

# KODA LTD

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

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## INTERESTED PERSON TRANSACTION

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### 1. Introduction

The Board of Directors (“**Board**”) of Koda Ltd (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s wholly owned subsidiary, Koda Woodcraft Sdn Bhd (“**Koda Woodcraft**”), has on 1 June 2016 entered into a lease agreement (the “**Lease Agreement**”) with Zenith Heights Sdn Bhd (the “**Landlord**” or “**Zenith Heights**”) which constitutes an “interested person transaction” under Chapter 9 of the Listing Manual (“**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

### 2. The Interested Person and Interested Person Transaction

Zenith Heights is wholly owned by Mr Koh Jyh Eng and Ms Koh Shwu Lee, the executive directors of the Company. Accordingly, Zenith Heights is an associate of Mr Koh Jyh Eng and Ms Koh Shwu Lee and an “interested person”. As such, the Lease Agreement is an “interested person transaction” as defined under Chapter 9 of the Listing Manual (“**IPT**”).

### 3. Relevant Terms of the Interested Person Transaction

Under the Lease Agreement, Zenith Heights shall lease to Koda Woodcraft a plot of land (the “**Land**”) of 196,020 square feet in size. The Land is situated at PTD 42786 & 7, Mukim Senai-Kulai, Johor, Malaysia and adjacent to the Group’s existing factories in Malaysia.

The Group intends to expand its existing warehousing facilities in Malaysia and thus plans to construct a warehouse with an approximate built up area of 50,000 square feet (the “**Warehouse**”) on the Land. On completion of construction, Koda Woodcraft shall be the legal owner of the Warehouse.

The pertinent terms under the lease agreement are as follows:

- a. The Lease is for the term of ten (10) years, commencing on 1 June 2016 (the “**Term**”) (the “**Lease**”);
- b. Rental for the Land is based on the rate of MYR0.126 per square foot of the Land per month, amounting to MYR24,698.52 (approximately S\$8,288) per month, payable monthly in 120 equal instalments;
- c. The Lease may be assigned by Koda Woodcraft to any person at any time during the Term at the sole discretion of Koda Woodcraft; and
- d. The Lease may be renewed at the option of Koda Woodcraft for any period at the prevailing market rate at time of renewal provided that the period of renewal shall not be less than 6 months.

Accordingly, the total lease amount payable by Koda Woodcraft for the entire Term of the Lease is MYR2,963,822, being the value of the Lease or the amount at risk to the Group for the IPT.

In negotiating the rental rate for the Lease, the parties had taken in account: (i) the estimated prevailing market rate of bare land in the vicinity of the Land available for rental as proposed by unrelated third parties; and (ii) the strategic location of the Land which is adjacent to the Group’s production factories of the Group facilitating supply chain management for its finished goods.

The value of the Lease represents approximately 3.3% of the Group's latest audited net tangible assets for the financial year ended 30 June 2015<sup>(2)</sup> of US\$21.9 million. As the value of the Lease exceeds 3% but is less than 5% of the Group's latest audited net tangible assets, the Company has announced the Lease in accordance with Rule 905(1) of the Listing Manual.

#### **4. Rationale for and Benefit of the Interested Person Transaction**

As part of the strategic direction of the Group, the Group is expanding its Commune brand and offering a "quick-ship" program to international customers that are demanding smaller order quantities at short lead times. In pursuance of this business strategy, the Group will be required to build up the level of finished goods stock at our factory location in Malaysia in order to support the operational requirements for the business. As the Group's existing warehouse in Johor, Malaysia was designed mainly for stocking of raw materials for production use, it will not be able to handle the increased volume of finished goods stock which will be required for the above mentioned programs. The Land, being adjacent to the Group's existing factory in Malaysia, is an ideal location to construct the Warehouse to meet the Group's operational needs without having to incur significant costs of relocation and the resultant disruption to operations from such relocation.

#### **5. Audit Committee Statement**

The Audit Committee of the Company has reviewed the terms of the Lease and is of the view that the transaction had been carried out on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

#### **6. Total Value of Interested Person Transactions**

Save for the Lease, there are no interested person transactions entered into in the current financial year ending 30 June 2016 between the Group and each of Zenith Heights, Mr Koh Jyh Eng and Ms Koh Shwu Lee. The Group has not entered into any other interested person transactions in the current financial year ending 30 June 2016.

Mr Koh Jyh Eng and Ms Koh Shwu Lee have abstained themselves from voting in the board resolutions in connection with the Lease.

### **BY ORDER OF THE BOARD**

**JAMES KOH JYH GANG**  
Managing Director

**1 June 2016**

**Notes:**

(1) Based on the exchange rate of S\$1:MYR2.98.

(2) Based on the exchange rate of US\$1:S\$1.38.