

MASNET No. 51 OF 27.02.2003

Announcement No. 51

KODA LTD**Half Year Financial Statement****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 year**

	1 half ended 31/12/2002	1 half ended 31/12/2001	Change
	S\$' 000	S\$' 000	%
Revenue	17,482	19,575	(10.7)
Cost of sales	(12,534)	(14,072)	(10.9)
Gross profit	4,948	5,503	(10.1)
Other operating income	201	250	(19.6)
Selling and distribution costs	(1,103)	(1,148)	(3.9)
Administrative expenses	(2,194)	(1,849)	18.6
Other operating expense	-	(12)	nm
Profit from operations	1,852	2,744	(32.5)
Finance costs	(530)	(588)	(9.9)
Profit before income tax	1,322	2,156	(38.7)
Income tax expense	(38)	(303)	(87.4)
Profit after income tax	1,284	1,853	(30.7)
Minority interests	(5)	5	nm
Net profit for the year	1,279	1,858	(31.2)
Notes to income statement			
- rental income	98	142	(31.0)
- interest income	43	86	(50.0)
- foreign exchange gain	42	(12)	nm
- other income	18	34	(47.1)
- depreciation and amortization	419	397	5.5

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 year

	Group		Company	
	31/12/2002	30/6/2002	31/12/2002	30/6/2002
	S\$' 000	S\$' 000	S\$' 000	S\$' 000
ASSETS				
Current assets				
Cash	555	364	290	268
Trade receivables	6,068	5,080	5,592	4,668
Other receivables and prepayments	3,983	3,254	2,299	1,861
Inventories	6,906	6,892	1,201	1,124

Amount owing by subsidiaries	-	-	15,279	11,549
Total current assets	17,512	15,590	24,661	19,470
Non-current assets				
Investment in subsidiaries	-	-	8,996	8,467
Property, plant and equipment	13,014	9,476	1,379	1,456
Unquoted investments	1,872	1,904	1,837	1,876
Development costs	878	385	-	-
Total non-current assets	15,764	11,765	12,212	11,799
Total assets	33,276	27,355	36,873	31,269
LIABILITIES AND EQUITY				
Current liabilities				
Bank overdrafts and bills payable	8,529	7,993	5,635	4,561
Trade payables	2,912	2,519	394	413
Other payables	1,038	886	346	144
Income tax payable	92	235	92	198
Finance lease obligations: current portion	356	257	158	196
Long-term bank loans: current portion	198	118	-	-
Amount owing to subsidiaries	-	-	18,982	15,917
Total current liabilities	13,125	12,008	25,607	21,429
Non-current liabilities				
Other payables	1,290	1,290	1,290	1,290
Finance lease obligations	3,371	908	369	437
Long-term bank loans	582	533	-	-
Deferred tax liabilities	199	201	39	39
Total non-current liabilities	5,442	2,932	1,698	1,766
Minority interests	52	57	-	-
Capital and reserves				
Issued capital	4,642	4,220	4,642	4,220
Share premium	2,974	1,866	2,974	1,866
Asset revaluation reserve	387	387	98	98
Currency translation reserve	(625)	(444)	-	-
Accumulated profits	7,279	6,000	1,854	1,561
Dividend reserve	-	329	-	329
Total equity	14,657	12,358	9,568	8,074
Total liabilities and equity	33,276	27,355	36,873	31,269

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

Amount repayable in one year or less, or on demand

As at 31/12/2002		As at 30/6/2002	
Secured	Unsecured	Secured	Unsecured

9,084 (\$'000)	-	8,368 (\$'000)	-
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Amount repayable after one year

As at 31/12/2002		As at 30/6/2002	
Secured	Unsecured	Secured	Unsecured
3,952 (\$'000)	-	1,441 (\$'000)	-

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 a subsidiary are secured by a legal mortgage on the subsidiary's leasehold land and buildings.

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

	Half-year 31/12/2002	Half-year 31/12/2001
	S\$'000	S\$'000
Cash flows from operating activities:		
Profit before income tax	1,322	2,156
Adjustments for:-		
Depreciation and amortization	419	397
Interest income	(43)	(86)
Interest expense	530	588
Operating profit before working capital changes	2,228	3,055
Trade receivables	(988)	827
Other receivables and prepaid expenses	(729)	(490)
Inventories	(14)	(160)
Trade payables	393	708
Other payables	140	(182)
Cash generated from operations	1,030	3,758
Interest received	43	86
Interest paid	(530)	(588)
Income tax paid	(183)	(617)
Dividend paid	(329)	-
Net cash from operating activities	31	2,639
Cash flows from investing activities		
Purchase of fixed assets	(3,956)	(938)

Development costs	(493)	-
Increase in other investments	32	(988)
Net effects of exchange rates changes in consolidating subsidiaries	(180)	(9)
Net cash used in investing activities	(4,597)	(1,935)
Cash flows from financing activities		
Net proceeds from new issue of shares	1,530	-
Proceeds from long-term borrowings	2,690	(584)
Reduction in short-term borrowings	(260)	(1,244)
Other payable	-	850
Net cash from financing activities	3,960	(978)
Net (decrease) increase in cash and cash equivalents	(606)	(274)
Cash and cash equivalents (overdrawn) at beginning of period	(749)	(726)
Cash and cash equivalents (overdrawn) at end of period	(1,355)	(1,000)
Represented by		
Cash and bank balances	555	322
Bank overdraft	(1,910)	(1,322)
	(1,355)	(1,000)

Net cash from operating activities declined due mainly to:

- longer trade receivables turnover period. It increased due to credit term given to a new customer from North America and we received all the sale proceeds in January 2003. The payment term for this customer has been changed to letter of credit at sight in January 2003.
- a dividend payment of some \$0.3 million.

Net cash used in investing activities increased due mainly to our capital investments in Vietnam.

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

	Issued capital	Share premium	Asset revaluation reserve	Currency translation reserve	Dividend reserve	Accumulated profits	Total
	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000	\$' 000
Group							
Balance at 30/6/2001	1,750	-	387	(47)	-	4,441	6,531
Bonus shares	1,720	-	-	-	-	(1,720)	-
Currency translation differences				32	-	-	32
Net profit for the period	-	-	-	-	-	1,858	1,858
Balance at 31/12/2001	3,470	-	387	(15)	-	4,579	8,421

Initial public offering	750	3,150	-	-	-	-	3,900
Share issue expenses	-	(1,284)	-	-	-	-	(1,284)
Currency translation differences	-	-	-	(429)	-	-	(429)
Net profit for the period	-	-	-	-	-	1,750	1,750
Proposed dividend	-	-	-	-	329	(329)	-
Balance at 30/6/2002	4,220	1,866	387	(444)	329	6,000	12,358
Issue of new shares	422	1,182	-	-	-	-	1,604
Share issue expense	-	(74)	-	-	-	-	(74)
Currency translation differences	-	-	-	(181)	-	-	(181)
Net profit for the period	-	-	-	-	-	1,279	1,279
Dividend payment	-	-	-	-	(329)	-	(329)
Balance at 31/12/2002	4,642	2,974	387	(625)	-	7,279	14,657
Company							
Balance at 30/6/2001	1,750	-	98	-	-	2,692	4,540
Bonus shares	1,720	-	-	-	-	(1,720)	-
Net profit for the period	-	-	-	-	-	390	390
Balance at 31/12/2001	3,470	-	98	-	-	1,362	4,930
Initial public offering	750	3,150	-	-	-	-	3,900
Share issue expenses	-	(1,284)	-	-	-	-	(1,284)
Net profit for the period	-	-	-	-	-	528	528
Proposed dividend	-	-	-	-	329	(329)	-
Balance at 30/6/2002	4,220	1,866	98	-	329	1,561	8,074
Issue of new shares	422	1,182	-	-	-	-	1,604
Share issue expense	-	(74)	-	-	-	-	(74)
Net profit for the period	-	-	-	-	-	293	293
Dividend payment	-	-	-	-	(329)	-	(329)
Balance at 31/12/2002	4,642	2,974	98	-	-	1,854	9,568

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 or 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

During the period under review, the Company did a placement of 8.44 million new ordinary shares of \$0.05 each at \$0.19 per share and raised \$1.5 million in net proceeds. The placement has increased the issued and paid up share capital of the Company to \$4,642,000 divided into 92,840,000 ordinary shares of \$0.05 each.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have not been audited

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 Group has applied the same accounting policies and methods of computation as in the Company's audited financial statements for the year ended 30 June 2002.

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

	31/12/2002	31/12/2001
Earnings per ordinary shares	1.50 cents (Note 1)	2.68 cents (Note 2)
Diluted earnings per ordinary shares	1.50 cents (Note 1)	2.68 cents (Note 2)

Note 1:

For the purpose of calculating earnings per share for the period ended 31 December 2002, the weighted average number of ordinary shares in issue is computed by adding to 84,400,000 shares, 8,440,000 new placement shares weighted for 1 month thereby giving the weighted average number of ordinary shares of 85,103,333.

Note 2:

Earnings per share for the period ended 31 December 2001 is calculated based on the issued and paid up share capital of 69,400,000 shares after adjusting for both the bonus issue of approximately 982.85 bonus shares for every 1,000 existing shares held and the subdivision of the shares.

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

	31/12/2002	31/12/2001
Group		
Net tangible asset backing per ordinary shares	15.79 cents (Note 1)	12.13 cents (Note 1)
Company		
Net tangible asset backing per ordinary shares	10.30 cents (Note 1)	7.10 cents (Note 1)

Note 1:

Net tangible asset backing per ordinary share as at 31 December 2002 is calculated based on the issued and paid up share capital of 92,840,000 shares after adjusting for issue of 8,440,000 new ordinary shares of S\$0.05 each under a private placement.

Note 2:

Net tangible asset backing per ordinary share as at 31 December 2001 is calculated based on the issued and paid up share capital of 69,400,000 shares after adjusting for both the bonus issue of approximately 982.85 bonus shares for every 1,000 existing shares held and the subdivision of the shares.

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

For the 6 months ended 31 December 2002 as compared to the 6 months ended 31 December 2001, turnover declined by 10.7% to S\$17.5 million. Despite lower revenue, gross profit margin increased by 0.2 percentage points to approximately 28.3%. The margin growth was underpinned by increased contribution from our Vietnam operations to the Group's revenue. For the same period, net profit fell by 31.2%.

The six month on six month decline was due to:

1. Weaker demand in the first 3 months of the period under review (July to September 2002) – many clients delayed or downsized orders on the back of weak 2002 summer sales. There was also an adverse effect arising from the mix of business. Orders reflected the price sensitivity of consumers resulting in the unit value per product sold falling slightly.

2. Disruptions and higher-than-expected moving and upgrading costs from the shift of capacity from Malaysia to Vietnam and the enlargement & upgrading of our Vietnam capacity. There have been teething problems, which included the learning curve effect in Vietnam. For many products and lines transferred, the initial productivity was only 45% of the anticipated productivity. The shift also resulted in a rise in operating costs, which included some \$0.1 million in write-offs for inventory & fixed assets and some \$0.1 million arising from training cost. As the quality of production in Vietnam rises, we have been, are and will continue to take the opportunity to shift more of our capacity to this lower cost production centre

3. New client acquisition costs – we have been working for several major orders from the USA and this has involved many test pieces, redesigns and mono-runs. It has also required us to forcefully beef up our R&D team to study US requirements and formulate production methodologies. Research costs rose by some \$0.2 million.

4. Other Income fell due mainly to lower rental and interest income. A portion of our factory space in Singapore is rented to third parties. Rental prices in Singapore have been weak.

Tax expense fell significantly due to a tax concession in Vietnam.

During the period under review, non-current assets increased by approximately 34% to \$15.8 million due mainly to our capital investments in new factory buildings and fittings in Vietnam, which were mainly acquired under finance leases. As a result, finance lease obligations increased by about \$2.6 million.

The Company did a placement of 8.44 million new ordinary shares of \$0.05 each at \$0.19 per share and raised \$1.5 million in net proceeds. The placement has increased the issued and paid up share capital of the Company to \$4,642,000 divided into 92,840,000 ordinary shares of \$0.05 each.

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

Not applicable

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 at the date of this announcement to 30 June 2003, we have some US\$12 million in orders. In our experience, these orders should be fulfilled assuming no significant negative events. Gross profit should also be maintained though rapid required expansion of capacity may result in one-off costs. The Company remains cautiously optimistic that the full year performance could be as good as the twelve months ended 30 June 2002. For whilst there will be additional capacity expansion and learning curve costs, our investment in new clients have been fruitful.

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/recommended, a statement to that effect

No interim dividend has been declared/recommended for the financial period ended 31 December 2002

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

Total Annual Dividend (*Refer to Para 16 of Appendix 7.2 for the required details*)

	Latest Full Year ()	Previous Full Year ()
Ordinary		
Preference	0	0

Total:		
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BY ORDER OF THE BOARD

James Koh Jyh Gang
Managing Director
27/2/2003