



FY2006 PRESS RELEASE

## **MAIN BOARD-LISTED ORIGINAL DESIGN MANUFACTURER KODA'S FY2006 NET PROFIT RISES 58.5%, OUTPACING REVENUE GROWTH**

- Revenue increases 15.2% to US\$48.1 million for FY2006 led by significant increase in sales in fast-growing North American and traditional European markets
- Net profit rose significantly by 58.5% to US\$4.7 million
- Group announces final dividend of 0.5 (S\$: cent) per ordinary share (less tax) and special dividend of 0.25 (S\$: cent) per ordinary share (less tax)
- Outlook: Group expects full-year performance for FY2007 to exceed that of FY2006

**SINGAPORE, 23 August 2006** – SGX Main Board-listed original design manufacturer (“ODM”) and furniture exporter Koda Ltd (“Koda” or “the Group”) announced today that its net profit for the financial year ended 30 June 2006 (“FY2006”) rose 58.5% to US\$4.7million (S\$7.7 million) compared to US\$3.0 million (S\$5.0 million) in FY2005 and net profit growth outpaced revenue growth.

FY2006 revenue rose 15.2% to US\$48.1 million (S\$78.9 million) compared to US\$41.7 million (S\$69.5 million) in FY2005, buoyed by a significant increase in sales in the fast-growing North American and traditional European markets and an enhanced product mix.

The trend in net profit growth for the full year follows the Group’s first half performance and is supported by the Group’s strategy of higher-value product offerings and sustained efficiencies. Koda has been incorporating premium leather and fabrics to complement its wood-based designs as well as higher-value timbers such as oak and walnut which have been used as it expanded its share in upmarket segments.

The Group’s improved bottom-lined performance also benefited from a maiden net profit contribution of US\$0.1 million (S\$0.16 million) from the Rossano Group (“Rossano”), a Vietnam-based specialist producer of leather and upholstery furniture that the Group recently acquired.

Koda’s gross profit margin rose to 27.1% in FY2006 from 22.3% in FY2005 and net profit margin improved to 9.8% from 7.1% in the same period due to effective cost control, enhanced product mix and increased operating cash flows.

Basic earnings per share ("EPS") correspondingly rose to 4.2 US cents (6.9 S cents) in FY2006 compared to 2.7 US cents (4.5 S cents) in FY2005. Net asset value ("NAV") per share was 15.8 US cents (25.1 S cents) as at 30 June 2006 compared to 12.1 US (20.7 S cents) cents as at 30 June 2005.

Commenting on the performance of the Group, Mr. T.K Koh, Chairman of Koda, said: "I am extremely proud of the entire Koda management team for turning in a strong performance for FY2006 which underscores the success of our growth strategy and efforts to increase our market share by competing on quality and value rather than on price."

Koda added a new dimension to its growth strategy when it acquired a 70% equity stake in Rossano in April 2006, raising its production facilities for leather and upholstery furniture in Vietnam by at least 20%-25%. The strategic investment strengthens Koda's expertise in producing leather and upholstery furniture which will boost its planned move into upmarket segments. In addition, Koda plans to use Rossano as a platform to launch new mid-market lines to regain customers the Group dropped when it successfully moved up the value chain.

In pursuance of its growth strategy of focused marketing, the Group also undertook extensive sales and marketing initiatives like participation in international furniture shows. As a result of these initiatives, the Group signed on 90 new customers from UK/Europe, Americas and Asia Pacific as well as secured sales orders that enhanced the Group's order book. As at the date of this announcement, the Group had orders worth some US\$19.0 million (S\$ 31.0 million) to be delivered within the next four months. These orders are well spread out amongst Koda's customers located in North America, UK/Europe and Asia Pacific.

As previously announced, the Group has made capital investments in Vietnam. The proposed first phase of the expansion plans will include construction of factory buildings with a total built-in area of approximately 150,000 square feet, which is scheduled for completion in FY2007. The Group expects its production capacity, on a full-swing basis, to increase by 20%.

Commenting on the outlook, Mr. James Koh, Deputy Chairman and Managing Director said, "Our growth strategy has consistently delivered fruitful results over the last three years. We have laid a firm foundation for sustained growth and we will continue to build on it during FY2007 in order to position the Group for sustained future growth. Barring unforeseen circumstances, the Board of Directors expect the performance of FY2007 to be better than that of FY2006."

The Group remains in a healthy cash position, with cash and bank balances of US\$2.4 million (S\$ 3.8 million) as at 30 June 2006. Net gearing improved to 0.27 times as at 30 June 2006 compared to 0.55 times as at 30 June 2005.

The Group 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).

# ends ##

Issued on behalf of the Company by WeR1 Consultants Pte Ltd:

**Media Contact Info**

*WeR1 Consultants Pte Ltd*

*Tel: 6737 4844 Fax: 6737 4944*

*Mona Leong, Reshma Jain*

*monaleong@wer1.net ; reshma@wer1.net*

***About Koda Ltd***

Established in Singapore and founded in 1972, SGX Main Board-listed Koda is backed by a management with combined experience of close to a century and recognised 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 200 customers and sell to more than 50 countries. Consistent business strategies and focused growth initiatives differentiates Koda from others.

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

For the July-December 2005 period ("1H06'), Koda's net profit rose 45.6% to a record half-year performance of S\$3.6 million and outpaced the revenue growth. This growth was buoyed by sustained higher efficiency and strong orders for higher-value products from UK/Europe and North America customers. Commenting on outlook, the Group reiterated its expectation that full year performance for FY2006 will exceed that of FY2005.

In April 2006, the Group made its first acquisition when it entered into a sale and purchase agreement to acquire a 70% stake in Singapore-incorporated Richin Furniture Décor Pte Ltd which owns 100% of Vietnam-based Rossano Group. The Rossano Group is a foreign-managed specialist producer of leather and upholstery furniture. The acquisition should ramp up Koda's production facilities for leather and upholstery furniture in Vietnam, on a full-swing basis, by at least 20%-25% and is thus expected to contribute positively to the Group's net profit in FY2007.