"); and
- controlling Shareholders and/or their associates who are either Group Employees or Group Executive Directors, provided that their participation in the Koda Performance Share Plan 2018 and the grant of awards to them, including 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 REPORT

Other salient information relating to the Koda Performance Share Plan 2018 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 Koda Performance Share Plan 2018 shall be determined at the absolute discretion of the Remuneration Committee and recommended by the Remuneration Committee to the Board for approval. In so doing, the Remuneration Committee shall consider, among others, the financial performance of the Group, the participant's rank, length of service, achievements, job performance, potential for future development, his contribution to the success and development of the Group, and the extent of effort and resourcefulness required to achieve the performance target(s) within the performance period(s). The performance target(s) will be set by the Remuneration Committee depending on each individual participant's job scope and responsibilities.

- The aggregate number of performance shares available under the Koda Performance Share Plan 2018, when added to all shares, options or awards granted under any 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 from time to time. Additionally, the grant of awards of performance shares to participants who are controlling Shareholders or associates of controlling Shareholders shall be subject to independent Shareholders' approval at a general meeting in separate resolutions for the grant of awards to each controlling Shareholder or associate of a controlling Shareholder, and the actual number of performance shares which are the subject of such awards shall comply with the following limits: (i) the aggregate number of performance shares which may be awarded to participants who are controlling Shareholders and/or their associates under the Koda Performance Share Plan 2018 shall not exceed 25% of the total number of shares available under the Koda Performance Share Plan 2018; and (ii) 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 Koda Performance Share Plan 2018 shall not exceed 10% of the total number of shares available under the Koda Performance Share Plan 2018.

- Awards represent the right of a participant to receive fully-paid ordinary shares in the capital of the Company free of charge, upon the participant satisfying or exceeding the prescribed performance target(s) at the end of the performance period(s) and/or otherwise having performed well and/or made a significant contribution to the Group. Awards are vested and the performance shares which are the subject of the awards are delivered to the participants at the end of the performance period(s) once the Remuneration Committee is, at its sole discretion, satisfied that the prescribed performance target(s)s have been satisfied. The Remuneration Committee may also grant an award where, in its opinion, a participant has performed well and/or made a significant contribution to the Group.

The Koda Performance Share Plan 2018 shall continue in force at the absolute discretion of the Remuneration Committee, subject to a maximum period of 10 years commencing from the date it was adopted.

Further details are set out in the Company's Circular dated 15 October 2018.

CORPORATE GOVERNANCE REPORT

Since the implementation of the Koda Performance Share Plan 2018, no award of performance shares under the Koda Performance Share Plan 2018 has been granted to Directors, controlling Shareholders of the Company or associates of controlling Shareholders of the Company, and no employee has received 5% or more of the total number of performance shares available under the Koda Performance Share Plan 2018.

Under the Koda Performance Share Plan 2008, no award of performance shares under the Koda Performance Share Plan 2008 has been granted to Directors of the Company, and no employee has received 5% of more of the total number of performance shares available under the Koda Performance Share Plan 2008. The total number of performance shares granted to controlling Shareholders and/or their associates pursuant to the Koda Performance Share Plan 2008 are set out in the table below:

		Since commencement of the Koda Performance Share Plan 2008 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 yet vested as at end of financial year under review**
Koh Zhu Xian Joshua[(1)]	–	Up to 117,000[(2)]	101,137[(3)]	–	Not applicable[(4)]
Koh Zhu Lian Julian[(1)]	–	Up to 123,000[(2)]	107,137[(3)]	–	Not applicable[(4)]
Total	**–**	**Up to 240,000**[(2)]	208,274	–	Not applicable

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 number of Shares stated refers to the number of Shares offered under the award as at the date the award was granted i.e. 28 November 2016. Please refer to the Company's announcement dated 3 October 2017 for adjustments to the number of Shares offered under the award arising from the Company's bonus issue completed on 12 June 2017 and the Company's announcement dated 10 November 2017 for adjustments to the number of Shares offered under the award arising from the Company's bonus issue completed on 9 November 2017.

(3) These performance shares, which were allotted and issued on 28 December 2016, 19 December 2017 and 14 December 2018, are subject to a two (2) year moratorium from 28 December 2016, 19 December 2017 and 14 December 2018 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 respective interests in these performance shares. 46,291 performance shares were issued and allotted to Mr Koh Zhu Xian Joshua and 46,291 performance shares were issued and allotted to Mr Koh Zhu Lian Julian on 14 December 2018 pursuant to the vesting of the share awards under the Koda Performance Share Plan 2008. Please refer to the Company's announcement dated 17 December 2018.

(4) The duration of the Koda Performance Share Plan 2008 was subject to a maximum period of 10 years from the date that it was adopted, and accordingly expired and lapsed on 28 October 2018. As stated in the Company's announcement dated 17 December 2018, the vesting period for the balance share awards granted under the Koda Performance Share Plan 2008 was the period within 6 months from 30 June 2018. Therefore, no further performance shares may be vested under the Koda Performance Share Plan 2008 as at 30 June 2019.

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 2019 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$700,000 to S$800,000					
James Koh Jyh Gang	57.7	28.6	13.7	–	100
S$500,000 to S$600,000					
Koh Jyh Eng	46.2	37.2	16.6	–	100
S$400,000 to S$500,000					
Koh Shwu Lee	45.5	45.6	8.9	–	100
S$200,000 to S$300,000					
Koh Teng Kwee	63.9	–	36.1	–	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$400,000 to S$500,000					
Wong Se Sun	31.3	65.1	3.6	N.A.	100
Below S$300,000					
Gan Shee Wen	60.8	27.1	12.1	N.A.	100
Lim Swee Hua	80.0	11.2	8.8	N.A.	100
Tan Kian Peng	77.9	15.8	6.3	N.A.	100
Key Management Personnel who are immediate family members of a Director					
S$300,000 to S$350,000					
Koh Zhu Xian Joshua(1)	71.1	19.1	9.8	N.A.	100
S$200,000 to S$250,000					
Koh Zhu Lian Julian(1)	62.5	27.7	9.8	N.A.	100

Notes:

(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 2019.

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 the financial year ended 30 June 2019. Guideline 9.1

For the financial year ended 30 June 2019, the total remuneration payable to the Directors (including Directors' fees payable to the Independent Non-Executive Directors) was S$2,087,575 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$1,532,502. 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 the Koda Performance Share Plan 2018 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 2019. 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 2019 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 payable 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 2019 are S$40,000, S$40,000, S$23,000 and S$33,000 respectively. The Directors' fees payable 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 rules of the Listing Manual. 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 satisfied that the Company has adequate and effective systems of internal control (including financial, operational, compliance and information technology controls) and risk management systems, taking into account the nature and size of the Group's business and operations. Guideline 11.3 Listing Rule 719(1)

The Board and the Audit Committee have 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.

CORPORATE GOVERNANCE REPORT

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.

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 inventories – 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.

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 written 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

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The duties of the Audit Committee as set out in its written terms of reference include, among others, 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;

- 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 its terms of reference, 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 2019 is as follows: Guideline 12.6

Fees for audit services:	US$145,750	(FY2018: US$145,750)
Fees for non-audit services:	Nil	(FY2018: 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 2019 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.

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

CORPORATE GOVERNANCE REPORT

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 2019.

PRINCIPLE 13: INTERNAL AUDIT

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

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 systems. 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 auditor's primary line of reporting is to the Audit Committee Chairman, and 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.

Guideline 13.1
Guideline 13.2
Guideline 13.3
Guideline 13.4
Guideline 13.5

The Audit Committee ensures that the internal audit function is adequately resourced and has appropriate standing within the Group. In relation to the financial year ended 30 June 2019, the Audit Committee is of the view that the internal audit function is independent of the activities it audits, effective and adequately resourced.

Listing Rule 719(3)

Listing Rule 1207(10C)

CORPORATE GOVERNANCE REPORT

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.

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 14.1

Guideline 15.1

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.

Guideline 14.2

Guideline 14.3

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.

CORPORATE GOVERNANCE REPORT

In the financial year ended 30 June 2019, the Company released 29 announcements. 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 – koda@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

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 Chairman 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

CORPORATE GOVERNANCE REPORT

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.

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.

CORPORATE GOVERNANCE REPORT

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 2019 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$97,000[(2)]	Not applicable[(3)]

Notes:

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

(2) The Group had, 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 2019 with regard to the Lease are rental expenses of RM296,382 (equivalent to approximately S$97,000 based on the closing exchange rate as at 30 June 2019 of S$1: RM3.05).

(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 2019.

The Company had also previously disclosed the details of the Company's IPTs for the financial year ended 30 June 2019 in its full year financial statements and dividend announcement for the financial year ended 30 June 2019 dated 29 August 2019.

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 2019, the Company has paid a tax-exempt (one-tier) interim dividend of 0.25 Singapore cent per ordinary share and a tax-exempt (one-tier) special 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 final dividend of 1.25 Singapore cents 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 2019.

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 REPORT

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.	(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) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	(b) Not applicable. The Company did not adopt any alternative corporate governance practices in the financial year ended 30 June 2019.
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 REPORT

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" on pages 15 to 18 of this Annual Report.
	(c) What steps has the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?	(c) The Board, through the delegation of its authority to the Nominating 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 REPORT

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. In addition to the above, the Company has arrangements in place for newly appointed Directors with no prior experience as a director of a listed company on the SGX-ST to undergo training in the roles and responsibilities of a director of a listed company on the SGX-ST as prescribed by the SGX-ST. If the Nominating and Governance Committee is of the view that training is not required because the Director has other relevant experience, the basis of the Nominating and Governance Committee's assessment will be disclosed.

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 2019, 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 REPORT

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 2019 and was of the view that the performance of the Board as a whole, each Board Committee and each individual Director were satisfactory.
Independence of Directors		
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	The Board has complied with the requirements of the Code. At least one-third of the Board comprises Independent Non-Executive Directors. The Independent Non-Executive Directors chair all the Board Committees, which play a pivotal role in supporting the Board.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How has the Company complied?
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship.	(a) No Director falls under the category as described here.
	(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	(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.
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.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How has the Company complied?
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	(a) The Company has disclosed each key management personnel's remuneration in bands of S$100,000 as well as provided the breakdown of remuneration (in percentage terms) into salary, bonus, allowance and other benefits. Details are set out in the section entitled "Principle 9: Disclosure on Remuneration" of this Corporate Governance Report.
	(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	(b) The aggregate remuneration paid to the key management personnel (who are not Directors or the Managing Director set out in the section entitled "Principle 9: Disclosure on Remuneration" of this Corporate Governance Report) was S$1,532,502 for the financial year ended 30 June 2019.
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 2019.
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 adopted at an extraordinary general meeting of the Company held on 31 October 2018 (the "**Koda Performance Share Plan 2018**"). The Koda Performance Share Plan 2018 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.

Guideline	Questions	How has the Company complied?
		The following persons shall be eligible to participate in the performance share plan: • an employee of the Group; • Executive Directors of the Group; and • controlling Shareholders and/or their associates who are either employees of the Group or executive directors of the Group provided that their participation and the actual number of performance shares and the terms of any award have been approved by independent Shareholders at a general meeting of the Company in separate resolutions. The selection of a participant and the aggregate number of performance shares which are the subject of each award to be granted to a participant in accordance with the performance share plan shall be determined at the sole and absolute discretion of the Remuneration Committee, who shall 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 Circular dated 15 October 2018. Prior to the adoption of the Koda Performance Share Plan 2018, the Company had in place a performance share plan implemented on 28 October 2008 and subsequently amended on 28 October 2016 (the "**Koda Performance Share Plan 2008**").

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How has the Company complied?
		Details on performance shares granted to Directors of the Company, and controlling Shareholders and/or their associates pursuant to the Koda Performance Share Plan 2008 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 2019 pursuant to their respective contracts of service and are therefore entitled to their respective bonuses.
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.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How has the Company complied?
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.
	(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 2019.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How has the Company complied?
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.	(a) The aggregate amount of fees paid or payable to the Company's external auditors for the financial year ended 30 June 2019 is as follows: Fees for audit services: US$145,750 (FY2018: US$145,750) Fees for non-audit services: Nil (FY2018: Nil)
	(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.	(b) Not applicable.
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 REPORT

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 koda@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 2019, the Company has paid a tax-exempt (one-tier) interim dividend of 0.25 Singapore cent per ordinary share and a tax-exempt (one-tier) special 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 final dividend of 1.25 Singapore cents per ordinary share.

CORPORATE GOVERNANCE REPORT

Additional information on Directors seeking re-election

	Mdm Koh Shwu Lee Executive Director	**Mr Sim Cheng Huat** Independent Non-Executive Director	**Mr Ying Siew Hon, Francis** Independent Non-Executive Director
Date of Appointment	30 March 2001	23 March 2008	18 November 2016
Date of last re-appointment (if applicable)	27 October 2017	27 October 2017	27 October 2017
Name of person	Mdm Koh Shwu Lee	Mr Sim Cheng Huat	Mr Ying Siew Hon, Francis
Age	58	71	70
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board, having considered the recommendation of the Nominating Committee and having reviewed and considered the qualifications, work experience and suitability of Koh Shwu Lee, is of the view that Koh Shwu Lee, possesses the requisite experience and capabilities to assume the duties and responsibilities as an Executive Director of the Company.	The Board, having considered the recommendation of the Nominating Committee and having reviewed and considered the qualifications, work experience and suitability of Sim Cheng Huat, is of the view that Sim Cheng Huat possesses the requisite experience and capabilities to assume the responsibilities as an Independent Director of the Company.	The Board, having considered the recommendation of the Nominating Committee and having reviewed and considered the qualifications, work experience and suitability of Ying Siew Hon, Francis, is of the view that Ying Siew Hon, Francis, possesses the requisite experience and capabilities to assume the responsibilities as an Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive Director	Non-Executive Director	Non-Executive Director

CORPORATE GOVERNANCE REPORT

	Mdm Koh Shwu Lee Executive Director	**Mr Sim Cheng Huat** Independent Non-Executive Director	**Mr Ying Siew Hon, Francis** Independent Non-Executive Director
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director, Finance & Administration – Manages the Group's administration, finance, logistics, sourcing and human resource functions and is responsible for the Group's capital investment evaluation, credit control management, cash flow planning, budgetary control and documentary credit review	Independent Non-Executive Director, member of the Audit Committee, Nominating and Governance Committee and Remuneration Committee, and Chairman of the Nominating and Governance Committee	Independent Non-Executive Director, member of the Audit Committee, Nominating and Governance Committee and Remuneration Committee, and Chairman of the Remuneration Committee
Professional qualifications	B.A., National University of Singapore	B.A., New York University	Fellow of the Association of Chartered Certified Accountants (United Kingdom)

CORPORATE GOVERNANCE REPORT

	Mdm Koh Shwu Lee Executive Director	Mr Sim Cheng Huat Independent Non-Executive Director	Mr Ying Siew Hon, Francis Independent Non-Executive Director
Working experience and occupation(s) during the past 10 years	**Current:** • Koda Ltd. Executive Director • Jatat Furniture Industries Sdn Bhd Director • Zenith Heights Sdn Bhd Director **Past:** Not applicable	**Current:** • Koda Ltd. Non-Executive Director **Past:** • Universal Procurement Systems Pte Ltd Consultant (till July 2015)	**Current:** • Koda Ltd. Non-Executive Director • Teamplus Pte. Ltd. Director • TBM Technology (S) Pte Ltd Director **Past:** • TBM Technology Sdn. Bhd. Director (till April 2019) • Kaicoh Pte. Ltd. Director (till December 2018) • Aristo Engineering Pte. Ltd. Director (till October 2018) • Ataru Engineering Pte Ltd Director (till November 2016) • ATR (Thailand) Co. Ltd. Director (till September 2016) • Shinei Technology (S) Pte. Ltd. Director (till September 2014)

	Mdm Koh Shwu Lee Executive Director	**Mr Sim Cheng Huat** Independent Non-Executive Director	**Mr Ying Siew Hon, Francis** Independent Non-Executive Director
Shareholding interest in the listed issuer and its subsidiaries	Mdm Koh Shwu Lee holds 8,285,226 shares in the Company and is deemed interested in 259,200 shares in the Company held by her spouse.	No	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	<u>Mr Koh Teng Kwee</u> Mr Koh Teng Kwee, Non-Executive Chairman, is the father of Mdm Koh Shwu Lee. <u>Mr James Koh Jyh</u> Gang Mr James Koh Jyh Gang, Deputy Chairman and Managing Director, is the brother of Mdm Koh Shwu Lee. <u>Mr Koh Jyh Eng</u> Mr Koh Jyh Eng, Executive Director, is the brother of Mdm Koh Shwu Lee. <u>Others</u> Key Management Personnel, (1) Mr Koh Zhu Xian Joshua, (2) Mr Koh Zhu Lian Julian, and (3) Mr Gan Shee Wen, are the nephews of Mdm Koh Shwu Lee.	No	No
Conflict of interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes

CORPORATE GOVERNANCE REPORT

	Mdm Koh Shwu Lee	Mr Sim Cheng Huat	Mr Ying Siew Hon, Francis
	Executive Director	Independent Non-Executive Director	Independent Non-Executive Director
Other Principal Commitments[1] Including Directorships			
Past (for the last 5 years)	Not applicable	• Universal Procurement Systems Pte Ltd Consultant (till July 2015)	• TBM Technology Sdn. Bhd. Director (till April 2019) • Kaicoh Pte. Ltd. Director (till December 2018) • Aristo Engineering Pte. Ltd. Director (till October 2018) • Ataru Engineering Pte Ltd Director (till November 2016) • ATR (Thailand) Co. Ltd. Director (till September 2016) • Shinei Technology (S) Pte. Ltd. Director (till September 2014)
Present	• Koda Ltd. Executive Director • Jatat Furniture Industries Sdn Bhd Director • Zenith Heights Sdn Bhd Director	• Koda Ltd. Non-Executive Director	• Koda Ltd. Non-Executive Director • Teamplus Pte. Ltd. Director • TBM Technology (S) Pte Ltd Director

1 "Principal Commitments" has the same meaning as defined in the Code of Corporate Governance issued on 6 August 2018 by the Monetary Authority of Singapore.

CORPORATE GOVERNANCE REPORT

	Mdm Koh Shwu Lee Executive Director	**Mr Sim Cheng Huat** Independent Non-Executive Director	**Mr Ying Siew Hon, Francis** Independent Non-Executive Director
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.			
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No

CORPORATE GOVERNANCE REPORT

	Mdm Koh Shwu Lee Executive Director	**Mr Sim Cheng Huat** Independent Non-Executive Director	**Mr Ying Siew Hon, Francis** Independent Non-Executive Director
(c) Whether there is any unsatisfied judgment against him?	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No

CORPORATE GOVERNANCE REPORT

	Mdm Koh Shwu Lee Executive Director	**Mr Sim Cheng Huat** Independent Non-Executive Director	**Mr Ying Siew Hon, Francis** Independent Non-Executive Director
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No

CORPORATE GOVERNANCE REPORT

	Mdm Koh Shwu Lee Executive Director	**Mr Sim Cheng Huat** Independent Non-Executive Director	**Mr Ying Siew Hon, Francis** Independent Non-Executive Director
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–			
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?			

CORPORATE GOVERNANCE REPORT

	Mdm Koh Shwu Lee Executive Director	**Mr Sim Cheng Huat** Independent Non-Executive Director	**Mr Ying Siew Hon, Francis** Independent Non-Executive Director
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No
Disclosure applicable to the appointment of Director only.			
Any prior experience as a director of an issuer listed on the Exchange?	Yes	Yes	Yes
If yes, please provide details of prior experience.	Executive Director of Koda Ltd since 2001	Independent Non-Executive Director of Koda Ltd since 2008	Independent Non-Executive Director of Koda Ltd since 2017
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	Not applicable	Not applicable	Not applicable
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable	Not applicable	Not applicable

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, 2019.

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 112 to 181 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, 2019, 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 in, or debentures of 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 in, 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	
Name 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[(1)]	13,523,094	11,023,094	–	2,500,000
Koh Jyh Eng[(2)]	8,933,388	8,933,388	21,600	21,600
Koh Shwu Lee[(3)]	8,285,226	8,285,226	259,200	259,200

DIRECTORS' STATEMENT

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

Notes:

(1) Mr. James Koh Jyh Gang is deemed interested in 2,500,000 shares in the Company which are owned by him and held in the name of DBS Nominees (Private) Limited by virtue of Section 7 of the Companies Act, Cap. 50 of Singapore.

(2) Mr. Koh Jyh Eng is deemed interested in 21,600 shares in the Company held by his spouse, Mdm. Wong Sau Wai.

(3) Mdm. Koh Shwu Lee is deemed interested in 259,200 shares in the Company held by her spouse , Mr. Kavin Seow Soo Yeow.

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, 2019 were the same as those at the end of the financial year.

4 SHARE OPTIONS AND PERFORMANCE SHARE PLAN

Save as disclosed in this Directors' Statement, including the Koda Performance Share Plan 2008 and Koda Performance Share Plan 2018 elaborated upon below, the Company and corporations in the Group did not have any share incentive schemes in force during the financial year.

Koda Performance Share Plan 2008

The Company had in place a performance share plan which was approved by shareholders at an Extraordinary General Meeting ("EGM") held on October 28, 2008 (the "Koda Performance Share Plan 2008"). The Koda Performance Share Plan 2008 was subsequently amended and approved by Shareholders at an EGM held on October 28, 2016. The duration of the Koda Performance Share Plan 2008 was subject to maximum period of 10 years from the date that it was adopted, and accordingly expired and lapsed on October 28, 2018.

During its tenure, the Koda Performance Share Plan 2008 was administered by the Remuneration Committee comprising the Independent Directors Ying Siew Hon, Francis, Chan Wah Tiong, Sim Cheng Huat and Tan Choon Seng. Eligible participants of the Koda Performance Share Plan 2008 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 Koda Performance Share Plan 2008, is determined at the sole and absolute discretion of the Remuneration Committee and may be performance based or time based.

DIRECTORS' STATEMENT

4 SHARE OPTIONS AND PERFORMANCE SHARE PLAN (CONTINUED)

Details of the Koda Performance Share Plan 2008 as at June 30, 2019 are as follows:

	Vesting period					
Name of participant	1 month from November 28, 2016 No. of shares[1]	6 months from June 30, 2017 No. of shares[1]	6 months from June 30, 2018 No. of shares[1]	Total No. of shares	Vested No. of shares	Unvested No. of shares
Koh Zhu Xian Joshua	13,000[2]	41,846[2]	46,291[2]	101,137	(101,137)	–[3]
Koh Zhu Lian Julian	19,000[2]	41,846[2]	46,291[2]	107,137	(107,137)	–[3]
Gan Shee Wen	18,834[2]	41,846[2]	46,291[2]	106,971	(106,971)	–[3]
Wong Se Sun	47,546[2]	138,190[2]	138,587[2]	324,323	(324,323)	–[3]
Total	**98,380[2]**	**263,728[2]**	**277,460[2]**	**639,568**	**(639,568)**	**–[3]**

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

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

(3) The vesting period for the balance share awards granted under the Koda Performance Share Plan 2008 was the period within 6 months from June 30, 2018. Therefore, no further performance shares may be vested under the Koda Performance Share Plan 2008 as at June 30, 2019.

During the financial year ended June 30, 2019, 277,460 performance shares were awarded under the Koda Performance Share Plan 2008. The remaining performance shares not vested and not awarded lapsed on the date falling 6 months from June 30, 2019 and were therefore forfeited.

Koda Performance Share Plan 2018

Currently, the Company has in place a performance share plan that was adopted at an extraordinary general meeting of the Company held on October 31, 2018 (the "Koda Performance Share Plan 2018"). The Koda Performance Share Plan 2018 is administered by the Remuneration Committee, comprising the Independent Directors Ying Siew Hon, Francis, Chan Wah Tiong, Sim Cheng Huat and Tan Choon Seng.

Subject to the rules of the Koda Performance Share Plan 2018, the following persons are eligible to participate in the Koda Performance Share Plan 2018:

- a confirmed full-time employee of the Group ("Group Employee");
- a Director and/or a director of the Company's subsidiaries, as the case may be, who performs an executive function ("Group Executive Director"); and
- controlling Shareholders and/or their associates who are either Group Employees or Group Executive Directors, provided that their participation in the Koda Performance Share Plan 2018 and the grant of awards to them, including 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.

DIRECTORS' STATEMENT

4 SHARE OPTIONS AND PERFORMANCE SHARE PLAN (CONTINUED)

Other salient information relating to the Koda Performance Share Plan 2018 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 Koda Performance Share Plan 2018 shall be determined at the absolute discretion of the Remuneration Committee and recommended by the Remuneration Committee to the Board for approval. In so doing, the Remuneration Committee shall consider, among others, the financial performance of the Group, the participant's rank, length of service, achievements, job performance, potential for future development, his contribution to the success and development of the Group, and the extent of effort and resourcefulness required to achieve the performance targets within the performance periods. The performance targets will be set by the Remuneration Committee depending on each individual participant's job scope and responsibilities.

- The aggregate number of performance shares available under the Koda Performance Share Plan 2018, when added to all shares, options or awards granted under any 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 from time to time. Additionally, the grant of awards of performance shares to participants who are controlling Shareholders or associates of controlling Shareholders shall be subject to independent Shareholders' approval at a general meeting in separate resolutions for the grant of awards to each controlling Shareholder or associate of a controlling Shareholder, and the actual number of performance shares which are the subject of such awards shall comply with the following limits: (i) the aggregate number of performance shares which may be awarded to participants who are controlling Shareholders and/or their associates under the Koda Performance Share Plan 2018 shall not exceed 25% of the total number of shares available under the Koda Performance Share Plan 2018; and (ii) 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 Koda Performance Share Plan 2018 shall not exceed 10% of the total number of shares available under the Koda Performance Share Plan 2018.

- Awards represent the right of a participant to receive fully-paid ordinary shares in the capital of the Company free of charge, upon the participant satisfying or exceeding the prescribed performance targets at the end of the performance periods and/or otherwise having performed well and/or made a significant contribution to the Group. Awards are vested and the performance shares which are the subject of the awards are delivered to the participants at the end of the performance periods once the Remuneration Committee is, at its sole discretion, satisfied that the prescribed performance targets have been satisfied. The Remuneration Committee may also grant an award where, in its opinion, a participant has performed well and/or made a significant contribution to the Group.

The Koda Performance Share Plan 2018 shall continue in force at the absolute discretion of the Remuneration Committee, subject to a maximum period of 10 years commencing from the date it was adopted.

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.

DIRECTORS' STATEMENT

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.

7 AUDIT COMMITTEE

The Audit Committee of the Company, consisting of all four (4) non-executive independent directors, is chaired by Tan Choon Seng, and includes Sim Cheng Huat, Ying Siew Hon, Francis and Chan Wah Tiong. 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 7, 2019

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, 2019, 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 112 to 181.

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 Singapore Financial Reporting Standards (International) ("SFRS(I)s") 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, 2019 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 *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 23% (2018: 22%) 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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Our audit performed and responses thereon

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

We have discussed and evaluated the basis used by management in the assessment of allowance for inventories, 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.

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.

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 SFRS(I)s, 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KODA LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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.

(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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KODA LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 7, 2019

STATEMENTS OF FINANCIAL POSITION

June 30, 2019

	Note	GROUP			COMPANY		
		June 30, 2019 US$'000	June 30, 2018 US$'000	July 1, 2017 US$'000	**June 30, 2019 US$'000**	June 30, 2018 US$'000	July 1, 2017 US$'000
ASSETS							
Current assets							
Cash and cash equivalents	6	**13,394**	10,502	8,352	**8,309**	4,950	1,691
Trade receivables	7	**3,424**	3,905	4,294	**4,334**	5,307	5,534
Other receivables	8	**2,660**	2,465	2,780	**4,256**	6,617	9,229
Inventories	9	**10,581**	9,552	6,727	**205**	100	–
Total current assets		**30,059**	26,424	22,153	**17,104**	16,974	16,454
Non-current assets							
Investment in subsidiaries	10	**–**	–	–	**7,935**	7,935	8,135
Investment in an associate	11	**2**	2	3	**–**	–	–
Available-for-sale investment	12	**–**	–	–	**–**	–	–
Financial asset at fair value through other comprehensive income	12	**–**	–	–	**–**	–	–
Club memberships	13	**207**	208	207	**192**	192	192
Property, plant and equipment	14	**16,116**	17,072	15,028	**368**	347	616
Other receivables	8	**–**	–	548	**–**	–	–
Deferred tax assets	15	**102**	52	32	**–**	–	–
Total non-current assets		**16,427**	17,334	15,818	**8,495**	8,474	8,943
Total assets		**46,486**	43,758	37,971	**25,599**	25,448	25,397
LIABILITIES AND EQUITY							
Current liabilities							
Bills payables	16	**–**	52	127	**–**	–	–
Trade payables	17	**2,275**	2,768	1,914	**5,714**	5,726	5,548
Other payables	18	**4,984**	5,282	5,323	**2,207**	2,291	2,311
Current portion of obligations under finance leases	19	**21**	33	51	**–**	12	32
Current portion of bank loans	20	**182**	182	146	**182**	182	146
Income tax payable		**337**	412	375	**–**	–	–
Total current liabilities		**7,799**	8,729	7,936	**8,103**	8,211	8,037
Non-current liabilities							
Deferred tax liabilities	15	**228**	297	276	**–**	–	–
Non-current portion of bank loans	20	**221**	410	477	**221**	410	477
Non-current portion of obligations under finance leases	19	**–**	36	67	**–**	15	27
Total non-current liabilities		**449**	743	820	**221**	425	504
Capital and reserves							
Share capital	21	**4,688**	4,525	4,362	**4,688**	4,525	4,362
Treasury shares	22	**(71)**	(71)	(13)	**(71)**	(71)	(13)
Other reserves	23	**212**	240	2,176	**138**	166	129
Translation reserve		**369**	666	–	**–**	–	–
Accumulated profits		**33,040**	28,926	22,690	**12,520**	12,192	12,378
Total equity		**38,238**	34,286	29,215	**17,275**	16,812	16,856
Total liabilities and equity		**46,486**	43,758	37,971	**25,599**	25,448	25,397

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended June 30, 2019

	Note	2019 US$'000	2018 US$'000
Revenue	24	**57,892**	52,400
Cost of sales		**(39,648)**	(33,809)
Gross profit		**18,244**	18,591
Other income	25	**828**	683
Distribution costs		**(5,001)**	(5,405)
Administrative expenses		**(8,108)**	(7,309)
Other expenses	26	**(204)**	(533)
Share of results of associate	11	*	(1)
Finance costs	27	**(30)**	(32)
Profit before income tax		**5,729**	5,994
Income tax expense	28	**(420)**	(581)
Profit for the year	29	**5,309**	5,413
Items that may be classified subsequently to profit or loss:			
Translation of differences arising from consolidation of foreign operations		**(297)**	666
Other comprehensive income for the year, net of tax		**(297)**	666
Total comprehensive income for the year		**5,012**	6,079
Earnings per share (US cents)			
Basic	31	**6.44**	8.01
Diluted	31	**6.44**	8.01

* Amount less than US$1,000.

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended June 30, 2019

	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, 2017		4,362	(13)	7,939	(2,232)	18,283	28,339
Effects of SFRS(I) adoption		–	–	(5,763)	2,232	4,407	876
Balance at July 1, 2017		4,362	(13)	2,176	–	22,690	29,215
Total comprehensive income for the year:							
Profit for the year		–	–	–	–	5,413	5,413
Other comprehensive income		–	–	–	666	–	666
Effects of SFRS(I) adoption		–	–	–	–	(90)	(90)
Total		–	–	–	666	5,323	5,989
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)
Transfer to retained earnings	23	–	–	(1,973)	–	1,973	–
Total		163	(58)	(1,936)	–	913	(918)
Balance at June 30, 2018		4,525	(71)	240	666	28,926	34,286
Total comprehensive income for the year:							
Profit for the year		–	–	–	–	5,309	5,309
Other comprehensive income		–	–	–	(297)	–	(297)
Total		–	–	–	(297)	5,309	5,012
Transactions with owners, recognised directly in equity:							
Dividends	30	–	–	–	–	(1,195)	(1,195)
Issue of new shares	21, 23	163	–	(163)	–	–	–
Share-based payments	23	–	–	135	–	–	135
Total		163	–	(28)	–	(1,195)	(1,060)
Balance at June 30, 2019		**4,688**	**(71)**	**212**	**369**	**33,040**	**38,238**

STATEMENTS OF CHANGES IN EQUITY

Year ended June 30, 2019

	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, 2017		4,362	(13)	187	12,320	16,856
Effects of SFRS(I) adoption		–	–	(58)	58	–
Balance at July 1, 2017		4,362	(13)	129	12,378	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)	166	12,192	16,812
Profit for the year, representing total comprehensive income for the year		–	–	–	1,523	1,523
Transactions with owners, recognised directly in equity:						
Dividends	30	–	–	–	(1,195)	(1,195)
Issue of new shares	21, 23	163	–	(163)	–	–
Share-based payments	23	–	–	135	–	135
Total		163	–	(28)	(1,195)	(1,060)
Balance at June 30, 2019		**4,688**	**(71)**	**138**	**12,520**	**17,275**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2019

	2019 US$'000	2018 US$'000
Operating activities		
Profit before income tax	**5,729**	5,994
Adjustments for:		
Depreciation of property, plant and equipment	**1,628**	1,433
Property, plant and equipment written off	**4**	2
Impairment loss on property, plant and equipment	**–**	265
Allowance (Reversal of allowance) for inventories – net	**234**	(24)
Inventories written off	**15**	1
Allowance for doubtful trade receivables – net	**–**	20
Other receivables written off	**51**	–
Loss (Gain) on disposal of property, plant and equipment – net	**3**	(3)
Equity-settled share-based payments	**135**	200
Share of results of associate	*****	1
Interest income	**(170)**	(76)
Interest expense	**30**	32
Operating cash flows before movements in working capital	**7,659**	7,845
Trade receivables	**466**	421
Other receivables	**(246)**	495
Inventories	**(1,388)**	(2,605)
Trade payables	**(415)**	748
Other payables	**(298)**	(41)
Cash generated from operations	**5,778**	6,863
Interest paid	**(30)**	(32)
Interest received	**170**	76
Income tax paid	**(615)**	(785)
Net cash from operating activities	**5,303**	6,122

* Amount less than US$1,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2019

	2019 **US$'000**	2018 US$'000
Investing activities		
Proceeds from disposal of property, plant and equipment	**80**	140
Purchase of property, plant and equipment (Note A)	**(937)**	(2,898)
Net cash used in investing activities	**(857)**	(2,758)
Financing activities		
Dividends paid	**(1,195)**	(1,060)
Decrease in bills payables (Note B)	**(52)**	(75)
Repayment of bank loans (Note B)	**(189)**	(167)
Proceeds from bank loans (Note B)	**–**	136
Purchase of treasury shares	**–**	(58)
Repayment of finance leases (Note B)	**(48)**	(49)
Net cash used in financing activities	**(1,484)**	(1,273)
Net increase in cash and cash equivalents	**2,962**	2,091
Cash and cash equivalents at beginning of year (Note 6)	**10,502**	8,352
Effects of exchange rate change on balance of cash held in foreign currencies	**(70)**	59
Cash and cash equivalents at end of year (Note 6)	**13,394**	10,502

Note A:

Purchase of property, plant and equipment

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

Note B:

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, 2019

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, 2019 were authorised for issue by the Board of Directors on October 7, 2019.

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 Singapore Financial Reporting Standards (International) ("SFRS(I)s").

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 SFRS(I) 2 *Share-based Payments*, leasing transactions that are within the scope of SFRS(I) 1-17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 SFRS(I)s).

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 SFRS(I) 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

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.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets (before July 1, 2018)

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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 assets (from July 1, 2018)

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.

All recognised financial assets are subsequently measured in their entirety at amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss (FVTPL).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the “other operating income” line item.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which SFRS(I) 3 applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Other income" line item in profit or loss.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically, for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "other income" or "other expenses" line items.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at FVTOCI, contract assets, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment if whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date if initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtor operate, obtained from economic expert reports, financial analysts and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- significant increases in credit risk on other financial instruments of the same debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 30 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower; or
- a breach of contract, such as a default or past due event; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status; and
- Nature, size and industry of debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

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.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Treasury shares

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

Bank borrowings and bills payables

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

Other financial liabilities

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

Derecognition of financial liabilities

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

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

The Group as lessor

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

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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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 SFRS(I) 5. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The requirements of SFRS(I) 9 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 SFRS(I) 1-36 *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 SFRS(I) 1-36 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, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Sale of goods

The Group sells furniture to the wholesale market and directly to customers through its own retail outlets.

For sale of furniture to the wholesale market and through retail outlets, revenue is recognised by the Group at a point in time. Revenue from the sale of goods is recognised when the Group satisfies its performance obligation by transferring the promised good to its customer (which is when the customer obtains control of that good). The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively).

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.

NOTES TO THE FINANCIAL STATEMENTS

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

(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.

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) Recoverable amounts of trade and other receivables

When measuring ECL, a considerable amount of judgement and accounting estimates such as supportable forward-looking information is required in assessing the ultimate realisation of trade and other receivables (Notes 7 and 8).

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The carrying amounts of the Group's trade and other receivables and the related loss allowances for doubtful debts are disclosed in Notes 7 and 8 to the financial statements respectively.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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		
	June 30, 2019 US$'000	June 30, 2018 US$'000	July 1, 2017 US$'000	**June 30, 2019 US$'000**	June 30, 2018 US$'000	July 1, 2017 US$'000
Financial assets						
Financial assets at amortised cost	**17,181**	14,794	13,079	**16,601**	16,678	16,344
Financial liabilities						
Financial liabilities at amortised cost	**5,827**	7,229	6,330	**7,612**	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.

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

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

	Group					
	Assets			Liabilities		
	June 30, 2019 US$'000	June 30, 2018 US$'000	July 1, 2017 US$'000	**June 30, 2019 US$'000**	June 30, 2018 US$'000	July 1, 2017 US$'000
United States dollar	**1,697**	1,880	779	**38**	29	317
Chinese yuan	**72**	8	–	**86**	67	52
Singapore dollar	**319**	531	112	**1,219**	546	341
Vietnamese dong	**901**	617	3,671	**2,248**	2,254	2,407
Others	**7**	29	16	**11**	–	–

	Company					
	Assets			Liabilities		
	June 30, 2019 US$'000	June 30, 2018 US$'000	July 1, 2017 US$'000	**June 30, 2019 US$'000**	June 30, 2018 US$'000	July 1, 2017 US$'000
Chinese yuan	**72**	8	–	**86**	67	52
Singapore dollar	**319**	531	112	**1,219**	544	341
Others	**7**	29	16	**–**	–	–

Foreign currency sensitivity

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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

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

	USD Impact		**RMB Impact**		**SGD Impact**		**VND Impact**		**Others Impact**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000	**US$'000**	US$'000
GROUP										
Profit or loss	**(166)**	(185)	**1**	6	**90**	1	**135**	164	**–**	(3)
COMPANY										
Profit or loss	**–**	–	**1**	6	**90**	1	**–**	–	**(1)**	(3)

(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, 2019 would decrease/increase by US$2,000 and US$2,000 (2018: US$3,000 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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

(iii) Credit risk management

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

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

The Group develops and maintains its credit risk gradings to categorise exposures according to their degrees of risk of default. The Group uses its trading records to rate its major customers and other debtors. The Group does not hold any collateral to cover its credit risks associated with its financial assets.

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

The Group's current credit risk framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

The tables below detail the credit quality of the Group's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount US$'000	Loss allowance US$'000	Net carrying amount US$'000
Group						
June 30, 2019						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	3,424	–	3,424
Other receivables	8	Performing	12m ECL	500	(137)	363
					(137)	
June 30, 2018						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	3,925	(20)	3,905
Other receivables	8	Performing	12m ECL	524	(137)	387
					(157)	
July 1, 2017						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	4,294	–	4,294
Other receivables	8	Performing	12m ECL	1,118	(137)	981
					(137)	
Company						
June 30, 2019						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	4,334	–	4,334
Other receivables	8	Performing	12m ECL	51	(21)	30
Amount owing by subsidiaries	8	(i)	Lifetime ECL (simplified approach)	5,189	(1,261)	3,928
					(1,282)	

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

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount US$'000	Loss allowance US$'000	Net carrying amount US$'000
June 30, 2018						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	5,327	(20)	5,307
Other receivables	8	Performing	12m ECL	86	(21)	65
Amount owing by subsidiaries	8	(i)	Lifetime ECL (simplified approach)	7,617	(1,261)	6,356
					(1,302)	
July 1, 2017						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	5,534	–	5,534
Other receivables	8	Performing	12m ECL	129	(21)	108
Amount owing by subsidiaries	8	(i)	Lifetime ECL (simplified approach)	10,251	(1,240)	9,011
					(1,261)	

(i) For trade receivables, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate reflect current conditions and estimates of future economic conditions. Note 7 and 8 includes further details on the loss allowance for these receivables.

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 48% (June 30, 2018: 39%, July 1, 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$1,134,000 (June 30, 2018: US$1,476,000, July 1, 2017: US$1,335,000) and US$3,928,000 (June 30, 2018: US$6,356,000, July 1, 2017: US$9,011,000) respectively from its subsidiaries which represent 26% (June 30, 2018: 28%, July 1, 2017: 24%) and 92% (June 30, 2018: 96%, July 1, 2017: 98%) respectively of its total trade and other receivables. Ongoing credit evaluation is performed on the financial condition of its subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

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		
	June 30, 2019 US$'000	June 30, 2018 US$'000	July 1, 2017 US$'000	**June 30, 2019 US$'000**	June 30, 2018 US$'000	July 1, 2017 US$'000
Carrying amount (Note 7)	**3,424**	3,905	4,294	**4,334**	5,307	5,534
Less: Amount covered by letters of credits from customers	**(1,111)**	(1,408)	(1,238)	**(1,111)**	(1,408)	(1,238)
Less: Credit insurance	**(2,014)**	(1,879)	(1,890)	**(2,014)**	(1,879)	(1,890)
Net exposure to credit risk	**299**	618	1,166	**1,209**	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.

Liquidity and interest risk analysis

Non-derivative financial assets

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

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

	Weighted average effective interest rate %	On demand or within 1 year US$'000	Adjustment US$'000	Total US$'000
GROUP				
June 30, 2019				
Non-interest bearing	**–**	**7,179**	**–**	**7,179**
Fixed interest rate instruments	**2.51**	**10,093**	**(91)**	**10,002**
Total		**17,272**	**(91)**	**17,181**
June 30, 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
July 1, 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				
June 30, 2019				
Non-interest bearing	**–**	**8,795**	**–**	**8,795**
Fixed interest rate instruments	**1.96**	**7,878**	**(72)**	**7,806**
Total		**16,673**	**(72)**	**16,601**
June 30, 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
July 1, 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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

Non-derivative financial liabilities

The following table detail the remaining contractual maturity for non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statements 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					
June 30, 2019					
Non-interest bearing	**–**	**5,403**	**–**	**–**	**5,403**
Finance lease liability (fixed rate)	**4.7**	**21**	**1**	**(1)**	**21**
Variable interest rate instruments	**4.6**	**214**	**290**	**(101)**	**403**
		5,638	**291**	**(102)**	**5,827**
June 30, 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
July 1, 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

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

	Weighted average effective interest rate %	On demand or within 1 year US$'000	Within 2 to 5 years US$'000	Adjustment US$'000	Total US$'000
COMPANY					
June 30, 2019					
Non-interest bearing	**–**	**7,209**	**–**	**–**	**7,209**
Variable interest rate instruments	**4.6**	**214**	**290**	**(101)**	**403**
		7,423	**290**	**(101)**	**7,612**
June 30, 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
July 1, 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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

(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.

Some of the Group's financial assets are measured at fair value as at the reporting date. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	**Fair value as at June 30, 2019 US$'000**	**Fair value hierarchy**	**Valuation technique and key input**	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
Financial assets at fair value through other comprehensive income	–	Level 3	Net asset value of the investee	Net asset value	The higher the net asset value, the higher the fair value

(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.

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	
	2019	2018
	US$'000	US$'000
Companies in which a director has interests in:		
Rental of land from a related party	**72**	73
Companies in which a key management personnel has interests in:		
Management fee income from a related party	**24**	25

Compensation of directors and key management personnel

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

	GROUP	
	2019	2018
	US$'000	US$'000
Short-term benefits	**2,314**	2,060
Post-employment benefits	**100**	94
Share-based payments	**164**	163
	2,578	2,317

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 CASH EQUIVALENTS

	GROUP			COMPANY		
	June 30, 2019 US$'000	June 30, 2018 US$'000	July 1, 2017 US$'000	**June 30, 2019 US$'000**	June 30, 2018 US$'000	July 1, 2017 US$'000
Cash at bank	**13,385**	10,488	8,329	**8,306**	4,940	1,681
Cash on hand	**9**	14	23	**3**	10	10
	13,394	10,502	8,352	**8,309**	4,950	1,691

The Group's cash at bank includes short-term deposits with an original maturity period of six months or less amounting to US$10,002,000 (June 30, 2018: US$5,949,000, July 1, 2017: US$2,050,000) which bear effective interest at a fixed rate of 1.55% to 6.60% (June 30, 2018: 1.18% to 6.60%, July 1, 2017: 1.29% to 5.90%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

6 CASH AND CASH EQUIVALENTS (CONTINUED)

The Company's cash at bank includes short-term deposits with an original maturity period of six months or less amounting to US$7,806,000 (June 30, 2018: US$4,206,000, July 1, 2017: US$1,000,000) which bear effective interest at a fixed rate of 1.57% to 2.84% (June 30, 2018: 1.18% to 2.25%, July 1, 2017: 1.22% to 1.27%) per annum.

7 TRADE RECEIVABLES

	GROUP			COMPANY		
	June 30, 2019 US$'000	June 30, 2018 US$'000	July 1, 2017 US$'000	**June 30, 2019 US$'000**	June 30, 2018 US$'000	July 1, 2017 US$'000
Outside parties	**3,424**	3,925	4,281	**3,200**	3,851	4,199
Related parties, which a key management personnel has interests in (Note 5)	**–**	–	13	**–**	–	–
Subsidiaries (Note 10)	**–**	–	–	**1,134**	1,476	1,335
Less: Loss allowance for doubtful debts	**–**	(20)	–	**–**	(20)	–
	3,424	3,905	4,294	**4,334**	5,307	5,534

The average credit period on sale of goods is 30 days (2018: 30 days, 2017: 30 days). No interest is charged on the trade receivables.

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

	GROUP			COMPANY		
	June 30, 2019 US$'000	June 30, 2018 US$'000	July 1, 2017 US$'000	**June 30, 2019 US$'000**	June 30, 2018 US$'000	July 1, 2017 US$'000
Not past due and not impaired	**2,971**	2,661	2,665	**3,079**	2,589	2,667
Past due but not impaired[(i)]	**453**	1,244	1,629	**1,255**	2,718	2,867
	3,424	3,905	4,294	**4,334**	5,307	5,534
Impaired receivables – collectively assessed[(iii)]	**–**	20	–	**–**	20	–
Less: Allowance for impairment	**–**	(20)	–	**–**	(20)	–
	–	–	–	**–**	–	–
Total trade receivables, net	**3,424**	3,905	4,294	**4,334**	5,307	5,534

7 TRADE RECEIVABLES (CONTINUED)

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

	GROUP			COMPANY		
	June 30, 2019 US$'000	June 30, 2018 US$'000	July 1, 2017 US$'000	**June 30, 2019 US$'000**	June 30, 2018 US$'000	July 1, 2017 US$'000
<30 days	**441**	730	1,156	**441**	904	1,173
31-90 days	**1**	247	345	**1**	502	349
91-180 days	**10**	146	10	**10**	243	14
181-360 days	**1**	38	82	**1**	48	140
>360 days[ii]	**–**	83	36	**802**	1,021	1,191
	453	1,244	1,629	**1,255**	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.

Analysis of trade receivables

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.

Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off is subject to enforcement activities.

Previous accounting policy for allowance for trade receivables

In 2018 and 2017, in determining the recoverability of a trade receivable, the Group considered 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 (July 1, 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.

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June 30, 2019

7 TRADE RECEIVABLES (CONTINUED)

Included in the Group's and Company's trade receivables were debtors with carrying amounts of US$1,244,000 and US$2,718,000 (July 1, 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 had not provided for as there had not been a significant change in credit quality and the amounts are still considered recoverable.

Movement in allowance for doubtful debts:

	GROUP US$'000	COMPANY US$'000
Balance at July 1, 2017	–	–
Charge to profit or loss	20	20
Balance at June 30, 2018	20	20

8 OTHER RECEIVABLES

	GROUP			COMPANY		
	June 30, 2019 US$'000	June 30, 2018 US$'000	July 1, 2017 US$'000	**June 30, 2019 US$'000**	June 30, 2018 US$'000	July 1, 2017 US$'000
Subsidiaries[1] (Note 10)	**–**	–	–	**5,189**	7,617	10,251
Related parties with common directors (Note 5)	**26**	23	24	**21**	21	21
Other deposits[2]	**420**	363	896	**8**	14	20
Prepayments	**1,187**	1,019	1,582	**292**	191	102
Value added tax recoverable	**1,110**	1,059	765	**6**	5	8
Others	**54**	138	198	**22**	51	88
	2,797	2,602	3,465	**5,538**	7,899	10,490
Less: Loss allowance for doubtful debts						
Outside parties	**(116)**	(116)	(116)	**–**	–	–
Subsidiaries	**–**	–	–	**(1,261)**	(1,261)	(1,240)
Related parties	**(21)**	(21)	(21)	**(21)**	(21)	(21)
	2,660	2,465	3,328	**4,256**	6,617	9,229
Less: Other receivable[2] (non-current portion)	**–**	–	(548)	**–**	–	–
	2,660	2,465	2,780	**4,256**	6,617	9,229

(1) In 2018, included in other receivables due from subsidiaries was an amount of US$2,437,000 (July 1, 2017: US$5,344,000) dividend receivable from a subsidiary.

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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

8 OTHER RECEIVABLES (CONTINUED)

Movement in loss allowance for doubtful debts:

	GROUP			COMPANY		
	June 30, 2019 US$'000	June 30, 2018 US$'000	July 1, 2017 US$'000	**June 30, 2019 US$'000**	June 30, 2018 US$'000	July 1, 2017 US$'000
Balance at beginning of year	**137**	137	98	**1,282**	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	137	**1,282**	1,282	1,261

In 2019, an amount of US$51,000 was assessed not collectible and was written off in profit or loss.

Other receivables

Other receivables are considered to have low credit risk as they are not due for payment as the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition, other than amounts due from subsidiaries and related parties.

Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to the 12-month expected credit losses ("ECL").

There is evidence indicating the amounts due from certain subsidiaries and related parties are credit-impaired, hence the loss allowance is measured at an amount equal to lifetime ECL for these amounts.

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

9 INVENTORIES

	GROUP		
	June 30, 2019 US$'000	June 30, 2018 US$'000	July 1, 2017 US$'000
Raw materials	**4,864**	4,707	3,583
Work in progress	**2,704**	1,707	1,015
Finished goods	**3,633**	3,524	2,539
	11,201	9,938	7,137
Less: Allowance for inventories	**(620)**	(386)	(410)
	10,581	9,552	6,727
Movement in allowance for inventories:			
Balance at beginning of the year	**386**	410	410
Charge (Credit) to profit or loss for the year	**234**	(24)	–
Balance at end of the year	**620**	386	410

In 2019, Company held finished goods of US$205,000 (June 30, 2018: US$100,000, July 1, 2017: US$NIL) as at the end of the reporting period.

Inventories of US$15,000 (2018: US$1,000) were written off and recognised directly in profit or loss for goods which are not in saleable conditions.

10 INVESTMENT IN SUBSIDIARIES

	COMPANY		
	June 30, 2019 US$'000	June 30, 2018 US$'000	July 1, 2017 US$'000
Unquoted equity shares, at cost	**9,461**	9,461	9,661
Impairment loss	**(1,526)**	(1,526)	(1,526)
	7,935	7,935	8,135
Movement in impairment loss:			
Balance at beginning and end of year	**1,526**	1,526	1,526

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

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

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

10 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are described below:

Subsidiaries	Portion of ownership interest and voting power held			Principal activities and country of incorporation (or registration)/operations
	June 30, 2019 %	June 30, 2018 %	July 1, 2017 %	
Jatat Furniture Industries Sdn Bhd[1]	**100**	100	100	Timber merchants and manufacturers, exporters, wholesalers and retailers of furniture (Malaysia)
Koda Woodcraft Sdn Bhd[1]	**100**	100	100	Timber merchants and manufacturers, exporters, wholesalers and retailers of furniture (Malaysia)
Koda Indochine Co., Ltd[1]	**100**	100	100	Dormant (Vietnam)
Koda International Co., Ltd[1]	**100**	100	100	Dormant (Vietnam)
Koda Saigon Co., Ltd[1]	**100**	100	100	Production of wooden furniture, steel furniture, inlaying of marble on wood and interior decoration (Vietnam)
Koda Vietnam Co., Ltd[2]	**100**	100	100	Dormant (Vietnam)
Commune Lifestyle Pte Ltd	**100**	100	100	Retail of furniture (Singapore)
Commune Lifestyle Sdn Bhd[1]	**100**	100	100	Trading and export of furniture (Malaysia)
Commune (Dongguan) Trading Co. Ltd[1]	**100**	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) Liquidated on July 4, 2019.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

11 INVESTMENT IN AN ASSOCIATE

	GROUP		
	June 30, 2019 US$'000	June 30, 2018 US$'000	July 1, 2017 US$'000
Cost of investment in associate	**6**	6	6
Share of post-acquisition results, net of dividend received	**(3)**	(3)	(2)
Currency realignment	**(1)**	(1)	(1)
	2	2	3

Details of the Group's associate are as follows:

Name of Associate	Portion of ownership interest and voting power held			Principal activities and country of incorporation (or registration)/operations
	June 30, 2019 %	June 30, 2018 %	July 1, 2017 %	
Commune Furniture (M) Sdn. Bhd[1][2]	**19.9**	19.9	19.9	Dormant (Malaysia)

(1) Audited by T.Sim & Co.

(2) In the process of members voluntarily winding up.

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:

	June 30, 2019 US$'000	June 30, 2018 US$'000	July 1, 2017 US$'000
Net assets	**26**	28	30
Loss net of tax	**(1)**	(4)	(7)
Dividend received from associate	**–**	–	7

11 INVESTMENT IN AN ASSOCIATE (CONTINUED)

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		
	June 30, 2019 US$'000	June 30, 2018 US$'000	July 1, 2017 US$'000
Net assets of the associate	**26**	28	30
Proportion of the Group's ownership interest in associate	**19.9%**	19.9%	19.9%
Share of net assets of the associate	**5**	6	6
Less: Share of pre-acquisition losses	**(3)**	(3)	(10)
Dividends received	**–**	–	7
Currency realignment	**–**	(1)	–
Carrying amount of the Group's interest in associate	**2**	2	3

12 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENT

	GROUP AND COMPANY		
	June 30, 2019 US$'000	June 30, 2018 US$'000	July 1, 2017 US$'000
Unquoted equity shares, at fair value	**6**	6	6
Impairment loss	**(6)**	(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.

In 2019, this investment was reclassified as financial asset at fair value through other comprehensive income in accordance with SFRS(I) 9 *Financial Instruments*.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

13 CLUB MEMBERSHIPS

	GROUP			COMPANY		
	June 30, 2019 US$'000	June 30, 2018 US$'000	July 1, 2017 US$'000	**June 30, 2019 US$'000**	June 30, 2018 US$'000	July 1, 2017 US$'000
Club memberships, at cost	**280**	280	280	**192**	192	192
Impairment loss	**(69)**	(69)	(69)	**–**	–	–
Currency realignment	**(4)**	(3)	(4)	**–**	–	–
	207	208	207	**192**	192	192
Movement in impairment loss:						
Balance at beginning and end of year	**69**	69	69	**–**	–	–

14 PROPERTY, PLANT AND EQUIPMENT

	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**
GROUP								
Cost or deemed cost:								
At July 1, 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)	–
Write off	–	–	–	(10)	–	–	–	(10)
Disposals	–	–	–	(45)	–	(402)	–	(447)
At June 30, 2018	2,965	13,147	289	8,036	1,926	868	–	27,231
Currency realignment	(74)	(80)	3	(81)	(23)	(5)	–	(260)
Additions	–	–	110	561	49	217	–	937
Write off	–	–	(27)	–	–	(77)	–	(104)
Disposals	–	–	–	(51)	–	(125)	–	(176)
At June 30, 2019	**2,891**	**13,067**	**375**	**8,465**	**1,952**	**878**	**–**	**27,628**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	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
GROUP								
Accumulated depreciation:								
At July 1, 2017	–	1,239	248	5,318	1,142	664	–	8,611
Currency realignment	–	–	2	132	30	4	–	168
Depreciation	–	586	33	535	168	111	–	1,433
Write off	–	–	–	(8)	–	–	–	(8)
Disposals	–	–	–	(45)	–	(265)	–	(310)
At June 30, 2018	–	1,825	283	5,932	1,340	514	–	9,894
Currency realignment	–	–	1	(59)	(14)	(3)	–	(75)
Depreciation	–	783	26	583	154	82	–	1,628
Write off	–	–	(27)	–	–	(73)	–	(100)
Disposals	–	–	–	(51)	–	(42)	–	(93)
At June 30, 2019	**–**	**2,608**	**283**	**6,405**	**1,480**	**478**	**–**	**11,254**
Accumulated impairment:								
At July 1, 2017	–	–	–	–	–	–	–	–
Impairment loss recognised during the year	–	265	–	–	–	–	–	265
At June 30, 2018	–	265	–	–	–	–	–	265
Currency realignment	–	(7)	–	–	–	–	–	(7)
At June 30, 2019	**–**	**258**	**–**	**–**	**–**	**–**	**–**	**258**
Carrying amount:								
At June 30, 2019	**2,891**	**10,201**	**92**	**2,060**	**472**	**400**	**–**	**16,116**
At June 30, 2018	2,965	11,057	6	2,104	586	354	–	17,072
At July 1, 2017	2,788	8,158	29	1,721	630	540	1,162	15,028

The Group has motor vehicles with carrying amounts of US$20,000 (June 30, 2018: US$132,000, July 1, 2017: US$275,000) respectively under finance lease agreements (Note 19).

In 2018, the Group had recognised an impairment loss of US$265,000 as part of other operating expenses to adjust one of its leasehold buildings.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold building US$'000	Plant and machinery US$'000	Office equipment US$'000	Motor vehicles US$'000	Total US$'000
COMPANY					
Cost or deemed cost:					
At July 1, 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
Additions	–	–	8	191	199
Disposal	–	–	–	(125)	(125)
Write off	–	–	–	(78)	(78)
At June 30, 2019	**757**	**648**	**411**	**453**	**2,269**
Accumulated depreciation:					
At July 1, 2017	757	526	327	448	2,058
Depreciation	–	28	32	74	134
Write off	–	(1)	–	(265)	(266)
At June 30, 2018	757	553	359	257	1,926
Depreciation	–	27	22	41	90
Write off	–	–	–	(73)	(73)
Disposals	–	–	–	(42)	(42)
At June 30, 2019	**757**	**580**	**381**	**183**	**1,901**
Carrying amount:					
At June 30, 2019	**–**	**68**	**30**	**270**	**368**
At June 30, 2018	–	95	44	208	347
At July 1, 2017	–	123	74	419	616

The Company has motor vehicles with carrying amounts of US$Nil(June 30, 2018: US$90,000, July 1, 2017: US$215,000) under finance lease agreements (Note 19).

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

15 DEFERRED TAX (LIABILITIES) ASSETS

	GROUP		
	June 30, 2019 US$'000	June 30, 2018 US$'000	July 1, 2017 US$'000
Balance at beginning of year	**–**	–	(1,120)
Effects of SFRS(I) adoption	**–**	–	876
Balance at beginning of year under SFRS(I)	**(245)**	(244)	(244)
Credit to profit or loss (Note 28)	**112**	106	–
Effects of SFRS(I) adoption	**–**	(90)	–
Currency realignment	**7**	(17)	–
Balance at end of year	**(126)**	(245)	(244)

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		
	June 30, 2019 US$'000	June 30, 2018 US$'000	July 1, 2017 US$'000
Deferred tax assets	**102**	52	32
Deferred tax liabilities	**(228)**	(297)	(276)
	(126)	(245)	(244)

The balance comprises mainly the tax effect of:

	GROUP		
	June 30, 2019 US$'000	June 30, 2018 US$'000	July 1, 2017 US$'000
Tax loss carry forward	**102**	52	32
Property, plant and equipment	**(228)**	(297)	(276)
Net	**(126)**	(245)	(244)

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$24,977,000 (June 30, 2018: US$20,846,000, July 1, 2017: US$16,169,000). 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.

NOTES TO THE FINANCIAL STATEMENTS

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16 BILLS PAYABLES

The bank facilities of subsidiaries with a balance of US$Nil (June 30, 2018: US$25,000, July 1, 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 4.3% (June 30, 2018: 4%, July 1, 2017: 2% to 3.15%) per annum.

17 TRADE PAYABLES

	GROUP			COMPANY		
	June 30, 2019 US$'000	June 30, 2018 US$'000	July 1, 2017 US$'000	**June 30, 2019 US$'000**	June 30, 2018 US$'000	July 1, 2017 US$'000
Subsidiaries (Note 10)	**–**	–	–	**5,617**	5,608	5,477
Related parties with common directors (Note 5)	**13**	13	13	**13**	13	13
Outside parties	**2,262**	2,755	1,901	**84**	105	58
	2,275	2,768	1,914	**5,714**	5,726	5,548

The average credit period on purchases of goods is 30 days (June 30, 2018 and July 1, 2017: 30 days). No interest is charged on the trade payables.

18 OTHER PAYABLES

	GROUP			COMPANY		
	June 30, 2019 US$'000	June 30, 2018 US$'000	July 1, 2017 US$'000	**June 30, 2019 US$'000**	June 30, 2018 US$'000	July 1, 2017 US$'000
Accrued expenses	**2,815**	3,180	3,327	**1,235**	1,319	1,294
Advances from customers	**1,689**	1,353	1,588	**712**	602	782
Due to directors	**75**	–	–	**–**	–	–
Due to related parties (Note 5) (i)	**8**	8	8	**1**	1	1
Due to subsidiaries (Note 10)	**–**	–	–	**240**	186	183
Refundable deposits received	**93**	248	51	**16**	34	51
Value added tax payable	**167**	181	187	**–**	–	–
Others	**137**	312	162	**3**	149	–
	4,984	5,282	5,323	**2,207**	2,291	2,311

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

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		
	June 30, 2019 US$'000	June 30, 2018 US$'000	July 1, 2017 US$'000	**June 30, 2019 US$'000**	June 30, 2018 US$'000	July 1, 2017 US$'000	**June 30, 2019 US$'000**	June 30, 2018 US$'000	July 1, 2017 US$'000	**June 30, 2019 US$'000**	June 30, 2018 US$'000	July 1, 2017 US$'000
Amounts payable under finance leases:												
Within one year	**22**	36	56	**21**	33	51	**–**	14	35	**–**	12	32
In the second to fifth years inclusive	**–**	39	73	**–**	36	67	**–**	16	30	**–**	15	27
	22	75	129	**21**	69	118	**–**	30	65	**–**	27	59
Less: Future finance charges	**(1)**	(6)	(11)	**–**	–	–	**–**	(3)	(6)	**–**	–	–
Present value of lease obligations	**21**	69	118	**21**	69	118	**–**	27	59	**–**	27	59
Less: Amount due for settlement within 12 months (shown under current liabilities)				**(21)**	(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 (June 30, 2018: 5 years, July 1, 2017: 3 to 5 years). For the year ended June 30, 2019, the range of effective borrowing rate was 4.64 to 4.83% (June 30, 2018: 4% to 5%, July 1, 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.

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20 BANK LOANS

	GROUP AND COMPANY		
	June 30, 2019 US$'000	June 30, 2018 US$'000	July 1, 2017 US$'000
Bank loans	**403**	592	623
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(182)**	(182)	(146)
Amount due for settlement after 12 months	**221**	410	477

The carrying amounts of bank loans approximate the fair value.

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

(a) Loan of US$222,000 (June 30, 2018: US$325,000, July 1, 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 4.56% (June 30, 2018: 3.66%, July 1, 2017: 2.96%) per annum.

(b) Loan of US$101,000 (June 30, 2018: US$150,000, July 1, 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 4.56% (June 30, 2018: 3.70%, July 1, 2017: 3.07%) per annum.

(c) Loan of US$80,000 (June 30, 2018: US$117,000, July 1, 2017:US$Nil). 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 4.56% (June 30, 2018:3.91%, July 1, 2017:2.96%) per annum.

21 SHARE CAPITAL

	GROUP AND COMPANY					
	June 30, 2019	June 30, 2018	July 1, 2017	**June 30, 2019**	June 30, 2018	July 1, 2017
	Number of ordinary shares			**US$'000**	US$'000	US$'000
	'000	'000	'000			
Issued and paid up:						
At beginning of year	**82,466**	41,101	41,101	**4,525**	4,362	4,312
Issued during the year (Note 23)	**277**	264	–	**163**	163	50
Bonus share issue	**–**	41,101 (1)	–	**–**	–	–
At end of year	**82,743**	82,466	41,101	**4,688**	4,525	4,362

(1) On November 7, 2017, the Company allotted 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					
	June 30, 2019	June 30, 2018	July 1, 2017	**June 30, 2019**	June 30, 2018	July 1, 2017
	Number of ordinary shares			**US$'000**	US$'000	US$'000
	'000	'000	'000			
At beginning of year	**230**	56	56	**71**	13	13
Repurchased during the year	**–**	119	–	**–**	58	–
Bonus share issue	**–**	55	–	**–**	–	–
At end of year	**230**	230	56	**71**	71	13

In 2018, the Company acquired 119,000 (July 1, 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 (July 1, 2017: US$3,000) and is presented as a deduction from shareholders' equity. The shares are held as "treasury shares".

On November 7, 2017, the Company allotted 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, 2017	5,763	62	129	1,985	7,939
Effects of SFRS(I) adoption	(5,763)	–	–	–	(5,763)
Balance at July 1, 2017, under SFRS(I)	–	62	129	1,985	2,176
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	–	74	166	–	240
Share-based payments	–	–	135	–	135
Issuance of new shares	–	–	(163)	–	(163)
Balance at June 30, 2019	**–**	**74**	**138**	**–**	**212**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

23 CAPITAL RESERVES (CONTINUED)

	Property revaluation reserve US$'000	Legal reserve US$'000	Performance Share Plan reserve US$'000	Other reserve US$'000	Total US$'000
COMPANY					
Balance at July 1, 2017	58	–	129	–	187
Effects of SFRS(I) adoption	(58)	–	–	–	(58)
Balance at July 1, 2017, under SFRS(I)	–	–	129	–	129
Share-based payments	–	–	200	–	200
Issuance of new shares	–	–	(163)	–	(163)
Balance at June 30, 2018	–	–	166	–	166
Share-based payments	–	–	135	–	135
Issuance of new shares	–	–	(163)	–	(163)
Balance at June 30, 2019	**–**	**–**	**138**	**–**	**138**

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

(ii) 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)

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

24 REVENUE

	GROUP	
	2019 US$'000	2018 US$'000
Timing of revenue recognition		
At a point in time:		
– Manufacturing	**47,005**	41,573
– Retail and distribution	**10,887**	10,827
	57,892	52,400

25 OTHER INCOME

	GROUP	
	2019 US$'000	2018 US$'000
Rental income	**73**	73
Interest income on bank balances	**170**	76
Foreign exchange gain – net	**205**	–
Gain on disposal of property, plant and equipment	**–**	3
Freight revenue	**161**	187
Design fee	**38**	99
Sundry income	**181**	245
	828	683

NOTES TO THE FINANCIAL STATEMENTS

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26 OTHER EXPENSES

	GROUP	
	2019	2018
	US$'000	US$'000
Allowance for doubtful trade receivables – net	**–**	20
Other receivables written off	**51**	–
Foreign exchange loss – net	**–**	22
Inventories written off	**15**	1
Loss on disposal of property, plant and equipment	**3**	–
Equity-settled share-based payments (Note 23)	**135**	200
Loss on impairment of property, plant and equipment	**–**	265
Others	**–**	25
	204	533

27 FINANCE COSTS

	GROUP	
	2019	2018
	US$'000	US$'000
Interest expense on:		
– Bank loans	**23**	23
– Finance leases	**4**	5
– Bills payable	**3**	3
– Bank overdrafts	**–**	1
	30	32

28 INCOME TAX EXPENSE

	GROUP	
	2019	2018
	US$'000	US$'000
Current tax	**497**	624
Deferred tax	**(75)**	(113)
(Over) Under provision in prior years:		
Current tax	**35**	63
Deferred tax	**(37)**	7
Income tax	**420**	581

Domestic income tax is calculated at 17% (2018: 17%) of the estimated assessable profit for the year.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

28 INCOME TAX EXPENSE (CONTINUED)

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

	GROUP	
	2019	2018
	US$'000	US$'000
Profit before income tax	**5,729**	5,994
Tax benefit at the domestic tax rate of 17% (2018: 17%)	**974**	1,019
Tax effect of revenue that is exempt from taxation	**(28)**	(49)
Tax effect of expenses that are not deductible in determining taxable profit	**207**	28
Tax effect of utilisation of deferred tax benefits previously not recognised	**(278)**	(63)
Double tax deduction	**(63)**	(47)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(390)**	(377)
(Over) Under provision in prior years	**(2)**	70
Total income tax	**420**	581

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	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Tax losses:				
– At the beginning of the year	**5,288**	5,817	**5,067**	5,386
– Adjustments	**320**	(183)	**52**	22
– Arising during the year	**(259)**	30	**–**	–
– Utilised during the year	**(1,355)**	(376)	**(1,355)**	(341)
At the end of the year	**3,994**	5,288	**3,764**	5,067
Deferred tax benefits on above recorded	**102**	52	**–**	–
Deferred tax benefits on above unrecorded	**686**	906	**640**	861

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, 2019

29 PROFIT FOR THE YEAR

	GROUP	
	2019	2018
	US$'000	US$'000
Directors' remuneration:		
– Directors of the Company	**1,355**	1,291
– Directors of the subsidiaries	**83**	272
Fees to directors of the Company	**99**	101
Employee benefits expense (including directors' remuneration)	**15,629**	14,063
Costs of defined contribution plans included in employee benefits expense	**1,348**	1,133
Equity-settled share-based payments	**135**	200
Allowance for doubtful trade receivables – net	**–**	20
Allowance (Reversal of allowance) for inventories – net	**234**	(24)
Inventories written off	**15**	1
Impairment loss on property, plant and equipment, recorded under "other expenses"	**–**	265
Audit fees paid to auditors of the Company	**146**	146
Other receivables written off, recorded under "other expenses"	**51**	–
Cost of inventories recognised as expense	**24,218**	19,165

30 DIVIDENDS

	GROUP AND COMPANY	
	2019	2018
	US$'000	US$'000
Dividends paid during the financial year are as follows:		
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
Final tax-exempt(1-tier) dividend of US$0.0056 (equivalent to S$0.0075) per share for the financial year ended June 30, 2018	**445**	–
Special tax-exempt(1-tier) dividend of US$0.0056 (equivalent to S$0.0075) per share for the financial year ended June 30, 2018	**445**	–
Special tax-exempt(1-tier) dividend of US$0.0019 (equivalent to S$0.0025) per share for the financial year ended June 30, 2019	**153**	–
Interim tax-exempt(1-tier) dividend of US$0.0019 (equivalent to S$0.0025) per share for the financial year ended June 30, 2019	**152**	–
	1,195	1,060

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

30 DIVIDENDS (CONTINUED)

	GROUP AND COMPANY	
	2019	2018
	US$'000	US$'000
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$0.0056 (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
Final tax-exempt(1-tier) dividend of US$0.0056 (equivalent to S$0.0075) per share	**457**	–
Special tax-exempt(1-tier) dividend of US$0.0093 (equivalent to S$0.0125) per share	**765**	–
	1,222	914

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$5,309,000 (2018: US$5,413,000) divided by 82,383,000 (2018: 67,584,000) 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, 2019 and 2018.

32 SHARE BASED PAYMENT EXPENSE

Performance Share Plan

The Koda Performance Share Plan 2008 ("**PSP 2008**") was approved by shareholders at an EGM held on October 28, 2008. The PSP 2008 was subsequently amended and approved by shareholders at an EGM held on October 28, 2016. The PSP 2008 was administered by the Remuneration Committee with a maximum period of 10 years commencing on the date first adopted by the Company and expired on October 28, 2018.

The participants of the Performance Share Plan received 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 warranted it. The aggregate number of shares which were the subject of each award to be granted to any participants, and the conditions under which the awards were granted such as the date of grant, vesting periods and other relevant and applicable rules under the Performance Share Plan, was determined at the sole and absolute discretion of the Remuneration Committee and may be performance based or time based.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

32 SHARE BASED PAYMENT EXPENSE (CONTINUED)

Details of the PSP 2008 as at June 30, 2019 are as follows:

	Vesting period					
	1 month from November 28, 2016 No. of shares	6 months from June 30, 2017 No. of shares	6 months from June 30, 2018 No. of shares	Total No. of shares	Vested No. of shares	Unvested No. of shares
Eligible participants	98,380[(1)]	263,728[(1)]	277,460[(1)]	639,568[(3)]	(639,568)	–[(2)]

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

(2) The vesting period for the balance share awards granted under the PSP 2008 was the period within 6 months from June 30, 2018. Therefore, no further performance shares may be vested under the PSP 2008 as at June 30, 2019.

(3) In 2019, 907,702 Moratorised Shares expired under the PSP 2008, which expired on October 28, 2018.

Details of the PSP 2008 as at June 30, 2018 are as follows:

	Vesting period					
	1 month from November 28, 2016 No. of shares	6 months from June 30, 2017 No. of shares	6 months from June 30, 2018 No. of shares	Total No. of shares	Vested No. of shares	Unvested No. of shares
		No more than:	No more than:			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 was determined by the Remuneration Committee based on certain performance metrics of the participants.

(2) Vested shares were allotted and issued to the respective participants and were subject to a two (2) year moratorium ("Moratorium Period") from the date the shares ("Moratorised Shares") were allotted and issued. The Moratorised Shares should 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.

In 2018, 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 $0.72 (US$0.52 equivalent).

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

32 SHARE BASED PAYMENT EXPENSE (CONTINUED)

The movements of the number of performance shares for the Performance Share Awards during the financial year were as follows:

	Group and Company	
	2019	2018
	No. of shares	
Outstanding at the beginning of the year	**1,185,162**	648,429
Adjusted/Granted during the year	**–**	800,461
Cancelled, expired or lapsed	**(907,702)**	–
Vested during the year	**(277,460)**	(263,728)
Outstanding at the end of the year	**–**	1,185,162

The Group recognised total expenses of US$135,000 (2018: US$200,000) 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, 2019

33 SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

	Segment revenue		Segment profit/(loss)	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Manufacturing	**47,005**	41,573	**4,265**	5,045
Retail and distribution	**10,887**	10,827	**870**	832
Total	**57,892**	52,400	**5,135**	5,877
Finance costs			**(30)**	(32)
Other income			**828**	683
Other expenses			**(204)**	(533)
Share of results of associate			**–**	(1)
Profit before income tax			**5,729**	5,994
Income tax expense			**(420)**	(581)
Profit for the year			**5,309**	5,413

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

	June 30, 2019 US$'000	June 30, 2018 US$'000	July 1, 2017 US$'000
Segment assets			
Manufacturing	**40,772**	38,350	33,515
Retail and distribution	**5,403**	5,146	4,214
Total segment assets	**46,175**	43,496	37,729
Unallocated assets	**311**	262	242
Consolidated total assets	**46,486**	43,758	37,971
Segment liabilities			
Manufacturing	**5,401**	6,227	5,935
Retail and distribution	**2,195**	2,235	1,677
Total segment liabilities	**7,596**	8,462	7,612
Unallocated liabilities	**652**	1,010	1,144
Consolidated total liabilities	**8,248**	9,472	8,756

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

33 SEGMENT INFORMATION (CONTINUED)

For the purpose of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible and financial assets attributable to each segment.

All assets are allocated to reportable segments other than investment in an associate, available-for-sale investments, club memberships 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**	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Manufacturing	**1,514**	1,312	**800**	3,290
Retail and distribution	**114**	121	**137**	156
Total	**1,628**	1,433	**937**	3,446

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

	2019	2018
	US$'000	US$'000
Manufacturing segment		
Allowance for doubtful trade receivables – net	**–**	20
Other receivables written off	**51**	–
Allowance (Reversal of allowance) for inventories -net	**232**	(25)
Loss on impairment of property, plant and equipment	**–**	265
Retail and distribution segment		
Allowance for inventories	**2**	1
Inventories written off	**15**	1

NOTES TO THE FINANCIAL STATEMENTS

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33 SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's revenue from external customers and information about its segment assets (non-current assets including only property, plant and equipment) by geographical location are detailed below:

	Revenue from external customers based on location of customers	
	2019	2018
	US$'000	US$'000
Asia-Pacific	**23,565**	24,997
North America	**28,187**	20,968
Europe	**5,024**	5,554
Others	**1,116**	881
	57,892	52,400

Non-current assets of the Group are located in Asia Pacific.

Information about major customers

Included in revenue arising from sales of manufacturing segment of US$47,005,000 (2018: US$41,573,000), are revenues of approximately US$8,387,000 (2018: US$7,529,000) which arose from sales to the Group's largest customer.

34 OPERATING LEASE ARRANGEMENTS

The Group as lessee

	GROUP	
	2019	2018
	US$'000	US$'000
Minimum lease payments under operating leases	**1,215**	1,253

NOTES TO THE FINANCIAL STATEMENTS

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34 OPERATING LEASE ARRANGEMENTS (CONTINUED)

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	
	2019	2018	**2019**	2018
	US$'000	US$'000	**US$'000**	US$'000
Future minimum lease payments payable:				
Within one year	**1,022**	833	**244**	74
In the second to fifth year inclusive	**2,035**	706	**835**	–
After five years	**137**	472	**–**	–
	3,194	2,011	**1,079**	74

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$495,000 (2018: US$581,000) 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 (2018: US$73,000). In 2019, the leased premises had committed tenants for the next 16 months.

	GROUP AND COMPANY	
	2019	2018
	US$'000	US$'000
Rental income under operating lease	**73**	73

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

	GROUP AND COMPANY	
	2019	2018
	US$'000	US$'000
Future minimum lease payments receivable:		
Within one year	**97**	–
In second to fifth year inclusive	**29**	–
	126	–

35 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK

The Group and the Company adopted the new financial reporting framework – Singapore Financial Reporting Standards (International) (SFRS(I)) for the first time for financial year ended June 30, 2019 and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied in the first set of SFRS(I) financial statements. SFRS (I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

As a first-time adopter of SFRS (I), the Group and the Company have applied 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) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are presented 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 are made for specific transition adjustments if applicable.

There is no change to the Group's and the Company's previous accounting policies under FRS or material adjustments on the initial transition to the new framework and SFRS (I) 15 and SFRS(I) 9 other than as disclosed below. The effects of initial application of SFRS (I) are presented and explained below.

Management has elected the following transition exemption:

- The Group has applied the option to measure certain property, plant and equipment at the date of transition to SFRS(I) at its fair value and use that fair value as its deemed cost at that date.

- The Group has applied the option to reset the cumulative translation differences for all foreign operations to zero at the date of transition to SFRS(I). The gain or loss on a subsequent disposal of any foreign operation shall exclude the translation differences that arose before July 1, 2017 and shall include later translation differences.

Reconciliations of equity and total comprehensive income

Group

(A) Impact on the Statement of Financial Position as at July 1, 2017

	As previously reported under FRS US$'000	Application of SFRS(I) US$'000	Note	As adjusted under SFRS(I) US$'000
Non-current liabilities				
Deferred tax liabilities	1,152	(876)	(1)	276
Capital and reserves				
Retained earnings	18,283	4,407	(1), (2)	22,690
Translation reserve	(2,232)	2,232	(2)	–
Other reserves	7,939	(5,763)	(2)	2,176

NOTES TO THE FINANCIAL STATEMENTS

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35 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK (CONTINUED)

(B) Impact on the Statement of Financial Position as at June 30, 2018 (end of last period reported under FRS)

	As previously reported under FRS US$'000	Application of SFRS(I) US$'000	Note	As adjusted under SFRS(I) US$'000
Non-current assets				
Property, plant and equipment	17,221	(149)	(1)	17,072
Available-for-sale	6	(6)	(3)	–
Financial asset at fair value through other comprehensive income	–	6	(3)	6
Non-current liabilities				
Deferred tax liabilities	1,071	(774)	(1)	297
Capital and reserves				
Retained earnings	(24,868)	(4,058)	(1), (2)	(28,926)
Translation reserve	(1,585)	2,251	(2)	666
Other reserves	5,924	(5,684)	(2)	240

(C) Impact on the Statement of Comprehensive Income for the year ended June 30, 2018 (last financial year reported under FRS)

	As previously reported under FRS US$'000	Application of SFRS(I) US$'000	Note	As adjusted under SFRS(I) US$'000
Cost of sales	33,628	181	(1)	33,809
Administrative expenses	7,231	78	(1)	7,309
Other comprehensive income				
Revaluation of properties:				
Loss on revaluation	(109)	109	(1)	–
Deferred taxation arising on revaluation	30	(30)	(1)	–
Translation differences arising from consolidation foreign operations	647	19	(2)	666

(D) Impact on the Statement of Cash Flows for the year ended June 30, 2018 (last financial year reported under FRS)

	As previously reported under FRS US$'000	Application of SFRS(I) US$'000	Note	As adjusted under SFRS(I) US$'000
Operating activities				
Profit before income tax	6,253	(259)	(1)	5,994
Depreciation of property, plant and equipment	1,174	259	(1)	1,433

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

35 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK (CONTINUED)

Note to reconciliations:

(1) The Group elected the optional exemption in SFRS(I) 1 to measure the freehold land, leasehold land and buildings held by the Company at the date of transition to SFRS(I) at fair value and used that fair value as its deemed cost in its SFRS(I) financial statements.

(2) The Group elected the optional exemption in SFRS(I) 1 to reset its cumulative translation differences for all foreign operations to nil at the date of transition, and reclassified the cumulative translation differences of $2,232,000 as at July 1, 2017 determined in accordance with FRS to retained earnings. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

(3) Following the adoption of SFRS(I) 9, the Group has elected to reclass its currently held available-for-sale unquoted equity securities as financial asset at fair value through other comprehensive income.

36 STANDARDS ISSUED BUT NOT EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I) pronouncements were issued but not effective and are expected to have an impact to the Group and the Company in the periods of their initial application.

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

- SFRS(I) 16: *Leases*

SFRS(I) 16 Leases

SFRS(I) 16 will supersede FRS 17 Leases and its associated interpretative guidance effective from January 1, 2019 unless early adopted. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer. Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

Upon adoption of SFRS(I) 16, the Group will recognise liabilities for non-cancellable operating lease commitments (other than those which fall within the exceptions stated above); and recognise a corresponding right of use asset to be amortised on a straight line basis over the lease period. Note 34 provides an indication of the nature and extent of lease payment obligations which fall within SFRS(I) 16.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

37 EVENTS AFTER REPORTING PERIOD

On July 4, 2019, the Group's wholly-owned subsidiary in Vietnam, Koda Vietnam Co.,Ltd has been dissolved and ceased to be a wholly-owned subsidiary of the Group.

On August 14, 2019, the Group's wholly-owned subsidiary, Commune (Dongguan) Trading Co.,Ltd had entered into a shareholders' agreement with Mr. He Ruyi in respect of a proposed investment cooperation to incorporate a company in the People's Republic of China under the name of Commune (Chongqing) Trading Co.,Ltd to operate furniture retail stores and manage the distribution supply chains in Chongqing and Chengdu, PRC.

PARTICULARS OF PROPERTIES OWNED BY THE GROUP

Freehold land, leasehold land & buildings as at June 30, 2019

Location	Size	Regular Payments	Expiry	Lessor
Head Office & Warehouse[1] 28 Defu Lane 4 Singapore 539424	49,731 sf	Annual lease payment of S$244,496 pa (subject to 5.5% annual increase)	2023	JTC Corporation
Malaysia Site[2] Lot 9,	572,963 sf	NA	Freehold	NA
Lot 15, Title No GM10 Mukim Senai-Kulai 81400 Senai, Johor Malaysia		RM 296,382	2026	Zenith Heights Sdn Bhd
Vietnam Factory 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 an extension lease period of 5 years from December 1, 2018. The lease will expire on November 30, 2023 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 US$11.7 million.

NA not applicable
RM Ringgit Malaysia
S$ Singapore Dollars

STATISTICS OF SHAREHOLDINGS

As at 20 September 2019

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	301	26.75	24,764	0.03
100 – 1,000	223	19.82	123,943	0.15
1,001 – 10,000	346	30.76	1,610,010	1.95
10,001 – 1,000,000	244	21.69	21,279,859	25.79
1,000,001 AND ABOVE	11	0.98	59,475,044	72.08
TOTAL	**1,125**	**100.00**	**82,513,620**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	JAMES KOH JYH GANG	11,023,094	13.36
2	KOH TENG KWEE	9,427,872	11.43
3	KOH JYH ENG	8,933,388	10.83
4	KOH SHWU LEE	8,285,226	10.04
5	DBS NOMINEES (PRIVATE) LIMITED	6,293,560	7.63
6	KOH SHWU LING	3,056,954	3.70
7	DBSN SERVICES PTE. LTD.	3,000,000	3.64
8	TAN KIA HONG @TANG KIA HONG	2,731,400	3.31
9	KOH ZHU LIAN JULIAN (XU ZHULIAN)	2,253,743	2.73
10	KOH ZHUXIAN JOSHUA (XU ZHUXIAN JOSHUA)	2,238,943	2.71
11	PHILLIP SECURITIES PTE LTD	2,230,864	2.70
12	MAYBANK KIM ENG SECURITIES PTE. LTD.	937,584	1.14
13	CHEE KWAI FUN (ZHU GUIFEN)	852,000	1.03
14	KOH CHIN HWA	824,000	1.00
15	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	757,493	0.92
16	POH IK TNG	720,000	0.87
17	WEE HIAN KOK	660,400	0.80
18	GOH HAN PENG (WU HANPING)	639,580	0.78
19	WONG SE SUN	619,415	0.75
20	CITIBANK NOMINEES SINGAPORE PTE LTD	504,600	0.61
	TOTAL	**65,990,116**	**79.98**

STATISTICS OF SHAREHOLDINGS

As at 20 September 2019

SUBSTANTIAL SHAREHOLDERS:

Name	Direct Interest	%	Indirect Interest	%
JAMES KOH JYH GANG[(1)]	11,023,094	13.36	2,500,000	3.03
KOH TENG KWEE	9,427,872	11.43	–	–
KOH JYH ENG[(2)]	8,933,388	10.83	21,600	0.03
KOH SHWU LEE[(3)]	8,285,226	10.04	259,200	0.31

Notes:

(1) Mr. James Koh Jyh Gang is deemed interested in 2,500,000 shares in the Company which are owned by him and held in the name of DBS Nominees (Private) Limited by virtue of Section 7 of the Companies Act, Cap. 50 of Singapore.

(2) Mr. Koh Jyh Eng is deemed interested in 21,600 shares in the Company held by his spouse, Mdm. Wong Sau Wai.

(3) Mdm. Koh Shwu Lee is deemed interested in 259,200 shares in the Company held by her spouse , Mr. Kavin Seow Soo Yeow.

PERCENTAGE OF SHAREHOLDING HELD IN THE HANDS OF PUBLIC

As at September 20, 2019, the percentage of shareholding in the Company held in the hands of public is approximately 39.4%. 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 20, 2019, 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 Tuesday, 29 October 2019 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 2019 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 cents per ordinary share and a tax-exempt (one-tier) special final dividend of 1.25 Singapore cents per ordinary share for the financial year ended 30 June 2019. **(Ordinary Resolution 2)**

3. To approve the payment of Directors' fees of S$136,000 for the financial year ended 30 June 2019. (2018: S$136,000) **(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 Mdm Koh Shwu Lee who is retiring pursuant to Regulation 89 of the Company's Constitution. **(Ordinary Resolution 5)**

   Mdm Koh Shwu Lee will, upon re-election as a Director of the Company, remain as an Executive Director.

6. To re-elect Mr Sim Cheng Huat who is retiring pursuant to Regulation 89 of the Company's Constitution. **(Ordinary Resolution 6)**

   *Mr Sim Cheng Huat will, upon re-election as a Director of the Company, remain as an Independent Non-Executive Director, the Chairman of the Nominating Committee, and a member of the Audit Committee and Remuneration Committee. Mr Sim Cheng Huat is considered independent for the purposes of Rule 704(8) of the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**").*

7. To re-elect Mr Ying Siew Hon, Francis who is retiring pursuant to Regulation 89 of the Company's Constitution. **(Ordinary Resolution 7)**

   Mr Ying Siew Hon, Francis will, upon re-election as a Director of the Company, remain as an Independent Non-Executive Director, the Chairman of the Remuneration Committee, and a member of the Audit Committee and Nominating Committee. Mr Ying Siew Hon, Francis is considered independent for the purposes of Rule 704(8) of the Listing Manual of 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, 14 October 2019

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.

KODA LTD

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

PROXY FORM

IMPORTANT

1. Pursuant to Section 181(1C) of 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 Tuesday, 29 October 2019 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 2019		
2.	To declare the final dividend and the special final dividend		
3.	To approve the payment of Directors' fees of S$136,000 for the financial year ended 30 June 2019		
4.	To re-appoint Deloitte & Touche LLP as the Company's Auditors and to authorise Directors of the Company to fix their remuneration		
5.	To re-elect Mdm Koh Shwu Lee as a Director of the Company		
6.	To re-elect Mr Sim Cheng Huat as a Director of the Company		
7.	To re-elect Mr Ying Siew Hon, Francis as a Director of the Company		
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 ______________ 2019.

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), 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.

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
TAN CHOON SENG	Lead Independent Director
CHAN WAH TIONG	Independent Director
SIM CHENG HUAT	Independent Director
YING SIEW HON, FRANCIS	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 Kenanga 29/4,
Indahpura 81000 Kulaijaya
Johor

COMPANY SECRETARY

GN JONG YUH GWENDOLYN
Date of Appointment
1 November 2013

SHARE REGISTRAR

RHT CORPORATE ADVISORY
PTE LTD
30 Cecil Street
#19-08
Prudential Tower
Singapore 049712

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

DAVID LIM
Group Chief Financial Officer
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