

KODA LTD

Third-quarter 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 (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial period

Consolidated Profit and Loss Statement – 3Q09 and 9 months ended 31 March 2009

	3 months ended 31/03/2009 ("3Q09") US\$'000	3 months ended 31/03/2008 ("3Q08") US\$'000	Change %	9 months ended 31/03/2009 US\$'000	9 months ended 31/03/2008 US\$'000	Change %
Revenue	6,466	9,689	(33.3)	29,756	44,655	(33.4)
Cost of sales	(4,759)	(6,781)	(29.8)	(22,027)	(31,565)	(30.2)
Gross profit	1,707	2,908	(41.3)	7,729	13,090	(41.0)
Other operating income	65	95	(31.6)	466	405	15.1
Selling and distribution costs	(997)	(935)	6.6	(2,866)	(3,058)	(6.3)
Administrative expenses	(1,535)	(1,347)	14.0	(5,041)	(4,782)	5.4
Other operating expense	(192)	(65)	195.4	(295)	(244)	20.9
Finance costs	(30)	(43)	(30.2)	(113)	(133)	(15.0)
(Loss) / Profit before income tax	(982)	613	NA	(120)	5,278	NA
Income tax expense	(1)	(42)	(97.6)	(88)	(306)	(71.2)
(Loss) / Profit after income tax	(983)	571	NA	(208)	4,972	NA

Attributable to:

Equity holders of the parent	(960)	539	NA	(215)	4,718	NA
Minority interest	(23)	32	NA	7	254	(97.2)
	(983)	571	NA	(208)	4,972	NA

Notes to Profit and Loss account

	3 months ended 31/03/2009 ("3Q09") US\$'000	3 months ended 31/03/2008 ("3Q08") US\$'000	9 months ended 31/03/2009 US\$'000	9 months ended 31/03/2008 US\$'000
<u>Other operating income</u>				
Rental income	44	44	134	127
Interest income	16	50	86	150
Exchange gain	-	-	226	-
Gain on disposal of unquoted investments	-	1	-	109
Other	5	-	20	19
	65	95	466	405

Other operating expenses

Foreign exchange loss	164	65	164	136
Provision for slow-moving stocks	-	-	14	-
Provision for doubtful debts	-	-	73	-
Provision for impairment on investments	-	-	-	92
Loss on disposal of fixed assets	26	-	26	16
Other	2	-	18	-
	<u>192</u>	<u>65</u>	<u>295</u>	<u>244</u>

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

Consolidated Balance Sheet

As at	Group		Company	
	31/03/2009 US\$' 000	31/12/2008 US\$' 000	31/03/2009 US\$' 000	31/12/2008 US\$' 000
ASSETS				
Current assets				
Cash and Fixed Deposits	4,356	4,739	942	1,243
Trade receivables	2,426	4,116	3,533	4,581
Other receivables and prepayments	2,137	3,868	7,032	6,263
Inventories	7,697	8,228	520	956
Total current assets	16,616	20,951	12,027	13,043
Non-current assets				
Investment in subsidiaries	-	-	11,668	11,668
Property, plant and equipment	14,340	13,534	620	693
Intangible assets	602	340	-	-
Available-for-sale investment and other assets	796	782	700	700
Goodwill on consolidation	728	728	-	-
Total non-current assets	16,466	15,384	12,988	13,061
Total assets	33,082	36,335	25,015	26,104
LIABILITIES AND EQUITY				
Current liabilities				
Bank overdrafts and bills payable	30	441	27	441
Trade payables	1,905	2,766	3,501	6,951
Other payables and accruals	1,785	2,302	893	989
Income tax payable	100	141	71	78
Finance lease obligations: current portion	103	203	23	24
Long-term bank loans: current portion	380	380	380	380
Total current liabilities	4,303	6,233	4,895	8,863
Non-current liabilities				
Finance lease obligations	949	953	53	57
Long-term bank loans	190	284	190	285
Deferred tax liabilities	-	-	-	-
Total non-current liabilities	1,139	1,237	243	342
Capital and reserves				
Issued capital	4,040	4,040	4,040	4,040
Capital reserves	229	229	38	38
Currency translation reserve	83	315	-	-
Retained earnings	22,264	23,224	15,799	12,821
Equity attributable to shareholders	26,616	27,808	19,877	16,899
Minority interests	1,024	1,057	-	-
Total equity	27,640	28,865	19,877	16,899
Total Liabilities and Equity	33,082	36,335	25,015	26,104

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

Amount repayable in one year or less, or on demand

As at 31/03/2009 (US\$'000)		As at 31/12/2008 (US\$'000)	
Secured	Unsecured	Secured	Unsecured
513	-	1,024	-

Amount repayable after one year

As at 31/03/2009 (US\$'000)		As at 31/12/2008 (US\$'000)	
Secured	Unsecured	Secured	Unsecured
1,139	-	1,237	-

Borrowings and gearing ratio

Total borrowings of US\$1.6 million as at 31 March 2009 consist of short-term borrowings, term loans and finance lease obligations. Total borrowings fell by US\$0.6 million or 26.9% due mainly to lower working capital investments.

The Group's gearing ratio improved to 0.06 times as at 31 March 2009 compared to 0.08 times as at 31 December 2008.

Details of any collateral

The bank facilities of the Company are secured by a legal mortgage on the Company's leasehold building and a negative pledge on the Company's assets.

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

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

1(c) A cash flow statement (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 31/03/2009 (3Q09) US\$'000	3 months ended 31/03/2008 ("3Q08") US\$'000	9 months ended 31/03/2009 US\$'000	9 months ended 31/03/2008 US\$'000
Cash flows from operating activities				
(Loss) Profit before income tax	(982)	613	(120)	5,278
Adjustments for:				
Depreciation and amortization expense	250	232	769	654
Interest income	(16)	(50)	(86)	(150)
Interest expense	30	43	112	134
Loss / (Gain) on disposal of fixed assets	26	(1)	26	15
Gain on disposal of quoted investments	-	-	-	(108)
Provision for slowing moving stocks	-	-	14	-
Provision for impairment of unquoted investments	-	-	-	92
	<u>(692)</u>	<u>837</u>	<u>715</u>	<u>5,915</u>
Operating profit before working capital changes				
Trade receivables	1,690	2,955	1,829	2,552
Other receivables and prepayments	704	(162)	1,011	(1,114)
Inventories	532	(1,228)	863	(1,000)
Trade payables	(861)	(827)	(1,302)	(691)
Other payables and accruals	(518)	(774)	(606)	(756)
	<u>855</u>	<u>801</u>	<u>2,510</u>	<u>4,906</u>
Interest received	16	50	86	150
Interest paid	(30)	(43)	(112)	(134)
Dividend paid	-	(474)	(452)	(1,199)
Dividend paid to minority interest	-	-	(46)	(23)
Income tax paid	(55)	(96)	(631)	(406)
	<u>786</u>	<u>238</u>	<u>1,355</u>	<u>3,294</u>
Net cash from operating activities				
Cash flows from investing activities				
Net (Purchase) Disposal of property, plant & equipment	(56)	(1,709)	(382)	(3,570)
Net Increase (decrease) in intangible assets	(262)	(30)	(262)	(30)
Disposal of long-term and other assets	1	-	62	313
Translation of foreign subsidiaries	(242)	310	(853)	522
	<u>(559)</u>	<u>(1,429)</u>	<u>(1,435)</u>	<u>(2,765)</u>
Net cash used in from investing activities				
Free Cash Flow (Note)	227	(1,191)	(80)	529
Cash flows from financing activities				
Repayment of long-term borrowings	(99)	(70)	(313)	(206)
Repayment of short-term borrowings	(514)	(33)	(359)	(257)
	<u>(613)</u>	<u>(103)</u>	<u>(672)</u>	<u>(463)</u>
Net cash used in financing activities				
Net (decrease) increase in cash and cash equivalents	(386)	(1,294)	(752)	66
Cash and cash equivalents at beginning of period	4,739	7,197	5,105	5,837
Cash and cash equivalents at end of period	4,353	5,903	4,353	5,903
Represented by:				
Cash and bank balances (inclusive of Fixed Deposit)	4,356	5,903	4,356	5,903
Bank Overdraft	(3)	-	(3)	-
	<u>4,353</u>	<u>5,903</u>	<u>4,353</u>	<u>5,903</u>

Note: Free Cash Flow – calculated as Net cash from operating activities less cash flows from investing activities.

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 1/7/2008	4,040	229	886	22,931	28,086	1,109	29,195
Currency translation differences	-	-	(571)	-	(571)	(36)	(607)
Net profit for 1H2009	-	-	-	745	745	30	775
Dividend paid	-	-	-	(452)	(452)	(46)	(498)
Balance as at 31/12/2008	4,040	229	315	23,224	27,808	1,057	28,865
Currency translation differences	-	-	(232)	-	(232)	(10)	(242)
Net loss for 3Q2009	-	-	-	(960)	(960)	(23)	(983)
Dividend paid	-	-	-	-	-	-	-
Balance as at 31/3/2009	4,040	229	83	22,264	26,616	1,024	27,640
Company							
Balance as at 1/7/2008	4,040	38	-	7,389	11,467	-	11,467
Net profit for 1H2009	-	-	-	5,884	5,884	-	5,884
Dividend paid	-	-	-	(452)	(452)	-	(452)
Balance as at 31/12/2008	4,040	38	-	12,821	16,899	-	16,899
Net profit for 3Q2009	-	-	-	2,978	2,978	-	2,978
Dividend paid	-	-	-	-	-	-	-
Balance as at 31/3/2009	4,040	38	-	15,799	19,877	-	19,877
US\$'000							
Group							
Balance as at 1/7/2007	4,040	187	482	19,953	24,662	1,120	25,782
Currency translation differences	-	-	330	-	330	12	342
Net profit for 1H2008	-	-	-	4,179	4,179	222	4,401
Dividend paid	-	-	-	(750)	(750)	(127)	(877)
Balance as at 31/12/2007	4,040	187	812	23,382	28,421	1,227	29,648
Currency translation differences	-	-	287	-	287	24	311
Net profit for 3Q2008	-	-	-	539	539	32	571
Dividend paid	-	-	-	(474)	(474)	-	(474)
Balance as at 31/3/2008	4,040	187	1,099	23,447	28,773	1,283	30,056
Company							
Balance as at 1/7/2007	4,040	187	-	4,641	8,868	-	8,868
Net profit for 1H2008	-	-	-	2,382	2,382	-	2,382
Dividend paid	-	-	-	(750)	(750)	-	(750)
Balance as at 31/12/2007	4,040	187	-	6,273	10,500	-	10,500
Net profit for 3Q2008	-	-	-	1,135	1,135	-	1,135
Dividend paid	-	-	-	(474)	(474)	-	(474)
Balance as at 31/3/2008	4,040	187	-	6,934	11,161	-	11,161

- 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**

There were no changes in the Company's share capital during the period under review.

- (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	31/3/2009	31/12/2008
Total number of issued shares (excluding treasury shares)	133,689,597	133,689,597

- (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**

The Company has applied the same accounting policies and methods of computations as in the Company's latest audited financial statements for the period ended 30 June 2008.

- 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 31/3/2009	3 months ended 31/3/2008	9 months ended 31/3/2009	9 months ended 31/3/2008
(Loss) Earnings per ordinary share (US cents)	(0.007)	0.004	(0.002)	0.035

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	
	31/3/2009	31/12/2008	31/3/2009	31/12/2008
Net asset value per ordinary share (US cents)	19.91	20.80	14.87	12.64

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

Revenue and Net Profit attributable to equity holders of the parent ("Net Profit")

In our half-year Announcement, we highlighted the deterioration in demand for furniture from the US and the UK/Europe and as a result, the Group could make a loss for the quarter ended 31 March 2009 ("3Q2009"). On May 4, 2009, we further advised stakeholders that we would make a loss for 3Q2009. In our letter to stakeholders we noted that:

- The impact of the global recession led to a very severe downturn in US and EU consumer confidence and demand in 3Q2009;
- We did not seek to offset this decline in demand by allowing more 'on open account' credit sales;
- The 3Q2009 results were exacerbated by new capacity but shorter number of production days due to Chinese New year and the Vietnamese Tet Festival; and
- Elsewhere outside the US and UK/Europe, namely Vietnam, Australian and New Zealand where we have retail sales operations, the weakness of the Vietnamese Dong and significant weakness of the Australian and New Zealand Dollars meant lower equivalent US\$ sales derived from these markets when translated into US dollars (US\$ is our functional and reporting currency).

Despite the losses stemming from macro economic factors, we view our 3Q2009 results as disappointing.

Revenue fell by 33.3% or US\$3.2 million to US\$6.5 million compared to 3Q2008. Gross Profit fell by 41.3% or US\$1.2 million to US\$1.7 million and gross margin of 26.4% in 3Q2009 was about 3.6 percentage points lower compared to 3Q2008 despite the fact that we did not offer significant price discounts. The decline in gross margin was due to:

- Change in product mix due to consumers demanding less luxurious materials and upholstery as a result of their scaled-down spending budget;
- More R&D efforts for products developed by our newly recruited designers from Italy and America;
- Less revenue on which to spread overheads. This caused higher unit costs (factory overhead), less-than-optimum capacity utilization rate and negative economies of scale.

Selling and distribution costs did not fall significantly as we believe that in such times we need to spend more on selling our products. Administrative expenses were mostly fixed cost which did not fall on the back of lower Revenue. Other operating expenses rose due to foreign exchange losses of US\$0.2 million. Finance cost, however, continued to fall given falling short-term borrowings and falling interest rates.

Given the above-mentioned, we made a net loss of US\$0.96 million for 3Q2009.

Financial Position (as at 31 March 2009 vs as at 31 December 2008)

Assets

Current Assets fell by US\$4.3 million to US\$16.6 million. Significant movements in Current Assets during the period under review were:

- Cash at bank (inclusive of fixed deposits) remained strong at US\$4.4 million. It declined by a modest US\$0.4 million despite the Groups recording a loss and due to improvements in the working capital cycle and lower capital expenditure.
- Trade receivables fell sharply by US\$1.7 million to US\$2.4 million due mainly to lower revenue and tight credit management. Trade receivable turnover period as at 31 March 2009 was 22 days;
- Other receivables and prepayments fell by US\$1.7 million due mainly to: VAT receipts of US\$0.5 million from the Vietnamese tax office; and reclassification of an accumulated long-term finance lease prepayments of US\$1.0 million to Non-current Assets; and
- Inventories fell by US\$0.5 million as a result of lower raw material purchases and finished goods and despite an increase in WIP of US\$0.4 million. WIP increased as a result of requested delays by some clients while orders were still in the production process. Raw materials stock did not fall as much as revenue due to management's strategic decision to build buffer materials stock in order to meet the increasingly short delivery times demanded by clients.

Non-Current Assets increased by US\$1.0 million due mainly to reclassification of US\$1.0 million long-term prepaid finance lease to Property, Plant and Equipment, net of depreciation expense of US\$0.3 million.

Total Liabilities

Current Liabilities fell by US\$1.9 million to US\$4.3 million. Trade payables fell by US\$0.9 million due to lower purchases on the back of the fall in revenue. Other payables fell by US\$0.5 million due mainly to lower customers' deposits and lower accrued sales commission. Short-term bank borrowings continued to fall by US\$0.4 million on our decision to cap borrowings.

Non-Current Liabilities fell by US\$0.1 million to US\$1.1 million as a result of long-term loans and finance lease repayments.

Shareholders' equity

Equity Attributable to Shareholders fell by US\$1.2 million to US\$27.6 million as at 31 March 2009. The Net Loss of US\$0.96 million and currency translation deficit of US\$0.2 million caused Equity Attributable to Shareholders to fall.

Minority interests

Minority interests remained relatively constant at US\$1.0 million, reflecting the cumulative share of net asset by Rossano's other shareholder, who owns 30% of Rossano.

Cash Flows

Net Cash from Operating Activities remained a positive US\$0.8 million despite Loss before Income Tax of US\$0.98 million during 3Q2009 due mainly to a significant fall in working capital investment of US\$1.5 million. We generated a Free Cash Flow of US\$0.2 million given our moderate capital expenditure of US\$0.6 million. Our decision to lower borrowings for interest savings had resulted in an increase in Cash Flows from Financing Activities of US\$0.6 million. Given that, our cash at bank fell by a modest US\$0.4 million to US\$4.4 million.

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

During the 1H2009 results announcement on February 13, 2009, the Board of Directors cautioned that the Group may slip into a loss in 3Q2009. On May 4, 2009, the Board of Directors wrote to stakeholders stating that the Group will record a loss in 3Q2009. The Group reported a net loss of US\$0.96 million for 3Q2009.

In both announcements, the Board of Directors stated that the financial position of the Group would remain strong. At 31 March 2009, the Group had US\$4.4 million in cash and its gearing ratio had significantly improved from 0.8 times to 0.06 times.

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

As previously noted, furniture sales in the US and in the EU have been badly affected by the current crisis. Whilst there are signs of recovery – US retail customers have shared with us their low inventory positions and they need to reorder – we suspect that such reorders, at least initially, is likely to be for smaller batches and/or require much shorter lead times. Further, given our expanded size of operations and recently added capacity, a certain amount of momentum will be required before the pick-up in the markets are reflected by a pick-up in our bottom-line.

In other words, whilst the short term outlook appears to be improving, it is yet to be seen whether this improvement is merely demand coming off the bottom or will crystallise into a positive profit result. In the longer run, the Board is positive about our industry and our business. The current crisis may have stopped and/or may reverse the previous rapid capacity expansion by new entrants from China. We have seen consolidation in our industry and, given that we are known in the market to be financially strong, we have been offered several acquisition deals. Equally important is that buyers and manufacturers are both likely to be choosier about whom to do business with in the future. Our ability to deliver to customers in these hard times and our ability to pay sub-contractors on time, we believe, will stand us in good stead.

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

No dividend has been declared.

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

- 13. 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

- 14. 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

- 15. A breakdown of sales**

Not applicable

- 16. 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 the 3 months ended 31 March 2009 to be materially false or misleading.

On behalf of the Board

**James Koh Jyh Gang
Managing Director**

**Koh Shwu Lee
Executive Director**

**BY ORDER OF THE BOARD
JAMES KOH JYH GANG
15 MAY 2009**