

Issuer: Koda Ltd
Security: Koda Ltd

Meeting details:

Date: 28 Oct 2016

Time: 11:00am

Venue: 28 Defu Lane 4 Singapore 539424

Company Description

Koda Ltd engages in the design, manufacture, retail, and wholesale of wooden and steel furniture, and wood fixtures. It operates in four segments: Chairs and Tables, Outdoor and Garden Furniture, Bedroom Furniture, and Occasional and Other Furniture. The company offers wood, upholstered, and metal chairs; wood, veneered, and metal dining tables; cabinets; living room furniture comprising coffee/console tables, entertainment units, bookcase/display units, home office, sofas/armchairs, and scandinavian designs; and bedroom furniture consisting of beds, bedside tables, dressers, and chest of drawers. It is also involved in inlaying of marble on wood; interior decoration business; and the fabrication and leather upholstery of furniture, as well as operates as a timber merchant. The company has operations in the United States, the United Kingdom, Vietnam, Canada, New Zealand, Australia, Spain, Korea, China, Malaysia, Saudi Arabia, Japan, France, Singapore, Russia, the United Arab Emirates, Qatar, and internationally. Koda Ltd was founded in 1972 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BJZ)

Q1. Given all the recent restructuring and corporate developments, shareholders, especially the new ones, may not be familiar with the strategic direction of the group. Based on the sales to customers, the key markets in 2016 are United States of America, Singapore, Korea, China, Japan and Australia (page 130 – Segment information). In the Chairman’s Statement (page 19), a list of key management’s decisions gave a glimpse of the group’s actions in the past year.

More information about the group’s in-house brand and operations could be found in an interview with the group’s third generation leaders published last month in the national newspaper than in the annual report.

Could management provide shareholders with a holistic oversight of the group’s strategy and business model of the group? Please include relevant information, such as:

- a) **Strategic direction (manufacturing vs in-house brands/retail)**
- b) **Geographical exposure (key markets, retails sites, manufacturing sites)**
- c) **Growth drivers (premium products, brick-and-mortar retail, e-store, new markets)**
- d) **Business model (franchise sales, quick-shipping, direct sales)**

Q2. In the Managing Director’s Statement (page 21), the five-year summary of financial performance shows that the net profit attributable to owners of the company over the last five years is slightly negative while the net asset value per share has been fairly stable. With the restructuring completed, the latest results show some encouraging signs as the gearing has been brought down to 0.07x and return on equity jumping to 7.2%. At its peak, the return on equity was nearly 30% and revenue was as high as US\$60 million. Given the current market conditions, the group’s current scale and the new business model, **can the board share some of the key performance targets they have set for management, including key metrics like revenue, gross profit margin and return on equity? What is the current utilisation rate of the manufacturing sites?**

Q3. As a furniture manufacturer, the group purchases raw materials such as wood, leather, fabrics and finishes for its production. **Can management share how pro-actively they fulfill their corporate social responsibility by buying only from reliable and sustainable wood sources? How does the company ensure that they are not buying wood (such as teak) that were obtained through illegal logging?**

Comment: *In the annual report, on pages 15 to 17, the company has provided shareholders with three well-annotated pages showing the consolidated statement of profit and loss and the consolidated statements of financial position. Shareholders will appreciate such thoughtful actions. In doing so, the company has helped shareholders better understand the impact of various events and of the decisions taken by the management.*