



## ／ VISION

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

## ／ MISSION

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

We must remain design-relevant.

We must invest in research & development.

We must ensure that our products remain affordable and accessible.

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

We must deliver to our shareholders value and investment comfort.





## TABLE OF CONTENTS

### **IFC**

Our Vision & Mission

### **4**

About Koda

### **6**

Group Structure

### **7**

Group Presence

### **8**

Chairman's Statement

### **9**

Results At A Glance

### **12**

Managing Director's Statement

### **17**

Board of Directors

### **21**

Management Profile

### **24**

Sustainability Report

### **54**

Corporate Governance Report





**102**  
Directors' Statement

**106**  
Independent Auditor's Report

**110**  
Statements of Financial Position

**111**  
Consolidated Statement of Profit  
or Loss and Other Comprehensive  
Income

**112**  
Statements of Changes in Equity

**114**  
Consolidated Statement of Cash  
Flows

**116**  
Notes to the Financial Statements

**175**  
Particulars of Properties Owned  
by the Group

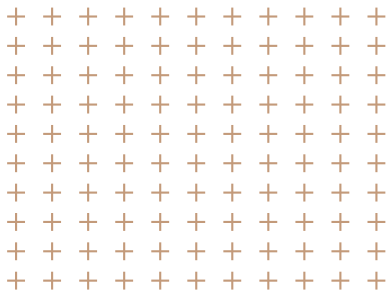
**176**  
Statistics of Shareholdings

**178**  
Notice of Annual General Meeting

Proxy Form

Corporate Information

# ABOUT KODA



From our humble beginnings in 1972, Koda has turned into a leading Original Design Manufacturer of furniture. Led by a management team with decades of specialised experience in furniture production, Koda has made significant investments in Vietnam, Malaysia and China. Koda has been recognised by Forbes Asia as part of “Asia’s 200 Best Under a Billion” list of companies in 2006 and was profiled by CSIL Milano in its Top World Furniture Manufacturers Report 2006 as one of the top 200 major furniture manufacturers worldwide.

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

## ABOUT KODA /

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



## GROUP STRUCTURE





## GROUP PRESENCE



COUNTRIES WE SELL TO :

### **EUROPE**

DENMARK  
FINLAND  
FRANCE  
GERMANY  
LUXEMBOURG  
NETHERLANDS  
NORWAY  
PORTUGAL  
SPAIN  
TURKEY  
UNITED KINGDOM

### **ASIA-PACIFIC**

AUSTRALIA  
CHINA  
HONG KONG  
JAPAN  
MALAYSIA  
PHILIPPINES  
SINGAPORE  
SOUTH KOREA  
TAIWAN

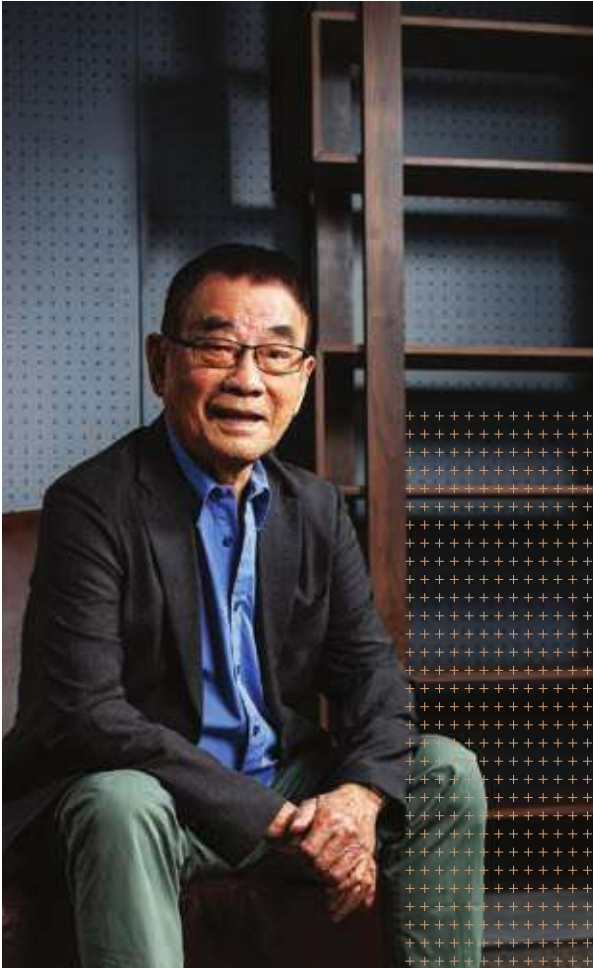
### **NORTH AMERICA**

CANADA  
U.S.A.

### **OTHERS**

ISRAEL  
KUWAIT  
RUSSIA  
SOUTH AFRICA  
UNITED ARAB EMIRATES

## CHAIRMAN'S STATEMENT



**Koda has done well, operationally and financially, over the last 5 years.**

### DEAR SHAREHOLDERS, STAFF AND FRIENDS,

I will be retiring at the upcoming AGM this year. So, I have decided not to write you my usual business reports which James has done that and I think it will be good to refresh my own memory by telling a bit of Koda history, just before my retirement.

Over the last 40 over years, I have stayed in one job – building Koda business from the ground up. I first set up a very small workshop in Geylang producing wooden cabinets and then it was sort of 'expanded' to rented factories under a sole proprietorship of "Koda Woodcraft". With just a few workers with me in the early days, my wife and I worked very, very hard and it had not been easy. In just a few years, we expanded our export markets, our products range, our people, our factories and we moved to our current headquarter in Defu Lane.

After the expansion in Singapore, I went to Malaysia, Vietnam and China for mission trips so that we could explore buying land and building our own factories there. After the expansion beyond Singapore, we have grown to become one of the largest dining room furniture manufacturers in Southeast Asia. In 2002, we became a publicly listed company, more professionals have since joined us and our shareholders' value has since increased as well.

In the past, we have gone through the SARS challenge and the financial crisis. Now, this coronavirus is scary. This is a crisis like no other. It has affected many businesses and people. So, I am not very sure if I should retire now during these difficult times but my family members have asked me to spend more time in gardening, playing with my great-grandchildren or I can golf 7 times a week if I wish to. They told me Koda is in good hand now and I am convinced. I am pleased with the results.

Koda has done well, operationally and financially, over the last 5 years. My management teams are very involved in the business. They are hardworking. They have good business plans. I believe they can manage our business through this crisis.

Thank you very much for your support.

Stay Safe. Stay Healthy.

### KOH TENG KWEE

Founder and Non-Executive Chairman

## RESULTS AT A GLANCE

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended June 30,

	Group				
	2020	2019	Change	Change	
	US\$'000	US\$'000	US\$'000	%	
<b>REVENUE</b>	<b>60,353</b>	<b>57,892</b>	<b>2,461</b>	<b>4.3</b>	<b>REVENUE</b> Rose by US\$2.5 million due mainly to higher export sales to our key markets despite containment measures amid the Covid-19 Pandemic.
Cost of sales	(42,282)	(39,648)	(2,634)	6.6	<b>GROSS PROFIT</b> Fell by US\$0.2 million due mainly to higher labour costs, higher allowance for inventories and lower profit contribution from our retail and distribution segment.
<b>GROSS PROFIT</b>	<b>18,071</b>	<b>18,244</b>	<b>(173)</b>	<b>(0.9)</b>	<b>OTHER INCOME</b> Rose by US\$0.4 million due mainly to government grant income, property tax and rental rebate; and higher interest income.
Other income	1,215	828	387	46.7	<b>DISTRIBUTION COSTS</b> Rose by US\$0.3 million due mainly to higher marketing expenses and staff cost relating to Commune's newly established subsidiary in Chongqing despite lower trade fair and travelling expenses.
Distribution costs	(5,276)	(5,001)	(275)	5.5	<b>ADMINISTRATIVE EXPENSES</b> Rose by US\$1.0 million due mainly to: (i) higher amortisation expenses from set-up and renovations of new retail shops; (ii) one-time special bonuses for the Management; and (iii) accrual of the proposed retirement benefit for the Founding Chairman.
Administrative expenses	(9,135)	(8,108)	(1,027)	12.7	<b>OTHER EXPENSES</b> Fell by US\$0.1 million due mainly to the absence of equity-settled share-based expenses.
Other expenses	(93)	(204)	111	(54.4)	<b>FINANCE COSTS</b> Rose by US\$0.1 million due mainly to lease liabilities interest.
Share of results of associate	-	*	-	NM	<b>INCOME TAX EXPENSE</b> Rose by US\$0.1 million due mainly to change in the tax rate of our Vietnam subsidiary.
Finance costs	(157)	(30)	(127)	423.3	<b>PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY</b> As a result of the above, the Group's net profit attributable to owners of the Company fell by 18.3% from US\$5.3 million in FY2019 to US\$4.3 million in FY2020.
<b>PROFIT BEFORE INCOME TAX</b>	<b>4,625</b>	<b>5,729</b>	<b>(1,104)</b>	<b>(19.3)</b>	
Income tax expense	(500)	(420)	(80)	19.0	
<b>PROFIT FOR THE YEAR</b>	<b>4,125</b>	<b>5,309</b>	<b>(1,184)</b>	<b>(22.3)</b>	
<b>PROFIT ATTRIBUTABLE TO:</b>					
Owners of the Company	4,336	5,309	(973)	(18.3)	
Non-controlling interests	(211)	-	(211)	NM	
<b>PROFIT FOR THE YEAR</b>	<b>4,125</b>	<b>5,309</b>	<b>(1,184)</b>	<b>(22.3)</b>	

NM : Not meaningful

\* Amount less than US\$1,000

## RESULTS AT A GLANCE

### STATEMENTS OF FINANCIAL POSITION

As at June 30,

ASSETS	Group				
	2020 US\$'000	2019 US\$'000	Change US\$'000	Change %	
<b>CURRENT ASSETS</b>					<b>CURRENT ASSETS</b>
Cash and cash equivalents	16,426	13,394	3,032	22.6	<b>CASH AND CASH EQUIVALENTS</b> Rose by US\$3.0 million due mainly to lower investment in working capital despite higher dividends paid and investment in property, plant and equipment.
Trade receivables	3,639	3,424	215	6.3	<b>TRADE RECEIVABLES</b> Rose by US\$0.2 million on the back of higher export sales from our manufacturing business segment.
Other receivables	2,613	2,660	(47)	(1.8)	
Inventories	11,347	10,581	766	7.2	<b>INVENTORIES</b> Rose by US\$0.8 million due mainly to higher finished goods awaiting for shipments as at the financial year end.
<b>TOTAL CURRENT ASSETS</b>	<b>34,025</b>	<b>30,059</b>	<b>3,966</b>	<b>13.2</b>	
<b>NON-CURRENT ASSETS</b>					<b>NON-CURRENT ASSETS</b>
Investment in associate	–	2	(2)	NM	
Financial asset at fair value through other comprehensive income	–	–	–	–	
Club memberships	207	207	–	–	
Property, plant and equipment	13,618	16,116	(2,498)	(15.5)	<b>PROPERTY, PLANT AND EQUIPMENT</b> Fell by US\$2.5 million due mainly to the reclassification of leasehold land to Right-of-use assets following the adoption of SFRS(I) 16 Leases.
Right-of-use assets	5,898	–	5,898	NM	<b>RIGHT-OF-USE ASSETS</b> Rose by US\$5.9 million due to the adoption of SFRS(I) 16 Leases and reclassification of leasehold land from property, plant and equipment following the adoption.
Other receivables	3,737	–	3,737	NM	<b>OTHER RECEIVABLES</b> Including current portion of other receivables, rose by US\$3.7 million due mainly to the deposits paid for the acquisition of lands in Vietnam.
Deferred tax assets	181	102	79	77.5	
<b>TOTAL NON-CURRENT ASSETS</b>	<b>23,641</b>	<b>16,427</b>	<b>7,214</b>	<b>43.9</b>	
<b>TOTAL ASSETS</b>	<b>57,666</b>	<b>46,486</b>	<b>11,180</b>	<b>24.1</b>	

NM: Not meaningful

## RESULTS AT A GLANCE /

## STATEMENTS OF FINANCIAL POSITION (CONTINUED)

As at June 30,

LIABILITIES AND EQUITY	Group				
	2020 US\$'000	2019 US\$'000	Change US\$'000	Change %	
<b>CURRENT LIABILITIES</b>					<b>CURRENT LIABILITIES</b>
Trade payables	2,682	2,275	407	17.9	→ <b>TRADE PAYABLES</b> Rose by US\$0.4 million due mainly to higher purchases for both manufacturing, retail and distribution segment.
Other payables	6,613	4,984	1,629	32.7	→ <b>OTHER PAYABLES</b> Rose by US\$1.6 million due mainly to accruals for one-time special bonuses for Management and retirement benefits for the Founding Chairman.
Lease liabilities	1,201	–	1,201	NM	→ <b>LEASE LIABILITIES</b> Rose by US\$1.2 million arising from the adoption of SFRS(I)16 Leases.
Current portion of obligations under finance leases	–	21	(21)	NM	
Current portion of bank loans	1,045	182	863	474.2	→ <b>CURRENT PORTION OF BANK LOANS</b> Rose by US\$0.9 million due mainly to a drawdown of bank loan to partially finance the acquisition of lands in Vietnam.
Income tax payable	630	337	293	86.9	
<b>TOTAL CURRENT LIABILITIES</b>	<b>12,171</b>	<b>7,799</b>	<b>4,372</b>	<b>56.1</b>	
<b>NON-CURRENT LIABILITIES</b>					<b>NON-CURRENT LIABILITIES</b>
Deferred tax liabilities	260	228	32	14.0	
Lease liabilities	3,029	–	3,029	NM	→ <b>LEASE LIABILITIES</b> Rose by US\$3.0 million arising from the adoption of SFRS(I)16 Leases.
Non-current portion of bank loans	1,669	221	1,448	655.2	→ <b>NON-CURRENT PORTION OF BANK LOANS</b> Rose by US\$1.4 million due mainly to a drawdown of bank loan to partially finance the acquisition of lands in Vietnam.
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>4,958</b>	<b>449</b>	<b>4,509</b>	<b>1,004.2</b>	
<b>CAPITAL AND RESERVES AND NON-CONTROLLING INTERESTS</b>					<b>CAPITAL AND RESERVES AND NON-CONTROLLING INTERESTS</b>
Share capital	4,786	4,688	98	2.1	
Treasury shares	(120)	(71)	(49)	69.0	→ <b>TREASURY SHARES</b> Rose by US\$0.05 million due mainly to repurchase of 160,000 shares during the financial year.
Other reserves	114	212	(98)	(46.2)	
Translation reserve	(41)	369	(410)	(111.1)	→ <b>TRANSLATION RESERVE</b> Fell by US\$0.4 million due mainly to appreciation of USD currency and resulted translation losses on our subsidiaries' assets denominated in other functional currencies.
Accumulated profits	35,867	33,040	2,827	8.6	
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>	<b>40,606</b>	<b>38,238</b>	<b>2,368</b>	<b>6.2</b>	→ <b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b> Rose by US\$2.4 million despite fall in Translation Reserve, due mainly to: (i) issue of new shares for releasing of share awards under the Performance Share Plan; and (ii) current year earnings after payment of dividends.
Non-controlling interests	(69)	–	(69)	NM	→ <b>NON-CONTROLLING INTERESTS</b> Due to net losses attributable to the investment in a Commune's newly established subsidiary in Chongqing.
<b>TOTAL EQUITY</b>	<b>40,537</b>	<b>38,238</b>	<b>2,299</b>	<b>6.0</b>	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>57,666</b>	<b>46,486</b>	<b>11,180</b>	<b>24.1</b>	

NM: Not meaningful

## MANAGING DIRECTOR'S STATEMENT



**Strong company fundamentals enabled us to overcome challenges in these unprecedented times and capture new opportunities offered in the 'new normal'.**

### DEAR STAKEHOLDERS,

These times are unprecedented. Needless to say, the onrush of the Covid-19 crisis has brought much global economic activities to a near standstill and it has been extremely stressful for many businesses. Whilst this is not the first global pandemic in the course of human history, it is a modern plague that many of us are worrying of a consequent recession that has no parallel in the recent past.

Meanwhile, this situation seems to have created a new paradigm of business adapting to the stay-at-home and work-from-home mode of work. While furniture demand is not a typical panic buy during these uncertain times, designer pieces could make these 'new normal' experiences more comfortable and some furniture brands manage to leap off the page. These furniture companies have either seen increasingly higher sales or are able to sustain their orders book (if not higher) despite market uncertainty – I believe we are one of them.

### OVERVIEW

Over the last five years, from business re-organisation, market diversification to product branding, we have built upon existing business fundamentals and execution capabilities which have helped us to turn around successfully and hopefully, weather through these trying times. This year, despite disruptions from countries' lockdown in our key markets, Movement Control Order in Malaysia and Circuit Breaker in Singapore amidst the pandemic, we continued to report healthy financial performance and position for the financial year ended 2020 ("FY2020").

Taking into account of the current year profit attributable to owners of the Company of US\$4.3 million, we have generated an accumulated net profit of approximately US\$20.7 million (or S\$28.4 million in equivalent) over FY2016 to FY2020. Based on the 5-year accumulated net profit, we will have paid shareholders a total dividends of S\$6.4 million over these periods, including the proposed dividend of S\$0.62 million for FY2020.

### FINANCIAL PERFORMANCE

During FY2020, we reported:

- higher revenues from export sales despite supply chain disruptions amid the pandemic;
- lower gross profit given higher labor costs and provisions for slow-moving inventories;
- higher other income due to government grants and rebates supporting various businesses; and
- higher selling and administrative expenses as a result of (i) Commune's newly established subsidiary in Chongqing; (ii) performance-related bonuses for management; and (iii) proposed retirement benefit for our founding Chairman (conditional upon shareholders' approval in the upcoming AGM) despite lower travelling expenses.

## MANAGING DIRECTOR'S STATEMENT /

## FINANCIAL PERFORMANCE

Summarised Profit &amp; Loss Account For The Year Ended June 30,

US\$'000	2020	2019	2018	2017	2016
Revenue	60,353	57,892	52,400	49,491	37,110
Gross Profit	18,071	18,244	18,591	15,920	10,275
Profit before income tax	4,625	5,729	5,994	4,962	2,354
Income tax expense	(500)	(420)	(581)	(912)	(771)
Profit for the year	4,125	5,309	5,413	4,050	1,583
<b>Profit attributable to:</b>					
Owners of the Company ("Net Profit")	4,336	5,309	5,413	4,050	1,641
Non-controlling interest	(211)	–	–	–	(58)
<b>Profit for the year</b>	<b>4,125</b>	<b>5,309</b>	<b>5,413</b>	<b>4,050</b>	<b>1,583</b>
<b>Key financial ratios:</b>					
Gross profit margin	29.9	31.5	35.5	32.2	27.7
Net profit margin	7.2	9.2	10.3	8.2	4.4
Earnings per share (US cents*)	5.25	6.44	8.01	7.31	2.00
<b>Revenue from (US\$'000)</b>	<b>2020</b>	<b>%</b>	<b>2019</b>	<b>%</b>	<b>Change</b>
Asia-Pacific	21,205	35.1	23,565	40.7	(2,360)
North America	33,356	55.3	28,187	48.7	5,169
Europe	5,155	8.5	5,024	8.7	131
Others	637	1.1	1,116	1.9	(479)
<b>Total Revenue</b>	<b>60,353</b>	<b>100.0</b>	<b>57,892</b>	<b>100.0</b>	<b>2,461</b>

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

Given the above, our Net Profit fell by US\$1.0 million to US\$4.3 million while we generated a net cash from operating activities of US\$8.6 million for FY2020.

### FINANCIAL POSITION

Our financial position remained strong in FY2020. As at June 30, 2020: Assets-to-liabilities ratio was 3.4 times.

- This means that every dollar of liability is backed by US\$3.40 worth of assets;
- Return on Equity was 10.7%. This means we have earned you approximately US\$0.11 for every dollar of your entrusted funds; and
- Gearing, including recognition of accounting lease liabilities under the financial reporting standard ("the Accounting for Leases"), was 0.17 times. Excluding the Accounting for Leases, our gearing would have been 0.07 times. This means we borrowed only US\$0.07 for every dollar of net asset that we own.

### ASSETS

Current assets rose by US\$4.0 million to US\$34.0 million. Significant changes comprised of:

- Cash and bank balances of US\$16.4 million, which improved by US\$3.0 million due to higher net cash from operating activities and proceeds from bank loans, net of dividends payments and land investments in Vietnam;
- Trade receivables of US\$3.6 million – rose by US\$0.2 million on the back of higher export sales with turnaround time remaining relatively unchanged at 22 days; and
- Inventories of US\$11.3 million – rose by US\$0.7 million due mainly to higher finished goods (which were fully shipped in July 2020).

Non-current assets rose by US\$7.2 million to US\$23.6 million due mainly to recognition of right-of-use assets under the Accounting for Leases and deposit paid for our acquisition of leasehold lands in Vietnam.

## MANAGING DIRECTOR'S STATEMENT

### FINANCIAL POSITION

Summarised Balance Sheet As At June 30,

US\$'000	2020	2019	2018	2017	2016
Property, plant and equipment	<b>13,618</b>	16,116	17,072	15,028	12,085
Other non-current assets	<b>10,023</b>	311	262	790	243
Total non-current assets	<b>23,641</b>	16,427	17,334	15,818	12,328
Current assets	<b>34,025</b>	30,059	26,424	22,153	20,039
Current liabilities	<b>(12,171)</b>	(7,799)	(8,729)	(7,936)	(8,301)
Net current assets	<b>21,854</b>	22,260	17,695	14,217	11,738
Non-current liabilities	<b>(4,958)</b>	(449)	(743)	(820)	(1,156)
<b>Equity attributable to owners of the Company ("Shareholders' Equity")</b>	<b>40,606</b>	<b>38,238</b>	<b>34,286</b>	<b>29,215</b>	<b>22,910</b>
Non-controlling interests	<b>(69)</b>	–	–	–	–
<b>Total equity</b>	<b>40,537</b>	<b>38,238</b>	<b>34,286</b>	<b>29,215</b>	<b>22,910</b>
<b>Key financial ratios:</b>					
Net assets value per share (US cents)*	<b>49.1</b>	46.3	41.7	34.5	27.9
Inventory turnover – average (days)	<b>98</b>	97	104	73	94
Trade receivables turnover (days)	<b>22</b>	23	27	32	35
Quick ratio (times)	<b>1.9</b>	2.5	1.9	1.9	1.6
Current ratio (times)	<b>2.8</b>	3.9	3.0	2.8	2.4
Gearing (times)	<b>0.17</b>	0.01	0.03	0.03	0.07
Return on equity (%)	<b>10.7</b>	13.9	15.8	14.3	7.2

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

#### LIABILITIES

Current liabilities rose by US\$4.4 million to US\$12.2 million. Significant changes comprised of:

- Trade payables of US\$2.7 million – rose by US\$0.4 million on the back of higher purchases with turnaround time increasing slightly to 23 days as at June 30, 2020;
- Other payables of US\$6.6 million – rose by US\$1.6 million due mainly to accruals of one-time special bonuses for the Management and proposed retirement benefit for the Founding Chairman;
- Lease liabilities of US\$1.2 million due to Accounting for Leases; and
- Bank loans of US\$1.0 million – rose by US\$0.8 million due to additional financing for the acquisition of leasehold lands in Vietnam.

Non-current liabilities rose by US\$4.6 million to US\$5.0 million due mainly to recognition of lease liabilities under the Accounting for Leases and additional bank loans for the acquisition of leasehold lands in Vietnam, net of repayments of bank borrowings.

#### SHAREHOLDERS' EQUITY

Shareholders' Equity rose by US\$2.4 million to US\$40.6 million as at June 30, 2020. Significant changes comprised of:

- Current year Net Profit of US\$4.3 million;
- Increased share capital for new shares issued under Koda's Performance Share Plan 2018; and
- Payment of dividends.



## MANAGING DIRECTOR'S STATEMENT /

As a result, our net asset value per share rose to 49.1 US cents (approximately 68.4 Singapore cents) as at June 30, 2020 from 46.3 US cents (approximately 62.7 Singapore cents) as at June 30, 2019.

**CASH FLOWS**

Net cash from operating activities was US\$8.6 million, after accounting for operating cash flows of US\$8.1 million, lower working capital investments of US\$0.7 million and net of payments for income tax and interest of US\$0.2 million.

Net cash used in investing activities was US\$5.0 million due mainly to payments for the acquisition of leasehold lands in Vietnam.

Net cash used in financing activities was US\$0.5 million due mainly to payments of dividends and repayment of finance leases, partially offset by proceeds from bank loans (net of repayments during the year).

Given the above, net cash and cash equivalents rose by US\$3.0 million to US\$16.4 million as at June 30, 2020.

**GOING FORWARD***Fears and Anxiety over Covid-19*

The Covid-19 pandemic and efforts to contain its spread have led to possibly the worst economic contractions for many countries in history. Many small businesses are still closed and most of them are in fear of funds drying up with no certainty of recovery path. These fears and anxiety do have

'measurable' consequences. Problems like these underscore the importance of fiscal reform in keeping businesses afloat but it remains to be seen if the scale of such stimulus supports are sustainable. This is arguably the most unpredictable time.

*Furniture Industry and Our Export*

Meanwhile, the New Economy and certain specific sectors have done well quite obviously and in comparison, the furniture industry is one of those pulling through quietly and some are thriving during this time of adversity with certain statistics suggesting that the industry is still growing but the pace could be moderating. The stay-at-home trend seems to have boosted demand for our furniture and led to procurement of healthy export orders – our factories are now running at full capacity and we are still investing for facilities expansion.

We are however mindful of the resurgence of Covid-19 infections, the trade friction and the geopolitical uncertainty. Conservative view of these factors would mean significant risks across several industries which are already facing tremendous pressure during this pandemic-hit time but navigating this rapidly shifting risk landscape would allow us to exploit opportunities under our well-diversified supply chain in Vietnam and Malaysia at a time of a deepening rift between China and the US over many complicated issues. We have since seen increasing sourcing trends in this part of the Southeast Asia region, but we could face intense competition in our supply chain and our operating costs may rise. So, while we are gearing up our capacity, it is still premature for us to be over-optimistic.

**CASH FLOWS**

*Summarised Cash Flows Statement For The Year Ended June 30,*

US\$'000	2020	2019	2018	2017	2016
Operating cash flow before movements in working capital	<b>8,059</b>	7,659	7,845	6,497	3,126
Net cash from operating activities	<b>8,590</b>	5,303	6,122	6,016	3,778
Net cash used in from investing activities	<b>(5,017)</b>	(857)	(2,758)	(960)	(342)
Net cash used in from financing activities	<b>(478)</b>	(1,484)	(1,273)	(1,196)	(1,939)
Net increase in cash and cash equivalents	<b>3,095</b>	2,962	2,091	3,860	1,497
Cash and cash equivalents at beginning of year	<b>13,394</b>	10,502	8,352	4,607	2,933
Effects of foreign exchange translation	<b>(63)</b>	(70)	59	(115)	177
Cash and cash equivalents at end of year	<b>16,426</b>	13,394	10,502	8,352	4,607

## MANAGING DIRECTOR'S STATEMENT

### *Commune and Distribution*

China has since re-opened for business. Airports are busy again, restaurants are crowded, retail stores are back in business, people packed together at a recent pool party in Wuhan and mass tourism is resuming. We have since stepped up our marketing efforts again by latching on to demand recovery in China. Since then, we have seen improvement in buying sentiment and enquiries on new stores opening for Commune. While the Chinese government is shifting focus towards economic normalisation, it is rare to see no economic growth target set for 2020 as its previous lockdown measures might have wiped significant percentage points off its annual GDP growth. In view of this, our expansion plans for Commune in China have to be more progressive rather than aggressive even as the pandemic is showing signs of abating in China. At the same time, the pandemic has accelerated digital change which Commune can't afford to ignore in its growth initiatives.

### **RETIREMENT OF OUR FOUNDER**

Koh Teng Kwee or better known as "TK" to many of his friends and associates – he is retiring. TK has been passionate about the furniture industry, about great furniture craftsmanship and he likes designs details indeed. When he first founded the business in 1972, his vision was not about how much money we or the family should make in any exit plans – it is about creating a brand identity for Koda, putting his beliefs and ideals into actions, applying design inspiration into products and communicating these well to the team (and it was only a handful of staff during the formative years). Under his strategic guidance over the last 40 years, we have expanded beyond Singapore. Our factories, supply chain and distribution channels are now in Malaysia, Vietnam and China. One of the very important milestones was for TK to witness the public listing of Koda – first on the then "SGX Sesdaq" in 2002 and subsequently, on the "SGX Mainboard" in 2005. He is proud of his vision and passion.

We all wish him a healthy life and a happy retirement.

### **THANK YOU**

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

### **JAMES KOH JYH GANG**

Deputy Chairman and Managing Director

## BOARD OF DIRECTORS

### MR. KOH TENG KWEE (“MR. KOH”)

Founder and Non-Executive Chairman

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

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

Mr. Koh was last re-elected to the Board at the 2018 Annual General Meeting (“AGM”).



### MR. JAMES KOH JYH GANG (“JAMES”)

Deputy Chairman and Managing Director

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

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

James is a Presidential Advisor of SFIC and is also a member of the multi-agency, three-year Local Enterprise Association Development (“LEAD”) programme, which partners industry associations to enhance industry and enterprise competitiveness.

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



## BOARD OF DIRECTORS



**MR. ERNIE KOH JYH ENG (“ERNIE”)**  
Executive Director, Sales & Marketing

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

Ernie is also actively involved in the business and creative communities. He was elected as President of the Singapore Furniture Industries Council (“SFIC”) in 2012 and served from 2012 to 2016. He is Chairman of International Furniture Fair Singapore Pte Ltd and the SFIC Finance Advisory Committee. He is also Chairman of the Local Enterprise and Association Development (LEAD) Programme for SFIC, a multi-agency program that aims to partner industry associations to enhance industry and enterprise competitiveness. Ernie was appointed Co-Chairman of the Independent Experts Panel for Furniture Industry by Spring Singapore in 2013. He was also elected to the 60th Board of Singapore Chinese Chamber of Commerce and Industry (SCCCI) in 2017 and is in his second term at SCCCI (2019 – 2021). He is also a Council member of the Singapore Business Federation's (“SBF”) (2020-2022), Co-Chair the SBF Small and Medium Enterprise Committee (SMEC), Chairman of the SMEC Internationalisation subcommittee, a member of DesignS (a network of 9 design-centric institutes and associations in Singapore) as well as a Distinguished Member of the Presidential Advisory Commission of Design Business Chamber Singapore. He is often invited to present papers in various international conferences globally.

Ernie was appointed to the Board in 2001 and holds a Bachelor of Science in Marketing from the University of Oregon (USA) and an MBA in International Marketing from the San Francisco State University (USA). He was last re-elected to the Board at the 2018 AGM.



**MDM. KOH SHWU LEE (“SHWU LEE”)**  
Executive Director, Finance & Administration

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

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

Shwu Lee was appointed to the Board in 2001 and holds a BA from the National University of Singapore. She was last re-elected to the Board at the 2019 AGM.

## BOARD OF DIRECTORS /

**MR. TAN CHOON SENG (“CHOON SENG”)**

Lead Independent Director

**Choon Seng** was appointed on 18 November 2016 as an Independent Director of Koda, and is currently the Lead Independent Director, Chairman of the Audit Committee and member of the Remuneration Committee and Nominating and Governance Committee.

Choon Seng is a board member of the Singapore Institute of Management and is also a member of the Board of Trustee of the Singapore University of Social Sciences. He is also the Chairman of the University's Investment and Endowment Fund. He is also a board member of Soup Restaurant Group Limited & the Chairman of its Audit Committee.

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

Choon Seng holds an Accountancy degree from the University of Singapore and is a non-practising Fellow Chartered Accountant of Singapore. He was last re-elected to the Board at the 2017 AGM.

**MR. CHAN WAH TIONG (“WAH TIONG”)**

Independent Director

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

Wah Tiong is the Chief Executive Officer (Nursing Home Cluster) of St. Andrew's Nursing Home (SANH); and Executive Director of St. Andrew's Nursing Home (Queenstown).

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

Wah Tiong is a Chartered Accountant with the Institute of Singapore Chartered Accountants, he holds a Bachelor of Accountancy and a Graduate Diploma in Social Work from the National University of Singapore. He was last re-elected to the Board at the 2018 AGM.



## BOARD OF DIRECTORS



**MR. SIM CHENG HUAT (“SIM”)**

Independent Director

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

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

Sim holds a Bachelor of Arts from New York University. He was last re-elected to the Board at the 2019 AGM.



**MR. YING SIEW HON, FRANCIS (“FRANCIS”)**

Independent Director

**Francis** was appointed on 18 November 2016 as an Independent Director of Koda. He is currently the Chairman of the Remuneration Committee and member of the Audit Committee and Nominating and Governance Committee.

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

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

Francis is a Fellow of the Association of Chartered Certified Accountants (United Kingdom). He was last re-elected to the Board at the 2019 AGM.

## MANAGEMENT PROFILE

### TEH WING KWAN (“TEH”)

Advisor

**Teh** has been the appointed Advisor of Koda Ltd since October 2013. Teh is a sophisticated investor and specialises in corporate restructuring, corporate finance and merger & acquisition. He has been the controlling shareholder, Executive Chairman and CEO of Citicode Ltd (listed on the Mainboard of SGX) since July 2018. Teh is also the Chairman of China Vanadium Titano-Magnetite Mining Company Ltd (listed on the Mainboard of HKEX) where he has led the completion of a RMB1.3 billion restructuring. He served as a non-executive director of other public companies listed on HKEX, SGX and ASX.

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

Teh was nominated for the 2015 and 2016 Asia Pacific Entrepreneurship Awards (Singapore) under the Industrial and Commercial Products Industry, and the 2017 and 2018 Outstanding Leaders in Asia Corporate Excellence & Sustainability Awards under the Leadership Category. He is a Fellow of the Association of Chartered Certified Accountants (United Kingdom), a Fellow Chartered Accountant of Institute of Singapore Chartered Accountant, an International Affiliate of the Hong Kong Institute of Certified Public Accountants, a Chartered Accountant of Malaysian Institute of Accountants, a Full Member of Singapore Institute of Directors and a member of the Hong Kong Securities and Investment Institute.



### MR ISAAC PEH LIN SIAH (“ISAAC”)

Group Chief Financial Officer

**Isaac** had 18 years of broad-based experience in overseeing financial reporting in companies engaging in various manufacturing activities such as light consumer products, printed circuit board assembly, semiconductor assembly & testing and precision engineering.

Isaac graduated from National University of Singapore (NUS) with a Bachelor of Arts degree in Economics and Statistics. He has ACCA & CIMA qualifications and is a Fellow of CPA Australia.



## MANAGEMENT PROFILE



**WONG SE SUN (“SS”)**  
Manufacturing Director

**SS** joined the Group in 2010 as General Manager for our subsidiary Koda Woodcraft Sdn Bhd. An Industrial Engineer by profession, he is in charge of the Group’s manufacturing operations and ensures production lines run smoothly. He also oversees various key operational functions including purchasing, inventory management, factory capacity planning, labour deployment, manufacturing processes, quality control and logistics planning. He has significant experience in product re-engineering and new product development. He was promoted to Manufacturing Director in 2013 and appointed as an Executive officer in 2014.

SS holds a Bachelor of Science in Industrial Engineering from the University of Oklahoma, USA, a Diploma in Engineering from the college of Westark, USA and a Diploma in Civil Engineering from the Federal Institute of Technology, Malaysia.



**TAN KIAN PENG DARREN (“DARREN”)**  
Group Financial Controller

**Darren** is responsible for the Group’s accounts and finance functions, specifically financial reporting and analysis, budgetary and internal controls, performance measurement and work processes. His professional experience includes but is not limited to audit, taxation, corporate finance and accounting. He was promoted to Group Financial Controller and appointed as an Executive Officer in 2014.

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



**JOSHUA KOH ZHU XIAN (“JOSHUA”)**  
Chief Executive Officer,  
Commune Lifestyle Pte. Ltd.

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

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

Joshua was appointed as an Executive Officer and continues to serve as a member of the Executive Committee. He holds a Bachelor of Commerce in Accounting & Finance from the University of Western Australia and an MBA from INSEAD (France/Singapore).



## MANAGEMENT PROFILE /

**GAN SHEE WEN (“SHEE WEN”)**

Vice President,  
Group Sales and Marketing

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**Shee Wen** is responsible for the sales and marketing functions of the Asia Pacific markets. His key duties are to build and maintain close ties with clients and develop products for their specific markets. This involves design research, idea generation and technical development, culminating in the development of marketable products for Koda's international client base.

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

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

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

**JULIAN KOH ZHU LIAN (“JULIAN”)**

Head of Design

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

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

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



# SUSTAINABILITY REPORT CONTENTS



- 25**  
About This Report
- 26**  
ESG Performance Highlights
- 27**  
Sustainability at Koda
- 32**  
Stakeholder Engagement
- 34**  
Product
- 35**  
People
- 42**  
Environment
- 46**  
Economic Performance
- 47**  
Community Investment
- 48**  
GRI Content Index

# SUSTAINABILITY REPORT /

## ABOUT THIS REPORT

Koda Ltd ("Koda") is pleased to share our third annual sustainability report ("Report") for the financial year ended 30 June 2020. This Report outlines our efforts to address our Environmental, Social and Governance ("ESG") impacts in the reported period.

### Reporting Standards

This Report has been prepared in accordance with the GRI Standards: Core Option. It has also been prepared to ensure compliance with the SGX Sustainability Reporting Guide and the SGX-ST Listing Rules (711A and 711B).

### Report Scope

This Report covers the ESG data from all of our operations in Singapore, Malaysia, Vietnam and China unless stated otherwise.

### Report Content & Quality

We have applied GRI's reporting principles to determine Koda's most significant economic, environmental and social impacts. The reporting principles included stakeholder inclusiveness, sustainability context, materiality, and completeness to define the content. GRI's principles of accuracy, balance, clarity, comparability, reliability and timeliness have been used to ensure report quality.

### Restatements

We have adjusted carbon emission data for FY2019 and FY2018 as grid emission factors in Singapore, Malaysia, Vietnam and China were updated by respective authorities and have restated the figures for these two years. The restatements don't have a material impact on our overall emissions data. We have also restated waste data for FY2019 and FY2018 as waste figures became available for our factory in Vietnam for the period. Water drawn for FY2019 and FY2018 has been updated as data from our China operations became available. We have restated some of the workforce statistics for FY2019 and FY2018 owing to errors in calculations. The affected statistics include the proportion of permanent employees and the number of new hires. There is no change in the total number of employees reported for these two years.

### External Assurance

Data is sourced mostly from primary and internal sources, and hence, we have chosen to undertake an internal verification process. As such, we have not sought external assurance for this sustainability report.

### Availability

This report, published as a part of our combined Annual Report, is available in PDF form for download on our website at [www.kodaonline.com](http://www.kodaonline.com)

### Contact

We welcome feedback on our Report, which can be sent to [sustainability@kodaltd.com](mailto:sustainability@kodaltd.com)

# SUSTAINABILITY REPORT

## ESG PERFORMANCE HIGHLIGHTS

ESG PERFORMANCE SUMMARY (Financial Year)			
ESG FACTORS	FY2020	FY2019	FY2018
<b>ENVIRONMENTAL</b>			
Total energy consumption (GJ) <sup>(1)</sup>	26,795	25,338	24,433
Energy intensity (GJ per million dollars of revenue)	444	438	466
Electricity consumption (kWh)	6,751,459	6,366,111	6,057,025
CO <sub>2</sub> emissions (tonnes) <sup>(2)</sup>	5,364	4,811	4,579
CO <sub>2</sub> emissions intensity (tCO <sub>2</sub> per million dollars of revenue)	89	83	87
Water consumption (m <sup>3</sup> )	113,543	106,616	93,062
General waste (tonnes)	597	733	763
<b>SOCIAL</b>			
<b>Employees</b>			
Total number of employees	1,950	2,069	1,860
Permanent employees	965	1,103	942
Contract employees	985	966	918
New hires	365	398	402
Female employees (% of the total number of employees)	32	30	29
Fatal Accidents	zero	zero	zero
<b>FINANCIAL (US\$'000)</b>			
Revenue	60,353	57,892	52,400
Profit attributable to owners of the Company	4,336	5,309	5,413
Employee wages	17,554	15,629	14,063
Income tax expense	500	420	581
Dividends to shareholders	741	1,518	1,044

**Notes:**

1. Energy refers to the use of electricity, petrol and diesel
2. Carbon dioxide (CO<sub>2</sub>) emissions are from electricity, petrol and diesel consumption

## SUSTAINABILITY REPORT /

### SUSTAINABILITY AT KODA

Koda is a leading manufacturer of high-quality furniture for the global markets. Our ability to design, develop and produce high-grade furniture in an environmentally responsible manner has been one of the key drivers of our international success.

Our sustainability approach is to mitigate and manage our most significant economic, social and environmental impacts in our own operations as well as in our supply chain.

We purchase our wood from sustainable sources to offer furniture that has the least negative impact on the environment. Our furniture is designed to be durable for extended life. Our manufacturing plants follow stringent policies to ensure workplace health and safety and decent working conditions and labour standards.

Our sustainability initiatives cover the following areas:

- Careful selection of materials to minimise environmental impact
- Maximise resource efficiency by reducing, recycling and reusing waste
- Ensuring occupational health and safety in our manufacturing operations
- Customer satisfaction, which is a direct result of our ability to stay design-relevant, product quality and craftsmanship, productivity and timely delivery
- Attracting, developing and retaining the right talent

We closely watch evolving consumer preferences as an increasing number of customers look for sustainable furniture. We remain committed to working closely with our trade partners to offer sustainable choices to end customers.

### BUILDING RESILIENCE

Societies and economies have been severely disrupted by the global health crisis caused by Covid-19. The global pandemic has affected most businesses and the recovery seems uncertain and slow. Many experts warn that resurgent waves of the pandemic and government measures to enforce social distancing are going to be the new normal.

At Koda, we believe that the pandemic has reinforced the need to build organisational and operational resilience to minimise the impact of future pandemics. We are working on improving our business continuity plan to enhance our preparedness for pandemics.

More importantly, we remain committed to ensuring the wellbeing of our people. We have introduced a range of safe management measures across our workplaces that include safe entry, social distancing and enhanced cleanliness to protect our employees, customers and visitors.

We have appointed Safe Management officers who ensure compliance with safe management measures. We have introduced 'Work from Home' arrangements for office staff to support business continuity. Employees at workplaces are required to wear masks, take temperature readings and maintain safe physical distancing and avoid intermingling.

Staff and workers at our manufacturing facilities in Vietnam and Malaysia have to wear masks and maintain safe distancing at all times in the premises. Temperature readings have to be taken prior to entering the work place. Staff and workers are required to seek medical attentions if they are feeling unwell or feverish or exhibit any flu symptoms. Handwash is always made available and enhanced cleanliness practiced in the workplace.

We remain committed to working with our stakeholders to support an orderly and responsible recovery that minimises impact on people.

# / SUSTAINABILITY REPORT

## **SUSTAINABILITY GOVERNANCE**

At Koda, the Board assumes the responsibility for providing strategic direction for sustainable business policies and practices. The management, headed by Managing Director has the responsibility to implement sustainability strategies and initiatives that address the economic, environmental and social impacts of our business operations. Respective factory heads are responsible for implementing sustainability policies in their operations. The management provides a regular update to the Board on the implementation of sustainability strategies.

A senior executive acts as project coordinator and works closely with various departments and functions to ensure the necessary performance data is gathered for sustainability reporting.

## **BOARD STATEMENT**

The Koda Group is committed to upholding the highest standards of ethics and integrity while conducting its business activities. The Group remains steadfast in its commitment to operate its business with environmental and social responsibility.

The Board of Koda Ltd considers sustainability issues as part of its approach to develop business strategies. The Board endorses the material ESG factors presented in this report. The Board also provides oversight of the management and monitoring of these material ESG factors through periodic review of the key performance indicators.

The Board periodically reviews the risks and opportunities arising from the Group's material ESG factors and assesses the Group's approach to sustainable business growth.

## **MATERIAL TOPICS**

Our reporting focuses on the most significant impacts of our business activities on the economy, environment and society. We have mapped our impacts using GRI's materiality assessment process. Our first comprehensive materiality assessment to determine the economic, environmental and social impacts of our business was conducted in 2017. The material impacts identified through the assessment formed the basis for our first sustainability report. Thereafter, we have reviewed the material factors each year to ensure they remain updated.

In FY2019, we aligned our material sustainability impacts with the relevant UN Sustainable Development Goals (SDGs) to reaffirm our commitment to sustainable development. This year's report reflects a deeper integration of the SDGs into our reporting process by also indicating our contribution at the SDG targets level.

During FY2020, we also established specific targets for the material topics. Disclosure on our performance and how we have managed these material topics is provided throughout this Report.

An overview of our material impacts, where they occur and our management approach to addressing each of them is presented in the following table.

## SUSTAINABILITY REPORT /

## MATERIALITY







Material Factors	Where the Impact is Material	How the Impact is Caused	Our Management Approach
<b>Environment</b>			
Energy Consumption	Use of electricity in offices, factories and retail stores. Diesel and petrol consumption in on-site equipment and company vehicles	Through our business activities	Continuously improve energy efficiency in our operations
Greenhouse Gas (GHG) Emissions	Our carbon dioxide (CO <sub>2</sub> ) emissions are attributable to electricity and fuel consumption	Through our business activities	Minimise our carbon emissions footprint through continually improving our energy efficiency
Waste	Waste is generated mainly in our factories	Through our business activities	<ul style="list-style-type: none"> <li>• Reduce, Recycle and Reuse waste</li> <li>• Safe disposal of hazardous waste</li> </ul>
Environmental Compliance	Factories	Through our business activities	Ensure compliance with applicable environmental regulations
<b>Social</b>			
Attract, Develop and Retain Talent	Material across the Group	Through our business activities	<ul style="list-style-type: none"> <li>• Hire the most skilled talent</li> <li>• Provide ongoing employee training and development</li> </ul>
Occupational Health and Safety	Mainly material in our factory operations	Through our business activities and our relationships with suppliers	Ensure the health and safety of all employees at work
Human Rights (non-discrimination, forced labour, child labour, freedom of association and collective bargaining)	Mainly material in our factory operations and supply chain	Through our business activities and our relationships with suppliers	Committed to protecting human rights in accordance with applicable national laws and international conventions
<b>Economic</b>			
Economic Performance	Material across our business operations	Through our business activities	Long-term sustainable growth of business with consistent value creation
Anti-corruption	Material across our business operations	Through our business activities	Maintain zero-tolerance to corruption
Socio-economic Compliance	Material across our business operations	Through our business activities	Ensure compliance with applicable laws and regulations

# / SUSTAINABILITY REPORT

## UN SUSTAINABLE DEVELOPMENT GOALS





Building on the alignment of our material sustainability topics with the UN Sustainable Development Goals (SDGs) as reported in FY2019 Sustainability Report, this year's report indicates the relevant SDG targets where the Koda Group makes a contribution through its policies and practices.

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

Material ESG Factors	GRI Standards	SDG Targets Supported	SDGs
Energy	GRI 302: Energy 2016	7.3 By 2030, double the global rate of improvement in energy efficiency  9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities	 
GHG Emissions	GRI 305: Emissions 2016	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	
Waste	GRI 306: Effluents and waste 2016	12.2 By 2030, achieve the sustainable management and efficient use of natural resources  12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse	
Environmental Compliance	GRI 307: Environmental Compliance 2016	16.3 Promote the rule of law at the national and international levels and ensure equal access to justice for all	
Anti-Corruption	GRI 205: Anti-Corruption 2016	16.5 Substantially reduce corruption and bribery in all their forms	
Socio-economic Compliance	GRI 419: Socioeconomic Compliance 2016	16.6 Develop effective, accountable and transparent institutions at all levels	
Occupational Health and Safety	GRI 403: Occupational Health and Safety 2016	8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular, women migrants, and those in precarious employment	



## SUSTAINABILITY REPORT /

Material ESG Factors	GRI Standards	SDG Targets Supported	SDGs
Attract, Develop and Retain Talent	GRI 401: Employment 2016 GRI 404: Training and Education 2016	8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	 
Human Rights	GRI 406: Non-discrimination 2016 GRI 407: Freedom of Association and Collective Bargaining 2016 GRI 408: Child Labour 2016 GRI 409: Forced or Compulsory Labour 2016	Target 5.1. End all forms of discrimination against all women and girls everywhere  Target 8.8. Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment  Target 8.7. Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms	
Economic Performance	GRI 201: Economic Performance 2016	8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value-added and labor-intensive sectors	

# / SUSTAINABILITY REPORT

## STAKEHOLDER ENGAGEMENT

Our sustainability strategy is informed by the insight we gathered through our ongoing interaction with our stakeholders. We believe a trusted relationship with our primary stakeholders that include customers, suppliers, employees and the local communities is a key driver of our business success. Our active engagement with stakeholders helps us understand their expectations and concerns relating to our business activities and products.

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

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

Stakeholders	Their Expectations	How We Engage	How We Respond
Customers	<ul style="list-style-type: none"> <li>• Value for money</li> <li>• Stylish and aesthetic design</li> <li>• High-quality material</li> <li>• Green material</li> <li>• Good craftsmanship</li> <li>• Timely delivery</li> <li>• After Sale services</li> <li>• Product quality</li> </ul>	<ul style="list-style-type: none"> <li>• Regular meetings and communication</li> <li>• Regular visits to customers</li> <li>• Factory audits</li> <li>• Customer visits to our stores</li> <li>• Marketing communications, website, and digital media</li> </ul>	<ul style="list-style-type: none"> <li>• Investment in research and development</li> <li>• Well-equipped design studio and talented designers</li> <li>• Stringent quality assurance process</li> <li>• Professional and timely after sale services rendered</li> <li>• Product warranty</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Personal and professional development</li> <li>• Workplace safety</li> <li>• Fair remunerations</li> </ul>	<ul style="list-style-type: none"> <li>• Performance appraisal</li> <li>• Training</li> <li>• Team meetings</li> <li>• Company events</li> </ul>	<ul style="list-style-type: none"> <li>• HR policies to promote a conducive work environment, fair employment practices and people development</li> <li>• Occupational health and safety system</li> <li>• Performance-based profit sharing scheme</li> </ul>
Suppliers and Partners	<ul style="list-style-type: none"> <li>• Regular business</li> <li>• Long-term relationship building</li> <li>• Clarity of specifications</li> <li>• Timely payment</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings and electronic communications</li> <li>• Purchase orders and agreements</li> </ul>	<ul style="list-style-type: none"> <li>• Establish a fair selection process</li> <li>• Pay as per agreement</li> <li>• To groom suitable partners for future developments</li> </ul>
Government and Regulators	<ul style="list-style-type: none"> <li>• Regulatory compliance</li> <li>• Taxes</li> </ul>	<ul style="list-style-type: none"> <li>• Inspections and meetings</li> <li>• Circulars and notices</li> <li>• Regulatory filings</li> </ul>	<ul style="list-style-type: none"> <li>• Adhere to the applicable laws and regulations</li> <li>• Maintain the necessary records</li> </ul>

## SUSTAINABILITY REPORT /

Stakeholders	Their Expectations	How We Engage	How We Respond
Community	<ul style="list-style-type: none"> <li>Support for communities</li> <li>Responsible business operations</li> </ul>	<ul style="list-style-type: none"> <li>Community development initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Commitment to corporate social responsibility</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>Return on investment</li> <li>Sustainable business growth</li> <li>Good governance</li> <li>Dividend</li> </ul>	<ul style="list-style-type: none"> <li>Annual General Meeting</li> <li>Announcements via company as well as SGX website</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring good corporate governance</li> <li>Prudent business and financial planning</li> <li>Risk management</li> <li>Making dividend payments</li> </ul>

## MEMBERSHIP OF ASSOCIATIONS

Koda actively engages with relevant trade associations. We continue to lend our support to these entities by participating in their events. Over the years, our senior management executives have also held leadership positions on prominent industry bodies.

Current positions held by our senior executives are listed below.

POSITIONS HELD BY KODA EXECUTIVES IN TRADE BODIES		
Name	Industry Body	Position
<b>Mr James Koh, Deputy Chairman and Managing Director, Koda</b>	Singapore Furniture Industries Council (SFIC)	President Advisor
	Local Enterprise Association Development ("LEAD") Programme, Enterprise Singapore	Member
<b>Mr Ernie Koh, Executive Director, Koda</b>	Singapore Furniture Industries Council (SFIC)	President Advisor
	Singapore Chinese Chamber of Commerce & Industry (SCCCI)	Council Member
	Singapore Business Federation	Council Member
	Singapore Business Federation-SME Committee (SBF-SMEC)	Co-Chairman
<b>Mr Joshua Koh, CEO, Commune Lifestyle Pte Ltd</b>	Franchising and Licensing Association (FLA), Singapore	Vice President
	Singapore Furniture Industries Council (SFIC)	Honorary Secretary
<b>Mr Gan Shee Wen, Vice President, Marketing, Koda</b>	Singapore Retailers Association (SRA)	Honorary Secretary
	Singapore Furniture Industries Council (SFIC)	Assistant Honorary Treasurer Chairman of Retail Cluster

# / SUSTAINABILITY REPORT

Koda and its subsidiaries' key trade memberships are listed in the following table.

<b>MEMBERSHIP IN TRADE ASSOCIATIONS</b>	
<b>Company Name</b>	<b>Trade Association</b>
<b>Koda Ltd</b>	Singapore Furniture Industries Council
	Singapore Business Federation
	Singapore Chinese Chamber of Commerce & Industry
<b>Commune Lifestyle Pte Ltd</b>	Singapore Retailers Association
	Franchising and Licensing Association (Singapore)
	Singapore Furniture Industries Council
<b>Koda Woodcraft Sdn Bhd</b>	Malaysia Timber Industry Board
	Johor Bahru Chinese Chamber of Commerce and Industry
	Malaysia Furniture Council
<b>Jatat Furniture Industries Sdn Bhd</b>	Malaysia Timber Industry Board
	The Timber Exporters' Association of Malaysia
<b>Koda Saigon Co., Ltd</b>	Handicraft and Wood Industry Association (HAWA)
<b>Commune (Dongguan) Trading Co Ltd</b>	Shenzhen Furniture Industries Association

## **PRODUCT**

Koda is a leading Original Design Manufacturer (ODM). Our reputation is built on excellent product design and impeccable workmanship. We use only high-quality wood and materials to produce aesthetically appealing furniture. Our furniture designs exhibit a high degree of individuality, sophistication and elegance. Our products are sold globally, delighting our customers worldwide.

Our extensive range of offerings includes solid-wood dining, living and bedroom furniture for upscale customers worldwide. Our products are appreciated for fine quality, elegant form and functionality.

Our retail brand, Commune, has developed a strong and growing appeal among high-end customers for its trendy designs and contemporary lifestyle furniture and accessories. As of 30 June 2020, there are a total of 75 Commune outlets in Singapore, Malaysia, the Philippines, Hong Kong S.A.R., China and Australia.

## **PRODUCT DESIGN**

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

## **MATERIALS**

We use solid wood to produce our furniture. The common types of wood we use include American walnut, Chinese walnut, natural oak, acacia, rubberwood and pine.

Most of our wood are sourced from sustainable sources, of which FSC or PEFC certifications being the most prominent. Suppliers must meet our set criteria for social and environmental standards to qualify as a vendor of Koda.

## **QUALITY AND CRAFTSMANSHIP**

Our profound commitment to quality is reflected in every piece of furniture produced by us. From design to production, every Koda product is manufactured to exacting specifications. Extensive checks are carried out at all stages to ensure high-quality. Our factories follow stringent quality control and assurance processes that eliminate defects across the production chain.

## SUSTAINABILITY REPORT /

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

### PRODUCT SAFETY

We are committed to comply with the applicable product safety standards and regulations as required by our customers. For example, we ensure that our furniture and upholstery material have the fire safety information label as required by our customers.

### TECHNOLOGY

Our production facilities in Malaysia and Vietnam use state-of-the-art technology and equipment to consistently deliver high-quality products.

We use technology to help customers make better choices. At our Commune stores, by using 3D, Virtual Reality ("VR") and Augmented Reality ("AR") technologies, we help customers visualise how our products would fit into their homes and lifestyles. This also empowers our customers to experiment with our extensive library of wall colours and flooring options to replicate their existing homes and visualise their furnished home under different lighting conditions.

In FY2020, we continued to invest in upgrading our factories by acquiring state-of-the art machines and equipment aimed at improving productivity, efficiency and quality.

For example, in our facility in Malaysia, we installed a new airmix system that helps save paint by achieving high transfer efficiency and also reduces the maintenance of the paint booth. We also added a fully automatic triangle drilling machine, a fully automatic connecting wood drilling machine, a CNC machining center and a new mortiser machine which have resulted in productivity gains.

Our facility in Vietnam has added a number of new machines aimed at boosting productivity, efficiency and the work environment. For example, a new dry sanding cabinet and a dust collector system have helped to make the factory floor dust free. We invested in a new racking system in the warehouse which would increase our storage capacity. A new pneumatic riveting machine would help increase productivity.

### PEOPLE

We are committed to nurturing our human capital with the right skills and knowledge to enable our sustainable growth.

Attracting, developing and retaining talent remains a core objective of our human resource policies. Our talent management mainly focuses on critical functions such as product design and quality, customer sales and marketing, business development and leadership and management.

We have adopted workplace practices that promote fairness, inclusivity, open communication, teamwork, health and safety.

### CREATING EMPLOYMENT

We employed 1,950 people across our operations in Singapore, Malaysia, Vietnam and China as at financial year ended June 30, 2020. Permanent employees accounted for 49% of our workforce while the remaining employees were on fixed-term contracts.

Workplace diversity remains an important topic for us. In FY2020, women represented 32% of our total headcount. Women also held 31% of the head of department (HOD) positions and 33% of managerial roles. Women comprised 40% of our total new hiring of 365 employees in FY2020.

# / SUSTAINABILITY REPORT

## TARGET AND PERFORMANCE

Material Factor	FY2020 Target	FY2020 Performance	FY2021 Target
Occupational Health and Safety	Maintain zero fatality across the organisation	Zero fatality	Maintain zero fatality across the organisation
	Maintain zero occupational disease across the organisation	Zero occupational disease	Maintain zero occupational disease across the organisation
	Maintain a zero Accident Frequency Rate (AFR) in our factories	<ul style="list-style-type: none"> <li>Malaysia: Male (5.75), Female (Zero)</li> <li>Vietnam: Male (4.89), Female (1.40)</li> </ul>	Maintain a zero Accident Frequency Rate (AFR) in our factories
Attract, Develop and Retain Talent	Annual turnover rate 25% or lower	Annual turnover rate of 27.3%	Annual turnover rate 25% or lower
	Average 8 hours of training per employee	Average 7 hours of training per employee	Average 7 hours of training per employee
Human Rights	No incident of non-compliance with our human rights policies	There were no incidents of non-compliance with our human rights policies in our organisation	No incident of non-compliance with our human rights policies

## DEVELOPING PEOPLE

Ongoing upgrading of skills and knowledge of our employees is crucial for maintaining higher productivity and staff motivation. Our training policy aims to ensure learning and development opportunities for all employees. In consultation with the respective heads of department, the HR department prepares an annual training plan for all employees.

Our training plans were affected due to the lockdowns and work from home measures implemented to fight Covid-19 in the last two quarters of the financial year.

In FY2020, the average hours of training per full-time employee was 7 hours. The average hours of training for male and female employees was 6 and 8 hours respectively.

Average hours of training by employee category was as follows: middle management (6 hours), Executive (4 hours) and Worker/Non-Executive (6 hours).

## TRANSFORMING FURNITURE INDUSTRY

Koda has actively supported Singapore Furniture Industries Council's (SFIC) blueprint to carry out a three-year capabilities building roadmap for the furniture industry since its launch in 2016. One of the core elements of the industry blueprint has been the development of talent with the right skills to enhance inter- and intra-industry mobility.

We also support SFIC Institute, the training and skills development arm of SFIC which has launched a series of training programmes to help workers, including professionals, managers, executives and technicians (PMETs).

## STAFF WELFARE & BENEFITS

Our policy is to offer competitive salaries to our employees based on their skills, experience, seniority and job roles in the Group.

Our employees are entitled to several perks above and beyond statutory benefits. Benefits offered to full-time employees include various types of leave, including parental leave, annual leave, marriage leave and medical leave. Full-time employees are entitled to medical benefits, which include coverage for illness, accidents and hospitalisation.

It is our policy to ensure compliance, as the minimum, with the applicable wage and benefits regulations including the minimum wage rules in countries where we operate.

## SUSTAINABILITY REPORT /

### **ENSURING WORK-LIFE BALANCE**

We value our employees' need for maintaining a work-life balance. We also believe fun activities promote bonding and teamwork. We host sporting events and get-togethers to engage our employees in leisure activities. In addition, we also organise many team-building activities throughout the year across our operations. We also celebrate local festive events together with staff across countries where we have operations. The Koda annual dinner continues to be an important event on the company's social calendar.

### **PROTECTING HUMAN RIGHTS**

We are committed to upholding human rights across our business operations including our supply chain. Our policies prohibit any form of exploitation, abuse, violence, harassment or discrimination across our group and also within our supply chain. Our labour code of conduct bars child labour and forced labour.

We respect our workers' right of freedom of association and collective bargaining in accordance with national laws and international conventions, including the International Labour Organisation's (ILO) standards.

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

We strictly apply our human rights policies across our organisation. In our view, the risk of child labour, forced labour and violation of freedom of association in our company-owned operations is negligible. However, these risks may affect our supply chain in developing countries. We do not have control over suppliers' operations. However, we are committed to engaging with them to improve their awareness of human rights.

There were no reported incidents of child labour, forced labour, discrimination or violation of workers' right to freedom of association in FY2020.

### **GRIEVANCE RESOLUTION**

Harmonious relations at the workplace are essential for maintaining higher productivity. Our policy is to promote a trusted work environment by encouraging open communication between managers and workers. It is also important that any workplace complaints are promptly addressed and resolved.

We have put in place a grievance resolution mechanism that our employees can use to raise concerns about any work-related matter. Employees are encouraged to use the grievance mechanism to bring up their concerns so that the management can effectively respond to the issues towards satisfactory resolution in a transparent manner.

### **REWARDING PERFORMANCE**

We have adopted a comprehensive performance appraisal system that covers all employees. Our approach is to reward employees for their performance fairly and transparently. We assess employees' performance through a systematic appraisal process. We also use performance appraisal to identify employees' training and development needs.

### **EMPLOYEE TURNOVER**

Our policies are designed to develop, reward and retain talent. We monitor the turnover rate for our permanent employees to measure our performance and to take the necessary steps to improve retention continuously.

In FY2020, 549 permanent employees left the organisation that included 210 female staff. The overall turnover rate for the financial year was 27.3%. The turnover rate was lower than the prior year in our production facilities in Malaysia and Vietnam where 72% of our employees are located. In Singapore, the turnover rate was 8.8% in FY2020, significantly lower than the national average of 26.4% as published by the Ministry of Manpower in its Labour Market Survey, 2019.

More detailed turnover data is provided in the charts at the end of this chapter.

# / SUSTAINABILITY REPORT

## **PROMOTING HEALTH AND SAFETY**

Across the Koda Group, the health, safety and well-being of our employees are our highest priorities. Our target is to maintain an accident-free workplace.

Workplace safety and health is a crucial aspect of our operations, particularly at our production facilities in Malaysia and Vietnam. We also consider the health and safety of our customers in the design, development and manufacturing of our furniture.

We have implemented an occupational safety and health (OSH) management system aimed at minimising risks at our workplaces. Our teams regularly assess the potential safety and health hazards associated with our operations and adopt the necessary prevention procedures. We have implemented standard operating procedures as well as processes to minimise the incidents of injuries or accidents while at work.

## **SAFETY AND HEALTH COMMITTEE**

We have established a health and safety committee in our factories which includes representatives of workers and management to oversee the implementation of relevant policies and ensure they are in place.

We have appointed qualified Safety & Health Officers in our factories to ensure the relevant policies are complied with and to report recommendations to the safety committees.

Potential safety and health hazards in our factories include improper use of machinery and tools, movement of heavy items, wood dust and chemical fumes from spraying operations. We require our employees to use suitable personal protective equipment (PPE) to ensure their own safety as well as of their colleagues. We ensure that our employees have access to the right PPE such as facemasks, respiratory masks, safety glasses and safety gloves.

All machines used are regularly serviced and checked against a prescribed schedule to ensure good working order. To ensure legal compliance, our facilities conduct a wide range of periodic tests and evaluations that cover audiometric test, drinking water test, local exhaust ventilation, chemical exposure monitoring, chemical health risk assessment and noise risk assessment.

Wood dust is a common health hazard in furniture manufacturing. Our facilities are fitted with dust collector systems and local exhaust ventilation mechanisms to remove dust from the air. We have implemented operating procedures to ensure chemical, and paint spraying is conducted in a secure environment.

## **SAFETY TRAINING**

Employees in our factories receive ongoing training in safe work practices. Training topics include how to use machinery and equipment, how to properly secure bulky items before moving them, to be mindful of their surroundings and maintaining a clean and tidy workspace. In FY2020, we sent our employees and workers to various training courses such as chemical handling, first aid and cardiopulmonary resuscitation ("CPR"), and forklift training.

We track our safety and health performance by collecting and monitoring relevant data including the injury rate, accident frequency rate, occupational disease rate and fatality rate. We also evaluate our safety and health performance through a range of key performance indicators that include the number of health and safety audits, number of safety committee meetings, number of fire-fighting drills, and safety training provided to new hires.

Senior management regularly reviews safety and health performance to ensure our operations remain safe for all employees.

Please refer to "Developing People" on page 36 for more details.



## SUSTAINABILITY REPORT /

### ENSURING CHEMICAL SAFETY

As a leading furniture manufacturer, we understand the importance of using paints, resins, lacquers and solvents which are safe to use and meet the stringent environmental health, safety and quality standards. Our approach is to use chemicals that have lower lead content and formaldehyde compared to other commercial variants.

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

Employees are required to use the appropriate PPEs and strictly follow the safety instructions outlined in the respective MSDS. Safety warnings and instructions for safe operations are prominently displayed in the chemical store and handling area for safe operation.

### MEASURES FOR FIRE SAFETY

We have implemented comprehensive measures for fire safety. Our manufacturing facilities, warehouses and retail stores are equipped with fire-fighting equipment. Our employees are regularly trained in handling the on-site fire extinguishers. Fire drills are conducted periodically to ensure preparedness to deal with a potential fire accident.

### SAFETY AND HEALTH PERFORMANCE

We track safety and health performance in our manufacturing facilities. Our safety performance improved in FY2020 compared with FY2019 across the key indicators. The improvement was the result of a range of measures implemented in our factories. We improved our procedures to ensure safety guards on all relevant machines to prevent accidental injuries. We increased focus on safety training for existing and new workers to ensure safe operation of machines and equipment.

A summary of safety and health performance is presented below for our facilities in Malaysia and Vietnam. The safety and health data reported for Malaysia is for male workers as our production workforce consists mainly of men.

MALAYSIA										
Year	Injury Rate		Accident Frequency Rate		Accident Severity Rate		Occupational Disease Rate		No. of Fatalities	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
FY2020	1.64	0	5.75	0	16.44	0	0	0	0	0
FY2019	3.24	0	16.60	0	113.80	0	0	0	0	0
FY2018	3.23	0	30.00	0	127.47	0	0	0	0	0

VIETNAM										
Year	Injury Rate		Accident Frequency Rate		Accident Severity Rate		Occupational Disease Rate		No. of Fatalities	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
FY2020	1.49	0.43	4.89	1.40	44.97	10.49	0	0	0	0
FY2019	1.58	0.44	5.84	1.64	75.00	16.12	0	0	0	0
FY2018	0.84	0.38	3.04	1.38	39.62	11.32	0	0	0	0

**Note:**

Workplace injury rate = (Workplace injury)/(No.of employees) x 100,000

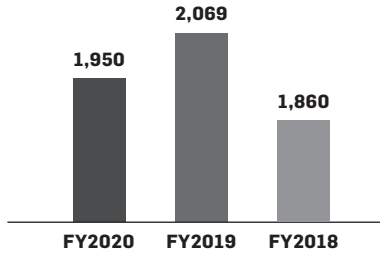
Accident frequency rate = (Workplace accident report)/(Man hours) x 1,000,000

Accident severity rate = (Lost time injury)/(Man hours) x 1,000,000

Occupational disease incidence rate = (Occupational disease)/(No.of employees) x 100,000

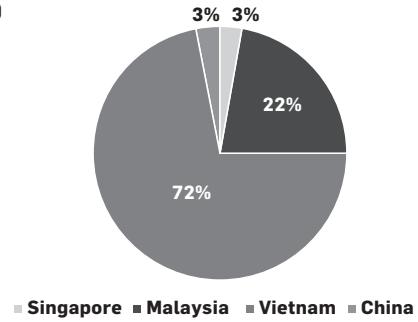
# SUSTAINABILITY REPORT

## TOTAL NUMBER OF EMPLOYEES

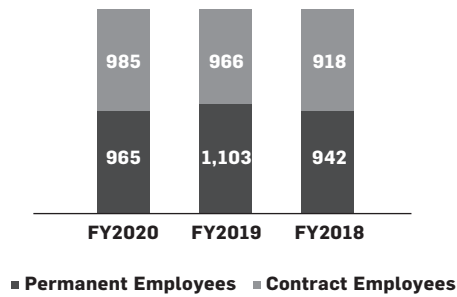


## EMPLOYEES BY COUNTRY

FY2020

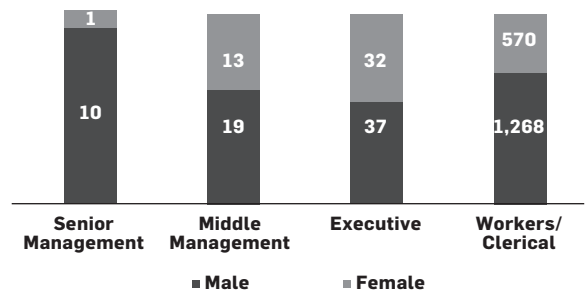


## EMPLOYEES BY EMPLOYMENT CONTRACT

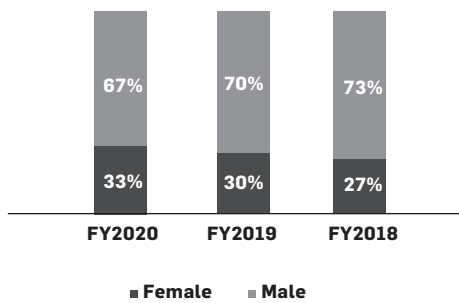


## EMPLOYEES BY CATEGORY

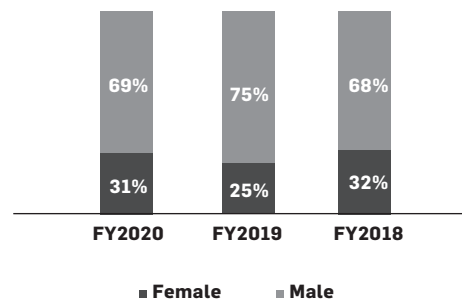
FY2020



## MANAGERS BY GENDER

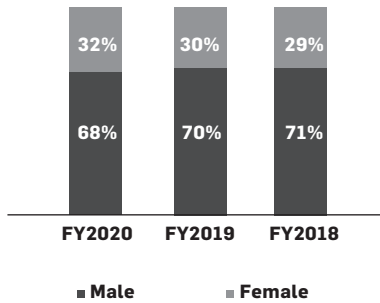


## HEADS OF DEPARTMENT (HODS) BY GENDER



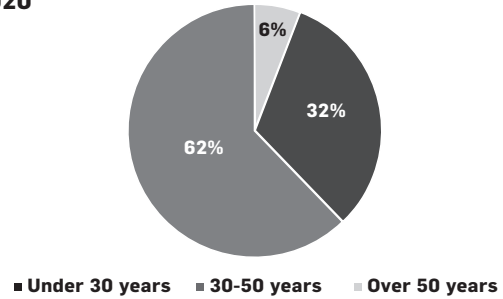
SUSTAINABILITY REPORT /

**EMPLOYEES BY GENDER**

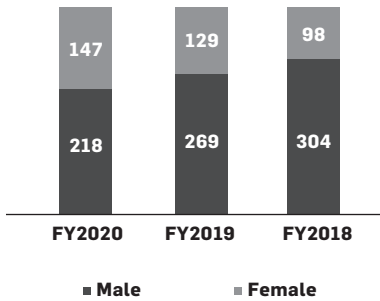


**EMPLOYEES BY AGE GROUP**

FY2020

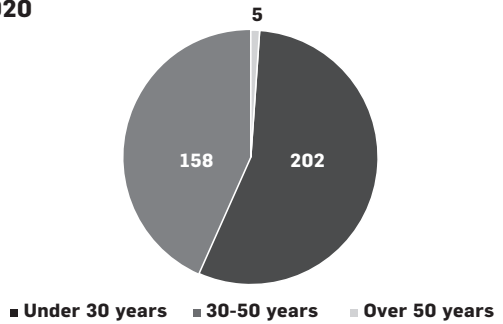


**NEW HIRING**



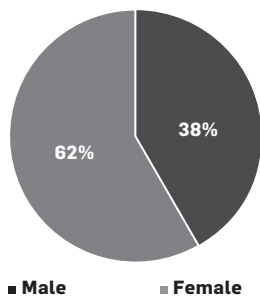
**NEW HIRING BY AGE GROUP**

FY2020



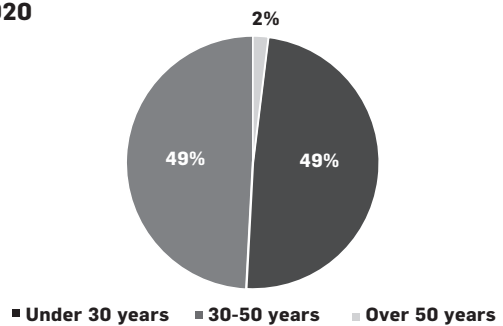
**EMPLOYEES TURNOVER BY GENDER**

FY2020

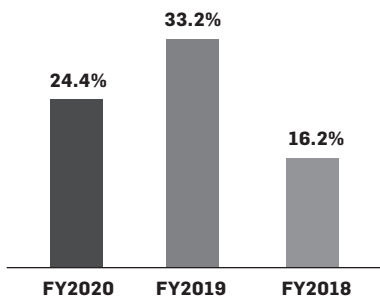


**EMPLOYEES TURNOVER BY AGE GROUP**

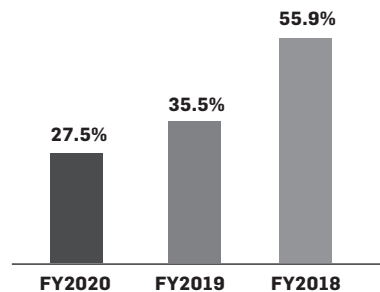
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**EMPLOYEE TURNOVER (MALAYSIA)**



**EMPLOYEE TURNOVER (VIETNAM)**



# / SUSTAINABILITY REPORT

## ENVIRONMENT

Our policy is to minimise our environmental footprint across our value chain. We use the precautionary principle in proactively managing our environmental issues. This chapter includes our environmental performance data across key indicators that represent our significant impacts.

Our material environmental impacts primarily relate to our furniture manufacturing operations. We have identified energy, emissions and waste as our significant environmental impacts. To address our impacts, we have implemented a comprehensive environmental management system (EMS) to mitigate and reduce our ecological risks and impacts.

Our EMS aims to make continuous improvement in resource consumption, energy efficiency and waste and emissions reduction. Our efforts include promoting environmental responsibility across our value chain including our customers and suppliers.

In line with our environmental policy, we strive to reduce our environmental footprint through process redesign, increasing recycling practices and using eco-friendly alternatives where possible.

We have established clear goals and targets to track our performance regularly.

**Our Environmental Goals**

- Minimise waste
- Reduce carbon dioxide emissions
- Improve energy efficiency
- Sustainable design and product
- Ensure environmental compliance
- Partner with stakeholders to promote cleaner and greener neighborhoods

## TARGET AND PERFORMANCE

Material Factor	FY2030 Target	FY2021 Target	FY2020 Performance	FY2020 Target
Energy Consumption	Reduce energy intensity by 30% from FY2016 level	Reduce energy intensity by 13% from FY2016 level	Achieved reduction of energy intensity by 13% from FY2016 level	Reduce energy intensity by 10% from FY2016 level
Greenhouse Gas Emissions (CO <sub>2</sub> )	Reduce carbon emissions intensity by 30% from FY2016 level	Reduce carbon emissions intensity by 10% from FY2016 level	Achieved reduction of carbon emissions intensity by 9% from FY2016 level	Reduce carbon emissions intensity by 10% from FY2016 level
Waste	Maintain non-hazardous waste intensity of 10,000kg per million dollars of revenue	Maintain non-hazardous waste intensity of 10,000kg per million dollars of revenue	Achieved non-hazardous of waste intensity of 9,893kg per million dollars of revenue	Maintain non-hazardous waste intensity of 10,000kg per million dollars of revenue
Environmental Compliance	Maintain zero incidents of non-compliance	Maintain zero incidents of non-compliance	Achieved zero incidents of non-compliance	Maintain zero incidents of non-compliance

## USING SUSTAINABLE MATERIALS

Solid wood is the primary raw material used to produce our furniture products. Our policy is to source timber from sustainably managed forests. To minimise formaldehyde emissions, we use high-quality resins and glue in our production. We use only low lead, high-grade lacquers, paints, coatings and solvents to minimise their impact on the environment and people's health.

## SUSTAINABILITY REPORT /

### **DRIVING ENERGY EFFICIENCY**

Our production facilities in Malaysia and Vietnam account for nearly 97% of our total energy consumption. Electricity represents 91% of the total energy consumption. Electricity is used in our offices, warehouses and stores for lighting, air-conditioning and to operate the equipment.

Aside from electricity, we also use petrol and diesel. Company vehicles use both petrol and diesel while equipment such as back-up power generators use purely diesel.

We remain committed to continually seeking ways to reduce our energy intensity. Our energy intensity has dropped from 504 gigajoules per million dollars of revenue in FY2016 to 444 gigajoules in FY2020, an improvement of about 12%.

### **MINIMISING GREENHOUSE GAS EMISSIONS**

Our greenhouse gas ("GHG") emissions result from electricity and fuel consumption. We measure and monitor the carbon dioxide (CO<sub>2</sub>) emissions, the main GHG gas, from our operations to identify opportunities for reduction. Improving energy efficiency remains an important aspect of our efforts to minimise our carbon footprint.

Our emission intensity has improved from 96 tonnes per million dollars of revenue in FY2016 to 89 tonnes per million dollars of revenue in FY2020, a reduction of about 7%.

### **REDUCING WASTE**

Our policy is to reduce, reuse and recycle waste where possible. Waste is mainly generated in our manufacturing facilities and comprises both hazardous and non-hazardous materials. The former includes chemical waste comprising solvents, paints, inks, lacquer, contaminated cotton rags and chemical drums. Non-hazardous waste consists of mainly wood and packaging.

Resource efficiency is one of the key principles that we apply from the product design stage. Our furniture products are designed to minimise wastage. Our intelligent product design and structured manufacturing processes help us to achieve efficient use of materials.

We have implemented procedures for segregation, storage, recycling and eventual disposal of waste. We ensure the safe disposal of hazardous waste is in accordance with local regulations.

### **CONSERVING WATER**

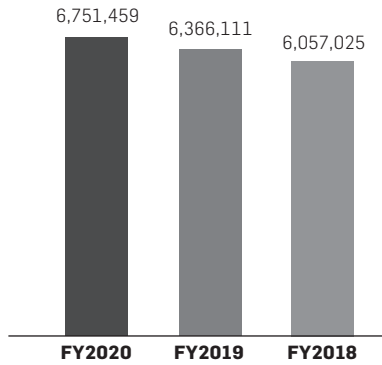
Our approach is to implement measures for saving and conserving water across our facilities. Our manufacturing facilities in Malaysia and Vietnam account for most of our water use. We closely monitor our water consumption and wastewater discharge. We ensure wastewater from our factories is treated or discharged as required by local regulations. Our entire water supply comes from public water utilities.

### **COMPLYING WITH ENVIRONMENTAL RULES**

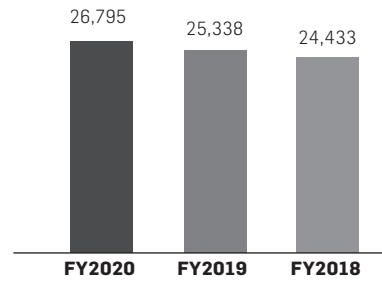
Complying with the applicable environmental regulations is at the core of our EMS. There were no incidents of non-compliance with environmental laws and regulations in the reported period.

# SUSTAINABILITY REPORT

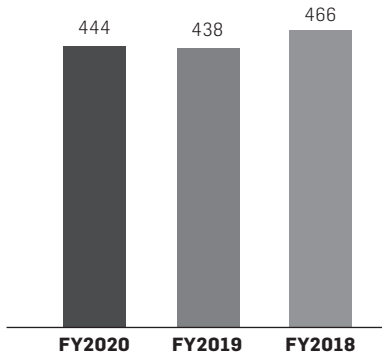
## ELECTRICITY CONSUMPTION (kWh)



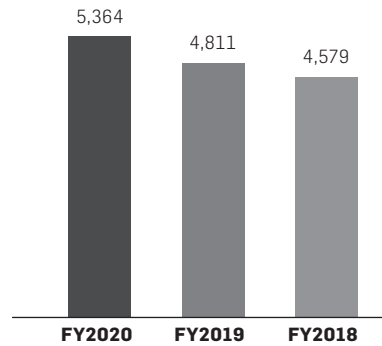
## ENERGY CONSUMPTION (Gigajoules)



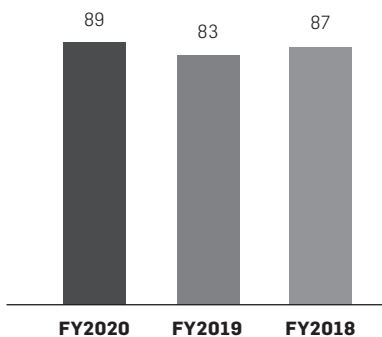
## ENERGY INTENSITY (GJ per million dollars of revenue)



## GREENHOUSE GAS EMISSIONS (tCO<sub>2</sub>)

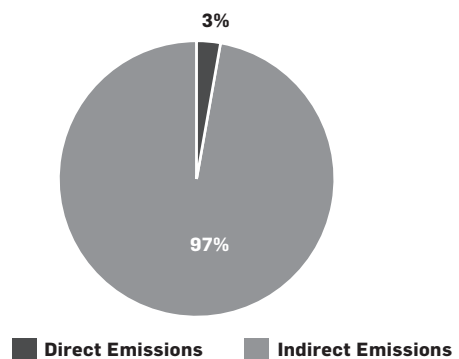


## CARBON DIOXIDE (CO<sub>2</sub>) EMISSION INTENSITY (tCO<sub>2</sub> per million dollars of revenue)



## CARBON DIOXIDE (CO<sub>2</sub>) EMISSIONS BY TYPE (%)

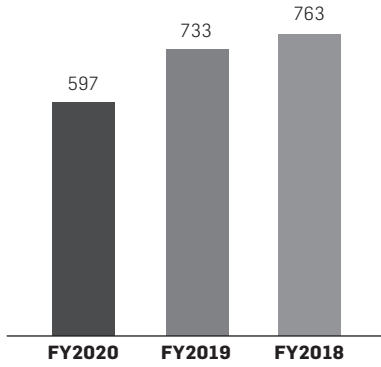
### FY2020



## SUSTAINABILITY REPORT /

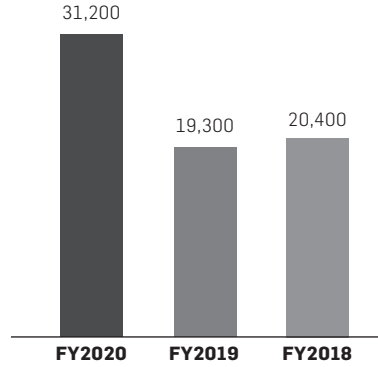
### GENERAL WASTE (NON-HAZARDOUS) (tonnes)

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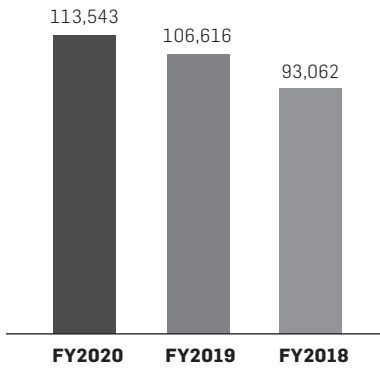
### HAZARDOUS WASTE (Kg)

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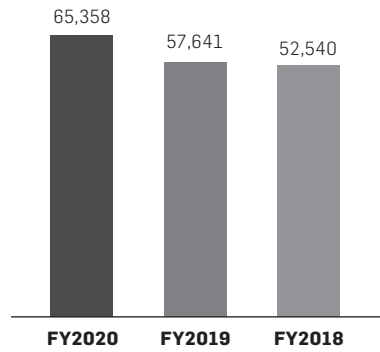
### WATER CONSUMPTION (m<sup>3</sup>)

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### WASTEWATER (m<sup>3</sup>)

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# / SUSTAINABILITY REPORT

## ECONOMIC PERFORMANCE

At Koda, we are committed to creating short, medium and long-term economic value for our shareholders and stakeholders, including our customers, employees, suppliers and the local communities.

Following is a summary of Koda's economic performance for the financial year ended June 30, 2020. More detailed disclosure on the direct economic value generated is available from the Group's audited accounts and financial statements as provided in this combined annual report.

The leadership messages provided in this combined annual report also provide further explanation on the Group's financial performance for FY2020.

<b>ECONOMIC PERFORMANCE (US\$'000)</b>			
<i>Economic performance indicators</i>	<b>FY2020</b>	<b>FY2019</b>	<b>FY2018</b>
Revenue	60,353	57,892	52,400
Profit attributable to owners of the Company	4,336	5,309	5,413
Employee wages	17,554	15,629	14,063
Income tax expense	500	420	581
Dividends to shareholders	741	1,518	1,044

## TARGET AND PERFORMANCE

<b>Material Factor</b>	<b>FY2021 Target</b>	<b>FY2020 Performance</b>	<b>FY2020 Target</b>
Economic Performance	Maintain long-term sustainable growth of business with consistent financial performance	Refer to Financial Statements, pages 110 to 174	Maintain long-term sustainable growth of business with consistent financial performance
Anti-corruption	Maintain zero corruption	Zero corruption	Maintain zero corruption
Socio-economic compliance	Maintain zero non-compliance	Zero non-compliance	Maintain zero non-compliance

## INDIRECT ECONOMIC CONTRIBUTION

Our business activities deliver significant indirect socio-economic benefits to the communities in the countries where we operate. Examples of our positive contributions include creating jobs, transfer of knowledge and expertise, tax payments, supporting local suppliers and industrial development.

Our factories in Vietnam and Malaysia provide much-needed jobs and contribute to the development of the local economy. Our local contributions include taxes and statutory payments as required.



## SUSTAINABILITY REPORT /

### COMMUNITY INVESTMENT

As a responsible corporate citizen, we remain committed to contribute towards community development. Over the years, our Corporate Social Responsibility (CSR) efforts have included supporting a range of community programmes through sponsorship, donations and volunteering.

In FY2020, we continued to support community programmes. We sponsored furniture for Project Refresh Year-End Edition organised by North East Community Development Council (NECDC). The project involves refurbishing the homes of seniors and low-income families in the North East district in Singapore.

We supported National Design Centre, Singapore by funding furniture for display at the exhibition for educational purpose and local design reference.

### SUPPLY CHAIN

We rely on our supply chain for the supplies of the necessary raw material to manufacture our products. Our approach is to build a reliable and sustainable supply chain through active engagement. Our supply chain comprises suppliers of raw material, mainly wood, components and paint products. We support local procurement wherever feasible.

We have implemented a programme to evaluate our suppliers for responsible business practices. In our engagement with our key suppliers, we continue to emphasise compliance with Koda's social, environmental and quality criteria. The social and environmental indicators used for assessing suppliers include freedom of association, child labour, forced labour, non-discrimination, overtime, health and safety, minimum wage, environmental protection and anti-corruption.

### ANTI-CORRUPTION

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

Our Employee Code of Ethics sets out the expected behaviour for all company personnel and what constitutes unethical behaviour. All employees are given a copy of the Code of Ethics and are required to acknowledge that they have read and understood the Company's ethics policy. Employees are also required to complete a conflict of interest declaration form to ensure ethical conduct.

Our orientation programme for new directors and employees includes our anti-corruption policy and the organisation's tough stance against bribery.

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

### SOCIO-ECONOMIC COMPLIANCE

We are committed to lawfully conduct our business in compliance with applicable rules and regulations. We have taken measures to comply with the socio-economic regulations that include but are not limited to local labour laws, customs and taxes-related legislations, product safety rules and licensing requirements.

There were no known breaches or violations of socio-economic regulations in the reported period.

# SUSTAINABILITY REPORT

## GRI CONTENT INDEX

Global Reporting Initiative (GRI) Content Index 'In accordance' – Core			
GRI Standard	Disclosure	Page Number, URL(s) or Reference	
<b>GRI 101: Foundation 2016</b>			
<b>General Disclosures</b>			
<b>GRI 102: General Disclosures 2016</b>	102-1 Name of the organisation	Koda Ltd	
	102-2 Activities, brands, products, and services	4-6	
	102-3 Location of headquarters	Singapore	
	102-4 Location of operations	6-7	
	102-5 Ownership and legal form	54, 176-177	
	102-6 Markets served	6-7	
	102-7 Scale of the organisation	13, 26, 40	
	102-8 Information on employees and other workers	40-41	
	102-9 Supply chain	47	
	102-10 Significant changes to the organisation and its supply chain	None	
	102-11 Precautionary Principle or approach	27, 28-29, 42	
	102-12 External initiatives	25, 30	
	102-13 Membership of associations	34	
	<b>Strategy</b>		
	102-14 Statement from senior decision-maker	12-16, 88	
	102-15 Key impacts, risks, and opportunities	27, 28-29	
	<b>Ethics and Integrity</b>		
	102-16 Values, principles, standards and norms of behaviour	25	
	<b>Governance</b>		
	102-18 Governance structure	54-101	
	102-19 Delegating authority	28	
	102-20 Executive-level responsibility for economic, environmental, and social topics	28	
	102-21 Consulting stakeholders on economic, environmental, and social topics	55, 85	
	102-22 Composition of the highest governance body and its committees	58-61	
102-23 Chair of the highest governance body	61-62		
102-24 Nominating and selecting the highest governance body	63-66, 90-91		

## SUSTAINABILITY REPORT /

Global Reporting Initiative (GRI) Content Index 'In accordance' – Core		
GRI Standard	Disclosure	Page Number, URL(s) or Reference
	102-25 Conflicts of interest	55-56, 88
	102-26 Role of highest governance body in setting purpose, values, and strategy	55
	102-28 Evaluating the highest governance body's performance	67-68, 92
	102-29 Identifying and managing economic, environmental, and social impacts	28, 55
	102-30 Effectiveness of risk management processes	75-78, 93
	102-31 Review of economic, environmental, and social topics	28, 55
	102-32 Highest governance body's role in sustainability reporting	28
	Stakeholder Engagement	
	102-40 List of stakeholder groups	32-33
	102-41 Collective bargaining agreements	37
	102-42 Identifying and selecting stakeholders	32-33
	102-43 Approach to stakeholder engagement	32-33
	102-44 Key topics and concerns raised	32-33
	<b>Reporting Practice</b>	
	102-45 Entities included in the consolidated financial statements	6, 152
	102-46 Defining report content and topic Boundaries	25, 29
	102-47 List of material topics	29
	102-48 Restatements of information	25
	102-49 Changes in reporting	None
	102-50 Reporting period	25
	102-51 Date of most recent report	October 2019
	102-52 Reporting cycle	25
	102-53 Contact point for questions regarding the report	25
	102-54 Claims of reporting in accordance with the GRI Standards	25
	102-55 GRI Content Index	48-53
	102-56 External assurance	25
<b>ECONOMIC TOPICS</b>		
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundaries	29
	103-2 The management approach and its components	29
	103-3 Evaluation of the management approach	46

# SUSTAINABILITY REPORT

Global Reporting Initiative (GRI) Content Index 'In accordance' – Core		
GRI Standard	Disclosure	Page Number, URL(s) or Reference
<b>GRI 201: Economic Performance 2016</b>	201-1 Direct economic value generated and distributed	46
<b>Indirect Economic Impacts</b>		
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundaries	29
	103-2 The management approach and its components	29, 46
	103-3 Evaluation of the management approach	46
<b>GRI 203: Indirect Economic Impacts 2016</b>	203-2 Significant indirect economic impacts	46
<b>Anti-corruption</b>		
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundaries	29
	103-2 The management approach and its components	29, 47
	103-3 Evaluation of the management approach	47
<b>GRI 205: Anti-corruption 2016</b>	205-2 Communication and training about anti-corruption policies and procedures	47
	205-3 Confirmed incidents of corruption and actions taken	47
<b>ENVIRONMENTAL TOPICS</b>		
<b>Energy</b>		
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundaries	29
	103-2 The management approach and its components	29, 42-43
	103-3 Evaluation of the management approach	42-43
<b>GRI 302: Energy 2016</b>	302-1 Energy consumption within the organisation	44
	302-3 Energy intensity	44
<b>Emissions</b>		
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundaries	29
	103-2 The management approach and its components	29, 42-43
	103-3 Evaluation of the management approach	42-43
<b>GRI 305: Emissions 2016</b>	305-1 Direct (Scope 1) GHG emissions	44
	305-2 Energy indirect (Scope 2) GHG emissions	44
	305-4 GHG emission intensity	44

## SUSTAINABILITY REPORT /

<b>Global Reporting Initiative (GRI) Content Index 'In accordance' – Core</b>		
<b>GRI Standard</b>	<b>Disclosure</b>	<b>Page Number, URL(s) or Reference</b>
<b>Effluents and Waste</b>		
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundaries	29
	103-2 The management approach and its components	29, 43
	103-3 Evaluation of the management approach	43, 45
<b>GRI 306: Effluents and Waste 2016</b>	306-1 Water discharge by quality and destination	45
	306-2 Waste by type and disposal methods	45
<b>Environmental Compliance</b>		
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundaries	29
	103-2 The management approach and its components	29, 43
	103-3 Evaluation of the management approach	43
<b>GRI 307: Environmental Compliance 2016</b>	GRI 307-1 Non-compliance with environmental laws and regulations	43
<b>SOCIAL TOPICS</b>		
<b>Employment</b>		
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundaries	29
	103-2 The management approach and its components	29, 35-36
	103-3 Evaluation of the management approach	35-39
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	37, 41
<b>Occupational Health and Safety</b>		
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundaries	29
	103-2 The management approach and its components	29, 35-36
	103-3 Evaluation of the management approach	35-36, 38-39
<b>GRI 403: Occupational Health and Safety 2016</b>	403-1 Workers representation in formal joint management-worker health and safety committees	38
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	39

# SUSTAINABILITY REPORT

Global Reporting Initiative (GRI) Content Index 'In accordance' – Core		
GRI Standard	Disclosure	Page Number, URL(s) or Reference
<b>Training and Education</b>		
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundaries	29
	103-2 The management approach and its components	29, 38
	103-3 Evaluation of the management approach	38
<b>GRI 404: Training and Education 2016</b>	404-1 Average hours of training per year per employee	38
	404-3 Percentage of employees receiving regular performance and career development reviews	37
<b>Diversity and Equal Opportunity</b>		
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundaries	29
	103-2 The management approach and its components	29, 35-36
	103-3 Evaluation of the management approach	35-36
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	40-41
<b>Non-discrimination</b>		
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundaries	29
	103-2 The management approach and its components	29, 37
	103-3 Evaluation of the management approach	37
<b>GRI 406: Non-discrimination 2016</b>	406-1 Incidents of discrimination and corrective actions taken	37
<b>Freedom of Association and Collective Bargaining</b>		
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundaries	29
	103-2 The management approach and its components	29, 37
	103-3 Evaluation of the management approach	37
<b>GRI 407: Freedom of Association and Collective Bargaining</b>	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	37

## SUSTAINABILITY REPORT /

Global Reporting Initiative (GRI) Content Index 'In accordance' – Core		
GRI Standard	Disclosure	Page Number, URL(s) or Reference
<b>Child Labour</b>		
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundaries	29
	103-2 The management approach and its components	29, 37
	103-3 Evaluation of the management approach	37
<b>GRI 408: Child Labour 2016</b>	408-1 Operations and suppliers at significant risk for incidents of child labour	37
<b>Forced or Compulsory Labour</b>		
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundaries	29
	103-2 The management approach and its components	29, 37
	103-3 Evaluation of the management approach	37
<b>GRI 409: Forced or Compulsory Labour 2016</b>	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	37
<b>Local Communities</b>		
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundaries	29
	103-2 The management approach and its components	29, 37
	103-3 Evaluation of the management approach	47
<b>GRI 413: Local Communities 2016</b>	413-1 Operations with local community engagement, impact assessments and development programmes	47
<b>Socio-economic Compliance</b>		
<b>GRI 103: Management Approach 2016</b>	103-1 Explanation of the material topic and its Boundaries	29
	103-2 The management approach and its components	29, 47
	103-3 Evaluation of the management approach	47
<b>GRI 419: Socio-economic Compliance 2016</b>	419-1 Non-compliance with laws and regulations in the social and economic area	47

# CORPORATE GOVERNANCE REPORT

The Board of Directors (the “**Board**” or the “**Directors**”) and the management (the “**Management**”) of Koda Ltd (the “**Company**”, and together with its subsidiaries, the “**Group**”) are strongly committed to maintaining a high level of corporate governance which is essential to the protection of interests of shareholders of the Company (“**Shareholders**”) and enhancing long-term Shareholder value and returns.

Rule 710 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (the “**Listing Rules**”) requires an issuer to outline the corporate governance practices adopted by the Company as prescribed by the revised Code of Corporate Governance 2018 (the “**Code**”). Accordingly, the Company has set in place corporate governance practices to provide the structure through which the objectives of protection of Shareholders’ interests and enhancement of long-term Shareholder value and returns are met, and by complying with the principles and provisions of the Code.

This report (“**Corporate Governance Report**”) describes the Company’s corporate governance practices that were in place during the financial year ended 30 June 2020, with specific reference made to the principles and provisions of the Code, certain guidelines of the Code of Corporate Governance 2012 (the “**2012 Code**”) and the relevant Listing Rules. The Company has adhered to the principles, provisions, guidelines and/or rules as set out in the Code, the 2012 Code and the Listing Rules, where applicable. Insofar as any principles, provisions, guidelines and/or rules have not been complied with, appropriate explanations have been provided.

## PRINCIPLE 1: THE BOARD’S CONDUCT OF AFFAIRS

*The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.*

The Board is collectively responsible for providing overall strategy and direction to the Management and the Group. The Board works with Management to achieve the long-term success of the Company and the Group.

The principal functions of the Board are:

- (i) protecting the assets of the Company and enhancing the long-term Shareholder value and returns;
- (ii) charting the corporate strategy and direction of the Group, including but not limited to approving broad policies, strategies and financial objectives of the Group, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;
- (iii) supervising and monitoring of the Group’s Management, including reviewing their performance;
- (iv) establishing a framework of prudent and effective controls which enables risk to be assessed and managed, including safeguarding of shareholders’ interests and the Company’s assets;
- (v) overseeing the processes for evaluating the adequacy of internal controls, management controls, risk management, financial reporting and compliance with the help of the Audit Committee;
- (vi) approving annual budgets, proposals for acquisitions, investments and disposals;
- (vii) approving nominations of Directors to the Board and appointment of key management personnel;
- (viii) reviewing corporate governance practices;



## CORPORATE GOVERNANCE REPORT /

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

All Directors act objectively and discharge their duties and responsibilities at all times as fiduciaries to make decisions in the best interests of the Company and hold Management accountable for performance. The Board has put in place a code of conduct and ethics, which sets out a code of conduct and ethical standards for Directors, Management and employees to adhere to. The Board has set an appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the Company. Directors who face a conflict of interest recuse themselves from discussions and decisions involving the issues of conflict.

Provision 1.1

The Directors understand the Company's business as well as their directorship duties, including their roles as executive, non-executive and independent directors.

Provision 1.2

The Directors are provided with opportunities to develop and maintain their skills and knowledge at the Company's expense. All Directors are encouraged to attend seminars and receive training to improve themselves in the discharge of Directors' duties and responsibilities. To keep pace with regulatory changes, the Directors' own initiatives are supplemented from time to time with information and updates, and seminars conducted by external professionals, including any changes in legislation and financial reporting standards, government policies, and regulations and guidelines from the SGX-ST that affect the Group and/or the Directors in discharging their duties, at the Company's expense. The Directors are also informed of developments relevant to the Group, including changes in laws, regulations and risks that may impact the Group.

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

Listing Rule  
210(5) (a)

For new appointments to the Board, the newly-appointed Director will be given a formal letter setting out his duties and obligations. To orientate him, the newly-appointed Director will be briefed by the Lead Independent Director and the Management, and will also be provided with a Director's folder which shall contain information and materials to allow him to be familiar with the Group's history, core values, businesses and governance practices. All Directors are also invited to visit the Group's local and overseas factories and/or operations and to meet with the local and overseas management so as to gain a better understanding of the Group's business operations. Where appropriate, the Company will also provide training to first-time Directors of a listed companies in areas such as accounting, legal and industry specific knowledge.

## CORPORATE GOVERNANCE REPORT

The Board has adopted a set of internal guidelines setting forth matters that require Board approval and these internal guidelines have been clearly communicated to the Management in writing. Provision 1.3

The matters which require the Board's approval include, *inter alia*, the following:

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

The Board is supported by the Audit Committee, the Nominating and Governance Committee, and the Remuneration Committee (collectively, the "**Board Committees**"), each with specific written terms of reference setting out their compositions, authorities and duties, including reporting back to the Board. The names of the Board Committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each Board Committee's activities are described separately under the various sections of each Board Committee below. The Board has delegated authority to the Board Committees without abdicating its responsibility. Provision 1.4  
Listing Rule 210(5)(e)

### Executive Committee

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

## CORPORATE GOVERNANCE REPORT

The Directors attend and actively participate in Board and Board Committee meetings. The Board meets at least four (4) times a year, and the schedule of all regular Board and Board Committee meetings in a year are planned in advance. Additional *ad hoc* Board and Board Committee meetings are held at such other times as and when warranted by circumstances relating to matters that are material to the Group. The Company's Constitution provides for Board and Board Committee meetings to be held by means of telephone conference, video conference, audio visual, or by other similar communication equipment. Provision 1.5

The number of meetings held and the attendance of each Director at every Board, Board Committee and Executive Committee meeting during the financial year ended 30 June 2020 are as follows:

Name of Director	Board		Audit Committee		Nominating and Governance 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	2	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
James Koh Jyh Gang	4	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	4	4
Koh Jyh Eng	4	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	4	4
Koh Shwu Lee	4	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	4	4
Tan Choon Seng	4	4	4	4	1	1	3	3	N.A.	N.A.
Chan Wah Tiong	4	4	4	4	1	1	3	3	N.A.	N.A.
Sim Cheng Huat	4	4	4	4	1	1	3	3	N.A.	N.A.
Ying Siew Hon, Francis	4	4	4	4	1	1	3	3	N.A.	N.A.

Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of the Company.

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

Management provides the Directors with complete, adequate and timely information prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities. Provision 1.6

The information provided to the Directors includes management reports and all relevant information on material events and transactions, to enable them to be fully cognisant of the decisions and actions of the Management. Detailed Board and Board Committee papers are prepared for each Board and Board Committee meeting. The Board papers include sufficient information from the Management on financial, business and corporate issues and are normally circulated in advance of each Board and Board Committee meeting. This enables the Directors to request for and obtain further explanations, where necessary, in order to be adequately briefed before each Board and Board Committee meeting. In respect of budgets, any material variance between the projections and actual results are also disclosed and explained.

## CORPORATE GOVERNANCE REPORT

The Directors have separate and independent access to the Management and the Company Secretary. In addition, all Directors have unrestricted access to the Group's records and information, and the Independent Non-Executive Directors have access to all levels of key personnel in the Group. Should the Directors, in furtherance of their duties require independent professional advice, the Directors may, only with the consent of the chairman of the Audit Committee, appoint an independent professional adviser to render advice, at the Company's expense. Provision 1.7

Pursuant to Regulation 116 of the Company's Constitution, the appointment and removal of the Company Secretary is a matter for the Board to decide as a whole.

The Company Secretary and/or her representative(s) administers, attends and prepares minutes of the Board and Board Committee meetings and assists the Chairman of the Board and/or the Board Committees in ensuring proper procedures at such meetings are followed and that applicable rules and regulations are complied with so that the Board and the Board Committees function effectively. Under the direction of the Chairman, the Company Secretary ensures good information flows within the Board and Board Committees, advising the Board on governance matters, as well as facilitating orientation and assisting with professional development, where required.

The Company Secretary and/or her representative(s) were in attendance at all Board and Board Committee meetings conducted in FY2020.

### PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

*The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.*

As at the date of this Corporate Governance Report, the Board comprises eight (8) Directors, four (4) of whom are Independent Non-Executive Directors, namely, Mr Tan Choon Seng (Lead Independent Director), Mr Chan Wah Tiong, Mr Sim Cheng Huat and Mr Ying Siew Hon, Francis. Presently, there is a strong and independent element on the Board with the Independent Non-Executive Directors making up half of the Board. Together, the Directors bring a wide range of business and financial experience relevant to the Group.

Name of Directors	Board	AC	NGC	RC	EC
Koh Teng Kwee <sup>(1)</sup>	Non-Executive Chairman	–	–	–	–
James Koh Jyh Gang <sup>(1)</sup>	Deputy Chairman and Managing Director	–	–	–	Chairman
Koh Jyh Eng <sup>(1)</sup>	Executive Director	–	–	–	Member
Koh Shwu Lee <sup>(1)</sup>	Executive Director	–	–	–	Member
Tan Choon Seng	Lead Independent Non-Executive Director	Chairman	Member	Member	–
Chan Wah Tiong	Independent Non-Executive Director	Member	Member	Member	–
Sim Cheng Huat	Independent Non-Executive Director	Member	Chairman	Member	–
Ying Siew Hon, Francis	Independent Non-Executive Director	Member	Member	Chairman	–

Listing Rule  
1207(10B)

**Note:**

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

## CORPORATE GOVERNANCE REPORT

The Board, taking into account the views of the Nominating and Governance Committee, determines on an annual basis the independence of each Independent Non-Executive Director based on the provisions in the Code, such as one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the Company. Provision 2.1

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

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

The Nominating and Governance Committee has reviewed and determined that the Independent Non-Executive Directors, namely Mr Tan Choon Seng, Mr Chan Wah Tiong, Mr Sim Cheng Huat and Mr Ying Siew Hon, Francis are independent in accordance with Provision 2.1 of the Code and the Listing Rules and are able to exercise independent judgement.

Given that Mr Chan Wah Tiong and Mr Sim Cheng Huat have served on the Board as Independent Non-Executive Directors for an aggregate period of more than nine (9) years, the assessment of whether each of them is independent was subject to more rigorous review and scrutiny. In assessing the independence of Mr Chan Wah Tiong and Mr Sim Cheng Huat, the Nominating and Governance Committee and the Board took into account the need for progressive refreshing of the Board. Mr Chan Wah Tiong and Mr Sim Cheng Huat also abstained from the deliberations of the Nominating and Governance Committee and the Board in relation to the assessment of their independence. Guideline 2.4  
of the 2012  
Code<sup>1</sup>

The Nominating and Governance Committee and the Board consider Mr Chan Wah Tiong and Mr Sim Cheng Huat to be independent as each of them has continually demonstrated strong independence in character and judgment and contributed effectively by providing impartial and autonomous views, and which, coupled with their familiarity with the business of the Group, have proven themselves to be valuable members of the Board. The Nominating and Governance Committee and the Board are also of the view that the Group will benefit from different perspectives from Directors of different tenures and different skill sets.

<sup>1</sup> Rule 210(5)(d)(iii) of the Listing Rules states that a director is not independent if he has been a director for an aggregate period of more than 9 years (whether before or after listing) and whose continued appointment as an independent director has not been sought and approved in separate resolutions by (A) all shareholders; and (B) all shareholders, excluding shareholders who also serve as the directors or the chief executive officer of the company, and associates of such directors and chief executive officers. Rule 210(5)(d)(iii) of the Listing Rules will come into effect on 1 January 2022. Prior to 1 January 2022, the corresponding Guideline 2.4 in the 2012 Code will continue to apply. Guideline 2.4 of the 2012 Code states that the independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent.

## CORPORATE GOVERNANCE REPORT

The Nominating and Governance Committee and the Board note Listing Rule 210(5)(d)(iii) which takes effect from 1 January 2022 which requires, *inter alia*, approval by (a) Shareholders and (b) Shareholders excluding Directors, the chief executive officer and their associates in separate resolutions for the continued appointment of an Independent Non-Executive Director after an aggregate period of more than nine (9) years on the Board. If required, the Nominating and Governance Committee and the Board will seek and obtain the relevant approvals for Mr Chan Wah Tiong's and Mr Sim Cheng Huat's continued appointment as Independent Non-Executive Directors prior to 1 January 2022 to ensure that the designation of Mr Chan Wah Tiong and Mr Sim Cheng Huat as Independent Non-Executive Directors is not affected notwithstanding that they have served on the Board as Independent Non-Executive Directors for an aggregate period of more than nine (9) years. In the meantime, the Nominating and Governance Committee and the Board will continue to search actively for suitable candidates to be appointed to the Board as Independent Non-Executive Directors in order to progressively refresh members of the Board.

Independent Directors make up half of the Board and provide a strong and independent element on the Board. The Independent Directors provide independent judgment on the corporate affairs of the Group as well as diverse and objective perspectives to enable balanced and well-considered decisions to be made. In particular, the Independent Directors constructively challenge and help develop proposals on the Group's strategies, and review the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance.

Guideline 2.1  
of the 2012  
Code<sup>2</sup>

Non-Executive Directors make up a majority of the Board.

Provision 2.3

The Nominating and Governance Committee is responsible for examining the size, composition and diversity of the Board and Board Committees, and believes that the Board and its Board Committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience and diversity to oversee the Group's business.

Provision 2.4

The criteria for Board diversity includes, among others, whether the Board is equipped with relevant skills and experience, gender composition, age and knowledge of the Company. The Nominating and Governance Committee will review the relevant objectives for promoting and achieving diversity on the Board, the progress made, and make recommendations for approval by the Board.

In identifying potential Director nominees, the Nominating and Governance Committee would consider factors such as relevant background, diversity, experience and knowledge in various categories such as business, finance and management skills which would be valuable to the Group's business to enable the Board to make sound and well-considered decisions.

The composition of the Board is also reviewed on an annual basis by the Nominating and Governance Committee to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning. The Nominating and Governance Committee will, in reviewing and assessing the composition of the Board and recommending the appointment of new Directors to the Board, consider candidates on merit and with due regard for the benefits of diversity on the Board.

<sup>2</sup> Rule 210(5)(c) of the Listing Rules requires independent directors to make up at least one-third of the Board. This rule will come into effect on 1 January 2022. Prior to 1 January 2022, the corresponding Guideline 2.1 of the 2012 Code will continue to apply. Guideline 2.1 of the 2012 Code states that there should be a strong and independent element on the Board, with independent directors making up at least one-third of the Board.

## CORPORATE GOVERNANCE REPORT /

The Nominating and Governance Committee considers the Board's present size adequate for effective decision-making, taking into account the nature and scope of the Group's operations.

The Nominating and Governance Committee is also of the view that there is a strong and independent element on the Board, that there is no individual or small group of individuals dominating the Board's decision making process, and that the Board's current size, taking into account the scope and nature of the operations of the Group and the requirements of the Group's business, is appropriate for facilitating effective decision making.

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

As the Group's activities continue to grow, the Nominating and Governance Committee will continuously review the composition, size and diversity of the Board to ensure that it has the necessary competence for effective decision making.

The Independent Non-Executive Directors are encouraged to communicate among themselves with the Company's internal auditors, external auditors and/or senior management. The Independent Non-Executive Directors have on some occasions met among themselves and with the Company's internal auditors, external auditors and the legal advisers of the Group without the presence of Management in FY2020. After the conclusion of the meetings, the Lead Independent Director provides feedback to the Board as appropriate. Provision 2.5

### **PRINCIPLE 3: CHAIRMAN AND MANAGING DIRECTOR**

*There is a clear division of responsibilities between the leadership of the Board and Management and no one individual has unfettered powers of decision-making.*

The Group's Chairman and Managing Director are separate persons. Mr Koh Teng Kwee, the founder of the Group, is its Non-Executive Chairman while Mr James Koh Jyh Gang, his son, is the Deputy Chairman and Managing Director. Listing Rule 1207(10A)

The separation of the roles of Chairman and Managing Director is to ensure that the working of the Board and the executive responsibility of the Group's business are kept distinct, increasing the accountability and capacity of the Board for independent decision making. Provision 3.1

The division of responsibilities between the Chairman and the Managing Director is clearly established, set out in writing and agreed by the Board. Given that both Mr Koh Teng Kwee and Mr James Koh Jyh Gang's services are invaluable to the Group, the principle of accountability and the capacity for independent decision making have been achieved by clearly defining the role of the Chairman. Provision 3.2

## CORPORATE GOVERNANCE REPORT

The Chairman's responsibilities include:

- (i) leading the Board to ensure its effectiveness on all aspects of its role;
- (ii) in consultation with the Managing Director, scheduling meetings that enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;
- (iii) preparing meeting agendas in consultation with the Managing Director thereby ensuring all aspects of the business the Chairman believes is important are covered, and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
- (iv) promoting a culture of openness and debate at the Board level;
- (v) ensuring effective communication with Shareholders;
- (vi) encouraging constructive relations within the Board, and between the Board and the Management;
- (vii) facilitating the effective contribution of Independent Non-Executive Directors in particular;
- (viii) in consultation with the Managing Director, exercising control over quality, quantity, adequacy and timeliness of the flow of information within the Board and between the Management and the Board; and
- (ix) promoting high standards of corporate governance, and assist in ensuring compliance with the Group's corporate governance practices.

As the Chairman is not independent, the Board has a Lead Independent Director, Mr Tan Choon Seng, to provide leadership in situations where the Chairman is conflicted. Provision 3.3

The Lead Independent Director's responsibilities include:

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



# CORPORATE GOVERNANCE REPORT

## PRINCIPLE 4: BOARD MEMBERSHIP

*The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.*

As at the date of this Corporate Governance Report, the Nominating and Governance Committee comprises of the following members, all of whom are Independent Non-Executive Directors: Provision 4.2

Sim Cheng Huat (Chairman)	Independent Non-Executive Director
Tan Choon Seng (Member)	Lead Independent Non-Executive Director
Chan Wah Tiong (Member)	Independent Non-Executive Director
Ying Siew Hon, Francis (Member)	Independent Non-Executive Director

Mr Tan Choon Seng, the Lead Independent Director, is a member of the Nominating and Governance Committee.

The principal functions of the Nominating and Governance Committee, which are regulated by written terms of reference, include, *inter alia*, the following: Provision 4.1

- (i) reviewing and recommending Board succession plans for Directors, and in particular, the Chairman and Managing Director and key management personnel to the Board;
- (ii) developing and recommending to the Board a process for evaluation of the performance of the Board, its Board Committees and Directors;
- (iii) reviewing and recommending to the Board training and professional development programs for the Board and its Directors;
- (iv) reviewing and assessing candidates for directorships (including executive directorships) before making recommendations to the Board for the appointment and re-appointment of a Director (including alternate directors, if any);
- (v) reviewing and recommending corporate governance guidelines and policies to the Board;
- (vi) reviewing relevant local and international developments in the area of corporate governance and recommending changes to the Board when necessary;
- (vii) nominating Directors for re-election in accordance with the Company's Constitution at each annual general meeting of the Company taking into consideration the composition and progressive renewal of the Board, and each Director's competencies, commitment, contribution, performance, attendance, preparedness, participation and candour;
- (viii) determining annually, and as and when circumstances require, the independence of Directors;
- (ix) deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company, taking into consideration the number of his listed company board representations and other principal commitments;

## CORPORATE GOVERNANCE REPORT

- (x) deciding the assessment process and implementing a set of objective performance criteria for evaluation of the Board's and Board Committee's performance; and
- (xi) evaluating the effectiveness of the Board Committees and the effectiveness of the Board as a whole, and each Director's contribution to the Board's or Board Committee's effectiveness in accordance with the assessment process and performance criteria adopted.

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

For appointment of new Directors to the Board, the Nominating and Governance Committee would, in consultation with the Board, evaluate and determine the selection criteria with due consideration to the mix of skills, experience, gender and knowledge of the existing Board. Provision 4.3

The Nominating and Governance Committee:

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

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

In nominating Directors for re-appointment, the Nominating and Governance Committee assesses and recommends to the Board whether the retiring Directors are suitable for re-election, taking into consideration the composition and progressive renewal of the Board and each Director's competencies, commitment, contribution, performance, attendance, preparedness, participation and candour. Subject to the Nominating and Governance Committee's satisfactory assessment of the overall contributions and performance, the Nominating and Governance Committee would recommend the proposed re-appointment to the Board for its consideration and approval.

## CORPORATE GOVERNANCE REPORT /

Regulation 89 of the Company's Constitution requires at least one-third of the Directors, excluding the Managing Director, to retire from office by rotation at each Annual General Meeting of the Company, and for each Director, excluding the Managing Director, to retire at least once every three years. A retiring Director shall be eligible for re-election.

Listing Rule  
720(5)

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

The Directors who are retiring pursuant to Regulation 89 of the Company's Constitution at the forthcoming Annual General Meeting are:

- (i) Mr Koh Teng Kwee
- (ii) Mr Tan Choon Seng
- (iii) Mr Ernie Koh Jyh Eng

Mr Koh Teng Kwee will not be seeking re-election at the forthcoming Annual General Meeting.

The Nominating and Governance Committee, with Mr Tan Choon Seng abstaining from deliberations on his own re-appointment to the Board, has recommended to the Board that each of Mr Tan Choon Seng and Mr Ernie Koh Jyh Eng be nominated for re-election at the forthcoming Annual General Meeting.

Each of Mr Tan Choon Seng and Mr Ernie Koh Jyh Eng has given their consent to remain in office and will submit themselves for re-election at the forthcoming Annual General Meeting.

Mr Tan Choon Seng, upon his re-election as a Director of the Company, will remain as the Lead Independent Non-Executive Director, the Chairman of the Audit Committee, and a member of the Remuneration Committee and Nominating and Governance Committee. Mr Tan Choon Seng is considered independent for the purposes of Rule 704(8) of the Listing Rules.

Listing Rule  
704(8)

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

Please refer to page 95 of this Annual Report for additional information on the Directors seeking re-election.

Listing Rule  
720(6)

## CORPORATE GOVERNANCE REPORT

Every year, the Nominating and Governance Committee reviews and affirms the independence of the Company's Independent Non-Executive Directors, having regard to the circumstances set forth in Provision 2.1 of the Code. Each Director is required to complete a Director's independence checklist on an annual basis to confirm his/her independence. The Director's independence checklist is drawn up based on the provisions provided in the Code and the Listing Rules, and requires each Director to assess whether he/she considers himself/herself independent despite not being involved in any of the relationships identified in the Code and the Listing Rules. The Nominating and Governance Committee then reviews the Director's independence checklist to determine whether each Director is independent.

Provision 4.4

The Independent Non-Executive Directors have confirmed that they do not have any relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Company.

The Board, having taking into account the views of the Nominating and Governance Committee, considers Mr Tan Choon Seng, Mr Chan Wah Tiong, Mr Sim Cheng Huat and Mr Ying Siew Hon Francis to be independent based on the definition of independence as set out in Provision 2.1 of the Code and the Listing Rules.

Currently, the Board does not have any alternate Director and did not appoint any alternate Directors for the financial year ended 30 June 2020. The Board will avoid the appointment of alternate Directors, save for limited periods in exceptional cases such as when a Director has a medical emergency.

The Nominating and Governance Committee ensures that new directors are aware of their duties and obligations.

Provision 4.5

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

The Board has resolved that no Director shall hold more than six (6) listed company board representations concurrently even if that Director has the capability of managing that many listed company board representations as the Board is of the view that more than six (6) concurrent listed company board representations will interfere with the Director's ability to devote sufficient time and attention to the affairs of the Company. During the financial year ended 30 June 2020, no Director held more than six (6) listed company board representations concurrently.

## CORPORATE GOVERNANCE REPORT

Name of Director	Appointment	Date of first appointment	Date of last re-election	Directorships in other listed companies	
				Current	Past five (5) years
Koh Teng Kwee <sup>(1)</sup>	Non-Executive Chairman	17 April 1980	31 October 2018	–	–
James Koh Jyh Gang <sup>(1)</sup>	Deputy Chairman and Managing Director	17 April 1980	N.A.	–	–
Koh Jyh Eng <sup>(1)</sup>	Executive Director	30 March 2001	31 October 2018	–	–
Koh Shwu Lee <sup>(1)</sup>	Executive Director	30 March 2001	29 October 2019	–	–
Tan Choon Seng	Lead Independent Non-Executive Director	18 November 2016	27 October 2017	Soup Restaurant Group Limited Listed on the Mainboard of the SGX-ST Independent Non-Executive Director Date of appointment: 27 April 2019	–
Chan Wah Tiong	Independent Non-Executive Director	1 October 2001	31 October 2018	–	–
Sim Cheng Huat	Independent Non-Executive Director	23 March 2008	29 October 2019	–	–
Ying Siew Hon, Francis	Independent Non-Executive Director	18 November 2016	29 October 2019	–	–

**Note:**

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

**PRINCIPLE 5: BOARD PERFORMANCE**

*The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.*

The Nominating and Governance Committee is responsible for recommending for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board, its Board Committees, the Chairman and each individual Director. Provision 5.1

## CORPORATE GOVERNANCE REPORT

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

In assessing the effectiveness of the Board and Board Committees, the Nominating and Governance Committee takes into consideration the individual Director's industry knowledge and/or functional expertise, and workload requirements.

The Nominating and Governance Committee also assesses the contribution by the Chairman and each individual Director to the effectiveness of the Board and Board Committees. In addition, the Nominating and Governance Committee considers the attendance, level of preparedness, participation and candour of the Directors in its assessment of each individual Director (including the Chairman), although re-nomination or replacement does not necessarily reflect the Directors' performance or contributions to the Board and Board Committees.

A Board evaluation was conducted whereby Directors completed a self-assessment checklist based on various areas of assessment to assess their views on various aspects of the Board's and Board Committees' performance. The results of these self-assessment checklists were considered by the Nominating and Governance Committee. In particular, the Chairman of the Nominating and Governance Committee reviewed the results of these self-assessment checklists and, in consultation with the Nominating and Governance Committee, has decided that it is not appropriate to propose new Directors to be appointed to the Board or seek the resignation of the current Directors.

Provision 5.2

The Nominating and Governance Committee has assessed the overall performance to-date of the current Board, Board Committees and each individual Director for the financial year ended 30 June 2020 and was of the view that the performance of the Board as a whole, each Board Committee and each individual Director were satisfactory.

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

# CORPORATE GOVERNANCE REPORT

## PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

As at the date of this Corporate Governance Report, the Remuneration Committee comprises of the following members: Provision 6.2

Ying Siew Hon, Francis (Chairman)	Independent Non-Executive Director
Tan Choon Seng (Member)	Lead Independent Non-Executive Director
Chan Wah Tiong (Member)	Independent Non-Executive Director
Sim Cheng Huat (Member)	Independent Non-Executive Director

All members of the Remuneration Committee are Independent Non-Executive Directors.

The principal functions of the Remuneration Committee, which are regulated by written terms of reference, include, *inter alia*, the following: Provision 6.1

- (i) reviewing and recommending for the Board a framework of remuneration for the Board and key management personnel;
- (ii) reviewing and recommending the specific remuneration packages for each director as well as for the key management personnel;

The Remuneration Committee considers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind, as well as termination terms, to ensure they are fair and to avoid rewarding poor performance. Provision 6.3

The Remuneration Committee also performs an annual review of the remuneration of employees related to the Directors and substantial Shareholders to ensure that their remuneration packages are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities.

The Remuneration Committee reviews the Company's obligations arising in the event of the termination of the Executive Directors' and key management personnel's contracts of service.

No member of the Remuneration Committee is involved in any deliberation or decision making in respect of any compensation to be offered or granted to him or in respect of his effectiveness as a Director.

The Remuneration Committee also has access to independent and objective expert advice inside and/or outside the Group, if necessary, on matters of executive compensation. No remuneration consultant was appointed by the Remuneration Committee in the financial year ended 30 June 2020. Provision 6.4

# CORPORATE GOVERNANCE REPORT

## PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION

*The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.*

The Company is of the view that performance-related elements of remuneration for Executive Directors and key management personnel should form a significant proportion of the total remuneration package of executives so as to link rewards to corporate and individual performance. The Group's performance-related elements of remuneration are designed to align the executive's interests with those of Shareholders and other stakeholders, to promote the long-term success of the Group while taking into account the risk policies of the Group, be symmetric with risk outcomes and be sensitive to time horizon risks. Provision 7.1

The performance of the Executive Directors and key management personnel is assessed based on a set of performance criteria which includes, among others, the Group's financial performance, and the executive's quality of work and diligence. The Company has in place an employee profit sharing scheme pursuant to which executives and management staff whose job responsibilities have an impact on the performance and profitability of their department or section are eligible. The limitation of profit sharing to a maximum of six (6) months of an eligible employee's salary as described in the Company's Prospectus dated 8 January 2002 remains unchanged.

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

The remuneration of Non-Executive Directors is appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Non-Executive Directors. The Independent Non-Executive Directors are not over-compensated to the extent that their independence may be compromised. The Board will, if necessary, consult experts on the remuneration of Independent Non-Executive Directors. The Board will recommend the remuneration of the Independent Non-Executive Directors for approval at the forthcoming Annual General Meeting. Going forward, the Remuneration Committee will consider amending the performance share plan to allow Independent Non-Executive Directors to participate and awarding shares to Independent Non-Executive Directors under the performance share plan so as to better align the interests of Independent Non-Executive Directors with the interests of Shareholders. Provision 7.2



# CORPORATE GOVERNANCE REPORT

The Remuneration Committee has reviewed and considered the remuneration framework for Directors and key management personnel and is of the view that the remuneration framework is aligned with the interests of the shareholders and other relevant stakeholders and appropriate to attract, retain and motivate them to provide good stewardship of the Company for the long-term success of the Company. Provision 7.3

## **PRINCIPLE 8: DISCLOSURE ON REMUNERATION**

*The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.*

### **Policy and criteria for setting remuneration**

Provision 8.1

The Group has adopted qualitative performance conditions such as leadership, people development, commitment, teamwork, and current and industry practices as well as quantitative performance conditions such as profit before tax, relative financial performance of the Group to its industry peers, and order book and sales growth to assess an individual's performance. Such performance conditions are designed to align Executive Directors' and key management personnel's interests with those of Shareholders and to motivate them to strive for the Group's long-term prosperity. In particular, the Company has in place the Koda Performance Share Plan 2018 to recognise and reward past contributions and services, to ensure Executive Directors' and key performance personnel's remuneration packages remain competitive and ultimately, to foster a ownership culture within the Group. The Executive Directors and key management personnel have substantially met their qualitative and quantitative performance conditions in the financial year ended 30 June 2020.

Considering the economic climate and industry performance, the Board, in consultation with the Remuneration Committee, is of the view that the performance of the Executive Directors and key management personnel for the financial year ended 30 June 2020 was satisfactory. The contracts of service entered into with the Executive Directors are automatically renewable on a yearly basis unless terminated by either party giving written notice of not less than three (3) months.

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

The Directors' fees paid to the Independent Non-Executive Directors are in accordance with their credentials, qualifications, experience and contributions. Other factors such as responsibilities, effort and time spent for serving on the Board and Board Committees also form part of the consideration in the determination of the Directors' fees. The Company does not have contracts of service with the Independent Non-Executive Directors. Directors' fees are recommended by the Board and are subject to the approval of Shareholders at the forthcoming Annual General Meeting.

The Directors' fees payable to the Independent Non-Executive Directors, namely, Mr Tan Choon Seng, Mr Chan Wah Tiong, Mr Sim Cheng Huat and Mr Ying Siew Hon, Francis for the financial year ended 30 June 2020 are S\$40,000, S\$40,000, S\$23,000 and S\$33,000 respectively.

## CORPORATE GOVERNANCE REPORT

A breakdown showing the level and mix of the remuneration of the Directors and key management personnel during the financial year ended 30 June 2020 is as follows:

	Remuneration Band S\$	Salary %	Bonus %	Allowance and other benefits %	Directors' fee %	Total %
<b>Directors</b>						
James Koh Jyh Gang	800,000 to 900,000	48.2	41.1	10.7	–	100
Koh Jyh Eng	700,000 to 800,000	37.2	50.5	12.3	–	100
Koh Shwu Lee	600,000 to 700,000	36.4	57.3	6.3	–	100
Koh Teng Kwee <sup>(1)</sup>	100,000 to 200,000	78.0	–	22.0	–	100
Tan Choon Seng	0 to 100,000	–	–	–	100	100
Chan Wah Tiong	0 to 100,000	–	–	–	100	100
Sim Cheng Huat	0 to 100,000	–	–	–	100	100
Ying Siew Hon, Francis	0 to 100,000	–	–	–	100	100
<b>Key Management Personnel</b>						
Wong Se Sun	300,000 to 400,000	34.1	30.4	35.5	–	100
Gan Shee Wen	200,000 to 300,000	72.7	4.0	23.3	–	100
Lim Swee Hua <sup>(2)</sup>	200,000 to 300,000	69.6	20.9	9.5	–	100
Tan Kian Peng	100,000 to 200,000	75.3	18.8	5.9	–	100
Isaac Peh Lin Siah	0 to 100,000	90.6	–	9.4	–	100
<b>Key Management Personnel who are immediate family members of a Director</b>						
Koh Zhu Xian Joshua <sup>(3)</sup>	200,000 to 300,000	86.4	0.7	12.9	–	100
Koh Zhu Lian Julian <sup>(3)</sup>	100,000 to 200,000	81.1	4.8	14.1	–	100

### Notes:

(1) The Company is seeking Shareholders' approval at the forthcoming Annual General Meeting for the payment of a one-time *ex-gratia* sum of S\$500,000 to Mr Koh Teng Kwee in connection with his retirement as the Founder and Non-Executive Chairman at the forthcoming Annual General Meeting. The payment of the one-time *ex-gratia* sum is in recognition of his 40 years of service with the Company. Please refer to the proposed Ordinary Resolution 7 in the Notice of AGM.

(2) Lim Swee Hua has resigned as Group Chief Financial Officer with effect from 30 April 2020.

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

For the financial year ended 30 June 2020, the total remuneration payable to the Directors (including Directors' fees payable to the Independent Non-Executive Directors) was S\$2,517,000 and the total remuneration paid to the key management personnel (who are not Directors or the Managing Director set out in the table above) was S\$1,395,000.

The Board has considered Provision 8.1 of the Code, and after careful deliberation, has decided that the disclosure of details in excess of the above would be prejudicial to the Group given the highly competitive business environment and potential staff retention issues which may arise from such detailed disclosures. The Board believes that the disclosure of each Director's and key management personnel's remuneration breakdown in bands of S\$100,000 is sufficient to address the concerns of stakeholders in this area.

## CORPORATE GOVERNANCE REPORT /

Save for Mr Koh Zhu Xian Joshua and Mr Koh Zhu Lian Julian who are the sons of Mr James Koh Jyh Gang, the Managing Director of the Company, there are no other employees who are substantial shareholders of the Company, or who are immediate family members of a Director or a substantial shareholder of the Company, and whose remuneration exceeded S\$100,000 in the financial year ended 30 June 2020. Provision 8.2

### **Koda Performance Share Plan 2018**

Provision 8.3

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

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

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

- (i) a confirmed full-time employee of the Group ("**Group Employee**");
- (ii) a Director and/or a director of the Company's subsidiaries, as the case may be, who performs an executive function ("**Group Executive Director**"); and
- (iii) controlling Shareholders and/or their associates who are either Group Employees or Group Executive Directors, provided that their participation in the Koda Performance Share Plan 2018 and the grant of awards to them, including the actual number of performance shares and the terms of any award, have been approved by independent Shareholders at a general meeting of the Company in separate resolutions.

Other salient information relating to the Koda Performance Share Plan 2018 is set out below:

- (i) The selection of a participant and the aggregate number of performance shares which are the subject of each award to be granted to a participant in accordance with the Koda Performance Share Plan 2018 shall be determined at the absolute discretion of the Remuneration Committee and recommended by the Remuneration Committee to the Board for approval. In so doing, the Remuneration Committee shall consider, among others, the financial performance of the Group, the participant's rank, length of service, achievements, job performance, potential for future development, his contribution to the success and development of the Group, and the extent of effort and resourcefulness required to achieve the performance target(s) within the performance period(s). The performance target(s) will be set by the Remuneration Committee depending on each individual participant's job scope and responsibilities.

## CORPORATE GOVERNANCE REPORT

- (ii) The aggregate number of performance shares available under the Koda Performance Share Plan 2018, when added to all shares, options or awards granted under any other share based incentive schemes of the Company, shall not exceed 15% (or such other percentage as may be prescribed or permitted from time to time by the SGX-ST) of the total number of issued shares of the Company from time to time. Additionally, the grant of awards of performance shares to participants who are controlling Shareholders or associates of controlling Shareholders shall be subject to independent Shareholders' approval at a general meeting in separate resolutions for the grant of awards to each controlling Shareholder or associate of a controlling Shareholder, and the actual number of performance shares which are the subject of such awards shall comply with the following limits: (i) the aggregate number of performance shares which may be awarded to participants who are controlling Shareholders and/or their associates under the Koda Performance Share Plan 2018 shall not exceed 25% of the total number of shares available under the Koda Performance Share Plan 2018; and (ii) the aggregate number of performance shares which may be awarded to each participant who is a controlling Shareholder and/or an associate of a controlling Shareholder under the Koda Performance Share Plan 2018 shall not exceed 10% of the total number of shares available under the Koda Performance Share Plan.
- (iii) Awards represent the right of a participant to receive fully-paid ordinary shares in the capital of the Company free of charge, upon the participant satisfying or exceeding the prescribed performance target(s) at the end of the performance period(s) and/or otherwise having performed well and/or made a significant contribution to the Group. Awards are vested and the performance shares which are the subject of the awards are delivered to the participants at the end of the performance period(s) once the Remuneration Committee is, at its sole discretion, satisfied that the prescribed performance target(s) have been satisfied. The Remuneration Committee may also grant an award where, in its opinion, a participant has performed well and/or made a significant contribution to the Group.

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

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

Since the implementation of the Koda Performance Share Plan 2018 to 30 June 2020, no award of performance shares under the Koda Performance Share Plan 2018 has been granted to Directors, controlling Shareholders of the Company or associates of controlling Shareholders of the Company, and no employee of the Group has received 5% or more of the total number of performance shares available under the Koda Performance Share Plan 2018.

Other than statutory defined contribution plans such as Singapore's Central Provident Fund ("**CPF**"), there were no termination, retirement and post-employment benefits that were granted to the Directors, the Managing Director and key management personnel (set out in the table under Provision 8.1 above) in the financial year ended 30 June 2020.

# CORPORATE GOVERNANCE REPORT /

## **PRINCIPLE 9: ACCOUNTABILITY AND AUDIT – RISK MANAGEMENT AND INTERNAL CONTROLS**

*The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.*

The Board affirms its overall responsibilities for the Group's risk management and internal controls to safeguard the interests of the Group and its shareholders. In order to streamline the functions of the Board and the Board Committees, the Audit Committee assists the Board in the role of overseeing the Group's risk management and internal control systems. As such, the Board is of the view that it is not necessary to set up a Board Risk Committee to assist the Board in determining the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation. Provision 9.1

The Group has a risk management and internal control system designed to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained and that financial information used for financial reporting is reliable. The Board recognises that no risk management and internal control system could provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human errors, losses, fraud or other irregularities. The risk management and internal control system is designed to manage rather than eliminate the risk of failure to achieve the business objectives.

Under the Group's risk management and internal control system, risks which the Group faces are periodically identified, evaluated and ranked based on the likelihood and magnitude of eventuation. The Company's internal auditors will assess these risks and recommend internal controls to be implemented by the Management to address these risks.

The Board, in consultation with the Audit Committee, has established risk tolerance levels to provide guidance to the Management on key risk parameters set out in the risk registers of the Group, and has adopted and circulated a sound system of risk management and internal controls recommended by the internal auditors to be implemented by the Management to manage and mitigate these risks.

The Audit Committee assists the Board in overseeing the Group's risk management and internal control system. The Audit Committee reviews the adequacy and effectiveness of the Group's risk management and internal control system annually. In particular, internal and external audit reports on any material non-compliance or internal control weaknesses, including financial, operational, compliance and information technology controls and recommendations for improvements are submitted to the Audit Committee for review at least annually.

The Audit Committee reviews the adequacy and effectiveness of the actions taken by the Management based on the recommendations made by the Company's internal auditors and external auditors to the Audit Committee. The Audit Committee is satisfied that there are adequate internal controls within the Group taking into account the nature and size of the Group's business and operations.

## CORPORATE GOVERNANCE REPORT

Based on the internal controls established and maintained by the Group, work performed by the Company's internal auditors and external auditors and reviews performed by the Management, the various Board Committees and the Board, as well as the positive assurance from the Managing Director and the Chief Financial Officer as to the adequacy and effectiveness of the Group's risk management and internal control system, the Board and the Audit Committee are satisfied that the Company has adequate and effective systems of internal controls (including financial, operational, compliance and information technology controls) and risk management systems, taking into account the nature and size of the Group's business and operations.

Listing Rule  
1207(10)

The Board and the Audit Committee have received positive assurance from:

Provision 9.2

- (i) the Managing Director and Group Chief Financial Officer 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; and
- (ii) the Managing Director and key management personnel who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

### Key operational risks

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

*Macro economic risk* — The Group's business is sensitive to global economic conditions. The global economic slowdown has resulted in lower consumer confidence and reduced purchasing power with consumers changing their spending pattern to save more for necessities. Furniture purchase is discretionary and has inevitably been affected by the generally weak economic factors and such market uncertainties. In the event of a prolonged economic downturn, demand for the Group's furniture is likely to be affected and this may have an adverse impact on the Group's operating results. The Company is and has been monitoring the impact arising from the Covid-19 Pandemic.

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

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

## CORPORATE GOVERNANCE REPORT /

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

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

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

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

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

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

## CORPORATE GOVERNANCE REPORT

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

### PRINCIPLE 10: AUDIT COMMITTEE

*The Board has an Audit Committee which discharges its duties objectively.*

The duties of the Audit Committee as set out in its written terms of reference include, among others, reviewing, with the Company's internal auditors, external auditors and the Management, the Group's policies and control procedures, interested person transactions, as well as any financial information presented to Shareholders. Provision 10.1

Specifically, the Audit Committee:

- (i) reviews the adequacy, effectiveness, scope and results of the external audit, the independence and objectivity of the external auditors and the nature and extent of non-audit services provided by the external auditors;
- (ii) reviews the adequacy and effectiveness of the Group's internal controls and risk management systems at least annually;
- (iii) reviews the assurance from the Managing Director and CFO on the financial records and financial statements;
- (iv) reviews the quarterly and full year financial statements announcements before submission to the Board for adoption;
- (v) 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;
- (vi) reviews the financial statements of the Group, accounting principles and policies thereto and the management of financial matters before submission to the Board for endorsement;
- (vii) reviews and reports to the Board on the adequacy, effectiveness, independence, scope and results of the internal audit procedures, the internal control procedures and the internal audit function;
- (viii) reviews the audit plans and reports of the internal auditors and external auditors and reports to the Board at least annually on the adequacy and effectiveness of the internal control systems of the Group, including financial, operational, compliance and information technology controls and the Management's responses and actions to correct any deficiencies;



# CORPORATE GOVERNANCE REPORT /

- (ix) reviews the co-operation given by the Company's officers to the internal auditors and external auditors;
- (x) recommends to the Board on the appointment, re-appointment or removal of external auditors and their remuneration and terms of engagement fees for Shareholders' approval;
- (xi) approves the remuneration and terms of engagement of external auditors;
- (xii) reviews interested person transactions in accordance with the requirements of the Listing Rules; and
- (xiii) reviews the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on.

## **Whistle-blowing policy**

The Company has put in place a whistle-blowing policy and procedures duly endorsed by the Audit Committee, where employees of the Group may, in confidence, raise concerns about possible corporate improprieties in financial reporting or other matters such as suspected fraud, corruption, dishonest practices etc. All reports including unsigned reports, reports weak in details and verbal reports are considered.

To ensure independent investigation into such matters and for appropriate follow up action, all whistle-blowing reports are reviewed by the Audit Committee and the Board. In the event that the whistle-blowing report is about a Director, that Director shall not be involved in the review and any decisions with respect to that whistle-blowing report. The whistle-blowing policy aims to encourage the reporting of such matters in good faith, with the confidence that any employees of the Group making such reports will be treated fairly and be protected from reprisals. Details on the whistle-blowing policy have been made available to all employees of the Group.

There were no whistle-blowing reports received by the Company for the financial year ended 30 June 2020.

As at the date of this Corporate Governance Report, the Audit Committee comprises of the following Provision 10.2 members:

Tan Choon Seng (Chairman)	Lead Independent Non-Executive Director
Chan Wah Tiong (Member)	Independent Non-Executive Director
Sim Cheng Huat (Member)	Independent Non-Executive Director
Ying Siew Hon, Francis (Member)	Independent Non-Executive Director

All members of the Audit Committee are Independent Non-Executive Directors.

## CORPORATE GOVERNANCE REPORT

The Board is of the opinion that the members of the Audit Committee have relevant accounting or related financial management expertise as well as business experience to discharge their duties. For example, Mr Tan Choon Seng is a non-practising Fellow Chartered Accountant of Singapore, holds a Bachelor of Accountancy from the University of Singapore, and has over 20 years of experience in audit and tax, oil services and information technology industries, where he held a number of senior leadership positions in operations, sales, strategy and business development; Mr Chan Wah Tiong is a Chartered Accountant with the Institute of Singapore Chartered Accountants and holds a Bachelor of Accountancy from the National University of Singapore; Mr Sim Cheng Huat has over 40 years of international trade, market development and banking experience; and Mr Ying Siew Hon, Francis is a Fellow of the Association of Chartered Certified Accountants (United Kingdom) and has considerable experience in investment and corporate banking as well as the securities industry.

To ensure that the Audit Committee keeps abreast of changes that may impact the financial statements of the Company, the Chairman of the Audit Committee regularly receives and circulates updates from the Company's internal auditors' technical department to members of the Audit Committee. The Chairman of the Audit Committee has also informed the Board that he also receives regular updates from other audit firms, The Institute of Singapore Chartered Accountants and other regulatory bodies and circulates these updates to the members of the Audit Committee. The operations of the Audit Committee are regulated by its written terms of reference, which were approved and are subject to periodic review by the Board. The Audit Committee meets at least four (4) times a year. Where appropriate, the Audit Committee may undertake activities and seminars as it considers necessary to keep itself abreast of changes to accounting standards and issues which have a direct impact on financial statements, at the Company's expense.

The Audit Committee has explicit authority to investigate any matter within its terms of reference, and is authorised to obtain independent professional advice at the Company's expense. It has full access to and co-operation of the Management and reasonable resources to enable it to discharge its duties properly. It also has full discretion to invite any Executive Director or executive officer or any other person to attend its meetings.

The aggregate amount of fees paid or payable to the Company's external auditors for the financial year ended 30 June 2020 is as follows:

Listing Rule  
1207(6) (a)

Fees for audit services:	US\$140,504	(FY2019: US\$145,750)
Fees for non-audit services:	Nil	(FY2019: Nil)

The Audit Committee reviews the independence of the Company's external auditors annually. The Audit Committee confirms that no non-audit services have been provided by the external auditors for the financial year ended 30 June 2020 and was satisfied that the independence of the external auditors was not affected by any provision of non-audit services by the external auditors.

Listing Rule  
1207(6) (b)

## CORPORATE GOVERNANCE REPORT

None of the Audit Committee members was a former partner or director of the Company's existing auditing firm or auditing corporation (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation. Provision 10.3

### Internal Audit

Provision 10.4

The primary reporting line of the internal audit function is to the Audit Committee, which also decides on the appointment, termination and remuneration of the head of the internal audit function. Listing Rule 719(3)

The Company has appointed Messrs Crowe Horwath First Trust Risk Advisory Pte Ltd as the Company's internal auditors to review the Group's internal control systems. The internal audit partner is Mr Goh Sia who is a Certified Internal Auditor with the Institute of Internal Auditors. Mr Goh Sia has over 20 years of experience in providing external and internal audit, and consultancy services.

The internal auditors will plan its internal audit in consultation with, but independent of the Management, and has unfettered access to all the Group's documents, records, properties and personnel, including access to the Audit Committee. The internal auditor's primary line of reporting is to the Audit Committee Chairman, and the internal audit plan will be submitted to the Audit Committee for approval prior to the commencement of the internal audit.

The Audit Committee will review the activities of the internal auditors on a regular basis, including overseeing and monitoring of the implementation of improvement required on internal control weaknesses identified. The Audit Committee will, at least annually, review the adequacy and effectiveness of the internal audit function and whether the internal audit function is staffed with persons with the relevant qualifications and experience. The internal auditors adopt the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The internal auditors report directly to the Audit Committee, which approves the hiring, removal, evaluation and compensation of the head of the internal control function.

The Audit Committee ensures that the internal audit function is adequately resourced and has appropriate standing within the Group. In relation to the financial year ended 30 June 2020, the Audit Committee is of the view that the internal audit function is independent of the activities it audits, effective and adequately resourced. Listing Rule 1207(10C)

The Audit Committee meets with the Company's internal auditors and external auditors separately, at least once a year, without the presence of the Management to review any areas of audit concern. Individual members of the Audit Committee also engage the internal auditors and external auditors separately in *ad hoc* meetings. The external auditors have unrestricted access to the Audit Committee. Provision 10.5

In the review of the financial statements for FY2020, the Audit Committee had discussed with the Management and the external auditors on changes to accounting standards and significant issues and assumptions that impact the financial statements. The most significant matters had also been included in the Independent Auditor's Report to the members of the Company under "*Key Audit Matters*". Following the review, the Audit Committee is satisfied that those matters, including revenue recognition based on the consideration specified in a contract with a customers, excluding amounts collected on behalf of third parties, had been properly dealt with. The Board had approved the financial statements.

## CORPORATE GOVERNANCE REPORT

In respect of appointments and re-appointments of external auditors, the Audit Committee evaluates the performance of the external auditors taking into consideration the Audit Quality Indicators Disclosure Framework published by the Accounting and Corporate Regulatory Authority (“ACRA”). The Audit Committee recommends to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors and approves the remuneration of the external auditors.

The Audit Committee has recommended to the Board that Messrs Deloitte & Touche LLP be nominated for re-appointment as external auditors at the forthcoming Annual General Meeting of the Company.

In appointing the audit firms for the Group, the Company has complied with the requirements of Listing Rules 712 and 715. Listing Rule 1207(6)(c)

### **PRINCIPLE 11: SHAREHOLDER RIGHTS AND ENGAGEMENT – SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS**

*The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.*

In line with the continuous obligations of the Company under the Listing Rules and the Companies Act, Chapter 50 of Singapore, the Board's policy is that all Shareholders should equally and on a timely basis be informed of all major developments that impact the Group via SGXNet. The Company does not practice selective disclosure. Provision 11.1

The Board regards general meetings of the Company as an opportunity to communicate directly with Shareholders and encourages Shareholders to attend the general meetings of the Company to achieve a greater level of Shareholder participation. The Company provides Shareholders with the opportunity to participate effectively in and vote at general meetings and informs them of the rules governing general meetings prior to the meetings.

Shareholders are informed of general meetings through reports/circulars/letters sent to shareholders in addition to notices published in the newspapers, the Company's announcements via SGXNet and the Company's website. The Company's website provides, among others, all publicly disclosed financial information, corporate announcements, press releases, annual reports and profiles of the Group.

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.

Due to the current Covid-19 advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore, the forthcoming Annual General Meeting of the Company will be held by way of electronic means and Shareholders will not be able to attend the Annual General Meeting in person. To enable Shareholders to participate in and vote effectively at the forthcoming Annual General Meeting to be held by way of electronic means, the Company has set out detailed information on the arrangements relating to attendance at the Annual General Meeting, submission of questions in advance of the Annual General Meeting, addressing of substantial and relevant questions at the Annual General Meeting, and voting procedures for the forthcoming Annual General Meeting in the Company's announcement dated 15 October 2020.

## CORPORATE GOVERNANCE REPORT

Separate resolutions on each distinct issue are tabled at the general meetings of the Company. “Bundling” of resolutions will be done only where resolutions are interdependent and linked so as to form one significant proposal, and the Company explains the reasons and material implications in the notice of meeting. Provision 11.2

All resolutions at general meetings of the Company are put to vote by poll so as to better reflect Shareholders’ shareholding interest and ensure transparency. The detailed results of the number of votes cast for and against each resolution tabled at the general meetings of the Company and the respective percentages are announced after the general meetings of the Company via SGXNet.

The Company relies on the advice of the independent scrutineers to determine the need for electronic voting, taking into consideration, among others, the logistics involved, costs, and number of Shareholders.

The Chairman and the other Directors (which includes the Chairman of each Board Committee) attend the general meetings of the Company and are available to answer questions from Shareholders at the general meetings of the Company. Provision 11.3

The attendance of the Directors at the general meetings of the Company held in FY2020 are set out below:

Name of Director	Annual General Meeting		Extraordinary General Meeting	
	Number of meetings held	Number of meetings attended	Number of meetings held	Number of meetings attended
Koh Teng Kwee	1	1	1	1
James Koh Jyh Gang	1	1	1	1
Koh Jyh Eng	1	1	1	1
Koh Shwu Lee	1	1	1	1
Tan Choon Seng	1	1	1	1
Chan Wah Tiong	1	1	1	1
Sim Cheng Huat	1	1	1	1
Ying Siew Hon, Francis	1	1	1	1

The Company’s external auditors are also present to assist Directors in addressing any relevant queries from Shareholders about the conduct of the audit and the preparation and content of the auditor’s report.

The Company has also taken steps to ensure that Shareholders have the opportunity to participate effectively in, and vote at the general meetings on the Company. The Company’s Constitution has been amended on 28 October 2016 to allow Shareholders who are unable to vote in person at the general meetings of the Company to vote *in absentia*, including but not limited to voting by mail, electronic email or facsimile, subject to such security measures as may be deemed necessary or expedient. Provision 11.4

Minutes of the general meetings of the Company, which include substantial comments or queries from Shareholders and responses from the Board and the Management, are prepared and made available to Shareholders upon request. Provision 11.5

For the forthcoming Annual General Meeting of the Company, minutes of the Annual General Meeting, which include substantial comments or queries from Shareholders and responses from the Board and Management, will be published on SGXNet and the Company’s website within one month after the Annual General Meeting.

# CORPORATE GOVERNANCE REPORT

## **Dividend Policy**

Provision 11.6

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

For the financial year ended 30 June 2020, the Company has paid a tax-exempt (one-tier) interim dividend of 0.25 Singapore cents per ordinary share and a tax-exempt (one-tier) special interim dividend of 0.25 Singapore cents per ordinary share, and has declared a tax-exempt (one-tier) final dividend of 0.75 Singapore cents per ordinary share.

## **PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS**

*The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.*

The Company solicits feedback from and addresses the concerns of shareholders via the following: Provision 12.1

- (a) a dedicated investor relations page on the Company's website;
- (b) an investor relations policy; and
- (c) annual general meetings.

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

- (i) Annual Reports;
- (ii) quarterly and full year financial statements and other financial announcements as required under the Listing Rules;
- (iii) presentations on the state of the Company (available when the Company holds a results briefing after the announcement of its financial statements);
- (iv) press releases and other announcements on important developments;
- (v) a website ([www.kodaonline.com](http://www.kodaonline.com)); and
- (vi) replies to email queries from Shareholders.

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

# CORPORATE GOVERNANCE REPORT /

## **Investor Relations Policy**

Provision 12.2

In line with the continuous disclosure obligations of the Company under the Listing Rules, the Company has put in place an investor relations policy which allows for an ongoing exchange of views so as to promote regular, effective and fair communication with Shareholders. Provision 12.3

As part of the Company's investor relations policy to inform all Shareholders in a comprehensive manner and on a timely basis of all material developments that impact the Group and in particular, changes in the Group or its business which would be likely to materially affect the price or value of the Company's shares, the Company releases financial statements, annual reports, notices of general meetings, press releases, material developments in the business and operations of the Group and any other material announcements on a timely basis via SGXNet and on the Company's website. A copy of this Annual Report and Notice of AGM will be sent to every Shareholder.

The Company does not practice selective disclosure and price sensitive information is publicly released on an immediate basis where required under the Listing Rules. In the event that inadvertent disclosure is made to a selected group, the Company will make the same disclosure publicly to all Shareholders as soon as practicable.

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

## **PRINCIPLE 13: MANAGING STAKEHOLDER RELATIONSHIPS – ENGAGING WITH STAKEHOLDERS**

*The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.*

The Company understands the need for engagement with the Company's material stakeholder groups and to understand their expectations and concerns, which are relevant to the Company's long-term sustainability. Stakeholder engagement forms a key aspect of the Company's sustainability approach, as the Company's business success depends on the relationship with the Company's material stakeholders that include customers, suppliers, employees and the community at large. Provision 13.1

The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.

The Company's strategy and key areas of focus in relation to the management of stakeholder relationships is set out under the "Stakeholder Engagement" section of the Sustainability Report in this Annual Report. Provision 13.2

The Company maintains a current corporate website, [www.kodaonline.com](http://www.kodaonline.com), to communicate and engage with stakeholders. Provision 13.3

# CORPORATE GOVERNANCE REPORT

## DEALING IN COMPANY'S SECURITIES

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

Listing Rule  
1207(19)

## INTERESTED PERSON TRANSACTIONS ("IPTs")

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

The aggregate value of all IPTs entered into by all interested persons during the financial year under review (i.e. FY2020) was S\$97,000. Assuming that the transaction relating to the payment of a one-time *ex-gratia* sum of S\$500,000 to Mr Koh Teng Kwee in connection with his retirement as the Founder, Non-Executive Chairman and Non-Executive Director of the Company at the forthcoming Annual General Meeting of the Company was entered into during the financial year under review (i.e. FY2020), the aggregate value of all IPTs entered into by all interested persons during the financial year under review (i.e. FY2020) will be S\$597,000.

Listing Rule  
1207(17)

The information required pursuant to Listing Rules 907 and 1207(17) is set out in the table below. Save as disclosed in the table below, there were no IPTs exceeding S\$100,000 in value during the financial year under review (i.e. FY2020).

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under Shareholders' mandate pursuant to Listing Rule 920)	Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Listing Rule 920 (excluding transactions less than S\$100,000)
Koh Jyh Eng	Koh Jyh Eng is an Executive Director of the Company.		
Koh Shwu Lee	Koh Shwu Lee is an Executive Director of the Company.	S\$97,000 <sup>(1)</sup>	Not applicable <sup>(2)</sup>
Koh Teng Kwee	Koh Teng Kwee is the Founder and Non-Executive Chairman of the Company.	S\$500,000 <sup>(3)</sup>	Not applicable <sup>(2)</sup>



# CORPORATE GOVERNANCE REPORT

## Notes:

- (1) The Group had, in June 2016, entered into a 10-year long-term lease with Zenith Heights Sdn Bhd (of which Mr Koh Jyh Eng and Mdm Koh Shwu Lee are directors) for land owned by Zenith Heights Sdn Bhd to build warehousing facilities in Malaysia (the "**Lease**"). The IPTs in the financial year ended 30 June 2020 with regard to the Lease are rental expenses of RM296,382 (equivalent to approximately S\$97,000 based on the closing exchange rate as at 30 June 2020 of S\$1: RM3.06)  
The rental expenses of approximately S\$97,000 represents approximately 0.17% of the Group's latest audited net tangible assets of approximately S\$56.3 million as at 30 June 2020.
- (2) The Group does not have a general mandate from Shareholders for IPTs pursuant to Listing Rule 920(1) (a).
- (3) The Company is seeking Shareholders' approval at the upcoming Annual General Meeting of the Company on 30 October 2020 for the payment of a one-time *ex-gratia* sum of S\$500,000 to Mr Koh Teng Kwee (Note: Mr Koh Teng Kwee will be retiring as the Non-Executive Chairman and will not be seeking re-election at the upcoming Annual General Meeting of the Company. Shareholders may refer to the Ordinary Resolution 7 in the Notice of AGM for further details.)  
The one-time *ex-gratia* sum of S\$500,000 represents approximately 0.89% of the Group's latest audited net tangible assets of approximately S\$56.3 million as at 30 June 2020.

## MATERIAL CONTRACTS

Save as disclosed in the "**Interested Person Transactions**" section of this Corporate Governance Report, since the end of the previous financial year, the Company and/or its subsidiaries did not enter into any material contracts involving the interests of any Directors or any controlling Shareholders or their associates and there are no such material contracts still subsisting at the end of the financial year ended 30 June 2020.

## SUMMARY OF CORPORATE GOVERNANCE DISCLOSURES TABLE

The Summary of Corporate Governance Disclosures Table below describes the Company's corporate governance practices with specific reference to the express disclosure requirements in the provisions of the Code.

Provision	Express disclosure requirement	How has the Company complied?
<b>The Board's Conduct of Affairs</b>		
Provision 1.2	The induction, training and development provided to new and existing Directors.	For new appointments to the Board, the newly-appointed Director will be given a formal letter setting out his duties and obligations. To orientate him, the newly-appointed Director will be briefed by the Lead Independent Director and the Management, and will also be provided with a Director's folder which shall contain information and materials to allow him to be familiar with the Group's history, core values, businesses and governance practices. All Directors are also invited to visit the Group's local and overseas factories and/or operations and to meet with the local and overseas management so as to gain a better understanding of the Group's business operations. Where appropriate, the Company will also provide training to first-time Directors of a listed companies in areas such as accounting, legal and industry specific knowledge.  In addition to the above, the Company has arrangements in place for newly appointed Directors with no prior experience as a director of a listed company on the SGX-ST to undergo training in the roles and responsibilities of a director of a listed company on the SGX-ST as prescribed by the SGX-ST. If the Nominating and Governance Committee is of the view that training is not required because the Director has other relevant experience, the basis of the Nominating and Governance Committee's assessment will be disclosed.

## CORPORATE GOVERNANCE REPORT

Provision	Express disclosure requirement	How has the Company complied?
Provision 1.3	Matters that require Board approval.	<p>Matters which require the Board's approval include the following:</p> <ul style="list-style-type: none"> <li>(i) review of the annual budgets and the performance of the Group;</li> <li>(ii) review of key activities and business strategies;</li> <li>(iii) approval of the corporate strategy and direction of the Group;</li> <li>(iv) approval of transactions involving a conflict of interest for a substantial Shareholder or a Director, or interested person transactions;</li> <li>(v) material acquisitions and disposals of assets;</li> <li>(vi) acceptance of bank facilities;</li> <li>(vii) corporate or financial restructuring and share issuances;</li> <li>(viii) declaration of dividends and other returns to Shareholders;</li> <li>(ix) appointment of new Directors to the Board; and</li> <li>(x) appointment and removal of the Company Secretary.</li> </ul>
Provision 1.4	Names of the members of the Board Committees, the terms of reference of the Board Committees, any delegation of the Board's authority to make decisions, and a summary of each Board Committee's activities.	<p>Please refer to the table in the section titled "Principle 2: Board Composition and Guidance" of this Corporate Governance Report for a summary of the names of the members of the various Board Committees.</p> <p><u>Nominating and Governance Committee</u> Please refer to the section titled "Principle 4: Board Membership" of this Corporate Governance Report.</p> <p><u>Remuneration Committee</u> Please refer to the section titled "Principle 6: Procedures for Developing Remuneration Policies" of this Corporate Governance Report.</p> <p><u>Audit Committee</u> Please refer to the section titled "Principle 10: Audit Committee" of this Corporate Governance Report.</p>
Provision 1.5	The number of meetings of the Board and Board Committees held in the year, as well as the attendance of every Board member at these meetings.	Please refer to the table under Provision 1.5 in the section titled "Principle 1: The Board's Conduct of Affairs" of this Corporate Governance Report.

# CORPORATE GOVERNANCE REPORT

Provision	Express disclosure requirement	How has the Company complied?
<b>Board Composition and Guidance</b>		
Provision 2.4	The board diversity policy and progress made towards implementing the board diversity policy, including objectives.	<p>The criteria for Board diversity includes, among others, whether the Board is equipped with relevant skills and experience, gender composition, age and knowledge of the Company. The Nominating and Governance Committee will review the relevant objectives for promoting and achieving diversity on the Board, the progress made, and make recommendations for approval by the Board.</p> <p>In identifying potential Director nominees, the Nominating and Governance Committee would consider factors such as relevant background, diversity, experience and knowledge in various categories such as business, finance and management skills which would be valuable to the Group's business to enable the Board to make sound and well-considered decisions.</p> <p>The composition of the Board is also reviewed on an annual basis by the Nominating and Governance Committee to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning. The Nominating and Governance Committee will, in reviewing and assessing the composition of the Board and recommending the appointment of new Directors to the Board, consider candidates on merit and with due regard for the benefits of diversity on the Board.</p> <p>The Nominating and Governance Committee believes that the Board and its Board Committees have a good balance of Directors in terms of gender, and who have a diverse set of skills, extensive business, financial, accounting, marketing and management experience and knowledge of the Group. Profiles of the Directors are set out under the section entitled "Board of Directors" in this Annual Report. Where appropriate, the Nominating and Governance Committee and the Board will continue to search actively for suitable candidates for appointment to the Board as Independent Non-Executive Director(s).</p> <p>As the Group's activities continue to grow, the Nominating and Governance Committee will continuously review the composition, size and diversity of the Board to ensure that it has the necessary competence for effective decision making.</p>

# CORPORATE GOVERNANCE REPORT

Provision	Express disclosure requirement	How has the Company complied?
<b>Board Membership</b>		
Provision 4.3	Process for the selection, appointment and re-appointment of Directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates.	<p>The Nominating and Governance Committee:</p> <ul style="list-style-type: none"> <li>(i) first evaluates the strengths and capabilities of the existing Board before it proceeds to assess the needs of the future Board;</li> <li>(ii) assess whether the needs of the future Board can be fulfilled by the appointment of one (1) person, and if not, to consult the Board with respect to the appointment of two (2) persons;</li> <li>(iii) seek out and source for a wide range of suitable candidates and obtain their resumes for review;</li> <li>(iv) conduct background checks on the candidates whose resumes the Company has received; and</li> <li>(v) narrow this list of candidates to a short list, and then invite the shortlisted candidates for an interview which may include a briefing of the duties required to ensure that there are no differences in expectations, and to ensure that any new Director appointed has the ability and capacity to adequately carry out his duties as a Director of the Company, taking into consideration the number of listed company board representations he holds and other principal commitments he may have.</li> </ul> <p>In selecting and appointing potential directors, the Nominating and Governance Committee will seek out and source for a wide range of suitable candidates including persons not directly known to the Directors. In addition, the Nominating and Governance Committee is empowered to engage professional search firms to seek out and source for suitable candidates, at the Company's expense. The Nominating and Governance Committee gives due consideration to all suitable candidates regardless of who identified the candidate. The Nominating and Governance Committee will interview all suitable candidates in frank and detailed meetings, and thereafter make its recommendations to the Board for approval.</p>

# CORPORATE GOVERNANCE REPORT

Provision	Express disclosure requirement	How has the Company complied?
		<p>In nominating Directors for re-appointment, the Nominating and Governance Committee assesses and recommends to the Board whether the retiring Directors are suitable for re-election, taking into consideration the composition and progressive renewal of the Board and each Director's competencies, commitment, contribution, performance, attendance, preparedness, participation and candour. Subject to the Nominating and Governance Committee's satisfactory assessment of the overall contributions and performance, the Nominating and Governance Committee would recommend the proposed re-appointment to the Board for its consideration and approval.</p>
Provision 4.4	<p>Where the Board considers a Director to be independent in spite of the existence of a relationship which may affect his or her independence, the nature of the Director's relationship and the reasons for considering him or her as independent should be disclosed.</p>	<p>No Director falls under this category.</p>
Provision 4.5	<p>The listed company directorships and principal commitments of each director, and where a director holds a significant number of such directorships and commitments, the Nominating Committee's and Board's reasoned assessment of the ability of the Director to diligently discharge his or her duties are disclosed.</p>	<p>The Board has resolved that no Director shall hold more than six (6) listed company board representations concurrently even if that Director has the capability of managing that many listed company board representations as the Board is of the view that more than six (6) concurrent listed company board representations will interfere with the Director's ability to devote sufficient time and attention to the affairs of the Company. During the financial year ended 30 June 2020, no Director held more than six (6) listed company board representations concurrently.</p> <p>Please refer to the table under Provision 4.5 in the section titled "Principle 4: Board Membership" of this Corporate Governance Report for a summary of listed company directorships of each Director.</p> <p>Please refer to the profiles of the Directors which are set out under the section titled "Board of Directors" in this Annual Report for key information on the Directors' principal commitments.</p>

## CORPORATE GOVERNANCE REPORT

Provision	Express disclosure requirement	How has the Company complied?
<b>Board Performance</b>		
Provision 5.2	How the assessments of the Board, its Board Committees and each Director have been conducted, including the identity of any facilitator and its connection, if any, with the Company or any of its Directors.	<p>A Board evaluation was conducted whereby Directors completed a self-assessment checklist based on various areas of assessment to assess their views on various aspects of the Board's and Board Committees' performance. The results of these self-assessment checklists were considered by the Nominating and Governance Committee. In particular, the Chairman of the Nominating and Governance Committee reviewed the results of these self-assessment checklists and, in consultation with the Nominating and Governance Committee, has decided that it is not appropriate to propose new Directors to be appointed to the Board or seek the resignation of the current Directors.</p> <p>The Nominating and Governance Committee has assessed the overall performance to-date of the current Board, Board Committees and each individual Director for the financial year ended 30 June 2020 and was of the view that the performance of the Board as a whole, each Board Committee and each individual Director were satisfactory.</p> <p>No external facilitator was used in the Nominating and Governance Committee's assessment of the Board, Board Committees and individual Directors.</p>
<b>Procedures for Developing Remuneration Policies</b>		
Provision 6.4	The Company discloses the engagement of any remuneration consultants and their independence.	No remuneration consultant was appointed by the Remuneration Committee in the financial year ended 30 June 2020.
<b>Disclosure on Remuneration</b>		
Provision 8.1	The Company discloses the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of (a) each individual Director and the Managing Director; and (b) at least the top five key management personnel (who are not Directors or the Managing Director) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel.	<p>Please refer to Provision 8.1 in the section titled "Principle 8: Disclosure on Remuneration" of this Corporate Governance Report for the Company's policy and criteria for setting remuneration.</p> <p>The Company has disclosed each individual Director, the Managing Director and the top seven of the key management personnel's remuneration in bands of S\$100,000 as well as provided the breakdown of remuneration (in percentage terms) into salary, bonus, allowance and other benefits, and Directors' fees (where applicable). Details are set out in the table under Provision 8.1 in the section titled "Principle 8: Disclosure on Remuneration" of this Corporate Governance Report.</p> <p>The total remuneration paid to the top seven key management personnel (who are not Directors or the Managing Director) was S\$1,395,000 for the financial year ended 30 June 2020.</p>

# CORPORATE GOVERNANCE REPORT

Provision	Express disclosure requirement	How has the Company complied?
Provision 8.2	Names and remuneration of employees who are substantial shareholders of the Company, or are immediate family members of a Director, the Managing Director or a substantial shareholder of the Company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000. The disclosure states clearly the employee's relationship with the relevant Director or Managing Director or substantial shareholder.	Mr Koh Zhu Xian Joshua and Mr Koh Zhu Lian Julian are the sons of Mr James Koh Jyh Gang, the Managing Director of the Company, and their remuneration exceeded S\$100,000 during the financial year ended 30 June 2020. Details of their remuneration in bands of S\$100,000 as well as the breakdown of their remuneration (in percentage terms) into salary, bonus, allowance and other benefits are set out in the table under Provision 8.1 in the section titled "Principle 8: Disclosure on Remuneration" of this Corporate Governance Report.  Save for Mr Koh Zhu Xian Joshua and Mr Koh Zhu Lian Julian, there are no other employees who are substantial shareholders of the Company, or who are immediate family members of a Director or a substantial shareholder of the Company, and whose remuneration exceeded S\$100,000 in the financial year ended 30 June 2020.
Provision 8.3	The Company discloses all forms of remuneration and other payments and benefits, paid by the Company and its subsidiaries to Directors and key management personnel of the Company. It also discloses details of employee share schemes.	Currently, the Company has in place a performance share plan which was adopted at an extraordinary general meeting of the Company held on 31 October 2018 (the " <b>Koda Performance Share Plan 2018</b> ").  Please refer to Provision 8.3 in the section titled "Principle 8: Disclosure on Remuneration" of this Corporate Governance Report for details of the Koda Performance Share Plan 2018.
<b>Risk Management and Internal Controls</b>		
Provision 9.2	Whether the Board has received assurance from (a) the Managing Director and the Chief Financial Officer that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) the Managing Director and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems.	The Board and the Audit Committee have received positive assurance from:  (i) the Managing Director and Group Chief Financial Officer 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; and  (ii) the Managing Director and key management personnel who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems.
<b>Shareholder Rights and Conduct of General Meetings</b>		
Provision 11.3	Directors' attendance at general meetings of shareholders held during the financial year.	Please refer to the table under Provision 11.3 in the section titled "Principle 11: Shareholder Rights and Conduct of General Meetings" for the attendance of the Directors at general meetings of the Company held in FY2020.

## CORPORATE GOVERNANCE REPORT

Provision	Express disclosure requirement	How has the Company complied?
<b>Engagement with Shareholders</b>		
Provision 12.1	The steps taken to solicit and understand the views of shareholders.	<p>The Company solicits feedback from and addresses the concerns of shareholders via the following:</p> <ul style="list-style-type: none"> <li>(a) a dedicated investor relations page on the Company's website;</li> <li>(b) an investor relations policy; and</li> <li>(c) annual general meetings.</li> </ul> <p>The Directors are mindful of their obligation to provide Shareholders with regular and timely disclosure of material information that is presented in a fair and objective manner. Shareholders and other investors are provided regularly with:</p> <ul style="list-style-type: none"> <li>(i) Annual Reports;</li> <li>(ii) quarterly and full year financial statements and other financial announcements as required under the Listing Rules;</li> <li>(iii) presentations on the state of the Company (available when the Company holds a results briefing after the announcement of its financial statements);</li> <li>(iv) press releases and other announcements on important developments;</li> <li>(v) a website (<a href="http://www.kodaonline.com">www.kodaonline.com</a>); and</li> <li>(vi) replies to email queries from Shareholders.</li> </ul>
<b>Engagement with Stakeholders</b>		
Provision 13.2	The strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.	The Company's strategy and key areas of focus in relation to the management of stakeholder relationships is set out under the section titled "Stakeholder Engagement" of the Sustainability Report in this Annual Report.



# CORPORATE GOVERNANCE REPORT

## Additional information on Directors seeking re-election

Key Information	Name of Director	
	Mr Tan Choon Seng	Mr Ernie Koh Jyh Eng
Date of Appointment	18 November 2016	30 March 2001
Date of last re-appointment (if applicable)	27 October 2017	31 October 2018
Name of person	Tan Choon Seng	Ernie Koh Jyh Eng
Age	68	54
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	<p>The Board of Directors, having considered the recommendation of the Nominating Committee, and having reviewed the qualifications and working experience of Tan Choon Seng, is of the view that he has the requisite experience and capabilities to assume the responsibilities as the Lead Independent Non-Executive Director of the Company.</p> <p>Accordingly, the Board of Directors has approved the appointment of Tan Choon Seng as the Lead Independent Non-Executive Director of the Company.</p>	<p>The Board of Directors, having considered the recommendation of the Nominating Committee, and having reviewed the qualifications and working experience of Ernie Koh Jyh Eng, is of the view that he has the requisite experience and capabilities to assume the responsibilities as the Executive Director of the Company.</p> <p>Accordingly, the Board of Directors has approved the appointment of Ernie Koh Jyh Eng as the Executive Director of the Company.</p>
Whether appointment is executive, and if so, the area of responsibility	Non-Executive Director	Executive Director
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Lead Independent Non-Executive Director, Chairman of the Audit Committee, and member of the Remuneration Committee and the Nominating and Governance Committee.	Executive Director, Sales & Marketing Head of Group's marketing initiatives, customer relationship management, diversifying client base, trade fairs participation, new product launches and marketing talent recruitment.
Professional qualifications	Fellow Chartered Accountant of Singapore (non-practising)	Bachelor of Science in Marketing from University of Oregon (USA)  MBA in International Marketing from San Francisco State University (USA)

## CORPORATE GOVERNANCE REPORT

Key Information	Name of Director	
	Mr Tan Choon Seng	Mr Ernie Koh Jyh Eng
Working experience and occupation(s) during the past 10 years	<p><b>Current:</b></p> <ul style="list-style-type: none"> <li>• Koda Ltd Lead Independent Non-Executive Director</li> <li>• Singapore Institute of Management Director</li> <li>• Singapore University of Social Sciences Director</li> <li>• Soup Restaurant Group Limited Director</li> </ul> <p><b>Past:</b></p> <ul style="list-style-type: none"> <li>• WBL Corp Ltd Group CEO (till November 2012)</li> <li>• Multi-Fineline Director (till November 2012)</li> </ul>	<p><b>Current:</b></p> <ul style="list-style-type: none"> <li>• Koda Ltd Executive Director</li> <li>• Koda Woodcraft Sdn Bhd Director</li> <li>• Commune Lifestyle Pte Ltd Director</li> <li>• Commune Lifestyle Sdn Bhd Director</li> <li>• Zenith Heights Sdn Bhd Director</li> <li>• Commune (Dongguan) Trading Co., Ltd. Director</li> </ul> <p><b>Past:</b></p> <ul style="list-style-type: none"> <li>• Commune Furniture (M) Sdn Bhd Director (till September 2019)</li> </ul>
Shareholding interest in the listed issuer and its subsidiaries	Mr Tan Choon Seng has a direct interest in 100,000 shares in the Company.	Mr Ernie Koh Jyh Eng has a direct interest in 8,933,388 shares in the Company and is deemed interested in 21,600 shares in the Company held by his spouse, Mdm Wong Sau Wai.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	<p><u>Mr Koh Teng Kwee</u> Mr Koh Teng Kwee, Non-Executive Chairman, is the father of Ernie Koh Jyh Eng.</p> <p><u>Mr James Koh Jyh Gang</u> Mr James Koh Jyh Gang, Deputy Chairman and Managing Director, is the brother of Ernie Koh Jyh Eng.</p> <p><u>Mdm Koh Shwu Lee</u> Mdm Koh Shwu Lee, Executive Director, Finance &amp; Administration, is the sister of Ernie Koh Jyh Eng.</p> <p><u>Others</u> Key Management Personnel, (1) Mr Koh Zhu Xian Joshua, (2) Mr Koh Zhu Lian Julian, and (3) Mr Gan Shee Wen, are the nephews of Ernie Koh Jyh Eng.</p>

## CORPORATE GOVERNANCE REPORT

Key Information	Name of Director	
	Mr Tan Choon Seng	Mr Ernie Koh Jyh Eng
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
<b>Other Principal Commitments<sup>1</sup> Including Directorships</b>		
Past (for the last 5 years)	<ul style="list-style-type: none"> <li>• KuangChen Pte Ltd</li> <li>• LINK2VENTURES Pte Ltd</li> <li>• Sparrow Capital Pte Ltd</li> </ul>	<ul style="list-style-type: none"> <li>• Commune Furniture (M) Sdn Bhd</li> </ul>
Present	<ul style="list-style-type: none"> <li>• Soup Restaurant Group Limited</li> <li>• Singapore University of Social Sciences</li> <li>• Singapore Institute of Management Group</li> <li>• Ivy Cubs Pte Ltd</li> <li>• 18C Holdings Pte Ltd</li> </ul>	<ul style="list-style-type: none"> <li>• Koda Woodcraft Sdn Bhd</li> <li>• Commune Lifestyle Pte Ltd</li> <li>• Commune Lifestyle Sdn Bhd</li> <li>• Zenith Heights Sdn Bhd</li> <li>• Commune (Dongguan) Trading Co., Ltd.</li> <li>• International Furniture Fair Singapore Pte Ltd</li> <li>• SFIC Institute Pte Ltd</li> <li>• Singaplural Pte Ltd</li> </ul>
<b>Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.</b>		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No

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

## CORPORATE GOVERNANCE REPORT

Key Information	Name of Director	
	Mr Tan Choon Seng	Mr Ernie Koh Jyh Eng
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

## CORPORATE GOVERNANCE REPORT /

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

## CORPORATE GOVERNANCE REPORT

Key Information	Name of Director	
	Mr Tan Choon Seng	Mr Ernie Koh Jyh Eng
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No

## CORPORATE GOVERNANCE REPORT /

Key Information	Name of Director	
	Mr Tan Choon Seng	Mr Ernie Koh Jyh Eng
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Any prior experience as a director of an issuer listed on the Exchange?	Not applicable as this is in relation to re-election of director	Not applicable as this is in relation to re-election of director.
If yes, please provide details of prior experience.	Not applicable	Not applicable
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	Not applicable	Not applicable
Please provide details of relevant experience and the Nominating and Governance Committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not applicable	Not applicable

# DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended June 30, 2020.

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 110 to 174 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, 2020, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

## 1 DIRECTORS

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

Koh Teng Kwee  
James Koh Jyh Gang  
Koh Jyh Eng  
Koh Shwu Lee  
Tan Choon Seng  
Chan Wah Tiong  
Sim Cheng Huat  
Ying Siew Hon, Francis

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

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

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Name 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	9,427,872	9,427,872	–	–
James Koh Jyh Gang <sup>(1)</sup>	11,023,094	11,023,094	2,500,000	2,500,000
Koh Jyh Eng <sup>(2)</sup>	8,933,388	8,933,388	21,600	21,600
Koh Shwu Lee <sup>(3)</sup>	8,285,226	8,285,226	259,200	259,200
Tan Choon Seng	–	100,000	–	–



# DIRECTORS' STATEMENT

### 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

- (1) Mr. James Koh Jyh Gang is deemed interested in 2,500,000 shares in the Company held in the name of DBS Nominees (Private) Limited by virtue of Section 7 of the Companies Act, Cap. 50 of Singapore.
- (2) Mr. Koh Jyh Eng is deemed interested in 21,600 shares in the Company held by his spouse, Mdm Wong Sau Wai.
- (3) Mdm. Koh Shwu Lee is deemed interested in 259,200 shares in the Company held by her spouse, Mr Kavin Seow Soo Yeow.

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

Except as disclosed in this statement, no directors who held office at the end of the financial year are deemed to have an interest in the Company and in all the related corporations of the Company.

The directors' interests as at July 21, 2020 were the same as those at the end of the financial year.

### 4 SHARE OPTIONS AND PERFORMANCE SHARE PLAN

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

#### Koda Performance Share Plan 2018

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

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

- a confirmed full-time employee of the Group ("Group Employee");
- a Director and/or a director of the Company's subsidiaries, as the case may be, who performs an executive function ("Group Executive Director"); and
- controlling Shareholders and/or their associates who are either Group Employees or Group Executive Directors, provided that their participation in the Koda Performance Share Plan 2018 and the grant of awards to them, including the actual number of performance shares and the terms of any award, have been approved by independent Shareholders at a general meeting of the Company in separate resolutions.

## DIRECTORS' STATEMENT

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

Other salient information relating to the Koda Performance Share Plan 2018 is set out below:

- The selection of a participant and the aggregate number of performance shares which are the subject of each award to be granted to a participant in accordance with the Koda Performance Share Plan 2018 shall be determined at the absolute discretion of the Remuneration Committee and recommended by the Remuneration Committee to the Board for approval. In so doing, the Remuneration Committee shall consider, among others, the financial performance of the Group, the participant's rank, length of service, achievements, job performance, potential for future development, his contribution to the success and development of the Group, and the extent of effort and resourcefulness required to achieve the performance targets within the performance periods. The performance targets will be set by the Remuneration Committee depending on each individual participant's job scope and responsibilities.
- The aggregate number of performance shares available under the Koda Performance Share Plan 2018, when added to all shares, options or awards granted under any other share based incentive schemes of the Company, shall not exceed 15% (or such other percentage as may be prescribed or permitted from time to time by the SGX-ST) of the total number of issued shares of the Company from time to time. Additionally, the grant of awards of performance shares to participants who are controlling Shareholders or associates of controlling Shareholders shall be subject to independent Shareholders' approval at a general meeting in separate resolutions for the grant of awards to each controlling Shareholder or associate of a controlling Shareholder, and the actual number of performance shares which are the subject of such awards shall comply with the following limits: (i) the aggregate number of performance shares which may be awarded to participants who are controlling Shareholders and/or their associates under the Koda Performance Share Plan 2018 shall not exceed 25% of the total number of shares available under the Koda Performance Share Plan 2018; and (ii) the aggregate number of performance shares which may be awarded to each participant who is a controlling Shareholder and/or an associate of a controlling Shareholder under the Koda Performance Share Plan 2018 shall not exceed 10% of the total number of shares available under the Koda Performance Share Plan.
- Awards represent the right of a participant to receive fully-paid ordinary shares in the capital of the Company free of charge, upon the participant satisfying or exceeding the prescribed performance targets at the end of the performance periods and/or otherwise having performed well and/or made a significant contribution to the Group. Awards are vested and the performance shares which are the subject of the awards are delivered to the participants at the end of the performance periods once the Remuneration Committee is, at its sole discretion, satisfied that the prescribed performance targets have been satisfied. The Remuneration Committee may also grant an award where, in its opinion, a participant has performed well and/or made a significant contribution to the Group.

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

### 5 OPTIONS EXERCISED

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

### 6 UNISSUED SHARES UNDER OPTIONS

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

# DIRECTORS' STATEMENT

## 7 AUDIT COMMITTEE

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

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

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

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

## 8 AUDITORS

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

ON BEHALF OF THE DIRECTORS

.....  
James Koh Jyh Gang

.....  
Koh Shwu Lee

October 7, 2020

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KODA LTD

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Koda Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at June 30, 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 110 to 174.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at June 30, 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the statement of changes in equity of the Company for the year ended on that date.

### Basis for Opinion

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

### Key Audit Matters

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

#### Allowance for inventories

The Group is involved in the business of trading and manufacturing of furniture and it has significant inventory balances amounting to approximately 20% (2019: 23%) of total assets, which are recorded at the lower of cost and net realisable value. The determination of the net realisable value is critically dependent upon the management's assessment of the inventory obsolescence.

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

The Group's disclosure on inventories is set out in Notes 3(ii) (a) and 9 to the financial statements.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KODA LTD

## **Report on the Audit of the Financial Statements** (Continued)

### *Our audit performed and responses thereon*

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

We have discussed and evaluated the basis used by management in the assessment of allowance for inventories, including testing the accuracy of the aging data used on a sample basis.

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

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

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

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

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

## **Responsibilities of Management and Directors for the Financial Statements**

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

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

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

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KODA LTD

## Report on the Audit of the Financial Statements (Continued)

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KODA LTD

## **Report on the Audit of the Financial Statements** (Continued)

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

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

## **Report on Other Legal and Regulatory Requirements**

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

The engagement partner on the audit resulting in this independent auditor's report is Ronny Chandra.

## **Deloitte & Touche LLP**

Public Accountants and  
Chartered Accountants  
Singapore

October 7, 2020

# STATEMENTS OF FINANCIAL POSITION

June 30, 2020

	Note	GROUP		COMPANY	
		2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	6	<b>16,426</b>	13,394	<b>8,843</b>	8,309
Trade receivables	7	<b>3,639</b>	3,424	<b>4,502</b>	4,334
Other receivables	8	<b>2,613</b>	2,660	<b>6,579</b>	4,256
Inventories	9	<b>11,347</b>	10,581	<b>46</b>	205
Total current assets		<b>34,025</b>	30,059	<b>19,970</b>	17,104
<b>Non-current assets</b>					
Investment in subsidiaries	10	–	–	<b>7,935</b>	7,935
Investment in an associate	11	–	2	–	–
Financial asset at fair value through other comprehensive income	12	–	–	–	–
Club memberships	13	<b>207</b>	207	<b>192</b>	192
Property, plant and equipment	14	<b>13,618</b>	16,116	<b>309</b>	368
Right-of-use assets	15	<b>5,898</b>	–	<b>572</b>	–
Other receivables	8	<b>3,737</b>	–	<b>11,078</b>	–
Deferred tax assets	16	<b>181</b>	102	–	–
Total non-current assets		<b>23,641</b>	16,427	<b>20,086</b>	8,495
<b>Total assets</b>		<b>57,666</b>	46,486	<b>40,056</b>	25,599
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Trade payables	17	<b>2,682</b>	2,275	<b>3,467</b>	5,714
Other payables	18	<b>6,613</b>	4,984	<b>2,554</b>	2,207
Lease liabilities	19	<b>1,201</b>	–	<b>162</b>	–
Current portion of obligations under finance leases	20	–	21	–	–
Current portion of bank loans	21	<b>1,045</b>	182	<b>1,045</b>	182
Income tax payable		<b>630</b>	337	<b>166</b>	–
Total current liabilities		<b>12,171</b>	7,799	<b>7,394</b>	8,103
<b>Non-current liabilities</b>					
Deferred tax liabilities	16	<b>260</b>	228	–	–
Lease liabilities	19	<b>3,029</b>	–	<b>422</b>	–
Non-current portion of bank loans	21	<b>1,669</b>	221	<b>1,669</b>	221
Total non-current liabilities		<b>4,958</b>	449	<b>2,091</b>	221
<b>Capital and reserves</b>					
Share capital	22	<b>4,786</b>	4,688	<b>4,786</b>	4,688
Treasury shares	23	<b>(120)</b>	(71)	<b>(120)</b>	(71)
Other reserves	24	<b>114</b>	212	<b>40</b>	138
Translation reserve		<b>(41)</b>	369	–	–
Accumulated profits		<b>35,867</b>	33,040	<b>25,865</b>	12,520
Equity attributable to owners of the Company		<b>40,606</b>	38,238	<b>30,571</b>	17,275
Non-controlling interests		<b>(69)</b>	–	–	–
Total equity		<b>40,537</b>	38,238	<b>30,571</b>	17,275
<b>Total liabilities and equity</b>		<b>57,666</b>	46,486	<b>40,056</b>	25,599

See accompanying notes to financial statements.



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended June 30, 2020

	<b>Note</b>	<b>2020</b> <b>US\$'000</b>	2019 US\$'000
<b>Revenue</b>			
Cost of sales	25	<b>60,353</b> <b>(42,282)</b>	57,892 (39,648)
<b>Gross profit</b>		<b>18,071</b>	18,244
Other income	26	<b>1,215</b>	828
Distribution costs		<b>(5,276)</b>	(5,001)
Administrative expenses		<b>(9,135)</b>	(8,108)
Other expenses	27	<b>(93)</b>	(204)
Share of results of associate	11	–	*
Finance costs	28	<b>(157)</b>	(30)
<b>Profit before income tax</b>		<b>4,625</b>	5,729
Income tax expense	29	<b>(500)</b>	(420)
<b>Profit for the year</b>	30	<b>4,125</b>	5,309
<b>Profit attributable to:</b>			
Owners of the company		<b>4,336</b>	5,309
Non-controlling interests		<b>(211)</b>	–
		<b>4,125</b>	5,309
<i>Items that may be classified subsequently to profit or loss:</i>			
Translation of differences arising from consolidation of foreign operations		<b>(412)</b>	(297)
<b>Other comprehensive loss for the year, net of tax</b>		<b>(412)</b>	(297)
<b>Total comprehensive income for the year</b>		<b>3,713</b>	5,012
<b>Total comprehensive income attributable to:</b>			
Owners of the company		<b>3,926</b>	5,012
Non-controlling interests		<b>(213)</b>	–
		<b>3,713</b>	5,012
<b>Earnings per share (US cents)</b>			
Basic	32	<b>5.25</b>	6.44
Diluted	32	<b>5.25</b>	6.44

\* This represents amount less than US\$1,000.

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

Year ended June 30, 2020

Note	Share	Treasury	Other	Translation	Accumulated	Total	Non-	Total
	capital	shares	reserves	reserve	profits		controlling	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	interests	US\$'000
<b>GROUP</b>								
Balance at July 1, 2018	4,525	(71)	240	666	28,926	34,286	-	34,286
<i>Total comprehensive</i>								
<i>income for the year:</i>								
Profit for the year	-	-	-	-	5,309	5,309	-	5,309
Other comprehensive loss	-	-	-	(297)	-	(297)	-	(297)
Total	-	-	-	(297)	5,309	5,012	-	5,012
<i>Transactions with owners, recognised directly in equity:</i>								
Dividends	31	-	-	-	(1,195)	(1,195)	-	(1,195)
Issue of new shares	22, 24	163	-	(163)	-	-	-	-
Share-based payments	24	-	-	135	-	135	-	135
Total		163	-	(28)	(1,195)	(1,060)	-	(1,060)
Balance at June 30, 2019	4,688	(71)	212	369	33,040	38,238	-	38,238
<i>Total comprehensive</i>								
<i>income for the year:</i>								
Profit for the year	-	-	-	-	4,336	4,336	(211)	4,125
Other comprehensive loss	-	-	-	(410)	-	(410)	(2)	(412)
Total	-	-	-	(410)	4,336	3,926	(213)	3,713
<i>Transactions with owners, recognised directly in equity:</i>								
<i>Non-controlling interests from investment in subsidiary</i>								
		-	-	-	-	-	144	144
Dividends	31	-	-	-	(1,509)	(1,509)	-	(1,509)
Issue of new shares	22, 24	98	-	(98)	-	-	-	-
Repurchase of shares		-	(49)	-	-	(49)	-	(49)
Total		98	(49)	(98)	(1,509)	(1,558)	144	(1,414)
<b>Balance at June 30, 2020</b>	<b>4,786</b>	<b>(120)</b>	<b>114</b>	<b>(41)</b>	<b>35,867</b>	<b>40,606</b>	<b>(69)</b>	<b>40,537</b>

# STATEMENTS OF CHANGES IN EQUITY

Year ended June 30, 2020

	<b>Note</b>	<b>Share capital US\$'000</b>	<b>Treasury shares US\$'000</b>	<b>Other reserves US\$'000</b>	<b>Accumulated profits US\$'000</b>	<b>Total US\$'000</b>
<u>COMPANY</u>						
Balance at July 1, 2018		4,525	(71)	166	12,192	16,812
Profit for the year, representing total comprehensive income for the year		–	–	–	1,523	1,523
<i>Transactions with owners, recognised directly in equity:</i>						
Dividends	31	–	–	–	(1,195)	(1,195)
Issue of new shares	22, 24	163	–	(163)	–	–
Share-based payments	24	–	–	135	–	135
Total		163	–	(28)	(1,195)	(1,060)
Balance at June 30, 2019		4,688	(71)	138	12,520	17,275
Profit for the year, representing total comprehensive income for the year		–	–	–	14,854	14,854
<i>Transactions with owners, recognised directly in equity:</i>						
Dividends	31	–	–	–	(1,509)	(1,509)
Issue of new shares	22, 24	98	–	(98)	–	–
Repurchase of shares		–	(49)	–	–	(49)
Total		98	(49)	(98)	(1,509)	(1,558)
<b>Balance at June 30, 2020</b>		<b>4,786</b>	<b>(120)</b>	<b>40</b>	<b>25,865</b>	<b>30,571</b>

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2020

	2020 US\$'000	2019 US\$'000
<b>Operating activities</b>		
Profit before income tax	4,625	5,729
Adjustments for:		
Depreciation of property, plant and equipment	1,731	1,628
Depreciation of right-of-use assets	1,392	–
Property, plant and equipment written off	–	4
Allowance for inventories – net	345	234
Inventories written off	31	15
Allowance for doubtful trade receivables – net	2	–
Bad debts written off	4	–
Other receivables written off	–	51
(Gain) Loss on disposal of property, plant and equipment – net	(5)	3
Loss on disposal of associate company	1	–
Equity-settled share-based payments	–	135
Share of results of associate	–	*
Interest income	(224)	(170)
Interest expense	157	30
Operating cash flows before movements in working capital	8,059	7,659
Trade receivables	(250)	466
Other receivables	47	(246)
Inventories	(1,163)	(1,388)
Trade payables	478	(415)
Other payables	1,629	(298)
Cash generated from operations	8,800	5,778
Interest paid	(157)	(30)
Interest received	224	170
Income tax paid	(277)	(615)
Net cash from operating activities	8,590	5,303
<b>Investing activities</b>		
Deposits for property, plant and equipment	(3,737)	–
Proceeds from disposal of property, plant and equipment	29	80
Purchase of property, plant and equipment (Note B)	(1,309)	(937)
Net cash used in investing activities	(5,017)	(857)
<b>Financing activities</b>		
Dividends paid	(1,509)	(1,195)
Decrease in bills payables (Note A)	–	(52)
Repayment of bank loans (Note A)	(339)	(189)
Proceeds from bank loans (Note A)	2,650	–
Purchase of treasury shares (Note A)	(49)	–
Repayment of leases liabilities (Note A)	(1,231)	–
Repayment of finance leases (Note A)	–	(48)
Net cash used in financing activities	(478)	(1,484)
Net increase in cash and cash equivalents	3,095	2,962
Cash and cash equivalents at beginning of year (Note 6)	13,394	10,502
Effects of exchange rate change on balance of cash held in foreign currencies	(63)	(70)
<b>Cash and cash equivalents at end of year (Note 6)</b>	<b>16,426</b>	<b>13,394</b>

\* This represents amount less than US\$1,000.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended June 30, 2020

Note A:

Reconciliation of liabilities arising from financing activities

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

	June 30, 2019 US\$'000	Adoption of SFRS(I)-16 US\$'000	July 1, 2019 US\$'000	Financing cash flow US\$'000	<b>Non-cash changes</b>		<b>June 30, 2020 US\$'000</b>
					New lease liabilities US\$'000	Disposal of lease liabilities US\$'000	
Finance leases (Note 20)	21	(21)	–	–	–	–	–
Lease liabilities (Note 19)	–	3,755	3,755	(1,231)	1,757	(51)	<b>4,230</b>
	21	3,734	3,755	(1,231)	1,757	(51)	<b>4,230</b>

Note B:

In 2020, included in the addition of property, plant and equipment (Note 14) was an amount of \$30,000 which related to non-cash contributions from non-controlling shareholder of a subsidiary.

See accompanying notes to financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 1 GENERAL

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

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

The principal activities of the subsidiaries and associate are disclosed in Notes 10 and 11 respectively to the financial statements.

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the year ended June 30, 2020 were authorised for issue by the Board of Directors on October 7, 2020.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payments*, leasing transactions that are within the scope of SFRS(I) 1-16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**ADOPTION OF NEW AND REVISED STANDARDS** – In the current financial year, the Group and the Company has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after July 1, 2019. 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.

### **SFRS(I) 16 Leases**

SFRS(I) 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of SFRS(I) 16 on the Group's consolidated financial statements is described below.

The date of initial application of SFRS(I) 16 for the Group is July 1, 2019.

#### (a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to SFRS(I) 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with SFRS(I) 1-17 and SFRS(I) INT 4 will continue to be applied to those leases entered or changed before July 1, 2019.

The change in definition of a lease mainly relates to the concept of control. SFRS(I) 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in SFRS(I) 1-17 and SFRS(I) INT 4.

The Group applies the definition of a lease and related guidance set out in SFRS(I) 16 to all lease contracts entered into or modified on or after July 1, 2019 (whether it is a lessor or a lessee in the lease contract). The new definition in SFRS(I) 16 does not significantly change the scope of contracts that meet the definition of a lease for the Group.

#### (b) Impact on lessee accounting

##### *Former operating leases*

SFRS(I) 16 changes how the Group accounts for leases previously classified as operating leases under SFRS(I) 1-17, which were off-balance-sheet.

Applying SFRS(I) 16, for all leases, the Group:

- a) Recognises right-of-use assets and lease liabilities in the statements of financial position, initially measured at the present value of the remaining lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with SFRS(I) 16:C8(b)(ii), except for the right-of-use asset for property leases which were measured on a retrospective basis as if the standard had been applied since the commencement date;

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and
- (c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under SFRS(I) 1-17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under SFRS(I) 16, right-of-use assets are tested for impairment in accordance with SFRS(I) 1-36 *Impairment of Assets*.

For short-term leases (lease term of 12 months or less) and leases of low-value assets the Group has opted to recognise a lease expense on a straight-line basis as permitted by SFRS(I) 16. This expense is presented within other operating expenses in the statement of profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying SFRS(I) 1-17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under SFRS(I) 1-37 in the statements of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

### *Former finance leases*

For leases that were classified as finance leases applying SFRS(I) 1-17, the carrying amount of the leased assets and obligations under finance leases measured applying SFRS(I) 1-17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the company has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying SFRS(I) 16 from July 1, 2019.



# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Financial impact of initial application of SFRS(I) 16

The weighted average lessee's incremental borrowing rate applied to the lease liabilities recognised in the statement of financial position on July 1, 2019 is 4.6%.

The following table shows the operating lease commitments disclosed applying SFRS(I) 1-17 at June 30, 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	2019 US\$'000
Operating lease commitments at June 30, 2019	3,194
Less: Effect of discounting the above amounts	(287)
Add: Present value of the lease payments due in periods covered by extension options that are included in the lease term and not previously included in operating lease commitments	1,068
Less: Non lease component previously included in operating lease commitment	(220)
<b>Lease liabilities recognized as at July 1, 2019</b>	<b>3,755</b>

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application, except for the right-of-use assets for property leases which were measured on a retrospective basis as if the Standard had been applied since the commencement date.

During the year, leasehold land previously held under property, plant and equipment applying SFRS(I) 1-16, which amounted to US\$1,860,000, have been reclassified to 'right-of-use assets' under SFRS(I) 16 at date of initial application as disclosed in Notes 14 and 15 respectively.

**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.

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

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

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

### Financial assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

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

#### Classification of financial assets

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

### *Amortised cost and effective interest method*

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

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

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

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

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

Interest income is recognised in profit or loss and is included in the "other income" line item.

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Equity instruments designated as at FVTOCI*

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

A financial asset is held for trading if:

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

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

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

### Foreign exchange gains and losses

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

### Impairment of financial assets

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

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

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

### *Significant increase in credit risk*

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

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

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

### *Definition of default*

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

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

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

### *Credit-impaired financial assets*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Write-off policy*

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

### *Measurement and recognition of expected credit losses*

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

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

### *Derecognition of financial assets*

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

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

### **Financial liabilities and equity instruments**

#### Classification as debt or equity

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

#### Equity instruments

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

#### Treasury shares

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

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 (before July 1, 2019) – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### The Group as lessor

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

### The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES (from July 1, 2019)

### The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statements of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Impairment of Tangible Assets.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in the statement of profit or loss.

As a practical expedient, SFRS(I) 1-16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The company has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

### The Group as lessor

Leases for which the group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with SFRS(I) 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

The requirements of SFRS(I) 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with SFRS(I) 1-36 *Impairment of Assets* as a single asset by comparing its recoverable amount with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with SFRS(I) 1-36 to the extent that the recoverable amount of the investment subsequently increases.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT – Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their costs, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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

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

Buildings	–	5 – 50 years
Buildings improvements	–	2 – 5 years
Plant and machinery	–	2 – 10 years
Office equipment	–	3 – 10 years
Motor vehicles	–	5 – 10 years

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.

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

### Sale of goods

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

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

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Interest income

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

### Rental income

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

### Dividend income

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

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

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

**SHARE-BASED PAYMENTS** – The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 33. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity settled employee benefits reserve.

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

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

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

### (ii) Key sources of estimation uncertainty

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

#### (a) Allowances for inventories

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

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

#### (b) Recoverable amounts of trade and other receivables

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

### (a) Categories of financial instruments

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

	GROUP		COMPANY	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
<b>Financial assets</b>				
Amortised cost	<b>20,896</b>	17,181	<b>30,614</b>	16,601
<b>Financial liabilities</b>				
Amortised cost	<b>9,595</b>	5,806	<b>8,061</b>	7,612
Lease liabilities (2019: Finance leases)	<b>4,230</b>	21	<b>584</b>	–

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

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

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

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

The Group does not hold nor issue derivative financial instruments.

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

#### (i) Foreign currency risk management

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

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

	GROUP			
	Assets		Liabilities	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
USD	<b>1,668</b>	1,697	<b>18</b>	38
RMB	<b>46</b>	72	<b>38</b>	86
SGD	<b>388</b>	319	<b>1,196</b>	1,219
VND	<b>6,771</b>	901	<b>1,791</b>	2,248

	COMPANY			
	Assets		Liabilities	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
RMB	<b>46</b>	72	<b>38</b>	86
SGD	<b>389</b>	319	<b>1,780</b>	1,219

### Foreign currency sensitivity

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

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	
	2020	2019	2020	2019	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
GROUP								
Profit or loss	<b>(165)</b>	(166)	<b>(1)</b>	1	<b>81</b>	90	<b>(498)</b>	135
COMPANY								
Profit or loss	-	-	<b>(1)</b>	1	<b>139</b>	90	-	-

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

### (ii) Interest rate risk management

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

#### *Interest rate sensitivity*

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's and Company's profit or loss for the year ended June 30, 2020 would decrease/increase by US\$14,000 and US\$14,000 (2019: US\$2,000 and US\$2,000) 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.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

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

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

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

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount US\$'000	Loss allowance US\$'000	Net carrying amount US\$'000
<b>GROUP</b>						
<b>2020</b>						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	<b>3,641</b>	<b>(2)</b>	<b>3,639</b>
Other receivables	8	Performing	12m ECL	<b>852</b>	<b>(21)</b>	<b>831</b>
					<b>(23)</b>	
<b>2019</b>						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	3,424	–	3,424
Other receivables	8	Performing	12m ECL	500	(137)	363
					(137)	

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount US\$'000	Loss allowance US\$'000	Net carrying amount US\$'000
<u>COMPANY</u>						
<b>2020</b>						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	<b>4,502</b>	–	<b>4,502</b>
Other receivables	8	Performing	12m ECL	<b>114</b>	<b>(21)</b>	<b>93</b>
Amount owing by subsidiaries	8	(i)	Lifetime ECL (simplified approach)	<b>18,437</b>	<b>(1,261)</b>	<b>17,176</b>
					<u><b>(1,282)</b></u>	
<b>2019</b>						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	4,334	–	4,334
Other receivables	8	Performing	12m ECL	51	(21)	30
Amount owing by subsidiaries	8	(i)	Lifetime ECL (simplified approach)	5,189	(1,261)	3,928
					<u>(1,282)</u>	

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

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

At the end of the year, the Group has outstanding trade receivables from the top 5 customers which represent 69% (2019: 48%) of total trade receivables balance at year end.

At the end of the year, the Company has outstanding trade and other receivables of US\$930,000 (2019: US\$1,134,000) and US\$17,176,000 (2019: US\$3,928,000) respectively from its subsidiaries which represent 21% (2019: 26%) and 97% (2019: 92%) respectively of its total trade and other receivables. Ongoing credit evaluation is performed on the financial condition of its subsidiaries.



# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

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

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

	GROUP		COMPANY	
	June 30, 2020 US\$'000	June 30, 2019 US\$'000	June 30, 2020 US\$'000	June 30, 2019 US\$'000
Carrying amount (Note 7)	<b>3,639</b>	3,424	<b>4,502</b>	4,334
Less: Amount covered by letters of credits from customers	<b>(1,058)</b>	(1,111)	<b>(1,058)</b>	(1,111)
Less: Credit insurance	<b>(2,488)</b>	(2,014)	<b>(2,488)</b>	(2,014)
Net exposure to credit risk	<b>93</b>	299	<b>956</b>	1,209

(iv) Liquidity risk management

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

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

### *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.

	<b>Weighted average effective interest rate %</b>	<b>On demand or within 1 year US\$'000</b>	<b>Within 2 to 5 years US\$'000</b>	<b>Adjustment US\$'000</b>	<b>Total US\$'000</b>
<u>GROUP</u>					
<b>2020</b>					
Non-interest bearing	–	12,796	–	–	12,796
Fixed interest rate instruments	1.23	8,136	–	(36)	8,100
Total		<b>20,932</b>	–	<b>(36)</b>	<b>20,896</b>
<b>2019</b>					
Non-interest bearing	–	7,179	–	–	7,179
Fixed interest rate instruments	2.51	10,093	–	(91)	10,002
Total		17,272	–	(91)	17,181
<u>COMPANY</u>					
<b>2020</b>					
Non-interest bearing	–	13,033	11,078	–	24,111
Fixed interest rate instruments	0.98	6,532	–	(29)	6,503
Total		<b>19,565</b>	<b>11,078</b>	<b>(29)</b>	<b>30,614</b>
<b>2019</b>					
Non-interest bearing	–	8,795	–	–	8,795
Fixed interest rate instruments	1.96	7,878	–	(72)	7,806
Total		16,673	–	(72)	16,601

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

### Non-derivative financial liabilities

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

	<b>Weighted average effective interest rate %</b>	<b>On demand or within 1 year US\$'000</b>	<b>Within 2 to 5 years US\$'000</b>	<b>More than 5 years US\$'000</b>	<b>Adjustment US\$'000</b>	<b>Total US\$'000</b>
<u>GROUP</u>						
<b>2020</b>						
Non-interest bearing Lease liabilities (fixed rate)	–	<b>6,881</b>	–	–	–	<b>6,881</b>
Variable interest rate instruments	<b>4.6</b>	<b>1,353</b>	<b>3,149</b>	<b>63</b>	<b>(335)</b>	<b>4,230</b>
	<b>3.8</b>	<b>1,148</b>	<b>1,907</b>	–	<b>(341)</b>	<b>2,714</b>
		<b>9,382</b>	<b>5,056</b>	<b>63</b>	<b>(676)</b>	<b>13,825</b>
<b>2019</b>						
Non-interest bearing Finance lease liability (fixed rate)	–	5,403	–	–	–	5,403
Variable interest rate instruments	4.7	21	1	–	(1)	21
	4.6	214	290	–	(101)	403
		5,638	291	–	(102)	5,827
<u>COMPANY</u>						
<b>2020</b>						
Non-interest bearing Lease liabilities (fixed rate)	–	<b>5,347</b>	–	–	–	<b>5,347</b>
Variable interest rate instruments	<b>4.6</b>	<b>181</b>	<b>437</b>	–	<b>(34)</b>	<b>584</b>
	<b>3.8</b>	<b>1,148</b>	<b>1,907</b>	–	<b>(341)</b>	<b>2,714</b>
		<b>6,676</b>	<b>2,344</b>	–	<b>(375)</b>	<b>8,645</b>
<b>2019</b>						
Non-interest bearing Variable interest rate instruments	–	7,209	–	–	–	7,209
	4.6	214	290	–	(101)	403
		7,423	290	–	(101)	7,612

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

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

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

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

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

Financial assets	Fair value as at June 30, 2020 and 2019 US\$'000	Fair value hierarchy	Valuation technique and key input	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Financial assets at fair value through other comprehensive income	–	Level 3	Net asset value of the investee	Net asset value	The higher the net asset value, the higher the fair value.

### (d) Capital management policies and objectives

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

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

The Group reviews its capital structure periodically. It balances its overall capital structure through the payment of dividends, new share issues, buy back of issued shares as well as the issue of new debt or the redemption of existing debt. The Group is in compliance with all externally imposed capital requirements.

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

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 5 RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effects of these on the basis determined between the parties are reflected in these financial statements and the balances are unsecured, interest-free and repayable on demand unless stated otherwise.

Significant related party transactions are as follows:

	<b>GROUP</b>	
	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000
<u>Companies in which a director has interests in:</u>		
Rental of land from a related party	<b>70</b>	72
<u>Companies in which a key management personnel has interests in:</u>		
Management fee income from a related party	<b>19</b>	24

### Compensation of directors and key management personnel

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

	<b>GROUP</b>	
	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000
Short-term benefits	<b>2,534</b>	2,314
Post-employment benefits	<b>97</b>	100
Share-based payments	<b>97</b>	164
	<b>2,728</b>	2,578

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

## 6 CASH AND CASH EQUIVALENTS

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000	<b>US\$'000</b>	US\$'000
Cash at bank	<b>16,422</b>	13,385	<b>8,842</b>	8,306
Cash on hand	<b>4</b>	9	<b>1</b>	3
	<b>16,426</b>	13,394	<b>8,843</b>	8,309

The Group's cash at bank includes short-term deposits with an original maturity period of six months or less amounting to US\$8,100,000 (June 30, 2019: US\$10,002,000) which bear effective interest at a fixed rate of 0.05% to 6.80% (June 30, 2019: 1.55% to 6.60%) per annum.

The Company's cash at bank includes short-term deposits with an original maturity period of six months or less amounting to US\$6,504,000 (June 30, 2019: US\$7,806,000) which bear effective interest at a fixed rate of 0.12% to 1.83% (June 30, 2019: 1.57% to 2.84%) per annum.

The short-term deposits are repayable on demand and can be called upon at the discretion of the Group and Company and financial loss on principal is minimal.

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 7 TRADE RECEIVABLES

	GROUP		COMPANY	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
Outside parties	<b>3,641</b>	3,424	<b>3,572</b>	3,200
Subsidiaries (Note 10)	–	–	<b>930</b>	1,134
Less: Loss allowance for doubtful debts	<b>(2)</b>	–	–	–
	<b>3,639</b>	3,424	<b>4,502</b>	4,334

The average credit period on sale of goods is 30 days (2019: 30 days). No interest is charged on the trade receivables.

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

	GROUP		COMPANY	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
Not past due and not impaired	<b>3,392</b>	2,971	<b>3,439</b>	3,079
Past due but not impaired <sup>(i)</sup>	<b>247</b>	453	<b>1,063</b>	1,255
	<b>3,639</b>	3,424	<b>4,502</b>	4,334
Impaired receivables – collectively assessed <sup>(iii)</sup>	<b>2</b>	–	–	–
Less: Allowance for impairment	<b>(2)</b>	–	–	–
	–	–	–	–
Total trade receivables, net	<b>3,639</b>	3,424	<b>4,502</b>	4,334

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

	GROUP		COMPANY	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
<30 days	<b>227</b>	441	<b>335</b>	441
31 to 90 days	<b>1</b>	1	<b>48</b>	1
91 to 180 days	<b>13</b>	10	<b>13</b>	10
181 to 360 days	<b>6</b>	1	<b>6</b>	1
>360 days <sup>(ii)</sup>	–	–	<b>661</b>	802
	<b>247</b>	453	<b>1,063</b>	1,255

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

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

During the year, an amount of US\$4,000 (2019: US\$Nil) was assessed not collectible and was written off in profit or loss (Note 27).

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 7 TRADE RECEIVABLES (CONTINUED)

### Analysis of trade receivables

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

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

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

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

## 8 OTHER RECEIVABLES

	GROUP		COMPANY	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
Subsidiaries (Note 10) <sup>(a)</sup>	–	–	<b>18,437</b>	5,189
Related parties with common directors (Note 5)	<b>24</b>	26	<b>21</b>	21
Deposits <sup>(b)</sup>	<b>4,259</b>	420	<b>11</b>	8
Prepayments	<b>1,005</b>	1,187	<b>385</b>	292
Government grant receivable	<b>260</b>	–	<b>80</b>	–
Value added tax recoverable	<b>777</b>	1,110	<b>3</b>	6
Others	<b>46</b>	54	<b>2</b>	22
	<b>6,371</b>	2,797	<b>18,939</b>	5,538
Less: Loss allowance for doubtful debts:				
Outside parties	–	(116)	–	–
Subsidiaries	–	–	<b>(1,261)</b>	(1,261)
Related parties	<b>(21)</b>	(21)	<b>(21)</b>	(21)
	<b>6,350</b>	2,660	<b>17,657</b>	4,256
Less non-current portion:				
Deposits <sup>(b)</sup>	<b>(3,737)</b>	–	–	–
Subsidiaries	–	–	<b>(11,078)</b>	–
	<b>2,613</b>	2,660	<b>6,579</b>	4,256

(a) Amounts due from subsidiaries are non-trade related, unsecured, non-interest bearing, and repayable on demand. The balances included dividend receivables of US\$11,078,000 (2019: US\$2,437,000). Certain balances have been classified as non-current assets as the Company does not expect for repayment within 12 months after the reporting date.

(b) The amount related to advances paid for acquisition of leasehold lands.

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 8 OTHER RECEIVABLES (CONTINUED)

Movement in loss allowance for doubtful debts:

	GROUP		COMPANY	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
Balance at beginning of year	137	137	1,282	1,282
Write off during the year	(116)	–	–	–
Balance at end of year	21	137	1,282	1,282

In 2019, an amount of US\$51,000 was assessed not collectible and was written off in profit or loss (Note 27).

### Other receivables

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

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 9 INVENTORIES

	<b>GROUP</b>	
	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000
Raw materials	<b>4,605</b>	4,864
Work in progress	<b>2,447</b>	2,704
Finished goods	<b>5,260</b>	3,633
	<b>12,312</b>	11,201
Less: Allowance for inventories	<b>(965)</b>	(620)
	<b>11,347</b>	10,581
Movement in allowance for inventories:		
Balance at beginning of the year	<b>620</b>	386
Charge to profit or loss for the year	<b>345</b>	234
Balance at end of the year	<b>965</b>	620

As at June 30, 2020, the Company held finished goods of US\$46,000 (2019: US\$205,000).

Inventories of US\$31,000 (2019: US\$15,000) were written off and recognised directly in profit or loss for goods which are not in saleable conditions (Note 27).

## 10 INVESTMENT IN SUBSIDIARIES

	<b>COMPANY</b>	
	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000
Unquoted equity shares, at cost	<b>9,461</b>	9,461
Less: Impairment loss	<b>(1,526)</b>	(1,526)
	<b>7,935</b>	7,935
Movement in impairment loss:		
Balance at beginning and end of year	<b>1,526</b>	1,526

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

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

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 10 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are described below:

Subsidiaries	Portion of ownership interest and voting power held		Principal activities and country of incorporation (or registration)/ operations
	2020	2019	
	%	%	
Jatat Furniture Industries Sdn Bhd <sup>(1)</sup>	<b>100</b>	100	Timber merchants and manufacturers, exporters, wholesalers and retailers of furniture. (Malaysia)
Koda Woodcraft Sdn Bhd <sup>(1)</sup>	<b>100</b>	100	Timber merchants and manufacturers, exporters, wholesalers and retailers of furniture. (Malaysia)
Koda Indochine Co., Ltd <sup>(1)</sup>	<b>100</b>	100	Dormant. (Vietnam)
Koda International Co., Ltd <sup>(1)</sup>	<b>100</b>	100	Dormant. (Vietnam)
Koda Saigon Co., Ltd <sup>(1)</sup>	<b>100</b>	100	Production of wooden furniture, steel furniture, inlaying of marble on wood and interior decoration. (Vietnam)
Koda Vietnam Co., Ltd <sup>(2)</sup>	–	100	Dormant. (Vietnam)
Commune Lifestyle Pte Ltd	<b>100</b>	100	Retail of furniture. (Singapore)
Commune Lifestyle Sdn Bhd <sup>(1)</sup>	<b>100</b>	100	Trading and export of furniture. (Malaysia)
Commune (Dongguan) Trading Co. Ltd <sup>(1)</sup>	<b>100</b>	100	Trading and export of furniture. (China)
Commune (Chongqing) Trading Co. Ltd <sup>(3)</sup>	<b>50</b>	–	Retail of furniture. (China)

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

- (1) Audited by overseas practices of Deloitte & Touche.
- (2) Liquidated on July 4, 2019.
- (3) The subsidiary was incorporated on August 7, 2019.

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 11 INVESTMENT IN AN ASSOCIATE

	GROUP	
	2020 US\$'000	2019 US\$'000
Cost of investment in associate	–	6
Share of post-acquisition results, net of dividend received	–	(3)
Currency realignment	–	(1)
	–	2

Details of the Group's associate are as follows:

Name of Associate	Portion of ownership interest and voting power held		Principal activities and country of incorporation (or registration)/ operations
	2020	2019	
	%	%	
Commune Furniture (M) Sdn. Bhd <sup>(1)</sup>	–	19.9	Dormant. (Malaysia)

(1) Liquidated during the year.

The Group had 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 was appointed by the major shareholder would have the final vote on any resolutions tabled in the board meetings.

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

	2020 US\$'000	2019 US\$'000
Net assets	–	26
Loss net of tax	–	(1)

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

	GROUP	
	2020 US\$'000	2019 US\$'000
Net assets of the associate	–	26
Proportion of the Group's ownership interest in associate	–	19.9%
Share of net assets of the associate	–	5
Less: Share of pre-acquisition losses	–	(3)
Carrying amount of the Group's interest in associate	–	2

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 12 FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	GROUP AND COMPANY	
	2020 US\$'000	2019 US\$'000
Unquoted equity shares, at fair value	6	6
Impairment loss	(6)	(6)
	<u>—</u>	<u>—</u>

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

Since 2016, the Group carried out a review of the recoverable amount of the available-for-sale investment and an impairment loss was recognised.

## 13 CLUB MEMBERSHIPS

	GROUP		COMPANY	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
Club memberships, at cost	280	280	192	192
Impairment loss	(69)	(69)	—	—
Currency realignment	(4)	(4)	—	—
	<u>207</u>	<u>207</u>	<u>192</u>	<u>192</u>
Movement in impairment loss:				
Balance at beginning and end of year	69	69	—	—

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 14 PROPERTY, PLANT AND EQUIPMENT

	Freehold land US\$'000	Buildings US\$'000	Building improvements US\$'000	Plant and machinery US\$'000	Office equipment US\$'000	Motor vehicles US\$'000	Construction- in-progress US\$'000	Total US\$'000
<u>GROUP</u>								
Cost or deemed cost:								
At July 1, 2018	2,965	13,147	289	8,036	1,926	868	–	27,231
Currency realignment	(74)	(80)	3	(81)	(23)	(5)	–	(260)
Additions	–	–	110	561	49	217	–	937
Write off	–	–	(27)	–	–	(77)	–	(104)
Disposals	–	–	–	(51)	–	(125)	–	(176)
At June 30, 2019	2,891	13,067	375	8,465	1,952	878	–	27,628
Adoption of SFRS(I) 16	–	(2,993)	–	–	–	–	–	(2,993)
At July 1, 2019	2,891	10,074	375	8,465	1,952	878	–	24,635
Currency realignment	(93)	(100)	(14)	(112)	(40)	(6)	(1)	(366)
Additions	–	18	423	507	96	144	151	1,339
Write off	–	–	–	(10)	–	–	–	(10)
Disposals	–	–	–	–	–	(64)	–	(64)
At June 30, 2020	<b>2,798</b>	<b>9,992</b>	<b>784</b>	<b>8,850</b>	<b>2,008</b>	<b>952</b>	<b>150</b>	<b>25,534</b>
Accumulated depreciation:								
At July 1, 2018	–	1,825	283	5,932	1,340	514	–	9,894
Currency realignment	–	–	1	(59)	(14)	(3)	–	(75)
Depreciation	–	783	26	583	154	82	–	1,628
Write off	–	–	(27)	–	–	(73)	–	(100)
Disposals	–	–	–	(51)	–	(42)	–	(93)
At June 30, 2019	–	2,608	283	6,405	1,480	478	–	11,254
Adoption of SFRS(I) 16	–	(1,133)	–	–	–	–	–	(1,133)
At July 1, 2019	–	1,475	283	6,405	1,480	478	–	10,121
Currency realignment	–	(14)	(9)	(83)	(27)	(5)	–	(138)
Depreciation	–	723	158	633	129	88	–	1,731
Write off	–	–	–	(10)	–	–	–	(10)
Disposals	–	–	–	–	–	(40)	–	(40)
At June 30, 2020	–	<b>2,184</b>	<b>432</b>	<b>6,945</b>	<b>1,582</b>	<b>521</b>	–	<b>11,664</b>
Accumulated impairment:								
At July 1, 2018	–	265	–	–	–	–	–	265
Currency realignment	–	(7)	–	–	–	–	–	(7)
At June 30, 2019	–	258	–	–	–	–	–	258
Currency realignment	–	(6)	–	–	–	–	–	(6)
At June 30, 2020	–	<b>252</b>	–	–	–	–	–	<b>252</b>
Carrying amount:								
At June 30, 2020	<b>2,798</b>	<b>7,556</b>	<b>352</b>	<b>1,905</b>	<b>426</b>	<b>431</b>	<b>150</b>	<b>13,618</b>
At June 30, 2019	2,891	10,201	92	2,060	472	400	–	16,116

In 2019, the Group had motor vehicles with carrying amounts of US\$20,000 under finance lease agreements (Note 20).

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Building US\$'000	Plant and machinery US\$'000	Office equipment US\$'000	Motor vehicles US\$'000	Total US\$'000
<u>COMPANY</u>					
Cost or deemed cost:					
At July 1, 2018	757	648	403	465	2,273
Additions	–	–	8	191	199
Disposal	–	–	–	(125)	(125)
Write off	–	–	–	(78)	(78)
At June 30, 2019	757	648	411	453	2,269
Adoption of SFRS(I) 16	(757)	–	–	–	(757)
At July 1, 2019	–	648	411	453	1,512
Additions	–	–	20	–	20
At June 30, 2020	–	<b>648</b>	<b>431</b>	<b>453</b>	<b>1,532</b>
Accumulated depreciation:					
At July 1, 2018	757	553	359	257	1,926
Depreciation	–	27	22	41	90
Write off	–	–	–	(73)	(73)
Disposals	–	–	–	(42)	(42)
At June 30, 2019	757	580	381	183	1,901
Adoption of SFRS(I) 16	(757)	–	–	–	(757)
At July 1, 2019	–	580	381	183	1,144
Depreciation	–	27	16	36	79
At June 30, 2020	–	<b>607</b>	<b>397</b>	<b>219</b>	<b>1,223</b>
Carrying amount:					
At June 30, 2020	–	<b>41</b>	<b>34</b>	<b>234</b>	<b>309</b>
At June 30, 2019	–	68	30	270	368

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 15 RIGHT-OF-USE ASSETS

The Group leases several assets including leasehold land and buildings, office space and retail store. The average lease term is 3 years.

	<b>Leasehold land and buildings US\$'000</b>	<b>Office and retail store US\$'000</b>	<b>Total US\$'000</b>
<u>GROUP</u>			
Cost:			
At July 1, 2019	4,528	2,220	6,748
Additions	–	1,757	1,757
Disposal	–	(54)	(54)
Currency realignment	(14)	(74)	(88)
At June 30, 2020	<b>4,514</b>	<b>3,849</b>	<b>8,363</b>
Accumulated depreciation:			
At July 1, 2019	1,133	–	1,133
Depreciation for the year	363	1,029	1,392
Disposal	–	(54)	(54)
Currency realignment	(1)	(5)	(6)
At June 30, 2020	<b>1,495</b>	<b>970</b>	<b>2,465</b>
Carrying amount:			
At June 30, 2020	<b>3,019</b>	<b>2,879</b>	<b>5,898</b>
At July 1, 2019	3,395	2,220	5,615

During the year, certain leases for office space expired. The expired contracts were replaced by new leases for identical underlying assets. This resulted in additions to right-of-use assets of US\$1,757,000 during the year.

	<b>Office space US\$'000</b>
<u>COMPANY</u>	
Cost:	
At July 1, 2019 and June 30, 2020	<b>1,496</b>
Accumulated depreciation:	
At July 1, 2019	757
Depreciation for the year	167
At June 30, 2020	924
Carrying amount:	
At June 30, 2020	<b>572</b>
At July 1, 2019	739

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 16 DEFERRED TAX (LIABILITIES) ASSETS

	<b>GROUP</b>	
	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000
Balance at beginning of year	<b>(126)</b>	(245)
Credit to profit or loss (Note 29)	<b>38</b>	112
Currency realignment	<b>9</b>	7
Balance at end of year	<b>(79)</b>	(126)

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

	<b>GROUP</b>	
	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000
Deferred tax assets	<b>181</b>	102
Deferred tax liabilities	<b>(260)</b>	(228)
	<b>(79)</b>	(126)

The balance comprises mainly the tax effect of:

	<b>GROUP</b>	
	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000
Tax loss carry forward	<b>301</b>	102
Property, plant and equipment	<b>(380)</b>	(228)
Net	<b>(79)</b>	(126)

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\$14,728,000 (2019: US\$24,977,000). 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.

## 17 TRADE PAYABLES

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000	<b>US\$'000</b>	US\$'000
Subsidiaries (Note 10)	–	–	<b>3,415</b>	5,617
Related parties with common Directors (Note 5)	<b>13</b>	13	<b>13</b>	13
Outside parties	<b>2,669</b>	2,262	<b>39</b>	84
	<b>2,682</b>	2,275	<b>3,467</b>	5,714

The average credit period on purchases of goods is 30 days (2019: 30 days). No interest is charged on the trade payables.



# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 18 OTHER PAYABLES

	GROUP		COMPANY	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
Accrued expenses	<b>3,636</b>	2,815	<b>1,752</b>	1,235
Advances from customers	<b>1,934</b>	1,689	<b>543</b>	712
Deferred grant income	<b>375</b>	–	<b>131</b>	–
Due to directors	<b>16</b>	75	–	–
Due to related parties (Note 5) <sup>(a)</sup>	<b>8</b>	8	<b>1</b>	1
Due to subsidiaries (Note 10) <sup>(b)</sup>	–	–	<b>108</b>	240
Refundable deposits received	<b>402</b>	93	<b>16</b>	16
Value added tax payable	<b>105</b>	167	–	–
Others	<b>137</b>	137	<b>3</b>	3
	<b>6,613</b>	4,984	<b>2,554</b>	2,207

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

(b) Amounts due to subsidiaries are non-trade related, unsecured, non-interest bearing, and repayable on demand.

## 19 LEASE LIABILITIES

	GROUP 2020 US\$'000	COMPANY 2020 US\$'000
Maturity analysis:		
Year 1	<b>1,352</b>	<b>181</b>
Year 2	<b>1,214</b>	<b>181</b>
Year 3	<b>1,049</b>	<b>181</b>
Year 4	<b>665</b>	<b>75</b>
Year 5	<b>221</b>	–
Year 6	<b>64</b>	–
	<b>4,565</b>	<b>618</b>
Less: Unearned interest	<b>(335)</b>	<b>(34)</b>
	<b>4,230</b>	<b>584</b>
Analysed as:		
Current	<b>1,201</b>	<b>162</b>
Non-current	<b>3,029</b>	<b>422</b>
	<b>4,230</b>	<b>584</b>

The Group and Company do not face a significant liquidity risk with regard to its lease liabilities.

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 20 OBLIGATIONS UNDER FINANCE LEASES

	<b>GROUP</b>	
	Minimum lease payments 2019 US\$'000	Present value of minimum lease payments 2019 US\$'000
Amounts payable under finance leases:		
Within one year	22	21
Less: Future finance charges	(1)	–
Present value of lease obligations	<u>21</u>	<u>21</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)		<u>(21)</u>
Amount due for settlement after 12 months		<u>–</u>

It was the Group's policy to lease certain of its motor vehicles under finance leases. In 2019, the average lease term was 5 years. The range of effective borrowing rate was 4.64% to 4.83% per annum for the Group. Interest rates were fixed at the contract date, and thus exposed the Group to fair value interest rate risk. All leases were on a fixed repayment basis and no arrangements had been entered into for contingent rental payments.

The Group's obligations under finance leases were secured by the lessors' title to the leased assets (Note 14). The fair value of the Group's obligations approximated their carrying amounts.

## 21 BANK LOANS

	<b>GROUP AND COMPANY</b>	
	<b>2020 US\$'000</b>	2019 US\$'000
Bank loans	<b>2,714</b>	403
Less: Amount due for settlement within 12 months (shown under current liabilities)	<b>(1,045)</b>	(182)
Amount due for settlement after 12 months	<b><u>1,669</u></b>	<u>221</u>

The carrying amounts of bank loans approximate the fair value.

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

- (a) Loan of US\$113,000 (2019: US\$222,000). The loan is repayable over 60 monthly instalments of US\$8,700 each, commencing June 2016 and will continue until June 2021. The loan is unsecured and bears interest at 2% per annum above the LIBOR. The effective interest rate for the year was 3.80% (2019: 4.56%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 21 BANK LOANS (CONTINUED)

- (b) Loan of US\$49,000 (2019: US\$101,000). The loan is repayable over 60 monthly instalments of US\$3,900 each, commencing September 2016 and will continue until September 2021. The loan is unsecured and bears interest at 2% per annum above the LIBOR. The effective interest rate for the year was 3.95% (2019: 4.56%) per annum.
- (c) Loan of US\$41,000 (2019: US\$80,000). The loan is repayable over 55 monthly instalments of US\$2,500 each, commencing December 2017 and continues until July 2020. The loan is unsecured and bears interest at 2% per annum above the LIBOR. The effective interest rate for the year is 3.81% (2019: 4.56%) per annum.
- (d) Loan of US\$2,511,000 (2019: US\$Nil). The loan is repayable over 36 monthly instalments of US\$78,000 each, commencing May 2020 and continues until April 2023. The loan is unsecured and bears interest at 1.50% per annum above the LIBOR. The effective interest rate for the year is 3.85% (2019: Nil%) per annum.

## 22 SHARE CAPITAL

	GROUP AND COMPANY			
	2020	2019	2020	2019
	Number of ordinary shares		US\$'000	
	'000	'000		
Issued and paid up:				
At beginning of year	<b>82,743</b>	82,466	<b>4,688</b>	4,525
Issued during the year (Note 24)	<b>225</b>	277	<b>98</b>	163
At end of year	<b>82,968</b>	82,743	<b>4,786</b>	4,688

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

## 23 TREASURY SHARES

	GROUP AND COMPANY			
	2020	2019	2020	2019
	Number of ordinary shares		US\$'000	
	'000	'000		
At beginning of year	<b>230</b>	230	<b>71</b>	71
Repurchased during the year	<b>160</b>	–	<b>49</b>	–
At end of year	<b>390</b>	230	<b>120</b>	71

During the year, the Company acquired 160,000 (2019: Nil) of its own shares through purchases on the SGX-ST during the year. The total amount paid to acquire the shares was US\$49,000 (2019: US\$Nil) and is presented as a deduction from shareholders' equity. The shares are held as "treasury shares".

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 24 CAPITAL RESERVES

	<b>Legal reserve US\$'000</b>	<b>Performance Share Plan reserve US\$'000</b>	<b>Total US\$'000</b>
<u>GROUP</u>			
Balance at July 1, 2018	74	166	240
Share-based payments	–	135	135
Issuance of new shares	–	(163)	(163)
Balance at June 30, 2019	74	138	212
Issuance of new shares	–	(98)	(98)
Balance at June 30, 2020	<b>74</b>	<b>40</b>	<b>114</b>
<u>COMPANY</u>			
Balance at July 1, 2018	–	166	166
Share-based payments	–	135	135
Issuance of new shares	–	(163)	(163)
Balance at June 30, 2019	–	138	138
Issuance of new shares	–	(98)	(98)
Balance at June 30, 2020	–	<b>40</b>	<b>40</b>

- (i) Legal reserve represents local statutory reserve required to be maintained by China tax regulations for the China entity.
- (ii) Performance share plan reserve represents the equity-settled performance shares granted to certain key management personnel. The reserve is made up of the cumulative value of services received from certain key management personnel over the vesting period commencing from the grant date of equity-settled shares awards, and is reduced by the release of share awards. (Note 33).
- (iii) Other reserve represents part of the accumulated profits of a previous subsidiary capitalised in prior years.

## 25 REVENUE

	<b>GROUP</b>	
	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000
Timing of revenue recognition		
At a point in time:		
– Manufacturing	<b>49,473</b>	47,005
– Retail and distribution	<b>10,880</b>	10,887
	<b>60,353</b>	57,892

As of June 30, 2020 and 2019, there was no performance obligations that are unsatisfied or partially satisfied, other than performance obligations to be rendered during the remaining period, which generally cover a period of year. As the Group has the right to bill the customers based on the contractual agreements, the Group has applied the practical expedient not to disclose the related unsatisfied performance obligation.

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 26 OTHER INCOME

	GROUP	
	2020 US\$'000	2019 US\$'000
Rental income	96	73
Interest income on bank balances	224	170
Foreign exchange gain – net	177	205
Gain on disposal of property, plant and equipment	5	–
Government grant income	188	–
Property tax and rental rebate	172	–
Freight revenue	164	161
Design fee	56	38
Sundry income	133	181
	<b>1,215</b>	<b>828</b>

## 27 OTHER EXPENSES

	GROUP	
	2020 US\$'000	2019 US\$'000
Allowance for doubtful trade receivables – net (Note 7)	2	–
Bad debts written off – trade (Note 7)	4	–
Other receivables written off (Note 8)	–	51
Inventories written off (Note 9)	31	15
Loss on disposal of property, plant and equipment	–	3
Equity-settled share-based payments (Note 24)	–	135
Loss on disposal of associate company	1	–
Others	55	–
	<b>93</b>	<b>204</b>

## 28 FINANCE COSTS

	GROUP	
	2020 US\$'000	2019 US\$'000
Interest expense on:		
– Bank loans	30	23
– Finance leases	–	4
– Bills payable	–	3
– Lease liabilities	127	–
	<b>157</b>	<b>30</b>

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 29 INCOME TAX EXPENSE

	GROUP	
	2020 US\$'000	2019 US\$'000
Current income tax	<b>568</b>	497
Deferred tax	<b>(28)</b>	(75)
(Over) Under provision in prior years:		
– Income tax	<b>(30)</b>	35
– Deferred tax	<b>(10)</b>	(37)
Total	<b>500</b>	420

Domestic income tax is calculated at 17% (2019: 17%) of the estimated assessable profit for the year.

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

	GROUP	
	2020 US\$'000	2019 US\$'000
Profit before income tax	<b>4,625</b>	5,729
Tax benefit at the domestic tax rate of 17%	<b>786</b>	974
Tax effect of revenue that is exempt from taxation	<b>(47)</b>	(28)
Tax effect of expenses that are not deductible in determining taxable profit	<b>300</b>	207
Tax effect of utilisation of deferred tax benefits previously not recognised	<b>(477)</b>	(278)
Double tax deduction	–	(63)
Effect of change in tax rates of subsidiary	<b>83</b>	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>(105)</b>	(390)
Over provision in prior years	<b>(40)</b>	(2)
Total income tax	<b>500</b>	420

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

	GROUP		COMPANY	
	2020 US\$'000	2019 US\$'000	2020 US\$'000	2019 US\$'000
Tax losses:				
– At the beginning of the year	<b>3,994</b>	5,288	<b>3,764</b>	5,067
– Adjustments	<b>(501)</b>	320	<b>(428)</b>	52
– Arising during the year	<b>61</b>	(259)	–	–
– Utilised during the year	<b>(3,153)</b>	(1,355)	<b>(3,153)</b>	(1,355)
At the end of the year	<b>401</b>	3,994	<b>183</b>	3,764
Deferred tax benefits on above recorded	<b>181</b>	102	–	–
Deferred tax benefits on above unrecorded	<b>71</b>	686	<b>31</b>	640

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

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 30 PROFIT FOR THE YEAR

	<b>GROUP</b>	
	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000
Directors' remuneration:		
– Directors of the Company	<b>1,851</b>	1,355
– Directors of the subsidiaries	<b>117</b>	83
Fees to directors of the Company	<b>96</b>	99
Employee benefits expense (including directors' remuneration)	<b>17,554</b>	15,629
Costs of defined contribution plans included in employee benefits expense	<b>1,439</b>	1,348
Allowance for inventories	<b>345</b>	234
Inventories written off	<b>31</b>	15
Audit fees paid to auditors of the Company	<b>86</b>	86
Audit fees paid to member firm of the Auditors of the Company	<b>55</b>	60
Cost of inventories recognised as expense	<b>29,135</b>	24,218

### Amount recognised in profit or loss relating to leases (The Group as lessee)

	<b>2020</b>
	<b>US\$'000</b>
Depreciation expense on right-of-use assets (Note 15)	<b>1,392</b>
Interest expense on lease liabilities (Note 28)	<b>127</b>
Expense relating to short-term leases	<b>7</b>
Expense relating to variable lease payments not included in the measurement of the lease liability	<b>1</b>
Income from subleasing right-of-use assets (Note 35)	<b>(96)</b>
	<b>1,431</b>
	2019
	US\$'000
Payment recognised as an expense during the year:	
Minimum lease payments under operating leases (Note 35)	1,215

The total cash outflow for leases amount to US\$1,215,000.

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 31 DIVIDENDS

	<b>GROUP AND COMPANY</b>	
	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000
Dividends paid during the financial year are as follows:		
Final tax-exempt(1-tier) dividend of US\$0.0056 (equivalent to S\$0.0075) per share for the financial year ended June 30, 2018	–	445
Special tax-exempt(1-tier) dividend of US\$0.0056 (equivalent to S\$0.0075) per share for the financial year ended June 30, 2018	–	445
Interim tax-exempt(1-tier) dividend of US\$0.0019 (equivalent to S\$0.0025) per share for the financial year ended June 30, 2019	–	153
Final tax-exempt(1-tier) dividend of US\$0.0019 (equivalent to S\$0.0025) per share for the financial year ended June 30, 2019	–	152
Final tax-exempt(1-tier) dividend of US\$0.0056 (equivalent to S\$0.0075) per share for the financial year ended June 30, 2019	<b>455</b>	–
Special tax-exempt(1-tier) dividend of US\$0.0093 (equivalent to S\$0.0125) per share for the financial year ended June 30, 2019	<b>758</b>	–
Interim tax-exempt(1-tier) dividend of US\$0.0019 (equivalent to S\$0.0025) per share for the financial year ended June 30, 2020	<b>148</b>	–
Special tax-exempt(1-tier) dividend of US\$0.0019 (equivalent to S\$0.0025) per share for the financial year ended June 30, 2020	<b>148</b>	–
	<b>1,509</b>	1,195

Dividends proposed before these financial statements were authorised and not included as liabilities in these financial statements are as follows:

	<b>GROUP AND COMPANY</b>	
	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000
Final tax-exempt (1-tier) dividend of US\$0.0056 (equivalent to S\$0.0075) per share	–	457
Special tax-exempt(1-tier) dividend of US\$0.0093 (equivalent to S\$0.0125) per share	–	765
Final tax-exempt(1-tier) dividend of US\$0.0054 (equivalent to S\$0.0075) per share	<b>445</b>	–
	<b>445</b>	1,222



# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 32 EARNINGS PER SHARE

Basic earnings per ordinary share is calculated on the Group's profit after income tax attributable to the owners of the Company of US\$4,336,000 (2019: US\$5,309,000) divided by 82,596,000 (2019: 82,383,000) weighted average number of ordinary shares in issue during the financial year.

The fully diluted earnings per share and basic earnings per share are the same for the financial years ended June 30, 2020 and 2019.

## 33 SHARE BASED PAYMENT EXPENSE

### Performance Share Plan

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

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

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

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

- (1) Vested shares were allotted and issued to the respective participants and were subject to a two year moratorium from the date the shares were allotted and issued. The Moratorised Shares were not transferred or disposed during the Moratorium Period.
- (2) The vesting period for the balance share awards granted under the PSP 2008 was the period within 6 months from June 30, 2018. Therefore, no further performance shares may be vested under the PSP 2008 as at June 30, 2019.
- (3) In 2019, 907,702 Moratorised Shares expired under the PSP 2008 which expired on October 28, 2018.

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 33 SHARE BASED PAYMENT EXPENSE (CONTINUED)

### Performance Share Plan (Continued)

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

	<b>GROUP AND COMPANY</b>	
	<b>2020</b>	2019
	<b>No. of shares</b>	
Outstanding at the beginning of the year	–	1,185,162
Cancelled, expired or lapsed	–	(907,702)
Vested during the year	–	(277,460)
Outstanding at the end of the year	–	–

In 2019, the Group recognised total expenses of US\$135,000 related to equity-settled share-based payment transactions during the year.

## 34 SEGMENT INFORMATION

### Business segments

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 34 SEGMENT INFORMATION (CONTINUED)

### Business segments (Continued)

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

#### Segment revenue and results

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

	Segment revenue		Segment profit/(loss)	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Manufacturing	<b>49,473</b>	47,005	<b>3,945</b>	4,265
Retail and distribution	<b>10,880</b>	10,887	<b>(285)</b>	870
Total	<b>60,353</b>	57,892	<b>3,660</b>	5,135
Finance costs			<b>(157)</b>	(30)
Other income			<b>1,215</b>	828
Other expenses			<b>(93)</b>	(204)
Profit before income tax			<b>4,625</b>	5,729
Income tax expense			<b>(500)</b>	(420)
Profit for the year			<b>4,125</b>	5,309

Revenue reported above represents revenue generated from external customers.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of central administration costs and director's salaries, share of results of associate, investment revenue and finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 34 SEGMENT INFORMATION (CONTINUED)

### Business segments (Continued)

#### Segment assets and liabilities

	<b>June 30, 2020 US\$'000</b>	June 30, 2019 US\$'000
<b>Segment assets</b>		
Manufacturing	<b>47,547</b>	40,772
Retail and distribution	<b>9,731</b>	5,403
Total segment assets	<b>57,278</b>	46,175
Unallocated assets	<b>388</b>	311
Consolidated total assets	<b>57,666</b>	46,486
<b>Segment liabilities</b>		
Manufacturing	<b>6,634</b>	5,401
Retail and distribution	<b>3,291</b>	2,195
Total segment liabilities	<b>9,925</b>	7,596
Unallocated liabilities	<b>7,204</b>	652
Consolidated total liabilities	<b>17,129</b>	8,248

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

All assets are allocated to reportable segments other than investment in an associate, financial asset at fair value through other comprehensive income, club memberships and deferred tax assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

All liabilities are allocated to reportable segments other than lease liabilities, finance lease liabilities, bank loans and deferred tax liabilities. Liabilities used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 34 SEGMENT INFORMATION (CONTINUED)

### Business segments (Continued)

#### Other segment information

	Depreciation		Additions to non-current assets	
	2020	2019	2020	2019
	US\$'000	US\$'000	US\$'000	US\$'000
Manufacturing	<b>1,838</b>	1,514	<b>668</b>	800
Retail and distribution	<b>1,285</b>	114	<b>2,428</b>	137
Total	<b>3,123</b>	1,628	<b>3,096</b>	937

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

	2020	2019
	US\$'000	US\$'000
<b>Manufacturing segment</b>		
Other receivables written off	–	51
Allowance for inventories	<b>205</b>	232
<b>Retail and distribution segment</b>		
Allowance for doubtful trade receivables – net	<b>2</b>	–
Bad debts written off – trade	<b>4</b>	–
Allowance for inventories	<b>140</b>	2
Inventories written off	<b>31</b>	15

#### Geographical information

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

	Revenue from external customers based on location of customers	
	2020	2019
	US\$'000	US\$'000
Asia-Pacific	<b>21,205</b>	23,565
North America	<b>33,356</b>	28,187
Europe	<b>5,155</b>	5,024
Others	<b>637</b>	1,116
	<b>60,353</b>	57,892

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

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 34 SEGMENT INFORMATION (CONTINUED)

### Business segments (Continued)

#### Information about major customers

Included in revenue arising from sales of manufacturing segment of US\$49,473,000 (2019: US\$47,005,000), are revenues of approximately US\$7,507,000 (2019: US\$8,387,000) which arose from sales to the Group's largest customer.

## 35 OPERATING LEASE ARRANGEMENTS

### The Group as lessee

	GROUP 2019 US\$'000
Minimum lease payments under operating leases	<u>1,215</u>

At June 30, 2019, the Group and the Company had outstanding commitments under non-cancellable operating leases, which fell due as follows:

	GROUP 2019 US\$'000	COMPANY 2019 US\$'000
Future minimum lease payments payable:		
Within one year	1,022	244
In the second to fifth year inclusive	2,035	835
After five years	137	–
	<u>3,194</u>	<u>1,079</u>

Operating lease payments represented rentals payables by the Group for certain of its office properties and warehouse facilities. Leases were negotiated for an average contractual periods of 1 to 10 years and rentals were fixed for the duration of the contractual periods.

In 2019, included in the Group's future lease payments payable was an amount of US\$495,000 which relates to a 10 year lease agreement with a related party of the Group which certain directors have interest in.

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 35 OPERATING LEASE ARRANGEMENTS (CONTINUED)

### The Group as lessor

The Group sublets its leasehold building in Singapore under operating leases. Property rental income earned during the year was US\$96,000 (2019: US\$73,000). In 2020, the leased premises had committed tenants for the next 4 months (2019: 16 months).

	<b>GROUP AND COMPANY</b>	
	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000
Rental income under operating lease	<b>96</b>	73

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

	<b>GROUP AND COMPANY</b>	
	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000
Future minimum lease payments receivable:		
Within one year	<b>29</b>	97
In second to fifth year inclusive	–	29
	<b>29</b>	126

## 36 COMMITMENTS

Amount committed for future capital expenditure but not provided for in the financial statements:

	<b>GROUP</b>	
	<b>2020</b>	2019
	<b>US\$'000</b>	US\$'000
Acquisition of leasehold lands	<b>1,567</b>	–

# NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

## 37 STANDARDS ISSUED BUT NOT EFFECTIVE

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

### Effective for annual periods beginning on or after July 1, 2020

- Amendments to SFRS(I) 1-1 *Presentation of Financial Statements* and SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material*
- Amendments to SFRS(I) 3 *Business Combinations: Definition of a Business*
- Amendments to *References to the Conceptual Framework* in SFRS(I) Standards

Management anticipates that the adoption of the above amendments to SFRS(I) 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.

## 38 IMPACT OF COVID-19

The epidemic of Coronavirus Disease 2019 (the "Covid-19") subsequent to the reporting period is expected to affect the business and economic activities of the Group. Although it is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact, the effects of Covid-19 has and may continue to affect the Group's business. This may in turn result in a decrease in the Group's profitability and other material adverse effects. The related impact will be reflected in the Group's financial statements for the financial year ending June 30, 2021. Notwithstanding this, management has assessed that the Group and Company will be able to maintain sufficient liquidity for at least the next twelve months from the date of authorisation of these financial statements.



## PARTICULARS OF PROPERTIES OWNED BY THE GROUP

### Freehold land, leasehold land & buildings as at June 30, 2020

Location	Size	Annual Lease Payment	Expiry	Lessor
<b>Head Office &amp; Warehouse<sup>(1)</sup></b>				
28 Defu Lane 4 Singapore 539424	49,731 sf	S\$244,496 (subject to 5.5% annual increase)	2023	JTC Corporation
<b>Malaysia Industrial Land and Factory Building<sup>(2)</sup></b>				
Lot 9, Lot 15, Title No GM 10, Mukim Senai-Kulai, 81400 Senai, Johor, Malaysia	572,963 sf	NA RM 296,382	Freehold 2026	NA Zenith Heights Sdn Bhd
<b>Vietnam Industrial Land and Factory Building<sup>(3)</sup></b>				
Lot A1, A4, A5 & A6, Thuan Dao Industrial Zone, Ben Luc District, Long An Province, Vietnam	665,684 sf	NA	2053	Development Investment Joint Venture Company of Ben Luc Industrial Park
<b>Vietnam Industrial Land<sup>(4)</sup></b>				
Lot C11 & C12, Road 14, Thuan Dao IP's Expansion Phase, Long Dinh Commune, Can Duoc District, Long An Province, Vietnam	322,920 sf	NA	2061	Soai Rap Production Trading Company Limited

- The leasehold property located in Singapore as stated in the Company's books is based on a professional valuation made in November 1981. For information purposes, a second professional valuation of this property was carried out by Knight Frank Pte Ltd in June 2001 which valued the property at S\$1.6 million. The Company, however, continues to record this leasehold property at its existing book carrying value based on the November 1981 professional valuation on the ground of prudence as the leasehold property has an extension lease period of 5 years from 1 December 2018. The lease will expire on 30 November 2023 and the leasehold property will be subject to approval for any lease extensions to be granted by the lessor at the time of the lease expiry.
- Based on professional valuation made by Messrs Chen Foo Property Consultants on June 30, 2018, properties at this site were valued at RM23.98 million.
- These properties were acquired under finance lease. Based on professional valuation made by Jones Lang Lasalle Vietnam Company Limited on June 30, 2018, this property was valued at US\$11.7 million.
- The land use right have yet to be transferred by the Vendor and the deposits paid for the land are included as Non-Current Other Receivable in the Statement of Financial Position.

Na not applicable  
RM Ringgit Malaysia  
SS Singapore Dollars

## STATISTICS OF SHAREHOLDINGS

As at 22 September 2020

### DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS		NO. OF SHARES	
		%		%
1 – 99	304	27.44	24,908	0.03
100 – 1,000	225	20.31	122,424	0.15
1,001 – 10,000	331	29.87	1,551,042	1.88
10,001 – 1,000,000	237	21.39	21,208,406	25.68
1,000,001 AND ABOVE	11	0.99	59,672,222	72.26
<b>TOTAL</b>	<b>1,108</b>	<b>100.00</b>	<b>82,579,002</b>	<b>100.00</b>

### TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	JAMES KOH JYH GANG	11,023,094	13.35
2	KOH TENG KWEE	9,427,872	11.42
3	KOH JYH ENG	8,933,388	10.82
4	KOH SHWU LEE	8,285,226	10.03
5	DBS NOMINEES (PRIVATE) LIMITED	6,853,360	8.30
6	KOH SHWU LING	3,056,954	3.70
7	DBSN SERVICES PTE. LTD.	3,000,000	3.63
8	TAN KIA HONG @TANG KIA HONG	2,731,400	3.31
9	KOH ZHU LIAN JULIAN (XU ZHULIAN)	2,253,743	2.73
10	KOH ZHUXIAN JOSHUA (XU ZHUXIAN JOSHUA)	2,238,943	2.71
11	PHILLIP SECURITIES PTE LTD	1,960,824	2.37
12	RAFFLES NOMINEES (PTE.) LIMITED	916,840	1.11
13	CHEE KWAI FUN (ZHU GUIFEN)	852,000	1.03
14	WONG SE SUN	811,773	0.98
15	GOH HAN PENG (WU HANPING)	759,580	0.92
16	POH IK TNG	710,000	0.86
17	WEE HIAN KOK	660,400	0.80
18	MAYBANK KIM ENG SECURITIES PTE. LTD.	535,784	0.65
19	TAN KOK CHING	520,000	0.63
20	CITIBANK NOMINEES SINGAPORE PTE LTD	504,600	0.61
	<b>TOTAL</b>	<b>66,035,781</b>	<b>79.96</b>

# STATISTICS OF SHAREHOLDINGS

As at 22 September 2020

## SUBSTANTIAL SHAREHOLDERS:

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

### Notes:

- (1) Mr. James Koh Jyh Gang is deemed interested in 2,500,000 shares in the Company which are owned by him and held in the name of DBS Nominees (Private) Limited by virtue of Section 7 of the Companies Act, Cap. 50 of Singapore.
- (2) Mr. Koh Jyh Eng is deemed interested in 21,600 shares in the Company held by his spouse, Mdm. Wong Sau Wai.
- (3) Mdm. Koh Shwu Lee is deemed interested in 259,200 shares in the Company held by her spouse, Mr. Kavin Seow Soo Yeow.

## PERCENTAGE OF SHAREHOLDING HELD IN THE HANDS OF PUBLIC

As at September 22, 2020, the percentage of shareholding in the Company held in the hands of public is approximately 36.8%. At least 10% of the Company's equity securities are held by the public at all times and the Company is in compliance with Rule 723 of the SGX-ST Listing Manual.

## NUMBER OF TREASURY SHARES AND SUBSIDIARY HOLDINGS

As at September 22, 2020, the Company had 390,000 treasury shares and nil subsidiary holdings.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Koda Ltd (the "**Company**") will be convened and held by way of electronic means on Friday, 30 October 2020 at 10.00 a.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 30 June 2020 together with the Directors' Statement and the Auditors' Report thereon. **(Ordinary Resolution 1)**
2. To declare a tax-exempt (one-tier) final dividend of 0.75 Singapore cents per ordinary share for the financial year ended 30 June 2020. **(Ordinary Resolution 2)**
3. To approve the payment of Directors' fees of S\$136,000 for the financial year ended 30 June 2020. (2019: S\$136,000) **(Ordinary Resolution 3)**
4. To re-appoint Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors of the Company to fix their remuneration. **(Ordinary Resolution 4)**
5. To re-elect Mr Tan Choon Seng who is retiring pursuant to Regulation 89 of the Company's Constitution. **(Ordinary Resolution 5)**

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

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

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

7. To 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 Ordinary Resolutions, with or without any modifications:

8. To approve a one-time ex-gratia payment of S\$500,000 to the Non-Executive Chairman of the Company, Mr Koh Teng Kwee.  
[See Explanatory Note (i)]. **(Ordinary Resolution 7)**
9. **Authority to allot and issue new Shares and/or Instruments**

That, pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore (the "**Act**") and Rule 806 of the Listing Manual of the SGX-ST, authority be and is hereby given to the Directors of the Company to:

- (a) (i) allot and issue new shares in the capital of the Company ("**Shares**") (whether by way of rights, bonus or otherwise); and/or

## NOTICE OF ANNUAL GENERAL MEETING

- (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 may in their absolute discretion deem fit; and

- (b) notwithstanding that the authority conferred by this Resolution may have ceased to be in force, allot and issue Shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution is in force,

provided that:

- (1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) and convertible securities to be issued pursuant to this Resolution does not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) 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 existing shareholders of the Company does not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as at the time of passing of this Resolution);
- (2) subject to such calculation as may be prescribed by the SGX-ST, for the purpose of determining the aggregate number of Shares and convertible securities that may be issued under sub-paragraph (1) above on a pro-rata basis, the percentage of the total number of issued Shares in the capital of the Company (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares in the capital of the Company (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed after adjusting for:
  - (i) new Shares arising from the conversion or exercise of any Instruments or any convertible securities;
  - (ii) new Shares arising from exercising of share options or vesting of share awards outstanding and/or subsisting at the time of the passing of this Resolution, provided that the share options or the share awards were granted in compliance with the rules of the Listing Manual of the SGX-ST; and
  - (iii) any subsequent bonus issue, consolidation or sub-division of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST as amended from time to time (unless such compliance has been waived by the SGX-ST) and the Company's Constitution for the time being; and

# NOTICE OF ANNUAL GENERAL MEETING

- (4) unless revoked or varied by the Company in a general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

*[See Explanatory Note (ii)].*

**(Ordinary Resolution 8)**

By Order of the Board

Gn Jong Yuh Gwendolyn  
Company Secretary  
Singapore, 15 October 2020

#### **Explanatory Notes:**

- (i) The proposed one-time ex-gratia payment of S\$500,000 to the Non-Executive Chairman of the Company, Mr Koh Teng Kwee is in recognition of Mr Koh Teng Kwee's 40 years of service as the Non-Executive Chairman and founder of the Company. Mr Koh Teng Kwee will be retiring in accordance with the Company's Constitution at the forthcoming Annual General Meeting and will not be seeking re-election at the forthcoming Annual General Meeting.
- (ii) The Ordinary Resolution 8 proposed in item 9 above, if passed, will empower the Directors of the Company to 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 of 50% of the total number of issued Shares (excluding treasury shares or subsidiary holdings) in the capital of the Company, of which up to 15% may be issued other than on a pro-rata basis to shareholders. For determining the aggregate number of Shares that may be issued, the total number of issued Shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution 8 is passed after adjusting for new Shares arising from the exercise of any Instruments or any convertible securities or exercising of share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution 8 is passed and any subsequent bonus issue, consolidation or subdivision of Shares. The authority conferred by Ordinary Resolution 8 will, unless previously revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

#### **Important Notes to Shareholders on arrangements for the Annual General Meeting:**

- Pursuant to the Covid-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, the Annual General Meeting ("**AGM**") will be held by way of electronic means on 30 October 2020 at 10.00 a.m.
- Printed copies of this Notice of AGM, the Proxy Form and the Annual Report for the financial year ended 30 June 2020 (the "**FY2020 Annual Report**") will be sent to Shareholders. The Notice of AGM, Proxy Form and the FY2020 Annual Report may also be accessed at the Company's website at the URL <http://www.kodaonline.com/> by clicking on the tab titled "Investor Relation" and selecting the hyperlink titled "Announcements". This Notice of AGM and the FY2020 Annual Report are also available on SGXNET at the URL <https://www.sgx.com/securities/company-announcements>.
- Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting may be electronically accessed via live audio-visual webcast or live audio-only stream), submission of comments, queries and/or questions to the Chairman of the AGM in advance of the AGM of the Company, addressing of substantial and relevant comments, queries and/or questions at the AGM of the Company and voting by appointing the Chairman of the AGM as proxy, are set out in the Company's accompanying announcement dated 15 October 2020. This announcement may be accessed at the Company's website at the URL <http://www.kodaonline.com/> and is also available on SGXNET at the URL <https://www.sgx.com/securities/company-announcements>.

# NOTICE OF ANNUAL GENERAL MEETING

4. **Due to the current Covid-19 advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore, the AGM of the Company will be held by way of electronic means and Shareholders will not be able to attend the AGM of the Company in person. A Shareholder (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such Shareholder wishes to exercise his/her/its voting rights at the AGM.** The Proxy Form for the AGM may be accessed at the Company's website at the URL <http://www.kodaonline.com/> by clicking on the tab titled "Investor Relation" and selecting the hyperlink titled "**Announcements**", and is also available on SGXNET at the URL <https://www.sgx.com/securities/company-announcements>. Where a Shareholder (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid. CPF Investors and SRS Investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on Wednesday, 21 October 2020.
5. The Chairman of the AGM, acting as proxy, need not be a Shareholder of the Company.
6. The Proxy Form must be submitted to the Company in the following manner:
- if submitted by post, be lodged with the Company's registered office at 28 Defu Lane 4, Singapore 539424;
  - if submitted by way of electronic means, be submitted via email to the Company at [proxyforms@kodalttd.com](mailto:proxyforms@kodalttd.com); or
  - if submitted by way of electronic means, be submitted via such Shareholder's account following registration at the URL <https://sg.convneagm.com/kodalttd>,

in any case, by 10.00 a.m. on Tuesday, 27 October 2020. A Shareholder who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or by scanning and submitting it by way of electronic means via email to the email address provided above or via the registration URL provided above. **In view of the current Covid-19 advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore, Shareholders are strongly encouraged to submit the completed Proxy Forms by way of electronic means.**

#### Personal data privacy:

By submitting the Proxy Form appointing the Chairman of the AGM as proxy to attend, speak and vote at the AGM of the Company and/or any adjournment thereof, a Shareholder of the Company (a) consents to the collection, use and disclosure of the Shareholder's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the AGM as proxy for the AGM of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM of the Company (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

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## KODA LTD

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

## PROXY FORM

### IMPORTANT

1. Pursuant to Section 181(1C) of the Companies Act, Relevant Intermediaries (as defined in the Companies Act) may appoint more than 2 proxies to attend, speak and vote at the EGM.
2. CPF Investors and SRS Investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on Wednesday, 21 October 2020.
3. This Proxy Form is not valid for use by CPF Investors and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by CPF Investors and SRS Investors.

I/We\* \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/Passport/Company Registration Number)

of \_\_\_\_\_ (Address)

being a Shareholder/Shareholders\* of **KODA LTD** (the "**Company**"), hereby appoint the Chairman of the Annual General Meeting of the Company ("**AGM**") as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the AGM to be convened and held by way of electronic means on Friday, 30 October 2020 at 10.00 a.m. and at any adjournment thereof in the following manner:

No.	Ordinary Resolutions relating to:	For	Against	Abstain
1.	To receive and adopt the Audited Financial Statements of the Company for the financial year ended 30 June 2020 together with the Directors' Statement and the Auditors' Report thereon.			
2.	To declare a tax-exempt (one-tier) final dividend of 0.75 Singapore cents per ordinary share for the financial year ended 30 June 2020.			
3.	To approve the payment of Directors' fees of S\$136,000 for the financial year ended 30 June 2020. (2019: S\$136,000)			
4.	To re-appoint Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors of the Company to fix their remuneration.			
5.	To re-elect Mr Tan Choon Seng as a Director of the Company.			
6.	To re-elect Mr Ernie Koh Jyh Eng as a Director of the Company.			
7.	To approve a one-time ex-gratia payment of S\$500,000 to the Non-Executive Chairman of the Company, Mr Koh Teng Kwee.			
8.	Authority to allot and issue new Shares and/or Instruments.			

If you wish to appoint the Chairman of the AGM as your proxy to cast all your votes "For" or "Against" a resolution, please mark an "X" within the box provided in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box in respect of that resolution. If you wish to appoint the Chairman of the AGM as your proxy to abstain from voting on a resolution, please mark a "X" in the "Abstain" box in respect of that resolution. Alternatively, please indicate the number of shares that the Chairman of the AGM, as your proxy, is directed to abstain from voting in the "Abstain" box in respect of that resolution. In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the AGM as your proxy for that resolution will be treated as invalid.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

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

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

**IMPORTANT: PLEASE READ THE NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM**

## NOTES:

1. Pursuant to the Covid-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, the Annual General Meeting ("**AGM**") will be held by way of electronic means on 30 October 2020 at 10.00 a.m.
2. Printed copies of this Notice of AGM, the Proxy Form and the Annual Report for the financial year ended 30 June 2020 (the "**FY2020 Annual Report**") will be sent to Shareholders. The Notice of AGM, Proxy Form and the FY2020 Annual Report may also be accessed at the Company's website at the URL <http://www.kodaonline.com/> by clicking on the tab titled "Investor Relation" and selecting the hyperlink titled "Announcements". This Notice of AGM and the FY2020 Annual Report are also available on SGXNET at the URL <https://www.sgx.com/securities/company-announcements>.
3. Alternative arrangements relating to attendance at the AGM of the Company via electronic means (including arrangements by which the meeting may be electronically accessed via live audio-visual webcast or live audio-only stream), submission of comments, queries and/or questions to the Chairman of the AGM in advance of the AGM of the Company, addressing of substantial and relevant comments, queries and/or questions at the AGM of the Company and voting by appointing the Chairman of the AGM as proxy, are set out in the Company's accompanying announcement dated 15 October 2020. This announcement may be accessed at the Company's website at the URL <http://www.kodaonline.com/> and is also available on SGXNET at the URL <https://www.sgx.com/securities/company-announcements>.
4. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the SFA), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this Proxy Form shall be deemed to relate to all the Shares held by you.
5. **Due to the current Covid-19 advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore, the AGM of the Company will be held by way of electronic means and Shareholders will not be able to attend the AGM of the Company in person. A Shareholder (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such Shareholder wishes to exercise his/her/its voting rights at the AGM.** The Proxy Form for the AGM may be accessed at the Company's website at <http://www.kodaonline.com/> by clicking on the tab titled "Investor Relation" and selecting the hyperlink titled "Announcements" and is also available on SGXNET at <https://www.sgx.com/securities/company-announcements>. Where a Shareholder (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid. CPF Investors and SRS Investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on Wednesday, 21 October 2020.
6. The Chairman of the AGM, acting as proxy, need not be a Shareholder of the Company.
7. The Proxy Form must be submitted to the Company in the following manner:
  - (a) if submitted by post, be lodged with the Company's registered office at 28 Defu Lane 4, Singapore 539424;
  - (b) if submitted by way of electronic means, be submitted via email to the Company at [proxyforms@kodaldtd.com](mailto:proxyforms@kodaldtd.com); or
  - (c) if submitted by way of electronic means, be submitted via such Shareholder's account following registration at the URL <https://sg.conveneagm.com/kodaldtd>,  
in any case, by 10.00 a.m. on Tuesday, 27 October 2020. A Shareholder who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or by scanning and submitting it by way of electronic means via email to the email address provided above or via the registration URL provided above. **In view of the current Covid-19 advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore, Shareholders are strongly encouraged to submit the completed Proxy Forms by way of electronic means.**
8. Where the Proxy Form is executed by an individual, it must be executed under the hand of the individual or his attorney duly authorised. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

## 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 Shareholder, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by the Central Depository (Pte) Limited to the Company. A Depositor shall not be regarded as a Shareholder of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the AGM.

## PERSONAL DATA PRIVACY:

By submitting the Proxy Form appointing the Chairman of the AGM as proxy to attend, speak and vote at the AGM of the Company and/or any adjournment thereof, a Shareholder (a) consents to the collection, use and disclosure of the Shareholder's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the AGM as proxy for the AGM of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM of the Company (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

KOH TENG KWEE	Founder and Non-Executive Chairman
JAMES KOH JYH GANG	Deputy Chairman and Managing Director
ERNIE KOH JYH ENG	Executive Director, Sales & Marketing
KOH SHWU LEE	Executive Director, Finance & Administration
TAN CHOON SENG	Lead Independent Director
CHAN WAH TIONG	Independent Director
SIM CHENG HUAT	Independent Director
YING SIEW HON, FRANCIS	Independent Director

## REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

28 Defu Lane 4  
Singapore 539424

## PRINCIPAL BANKERS

UNITED OVERSEAS BANK LIMITED  
80 Raffles Place  
UOB Plaza 1  
Singapore 048624

THE HONGKONG AND SHANGHAI  
BANKING CORPORATION LIMITED  
21 Collyer Quay  
#08-01 HSBC Building  
Singapore 049320

MALAYAN BANKING BERHAD  
193, 194, 195 & 196 Jalan Kenanga  
29/4, Indahpura 81000  
Kulaijaya, Johor  
Malaysia

## COMPANY SECRETARY

GN JONG YUH GWENDOLYN  
Date of Appointment  
1 November 2013

## SHARE REGISTRAR

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

## AUDITORS

DELOITTE & TOUCHE LLP  
Public Accountants and  
Chartered Accountants  
6 Shenton Way #33-00  
QUE Downtown 2  
Singapore 068809

## AUDIT PARTNER

RONNY CHANDRA  
Date of Appointment  
(Since 2020)

## CONTACT KEY MANAGEMENT AT:

JAMES KOH JYH GANG  
Deputy Chairman/Managing Director  
james@kodaltld.com

ERNIE KOH JYH ENG  
Executive Director, Sales & Marketing  
ernie@kodaltld.com

KOH SHWU LEE  
Executive Director, Finance & Administration  
shwulee@kodaltld.com

ISAAC PEH  
Group Chief Financial Officer  
isaac.peh@kodaltld.com

