

KODA LTD

Quarterly and Half-Year Financial Statement and Dividend Announcement

PART I INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial period

Consolidated Profit and Loss Statements for 3Q12 and 9 months ended 31 Mar 2012

	3 months ended 31/03/12 ("3Q12") US\$'000	3 months ended 31/03/11 ("3Q11") US\$'000	Change %	9 months ended 31/03/12 US\$'000	9 months ended 31/03/11 US\$'000	Change %
Revenue	9,684	6,985	38.6	34,265	30,768	11.4
Cost of sales	(7,215)	(5,353)	34.8	(24,531)	(23,076)	6.3
Gross profit	2,469	1,632	51.3	9,734	7,692	26.5
Other operating income	134	117	14.5	248	546	(54.6)
Selling and distribution costs	(1,588)	(1,172)	35.5	(4,003)	(3,289)	21.7
Administrative expense	(2,330)	(1,868)	24.7	(6,732)	(5,514)	22.1
Other operating expenses	(6)	(499)	(98.8)	(80)	(504)	(84.1)
Finance costs	(73)	(35)	108.6	(207)	(99)	109.1
Profit before income tax	(1,394)	(1,825)	(23.6)	(1,040)	(1,168)	(11.0)
Income tax credit (expense)	-	-	NA	140	-	NA
Profit after income tax	(1,394)	(1,825)	(23.6)	(900)	(1,168)	(22.9)
Attributable to:-						
Equity holders of the parent	(1,352)	(1,754)	(22.9)	(801)	(1,080)	(25.8)
Minority interests	(42)	(71)	(40.8)	(99)	(88)	12.5
	(1,394)	(1,825)	(23.6)	(900)	(1,168)	(22.9)

NA - not applicable

Note: For comparison purposes, please refer to Table 1 in Note 8 for details of the Group's results ended FY2011 and 1Q12.

Note to Consolidated Profit and Loss Statements

Other operating income

Rental income	59	53	163	149
Interest income	7	18	28	75
Exchange gain	46	46	-	304
Gain on disposal of fixed assets	9	-	10	7
Others	13	-	47	11
	134	117	248	546

Notes to Profit and Loss account (Continued)

	3 months ended 31/03/12 ("3Q12") <u>US\$'000</u>	3 months ended 31/03/11 ("3Q11") <u>US\$'000</u>	9 months ended 31/03/12 <u>US\$'000</u>	9 months ended 31/03/11 <u>US\$'000</u>
<u>Other operating expenses</u>				
Foreign exchange loss	-	-	(72)	-
Provision for slow moving stocks	(5)	(499)	(6)	(499)
Others	(1)	-	(2)	(5)
	<u>(6)</u>	<u>(499)</u>	<u>(80)</u>	<u>(504)</u>

Statement of Comprehensive Income

	3 months ended 31/03/12 ("3Q12") <u>US\$'000</u>	3 months ended 31/03/11 ("3Q11") <u>US\$'000</u>	9 months ended 31/03/12 <u>US\$'000</u>	9 months ended 31/03/11 <u>US\$'000</u>
Loss after Income Tax	(1,394)	(1,825)	(900)	(1,168)
Currency translation differences	146	(118)	(130)	57
Total comprehensive loss	<u>(1,248)</u>	<u>(1,943)</u>	<u>(1,030)</u>	<u>(1,111)</u>
Attributable to :-				
Equity holders of the parent	(1,212)	(1,815)	(940)	(956)
Minority interests	(36)	(128)	(90)	(155)
	<u>(1,248)</u>	<u>(1,943)</u>	<u>(1,030)</u>	<u>(1,111)</u>

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

As at	Group		Company	
	31/03/12 US\$'000	31/12/11 US\$'000	31/03/12 US\$'000	31/12/11 US\$'000
ASSETS				
Current assets				
Cash and Fixed Deposits	2,613	2,454	285	195
Trade Receivables	2,784	4,111	9,494	8,318
Other receivables and prepayments	2,795	3,191	6,724	7,455
Inventories	16,519	16,553	420	451
Total current assets	24,710	26,309	16,923	16,419
Non-current assets				
Investment in subsidiaries	-	-	14,467	14,467
Property, plant and equipment	14,529	14,688	731	763
Investment Properties	660	642	-	-
Intangibles assets	177	181	-	-
Available-for-sale investment and other assets	684	681	234	234
Goodwill on consolidation	1,883	1,883	-	-
Total non-current assets	17,932	18,075	15,432	15,464
Total assets	42,641	44,384	32,355	31,883
LIABILITIES AND EQUITY				
Current liabilities				
Bank overdrafts and bills payable	6,854	4,893	5,323	3,828
Trade payables	4,117	5,041	737	435
Other payables and accruals	4,389	5,531	904	1,072
Income tax payable	-	31	-	-
Finance lease obligation: current portion	105	106	68	68
Long-term bank loans: current portion	2,749	3,060	2,749	3,060
Total current liabilities	18,214	18,662	9,780	8,463
Non-current liabilities				
Finance lease obligations	237	283	145	160
Total non-current liabilities	237	283	145	160
Capital and reserves				
Issued capital	4,379	4,379	4,379	4,379
Capital reserves	2,416	2,416	38	38
Currency translation reserve	644	504	-	-
Retained earnings	15,444	16,796	18,014	18,843
Equity attributable to shareholders	22,883	24,095	22,430	23,260
Minority interests	1,308	1,344	-	-
Total equity	24,191	25,439	22,430	23,260
Total Liabilities and Equity	42,641	44,384	32,355	31,883

(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31/03/12 (US\$'000)		As at 31/12/11 (US\$'000)	
Secured	Unsecured	Secured	Unsecured
9,708	-	8,059	-

Amount repayable after one year

As at 31/03/12 (US\$'000)		As at 31/12/11 (US\$'000)	
Secured	Unsecured	Secured	Unsecured
237	-	283	-

Borrowings and gearing ratio

Total borrowings of US\$9.9 million as at 31 March 2012 comprise short-term borrowings, Callable Term Loans and finance lease obligations. Total borrowings rose by US\$ 1.6 million compared to 31 December 2011.

The Group's gearing ratio was 0.43 times as at 31 March 2012 compared to 0.35 times as at 31 December 2011.

Details of any collateral

The banking facilities of the Company are secured by a negative pledge on the Company's assets.

The banking facilities of subsidiaries are secured by a legal mortgage on the subsidiary's leasehold land and buildings and guaranteed by the Company.

The Group's finance lease obligations are secured by the lessors' charge over the leased assets.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

Consolidated Cash Flows Statement

	3 months ended 31/03/12 ("3Q12") US\$'000	3 months ended 31/03/11 ("3Q11") US\$'000	9 months ended 31/03/12 US\$'000	9 months ended 31/03/11 US\$'000
Cash flows from operating activities				
Loss before income tax	(1,394)	(1,825)	(1,040)	(1,168)
Adjustments for:				
Depreciation and amortization expenses	350	324	1,019	956
Interest income	(7)	(18)	(28)	(75)
Interest expense	73	35	207	99
(Gain) on disposal of fixed assets	(8)	(1)	(9)	(8)
Provision for slowing moving stocks	5	499	6	499
Operating profit before working capital changes	(981)	(986)	155	303
Trade receivables	1,328	1,516	760	761
Other receivables and prepayments	402	92	1,407	(552)
Inventories	29	330	(3,404)	204
Trade payables	(925)	(732)	(164)	(1,174)
Other payables	(1,142)	(409)	819	(508)
Net Cash (used in) generated from operations	(1,289)	(189)	(427)	(966)
Interest received	7	18	28	75
Interest paid	(73)	(35)	(207)	(99)
Dividend paid	-	-	(105)	(513)
Income tax (paid) refund	(39)	1	(139)	4
Net cash used in operating activities	(1,394)	(205)	(850)	(1,499)
Cash flows from investing activities				
Net purchase of fixed assets	(61)	(125)	(279)	(1,005)
Disposal of long-term and other assets	-	406	-	406
Acquisition of subsidiary	-	-	(533)	-
Net cash (used in) generated from investing activities	(61)	281	(812)	(599)
Cash flows from financing activities				
Net (decrease) increase in short-term borrowings	(45)	(213)	2	382
Net increase (decrease) in long-term borrowings	1,721	505	1,167	2,434
Net cash generated from financing activities	1,676	292	1,169	2,816
Net increase (decrease) in cash and cash equivalents	222	368	(493)	718
Cash and cash equivalents at beginning of period / year	2,151	3,702	3,154	3,410
Currency translation differences	10	(136)	(279)	(194)
Cash and cash equivalents at end of period / year	2,382	3,934	2,382	3,934
Represented by:				
Cash and bank balances (inclusive of Fixed Deposit)	2,613	4,084	2,613	4,084
Bank overdraft	(231)	(150)	(231)	(150)
	2,382	3,934	2,382	3,934

1(d)(i) **A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

Statement of Changes in Equity

	Issued Capital	Capital reserves	Currency translation reserve	Retained earnings	Attributable to equity holders	Minority interests	Total
US\$'000							
Group							
Balance as at 1/7/11	4,040	2,416	688	16,340	23,484	538	24,022
Issue of share capital	339	-	-	-	339	-	339
Non-controlling interest arising from acquisition of subsidiary	-	-	-	-	-	860	860
Total comprehensive income	-	-	(203)	215	12	(34)	(22)
Balance as at 30/09/11	4,379	2,416	485	16,555	23,835	1,364	25,199
Total comprehensive income	-	-	19	241	260	(20)	240
Balance as at 31/12/11	4,379	2,416	504	16,796	24,095	1,344	25,439
Total comprehensive income	-	-	140	(1,352)	(1,212)	(36)	(1,248)
Balance as at 31/03/12	4,379	2,416	644	15,444	22,883	1,308	24,191
Company							
Balance as at 1/7/11	4,040	38	-	17,930	22,008	-	22,008
Issue of share capital	339	-	-	-	339	-	339
Other comprehensive income	-	-	-	1,048	1,048	-	1,048
Balance as at 30/09/11	4,379	38	-	18,978	23,395	-	23,395
Total comprehensive income	-	-	-	(135)	(135)	-	(135)
Balance as at 31/12/11	4,379	38	-	18,843	23,260	-	23,260
Total comprehensive income	-	-	-	(830)	(830)	-	(830)
Balance as at 31/03/12	4,379	38	-	18,013	22,430	-	22,430
US\$'000							
Group							
Balance as at 1/7/10	4,040	2,206	560	19,990	26,796	817	27,613
Total comprehensive income	-	-	185	438	623	(3)	620
Balance as at 30/09/10	4,040	2,206	745	20,428	27,419	814	28,233
Total comprehensive income	-	-	(18)	(277)	(295)	(24)	(319)
Balance as at 31/12/10	4,040	2,206	727	20,151	27,124	790	27,914
Total comprehensive income	-	-	(60)	(1,755)	(1,815)	(128)	(1,943)
Balance as at 31/03/11	4,040	2,206	667	18,396	25,309	662	25,971
Company							
Balance as of 1/7/10	4,040	30	-	17,858	21,928	-	21,928
Total comprehensive income	-	-	-	251	251	-	251
Balance as at 30/09/10	4,040	30	-	18,109	22,179	-	22,179
Total comprehensive income	-	-	-	(628)	(628)	-	(628)
Balance as at 31/12/10	4,040	30	-	17,481	21,551	-	21,551
Total comprehensive income	-	-	-	(667)	(667)	-	(667)
Balance as at 31/03/11	4,040	30	-	16,814	20,884	-	20,884

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

The company's issued share capital increased by 2,823,800 shares ("New Shares") during 1Q12. Consequently, the number of issued shares for the Company increased to 136,513,397. New Shares were issued to the Vendors of Metrolink International Ltd ("Metrolink" or Metrolink Group") as part of the consideration for the acquisition of Metrolink. New Shares are currently held under moratorium.

- (iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

As at	31/03/12	31/12/11
Total number of issued shares (excluding treasury shares)	136,513,397	136,513,397

Note: Please refer to 1d(ii) for details.

- (iv) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable

- 2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

Not applicable.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

Not applicable

6. **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

	3 months ended 31/03/12 ("3Q12")	3 months ended 31/03/11 ("3Q11")
Loss per ordinary share (US cents)	0.99*	1.31

* computed base on the enlarged number of shares of 136,513,397

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

	Group		Company	
	31/03/2012	31/12/2011	31/03/2012	31/12/2011
Net asset value per ordinary share (US cents)	16.76	17.65	16.43	17.04

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

Table 1

	3 months ended 30/09/10 ("1Q11")	3 months ended 31/12/10 ("2Q11")	3 months ended 31/03/11 ("3Q11")	3 months ended 30/06/11 ("4Q11")	3 months ended 30/09/11 ("1Q12")	3 months ended 31/12/11 ("2Q12")	3 months ended 3/31/2012 ("3Q12")
Revenue	11,833	11,950	6,985	9,183	11,260	13,320	9,684
Gross profit	3,071	2,989	1,632	2,430	3,394	3,870	2,469
Net profit (loss) after tax	445	212	(1,825)	(1,983)	176	318	(1,394)
Attributable to:-							
Equity holders of the parent	438	236	(1,754)	(1,853)	205	346	(1,352)
Minority interests	7	(24)	(71)	(130)	(29)	(28)	(42)
	445	212	(1,825)	(1,983)	176	318	(1,394)

Revenue and Net Profit/Loss attributable to equity holders of the parent (“Net Profit” or “Net Loss”)

Our financial performance for 3Q12 improved over the corresponding quarter 3Q11. In 3Q12, revenues grew by 38.6% while net loss narrowed down by 22.9% compared to 3Q11.

Revenues in 3Q12 increased by US\$2.7 million to US\$9.7 million compared to 3Q11 due mainly to:

- order replenishment by our clients from North America (including Canada) and the UK;
- a maiden contribution from (i) Metrolink’s upholstery furniture sales in the PRC, Saudi Arabia and Kuwait; and (ii) Commune Singapore (our retail flagship store in Singapore); and
- increased orders from Korea as a result of our continued Asian marketing focus.

Revenues in 3Q12 were, however, lower as compared to 2Q12 due to fewer production days (the quarter includes the Chinese New Year and Tet holidays) during the period under review. Given this, and given the higher overhead costs due to the new businesses and other initiative, we slipped into loss compared to the net profit made in 2Q12. (Thus the reason why in our 2Q12 announcement we warned that 3Q is normally our weakest quarter and that we may report a loss).

Gross Profit rose by US\$0.84 million to US\$2.5 million due to higher revenues and an improvement in gross margin. Gross margin increased by 2.1 percentage points to 25.5% despite higher raw materials cost and higher wages in Vietnam. The improvement in Gross Profit was:

- due to a change in sales mix - sales by Metrolink Group and Commune Singapore enjoy margins higher than those of exports;
- and despite sharply higher workers’ wages and staff cost in Vietnam. Total labor cost rose by an average of 20% or approximately US\$0.3 million compared to 3Q11 while there was a time lag to pass on part or whole of such cost increase.

Selling and distribution expenses rose by US\$0.4 million to US\$1.6 million. The figure includes total selling expenses of US\$0.25 million and US\$0.14 million incurred for Metrolink and Commune Singapore respectively in 3Q12 (there were no such expenses recorded in 3Q11). Excluding these, our selling expenses for other group operations remained relatively unchanged.

Administrative expenses rose by US\$0.5 million to US\$2.3 million due mainly to the inclusion of maiden administrative expenses for Metrolink Group and higher staff cost in Vietnam.

Other operating expenses fell by US\$0.5 million in the absence of provisions for obsolete stocks.

Finance costs rose by US\$0.04 million to US\$0.07 million due to increased bank borrowings and higher cost of funds.

As a result of the above, Net Loss in 3Q12 narrowed to US\$1.35 million from US\$1.76 million in 3Q11. Given that, Net Loss for 9 months ended 31 March 2012 also narrowed to US\$0.8 million from US\$1.08 million for the corresponding period.

Financial Position

Assets

Current Assets fell by US\$1.6 million to US\$24.7 million. Significant movements in Current Assets during the period under review were as follows:

- Trade receivables fell by US\$1.3 million to US\$2.8 million despite higher revenues due to an improvement in the overall collection cycle. Trade receivables' turnover period improved to about one month from 53 days;
- Other receivables fell by US\$0.4 million to US\$2.7 million due mainly to lower advances made to sub-contractors and a reduction in VAT receivables from tax offices in Vietnam (we got back our tax refund faster).

Non-Current Assets fell by US\$0.14 million to US\$17.7 million due mainly to depreciation. (Note: the Group intends to appoint an independent professional to conduct a "Purchase Price Allocation" exercise in FY2012 in order to record the acquired assets of Metrolink Group at fair values, which will then have a financial effect of reclassifying goodwill to the identified assets group in accordance with the requirements of FRSs).

Liabilities

Current Liabilities fell by US\$0.45 million to US\$18.2 million. Total payables fell by US\$2.1 million while short-term borrowings increased by about the same amount. Taxation fell by US\$0.1 million due to lower provision. Current portion of long-term loan fell by US\$0.32 million due to continual repayments.

Shareholders' equity

Net asset or Equity attributable to shareholders fell by US\$1.4 million to US\$22.9 million as at 31 March 2012 due mainly to current period loss of US\$1.35 million, offset by currency realignment surplus of US\$0.14 million.

Minority interests

Minority interests ("MI"), reflecting the cumulative share of net asset by Metrolink Group's and Rossano's other shareholders, who owns 49% and 30% of Metrolink Group and Rossano respectively, remained relatively unchanged at US\$1.3 million.

Cash Flows (movements in 3Q12)

Net cash used from operating activities was US\$1.2 million for 3Q12 due mainly to the net cash loss of US\$0.98 million and net working capital investment of US\$0.3 million for 3Q12. Net cash used in investing activities was US\$0.06 million due mainly to investment in new machinery. Net cash from financing activities was US\$1.7 million due mainly to additional short-term borrowings, net of loans repayment. Given these, net cash and cash equivalents rose by US\$0.2 million to US\$2.4 million as at 31 March 2012 (net of bank overdraft of US\$0.2 million).

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The Board of Directors stated in the 2Q12 announcement that “We are now moving into our weakest quarter, 3Q. Given this and unless we are able to make more substantial gains in the Asia Pacific, we may well record a loss in 3Q12”.

We made a loss in the quarter under review but our Net Loss in 3Q12 narrowed to US\$1.35 million from US\$1.76 million in 3Q11. As at 31 March 2012, the Group had US\$2.4 million in cash and cash equivalents and it had a gearing ratio of 0.43 times (compared to 0.35 times as at 31 December 2011).

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Our strategies to supplement sales from the US by growing market share in the Asia Pacific remains on track. However, we remain pessimistic about the outlook for the UK/EU markets given the Euro crisis concerns and the UK's own weak GDP growth.

Whilst we made smaller losses in 3Q12 compared to the corresponding 2011 period, our financial performance in 3Q12 was much affected by: higher raw material prices and higher wages rate (due to inflationary adjustments in Vietnam). Our ability to immediately pass on such cost increase to our clients, over a shorter term, remains challenging. To counterbalance cost pressures, we need to increase our Minimum Order Quantity (“MOQ”) and reduce our product mix for greater economies of scale.

Given the above, and despite a challenging environment, the Board continues to believe that the financial performance in FY2012 will improve over that of FY2011. However, whether such an improvement will result in an overall profit for FY2012 remains to be seen.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year
Any dividend declared for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommendeded, a statement to that effect

Not applicable

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect

Not applicable

**PART II ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

Not applicable

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Not applicable

16. A breakdown of sales

Not applicable

17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Not applicable

CONFIRMATION BY THE BOARD

We, James Koh Jyh Gang and Koh Shwu Lee, being two directors of Koda Ltd (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of our knowledge, nothing has come to the attention of the board of directors of the Company which may render the un-audited financial results for quarter ended 31 March 2012 to be materially false or misleading.

BY ORDER OF THE BOARD
JAMES KOH JYH GANG
Managing Director
11 May 2012