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Issuer: Koda Ltd

Stock code: BJZ

Meeting details:

Date: 29 October 2021

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. The group reported higher revenues from export and retail sales despite the difficult operating environment due to the pandemic. The increase in underlying demand for household furniture helped increase revenue by over a third to US\$82.6 million. Profit attributable to owners of the company increased from US\$4.34 million to US\$9.10 million.

- (i) How much of the increase in revenue and gross profit margin could be attributed to higher selling prices? What was the increase in the volume of furniture sold?**
- (ii) Does management see the strong demand normalising in the next 12-18 months?**

While the group faced supply chain disruptions in Malaysia due to the Malaysia Government Movement Control Orders in FY2021, it appeared to have deftly managed the challenges without any significant impact on the group operations. After the financial year, in July 2021, the group's operations in Long An Province, Vietnam was temporarily suspended due to high COVID-19 infections in the province following a directive by the local government. The group was only able to resume 50% of its operating capacity in October 2021 and will be progressively working towards resuming full operations.

- (iii) Can management help shareholders understand if the impact of the temporary suspension and the reduction in the operating capacity of the Vietnam factories will be significant to the group?**
- (iv) Has the board reviewed the group's long-term manufacturing roadmap and deliberated on the need to rebalance its manufacturing capacity between Malaysia and Vietnam?**

Q2. The “allowance for inventories” is a key audit matter highlighted by the independent auditor in their report on the audit of the financial statements. Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements.

As noted in the KAM, the group has approximately 26% (2020: 20%) of total assets held as inventories. Inventories are recorded at the lower of cost and net realisable value. The determination of the net realisable value is critically dependent upon management’s assessment of the inventory obsolescence.

As at 30 June 2021, inventories increased significantly by 73% from US\$11.35 million to US\$19.58 million. The breakdown of the group’s inventories can be seen from Note 9 of the financial statements and reproduced below. Raw material increased to US\$9.02 million as at 30 June 2021.

9 INVENTORIES

	GROUP	
	2021 US\$'000	2020 US\$'000
Raw materials	9,024	4,605
Work in progress	4,454	2,447
Finished goods	7,290	5,260
	20,768	12,312
Less: Allowance for inventories	(1,193)	(965)
	19,575	11,347

(Source: company annual report)

- (i) **What is the risk of stock obsolescence for raw material?**
- (ii) **What is the increase in the amount (volume) of raw material?**
- (iii) **Did the group experience higher raw material prices as a result of supply chain disruption and/or price gouging?**
- (iv) **In addition, how much of the group’s raw material is sourced sustainably? Is management looking to implement traceability of its timber? Does the group have an eco-friendly or sustainable series or even a standalone sustainable brand?**

Q3. Mr Chan Wah Tiong and Mr Sim Cheng Huat were appointed as independent non-executive directors on 1 October 2001 and 23 March 2008 respectively. Each of the directors would have served as an independent director for more than 9 years.

Mr Sim Cheng Huat, who has served on the board for over 13 years, will be retiring at the forthcoming AGM and will not be seeking his re-election as a director.

Mr Chan Wah Tiong, who has served on the board for more than 20 years, would be retiring and seeking his re-election and a two-tier vote by shareholders for his continued appointment as independent director.

- (i) **Can the nominating and governance committee (NGC) elaborate further on how it had assessed the independence of the long tenured non-executive directors?**
- (ii) **Has the NGC reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?**
- (iii) **What are the channels being used by the NGC to source for new directors?**
- (iv) **What were the deliberations by the NGC on its recommendation to nominate Mr Chan Wah Tiong for his re-election? Would this delay the progressive renewal of the board (Principle 4 of the Code of Corporate Governance 2018)?**

[^]On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings (“Meetings Order”) would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant

[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)

measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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