



Press Release – 1H FY2007 results

Koda 1H07 Net Profit Surges 78.6% to US\$3.9 Million as Outsourcing Trend for Premium Home Furniture Products Increases in Americas and UK/Europe Markets; Declares 0.5 S cent Interim Dividend for 2nd Consecutive 1H; received an in-principle approval from SGX for its proposed 1-for-5 bonus issue*

- 37.0% revenue growth led by strong double-digit sales growth in key Americas and UK/Europe markets – lifted by increased sales to high-profile clientele and increased outsourcing to orders in Vietnam and Dongguan (PRC), which resulted in add-on capacity
- 1H07 net profit equivalent to 82% of FY06 full-year profit – gross margin rose to 27.2% on enhanced product mix with more sales of premium designs/ value-added products; profit contribution from its recently-acquired Rossano; economies of scale and interest savings.
- First-time recognition of earnings for full six-month period from acquired Vietnam subsidiary Rossano boosted Group earnings by net US\$0.5 million
- Outlook: – expect FY2007 performance to exceed that of FY2006; good 1H results reflect global upswing in demand for Koda's furniture; continued positive buying sentiment in key growth markets
- Strong demand uptrend and customers' indicative orders move Koda to accelerate capacity expansion programme and increase outsourcing in Vietnam and Dongguan

Singapore, 30 January 2007 – SGX-Mainboard listed original design manufacturer and furniture exporter for the middle to upper middle market, Koda Ltd (“Koda”), announced today a sterling set of results for the first six months of financial year ending 30 June 2007 (“1H07”), which underscored the Group continuing to build on its strong growth momentum established over the last three years.

Capitalising on the increasing outsourcing trend in its key American and UK/Europe markets for the production of premium home furniture products to lower-cost regions, net profit attributable to equity holders for the six months ended 31 December 2006 surged 78.6% from US\$2.2 million to US\$3.9 million over the same comparative period – equivalent to 82.0% of full-year net profit for FY2006. Earnings per share, over the same



period, rose sharply to 3.5 US cents (5.5 S cents) in 1H07 from 1.9 US cents (3.2 S cents).

Revenue increased 37.0% from US\$24.9 million to US\$34.1 million as robust demand drove strong double-digit sales growth to the Group's key UK/Europe, American and Australian markets.

Top-line growth partly came from newly secured clients and significant orders during the March 2006 International Furniture Fairs, which have since been fully delivered. The higher order intake was enabled by increased outsourcing to the Group's new major sub-contractors in Vietnam and Dongguan, PRC, which in turn resulted in add-on capacity.

The Group continued to enhance product mix with sales of more premium designs and value-added products, such as Koda's higher-value contemporary luxury and 'back to nature' product ranges that emphasize tranquillity. Coupled with profit contribution from the recently-acquired Rossano, 1H07 gross profit grew significantly by 47.4% or US\$3.0 million to US\$9.3 million, while gross margin improved 1.9 percentage points to 27.2%

Net profit growth thus outpaced revenue growth in 1H07 due to the jump in sales with better gross margins and lower unit fixed costs on higher economies of scale, while improved operating cash flows resulted in lower borrowings and thus interest savings. The results were also boosted by a US\$0.5 million first-time recognition of earnings after minority interests for the full six-month period from Vietnam subsidiary, Rossano, which was acquired in 2H05 to enhance Koda's competencies in leather and fabric upholstery furniture. The Group's net margin for the six-month period thus improved to 11.3% from 8.6%, in spite of higher raw material prices particularly of leather and timber; higher selling & distribution costs and administrative expenses on consolidation of Rossano's results and, in line with Koda's expanded business base, higher general and administrative expenses.

Commenting on the Group's performance, Mr. James Koh, Deputy Chairman and Managing Director of Koda, said, "The Group is maximising leverage on favourable market trends coupled with centralised sourcing of raw materials out of the fast-emerging hub for the global furniture trade in Dongguan to deliver growth in shareholder value. Our performance in the last 2.5 years reflects the sound execution of core strategy, circumventing intense competition and appreciating material costs."

In January 2007, Koda announced that it has been ranked among the top 200 global furniture manufacturers in 2007 in an industry report by noted Italian research organisation, CSIL Milano. The Group believes that its strategy of creating design-intensive, higher-value product ranges, penetrating new markets, relocating production



plants and enlarging sourcing facilities to geographical areas offering better competitive advantages has enhanced Koda's positioning in the global furniture industry.

Mr Koh added, "We have diligently built a strong track record in meeting the stringent requirements of our high-profile customers. We stand poised on the threshold of a new era of growth as we leverage on our enhanced fundamentals to penetrate deeper and wider in the global furniture market. Having overcome the difficult initial stage of gaining customer confidence in a new market such as North America, we are highly motivated as new customers are now starting to seek us out. Nevertheless, Koda will always set its own challenges in raising the bar higher so as to continually sharpen its competitive edge."

Looking ahead, Mr. Koh also said, "Continued positive buying sentiment in key growth markets will underpin our order book growth. Our marketing strategy and production facilities meet the requirements of international home furnishing trade buyers in the middle to upper middle segment, as their topmost priorities apart from fresh designs are consistent product quality, reliability of timely deliveries and compliance with socio-environmental commitments."

Given 1H07 strong results, the Board of Directors expects FY2007 performance to be better than that achieved in FY2006, barring unforeseen circumstances. While the order book is robust, the Group remains alert to the general market's cautious business sentiments in the US, but is optimistic that its current diversified client base mitigates market concentration risks.

The Group can cater for urgent orders and scale up at short notice by adding on a second shift to its existing operations and/or increase outsourcing. Concurrently, Koda will be expanding Rossano's product range and markets to increase leverage on its subsidiary's higher margin operations in Vietnam.

In view of the Group's performance and improved operating cash flow, the Directors have declared an interim dividend of 0.5 S cent per ordinary share (less 20% tax) for the second consecutive first half period. The Group had paid out a first-ever interim dividend of 0.5 S cent per ordinary share (less 20% tax) for 1H06 and for FY2006, announced a final dividend of 0.5 S cent per ordinary share (less tax) and a special dividend of 0.25 S cent per ordinary share (less tax).

The Group remains in a healthy cash position, with cash and cash equivalents of US\$5.8 million as at 31 December 2006. Net gearing improved to 0.18 times versus 0.26 times as at 30 June 2006. Net asset value ('NAV') per share grew to 19.1 US cents as at 31 December 2006 as compared to 15.8 US cents as at 30 June 2006.

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Koda has also received an in-principle approval from SGX for a proposed bonus issue of up to 22,282,000 new ordinary shares in the capital of the Company on the basis of one new ordinary share for every five existing shares held. An Extraordinary General Meeting (“EGM”) will be convened to obtain shareholder’s approval on the proposed bonus issue. (**Note: The in-principle approval granted by the SGX is not to be taken as an indication of the merits of the Company, its subsidiaries, its securities or the proposed Bonus Issue*)

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About Koda Ltd

Established in Singapore and founded in 1972, Koda is backed by a management with combined experience of close to a century and recognized as a leading Original Design Manufacturer (“ODM”) to the world. Koda is a strong contender for home furniture export and could possibly be the largest dining room furniture exporter in South-East Asia. Koda’s range of design-intensive products exudes individuality, sophistication and elegance

Koda is well-known for its design strength – leading to appreciation from upscale customers worldwide for its aesthetical and functional pieces. With proven market experience, strong product development and significant in-house design expertise, Koda has been able to offer more than 300 product models, secure orders from more than 150 customers and sell to more than 50 countries. Consistent business strategies and focused growth initiatives differentiates Koda from others.

Koda has been emphasizing on cost-effective expansion and the enlarged production and sourcing facilities in Vietnam and China enhance its cost competitiveness. Together with its existing manufacturing base in Malaysia, Koda has a total 12 purpose-built factory buildings.