

# ANNUAL REPORT 2015



**K O D A**™ LTD



## Our Vision

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



## Mission Statement

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

**We must** remain design-relevant.

**We must** invest in research & development.

**We must** ensure that our products remain affordable and accessible.

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

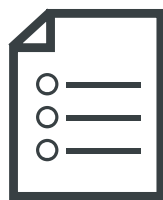
**We must** deliver to our shareholders value and investment comfort.











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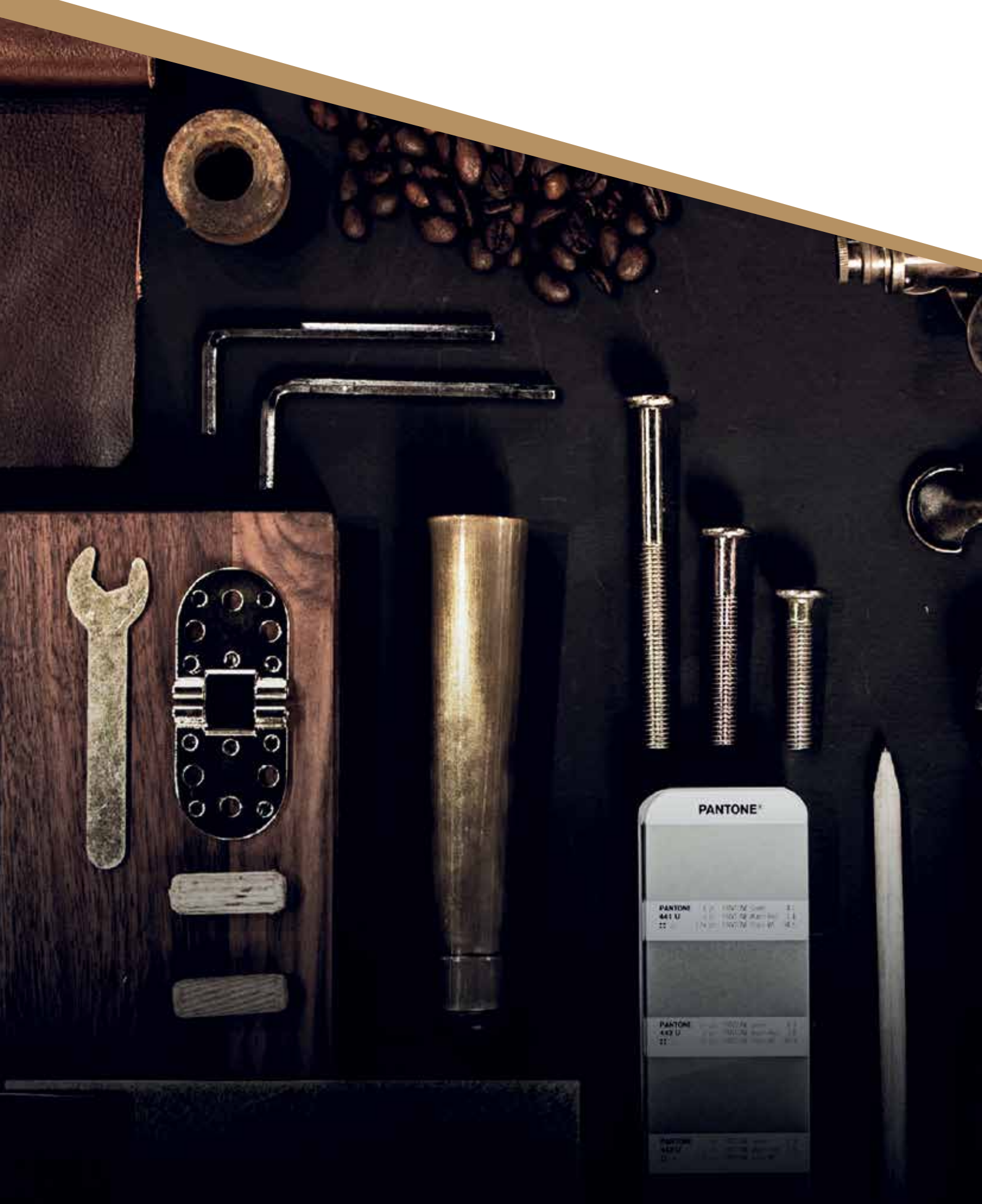
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## About KODA

From our humble beginnings in 1972, Koda has turned into a leading Original Design Manufacturer of furniture.

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

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

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





## **MR. KOH TENG KWEE ("T.K.")**

FOUNDER AND NON-EXECUTIVE CHAIRMAN

T.K., founder of Koda, nurtured the company during its formative years. A visionary with more than 45 years of experience in the furniture industry, T.K. has been providing the group with valuable insight and advising the Group on its growth strategies and design initiatives. He is instrumental in advising us on design trends and the product development process.

T.K. was appointed to the Board in 1980. He is our Non-Executive Chairman. He was a certified craftsman from the City & Guild Advanced Craft Institute (UK) and a Senior Craft Teacher at the Adult Education Board before he founded the company.

T.K. was last re-elected to the Board at the 2014 Annual General Meeting ("AGM").



## **MR. JAMES KOH JYH GANG ("JAMES")**

DEPUTY CHAIRMAN AND MANAGING DIRECTOR

James spearheads the growth strategies for the Group's operations. With significant experience garnered through the initiation of various industry wide projects in Singapore, Vietnam and China, James has been able to successfully formulate our business expansion strategies, strengthen supply chain management, broach new design concepts and manage our international marketing efforts. In addition, he also contributes his technical knowledge by advising our Research & Development ("R&D") as well as production teams on product development and process set-up.

James served as the President of the Singapore Furniture Industries Council ("SFIC") for two terms. In this capacity, he advised the SFIC on matters relating to the development of Singapore's furniture industry. During his illustrious tenures as President, James initiated several industry wide projects that have experienced tremendous success up till today, most notably 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 has been responsible for growing the IFFS as a world class trade show and positioning Singapore as a premier furniture hub for the global market.

James also spearheaded the 3-year Local Enterprise Association Development program, a multi-agency program that aims to partner industry associations to enhance industry and enterprise competitiveness.

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



# Board of Directors



## **MR. ERNIE KOH JYH ENG ("ERNIE")**

EXECUTIVE DIRECTOR, SALES & MARKETING

Ernie manages the Group's Sales and Marketing functions. 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. More specifically, he is in charge of our furniture fairs management, responsible for formulating the Group's marketing strategies for new market penetration and devising of pricing plans.

Ernie is also instrumental in identifying the latest design trends and dealing with changing consumer preferences. Ernie has been with the Group for more than 15 years. During his tenure, he has rapidly expanded Koda's market share, reaching out to more than 160 customers across more than 40 countries throughout the globe.

Ernie was elected as President of the Singapore Furniture Industries Council ("SFIC") in 2012. He is Chairman of International Furniture Fair Singapore Pte Ltd and the SFIC Finance Advisory Committee. He is also Chairman of 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 recently appointed Co-Chairman of the Independent Experts Panel for Furniture Industry by Spring Singapore.

Ernie was appointed to the Board in 2001 and holds a BSc. in Marketing from the University of Oregon (USA) and an MBA in International Marketing from the San Francisco State University (USA). He was last re-elected to the Board at the 2014 AGM.



## **MDM. KOH SHWU LEE ("SHWU LEE")**

EXECUTIVE DIRECTOR, FINANCE & ADMINISTRATION

Shwu Lee manages the Group's administration, finance, logistics, sourcing and human resource functions. She is at the forefront of the Group's administration and plays an integral part in the daily operations that forms the backbone of the organization. In particular, 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. She has recently been tasked to oversee our Malaysia operations where she reviews management accounts and reports, analyses variance reports, manages credit risks, initiates internal control procedures, oversees expansion plans and formulates human resource policies.

Shwu Lee was appointed to the Board in 2001 and holds a BA from the National University of Singapore. She was last re-elected to the Board in the 2013 AGM.



## MR. TEH WING KWAN ("TEH")

### ADVISOR TO THE BOARD

Teh Wing Kwan, appointed Advisor to the Board, specialises in corporate finance, corporate restructuring and merger & acquisition. Mr Teh has had significant experience having been a financial professional advising and investing in companies, family-owned enterprises and regional asset owners with their businesses listed in and preparing to list in Singapore, Hong Kong, Australia, Malaysia, Vietnam and Taiwan.

Mr Teh is currently the Managing Director and Group Chief Executive Officer of Sapphire Corporation Limited (listed on the Main Board of the Singapore Exchange) ("Sapphire"). Under his new strategic direction, Sapphire has undergone a major restructuring exercise and successfully acquired the second largest privately-owned urban rail transit infrastructure group in China as part of his turnaround strategies. Mr Teh is a nominated candidate for the Asia Pacific Entrepreneurship Awards 2015 (Singapore) under the Industrial and Commercial Products Industry.

He is also a non-executive and non-independent director of Singapore eDevelopment Ltd (listed on the Catalist of the Singapore Exchange and previously known as CCM Group Limited) and Asian American Medical Group Limited (listed on the Australian Securities Exchange and previously known as Asian Centre For Liver Diseases And Transplantation Limited). Mr Teh is a sophisticated investor and a Director of BMI Capital Partners Limited (Hong Kong). He was a non-executive and non-independent director of a public company listed on the Hong Kong Stock Exchange and was also previously appointed Audit Committee Chairman and Independent Director of other public companies listed on the Singapore Exchange.

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



## MR. CHAN WAH TIONG ("WAH TIONG")

### INDEPENDENT DIRECTOR

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

Wah Tiong is the General Manager of Vanguard Healthcare Pte Limited, a wholly own subsidiary of MOH Holdings Pte Limited. Prior to this appointment, he ran his own consultancy firm WTC Chan which provided business re-engineering, project management and financial consultancy services for both commercial and social sectors.

He brings extensive and valuable financial and accounting experience to the Group, having served as an External Auditor, Financial Analyst, an Accountant, Finance Director and Financial Controller of several companies (local and multi-national) in manufacturing, trading and construction industries as well as for non-profit sectors.

Wah Tiong was appointed as a Group Independent Director in 2001. He serves on the Management committee (Board) of St Andrew's Nursing Home and Human Resource Committee of St Andrew's Mission Hospital.

A Chartered Accountant with the Institute of Singapore Chartered Accountants, Wah Tiong 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 2014 AGM.

# Board of Directors



## **MR. SIM CHENG HUAT ("SIM")**

### INDEPENDENT DIRECTOR

Sim was appointed as Independent Director of Koda in 2008. He is currently the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee. He has extensive experience in international trade, market development and banking, having served as Commercial Secretary in the Singapore Embassy in New York, Alternate Executive Director of the Asian Development Bank (Manila, Philippines), senior managerial positions at International Enterprise (IE) Singapore, Advisor to the Investment & Promotion Board of the Riau Islands Province, and in private enterprises. Currently, he is a Consultant to Universal Procurement Systems Pte Ltd, an electronic products distributor, retailer and services provider.

Sim holds a Bachelor of Arts degree from New York University. He was last re-elected to the Board at the 2012 AGM.



## **ARIC LOH SIANG KHEE ("ARIC")**

### INDEPENDENT DIRECTOR

Aric was appointed on 8 Sep 2014 as an Independent Director of Koda, Chairman of the Remuneration Committee and member of the Audit Committee and Nominating Committee. Aric spent over 25 years in Deloitte & Touche LLP, Singapore, where he was an audit partner till 2013. He is currently a partner of the accounting firm, Goh Boon Kok & Co. He is also an Independent Director of Tee International Limited.

Aric holds a Bachelor of Accountancy (with 2nd class honors) from the National University of Singapore. He is a member of the Institute of Singapore Chartered Accountants and the American Institute of Certified Public Accountants. He was last re-elected to the Board at the 2014 AGM.



# Management Profile



## JOSHUA KOH ZHU XIAN ("JOSHUA")

### CHIEF FINANCIAL OFFICER

Joshua is responsible for the Group's finance function. More specifically, he is in-charge of financial reporting, budgetary control, internal control, performance measurement and work process improvement. Joshua has also been reviewing and managing the financial aspects of various strategic initiatives which the Group explores and embarks on. Joshua started his career as a financial analyst at Bloomberg LLP and joined the Group in 2008, for the same position, assisting the then Group Chief Financial Officer in reviewing and analyzing potential acquisition opportunities. He is also responsible for implementation of internal control policies and procedures for the Group. In 2010, he also took on an active operational role overseeing our Vietnam operations.

Joshua has been appointed as an Executive Officer and Group Financial Controller in 2012 and has recently been elected to join as a member of the Executive Committee. He was promoted to Chief Financial Officer in 2014 in recognition of the strategic input he has contributed to the Group. He holds a BCom. in Accounting & Finance from The University of Western Australia and an MBA from INSEAD (France/Singapore).



## DARREN TAN KIAN PENG ("DARREN")

### GROUP FINANCIAL CONTROLLER

Darren is responsible for the Group's accounts and finance function. More specifically, he is in-charge of financial reporting and internal control, performance measurement and work process improvement. He prepares annual budgets and variance analyses reports. His professional experience includes but is not limited to audit, taxation, corporate finance and accounting.

Darren has recently been promoted to Group Financial Controller and appointed as an Executive Officer in 2014 in recognition of his significant contribution to the Group.

Prior to joining Koda, he was the Head of Finance of a food & beverage company in China.

Darren is a fellow member of The Association of Chartered Certified Accountants, United Kingdom and a Chartered Accountant with the Malaysian Institute of Accountants.



## WONG SE SUN ("SS WONG")

### MANUFACTURING DIRECTOR

SS Wong joined our group in 2010 as General Manager for our subsidiary Koda Woodcraft Sdn Bhd. An Industrial Engineer by profession, he is in charge of the Malaysian operations and responsible for smooth running of production lines. He also oversees various key operational functions including purchasing, inventories management, factory capacity planning, labor deployment, manufacturing process, quality control and logistics planning. He has significant industrial experience in products re-engineering and new products development.

SS Wong has recently been promoted to Manufacturing Director in 2013 in recognition of his significant contribution to the Group. His work portfolio includes overseeing the Group's manufacturing operations in Malaysia and Vietnam.

Prior to joining Koda, SS Wong was a General Manager with a furniture company in Malaysia. He holds a Bachelor of Science degree 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 Federal Institute of Technology, Malaysia.



## GAN SHEE WEN ("SHEE WEN")

### VICE PRESIDENT, GROUP SALES AND MARKETING

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

His key functions are to build and maintain close ties with clients and to develop products for their specific markets. This involves the process of design research, idea generation, technical development and culminates in the development of marketable products for our international client base.

Shee Wen joined our group in 2005 as a Marketing Executive and through the years, he has demonstrated his capability of strategizing and executing marketing plans to aggressively penetrate and capture new markets to stay ahead of competition.

In recognition of his contribution in the industry, Shee Wen was presented with the Gold award for Outstanding Individual Award category of the Singapore Furniture Industry Awards 2013. He holds a BSc in Business (Honours) from The University of London.

# Management Profile



## 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, Sample and Product Development and Branding. He is also the creative mind behind the Group's exhibitions located in both local and overseas. Julian is the creative force behind the Group's subsidiary company Commune Lifestyle, curating sensory environments in retail spaces and unique shopping experiences for end consumers with a concept of bringing people together.

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



## MR. ERIC ONG KAH MENG ('ERIC')

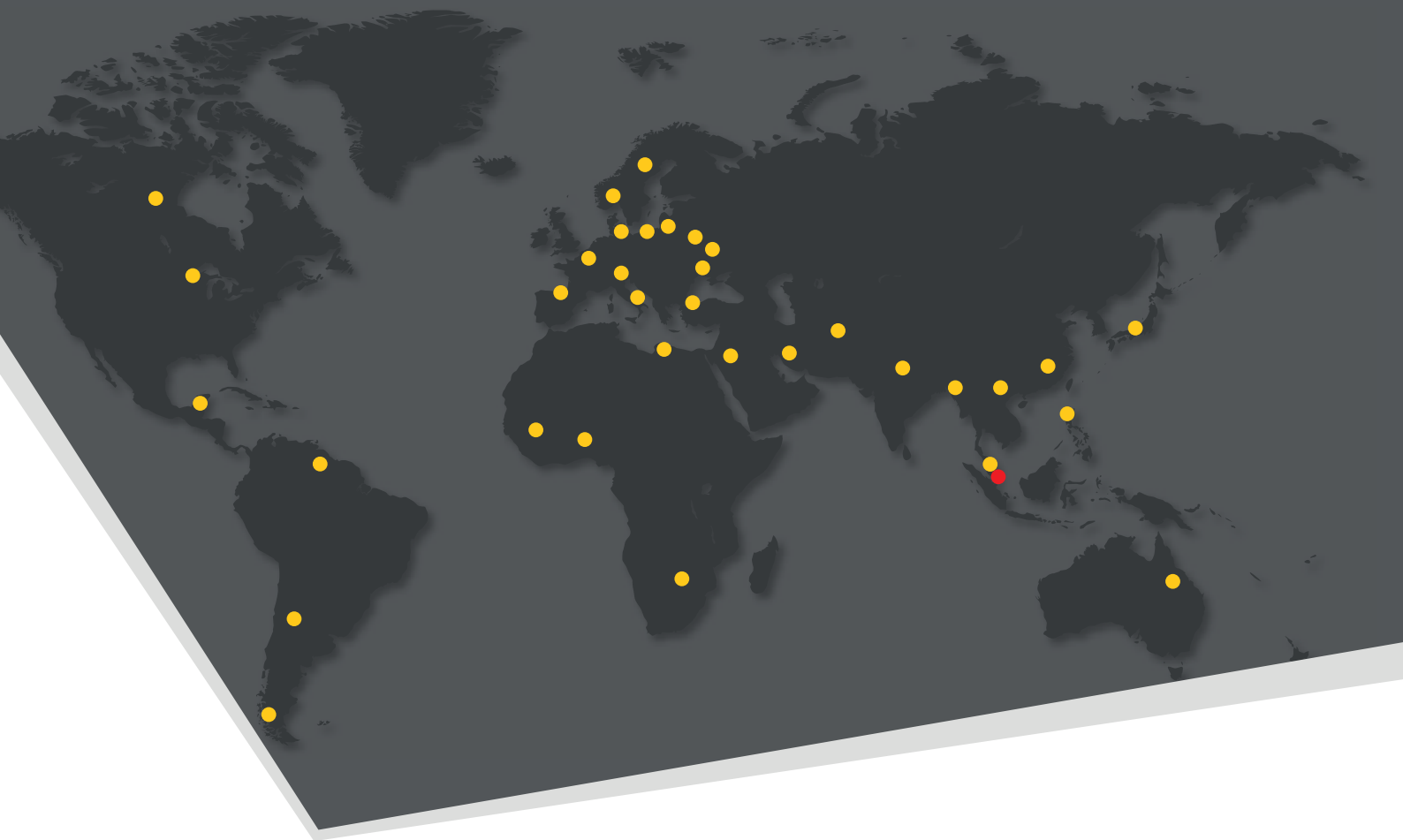
### GENERAL DIRECTOR OF ROSSANO DESIGN CO., LTD

Eric, one of the founders of Rossano, has more than 20 years' regional experience in the furniture industry, specializing in the operation and management of furniture retail business in Singapore, Malaysia and Vietnam.

Eric has been in Vietnam since 1992 and has since successfully developed and launched the Rossano brand. Rossano is a multi-award winning brand in Vietnam – notable awards were the prestigious 2006 Golden Dragon Award, recognizing Rossano as one of the best foreign- invested enterprises as granted by Ministry of Industry Vietnam, Ministry of Construction Vietnam and Saigon Marketing Magazines. Eric received a commendation from the Ho Chi Minh Export Processing and Industrial Zone Authority in 2004 for his contribution to the economic development of Ho Chi Minh City. Eric is responsible for factory operations and retail business development of Rossano.







## Group Presence

Countries we sell to :

### Europe

CZECH REPUBLIC  
DENMARK  
ESTONIA  
FINLAND  
FRANCE  
GERMANY  
GREECE  
IRELAND  
KAZAKHSTAN  
NORWAY  
PORTUGAL  
RUSSIA  
SPAIN  
TURKEY  
UKRAINE  
UNITED KINGDOM

### Pacific

AUSTRALIA  
NEW ZEALAND

### Asia

CAMBODIA  
CHINA  
HONG KONG  
INDIA  
JAPAN  
KOREA  
MALAYSIA  
PHILIPPINES  
SINGAPORE  
TAIWAN  
THAILAND  
VIETNAM

### Americas

CANADA  
CHILE  
COSTA RICA  
GUATEMALA  
MEXICO  
PERU  
U.S.A

### Middle East

ISRAEL  
QATAR  
SAUDI ARABIA  
UNITED ARAB EMIRATES

### Others

SOUTH AFRICA





# Results at a glance

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended June 30

	2015 US\$'000	2014 US\$'000	Change %
<b>REVENUE</b>	<b>47,324</b>	<b>52,323</b>	<b>(9.6)</b>
Cost of sales	(36,036)	(39,954)	(9.8)
<b>GROSS PROFIT</b>	<b>11,288</b>	<b>12,369</b>	<b>(8.7)</b>
Other income	2,235	471	374.5
Distribution costs	(4,341)	(4,474)	(3.0)
Administrative expense	(6,834)	(7,872)	(13.2)
Other expenses	(2,442)	(1,462)	67.0
Share of profit of associate	5	–	NA
Finance costs	(175)	(268)	(34.7)
<b>LOSS BEFORE INCOME TAX</b>	<b>(264)</b>	<b>(1,236)</b>	<b>(78.6)</b>
Income tax	(783)	(476)	64.5
<b>LOSS FOR THE YEAR</b>	<b>(1,047)</b>	<b>(1,712)</b>	<b>(38.8)</b>
Profit (Loss) attributable to:-			
<b>OWNERS OF THE COMPANY</b>	<b>406</b>	<b>(1,237)</b>	<b>NM</b>
Non-controlling interests	(1,453)	(475)	205.9
	<b>(1,047)</b>	<b>(1,712)</b>	<b>(38.8)</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>			
Total comprehensive (loss) income attributable to:			
- Owners of the Company	<b>(767)</b>	<b>(523)</b>	<b>46.7</b>
- Non-controlling interest	(1,425)	(454)	213.9
	<b>(2,192)</b>	<b>(977)</b>	

### REVENUE

Fell by US\$5.0 million – due mainly to

- lower export sales to the Asia pacific region (particularly to Australia) as the weakening of the AU dollar against the US dollar affected demand in Australia
- lower retail sales in China and Vietnam despite higher retail sales in Singapore.

### GROSS PROFIT

Fell by US\$1.1 million due to lower revenues. Gross margin remained relatively unchanged at 23.9% despite lower retail sales as a result of

- lower unit production costs from our operations in Malaysia and Vietnam (due to higher operational efficiencies and good cost control)
- higher retail sales in Singapore which were higher in margins

### OTHER INCOME

Rose by US\$1.8 million – due mainly to

- gain on disposal of our land and buildings in Vietnam
- foreign exchange gains arising from the strong US\$ against the RM

### DISTRIBUTION COSTS

Fell by US\$0.13 million – due mainly to our efforts to further streamline Rossano's loss making retail operations in Vietnam thereby reducing fixed operational overheads.

### ADMINISTRATIVE EXPENSES

Fell by US\$1.0 million – due mainly to our operational restructuring efforts to

- consolidate the Group's manufacturing capacity (we shut down a factory in China in 2014)
- streamline our retail operations in Vietnam

### OTHER EXPENSES

Rose by US\$0.98 million – due mainly to non-recurring losses from the major operational restructuring of Metrolink, which comprised of

- provision of obsolete stocks and slow moving stocks
- loss on the deemed disposal of our equity interest in Metrolink (our equity interest fell from 51% to 10%)
- impairment of intangible assets (brand names held by Metrolink)
- impairment of property, plant and equipment due to lower value-in-use of these operating assets

### FINANCE COSTS

Fell by US\$0.1 million – due mainly to lower borrowings

### INCOME TAX

Rose by US\$0.31 million – due mainly to capital gains tax on disposal of the Land and Buildings in Vietnam

### OWNERS OF THE COMPANY

As a result of the above, we realized a net profit of US\$0.41 million for the financial year ended 2015.





# Results at a glance

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30

	Group	
ASSETS	2015 US\$'000	2014 US\$'000
<b>CURRENT ASSETS</b>		
Cash and bank balances	3,133	2,050
Trade Receivables	3,571	4,014
Other receivables	2,757	2,562
Inventories	7,348	15,858
	16,809	24,484
Assets classified as held for sale	2,510	–
<b>TOTAL CURRENT ASSETS</b>	<b>19,319</b>	<b>24,484</b>
<b>NON-CURRENT ASSETS</b>		
Investment in associate	10	–
Available-for-sale investments	6	–
Goodwill	–	758
Club memberships	209	211
Property, plant and equipment	11,599	13,566
Investment properties	934	2,800
Intangibles assets	–	230
Deferred tax assets	21	377
<b>TOTAL NON-CURRENT ASSETS</b>	<b>12,779</b>	<b>17,942</b>
<b>TOTAL ASSETS</b>	<b>32,098</b>	<b>42,426</b>

### CURRENT ASSETS

#### Cash and Bank Balances

We had US\$3.1 million cash as at 30 June 2015. Cash balance increased – due mainly to

- positive operating cash flows
- lower working capital investment
- proceeds from disposal of Land and Buildings in Vietnam

#### Trade Receivables

- Fell by US\$0.44 million due mainly to lower revenues
- Trade receivables turnover remains manageable at 27 days

#### Other Receivables

Rose by US\$0.2 million due mainly to higher receivables from related parties offset by lower deposits and prepayments made to vendors.

#### Inventories

Fell by US\$8.5 million due mainly to –

- a reduction in raw material, WIP and finished goods stock for our operations in Malaysia and Vietnam given a more efficient supply chain
- deconsolidation of Metrolink's inventories from the Group's consolidated accounts following our disposal of our investment in Metrolink
- reclassification of Rossano's inventories to assets held for sale

#### Assets Classified as Held for Sale

Rose by US\$2.5 million and comprises of

- investment properties in Vietnam of US\$1.8 million
- Rossano's total assets of US\$0.71 million given management's intentions to dispose of these assets in the next 12 months

### NON-CURRENT ASSETS

#### Available-for-Sale Investments

Represents the Group's remaining stake of 10% in Metrolink

#### Goodwill

Fell by US\$0.76 million due to the disposal of our investment in Metrolink

#### Property, Plant and Equipment

Fell by US\$2.0 million due mainly to –

- disposal of our land and buildings in Vietnam
- deconsolidation of Metrolink's assets from the Group's consolidated accounts

#### Investment Properties

Fell by US\$1.9 million due mainly to reclassification of investment property in Vietnam as Assets Classified as Held for Sale given management's intentions to dispose of these assets in the next 12 months

#### Intangible Assets

Fell by US\$0.23 million due mainly to the impairment and write off of brand names held by Metrolink following the Group's disposal of its investment in Metrolink.



## Results at a glance

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Bills payables	2,326	6,960
Trade payables	2,384	4,178
Other payables	2,635	4,725
Current portion of obligations under finance leases	93	64
Current portion of bank loans and overdrafts	604	838
Income tax payable	212	130
	<b>8,254</b>	<b>16,895</b>
Liabilities directly associated with assets classified as held for sale	1,261	–
<b>TOTAL CURRENT LIABILITIES</b>	<b>9,515</b>	<b>16,895</b>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	449	688
Non-current portion of bank loans	306	639
Obligations under finance leases	140	68
Other payables	–	693
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>895</b>	<b>2,088</b>
<b>CAPITAL, RESERVES AND NON-CONTROLLING INTERESTS</b>		
Share capital	4,312	4,312
Capital reserves	5,373	5,047
Currency translation reserve	(1,121)	378
Accumulated profits	13,340	12,934
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<b>21,904</b>	<b>22,671</b>
Non-controlling interests	(216)	772
<b>TOTAL EQUITY</b>	<b>21,688</b>	<b>23,443</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>32,098</b>	<b>42,426</b>

#### CURRENT LIABILITIES

##### Bills payable

Fell by US\$4.6 million due mainly to lower working capital borrowings and loans repayment.

##### Trade Payables

Fell by US\$1.8 million – due mainly to

- deconsolidation of Metrolink's liabilities
- reclassification of Rossano's liabilities to Liabilities directly associated with assets classified as held for sale
- earlier repayments to suppliers

##### Other Payables

Fell by US\$2.1 million – due mainly to

- deconsolidation of Metrolink's liabilities
- reclassification of Rossano's liabilities

##### Obligations under Finance Leases and Current portion of Bank Loans and Overdrafts

Fell by US\$0.21 million due mainly to repayments.

##### Liabilities Directly Associated with Assets Classified as Held for Sale

Rose by US\$1.3 million due to reclassification of Rossano's liabilities

#### NON-CURRENT LIABILITIES

##### Other Payables

Fell by US\$0.69 million due to the capitalization of amounts owing to the directors of Metrolink as part of the Metrolink disposal consideration.

#### CAPITAL, RESERVES AND NON-CONTROLLING INTERESTS

##### Capital Reserves

Rose by US\$0.33 million due to revaluation gains for our properties in Malaysia. (Note: This was not recognized as current year gain but recorded as an increase in capital reserve)

##### Currency Translation Reserve

Fell by US\$1.5 million due mainly to lower RM denominated assets when expressed in US\$ terms

##### Equity Attributable To Owners Of The Company

Fell by US\$0.77 million. This was due to the decrease in currency translation reserve, offset by an increase in capital reserves due to revaluation gains and increase in accumulated profits from current year profits

##### Non-Controlling Interests

These represent the 30% share of net liabilities by the minority shareholder of Rossano.

# Group Structure

## KODA LTD Singapore

100%	Koda Woodcraft Sdn Bhd <b>Malaysia</b>
100%	Jatat Furniture Industries Sdn Bhd <b>Malaysia</b>
100%	Koda Furniture (Dongguan) Co. Ltd ("Koda Dongguan") <b>China</b>
100%	Koda Vietnam Co., Ltd <b>Vietnam</b>
100%	Koda International Ltd <b>Vietnam</b>
100%	Koda Indochine Company Ltd <b>Vietnam</b>
100%	Koda Saigon Company Ltd <b>Vietnam</b>
70%	Richin Furniture Décor Pte Ltd ("Richin") <b>Singapore</b>
50%	Rossano Joint Stock Company <b>Vietnam</b> (Koda Ltd owns 35% of Rossano)
10%	Metrolink International Limited ("Metrolink") <b>Hong Kong</b>
100%	Locasa Sofa Ltd <b>China</b>
100%	P.T C&C Furniture <b>Indonesia</b>
100%	Commune Lifestyle Pte Ltd ("Commune") <b>Singapore</b>
100%	Commune Lifestyle Sdn Bhd ("CLSB") <b>Malaysia</b>
100%	Commune (Dongguan) Trading Co Ltd ("CDTCL") <b>China</b>
19.9%	Commune Furniture (M) Sdn Bhd ("CFSB") <b>Malaysia</b>



A photograph of Koh Teng Kwee, the Non-Executive Chairman, sitting in a chair. He is wearing a brown suit, a white shirt, and a patterned tie. He has his hands clasped in front of him. The background is a blurred indoor setting with warm lighting.

## Chairman's Statement

### Dear Stakeholders,

Last year, we did many restructuring works for our operations and these works were done for only one important reason – those businesses that could not make monies must be out of the Group without further delay. Sadly, Rossano Vietnam and Metrolink China could not turnaround, mainly because of the weak market conditions and higher cost factors. My management and I knew it very well that we need to cut losses at that stage and we decided not to pump in more capital. At last, we exit the retail market in Vietnam and we moved factories out of China. Furniture manufacturers in China had generally faced common problems – costs are getting higher and it is not so easy to get skilled workers too.

It was good that our sales did not fall as much as I thought during the challenging year. Our customers were cautious and market demand was uncertain. In any case, cost saving from the restructuring plans and cost control in the factories helped us to keep gross margin healthy – I also noticed that bulk of our profits came from our Malaysia and Vietnam factories, which have since become more efficient.

I am also well aware that our business managed to generate higher amount of cash inflows meaning that our operations

made more monies than the accounting profits. This was because of the 'paper loss', which we recorded from the restructuring exercise. In the mean time, we had also paid down short-term loans faster after cutting down working capital investments.

We have managed your monies very carefully and in many ways, the management has done well. We did not lose monies for you – even though we need improvement. We received more cash from operations. We have improved our operating asset quality too. My grandsons are now very involved in the business. They are passionate and energetic and have been helping to execute business plans well. Meanwhile, we have more 'stand-by' resources now to expand our business when the time is right. We have also proposed to pay all shareholders a small cash dividend.

Thank you for your support.

**Koh Teng Kwee**

Non-Executive Chairman



## Managing Director's Statement

### Dear Stakeholders,

This year has been eventful for the Group and there had been strenuous efforts in our streamlining exercise. Operationally, we scaled back production capacity in China and exited the weak retail market in Vietnam. Financially, we reported a net profit for FY2015, reversing from a net loss a year ago. Notably, we generated significantly higher operating cash flows and paid down substantial amount of bank loans. Given so, our organization is now simpler in reporting structure and nimble in decision-making, which is extremely important in this dynamic business environment.

### OVERVIEW

It has not been easy for many furniture players in Asia over the last few years. The furniture industry is labor-intensive and obviously, cost-sensitive. While operating costs (particularly, labor cost) are getting increasingly higher, demand from international markets remains uncertain. Many smaller scale factories in China have since closed down. Many larger scale factories are still struggling with lack of orders and increase in costs.

During the year under review, we have made certain major strategic decisions, which were of commercial relevance. More specifically,

- We consolidated production capacity and moved production out of China;

- We reduced our business and financial exposure in the loss-making Metrolink;
- We closed loss-making Rossano's showrooms and finally, exited the retail market in Vietnam;
- We consolidated our capacity in Vietnam and sold some 'old' factories there for cash;
- We expanded factories in Malaysia with investments in new equipment;
- We expanded our products range for the Commune brand.

As a result of these strategic moves

- Output per factory increased and efficiency has improved;
- Average direct production costs for the Group are now lower;
- We have since become a minority shareholder of Metrolink (we own just 10% now);
- We have increased the product development budget for Commune; and
- We will roll out Commune's business model regionally.

As a result of the above, we reported a Net Profit of US\$0.41 million (after accounting for non-cash losses of US\$2.1m) for FY2015, reversing from a net loss of US\$1.2m in FY2014. During the year, we also generated significant operating cash flows of US\$6.4 million.



# Managing Director's Statement

## FINANCIAL PERFORMANCE

Summarized profit and loss account

Year ended June 30

US\$'000	2015	2014	2013	2012	2011
Revenue	47,324	52,323	50,499	47,121	39,950
Gross profit	11,288	12,369	14,616	11,871	10,117
(Loss) Profit before income tax	(264)	(1,236)	545	(2,411)	(3,340)
Income tax (expense) credit – current year	(803)	(385)	(120)	(82)	123
Net (loss) profit after current year tax expense	(1,067)	(1,621)	425	(2,493)	(3,217)
Income tax – prior year	20	(91)	(53)	(179)	65
(Loss) Profit for the year	(1,047)	(1,712)	372	(2,672)	(3,152)

### Attributable to:

<b>Owners of the Company</b>	<b>406</b>	<b>(1,237)</b>	<b>569</b>	<b>(2,634)</b>	<b>(2,935)</b>
Non-controlling interests	(1,453)	(475)	(197)	(38)	217
	(1,047)	(1,712)	372	(2,672)	(3,152)
Earnings (Loss) per share (US cents)	0.30	(0.91)	0.42	(1.93)	(2.2)
Gross Margin %	23.9	23.6	28.9	25.2	25.3
Net Margin %	0.9	-	1.1	-	-

US\$'000	30-Jun-15	%	30-Jun-14	%	Change
United Kingdom	1,629	3.4	1,695	3.2	(66)
Europe	4,477	9.5	4,214	8.1	263
North America	20,724	43.8	21,976	42.0	(1,252)
Asia-Pacific	18,991	40.1	22,368	42.8	(3,377)
Others	1,503*	3.2	2,070*	3.9	(567)
<b>Total Revenues</b>	<b>47,324</b>	<b>100.0</b>	<b>52,323</b>	<b>100.0</b>	<b>(4,999)</b>

\* mainly Middle East

## FINANCIAL PERFORMANCE

Revenues fell by US\$5.0 million to US\$47.3 million for FY2015.

Generally, sales to Europe has seen a slight recovery and the market had somewhat stabilized. Sales to Australia fell as the strengthening of the US dollar against the AU dollar meant that it has become more expensive for customers in Australia to buy from us. Retail sales in China and Vietnam (Metrolink and Rossano's products for their local markets)

remained weak. On the contrary and on a positive note, our in-house brand did well, with retail sales in Singapore and the number of dealerships around the region increasing during the year.

Gross Profit fell by US\$1.1 million to US\$11.3 million on the back of lower revenues. Despite that, we managed to maintain our gross margins at 23.9% for FY2015, which meant our costs were lower, efficiencies were higher and margins for some other business segments (ie Singapore's retail) had improved.





# Managing Director's Statement

Selling and distribution costs fell by US\$0.1 million to US\$4.3 million following the further streamlining of Rossano's loss-making retail operations in Vietnam. Administrative expense fell by US\$1.0 million to US\$6.8 million following our streamlining exercise in China and Vietnam. Finance cost fell US\$0.1 million to US\$0.18 million as we did not borrow much for our working capital given the improved supply chain.

Other operating income rose by US\$1.8 million in US\$2.2 million due mainly to the gains realized on disposal of land and buildings in Vietnam.

Other operating expenses rose by US\$0.98 million to

US\$2.4 million due mainly to non-recurring losses from the major operational restructuring of Metrolink. There were provisions of US\$0.97 million made for obsolete and slow-moving stocks, an impairment of US\$0.20 million made for intangible assets (brand names held by Metrolink) and an impairment of US\$0.35 million on property, plant and equipment reflecting lower value-in-use of these operating assets. We also incurred a loss of US\$0.53 million on the deemed disposal of our equity interest in Metrolink (our equity interest fell from 51% to 10%).

Income tax expense rose by US\$0.31 million due mainly to the capital gains taxes on disposal of the land and buildings in Vietnam.

## FINANCIAL POSITION

Summarized balance sheet

As at June 30

US\$'000	2015	2014	2013	2012	2011
Property, plant and equipment	11,599	13,566	13,615	14,936	14,215
Investment Properties	934	2,800	2,800	2,391	686
Other investments and assets	246	818	920	715	707
Goodwill	-	758	1,206	1,206	728
<b>Total non-current assets</b>	<b>12,779</b>	<b>17,942</b>	<b>18,541</b>	<b>19,248</b>	<b>16,336</b>
Current assets	19,319	24,484	26,323	25,168	21,563
Current liabilities	(9,515)	(16,895)	(19,451)	(19,450)	(13,642)
<b>Net current assets (liabilities)</b>	<b>9,804</b>	<b>7,589</b>	<b>6,872</b>	<b>5,718</b>	<b>7,921</b>
<b>Total non-current liabilities</b>	<b>(895)</b>	<b>(2,088)</b>	<b>(993)</b>	<b>(1,003)</b>	<b>(235)</b>
Non-controlling interests	(216)	772	1,226	1,382	(538)
<b>Equity attributable to shareholders</b>	<b>21,904</b>	<b>22,671</b>	<b>23,194</b>	<b>22,581</b>	<b>23,484</b>
Net assets value per share (US cents)	16.0	16.6	16.9	16.5	17.6
Other key ratios					
Inventory turnover – average (days)	74	145	179	169	140
Trade receivables turnover (days)	27	28	29	24	26
Quick ratio (times)*	1.2	0.5	0.4	0.4	0.7
Current ratio (times)*	2.0	1.4	1.3	1.2	1.6
Gearing (times)	0.16	0.38	0.42	0.48	0.37
Return on equity (%)	1.9	-	2.5	-	-

\* Non-current portion of 'callable' long-term loan had been included as current liabilities in computing the quick ratio and current ratio for FY2012 and FY2013. The long-term loan has since been reclassified under non-current liabilities as it is no longer "callable".



# Managing Director's Statement

The overall financial position has improved – specifically, our working capital position, asset return ratios and leverage position. Our Assets-to-Liabilities ratio improved to 3.1 times as at 30 June 2015 compared to 2.2 times last year, meaning that for every dollar of liability, we have US\$3.1 worth of assets to support. We have also strengthened our balance sheet by reducing our gearing ratio to just 0.16 compared to 0.38 times last year. The lower gearing position has to a larger extent reduced our financial risks.

## ASSETS

Current Assets fell by US\$5.2m million to US\$19.3 million as at 30 June 2015. Significant movements in current assets were as follows:

- Cash and bank balances increased by US\$1.1 million due mainly to the positive operating cash flows, lower working capital investments given an improved supply chain and proceeds from the disposal of our land and buildings in Vietnam.
- Trade receivables fell by US\$0.44 million due mainly to lower revenues. Trade receivables turnover remains manageable at 27 days.
- Inventories fell by US\$8.5 million. Our raw material, WIP and finished goods for the Group's production fell by US\$3.4 million given our improved supply chain, thereby improving stock turnaround time. As a result of our dilution of interest in Metrolink, we had also deconsolidated US\$2.3 million of inventories from the Group's accounts. Following our intention to dispose of our investment in Rossano in the next 12 months, we had also reclassified US\$0.42 million of Rossano's inventories to assets held for sale ("AHS").
- Assets classified as held for sale rose to US\$2.5 million which comprised of investment properties in Vietnam of US\$1.8 million and Rossano's total assets of US\$0.71 million, given our strategic decision to sell these assets in the next 12 months.

Non-current assets fell by US\$5.2 million to US\$12.8 million after accounting for disposal of our land and buildings in Vietnam, reclassification of investment property in Vietnam to AHS and deconsolidation of Metrolink's assets from the Group's consolidated accounts.

## LIABILITIES

Current Liabilities fell by US\$7.4 million to US\$9.5 million as at 30 June 2015. Significant movements in current liabilities were as follows:

- Bills payable fell by US\$4.6 million due to lower working capital borrowings and continual loans repayment.
- Trade payables fell by US\$1.8 million due mainly to the deconsolidation of Metrolink's liabilities from the Group's accounts, reclassification of Rossano's liabilities to Liabilities directly associated with AHS and partly also due to earlier supplier payments.
- Other payables fell by US\$2.1 million due mainly to the deconsolidation of Metrolink's liabilities and reclassification of Rossano's liabilities to Liabilities directly associated with AHS.
- Liabilities directly associated with AHS correspondingly increased to US\$1.3 million, representing the total liabilities of Rossano on such reclassification.

Non-current liabilities fell by US\$1.2 million to US\$0.90 million due mainly to the capitalization of amounts owing to the minority shareholders of Metrolink and repayment of loans.

## EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

Net asset or Equity attributable to owners of the company fell by US\$0.77 million to US\$21.9 million as at 30 June 2015 due mainly to a lower currency translation reserve offset by current year profits and revaluation gains from our properties in Malaysia. Our currency translation reserves fell by US\$1.5 million due mainly to lower Ringgit Malaysia ('RM')-denominated assets when expressed in US\$ terms, as a result of the RM weakening against the US\$ during the period under review.

Net Asset per share fell by 0.6 cents to US 16.0 cents (or about S 21.6 cents) as at 30 June 2015, which is substantially higher than our current share price.

## NON-CONTROLLING INTEREST

Non-controlling interests of US\$(0.22) million represent the share of net liabilities of Rossano's other shareholder, who owns 30% of Rossano.



# Managing Director's Statement

## CASH FLOWS

Summarized cash flows statement

For the year ended June 30

US\$'000	2015	2014	2013	2012	2011
Operating cash flow before movements in working capital	2,861	1,545	2,143	(1,688)	68
Net cash from (used in) operating activities	6,356	1,646	199	(1,969)	(2,200)
Net cash from (used in) investing activities	181	(147)	777	(1,034)	(1,545)
Net cash (used in) from financing activities	(5,035)	(1,489)	(1,133)	2,029	3,540
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,502</b>	<b>10</b>	<b>(157)</b>	<b>(974)</b>	<b>(205)</b>
Cash and cash equivalents at beginning of year	1,545	1,534	1,878	3,154	3,410
Effects of foreign exchange translation	(114)	1	(187)	(302)	(51)
<b>Cash and cash equivalents at end of year</b>	<b>2,933</b>	<b>1,545</b>	<b>1,534</b>	<b>1,878</b>	<b>3,154</b>

## CASH FLOWS

Net cash from operating activities was US\$6.4 million for FY2015 after accounting a cash profit of US\$2.9 million, reduction in working capital investment of US\$4.2 million, total interest payments of US\$0.18 million and income tax payments of US\$0.59 million.

Net cash from investing activities was US\$0.18 million comprising of mainly the proceeds from the disposal of our land and buildings in Vietnam and other fixed assets, offset by investment in equipment and disposal of Metrolink.

Net cash used in financing activities was US\$5.0 million due mainly to loan repayments. Given these, net cash and cash equivalents rose by US\$1.4 million to US\$2.9 million (net of bank overdraft of US\$0.27 million) as at 30 June 2015.

## GOING FORWARD

The world economic outlook has just run into a wall of alarming news – the talks of economic slow-down in China, the uncertainty of interest rate hikes in the US and the weaker currencies in the region. We have probably heard a lot more pessimism these days and generally, these add pressing concerns to many consumer-related industries and our industry is not immune.

Whilst there are signs of these market weaknesses, our efforts to streamline operations and rationalise resources in China and Vietnam helped to cap losses and improve cash flows. Our decisions to consolidate capacity helped to

increase output per factory and improve our supply chain. After all, I believe we have fared better than many of the regional players given our focused operational strategies, improved factories efficiency, intensified R&D efforts, good product mix and good cost control. In these aspects, I have been emphasizing the importance of implementing consistent policies and having seamless execution plans from my management. I appreciate that my management team has been very supportive.

More so, our succession plans to have professionally trained family members in finance, marketing, branding and design are effective. The younger team is efficient and dynamic with compelling ambitions. They are managing and running a brisk business. We meet very often to discuss operational issues, strategic directions and business models. They are now more involved, not only in our business but have also been enthusiastic about the furniture industry.

As always, I need to thank my shareholders, bankers, management team and associates for your support. The Board is also pleased to propose a final dividend of S\$0.002 for each share you own – dividend payment is subject to your approval in the upcoming AGM.

I look forward to seeing you soon.

**James Koh Jyh Gang**

Managing Director & Deputy Chairman





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# Report on Corporate Governance

The Board of Directors and Management are committed to maintaining a high level of corporate governance. Accordingly it has set in place corporate governance practices to provide the structure through which the objectives of protection of shareholders' interests and enhancement of long term shareholder value are met and by complying with the principles and guidelines of the Singapore Code of Corporate Governance 2012 issued on 2 May 2012 (the "**Code**") by the Monetary Authority of Singapore. The Code took effect for companies in respect of annual reports relating to financial years commencing on or after 1 November 2012.

This report outlines the Company's corporate governance practices with specific reference made to the Code.

## 1. THE BOARD'S CONDUCT OF ITS AFFAIRS

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

The principal functions of the Board are:

- a. protecting the assets and enhancing the long term value of the Company for shareholders;
- b. charting the corporate strategy and direction of the Group, including but not limited to approval of broad policies, strategies and financial objectives of the Group;
- c. supervision and monitoring of the Group's management;
- d. together with the help of the Audit Committee, overseeing the processes for evaluating the adequacy of internal controls, management controls, risk management, financial reporting and compliance;
- e. the approval of annual budgets, proposals for acquisitions, investments and disposals;
- f. the approval of nominations to the Board and appointment of key personnel;
- g. the review of corporate governance practices;
- h. identifying the key stakeholder groups of the Company; and
- i. considering corporate responsibility issues including sustainability issues.

# Report on Corporate Governance

During the previous financial year, in addition to the Audit Committee, Nominating Committee and Remuneration Committee, an Executive Committee was 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 Meetings and circulation of Board resolutions, without compromising our corporate objectives or adversely affecting the day to day operations of the Company. The Executive Committee comprises Mr James Koh Jyh Gang, Mr Koh Jyh Eng, Mdm Koh Shwu Lee, Mr Teh Wing Kwan and Mr Joshua Koh Zhu Xian. With effect from 8 September 2014, the Board has resolved to separate the functions of the previous Nominating and Remuneration Committee into the Nominating Committee and the Remuneration Committee. Details of the Audit Committee, Nominating Committee and Remuneration Committee are set out below in this Report. The Board has delegated authority to the Board Committees of the Company without abdicating its responsibility.

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

- a. the review of the annual budget and the performance of the Group;
- b. review of key activities and business strategies;
- c. approval of the corporate strategy and direction of the Group;
- d. approval of transactions involving a conflict of interest for a substantial shareholder or a Director or interested person transactions;
- e. material acquisitions and disposals;
- f. acceptances of bank facilities;
- g. corporate or financial restructuring and share issuances;
- h. declaration of dividends and other returns to shareholders;
- i. appointment of new Directors; and
- j. appointment and removal of the company secretary.

The Company's Articles of Association provide for Board meetings to be conducted by means of telephone conference or by means of similar communication equipment.

Mr Aric Loh Siang Khoo was appointed to the Board as an independent non-executive Director on 8 September 2014.



# Report on Corporate Governance

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 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 visits to the yards and to meet with the management so as to gain a better understanding of the Group's business operations. Where appropriate, the Company will also provide training to first-time directors of listed companies in areas such as accounting, legal and industry-specific knowledge. To keep pace with regulatory changes, the Directors' own initiatives are supplemented from time to time with information, updates and sponsored seminars conducted by external professionals, including any changes in legislation and financial reporting standards, government policies and regulations and guidelines from SGX-ST that affect the Company and/or the Directors in discharging their duties. The Directors are informed of developments relevant to the Group, including changes in laws, regulations and risks that may impact the Group. Directors are also informed of 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 SGX-ST that affect the Group and/or the Directors in discharging their duties, at the Company's expense.

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

## 2. BOARD'S COMPOSITION AND GUIDANCE

The Board comprises six Directors, three of whom are independent non-executive Directors, namely, Mr Chan Wah Tiong, Mr Sim Cheng Huat and Mr Aric Loh Siang Khee. The independent non-executive Directors make up more than one-third of the Board and provide an 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.

The Board, taking into account the views of the Nominating Committee (with effect from 8 September 2014, and prior to that, the Nominating and Remuneration 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:

- a. has no relationship with the Company, its related corporations, any person who has an interest or interests in one more voting shares (excluding treasury shares) 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) 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;
- b. is independent in character and judgment; and
- c. is not in any relationship or circumstances which are likely to affect, or could appear to affect, the director's judgment.

# Report on Corporate Governance

The Board and the Nominating Committee are of the view 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 the Board's current size, taking into account the scope and nature of the operations of the Company and the requirements of the Company's business, is appropriate for facilitating effective decision making. The Board is aware that Guideline 2.2 of the Code recommends that independent directors make up at least half of the Board in certain circumstances. For good corporate governance, the Nominating Committee (and prior to 8 September 2014, the Nominating and Remuneration 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). On 8 September 2014, Mr Aric Loh Siang Khee was appointed to the Board as an independent non-executive Director, the chairman of the Remuneration Committee, and a member of the Audit Committee and the Nominating Committee. As the Group's activities continue to grow, the Nominating Committee will continuously review the composition and size of the Board to ensure that it has the necessary competence and a strong and independent element for effective decision making.

The independent non-executive Directors are encouraged to communicate among themselves with the Company's auditors and/or senior management. The non-executive Directors meet among themselves and with the auditors and the legal advisors of the Group without the presence of the executive Directors and management at least once a year.

The Nominating Committee believes that, notwithstanding that independent non-executive Directors comprise more than one-third but less than half of the Board, the Board and its Board Committees have a good balance of Directors who have extensive business, financial, accounting, marketing and management experience. Profiles of the Directors are set out on pages 6 to 9 of this Annual Report. Where appropriate, the Nominating Committee and the Board will continue to search actively for suitable candidates for appointment to the Board as independent non-executive Director(s).

### 3. CHAIRMAN AND MANAGING DIRECTOR

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 organization is exceptionally important to the Group.

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

- a. 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;
- b. prepare meeting agenda in consultation with the Managing Director thereby ensuring the Managing Director covers all aspects of the business the Chairman believes is important;
- c. in consultation with the Managing Director, exercise control over quality, quantity and timeliness of the flow of information within the Board and between Management and the Board; and
- d. assist in ensuring compliance with the Group's guidelines on corporate governance.

# Report on Corporate Governance

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

- meets with Management regularly including separate, frank and detailed meetings with the Chief Financial Officer and Group Financial Controller;
- meets with the external auditors, internal auditors and the Company's legal advisors independently and 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 the Shareholders have concerns or issues which communication with our Chairman, our Managing Director or our Chief Financial Officer is inappropriate or where such communication has failed to resolve the concerns or issues raised.

The Board conducts regular scheduled meetings and ad-hoc Board meetings are convened when warranted by circumstances relating to matters that are material to the Group. The Board meets at least four times a year. Telephonic attendance and video conferencing at Board meetings are allowed under the Company's articles of association. The number of meetings held and the attendance of each Director and member of Executive Committee at every Board, board committee and Executive Committee meetings during the financial year ended 30 June 2015 are as follows:

Name	Board		Audit Committee		Nominating Committee^		Remuneration Committee^		Executive Committee	
	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	NA	NA	NA	NA	NA	NA	NA	NA
James Koh Jyh Gang	4	4	NA	NA	NA	NA	NA	NA	6	6
Koh Jyh Eng	4	3	NA	NA	NA	NA	NA	NA	6	6
Koh Shwu Lee	4	4	NA	NA	NA	NA	NA	NA	6	6
Sim Cheng Huat	4	4	4	4	1	1	3	3	NA	NA
Chan Wah Tiong	4	4	4	4	1	1	3	3	NA	NA
Aric Loh Siang Khoo <sup>#</sup>	4	3	4	3	1	NA	3	2	NA	NA

**Note:**

<sup>#</sup> Mr Aric Loh Siang Khoo was appointed to the Board of Directors on 8 September 2014. He was appointed as the Chairman of the Remuneration Committee, and a member of the Audit Committee and the Nominating Committee with effect from 8 September 2014.

<sup>^</sup> The functions of the previous Nominating and Remuneration Committee have been separated into the Nominating Committee and the Remuneration Committee with effect from 8 September 2014.

Besides the formal Board meetings, the Directors also speak on specific subjects. During the year, the Directors consulted one another several times with respect to the Group's business plans.

# Report on Corporate Governance

## 4. BOARD MEMBERSHIP

The functions of the previous Nominating and Remuneration Committee have been separated into the Nominating Committee and the Remuneration Committee with effect from 8 September 2014. The Nominating Committee comprises three members, all of whom are independent non-executive Directors. The Nominating Committee is chaired by Mr Sim Cheng Huat and has as its members, Mr Chan Wah Tiong and Mr Aric Loh Siang Khee.

The Nominating Committee met when necessary to discuss issues of Board appointments.

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

- a. reviewing and assessing candidates for directorships (including executive directorships) before making recommendations to the Board for the appointment of a Director;
- b. recommending to the Board in respect of its review of Board succession plans for Directors, training and professional development programs for the Board and the process for evaluation of the performance of the Board, its Board committees and Directors;
- c. re-nominating Directors for re-election in accordance with the Articles of Association of the Company at each annual general meeting of the Company;
- d. determining annually, the independence of Directors;
- e. deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director, taking into consideration the number of his listed company board representations and other principal commitments;
- f. deciding the assessment process and implementing a set of objective performance criteria for evaluation of the Board's performance; and
- g. evaluating the effectiveness of the Board committees and the Board's effectiveness as a whole and each Director's contribution to its effectiveness in accordance with the assessment process and performance criteria adopted.

For appointment of new directors to the Board, the Nominating Committee would, in consultation with the Board, evaluate and determine the selection criteria with due consideration to the mix of skills, knowledge and experience of the existing Board. The Nominating Committee does so by first evaluating the existing strengths and capabilities of the Board, before it proceeds to assess the likely future needs of the Board, assess whether this need can be fulfilled by the appointment of one person and if not, to consult the Board with respect to the appointment of two persons, seek likely candidates widely and source resumes for review, undertake background checks on the resumes received, narrow this list of resumes to a short list and then to invite the shortlisted candidates to an interview which may include a briefing of the duties required to ensure that there are no expectations gap, and to ensure that any new Director appointed has the ability and capacity to adequately carry out his duties as a Director of the Company, taking into consideration the number of listed company board representations he holds and other principal commitments he may have. The Nominating Committee will seek candidates widely and beyond persons directly known to the Directors and is empowered to engage professional search firms and also give due consideration to candidates identified by any persons. The Nominating Committee will interview all potential candidates in frank and detailed meetings and make recommendations to the Board for approval.



# Report on Corporate Governance

Pursuant to the Articles of Association of the Company, new Directors must submit themselves for re-election at the following Annual General Meeting ("AGM"). In addition, an election of Directors shall take place each year at the AGM, where not less than one-third of the Directors shall retire from office by rotation but are eligible for re-election. Under the Articles of Association of the Company, the Managing Director, 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 Nominating Committee, in determining whether to recommend a Director for reappointment, will have regard to such Director's performance and contribution to the Group and whether such Director has been adequately carrying out his or her duties as a Director, taking into consideration the Director's number of listed company board representations and other principal commitments. The Nominating Committee notes that Directors with multiple listed company board representation have been taking independent actions to address the issue, and it is satisfied that adequate time and attention have been given to the affairs of the Company, through attendance at meetings of the Board and Board Committees, including electronic and telephone communications, by all Directors.

The Directors who are retiring at the forthcoming AGM are Mr Koh Teng Kwee, Ms Koh Shwu Lee and Mr Sim Cheng Huat. Mr Koh Teng Kwee, being over the age of 70 years, is seeking re-election in accordance with section 153(6) of the Companies Act, Cap. 50 of Singapore. Ms Koh Shwu Lee and Mr Sim Cheng Huat are retiring pursuant to Article 91 and are eligible for re-election.

The Nominating Committee, after assessing their contributions and performance, has recommended Mr Koh Teng Kwee, Ms Koh Shwu Lee and Mr Sim Cheng Huat for re-election at the forthcoming AGM.

Please refer to pages 6 to 9 of this Report for more information on Mr Koh Teng Kwee, Ms Koh Shwu Lee and Mr Sim Cheng Huat.

Every year, the Nominating Committee reviews and affirms the independence of the Company's independent non-executive Directors. Each Director is required to complete a Director's Independence Checklist on an annual basis to confirm his independence. The checklist is drawn up based on the guidelines provided in the Code and further requires each Director to assess whether he considers himself independent despite not being involved in any of the relationships identified in the Code. The Nominating Committee then reviews the checklist to determine whether the Director is independent.

The Board considers Mr Chan Wah Tiong, Mr Sim Cheng Huat and Mr Aric Loh Siang Khoo to be independent. Given that Mr Chan Wah Tiong has served on the Board as an independent non-executive Director for more than nine years, the question of whether he is independent was subject to more rigorous scrutiny. The Board and the Nominating Committee considers Mr Chan Wah Tiong to be independent as he has continually demonstrated strong independence in character and judgment and contributed effectively by providing impartial and autonomous views, and which, coupled with his familiarity with the business of the Group, has proven him to be a valuable member of the Board.

The Nominating Committee met once during the financial year ended 30 June 2015.

# Report on Corporate Governance

The present and past directorships (held in the last 3 years) of the Directors with other public listed companies and other principal are set out in the following tables:

## CHAN WAH TIONG

*Other directorship with public listed companies*

None

*Past directorship with other public listed companies (held in the last 3 years)*

Company	Listed on	Position	Date of resignation
Hiap Hoe Ltd	SGX	Independent director	27 April 2015

## ARIC LOH SIANG KHEE

*Other directorship with public listed companies*

Company	Listed on	Position	Date of appointment
Tee International Limited	SGX	Independent director	1 August 2014

*Past directorship with other public listed companies (held in the last 3 years)*

Company	Listed on	Position	Date of resignation
Europtronic Group Ltd	SGX	Independent director	1 March 2015

Mr Koh Teng Kwee (Non-Executive Chairman), Mr James Koh Jyh Gang (Deputy Chairman & Managing Director), Mr Koh Jyh Eng (Executive Director), Mdm Koh Shwu Lee (Executive Director) and Mr Sim Cheng Huat (Independent Director) do not hold directorships with other public listed companies and also did not hold such directorships in the last 3 years. Mr Koh Teng Kwee is the father of Ms Koh Shwu Lee, Mr James Koh Jyh Gang and Mr Koh Jyh Eng.

The Board has resolved that no Director shall hold more than six board seats concurrently even if that Director has the capability of managing that many seats. During the year, no Director held more than six board seats concurrently.

# Report on Corporate Governance

## 5. BOARD PERFORMANCE

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

The performance criteria used by the Nominating Committee in the evaluation of the Board and Board Committees includes the evaluation of the size and composition of the Board and Board Committees, the Board's and Board Committees' access to information, its processes and accountability and the Board's and Board Committees' performance in relation to discharging their principal functions and responsibilities. The Nominating Committee also takes into account the Directors' standards of conduct and such financial targets as the Nominating Committee considers appropriate in its evaluation of the Board. In assessing the effectiveness of the Board, the Nominating Committee takes into consideration the individual Director's industry knowledge and/or functional expertise, contribution and workload requirements. The Board, 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. The Nominating Committee also considers the attendance, level of preparedness, participation and candour of 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. 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 Board performance. The results of these checklists were considered by the Nominating Committee.

The Nominating Committee has assessed the overall performance to-date of the current Board, Board Committees and each individual Director for the financial year in review and was of the view that the performance of the Board as a whole, each Board Committee and each individual Director have been satisfactory.

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

## 6. ACCESS TO INFORMATION

Directors are regularly updated by Management on the developments within the Group so that they are equipped to participate fully at Board Meetings. Board papers are prepared for each Board Meeting and include information from Management on the financial, business and corporate issues to enable the Directors to be properly briefed on issues to be raised at Board Meetings. The Board may also request from the management such other additional information as it may consider necessary to be provided.

All Directors have unrestricted access to the Company's records and information and the independent Directors have access to all levels of key personnel in the Group. The Company Secretary and/or her representative(s) are in attendance at Board meetings, Audit Committee meetings, Nominating Committee meetings and Remuneration Committee meetings. All the Directors have separate and independent access to the Company Secretary. The Company Secretary is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

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

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

# Report on Corporate Governance

## 7. REMUNERATION MATTERS

The functions of the previous Nominating and Remuneration Committee have been separated into the Nominating Committee and the Remuneration Committee with effect from 8 September 2014. The Remuneration Committee comprises three members, all of whom are independent non-executive Directors. The Remuneration Committee is chaired by Mr Aric Loh Siang Khee and has as its members, Mr Chan Wah Tiong and Mr Sim Cheng Huat.

The principal functions of the Remuneration Committee (which oversees the functions relating to remuneration matters which were previously undertaken by the Nominating and Remuneration Committee), which are regulated by written terms of reference, are as follows:

- a. recommending to the Board and reviewing a general remuneration framework and specific remuneration packages for the Directors and key management personnel;
- b. 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;
- c. 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 staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities; and
- d. reviewing the Company's obligations arising in the event of the termination of the executive Directors' and key management personnel's contracts of service.

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

The Company has in place service contracts for each of its executive Directors which set out the framework of their remuneration. The Remuneration Committee will, upon the expiry of such service contracts, recommend to the Board a framework of remuneration 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 may consider the use of 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, at the appropriate time.

No remuneration consultant was appointed by the Remuneration Committee in FY2015.



# Report on Corporate Governance

## 8. LEVEL AND MIX OF REMUNERATION

The Group's remuneration policy is to provide compensation packages which are aligned with the long-term interest and risk policies of the Company, and are appropriate to attract, retain and motivate the Directors and key 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 and should be designed to align their interests with those of shareholders and link rewards to corporate and individual performance while taking into account the risk policies of the Company. The Company has in place an employee profit sharing scheme pursuant to which executives and management staff (excluding the Directors of the Company) 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 months of an eligible employee's salary as described in the Company's Prospectus dated 8 January 2002 remains unchanged.

The remuneration of 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. Non-executive Directors shall not be over-compensated to the extent that their independence may be compromised. The Board will, if necessary, consult experts on the remuneration of non-executive Directors. The Board will recommend the remuneration of the non-executive Directors for approval at the AGM.

Service contracts entered into by the Company with Directors have a fixed appointment period and are not to be excessively long or with onerous removal clauses. The Remuneration Committee considers what compensation the Directors' contracts of service would entail in the event of early termination and aims to be fair and avoid rewarding poor performance. The Remuneration Committee also considers whether Directors should be eligible for benefits under long-term incentive schemes, such as share schemes. Currently, the Company has in place a performance share plan, however to date, no awards have been granted pursuant to such performance share plan. Employees who are eligible to participate in the performance share plan include executive Directors and exclude non-executive Directors and controlling shareholders and their associates. Accordingly, as at the date of this Report, none of the Directors of the Company are eligible to participate in the performance share plan.

# Report on Corporate Governance

## 9. DISCLOSURE ON REMUNERATION

A breakdown showing the level and mix of the remuneration of the Directors and key management personnel during FY2015 is as follows

	Salary %	Bonus %	Fees %	Allowances and other benefits %	Total %
<b>(a) Directors</b>					
<i>S\$250,000 to S\$499,999</i>					
James Koh Jyh Gang	90	7	-	3	100
Koh Jyh Eng	84	7	-	9	100
<i>Below S\$250,000</i>					
Koh Teng Kwee	88	7	-	5	100
Koh Shwu Lee	85	7	-	8	100
Chan Wah Tiong	-	-	100	-	100
Sim Cheng Huat	-	-	100	-	100
Aric Loh Siang Khee (appointed on 8 September 2014)	-	-	100	-	100
<b>(b) Key Management Personnel of the Group</b>					
<i>Below \$250,000</i>					
Wong Se Sun	69	23	-	8	100
Ong Kah Meng	96	4	-	-	100
Gan Shee Wen	74	17	-	9	100
Darren Tan Kian Peng	74	18	-	8	100
Chan Kok Kwong	94	-	-	6	100
<b>(c) Key Management Personnel of the Group who are immediate family members of a Director or Managing Director</b>					
<i>S\$150,000 to S\$200,000</i>					
Joshua Koh Zhu Xian*	85	7	-	8	100
<i>S\$50,000 to S\$100,000</i>					
Julian Koh Zhu Lian*	81	8	-	11	100

\* Mr Joshua Koh Zhu Xian and Mr Julian Koh Zhu Lian are the sons of Mr James Koh Jyh Gang, the Managing Director of the Company.

# Report on Corporate Governance

The Board has considered Guideline 9.2 of the Code, and after careful deliberation, has decided that 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. The Board believes that the disclosure of each Director's remuneration breakdown in bands of S\$250,000 is sufficient to address the concerns of stakeholders in this area.

For the financial year ended 30 June 2015, the total remuneration paid to the Directors (including Director's fees paid to independent non-executive Directors) of the Company was US\$841,000 and the total remuneration paid to the top five key management personnel (who are not Directors) was US\$592,000.

The executive Directors do not receive Directors' fees. The remuneration for the executive Directors and the key management personnel comprises primarily a basic salary component and a variable component which is the bonuses, which are determined based on the performance of the Group as a whole and their individual performance. The service agreements 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 months.

The Directors' fees paid to the independent Directors, being Mr Chan Wah Tiong, Mr Sim Cheng Huat and Mr Aric Loh Siang Khee for the financial year ended 30 June 2015 were S\$35,000, S\$18,000 and S\$28,000 respectively.

The non-executive Directors' fees are in accordance with their contributions, taking into account factors such as responsibilities, effort and time spent for serving on the Board and Board Committees. The Company does not have service contracts with non-executive Directors. Directors' fees are recommended by the Board and are subject to the approval of shareholders at the Company's AGM.

## 10. ACCOUNTABILITY

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 financial results on a quarterly basis via SGXNET.

Management provides the Directors with balanced and understandable management accounts of the Group's performance prior to Board meetings and as and when necessary. The Directors also have separate and independent access to all levels of key personnel in the Group.

In line with the requirements of 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 quarterly results to be false or misleading in any material respect.

# Report on Corporate Governance

## 11. RISK MANAGEMENT AND INTERNAL CONTROL

The Group has a system of risk management and internal controls 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 system is designed to manage rather than eliminate the risk of failure to achieve the business objectives.

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 semi-annually. The Audit Committee reviews the effectiveness of the actions taken by management based on the recommendations made by the internal 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.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by Management, the various Board Committees and the Board, as well as the positive assurance from the Managing Director, Finance Director and the Chief Financial Officer as to the effectiveness of the Group's risk management and internal control systems, 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 2015.

For the information of Shareholders, the key operational risks faced by the Company are set out on pages 42 to 43.

The Board and the Audit Committee has also received positive assurance from the Managing Director and the Finance Director that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances.

## 12. AUDIT COMMITTEE

The Audit Committee comprises three members, all of whom are independent and non-executive. The Audit Committee is chaired by Mr Chan Wah Tiong and has as its members, Mr Sim Cheng Huat and Mr Aric Loh Siang Khee.

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 with which to discharge their duties. For example, Mr Chan Wah Tiong is a Certified Public Accountant with the Institute of Certified Public Accountants of Singapore and holds a Bachelor of Accountancy from the National University of Singapore; Mr Sim Cheng Huat has over forty years of international trade, market development and banking experience; and Mr Aric Loh Siang Khee has over twenty five years of audit experience, having served as an audit partner up till 2013. He is a Certified Public Accountant with the Institute of Singapore Chartered Accountants and holds a Bachelor of Accountancy from the National University of Singapore. To ensure that the Audit Committee keeps abreast of changes that may impact the financial statements of the Company, the Audit Committee Chairman regularly gets updates from our auditor's technical department. The Audit Committee Chairman has also informed the Board that he also gets regular updates from other audit firms, ISCA (Institute of Singapore Chartered Accountants) and other regulatory bodies. The operations of the Audit Committee are regulated by its terms of reference, which were approved and are subject to periodic review by the



# Report on Corporate Governance

Board. The Audit Committee meets at least four 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.

The duties of the Audit Committee include reviewing with the internal auditor, external auditors and management, the Group's policies and control procedures, interested person transactions, as well as any financial information presented to shareholders. Specifically, the Audit Committee:

- reviews the scope and results of external audit, the independence and objectivity of the external auditors and the nature and extent of non-audit services provided by the external auditors;
- reviews the quarterly results announcements before submission to the Board for adoption;
- 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 management of financial matters before endorsement by the Board;
- 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 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 management's responses and actions to correct any deficiencies;
- reviews the Company's risk management policies;
- reviews the co-operation given by the Company's officers to the internal 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 SGX-ST Listing Manual.

The Audit Committee has explicit authority to investigate any matter within the scope of its duties and is authorised to obtain independent professional advice. 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 external and internal auditors separately, at least once a year, without the presence of management to review any areas of audit concern. Individual members of the Audit Committee also engage the external and internal auditors separately in *ad hoc* meetings. The external auditors have unrestricted access to the Audit Committee.

# Report on Corporate Governance

The aggregate amount of fees paid or payable to the external auditors of the Group in FY2015 are as follows:-

Fees for audit services:	US\$209,000	(FY2014: US\$217,000)
Fees for non-audit services:	US\$0	(FY2014: US\$0)

The Audit Committee has noted that no non-audit services have been provided by the external auditors in FY2015 and was satisfied that the independence of the external auditors was not affected by any provision of non-audit services by the external auditors.

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

The Company complies with Rules 712 and 715 of the SGX-ST Listing Manual in relation to its auditing firms 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.

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 at the Company's expense independent advisors. 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.

## 13. 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 report is about a Director, that Director shall not be involved in the review and any decisions with respect to that report. The policy aims to encourage the reporting of such matters in good faith, with the confidence that any employees making such reports will be treated fairly and be protected from reprisals. Details of the whistle-blowing policy have been made available to all employees.

# Report on Corporate Governance

## 14. 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 affect our 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 our furniture is likely to be affected and this will 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 will be adversely affected.

*Change in customers' ordering pattern* — As a result of recent market uncertainties, the Group's clients have now placed orders in smaller batches and expect goods to be delivered faster; switching part of the stock holding risks to the suppliers. To meet shorter lead times, the Group would have to increase raw material stocks and produce semi-finished components ahead of confirmed orders in accordance with its internal order projections, which means investment in inventories would be higher and warehousing facilities would be larger. In the event that the Group's customers do not order goods in quantities and specifications as projected, the Group may have to make provisions for slow-moving stocks or stock obsolescence and its operating results will 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 will 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 might reduce the supply availability, driving up purchase prices which will have a negative impact on gross margins. The production cycles are also dependent on the ability of the Group's suppliers to supply raw materials at acceptable terms — such as quantity, quality, prices, specifications and lead times — failing which the Group's production cycles may be disrupted and its operating results may also be adversely affected.

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

# Report on Corporate Governance

*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 will adversely affect the Group's operations.

*Labor supply* — Approximately one-third of the Group's production capacity is located in Malaysia for which the workers are mainly from Bangladesh, Myanmar and Vietnam. 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 our 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 our Vietnam-based subsidiaries, the effective tax rates would be significantly higher and this may adversely affect the Group's net profit margin. The Company's Vietnam-based subsidiary (Rossano) incurred additional income tax liabilities in FY2012, FY2013 and FY2014 due mainly to changes in corporate income tax rules effected in Vietnam.

*Currency risk* — Foreign currency exchange effects could be volatile. For example, during the year under review, the US\$ appreciated significantly against the RM\$ which meant lower RM-denominated expenses in US\$ terms or higher US-denominated receivables for FY2015. Whilst there were exchange translation gains during the year, it might not be sustainable as currencies market has been volatile and exposure is highly uncertain, which may affect the Group's financial performance one way or the other. The Group will continue to monitor the foreign exchange exposure closely and may hedge the exposure by either entering into relevant foreign exchange forward contracts or relying on natural hedge or a combination of both.

## 15. INTERNAL AUDIT

The Company has appointed Messrs Yang Lee & Associates as the internal auditor to review the Group's internal control system. The internal auditor will plan its internal audit reviews in consultation with, but independent of the Management, and has unfettered access to all the Company's documents, records, properties and personnel, including access to the Audit Committee. The internal audit plan will be submitted to the Audit Committee for approval prior to the commencement of the internal audit. The Audit Committee will review the activities of the internal auditors on a regular basis, including overseeing and monitoring of the implementation of improvement required on internal control weaknesses identified. The internal auditor adopts the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The internal auditor reports directly to the Audit Committee, which approves the hiring, removal, evaluation and compensation of the head of the internal control function. The Audit Committee also ensures that the internal audit function is adequately resourced and has appropriate standing within the Group.



# Report on Corporate Governance

## 16. COMMUNICATION WITH SHAREHOLDERS

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

- a. an Annual Report;
- b. quarterly financial results and other financial announcements as required;
- c. a powerpoint presentation on the state of the Company (available when the Company holds results briefing after the announcement of its financial statements);
- d. press releases and other announcements on important developments;
- e. a website and portal ([www.kodaonline.com](http://www.kodaonline.com)); and
- f. replies to email queries from shareholders.

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

In FY2015, the Company released 13 reports and announcements or on average approximately 3 per quarter. Financial results, annual reports, press releases on the performance and major developments in the business and operations of the Group and any other material announcements are released through SGXNET and are available on the Company's website.

The financial statements as well as the accompanying press release are released onto the SGX-ST website.

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 email enquiries to the Management. Our Chief Financial Officer also manages investor relations.

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. The shareholders can also access information on the Group at the Group's corporate website at [www.kodaonline.com](http://www.kodaonline.com). The website provides, *inter alia*, all publicly disclosed financial information, corporate announcements, press releases, annual reports and profiles of the Group.

The Board regards the AGM as an opportunity to communicate directly with shareholders and encourages greater shareholder participation. The Chairman and the other Directors attend the AGM and are available to answer questions from shareholders at the AGMs. External auditors are also present to assist Directors in addressing any relevant queries from shareholders.

In consideration of the dilution impact to shareholders, the Group has voluntarily reduced the limit for non-*pro rata* shares issue from 20% to 15% of the total number of issued shares in the capital of the Company.

# Report on Corporate Governance

## 17. CODE ON SECURITIES TRANSACTIONS BY OFFICERS

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

## 18. INTERESTED PERSON TRANSACTIONS ("IPT")

The Group has set up a procedure to record and report IPT. All IPT 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 interest of a substantial shareholder or director, which are either subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

Name of Interested Persons	Description of the IPT	Value of the IPT for the financial period under review (excluding transactions less than S\$100,000)
Koh Jyh Eng Koh Shwu Lee	Refundable deposit placed with Zenith Heights Sdn Bhd (of which Koh Jyh Eng & Koh Shwu Lee are directors) to secure a long-term lease for land in Malaysia which the Group intends to build warehousing facilities.	S\$286,000

Note: The above IPT transaction constitutes 0.99% of the Group's audited NTA as at 30 June 2015.

## 19. DIVIDEND POLICY

The Company does not have a fixed dividend policy. The form, frequency and amount of future dividend on the Company's shares will depend on the Group's earnings, cash flow, financial condition and other factors.

The Company has declared a dividend of S\$0.002 per share for the financial year ended 30 June 2015.

# Report on Corporate Governance

## 20. MATERIAL CONTRACTS

Since the end of the previous financial year, the Company and its subsidiary companies did not enter into any material contracts involving the interests of any Directors or any controlling shareholders of the Company or their associates and there are no such material contracts still subsisting at the end of the financial year.

## 21. SGX CHECKLISTS

The Board has accepted and uses the following checklist when required:

- Acquisitions and Realisations Compliance checklist;
- Annual Report Compliance checklist;
- Bonus Issue Compliance checklist;
- Financial Results Review checklist;
- IPT (General Mandate) Compliance checklist;
- IPT (Specific Approval) Compliance checklist;
- Placement Compliance checklist;
- Rights Issue Compliance checklist;
- Scrip Dividend Compliance checklist;
- Share Split Compliance checklist;
- Share Scheme Compliance checklist; and
- Share Buyback Compliance checklist.

# Corporate Governance Question & Answer Table

The Corporate Governance Q&A Table below sets out the main corporate governance matters required by the 2012 Code, and is presented in a question and answer format for easier readability.

Guideline	Questions	How has the Company complied?
General	<p>(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</p> <p>(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?</p>	<p>(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</p> <p>(b) Not applicable. The Company did not adopt any alternative corporate governance practices in FY2015.</p>

## Board Responsibility

Guideline 1.5	What are the types of material transactions which require approval from the Board?	<p>Matters which are material and require the Board's approval include the following:</p> <ol style="list-style-type: none"> <li>the review of the annual budget and the performance of the Group;</li> <li>review of key activities and business strategies;</li> <li>approval of the corporate strategy and direction of the Group;</li> <li>approval of transactions involving a conflict of interest for a substantial shareholder or a Director or interested person transactions;</li> <li>material acquisitions and disposals;</li> <li>acceptances of bank facilities;</li> <li>corporate or financial restructuring and share issuances;</li> <li>declaration of dividends and other returns to shareholders;</li> <li>appointment of new Directors; and</li> <li>appointment and removal of the company secretary.</li> </ol>
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## Members of the Board

Guideline 2.6	<p>(a) What is the Board's policy with regard to diversity in identifying director nominees?</p> <p>(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.</p>	<p>(a) In identifying potential director nominees, the Board would take into account factors such as relevant background, experience and knowledge in various categories such as business, finance and management skills which would be valuable to the Group's business and to enable the Board to make sound and well-considered decisions. The Board would seek an appropriate balance and diversity of skills, experience, gender and knowledge of the Company.</p> <p>(b) The composition of the Board currently has a diversity in terms of skills, experience, knowledge and gender (whereby one female Director, Ms Koh Shwu Lee, sits on the Board). Profiles of the various Directors are set out in the "Board of Directors" section of this Annual Report.</p>
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# Corporate Governance Question & Answer Table

Guideline	Questions	How has the Company complied?
	(c) What steps has the Board taken to achieve the necessary to maximise its effectiveness?	(c) The Board, through the delegation of its authority to the Nominating Committee, has been actively reviewing potential candidates with relevant experience and knowledge in and familiarity with the sector who have been recommended for its consideration for appointment to the Board as independent non-executive Director(s). As the Group's activities continue to grow, the Nominating Committee will continuously review the composition and size of the Board to ensure that it has the necessary competence and a strong and independent element for effective decision making.
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors	<p>For appointment of new directors to the Board, the Nominating Committee would, in consultation with the Board, evaluate and determine the selection criteria with due consideration to the mix of skills, knowledge and experience of the existing Board.</p> <p>For the re-election of Directors, the Nominating Committee will have regard to such Director's performance and contribution to the Group and whether such Director has been adequately carrying out his or her duties as a Director, taking into consideration the Director's number of listed company board representations and other principal commitments.</p>
Guideline 1.6	<p>(a) Are new directors given formal training? If not, please explain why.</p> <p>(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?</p>	<p>(a) Yes. For new appointments to the Board, newly-appointed Directors will be given a formal letter setting out their duties and obligations. To orientate the new Director, he will be briefed by the Lead Independent Director and 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.</p> <p>(b) All Directors are also invited to visit the Group's overseas factories and/or operations and meet with the local 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 sponsored seminars conducted by external professionals, including any changes in legislation and financial reporting standards, government policies and regulations and guidelines from SGX-ST that affect the Company and/or the Directors in discharging their duties. The Directors are informed of developments relevant to the Group, including changes in laws, regulations and risks that may impact the Group. Directors are also informed of 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 SGX-ST that affect the Group and/or the Directors in discharging their duties, at the Company's expense.</p>



# Corporate Governance Question & Answer Table

Guideline	Questions	How has the Company complied?
Guideline 4.4	<p>(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?</p> <p>(b) If a maximum number has not been determined, what are the reasons?</p> <p>(c) What are the specific considerations in deciding on the capacity of the directors?</p>	<p>(a) The Board recommends that no Director shall hold more than six board seats concurrently even if that Director has the capability of managing that many seats. This is to ensure Directors are able to devote sufficient time and attention to their duties on the Board.</p> <p>(b) Not applicable</p> <p>(c) The specific considerations in deciding on the capacity of Directors include the number of listed company board representation that Director has, the attendance of that Director at Board meetings and Board Committee meetings, as well as the attention and contributions of that Director in discussions relating to Board matters and Board Committee matters.</p>
<b>Board Evaluation</b>		
Guideline 5.1	<p>(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?</p> <p>(b) Has the Board met its performance objectives?</p>	<p>(a) The performance criteria used by the Nominating Committee in the evaluation of the Board and Board Committees includes the evaluation of the size and composition of the Board and Board Committees, the Board's and Board Committees' access to information, its 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 Board performance. The results of these checklists were considered by the Nominating Committee.</p> <p>(b) The Nominating Committee has assessed the performance of the current Board's overall performance during the financial year under review, and is of the view that the performance of the Board as a whole, and the Chairman, has been satisfactory.</p>
<b>Independence of Directors</b>		
Guideline 2.1	Does the Company comply with the guideline on proportion of the 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 Directors. The Independent Directors chair all the Board Committees, which play a pivotal role in supporting the Board.
Guideline 2.3	<p>(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 be to independent? If so, please identify the director and specify the nature of such relationship.</p> <p>(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.</p>	No Director falls under the category as described here.

# Corporate Governance Question & Answer Table

Guideline	Questions	How has the Company complied?
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	Mr Chan Wah Tiong has served on the Board as an independent non-executive Director for more than nine years. Pursuant to the guidelines of the Code, the Board has subjected the independence of the Directors to rigorous review. The Board and the Nominating Committee considers Mr Chan Wah Tiong to be independent as he has continually demonstrated strong independence in character and judgment and contributed effectively by providing impartial and autonomous views, and which, coupled with his familiarity with the business of the Group, has proven him to be a valuable member of the Board.
<b>Disclosure on Remuneration</b>		
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 fixed/base 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?	Yes. The company has disclosed each director's and the CEO's remuneration in bands of S\$250,000 as to fully disclose the remuneration of each individual Director on a named basis would be prejudicial to the Group given the highly competitive business environment and potential staff retention issues which may arise from such detailed disclosures. However, the Company has provided the breakdown of remuneration into base salary, bonuses, fees and allowances and other benefits.
Guideline 9.3	<p>(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 fixed/base 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?</p> <p>(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).</p>	<p>(a) The Company has disclosed each key management personnel's remuneration in bands of S\$250,00 as well as a breakdown of remuneration into base salary, bonuses, fees and allowances and other benefits.</p> <p>(b) The aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO) was US\$592,000 for FY2015.</p>
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 this year? If so, please identify the employee and specify the relationship with the relevant director or CEO.	Mr Joshua Koh Zhu Xian and Mr Julian Koh Zhu Lian are the sons of Mr James Koh Jyh Gang, the Managing Director of the Company and whose remuneration exceeds S\$50,000 during FY2015.
Guideline 9.6	<p>(a) Please describe how the remuneration received by the executive directors and key management personnel has been determined by the performance criteria.</p> <p>(b) What were the performance conditions used to determine their entitlement under the short-term and the long-term incentive schemes?</p> <p>(c) Were all of these performance conditions met? If not, what were the reasons?</p>	There are no long-term incentive schemes for any of the Directors. The remuneration package of the Executive Directors and the key management personnel comprises a basic salary component and a variable component which is the bonus, based on the performance of the Group as a whole and their individual performance. The Executive Directors and the key management personnel had met the performance conditions for the financial period under review pursuant to their respective service agreements and are therefore entitled to their respective bonuses.

# Corporate Governance Question & Answer Table

Guideline	Questions	How has the Company complied?
<b>Risk Management and Internal Controls</b>		
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 this information provided?	<p>Directors are regularly updated by Management on the developments within the Group so that they are equipped to participate fully at Board Meetings. Board papers are prepared for each Board Meeting and include information from Management on the financial, business and corporate issues to enable the Directors to be properly briefed on issues to be raised at Board Meetings. The Board may also request from the management such other additional information as it may consider necessary to be provided.</p> <p>Presently, Management presents to the Audit Committee the quarterly and full-year results and the Audit Committee reports on the results to the Board for review and approval before releasing the results to the SGX-ST and public via SGXNET.</p>
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Yes. The Company has engaged Yang Lee & Associates to handle its internal audit function.
Guideline 11.3	<p>(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.</p> <p>(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 a 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?</p>	<p>(a) 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 semi-annually. The Audit Committee reviews the effectiveness of the actions taken by management based on the recommendations made by the internal and external auditors to the Audit Committee.</p> <p>(b) The Board and the Audit Committee has also received positive assurance from the Managing Director and the Finance Director that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances. In addition, based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by Management, the various Board Committees and the Board, as well as the positive assurance from the Managing Director, Finance Director and the Chief Financial Officer as to the effectiveness of the Group's risk management and internal control systems, 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 risk management systems, were adequate and effective as at 30 June 2015</p>

# Corporate Governance Question & Answer Table

Guideline	Questions	How has the Company complied?
Guideline 12.6	<p>(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.</p> <p>(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.</p>	Total fees paid to the external auditors for audit services in FY2015 was US\$209,000. There were no fees for non-audit services paid to the external auditors in FY2015.
<b>Communication with Shareholders</b>		
Guideline 15.4	<p>(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?</p> <p>(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?</p> <p>(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?</p>	<p>(a) The Directors are mindful of their obligation to provide shareholders with timely disclosure of material information that is presented in a fair and objective manner. Shareholders and other investors are provided regularly with the Annual Report, quarterly financial results and other financial announcements as required, press releases and other announcements on important developments, a website and portal (<a href="http://www.kodaonline.com">www.kodaonline.com</a>) and replies to email queries from shareholders. The Company meets with institutional and retail investors at least once a year at the Annual General Meeting of the Company.</p> <p>(b) No. The Company does not have a dedicated investor relations team (or equivalent). The communication with shareholders is performed by the Managing Director and CFO of the Company.</p> <p>(c) Apart from SGXNET announcements and the annual report, the Company will look to keep shareholders informed of corporate developments by way of update of corporate website and press releases from time to time.</p>
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	The Company has declared a dividend of S\$0.002 per share for the financial year ended 30 June 2015.

# Report of the Directors

The directors present their report 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, 2015.

## 1 DIRECTORS

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

Koh Teng Kwee  
James Koh Jyh Gang  
Koh Jyh Eng  
Koh Shwu Lee  
Chan Wah Tiong  
Sim Cheng Huat  
Aric Loh Siang Khoo (Appointed on September 8, 2014)

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

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

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Names of directors and company in which interests are held	Direct interests		Indirect interests	
	At beginning of year	At end of year	At beginning of year	At end of year
Koda Ltd - Ordinary shares				
Koh Teng Kwee	15,713,121	15,713,121	-	-
James Koh Jyh Gang	28,018,653	28,018,653	-	-
Koh Jyh Eng	14,888,981	14,888,981	36,000	36,000
Koh Shwu Lee	13,808,712	13,808,712	432,000	432,000

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

The directors' interests as at July 21, 2015 were the same as those at the end of the financial year.



# Report of the Directors

## 4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements.

## 5 OPTIONS TO TAKE UP UNISSUED SHARES

- a) The Koda Share Option Scheme ("Share Option Scheme") in respect of unissued ordinary shares in the Company was approved by the shareholders at an Extraordinary Meeting held on December 6, 2001. The Share Option Scheme is administered by a committee of directors ("Share Option Committee") comprising Chan Wah Tiong and James Koh Jyh Gang.

Under the Share Option Scheme, an option entitles the option holder to subscribe for a specific number of new ordinary shares in the Company comprised in the option at a subscription price per share determined with reference to the market price of the shares at the time of grant of the option. The Share Option Committee may at its discretion, fix that subscription price at a discount of up to 20% off market price. The consideration for the grant of an option is S\$1.00. Options granted with the subscription price set at the market price shall only be exercised after the first anniversary but before the fifth anniversary of the date of grant of that option. Options granted with the market price set at a discount to the market price shall only be exercised after the second anniversary but before the fifth anniversary of the date of grant of that option. The shares under option may be exercised in whole or in part on the payment of the relevant subscription price. Options granted will lapse when the option holder ceases to be a full-time employee of the Company or any company of the Group subject to certain exceptions at the discretion of the Company.

There were no options to take up unissued shares of the Company granted pursuant to the Share Option Scheme.

- b) During the financial year, no options to take up unissued shares of the subsidiaries were granted.

## 6 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.

# Report of the Directors

## **7 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.

## **8 AUDIT COMMITTEE**

The Audit Committee of the Company, consisting of all non-executive directors, is chaired by Chan Wah Tong, an independent director, and includes Sim Cheng Huat, an independent director and Aric Loh Siang Khee, an independent director. The Audit Committee has met four times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

- a) the audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;
- b) the Group's financial and operating results and accounting policies;
- c) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;
- d) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;
- e) the co-operation and assistance given by the management to the Group's external and internal auditors; and
- f) the re-appointment of the external auditors of the Group.

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

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

# Report of the Directors

## 9 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 9, 2015

# Statement of Directors

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 60 to 131 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, 2015, and the financial performance, changes in equity, cash flows of the Group and the 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.

ON BEHALF OF THE DIRECTORS

.....  
James Koh Jyh Gang

.....  
Koh Shwu Lee

October 9, 2015

# Independent Auditors' Report

TO THE MEMBERS OF KODA LTD

## Report on the Financial Statements

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 financial position of the Company as at June 30, 2015, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 60 to 131.

## Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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.

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



# Independent Auditors' Report

TO THE MEMBERS OF KODA LTD

## **Opinion**

In our opinion, the 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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at June 30, 2015, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

## **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 those subsidiary corporations in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP  
Chartered Accountants  
Singapore

October 9, 2015

# Statements of Financial Position

June 30, 2015

		GROUP		COMPANY	
	Note	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and bank balances	6	3,133	2,050	1,099	447
Trade receivables	7	3,571	4,014	6,936	9,087
Other receivables	8	2,757	2,562	5,910	6,472
Inventories	9	7,348	15,858	-	-
		16,809	24,484	13,945	16,006
Assets classified as held for sale	10	2,510	-	-	-
Total current assets		19,319	24,484	13,945	16,006
<b>Non-current assets</b>					
Investment in subsidiaries	11	-	-	8,135	9,823
Investment in an associate	12	10	-	-	-
Available-for-sale investments	13	6	-	6	-
Goodwill	14	-	758	-	-
Club memberships	15	209	211	192	192
Property, plant and equipment	16	11,599	13,566	788	494
Investment properties	17	934	2,800	-	-
Intangible assets	18	-	230	-	-
Deferred tax assets	19	21	377	3	3
Total non-current assets		12,779	17,942	9,124	10,512
<b>Total assets</b>		<b>32,098</b>	42,426	<b>23,069</b>	26,518

# Statements of Financial Position (cont'd)

June 30, 2015

		GROUP		COMPANY	
	Note	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Bills payables	20	2,326	6,960	1,663	4,590
Trade payables	21	2,384	4,178	7,655	4,807
Other payables	22	2,635	4,725	957	1,242
Current portion of obligations under finance leases	23	93	64	72	32
Current portion of bank loans and overdrafts	24	604	838	604	801
Income tax payable		212	130	-	-
		8,254	16,895	10,951	11,472
Liabilities directly associated with assets classified as held for sale	10	1,261	-	-	-
Total current liabilities		9,515	16,895	10,951	11,472
<b>Non-current liabilities</b>					
Deferred tax liabilities	19	449	688	-	-
Non-current portion of bank loans	24	306	639	306	639
Obligations under finance leases	23	140	68	74	40
Other payables	22	-	693	-	-
Total non-current liabilities		895	2,088	380	679
<b>Capital, reserves and non-controlling interests</b>					
Share capital	25	4,312	4,312	4,312	4,312
Capital reserves	26	5,373	5,047	58	58
Currency translation reserve		(1,121)	378	-	-
Accumulated profits		13,340	12,934	7,368	9,997
Equity attributable to owners of the Company		21,904	22,671	11,738	14,367
Non-controlling interests		(216)	772	-	-
Total equity		21,688	23,443	11,738	14,367
<b>Total liabilities and equity</b>		<b>32,098</b>	<b>42,426</b>	<b>23,069</b>	<b>26,518</b>

See accompanying notes to financial statements.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended June 30, 2015

	Note	2015 US\$'000	2014 US\$'000
<b>Revenue</b>	27	<b>47,324</b>	52,323
<b>Cost of sales</b>		<b>(36,036)</b>	(39,954)
<b>Gross profit</b>		<b>11,288</b>	12,369
Other income	28	<b>2,235</b>	471
Distribution costs		<b>(4,341)</b>	(4,474)
Administrative expenses		<b>(6,834)</b>	(7,872)
Other expenses	29	<b>(2,442)</b>	(1,462)
Share of profit of associate	12	<b>5</b>	-
Finance costs	30	<b>(175)</b>	(268)
<b>Loss before income tax</b>		<b>(264)</b>	(1,236)
Income tax expense	31	<b>(783)</b>	(476)
<b>Loss for the year</b>	32	<b>(1,047)</b>	(1,712)
<b>Other comprehensive (loss) income:</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Revaluation of properties:			
Gain on revaluation	16	<b>361</b>	969
Deferred tax liability arising on revaluation	19	<b>(35)</b>	(130)
		<b>326</b>	839
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Translation differences arising from consolidation of foreign operations		<b>(1,471)</b>	(104)
<b>Other comprehensive (loss) income for the year, net of tax</b>		<b>(1,145)</b>	735
<b>Total comprehensive loss for the year</b>		<b>(2,192)</b>	(977)
Profit (Loss) attributable to:			
Owners of the Company		<b>406</b>	(1,237)
Non-controlling interests		<b>(1,453)</b>	(475)
		<b>(1,047)</b>	(1,712)
Total comprehensive loss attributable to:			
Owners of the Company		<b>(767)</b>	(523)
Non-controlling interests		<b>(1,425)</b>	(454)
		<b>(2,192)</b>	(977)
<b>Earnings (Loss) per share (US cents)</b>			
Basic	33	<b>0.30</b>	(0.91)
Diluted	33	<b>0.30</b>	(0.91)

See accompanying notes to financial statements.

# Statements of Changes in Equity

Year ended June 30, 2015

	Attributable to equity holders of the Company					Non-controlling interests	
	Share capital	Capital reserves	Currency translation reserve	Accumulated profits	Total		Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>GROUP</b>							
Balance at July 1, 2013	4,312	4,208	503	14,171	23,194	1,226	24,420
Total comprehensive income for the year:							
Loss for the year	-	-	-	(1,237)	(1,237)	(475)	(1,712)
Other comprehensive income	-	839	(125)	-	714	21	735
Total	-	839	(125)	(1,237)	(523)	(454)	(977)
Balance at June 30, 2014	4,312	5,047	378	12,934	22,671	772	23,443
Total comprehensive income for the year:							
Profit (Loss) for the year	-	-	-	406	406	(1,453)	(1,047)
Other comprehensive loss	-	326	(1,499)	-	(1,173)	28	(1,145)
Total	-	326	(1,499)	406	(767)	(1,425)	(2,192)
Transactions with owners, recognised directly in equity							
Disposal of a subsidiary (Note 34)	-	-	-	-	-	437	437
Balance at June 30, 2015	4,312	5,373	(1,121)	13,340	21,904	(216)	21,688



# Statements of Changes in Equity (cont'd)

Year ended June 30, 2015

	Share capital US\$'000	Capital reserves US\$'000	Accumulated profits US\$'000	Total US\$'000
<b><u>COMPANY</u></b>				
Balance at July 1, 2013	4,312	58	14,482	18,852
Loss for the year, representing total comprehensive loss for the year	-	-	(4,485)	(4,485)
Balance at June 30, 2014	4,312	58	9,997	14,367
Loss for the year, representing total comprehensive loss for the year	-	-	(2,629)	(2,629)
Balance at June 30, 2015	4,312	58	7,368	11,738

See accompanying notes to financial statements.

# Consolidated Statement of Cash Flows

Year ended June 30, 2015

	2015 US\$'000	2014 US\$'000
<b>Operating activities</b>		
Loss before income tax	(264)	(1,236)
Adjustments for:		
Depreciation of property, plant and equipment	1,246	1,290
Impairment loss on property, plant and equipment	345	-
Property, plant and equipment written off	154	-
Allowance for inventories	969	416
Inventories written off	738	206
Impairment of goodwill	-	448
Impairment loss on assets held for sale	56	-
Fair value loss on investment properties	10	-
Allowance for doubtful trade receivables	15	134
Bad debts written off	52	47
Amortisation of intangible assets	29	48
Loss on disposal of subsidiary	527	-
Gain on disposal of property, plant and equipment - net	(1,299)	(11)
Impairment of intangible assets	205	-
Gain from disposal of intangible assets	-	(33)
Share of profit of associate	(5)	-
Interest income	(92)	(32)
Interest expense	175	268
Operating cash flows before movements in working capital	2,861	1,545
Trade receivables	(153)	(208)
Other receivables	(1,028)	339
Inventories	4,133	1,139
Trade payables	546	(362)
Other payables	668	(393)
Cash generated from operations	7,027	2,060
Interest paid	(175)	(268)
Interest received	92	32
Income tax paid	(588)	(178)
Net cash from operating activities	6,356	1,646

# Consolidated Statement of Cash Flows (cont'd)

Year ended June 30, 2015

	2015 US\$'000	2014 US\$'000
<b>Investing activities</b>		
Proceeds from disposal of property, plant and equipment	1,884	153
Proceeds from disposal of intangible asset	-	210
Purchase of property, plant and equipment (Note A)	(1,260)	(510)
Disposal of subsidiary	(437)	-
Acquisition of an associate	(6)	-
Net cash from (used in) investing activities	181	(147)
<b>Financing activities</b>		
Decrease in bills payables	(4,598)	(1,565)
Repayment of bank loans	(333)	(861)
Proceeds from bank loans	-	1,000
Repayment of finance leases	(104)	(63)
Net cash used in financing activities	(5,035)	(1,489)
Net increase in cash and cash equivalents	1,502	10
Cash and cash equivalents at beginning of year (Note 6)	1,545	1,534
Effects of foreign exchange translation	(114)	1
<b>Cash and cash equivalents at end of year (Note 6)</b>	<b>2,933</b>	<b>1,545</b>

Note A:

## Purchase of property, plant and equipment

In 2015, the Group acquired property, plant and equipment with aggregate cost of US\$1,486,000 (2014: US\$519,000) of which US\$226,000 (2014: US\$9,000) was acquired under finance lease arrangement. Cash payment of US\$1,260,000 (2014: US\$510,000) was made to purchase the property, plant and equipment.

See accompanying notes to financial statements.

# Notes to Financial Statements

June 30, 2015

## 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. The financial statements are expressed in United States dollars.

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

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

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the year ended June 30, 2015 were authorised for issue by the Board of Directors on October 9, 2015.

## 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 ("FRS").

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

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

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

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

# Notes to Financial Statements

June 30, 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**ADOPTION OF NEW AND REVISED STANDARDS** - On July 1, 2014, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below:

### **New and revised standards on consolidation, joint arrangements, associates and disclosures**

In September 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising FRS 110 *Consolidated Financial Statements*, FRS 111 *Joint Arrangements*, FRS 112 *Disclosure of Interests in Other Entities*, FRS 27 (as revised in 2011) *Separate Financial Statements* and FRS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to FRS 110, FRS 111 and FRS 112 were issued to clarify certain transitional guidance on the first-time application of these Standards.

In the current year, the Group has applied for the first time FRS 110, FRS 111, FRS 112, FRS 27 (as revised in 2011) and FRS 28 (as revised in 2011) together with the amendments to FRS 110, FRS 111 and FRS 112 regarding the transitional guidance.

The impact of the application of these Standards is set out below.

Management made an assessment as at date of initial application of FRS110 and FRS111 (i.e. June 1, 2014) and concluded that there has been no investee for which the Group has control over, other than those already accounted for as subsidiary as at June 1, 2014.

### **Impact of the application of FRS 112**

FRS 112 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of FRS 112 has resulted in more extensive disclosures in the consolidated financial statements (please see Note 11 and Note 12 for details).

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

- FRS 109 *Financial Instruments* <sup>3</sup>
- FRS 115 *Revenue from Contracts with Customers* <sup>2</sup>
- Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative* <sup>1</sup>
- Amendments to FRS 27 *Separate Financial Statements: Equity Method in Separate Financial Statements* <sup>1</sup>
- Amendments to FRS 16 *Property, Plant and Equipment* <sup>1</sup>
- Improvements to Financial Reporting Standards (November 2014) <sup>1</sup>

<sup>1</sup> Applies to annual periods beginning on or after 1 January 2016, with early application permitted.

<sup>2</sup> Applies to annual periods beginning on or after 1 January 2017, with early application permitted.

<sup>3</sup> Applies to annual periods beginning on or after 1 January 2018, with early application permitted.

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

# Notes to Financial Statements

June 30, 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

### **FRS 109 *Financial Instruments***

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

#### *Key requirements of FRS 109:*

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

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

Management is currently evaluating the potential impact of the application of FRS 109 on the financial statements of the Group and of the Company in the period of initial application.

### **FRS 115 *Revenue from Contracts with Customers***

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



# Notes to Financial Statements

June 30, 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

Management is currently evaluating the potential impact of the application of FRS 115 on the financial statements of the Group and of the Company in the period of initial application.

### **Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative***

The amendments have been made to the following:

- Materiality and aggregation - An entity shall not obscure useful information by aggregating or disaggregating information and materiality considerations apply to the primary statements, notes and any specific disclosure requirements in FRSs.
- Statement of financial position and statement of profit or loss and other comprehensive income - The list of line items to be presented in these statements can be aggregated or disaggregated as relevant. Guidance on subtotals in these statements has also been included.
- Presentation of items of other comprehensive income (“OCI”) arising from equity-accounted investments - An entity’s share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single items based on whether or not it will subsequently be reclassified to profit or loss.
- Notes - Entities have flexibility when designing the structure of the notes and guidance is introduced on how to determine a systematic order of the notes. In addition, unhelpful guidance and examples with regard to the identification of significant accounting policies are removed.

Management is currently estimating the effects of Amendments to FRS 1 on its presentation of financial statements in the period of initial adoption.

# Notes to Financial Statements

June 30, 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**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.

# Notes to Financial Statements

June 30, 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

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

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

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

# Notes to Financial Statements

June 30, 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

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

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

### Effective interest method

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

### **Financial assets**

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

# Notes to Financial Statements

June 30, 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

### Loans and receivables

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

### Impairment of financial assets

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

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

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

# Notes to Financial Statements

June 30, 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 and other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

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

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

### Derecognition of financial assets

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



# Notes to Financial Statements

June 30, 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### 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.

#### Bank borrowings and bills payables

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

#### Other financial liabilities

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

#### Derecognition of financial liabilities

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

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

#### The Group as lessor

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

# Notes to Financial Statements

June 30, 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### The Group as lessee

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

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

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

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

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

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

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

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

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.

# Notes to Financial Statements

June 30, 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

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

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

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

# Notes to Financial Statements

June 30, 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 $1\frac{2}{3}\%$ to 4%
Plant and machinery	-	10% to $16\frac{2}{3}\%$
Office equipment	-	10% to $33\frac{1}{3}\%$
Motor vehicles	-	10% to 25%

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

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

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

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

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

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

# Notes to Financial Statements

June 30, 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

### INTANGIBLE ASSETS

#### Intangible assets acquired separately

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

#### Intangible assets acquired in a business combination

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

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

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

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

# Notes to Financial Statements

June 30, 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

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

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

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

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

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



# Notes to Financial Statements

June 30, 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

### Sale of goods

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

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

### 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.

**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.

# Notes to Financial Statements

June 30, 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

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

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

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

# Notes to Financial Statements

June 30, 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

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

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

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

# Notes to Financial Statements

June 30, 2015

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

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

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

#### a) Allowances for doubtful debts

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

# Notes to Financial Statements

June 30, 2015

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

### (ii) *Key sources of estimation uncertainty (cont'd)*

#### b) Allowances for inventories

Management determines whether an allowance for inventory obsolescence or slow-moving inventories or for any shortfall in net realisable value of inventories by reviewing the inventory listing on a periodic basis. The review involves a comparison of the carrying value of the inventory items with the respective net realisable value as well as the forecasted demand for the inventories. 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.

#### c) Impairment of property, plant and equipment

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

#### d) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Arising from the assessment by management, an impairment loss of US\$448,000 was recorded in 2014. In 2015, the Group had disposed the investment in Metrolink Group for which the remaining goodwill relate to, and the goodwill had been included in the determination on the loss on disposal of the investment. The carrying amount and related impairment of the Group's goodwill are disclosed in Note 14 to the financial statements.

#### e) Impairment of investment in subsidiaries

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

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

# Notes to Financial Statements

June 30, 2015

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

### (ii) *Key sources of estimation uncertainty (cont'd)*

#### f) Impairment and amortisation of intangible assets

In determining whether any impairment is required on the brand names capitalised as intangible assets, the Group takes into consideration the current market environment and the estimated market value of the assets.

Impairment requires an estimation of future cash flows expected to be derived from the intangible assets. When the expected future net revenue of the intangible assets are estimated to be less than its carrying value, the carrying values shall be written down to its expected future net revenue, net of any direct cost and discounted to present value.

Management has where applicable, evaluated the recoverability of the intangible assets based on the cash flows expected from the cash generating units using an appropriate discount rate in order to calculate the present value of the future cash flows. Arising from the assessment by management, an impairment loss of US\$205,000 was recorded in 2015 (2014: US\$Nil).

The Group assesses the remaining useful lives of the brand names acquired to be 10 years based on management estimations. The carrying amount and related impairment of the Group's intangible assets are disclosed in Note 18 to the financial statements.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

### (a) *Categories of financial instruments*

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

	GROUP		COMPANY	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Financial assets</b>				
Loan and receivables (including cash and bank balances)	10,053	6,899	13,700	15,632
Available-for-sale financial assets	6	-	6	-
<b>Financial liabilities</b>				
Amortised cost	8,412	15,707	10,789	11,451

### (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.



# Notes to Financial Statements

June 30, 2015

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### (c) *Financial risk management policies and objectives*

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

The Group does not hold nor issue derivative financial instruments.

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

#### (i) Foreign currency risk management

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

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

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

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

	USD US\$'000	RMB US\$'000	SGD US\$'000	VND US\$'000	Others US\$'000
<b>2015 GROUP</b>					
<b>Assets</b>					
Cash and bank balances	224	233	8	1,269	13
Trade receivables	58	-	-	-	-
Other receivables	-	4	292	94	-
Assets classified as held for sale	177	-	-	-	-
Total	459	237	300	1,363	13
<b>Liabilities</b>					
Trade payables	81	53	2	848	-
Other payables	-	-	3	230	-
Finance leases	-	-	146	-	-
Bank overdrafts	-	-	271	-	-
Assets classified as held for sale	101	-	-	-	-
Total	182	53	422	1,078	-

# Notes to Financial Statements

June 30, 2015

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### (c) Financial risk management policies and objectives (cont'd)

#### (i) Foreign currency risk management (cont'd)

	USD US\$'000	RMB US\$'000	SGD US\$'000	VND US\$'000	Others US\$'000
<b>2015</b>					
<b><u>COMPANY</u></b>					
<b>Assets</b>					
Cash and bank balances	-	233	8	-	13
Trade receivables	-	-	-	-	-
Other receivables	-	4	292	-	-
Total	-	237	300	-	13
<b>Liabilities</b>					
Trade payables	-	53	1	-	-
Other payables	-	-	3	-	-
Finance leases	-	-	146	-	-
Bank overdrafts	-	-	271	-	-
Total	-	53	421	-	-
<b>2014</b>					
<b><u>GROUP</u></b>					
<b>Assets</b>					
Cash and bank balances	1	370	219	352	207
Trade receivables	183	132	232	69	84
Other receivables	-	597	219	195	173
Total	184	1,099	670	616	464
<b>Liabilities</b>					
Trade payables	155	1,077	63	728	609
Other payables	-	1,558	437	708	323
Finance leases	-	40	72	-	19
Bank overdrafts	-	37	468	-	-
Total	155	2,712	1,040	1,436	951

# Notes to Financial Statements

June 30, 2015

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### (c) Financial risk management policies and objectives (cont'd)

#### (i) Foreign currency risk management (cont'd)

	USD US\$'000	RMB US\$'000	SGD US\$'000	VND US\$'000	Others US\$'000
<b>2014</b>					
<b>COMPANY</b>					
<b>Assets</b>					
Cash and bank balances	-	-	23	-	12
Trade receivables	-	-	-	-	-
Other receivables	-	4	615	-	2
Total	-	4	638	-	14
<b>Liabilities</b>					
Trade payables	-	69	2	-	-
Other payables	-	-	4	-	-
Finance leases	-	-	72	-	-
Bank overdrafts	-	-	297	-	-
Total	-	69	375	-	-

#### 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 used when reporting foreign currency risk internally to key management personnel and 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 written the Group where they gave rise to an impact on the Group's profit or loss and/or equity.

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	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
<b>GROUP</b>										
Profit or loss	(28)	(3)	(18)	161	12	37	(29)	82	(1)	49
<b>COMPANY</b>										
Profit or loss	-	-	(18)	7	12	(26)	-	-	(1)	(1)

# Notes to Financial Statements

June 30, 2015

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### (c) *Financial risk management policies and objectives (cont'd)*

#### (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 is used when reporting interest rate risk internally to key management personnel and 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, 2015 would decrease/increase by US\$13,000 and US\$11,000 (2014 : US\$37,000 and US\$25,000) respectively. This is mainly attributable to the Group's and Company's exposure to variable interest rates on its interest-bearing borrowings.

#### (iii) Credit risk management

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

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

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

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

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

At the end of the year, the Group has outstanding trade receivables from the top 5 customers which represent 41% (2014: 57%) of total trade receivables balance at year end. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

# Notes to Financial Statements

June 30, 2015

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### (c) *Financial risk management policies and objectives (cont'd)*

#### (iii) Credit risk management (cont'd)

At the end of the year, the Company has outstanding trade and other receivables of US\$4,133,000 (2014: US\$5,589,000) and US\$4,896,000 (2014: US\$5,958,000) respectively from its subsidiaries which represent 60% (2014: 62%) and 83% (2014: 90%) respectively of its total trade and other receivables. Ongoing credit evaluation is performed on the financial condition of its subsidiaries.

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

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

	GROUP		COMPANY	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Carrying amount (Note 7)	<b>3,571</b>	4,014	<b>6,936</b>	9,087
Less: Amount covered by letters of credits from customers	<b>(1,171)</b>	(937)	<b>(1,171)</b>	(868)
Less: Credit insurance	<b>(1,203)</b>	(1,862)	<b>(1,203)</b>	(1,862)
Net exposure to credit risk	<b>1,197</b>	1,215	<b>4,562</b>	6,357

#### (iv) Liquidity risk management

In the management of the 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.

# Notes to Financial Statements

June 30, 2015

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### (c) Financial risk management policies and objectives (cont'd)

#### (iv) Liquidity risk management (cont'd)

	Weighted average effective interest rate %	On demand or within 1 year US\$'000	Adjustment US\$'000	Total US\$'000
<b>GROUP</b>				
<b>2015</b>				
Non-interest bearing	-	9,231	-	9,231
Fixed interest rate instruments	5.0	828	(6)	822
Total		10,059	(6)	10,053
<b>2014</b>				
Non-interest bearing	-	6,711	-	6,711
Fixed interest rate instruments	7.0	202	(14)	188
Total		6,913	(14)	6,899
<b>COMPANY</b>				
<b>2015</b>				
Non-interest bearing	-	13,700	-	13,700
<b>2014</b>				
Non-interest bearing	-	15,632	-	15,632

#### Non-derivative financial liabilities

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

# Notes to Financial Statements

June 30, 2015

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### (iv) Liquidity risk management (cont'd)

	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
<b>GROUP</b>					
<b>2015</b>					
Non-interest bearing		4,943	-	-	4,943
Finance lease liability (fixed rate)	3.7	102	146	(15)	233
Variable interest rate instruments	3.0	2,972	312	(48)	3,236
Total		8,017	458	(63)	8,412
<b>2014</b>					
Non-interest bearing		7,138	-	-	7,138
Finance lease liability (fixed rate)	3.8	67	70	(5)	132
Variable interest rate instruments	3.5	7,040	652	(245)	7,447
Fixed interest rate instruments	5.6	1,048	-	(58)	990
Total		15,293	722	(308)	15,707
<b>COMPANY</b>					
<b>2015</b>					
Non-interest bearing		8,070	-	-	8,070
Finance lease liability (fixed rate)	4.4	80	78	(12)	146
Variable interest rate instruments	3.0	2,290	312	(29)	2,573
Total		10,440	390	(41)	10,789
<b>2014</b>					
Non-interest bearing		5,350	-	-	5,350
Finance lease liability (fixed rate)	4.4	34	41	(3)	72
Variable interest rate instruments	3.4	5,575	652	(198)	6,029
Total		10,959	693	(201)	11,451



# Notes to Financial Statements

June 30, 2015

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### (v) Fair values of financial assets and financial liabilities

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

### (d) ***Capital risk 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, 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 and new share issues as well as the issue of new debt or the redemption of existing debt.

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

## 5 RELATED PARTY TRANSACTIONS

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

Significant related party transactions are as follows:

	GROUP	
	2015 US\$'000	2014 US\$'000
<u>Companies in which a director has interests in:</u>		
Refundable deposit placed with a related party	213	-
<u>Companies in which a key management personnel has interests in:</u>		
Sales of goods to a related party	-	15
Management fee income from a related party	25	26

# Notes to Financial Statements

June 30, 2015

## 5 RELATED PARTY TRANSACTIONS (cont'd)

### *Compensation of directors and key management personnel*

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

	GROUP	
	2015 US\$'000	2014 US\$'000
Short-term benefits	1,524	1,439
Post-employment benefits	74	66
	<b>1,598</b>	1,505

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

## 6 CASH AND BANK BALANCES

	GROUP		COMPANY	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Cash at bank	3,121	2,026	1,091	436
Cash on hand	12	24	8	11
Cash and bank balances	<b>3,133</b>	2,050	<b>1,099</b>	447
Less: Bank overdrafts (Note 24)	<b>(271)</b>	(505)	<b>(271)</b>	(468)
Add: Cash and cash equivalents included in a disposal group held for sale (Note 10)	71	-	-	-
Cash and cash equivalents (Overdrawn) in the consolidated statement of cash flows	<b>2,933</b>	1,545	<b>828</b>	(21)

Cash at bank includes short-term deposits with an original maturity of three months or less amounting to US\$812,000 (2014: US\$188,000) for the Group which bear effective interest at a fixed rate of 5% (2014: 7%) per annum.

# Notes to Financial Statements

June 30, 2015

## 7 TRADE RECEIVABLES

	GROUP		COMPANY	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Outside parties	<b>2,838</b>	4,117	<b>2,714</b>	3,498
Related parties (Note 5)	<b>737</b>	52	<b>89</b>	-
Subsidiaries (Note 11)	-	-	<b>4,432</b>	5,888
	<b>3,575</b>	4,169	<b>7,235</b>	9,386
Less: Allowance for doubtful debts				
Outside parties	<b>(4)</b>	(155)	-	-
Subsidiaries	-	-	<b>(299)</b>	(299)
Net	<b>3,571</b>	4,014	<b>6,936</b>	9,087
Movement in allowance for doubtful debts:				
Balance at beginning of year	<b>155</b>	21	<b>299</b>	1,299
Amounts written off during the year	-	-	<b>(253)</b>	(1,299)
Arising during the year	<b>15</b>	134	<b>253</b>	299
Reclassified to assets held for sale	<b>(166)</b>	-	-	-
Balance at end of year	<b>4</b>	155	<b>299</b>	299

The average credit period on sale of goods is 30 days (2014: 30 days). No interest is charged on the trade receivables.

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

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

# Notes to Financial Statements

June 30, 2015

## 7 TRADE RECEIVABLES (cont'd)

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. In addition to allowance for doubtful debts recorded as disclosed, management has assessed and written off US\$52,000 (2014: US\$47,000) deemed irrecoverable in profit or loss. The concentration of credit risk is disclosed in Note 4(c)(iii) to the financial statements.

Included in the Group's and Company's trade receivables are debtors with carrying amounts of US\$647,000 and US\$4,431,000 (2014 : US\$406,000 and US\$9,061,000) respectively which are past due at the end of the reporting period for which the Group and Company have not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable.

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

	GROUP		COMPANY	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Not past due and not impaired	<b>2,835</b>	3,608	<b>2,416</b>	26
Past due but not impaired <sup>(i)</sup>	<b>647</b>	406	<b>4,431</b>	9,061
	<b>3,482</b>	4,014	<b>6,847</b>	9,087
Impaired receivables				
- collectively assessed <sup>(ii)</sup>	<b>93</b>	155	<b>388</b>	299
Less: Allowance for impairment	<b>(4)</b>	(155)	<b>(299)</b>	(299)
	<b>89</b>	-	<b>89</b>	-
Total trade receivables, net	<b>3,571</b>	4,014	<b>6,936</b>	9,087

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

	GROUP		COMPANY	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
<6 months	<b>574</b>	139	<b>4,412</b>	8,900
6 months to 9 months	<b>25</b>	45	<b>19</b>	32
9 months to 12 months	-	31	-	16
>12 months <sup>(iii)</sup>	<b>48</b>	191	-	113
	<b>647</b>	406	<b>4,431</b>	9,061

(ii) These amounts are stated before any deduction for impairment losses.

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

# Notes to Financial Statements

June 30, 2015

## 8 OTHER RECEIVABLES

	GROUP		COMPANY	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Subsidiaries (Note 11)	-	-	5,496	5,958
Related parties (Note 5)	922	-	702	-
Other deposits	107	417	32	12
Prepayments	938	1,060	245	374
Value added tax recoverable	564	667	-	-
Others	226	418	35	128
	<b>2,757</b>	2,562	<b>6,510</b>	6,472
Less: Allowance for doubtful debts – subsidiaries	-	-	(600)	-
	<b>2,757</b>	2,562	<b>5,910</b>	6,472
Movement in allowance for doubtful debts: Arising during the year and at end of year	-	-	600	-

## 9 INVENTORIES

	GROUP	
	2015 US\$'000	2014 US\$'000
Raw materials	3,388	6,434
Work in progress	2,174	5,151
Finished goods	1,786	4,273
	<b>7,348</b>	15,858

Inventories of US\$969,000 (2014: US\$416,000) were recognised in profit or loss in respect of write-downs of inventories to net realisable value due to slow-moving inventories in the weak market conditions.

# Notes to Financial Statements

June 30, 2015

## 10 ASSETS CLASSIFIED AS HELD FOR SALE

On February 12, 2015, the management resolved to dispose certain of the Group's investment properties in Vietnam and negotiations with a third party has taken place before year end. On July 31, 2015, the Group entered into an agreement with the third party buyer to sell these investment properties for a cash consideration of US\$1,840,000.

On June 30, 2015, the management resolved to dispose two of the Group subsidiaries (Richin Furniture Décor Pte Ltd and Rossano Joint Stock Company) and negotiations with a minority shareholder were in place. Subsequently on September 1, 2015, the Company has entered into a memorandum of understanding ("MOU") with the minority shareholder on the sale of these two Group subsidiaries. Further to the signing of the MOU, the Company and the minority shareholder will enter into a definitive sales and purchase agreement in accordance with the terms of the MOU. The majority of the results were included in the Group's "Chairs and tables" and "Occasional and other furniture" segments for segment reporting purposes.

Accordingly, the carrying amounts of the above investment properties and the assets and liabilities attributable to these subsidiaries, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the statement of financial position. The proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised on the classification of these operations as held for sale other than as disclosed below.

The major classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

### (A) Investment properties

	<b>2015 US\$'000</b>
Reclassified from "Investment properties" (Note 17)	<b>1,856</b>
Impairment loss (including costs to sell)	<b>(56)</b>
	<b>1,800</b>

### (B) Subsidiaries

	<b>2015 US\$'000</b>
Property, plant and equipment	<b>47</b>
Goodwill	<b>-</b>
Inventories	<b>416</b>
Trade receivables	<b>49</b>
Other receivables	<b>127</b>
Cash and bank balances	<b>71</b>
Total assets classified as held for sale	<b>710</b>
Trade and other payables, and total for liabilities associated with assets classified as held for sale	<b>(1,261)</b>
Total net liabilities of disposal group	<b>(551)</b>

# Notes to Financial Statements

June 30, 2015

## 11 INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2015	2014
	US\$'000	US\$'000
Unquoted equity shares, at cost	12,417	14,105
Impairment loss	(4,282)	(4,282)
Net	8,135	9,823

	COMPANY	
	2015	2014
	US\$'000	US\$'000
Movements in impairment loss:		
Balance at beginning of year	4,282	964
Charge to profit or loss	-	3,318
Balance at end of year	4,282	4,282

The balances with subsidiaries are unsecured, interest-free, repayable on demand and expected to be settled in cash.

In 2015 and 2014, the Company carried out a review of the recoverable amount of its investments in subsidiaries and determined that the following subsidiaries exhibited indicators of impairment:

Subsidiary	Impairment losses recognised	
	2015	2014
	US\$'000	US\$'000
Richin Furniture Décor Pte Ltd	-	1,014
Rossano Joint Stock Company	-	28
Koda International Ltd	-	1,526
Koda Furniture Dongguan Co., Ltd	-	750
	-	3,318

In 2014, the above investments were fully impaired and the Company estimated the recoverable amount of the investments in subsidiaries using cash flow forecasts derived from the most recent financial budgets approved by management and extrapolates cash flow for the following five years based on an estimated growth of 1% per annum. The rate used to discount the forecasted cash flow from the subsidiaries was 10% per annum.

In 2015 and 2014, these subsidiaries continued to be loss-making and in capital deficiency positions.



# Notes to Financial Statements

June 30, 2015

## 11 INVESTMENT IN SUBSIDIARIES (cont'd)

Details of the subsidiaries are described below:

Subsidiaries	Proportion of ownership interest and voting power held		Principal activities and country of incorporation (or registration) / operations
	2015 %	2014 %	
Jatat Furniture Industries Sdn Bhd <sup>(1)</sup>	100	100	Timber merchants and manufacturers, exporters, wholesalers and retailers of furniture (Malaysia)
Koda Woodcraft Sdn Bhd <sup>(1)</sup>	100	100	Timber merchants and manufacturers, exporters, wholesalers and retailers of furniture (Malaysia)
Koda Indochine Co., Ltd <sup>(1)</sup>	100	100	Dormant (Vietnam)
Koda International Ltd <sup>(1)</sup>	100	100	Holding of investment properties (Vietnam)
Koda Saigon Co., Ltd <sup>(1)</sup>	100	100	Production of wooden furniture, steel furniture, inlaying of marble on wood and interior decoration. (Vietnam)
Koda Vietnam Co., Ltd <sup>(1)</sup>	100	100	Dormant (Vietnam)
Rossano Joint Stock Company <sup>(1)</sup>	70	70	Fabrication and leather upholstery of furniture and retail of furniture (Vietnam)
Koda Furniture Dongguan Co., Ltd <sup>(3)</sup>	100	100	Manufacturing and export of furniture (China)
Locasa Sofa Limited <sup>(2) (3)</sup>	10	51	Manufacturing and export of furniture (China)
Commune Lifestyle Pte Ltd	100	100	Retail of furniture (Singapore)
Commune Lifestyle Sdn Bhd <sup>(5)</sup>	100	-	Trading and export of furniture (Malaysia)
Commune (Dongguan) Trading Co., Ltd <sup>(6)</sup>	100	-	Trading and export of furniture. (China)
Outdoor Living Pte Ltd	100	100	Dormant (Singapore)
Richin Furniture Décor Pte Ltd	70	70	Investment holding (Singapore)
Metrolink International Limited <sup>(2) (3)</sup>	10	51	Investment holding and trading and export of furniture (Hong Kong)
PT C&C Furniture <sup>(2) (4)</sup>	10	51	Manufacturing and export of furniture (Indonesia)

# Notes to Financial Statements

June 30, 2015

## 11 INVESTMENT IN SUBSIDIARIES (cont'd)

### Note on auditors:

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

- (1) Audited by overseas practices of Deloitte Touche Tohmatsu.
  - (2) The shareholdings of these subsidiaries (collectively known as "Metrolink Group") were diluted during the year and had been classified as available-for-sale investments.
  - (3) Audited by Foo Kon Tan LLP, Singapore ("FKT") †.
  - (4) Audited by Drs Supriyanto, Tax and Management Consultant.
  - (5) Newly incorporated in June 2015.
  - (6) Newly incorporated in May 2015.
- † The Board of Directors and the Audit Committee of the Company have reviewed the firm profile of FKT, and are satisfied that their appointment would not compromise the standard and effectiveness of the audit of the Group.

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Country of incorporation and operations	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2015	2014	2015	2014	2015	2014
		%	%	US\$'000	US\$'000	US\$'000	US\$'000
Rossano Joint Stock Company	Vietnam	30	30	(83)	(285)	(226)	(146)
Locasa Sofa Limited	China	-	49	(1,639) <sup>(1)</sup>	(101)	-	1,941
Metrolink International Limited	Hong Kong	-	49	332 <sup>(1)</sup>	118	-	(1,154)
PT C & C Furniture	Indonesia	-	49	(71) <sup>(1)</sup>	(126)	-	132
Individually immaterial subsidiary with non-controlling interests	Singapore	30	30	8	(81)	10	(1)
Total				(1,453)	(475)	(216)	772

- (1) These represent up to disposal date of May 31, 2015.

# Notes to Financial Statements

June 30, 2015

## 11 INVESTMENT IN SUBSIDIARIES (cont'd)

The summarised financial information below represents amounts before intragroup eliminations.

	<b>Rossano Joint Stock Company</b>	
	<b>2015</b>	<b>2014</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Current assets	<b>719</b>	1,373
Non-current assets	-	296
Current liabilities	<b>(1,471)</b>	(2,155)
Non-current liabilities	-	-
Equity attributable to owners of the Company	<b>(526)</b>	(340)
Non-controlling interests	<b>(226)</b>	(146)
Revenue	<b>2,341</b>	3,384
Expenses	<b>(2,619)</b>	(4,334)
Loss for the year	<b>(278)</b>	(950)
Loss attributable to the owners of the Company	<b>(195)</b>	(665)
Loss attributable to the non-controlling interests	<b>(83)</b>	(285)
Loss for the year	<b>(278)</b>	(950)
Other comprehensive income (loss) attributable to the owners of the Company	<b>8</b>	(4)
Other comprehensive income (loss) attributable to the non-controlling interests	<b>3</b>	(1)
Other comprehensive income (loss) for the year	<b>11</b>	(5)
Total comprehensive loss attributable to the owners of the Company	<b>(187)</b>	(669)
Total comprehensive loss attributable to the non-controlling interests	<b>(80)</b>	(286)
Total comprehensive loss for the year	<b>(267)</b>	(955)
Net cash outflow from operating activities	<b>(948)</b>	(127)
Net cash inflow from investing activities	<b>850</b>	-
Net cash (outflow) inflow from financing activities	<b>(187)</b>	176
Net cash (outflow) inflow	<b>(285)</b>	49

# Notes to Financial Statements

June 30, 2015

## 12 INVESTMENT IN AN ASSOCIATE

	GROUP	
	2015 US\$'000	2014 US\$'000
Cost of investment in associate	6	-
Share of post-acquisition profit, net of dividend received	5	-
Currency realignment	(1)	-
	<b>10</b>	<b>-</b>

Details of the Group's associate at June 30, 2015 are as follows:

Associate	Proportion of ownership interest and voting power held		Principal activities and country of incorporation (or registration) / operations
	2015	2014	
	%	%	
Commune Furniture (M) Sdn Bhd <sup>(1)</sup>	19.9	-	Trading and distributor of furniture (Malaysia)

<sup>(1)</sup> Audited by T.Sim & Co.

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

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

	US\$'000
Current assets	282
Current liabilities	(182)
Revenue	197
Profit net of tax	<b>23</b>

# Notes to Financial Statements

June 30, 2015

## 12 INVESTMENT IN AN ASSOCIATE (cont'd)

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:

	<b>US\$'000</b>
Net assets of the associate	100
Proportion of the Group's ownership interest in associate	19.9%
Share of net assets of the associate	20
Less: Share of pre-acquisition profits	(10)
Carrying amount of the Group's interest in associate	<u>10</u>

## 13 AVAILABLE-FOR-SALE INVESTMENTS

	<b>GROUP AND COMPANY</b>	
	<b>2015</b>	<b>2014</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Unquoted equity shares, at fair value	<u>6</u>	<u>-</u>

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

## 14 GOODWILL

	<b>GROUP</b>
	<b>US\$'000</b>
Cost:	
At July 1, 2013 and 2014	1,486
Eliminated on disposal of a subsidiary (Note 34)	(758)
At June 2015	<u>728</u>
Impairment:	
At July 1, 2013	280
Impairment loss	448
At June 30, 2014	<u>728</u>
Impairment loss	-
At June 30, 2015	<u>728</u>
Carrying amount:	
At June 30, 2015	-
At June 30, 2014	<u>758</u>

# Notes to Financial Statements

June 30, 2015

## 14 GOODWILL (cont'd)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	GROUP	
	2015	2014
	US\$'000	US\$'000
Rossano Joint Stock Company ("Rossano") (single CGU) (Note A)	728	728
Metrolink Group (single CGU) (Note B)	-	758
	<b>728</b>	<b>1,486</b>

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the cash generating unit (CGUs) is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectation of future changes in the market.

### Note A

In 2014, the Group prepared cash flow forecasts derived from the most recent financial budgets approved by management and extrapolated cash flows for the next five years based on an estimated growth rate of 1% per annum. The rate used to discount the forecasted cash flows from Rossano was 10% per annum.

Management's review led to a full impairment of the Rossano CGU goodwill amounting to US\$448,000 which was recognised in profit or loss and included under other expenses (Note 29) in 2014. Any reasonably possible change to the key assumptions applied was not likely to cause the recoverable amounts to be below the carrying amounts of the CGU.

### Note B

In 2014, the Group prepared cash flow forecasts derived from the most recent financial budgets approved by management and extrapolated cash flows for the following five years based on an estimated growth rate of 1% per annum. The rate used to discount the forecasted cash flows from the Metrolink Group was 15.2% per annum.

# Notes to Financial Statements

June 30, 2015

## 14 GOODWILL (cont'd)

*Sensitivity analysis for the year ended June 30, 2014:*

- (a) Had a zero growth rate, instead of 1% per annum, assumption been used, an impairment loss of US\$12,000 would have been recognised in profit or loss.
- (b) If the rate used to discount the forecasted cash flows were to increase by 100 basis points (1%), an impairment loss of US\$129,000 would have been recognised in profit or loss.

During the current financial year, the Company had disposed its investment in Metrolink Group and retained a 10% share interest. The goodwill had been included in the determination on the loss on disposal of the Metrolink Group (Note 34).

## 15 CLUB MEMBERSHIPS

	GROUP		COMPANY	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Club memberships, at cost	<b>280</b>	280	<b>192</b>	192
Impairment loss	<b>(69)</b>	(69)	-	-
Currency realignment	<b>(2)</b>	-	-	-
	<b>209</b>	211	<b>192</b>	192
Movement in impairment loss:				
Balance at beginning and end of year	<b>69</b>	69	-	-



# Notes to Financial Statements

June 30, 2015

## 16 PROPERTY, PLANT AND EQUIPMENT

<u>GROUP</u>	<b>Freehold land US\$'000</b>	<b>Leasehold land and buildings US\$'000</b>	<b>Plant and machinery US\$'000</b>	<b>Office equipment US\$'000</b>	<b>Motor vehicles US\$'000</b>	<b>Construction- in-progress US\$'000</b>	<b>Total US\$'000</b>
Cost or valuation:							
At July 1, 2013	2,456	9,684	9,343	1,815	1,654	117	25,069
Currency realignment	(33)	(44)	(110)	(14)	(7)	-	(208)
Additions	-	113	157	223	19	7	519
Reclassification	-	-	54	-	-	(54)	-
Revaluation	969	-	-	-	-	-	969
Disposals	-	-	(229)	(3)	(39)	(70)	(341)
At June 30, 2014	3,392	9,753	9,215	2,021	1,627	-	26,008
Currency realignment	(511)	(432)	(511)	(99)	(24)	-	(1,577)
Additions	-	46	688	234	449	69	1,486
Reclassification	-	12	-	-	(12)	-	-
Reclassified as held for sale	-	-	(49)	(5)	(84)	-	(138)
Revaluation	289	(135)	-	-	-	-	154
Eliminated on disposal of a subsidiary	-	(30)	(1,167)	(287)	(159)	-	(1,643)
Write off	-	(228)	(494)	(177)	-	-	(899)
Adjustment	-	(17)	-	(63)	-	-	(80)
Disposals	-	(921)	(390)	(254)	(348)	-	(1,913)
At June 30, 2015	3,170	8,048	7,292	1,370	1,449	69	21,398
Comprising:							
June 30, 2015:							
At cost	399	6,155	7,292	1,370	1,449	69	16,734
At valuation	2,771	1,893	-	-	-	-	4,664
Total	3,170	8,048	7,292	1,370	1,449	69	21,398
June 30, 2014:							
At cost	469	7,938	9,215	2,021	1,627	-	21,270
At valuation	2,923	1,815	-	-	-	-	4,738
Total	3,392	9,753	9,215	2,021	1,627	-	26,008

# Notes to Financial Statements

June 30, 2015

## 16 PROPERTY, PLANT AND EQUIPMENT (cont'd)

<u>GROUP</u>	<u>Freehold land US\$'000</u>	<u>Leasehold land and buildings US\$'000</u>	<u>Plant and machinery US\$'000</u>	<u>Office equipment US\$'000</u>	<u>Motor vehicles US\$'000</u>	<u>Construction- in-progress US\$'000</u>	<u>Total US\$'000</u>
Accumulated depreciation:							
At July 1, 2013	-	2,548	6,484	1,482	940	-	11,454
Currency realignment	-	(6)	(82)	(11)	(4)	-	(103)
Depreciation	-	374	606	142	168	-	1,290
Disposals	-	-	(171)	(2)	(26)	-	(199)
At June 30, 2014	-	2,916	6,837	1,611	1,078	-	12,442
Currency realignment	-	(79)	(427)	(70)	(13)	-	(589)
Depreciation	-	323	598	157	168	-	1,246
Reclassification	-	20	-	(9)	(11)	-	-
Reclassified as held for sale	-	-	(37)	(5)	(48)	-	(90)
Eliminated on revaluation	-	(207)	-	-	-	-	(207)
Eliminated on disposal of a subsidiary	-	(8)	(511)	(222)	(150)	-	(891)
Write off	-	(228)	(355)	(162)	-	-	(745)
Adjustment	-	-	-	(39)	-	-	(39)
Disposals	-	(439)	(351)	(246)	(292)	-	(1,328)
At June 30, 2015	-	2,298	5,754	1,015	732	-	9,799
Impairment:							
At July 1, 2014	-	-	-	-	-	-	-
Impairment loss recognised in the year	-	-	345	-	-	-	345
Eliminated on disposal of a subsidiary	-	-	(345)	-	-	-	(345)
At June 30, 2015	-	-	-	-	-	-	-
Carrying amount:							
At June 30, 2015	3,170	5,750	1,538	355	717	69	11,599
At June 30, 2014	3,392	6,837	2,378	410	549	-	13,566

The Group has plant and machinery and motor vehicles with carrying amounts of US\$10,000 and US\$625,000 (2014: US\$60,000 and US\$226,000) respectively under finance lease agreements (Note 23).

At June 30, 2015, had the freehold land and leasehold land and buildings been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amounts would have been approximately US\$274,000 (2014: US\$353,000).

# Notes to Financial Statements

June 30, 2015

## 16 PROPERTY, PLANT AND EQUIPMENT (cont'd)

### *Fair value measurement of the Group's land and buildings*

Land and buildings of certain subsidiaries were revalued at June 30, 2015 by an independent valuer not connected to the Group, by reference to market evidence of recent transactions for similar properties. The valuations were performed in accordance with International Valuation Standards.

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

Details of the Group's land and buildings and information about the fair value hierarchy as at June 30, 2015 are as follows:

Description	Fair value US\$'000		Unobservable inputs
	2015	2014	
Freehold land (Malaysia)	<b>2,771</b> <sup>(1)</sup>	2,923 <sup>(1)</sup>	Transacted price of comparable industrial plots;
Leasehold buildings (Malaysia)	<b>1,136</b> <sup>(1)</sup>	1,058 <sup>(1)</sup>	range from US\$86 (2014: US\$69) to US\$148 (2014: US\$154) per square metre
Leasehold building (Singapore)	<b>757</b> <sup>(2)</sup>	757 <sup>(2)</sup>	NA
	<b>4,664</b>	4,738	

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

<sup>(2)</sup> The leasehold building of the Company is stated at directors' valuation as at June 30, 1983 based on the professional valuation made by Messrs Associated Property Consultants Pte Ltd in November 1981. Regular revaluations have not subsequently been performed on the leasehold building as the directors' valuation was performed prior to January 1, 1984.

# Notes to Financial Statements

June 30, 2015

## 16 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Leasehold building US\$'000	Plant and machinery US\$'000	Office equipment US\$'000	Motor vehicles US\$'000	Total US\$'000
<b><u>COMPANY</u></b>					
Cost or valuation:					
At July 1, 2013	766	1,294	485	893	3,438
Additions	-	-	79	-	79
At June 30, 2014	766	1,294	564	893	3,517
Additions	-	153	3	349	505
Disposals	-	(119)	(152)	(283)	(554)
At June 30, 2015	766	1,328	415	959	3,468
Comprising:					
June 30, 2015:					
At cost	9	1,328	415	959	2,711
At valuation	757	-	-	-	757
Total	766	1,328	415	959	3,468
June 30, 2014:					
At cost	9	1,294	564	893	2,760
At valuation	757	-	-	-	757
Total	766	1,294	564	893	3,517
Accumulated depreciation:					
At July 1, 2013	759	1,202	447	471	2,879
Depreciation	1	33	27	83	144
At June 30, 2014	760	1,235	474	554	3,023
Depreciation	1	38	27	93	159
Disposals	-	(116)	(152)	(234)	(502)
At June 30, 2015	761	1,157	349	413	2,680
Carrying amount:					
At June 30, 2015	5	171	66	546	788
At June 30, 2014	6	59	90	339	494

At June 30, 2015, had the leasehold building been carried at historical cost less accumulated depreciation and accumulated impairment losses, the carrying amount would have been US\$Nil (2014: US\$Nil).

The Company has motor vehicles with carrying amounts of US\$535,000 (2014: US\$257,000) under finance lease agreements (Note 23).

# Notes to Financial Statements

June 30, 2015

## 17 INVESTMENT PROPERTIES

### At fair value

Balance at beginning of year

Fair value loss on valuation included in profit or loss (Note 29)

Property reclassified as "Assets held for sale" (Note 10)

Balance at end of year

GROUP	
2015	2014
US\$'000	US\$'000
2,800	2,800
(10)	-
(1,856)	-
934	2,800

The Group's investment properties are held for capital appreciation and/or to earn rental and are expected to be recovered through sale. There was no operating lease income and no significant direct operating expenses (including repairs and maintenance) were incurred on the investment properties.

### *Fair value measurement of the Group's investment properties and valuation process*

The fair values of the Group's investment properties comprising leasehold land and buildings of a subsidiary were revalued by an independent valuer having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued not connected with the Group, by reference to market evidence of recent transactions for similar properties as at June 30, 2015. The valuations were performed in accordance with International Valuation Standards. In estimating the fair value of the properties, management works with the qualified external valuer to establish the appropriate valuation techniques and inputs to the model and reports the findings to the board of directors on an annual basis on the fluctuations in the fair value of the investment properties. There has been no change to the valuation technique during the year.

Details of the Group's investment properties and information about the fair value hierarchy as at June 30, 2015 are as follows:

Description	Fair value		Unobservable inputs
	2015	2014	
	US\$'000	US\$'000	
Leasehold factory buildings (Vietnam)	934	2,800	Transacted price of comparable properties; range from US\$170 (2014: US\$148) to US\$275 (2014: US\$323) per square metre for factory building and range from US\$20 to US\$200 per square metre for building improvements

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

# Notes to Financial Statements

June 30, 2015

## 18 INTANGIBLE ASSETS

	GROUP		COMPANY	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Cost				
Balance at beginning of year	314	796	-	208
Currency realignment	4	-	-	-
Eliminated on disposal of subsidiary	(318)	-	-	-
Disposal	-	(482)	-	(208)
Balance at end of year	-	314	-	-
Accumulated amortisation:				
Balance at beginning of year	84	174	-	21
Charge to profit or loss, recorded under "administrative expenses"	29	48	-	10
Eliminated on disposal of subsidiary	(113)	-	-	-
Disposal	-	(138)	-	(31)
Balance at end of year	-	84	-	-
Impairment:				
Balance at beginning of year	-	167	-	-
Charge to profit or loss, recorded under "other expenses"	205	-	-	-
Write off	(205)	(167)	-	-
Balance at end of year	-	-	-	-
Carrying amount:				
At end of year	-	230	-	-
At beginning of year	230	455	-	187

In 2012, the Group acquired certain brand names amounting to US\$314,000 arising from the acquisition of the Metrolink Group. The brand names are amortised over the estimated remaining useful life of 10 years. The remaining useful life as at June 30, 2014 was 8 years.

During the current financial year, an impairment loss of US\$205,000 was recognised in profit or loss prior to disposal of the Metrolink Group for which these intangible assets relate to.

# Notes to Financial Statements

June 30, 2015

## 19 DEFERRED TAX (LIABILITIES) ASSETS

	GROUP		COMPANY	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Balance at beginning of year	(311)	69	3	3
Charge to profit or loss (Note 31)	(243)	(250)	-	-
Charge to other comprehensive income	(35)	(130)	-	-
Eliminated on disposal of subsidiary	65	-	-	-
Effect of change in tax rate	12	-	-	-
Currency realignment	84	-	-	-
Balance at end of year	(428)	(311)	3	3

Certain deferred tax assets and liabilities have been offset in accordance with the Group and Company's accounting policy. The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	GROUP		COMPANY	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Deferred tax assets	21	377	3	3
Deferred tax liabilities	(449)	(688)	-	-
Deferred tax (liabilities) assets	(428)	(311)	3	3

The balance comprises mainly the tax effect of:

	GROUP		COMPANY	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Tax loss carry forward	21	377	3	3
Property, plant and equipment	(200)	(474)	-	-
Revaluation of property	(249)	(214)	-	-
Net	(428)	(311)	3	3

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\$11,781,000 (2014: US\$9,746,000). 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 Financial Statements

June 30, 2015

## 20 **BILLS PAYABLES**

The bank facilities of the Company with a balance of US\$1,663,000 (2014: US\$4,590,000) as at the end of the reporting period are secured by a negative pledge on the Company's assets.

The bank facilities of subsidiaries with a balance of US\$663,000 (2014: US\$2,370,000) as at the end of reporting period are guaranteed by the Company.

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

The above credit facilities bear effective interest at floating rates ranging from 2% to 4% (2014: 2% to 6%) per annum.

## 21 **TRADE PAYABLES**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Subsidiaries (Note 11)	-	-	<b>7,580</b>	4,717
Related parties	<b>676</b>	-	<b>7</b>	-
Outside parties	<b>1,708</b>	4,178	<b>68</b>	90
	<b>2,384</b>	4,178	<b>7,655</b>	4,807

The average credit period on purchases of goods is 30 days (2014: 30 days). No interest is charged on the trade payables.

## 22 **OTHER PAYABLES**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Accrued expenses	<b>1,047</b>	1,906	<b>176</b>	227
Advances from customers	<b>1,234</b>	1,874	<b>542</b>	700
Due to related parties (Note 5)	<b>1</b>	693	<b>1</b>	-
Due to subsidiaries (Note 11)	-	-	<b>175</b>	260
Due to directors	-	94	-	-
Refundable deposits received	<b>51</b>	85	<b>51</b>	51
Value added tax payable	<b>103</b>	584	-	-
Others	<b>199</b>	182	<b>12</b>	4
	<b>2,635</b>	5,418	<b>957</b>	1,242

# Notes to Financial Statements

June 30, 2015

## 22 OTHER PAYABLES (cont'd)

Presented in the statement of financial position:

	GROUP		COMPANY	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Current	2,635	4,725	957	1,242
Non-current (due to related parties)	-	693	-	-
	<b>2,635</b>	<b>5,418</b>	<b>957</b>	<b>1,242</b>

In 2014, the non-current balance due to related parties represent amounts due to the directors of a subsidiary. The balances were unsecured, interest-free and repayable by June 2016. Management had determined that the carrying amounts of the non-current payables approximate fair value as the amount was due within 2 years. The amount has been settled during the year via issuance of new ordinary shares to the shareholders of non-controlling interests of Metrolink Group (Note 34).

## 23 OBLIGATIONS UNDER FINANCE LEASES

	GROUP				COMPANY			
	Minimum lease payments		Present value of minimum lease payments		Minimum lease payments		Present value of minimum lease payments	
	2015	2014	2015	2014	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Amounts payable under finance leases:								
Within one year	102	80	93	64	78	42	72	32
In the second to fifth years inclusive	154	76	140	68	80	43	74	40
	256	156	233	132	158	85	146	72
Less: Future finance charges	(23)	(24)	-	-	(12)	(13)	-	-
Present value of lease obligations	233	132	233	132	146	72	146	72
Less: Amount due for settlement within 12 months (shown under current liabilities)			(93)	(64)			(72)	(32)
Amount due for settlement after 12 months			140	68			74	40

It is the Group's policy to lease certain of its property, plant and equipment, and motor vehicles under finance leases. The average lease term is 2 to 5 years (2014: 3 to 10 years). For the year ended June 30, 2015, the range of effective borrowing rate was 4% to 5% (2014: 3% to 4%) 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. The fair value of the Group's and Company's obligations approximates their carrying amount.

# Notes to Financial Statements

June 30, 2015

## 24 BANK OVERDRAFTS AND LOANS

	GROUP		COMPANY	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Bank overdrafts (Note 6)	271	505	271	468
Bank loans	639	972	639	972
	910	1,477	910	1,440
Less: Amount due for settlement within 12 months (shown under current liabilities)	(604)	(838)	(604)	(801)
Amount due for settlement after 12 months	306	639	306	639

Bank overdrafts are repayable on demand. During the year, the range of effective interest rate on bank overdrafts is approximately 1% to 4% (2014: 1% to 2%) per annum.

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

- a) Loan of US\$639,000 (2014: US\$972,000). The loan is repayable over 36 monthly instalments of US\$28,000 each, commencing May 2014 and will continue until May 2017 (2014: May 2014 and will continue until May 2017). The loan is unsecured and bears interest at 1.25% (2014: 1.25%) per annum above the Singapore Inter-Bank Offer Rate. The effective interest rate for the year was 2.0% (2014: 1.6%) per annum.

## 25 SHARE CAPITAL

	GROUP AND COMPANY			
	2015 Number of ordinary shares '000	2014 Number of ordinary shares '000	2015 US\$'000	2014 US\$'000
Issued and paid up:				
At beginning and end of year	136,513	136,513	4,312	4,312

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.

# Notes to Financial Statements

June 30, 2015

## 26 CAPITAL RESERVES

	Property revaluation reserve US\$'000	Other reserve US\$'000	Total US\$'000
<b>GROUP</b>			
Balance at July 1, 2013	2,223	1,985	4,208
Change in fair value of property, plant and equipment in other comprehensive income	839	-	839
Balance at June 30, 2014	3,062	1,985	5,047
Change in fair value of property, plant and equipment in other comprehensive income	326	-	326
Balance at June 30, 2015	3,388	1,985	5,373
<b>COMPANY</b>			
Balance at July 1, 2013, June 30, 2014 and 2015	58	-	58

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

Other reserve represents the capitalisation of accumulated profits of a subsidiary.

## 27 REVENUE

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

## 28 OTHER INCOME

	<b>GROUP</b>	
	2015 US\$'000	2014 US\$'000
Rental income	184	159
Interest income on bank balances	92	32
Exchange gain	188	1
Gain on disposal of property, plant and equipment	1,299	11
Gain on disposal of intangible asset (Note 18)	-	33
Sundry income	472	235
	<b>2,235</b>	<b>471</b>

# Notes to Financial Statements

June 30, 2015

## 29 OTHER EXPENSES

Allowance for inventories	
Allowance for doubtful trade receivables	
Bad debts written off	
Impairment loss on asset held for sale (Note 10)	
Impairment of goodwill (Note 14)	
Impairment loss on property, plant and equipment (Note 16)	
Fair value loss on investment properties (Note 17)	
Impairment of intangible assets (Note 18)	
Loss on disposal of subsidiary (Note 34)	
Tax penalties for late payment and tax collection	
Others	

GROUP	
2015 US\$'000	2014 US\$'000
969	416
15	134
52	47
56	-
-	448
345	-
10	-
205	-
527	-
-	296
263	121
<b>2,442</b>	<b>1,462</b>

## 30 FINANCE COSTS

Interest expense on:	
Bank loans	
Finance leases	
Bills payable	
Bank overdrafts	

GROUP	
2015 US\$'000	2014 US\$'000
13	8
13	13
135	230
14	17
<b>175</b>	<b>268</b>

# Notes to Financial Statements

June 30, 2015

## 31 INCOME TAX EXPENSE

	GROUP	
	2015 US\$'000	2014 US\$'000
Current tax	438	131
Deferred tax	365	254
Under (Over) provision in prior years:		
Current tax	102	95
Deferred tax	(122)	(4)
Income tax	783	476

Domestic income tax is calculated at 17% (2014: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions except as disclosed below.

Koda International Ltd and Koda Vietnam Co., Ltd are incorporated in Vietnam and are subjected to a corporate income tax rate of 22% on its assessable income.

Koda Saigon Co., Ltd is incorporated in Vietnam and is subjected to a corporate income tax rate of 15% on its assessable income for the first twelve years from the commencement of its commercial operations and 22% of the years thereafter. The subsidiary is entitled to a corporate income tax exemption for the first three years from the first profit-making year and a reduction of 50% for the following seven years. As the corporate income tax exemption period expired in 2013, and this is the second year, the subsidiary is obliged to pay corporate income tax at the tax rate of 7.5% of its assessable income from operating activities. Income from non-operating activities is subject to tax rate of 22% on its assessable income from non-operating activities.

Koda Indochine Co., Ltd is incorporated in Vietnam and is subjected to a corporate income tax rate of 15% on its assessable income for the first twelve years from the commencement of its commercial operations and 22% for the years thereafter. The subsidiary is entitled to a corporate income tax exemption for the first three years from the first profit-making year and a reduction of 50% for the following seven years.

Rossano Joint Stock Company is incorporated in Vietnam and is subject to corporate income tax at the rate of 15% on its assessable income from operating activities. Income from non-operating activities is subject to tax rate of 22% on its assessable income from non-operating activities.

Koda Woodcraft Sdn Bhd and Jatat Furniture Industries Sdn Bhd are incorporated in Malaysia and are subject to corporate income tax at the rate of 25% on its assessable income.

Metrolink International Limited is incorporated in Hong Kong and assessable income generated is subject to corporate income tax at the rate of 16.5%.

Locasa Sofa Limited is incorporated in China and is subject to corporate income tax at the rate of 25% on its assessable income.

PT C&C Furniture is incorporated in Indonesia and is subject to corporate income tax at the rate of 25% on its assessable income.

# Notes to Financial Statements

June 30, 2015

## 31 INCOME TAX EXPENSE (cont'd)

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

	GROUP	
	2015 US\$'000	2014 US\$'000
Loss before income tax	(264)	(1,236)
Tax benefit at the domestic tax rate of 17% (2014: 17%)	(45)	(210)
Tax effect of expenses that are not deductible in determining taxable profit	1,375	295
Tax effect of utilisation of deferred tax benefits previously not recognised	(201)	-
Double tax deduction	(45)	(63)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(281)	363
(Over) Under provision of deferred tax in prior years	(20)	91
Total income tax	783	476

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

	GROUP		COMPANY	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Tax losses:				
At the beginning of the year	8,743	6,463	4,035	2,311
Adjustments	1,922	-	1,922	-
Arising during the year	-	2,280	-	1,724
Utilised during the year	(903)	-	(257)	-
At the end of the year	9,762	8,743	5,700	4,035
Unabsorbed capital allowances:				
At the beginning of the year	-	990	-	-
Utilisation during the year	-	(990)	-	-
At the end of the year	-	-	-	-
Total	9,762	8,743	5,700	4,035
Deferred tax benefits on above recorded	21	377	3	3
Deferred tax benefits on above unrecorded	1,691	1,530	966	683

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

# Notes to Financial Statements

June 30, 2015

## 32 LOSS FOR THE YEAR

	GROUP	
	2015 US\$'000	2014 US\$'000
Directors' remuneration:		
Directors of the Company	779	623
Directors of the subsidiaries	332	365
Fees to directors of the Company	62	42
Employee benefits expense (including directors' remuneration)	13,528	15,011
Costs of defined contribution plans included in employee benefits expense	901	951
Inventories written off, recorded under "cost of sales"	738	206
Audit fees paid to:		
Auditors of the Company	136	112
Other auditors	73	105
Trade receivables written off during the year	52	47
Cost of inventories recognised as expense	20,275	25,805

## 33 EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per ordinary share is calculated on the Group's profit after income tax attributable to the owners of the Company of US\$406,000 (2014: loss after income tax of US\$1,237,000) divided by 136,513,000 (2014: 136,513,000) weighted average number of ordinary shares in issue during the financial year.

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



# Notes to Financial Statements

June 30, 2015

## 34 DISPOSAL OF SUBSIDIARY

On June 1, 2015, the Group's 51% shareholding in Metrolink Group has diluted to 10%, resulting in deemed disposal of Metrolink Group due to loss of control. Accordingly, Metrolink Group became a related party of the Group as at year end.

Details of the disposal are as follows:

### **Book values of net assets over which control was lost**

	<b>2015 US\$'000</b>
<b>Non-current asset</b>	
Property, plant and equipment	407
<b>Current assets</b>	
Inventories	2,254
Trade receivables	480
Other receivables and prepayments	710
Cash and cash equivalents	100
Total current assets	3,544
<b>Non-current liabilities</b>	
Deferred tax liability	(65)
Obligations under finance leases	(2)
Other payables	(120)
Total non-current liabilities	(187)
<b>Current liabilities</b>	
Bills payables	(36)
Trade payables	(1,821)
Other payables	(1,781)
Current portion of obligations under finance leases	(19)
Bank overdraft	(46)
Total current liabilities	(3,703)
Attributable goodwill	758
Net assets derecognised	819
<b>Consideration received:</b>	
Issuance of new shares to non-controlling interests <sup>(1)</sup>	953
Costs associated with the disposal	(337)
Total consideration	616

<sup>(1)</sup> Via capitalisation of advances due by Metrolink Group to shareholders of non-controlling interests at the time of disposal.

# Notes to Financial Statements

June 30, 2015

## 34 DISPOSAL OF SUBSIDIARY (cont'd)

	2015 US\$'000
Loss on disposal:	
Consideration received	616
Net assets derecognised	(819)
Non-controlling interest derecognised	(437)
Fair value of retained interest	6
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity on loss of control of subsidiary	107
Loss on disposal (Note 29)	(527)
Net cash outflow arising on disposal:	
	2015 US\$'000
Cash paid	(337)
Cash and cash equivalents disposed	(100)
	(437)

Loss attributable to recognising the investment retained in the former subsidiary at its fair value at the date of disposal amounts to US\$76,000.

## 35 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 four reportable segments, namely "chairs and tables", "outdoor and garden furniture", "bedroom furniture" and "occasional and other furniture".

# Notes to Financial Statements

June 30, 2015

## 35 SEGMENT INFORMATION (cont'd)

### Business segments (cont'd)

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

#### (i) Segment revenue and results

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

	Segment revenue		Segment profit/(loss)	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Chairs and tables	33,293	36,379	80	16
Outdoor and garden furniture	23	163	-	-
Bedroom furniture	8,281	5,574	20	2
Occasional and other furniture	5,727	10,207	13	5
Total	47,324	52,323	113	23
Finance costs			(175)	(268)
Other income			2,235	471
Other expenses			(2,442)	(1,462)
Share of profit of associate			5	-
Loss before income tax			(264)	(1,236)
Income tax expense			(783)	(476)
Consolidated loss for the year			(1,047)	(1,712)
Non-controlling interests			1,453	475
Profit (Loss) attributable to owners of the Company			406	(1,237)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year.

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 profits of associates, 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.

# Notes to Financial Statements

June 30, 2015

## 35 SEGMENT INFORMATION (cont'd)

### Business segments (cont'd)

#### (i) Segment revenue and results (cont'd)

#### Segment assets and liabilities

	2015 US\$'000	2014 US\$'000
<b>Segment assets</b>		
Chairs and tables	21,750	26,455
Outdoor and garden furniture	15	119
Bedroom furniture	5,410	4,053
Occasional and other furniture	3,742	7,423
Total segment assets	30,917	38,050
Unallocated assets	1,181	4,376
Consolidated total assets	32,098	42,426
<b>Segment liabilities</b>		
Chairs and tables	4,567	6,281
Outdoor and garden furniture	3	28
Bedroom furniture	1,136	962
Occasional and other furniture	786	1,762
Total segment liabilities	6,492	9,033
Unallocated liabilities	3,918	9,950
Consolidated total liabilities	10,410	18,983

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

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

The impairment loss on goodwill of US\$448,000 recognised in 2014 was not attributable to a particular segment.

# Notes to Financial Statements

June 30, 2015

## 35 SEGMENT INFORMATION (cont'd)

### Business segments (cont'd)

(i) Segment revenue and results (cont'd)

Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Chairs and tables	897	930	1,045	361
Outdoor and garden furniture	1	4	1	2
Bedroom furniture	223	143	260	55
Occasional and other furniture	154	261	180	101
Total	1,275	1,338	1,486	519

In addition to the depreciation and amortisation reported above, allowance for inventories of US\$969,000 (2014 : US\$416,000), allowance for doubtful trade receivables of US\$15,000 (2014 : US\$134,000) and impairment of property, plant and equipment of US\$345,000 (2014 : US\$ Nil) were attributable to the "Chairs and tables" segment.

# Notes to Financial Statements

June 30, 2015

## 35 SEGMENT INFORMATION (cont'd)

### Business segments (cont'd)

#### (ii) Geographical information

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

	Revenue from external customers based on location of customers		Non-current assets based on location of assets	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
United States of America	18,646	20,155	-	-
United Kingdom	1,629	1,695	-	-
Vietnam	1,852	2,160	4,796	5,685
Canada	1,535	1,405	-	-
New Zealand	473	671	-	-
Australia	2,399	3,725	-	-
Spain	2,240	1,283	-	-
Korea	4,277	4,527	-	-
China	3,175	4,293	1	1,339
Malaysia	392	2,737	5,853	6,183
Saudi Arabia	289	571	-	-
Japan	2,269	2,193	-	-
France	726	997	-	-
Singapore	3,154	3,277	-	589
Russia	832	455	-	-
U.A.E	532	357	-	-
Qatar	211	403	-	-
Kuwait	-	114	-	-
Others	2,693	1,305	949	-
	47,324	52,323	11,599	13,796

#### (iii) Information about major customers

Included in revenues arising from sales of chairs and tables of US\$33,293,000 (2014: US\$36,379,000), (see Note 35 (i) above) are revenues of approximately US\$7,034,000 (2014: US\$7,680,000) which arose from sales to the Group's largest customer.

# Notes to Financial Statements

June 30, 2015

## 36 OPERATING LEASE ARRANGEMENTS

### The Group as lessee

	GROUP	
	2015 US\$'000	2014 US\$'000
Minimum lease payments under operating leases	<b>1,214</b>	1,612

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	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Future minimum lease payments payable:				
Within one year	<b>893</b>	1,470	<b>207</b>	185
In the second to fifth year inclusive	<b>1,997</b>	1,436	<b>566</b>	634
After five years	<b>58</b>	604	-	-
	<b>2,948</b>	3,510	<b>773</b>	819

Operating lease payments represent rentals payables by the Group for certain of its office properties. Leases are negotiated for an average contractual periods of 5 to 48 years and rentals are fixed for the duration of the contractual periods.

### The Group as lessor

The Group sublets its leasehold building in Singapore under operating leases. Property rental income earned during the year was US\$184,000 (2014: US\$159,000). The leased premises have committed tenants for the next 5 months (2014: 18 months).

	GROUP	
	2015 US\$'000	2014 US\$'000
Rental income under operating lease	<b>184</b>	159

# Notes to Financial Statements

June 30, 2015

## 36 OPERATING LEASE ARRANGEMENTS (cont'd)

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

	GROUP		COMPANY	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Future minimum lease payments receivable:				
Within one year	80	135	80	192
In second to fifth year inclusive	-	56	-	80
	80	191	80	272

## 37 DIVIDENDS

Subsequent to June 30, 2015, the directors propose that a first and final one-tier tax dividend of US\$0.0015 (equivalent to S\$0.002) per ordinary share of the Company be paid to shareholders. The proposed dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The total estimated dividend to be paid is US\$205,000 (equivalent to S\$273,000).

## 38 EVENTS AFTER THE REPORTING PERIOD

- (a) On August 13, 2015, the Company has increased the issued and paid-up share capital of its wholly-owned subsidiary Commune Lifestyle Pte. Ltd from S\$100,000 to S\$300,000.
- (b) On September 21, 2015, the Company has received approval from Singapore Exchange Securities Trading Limited in relation to the proposed share consolidation of every existing 5 ordinary shares in the capital of the Company held by shareholders. The shareholders will receive 1 share for every 5 shares held in the Company.



# Particulars of Properties Owned by the Group

As at June 30, 2015

Location	Size	Regular Payments	Expiry	Lessor
<b>Classified as Property, Plant &amp; Equipment</b>				
<b>Head Office &amp; Warehouse<sup>(1)</sup></b> 28 Defu Lane 4 Singapore 539424	49,731 sf	Annual lease payment of S\$241,766 pa (subject to 7.6% annual increase)	2018	Housing & Development Board
<b>Malaysia Site<sup>(2)</sup></b> PTD 42786 & 7 Mukim Senai-Kulai Johor, Malaysia	394,784 sf	na	Freehold	Na
<b>Vietnam Factory</b> Lot A1, A4 & A5 Thuan Dao Industrial Zone Ben Luc District Long An Province, Vietnam	544,573 sf	na	2053	Development Investment Joint Venture Company of Ben Luc Industrial Park
<b>Classified as Investment Properties</b>				
<b>Vietnam Factory<sup>(3)</sup></b> No.1, Street 1A, Tan Tao Industrial Park Binh Tan District, Ho Chi Minh City, Vietnam	118,400 sf	nil	2047	Tan Tao Services Utilization – Office and Warehousing Trade Co., Ltd. (TASERCO)

1. The leasehold property located in Singapore as stated in the Company's books is based on a professional valuation made in November 1981. For information purposes, a second professional valuation of this property was carried out by Knight Frank Pte Ltd in June 2001 which valued the property at \$1.6 million. The Company, however, continues to record this leasehold property at its existing book carrying value based on the November 1981 professional valuation on the ground of prudence as the leasehold property has a remaining lease period of about 3 years as at 30 June 2015
2. Based on professional valuation made by Messrs Chen Foo Property Consultants in June 2015, this property was valued at RM19.2 million
3. These properties were acquired under finance lease. Based on professional valuation made by Jones Lang Lasalle Vietnam Company Limited in June 2015, this property was valued at USD2.77 million.

Na not applicable

RM Ringgit Malaysia

# Statistics of Shareholdings

As at 16 September 2015

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	6	0.54	93	0.00
100 - 1,000	417	37.23	115,325	0.08
1,001 - 10,000	363	32.41	1,659,609	1.22
10,001 - 1,000,000	316	28.21	30,093,548	22.04
1,000,001 AND ABOVE	18	1.61	104,644,822	76.66
<b>TOTAL</b>	<b>1,120</b>	<b>100.00</b>	<b>136,513,397</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	JAMES KOH JYH GANG	28,018,653	20.52
2	KOH TENG KWEE	15,713,121	11.51
3	KOH JYH ENG	14,888,981	10.91
4	KOH SHWU LEE	13,808,712	10.12
5	KOH SHWU LING	5,951,450	4.36
6	TAN KIA HONG	4,524,000	3.31
7	KOH SHUH JEN	2,893,152	2.12
8	PHILLIP SECURITIES PTE LTD	2,872,200	2.10
9	CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,696,083	1.98
10	DBS NOMINEES (PRIVATE) LIMITED	2,466,550	1.81
11	KOH CHIN HWA	1,750,000	1.28
12	DBSN SERVICES PTE. LTD.	1,500,000	1.10
13	DOMINIC RICHARD PEMBERTON	1,500,000	1.10
14	WEE HIAN KOK	1,272,000	0.93
15	TOH ONG TIAM	1,232,400	0.90
16	LALCHAND JETHANAND DARYANANI	1,228,000	0.90
17	POH IK TNG	1,200,000	0.88
18	LIM SOOK KIM	1,129,520	0.83
19	CHEE KWAI FUN (ZHU GUIFEN)	996,000	0.73
20	UOB KAY HIAN PRIVATE LIMITED	915,700	0.67
<b>TOTAL</b>		<b>106,556,522</b>	<b>78.06</b>

# Statistics of Shareholdings

As at 16 September 2015

## SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders as at 16 September 2015)

NAME OF SUBSTANTIAL SHAREHOLDER	DIRECT INTEREST	NUMBER OF SHARES EACH FULLY PAID		
		%	INDIRECT INTEREST	%
JAMES KOH JYH GANG	28,018,653	20.52	-	-
KOH TENG KWEE	15,713,121	11.51	-	-
KOH JYH ENG <sup>(1)</sup>	14,888,981	10.91	36,000	0.03
KOH SHWU LEE <sup>(2)</sup>	13,808,712	10.12	432,000	0.32

### Notes:

(1) Mr Koh Jyh Eng's indirect interest comprises 36,000 shares held by his wife, Mdm Wong Sau Wai.

(2) Mdm Koh Shwu Lee's indirect interest comprises 432,000 shares held by her husband, Mr Kavin Seow Soo Yeow.

## PERCENTAGE OF SHAREHOLDING HELD IN THE HANDS OF PUBLIC

As at 16 September 2015, the percentage of shareholding in the Company held in the hands of public is approximately 39.2%. 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.

# 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 30 October 2015 (Friday) at 10.00 a.m. to transact the following business:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and Audited Accounts of the Company for the year ended 30 June 2015 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a first and final tax-exempt (one tier) dividend of S\$0.002 per ordinary share for the year ended 30 June 2015. **(Resolution 2)**
3. To re-elect the following Directors retiring pursuant to Article 91 of the Company’s Articles of Association:  
  
Ms Koh Shwu Lee **(Resolution 3)**  
Mr Sim Cheng Huat **(Resolution 4)**  
  
*Mr Sim Cheng Huat, upon re-election as a Director of the Company, will continue to serve as Chairman of the Nominating Committee and a member of Audit Committee and Remuneration Committee of the Company and will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).*
4. To pass the following Ordinary Resolution pursuant to Section 153(6) of the Companies Act, Cap. 50: **(Resolution 5)**  
  
“That pursuant to Section 153(6) of the Companies Act, Cap. 50, Mr Koh Teng Kwee be re appointed as a Director of the Company to hold office until the next Annual General Meeting of the Company.”  
*[See Explanatory Note (i)]*
5. To approve the payment of Directors’ fees of S\$81,000 for the financial year ended 30 June 2015 (2014: S\$62,205). **(Resolution 6)**
6. To re-appoint Deloitte & Touche LLP as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**
7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as an Ordinary Resolution, with or without any modifications:

8. **Authority to allot and issue shares in the capital of the Company (“Shares”) - Share Issue Mandate** **(Resolution 8)**  
  
“That, pursuant to Section 161 of the Companies Act, Chapter 50 (the “**Act**”) and Rule 806 of the Listing Manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), authority be and is hereby given to the Directors of the Company to:

# Notice of Annual General Meeting

- (A) (i) allot and issue shares in the capital of the Company (the **"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 the Shares to be issued, including but not limited to the creation 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 shall in their absolute discretion deem fit; and

- (B) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force (notwithstanding that such issue of Shares pursuant to the Instruments may occur after the expiration of the authority contained in this Resolution),

provided that:

- (1) the aggregate number of Shares pursuant to such authority (including Shares to be issued in pursuance of Instruments made or granted pursuant to such authority) does not exceed fifty per cent. (50%) (unless sub-paragraph (3) below applies) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and convertible securities to be issued other than on a pro-rata basis to the shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to such authority) does not exceed fifteen per cent. (15%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as 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 Shares and Instruments that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares) in the capital of the Company shall be based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
  - (a) new Shares arising from the conversion or exercise of convertible securities;
  - (b) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the rules of the Listing Manual of the SGX-ST; and
  - (c) any subsequent bonus issue, consolidation or subdivision of Shares.

# Notice of Annual General Meeting

- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Listing Manual of the SGX-ST for the time being in force (in each case, unless such compliance has been waived by the SGX-ST) and the Articles for the time being of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority 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 is required by law to be held, whichever is the earlier.”  
*[See Explanatory Note (iii)]*

## 9. **Authority to allot and issue Shares under the Share Performance Plan**

**(Resolution 9)**

“That the Board of Directors of the Company be and is hereby authorised to offer and grant awards (“**Awards**”) in accordance with the provisions of the Share Performance Plan (the “**Share Performance Plan**”) and pursuant to Section 161 of the Companies Act, Cap. 50, to allot and issue from time to time such number of Shares in the capital of the Company as may be required to be issued pursuant to the vesting of Awards under the Share Performance Plan provided always that the total number of new Shares to be issued pursuant to the Awards granted under the Share Performance Plan, when added to the number of new Shares issued and issuable in respect of:

- (i) all Awards granted under the Share Performance Plan; and
- (ii) all options granted under all share schemes,

shall not exceed 15% of the issued share capital of the Company from time to time.”  
*[See Explanatory Note (iii)]*

By Order of the Board

Gwendolyn Gn Jong Yuh  
Company Secretary  
Singapore, 15 October 2015

# Notice of Annual General Meeting

## Explanatory Notes:

- (i) The effect of the Ordinary Resolution 5 proposed in item 4 above is to re-appoint a director who is over 70 years of age.
- (ii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company from the passing of the Ordinary Resolution 8 in the Annual General Meeting until the date of the next Annual General Meeting to allot and issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares (excluding treasury shares) in the capital of the Company, of which up to 15% may be issued other than on a pro-rata basis to shareholders.
- (iii) The Ordinary Resolution 9 proposed in item 9 above, if passed, will authorise the Directors to offer and grant awards of Shares in accordance with the provisions of the Share Performance Plan and pursuant to Section 161 of the Companies Act, Cap. 50 to allot and issue Shares under the Share Performance Plan. The Share Performance Plan was approved by the shareholders of the Company in general meeting on 28 October 2008. Please refer to the Circular dated 10 October 2008 for further details.

## Notes:

- 1. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint not more than two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.
- 2. Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.
- 3. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, the instrument appointing the proxy must be under its common seal or the hand of an officer or attorney duly authorised.
- 4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at **28 Defu Lane 4, Singapore 539424** not less than forty-eight hours (48) before the time appointed for holding the Annual General Meeting.

# KODA LTD

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

## PROXY FORM

(Please see notes overleaf before completing this Proxy Form)

### IMPORTANT:

1. For investors who have used their CPF monies to buy KODA Ltd's shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, \_\_\_\_\_ (name)

of \_\_\_\_\_ (address)

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

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	%
and/or (delete as appropriate)				

or failing him/her, the Chairman of the Meeting, as my/our proxy to 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 30 October 2015 (Friday) 10.00 a.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting:

No.	Resolutions relating to:	For	Against
	<b>Ordinary Business</b>		
1.	Adoption of Reports and Accounts		
2.	Declaration of Final Dividend		
3.	Re-election of Ms Koh Shwu Lee		
4.	Re-election of Mr Sim Cheng Huat		
5.	Re-appointment of Mr Koh Teng Kwee		
6.	Approval of Directors' fees		
7.	Re-appointment of Auditors		
	<b>Special Business</b>		
8.	Authority to allot and issue new shares - Share Issue Mandate		
9.	Authority to allot and issue new shares under the Share Performance Plan		

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting).

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2015

Total number of Shares in:	No. of Shares Held
(a) CDP Register	
(b) Register of Members	



\_\_\_\_\_  
Signature of Shareholder(s)  
or Common Seal of Corporate Shareholder

**IMPORTANT: PLEASE READ NOTES OVERLEAF**



**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 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have shares entered against your name in 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, the instrument appointing a proxy or proxies will be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote instead of him.
3. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.
4. A proxy need not be a member of the Company.
5. This proxy form must be deposited at the Company's registered office at **28 Defu Lane 4, Singapore 539424** not less than **48 hours** before the time set for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by the attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

**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 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

# Corporate Information

## BOARD OF DIRECTORS

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KOH TENG KWEE	Non-Executive Chairman
JAMES KOH JYH GANG	Deputy Chairman / Managing Director
ERNIE KOH JYH ENG	Executive Director, Sales & Marketing
KOH SHWU LEE	Executive Director, Finance & Administration
CHAN WAH TIONG	Independent Director
SIM CHENG HUAT	Independent Director
ARIC LOH SIANG KHEE	Independent Director

## COMPANY SECRETARY

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### GN JONG YUH GWENDOLYN

Date of Appointment  
1 November 2013

## REGISTERED OFFICE & PRINCIPAL PLACE OF WORK

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28 Defu Lane 4  
Singapore 539424

## SHARE REGISTRAR

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### BOARDROOM CORPORATE & ADVISORY SERVICES PTE. LTD

50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623

## AUDITORS

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### DELOITTE & TOUCHE LLP

Chartered Accountants  
6 Shenton Way #33-00  
OUE Downtown 2  
Singapore 068809

## AUDIT PARTNER

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### HOE CHI-HSIEN

Date of Appointment  
28 October 2014

## PRINCIPAL BANKERS

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### UNITED OVERSEAS BANK LIMITED

80 Raffles Place  
UOB Plaza 1  
Singapore 048624

### HONGKONG AND SHANGHAI BANKING CORPORATION

21 Collyer Quay  
#08-01 HSBC Building  
Singapore 049320

### MALAYAN BANKING BERHAD

136 & 137, Jalan Senai Utama 5/17,  
Taman Senai Utama,  
81400 Senai, Johor

## CONTACT KEY MANAGEMENT AT :

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### JAMES KOH JYH GANG

Deputy Chairman/Managing Director  
james@kodalttd.com

### ERNIE KOH JYH ENG

Executive Director, Sales & Marketing  
ernie@kodalttd.com

### KOH SHWU LEE

Executive Director, Finance & Administration  
shwulee@kodalttd.com

### JOSHUA KOH ZHU XIAN

Chief Financial Officer  
joshua.koh@kodalttd.com

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