Listed companies must provide the information required by Appendix 7.2 of the Listing Manual. Adequate disclosure should be given to explain any material extraordinary item either as a footnote of the material extraordinary item or in the "Review of the performance of the group".

**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 (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year**

**Consolidated Profit and Loss Statement**

| | 6 months ended 31/12/2006 US$'000 | 6 months ended 31/12/2005 US$'000 | Change % |
|---|---|---|---|
| **Revenue** | **34,094** | **24,895** | **37.0** |
| Cost of sales | (24,825) | (18,607) | 33.4 |
| **Gross profit** | **9,269** | **6,288** | **47.4** |
| Other operating income | 141 | 122 | 15.6 |
| Selling and distribution costs | (1,881) | (1,375) | 36.8 |
| Administrative expenses | (2,934) | (2,400) | 22.3 |
| Other operating expense | (133) | (186) | (28.5) |
| Finance costs | (135) | (176) | (23.3) |
| **Profit before income tax** | **4,327** | **2,273** | **90.4** |
| Income tax expense | (240) | (119) | 101.7 |
| **Profit after income tax** | **4,087** | **2,154** | **89.7** |
| | | | |
| **Attributable to:** | | | |
| **Equity holders of the parent** | **3,846** | **2,154** | **78.6** |
| **Minority interest** | **241** | **-** | **NA** |
| | **4,087** | **2,154** | **89.7** |

*NA – Not applicable*

Notes to Profit and Loss account

| | | |
|---|---|---|
| Other operating income | | |
| Rental income | 83 | 67 |
| Interest income | 44 | 35 |
| Gain on disposal of fixed assets | - | 2 |
| Others | 14 | 18 |
| | **141** | **122** |
| Other operating expenses | | |
| Stock write-off | 65 | 81 |
| Foreign exchange loss | 41 | 105 |
| Loss on disposal of fixed assets | 2 | - |
| Others | 25 | - |
| | **133** | **186** |

## 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

Consolidated Balance Sheet

| As at | Group 31/12/2006 US$' 000 | Group 30/06/2006 US$' 000 | Company 31/12/2006 US$' 000 | Company 30/06/2006 US$' 000 |
|---|---|---|---|---|
| ASSETS | | | | |
| **Current assets** | | | | |
| Cash | 6,052 | 2,478 | 2,970 | 488 |
| Trade receivables | 6,823 | 4,886 | 6,619 | 4,790 |
| Other receivables and prepayments | 3,771 | 4,162 | 3,502 | 3,610 |
| Inventories | 4,307 | 5,190 | 280 | 974 |
| **Total current assets** | **20,953** | **16,716** | **13,371** | **9,862** |
| **Non-current assets** | | | | |
| Investment in subsidiaries | - | - | 9,339 | 9,339 |
| Property, plant and equipment | 10,273 | 10,190 | 837 | 802 |
| Other investments and assets | 890 | 1,459 | 876 | 1,442 |
| Goodwill on consolidation | 728 | 728 | - | - |
| **Total non-current assets** | **11,891** | **12,377** | **11,052** | **11,583** |
| **Total assets** | **32,844** | **29,093** | **24,423** | **21,445** |
| LIABILITIES AND EQUITY | | | | |
| **Current liabilities** | | | | |
| Bank overdrafts and bills payable | 249 | 504 | 249 | 504 |
| Trade payables | 2,998 | 3,166 | 13,706 | 11,361 |
| Other payables and accruals | 3,549 | 2,785 | 1,864 | 1,421 |
| Income tax payable | 306 | 181 | 99 | 140 |
| Finance lease obligations: current portion | 178 | 272 | 43 | 50 |
| Long-term bank loans: current portion | 447 | 697 | 447 | 518 |
| **Total current liabilities** | **7,727** | **7,605** | **16,408** | **13,994** |
| **Non-current liabilities** | | | | |
| Finance lease obligations | 1,674 | 1,754 | 153 | 176 |
| Long-term bank loans | 1,342 | 1,530 | 1,342 | 1,531 |
| Deferred tax liabilities | 52 | 37 | | |
| **Total non-current liabilities** | **3,068** | **3,321** | **1,495** | **1,707** |
| **Capital and reserves** | | | | |
| Issued capital | 4,040 | 4,040 | 4,040 | 4,040 |
| Capital reserves | 58 | 58 | 58 | 58 |
| Currency translation reserve | 289 | 73 | - | - |
| Retained Earnings | 16,855 | 13,433 | 2,422 | 1,646 |
| **Equity attributable to shareholders** | **21,242** | **17,604** | **6,520** | **5,744** |
| Minority interests | 807 | 563 | - | - |
| **Total Equity** | **22,049** | **18,167** | **6,520** | **5,744** |
| **Total liabilities and equity** | **32,844** | **29,093** | **24,423** | **21,445** |

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

**Amount repayable in one year or less, or on demand**

| As at 31/12/2006 | | As at 30/6/2006 | |
|---|---|---|---|
| Secured | Unsecured | Secured | Unsecured |
| US$'000 | US$'000 | US$'000 | US$'000 |
| 874 | - | 1,473 | - |

**Amount repayable after one year**

| As at 31/12/2006 | | As at 30/6/2006 | |
|---|---|---|---|
| Secured | Unsecured | Secured | Unsecured |
| US$'000 | US$'000 | US$'000 | US$'000 |
| 3,016 | - | 3,284 | - |

**Borrowings and gearing ratio**

Total borrowings of US$3.9 million include bank overdraft, bills payable, term loans and finance lease obligations. Total borrowings reduced by some 18.2% or US$0.9 million given lower working capital requirements and improved operating cash flows.

The Group's gearing ratio improved to 0.18 times (as at 31 December 2006) compared to 0.26 times (as at 30 June 2006).

**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

| | 31/12/2006 US$'000 | *31/12/2005 US$'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before income tax | 4,327 | 2,273 |
| Adjustments for: | | |
| Depreciation and amortization | 445 | 363 |
| Interest income | (44) | (35) |
| Interest expense | 135 | 176 |
| Loss (Gain) on disposal of fixed assets | 2 | (2) |
| Stocks write-off | 65 | 81 |
| **Operating profit before working capital changes** | **4,930** | **2,856** |
| Trade receivables | (1,937) | (1,276) |
| Other receivables and prepayments | 391 | (1,526) |
| Inventories | 818 | 1,004 |
| Trade payables | (168) | 588 |
| Other payables and accruals | 764 | 250 |
| **Cash generated from operations** | **4,798** | **1,896** |
| Interest received | 44 | 36 |
| Interest paid | (135) | (176) |
| Dividend paid | (424) | (536) |
| Income tax paid | (100) | (42) |
| **Net cash from operating activities** | **4,183** | **1,177** |
| **Cash flows from investing activities** | | |
| Purchase of plant & equipment | (523) | (179) |
| Proceeds from reduction in other investments | 569 | (85) |
| Net effects of exchange rates changes in consolidating subsidiaries | 212 | 56 |
| **Net cash from (used) in investing activities** | **258** | **(208)** |
| **Cash flows from financing activities** | | |
| (Reduction in) Proceeds from long-term borrowings | (612) | 1,465 |
| Reduction in short-term borrowings | (504) | (2,277) |
| **Net cash used in financing activities** | **(1,116)** | **(812)** |
| **Net increase in cash and cash equivalents** | **3,325** | **157** |
| Cash and cash equivalents at beginning of period | 2,478 | 694 |
| **Cash and cash equivalents at end of period** | **5,803** | **851** |
| Represented by: | | |
| **Cash and bank balances** | **6,052** | **868** |
| **Bank overdrafts** | **(249)** | **(17)** |
| | **5,803** | **851** |

*Equivalent amounts in US$ for cash flows statement for the six months ended 31 December 2005 have been provided for comparative purposes, based at the following rates:*

- *average rate of US$1 = S$1.6653 for adjustments made to Profit before Income Tax*
- *closing rate of US$1=S$1.6630 for balance sheet movements*
- *opening rate of US$1=S$1.6840 for cash and cash equivalent at beginning of period*

**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

| US$'000 | Issued capital | Capital reserve | Currency translation reserve | Dividend reserve | Accumulated Profits | Minority Interest | Total |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| Balance as at 30/6/2006 | 4,040 | 58 | 73 | - | 13,433 | 563 | 18,167 |
| Issue of new shares | - | - | - | - | - | - | - |
| Currency translation differences | - | - | 216 | - | - | 3 | 219 |
| Net profit for the period | - | - | - | - | 3,846 | 241 | 4,087 |
| Dividend paid | - | - | - | - | (424) | - | (424) |
| **Balance as at 31/12/2006** | **4,040** | **58** | **289** | **-** | **16,855** | **807** | **22,049** |
| **Company** | | | | | | | |
| Balance as at 30/6/2006 | 4,040 | 58 | - | - | 1,646 | - | 5,744 |
| Issue of new shares | - | - | - | - | - | - | - |
| Currency translation differences | - | - | - | - | - | - | - |
| Net profit for the period | - | - | - | - | 1,200 | - | 1,200 |
| Dividend paid | - | - | - | - | (424) | - | (424) |
| **Balance as at 31/12/2006** | **4,040** | **58** | **-** | **-** | **2,422** | **-** | **6,520** |

*Note: The proposed dividends are not recorded for the current financial year in accordance with FRS 10 (revised) - Events after The Balance Sheet Date.*

| US$'000 | Issued Capital | Capital Reserve | Currency translation reserve | Dividend reserve | Accumulated profits | Minority Interest | Total |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| Balance at 30/6/2005 | 2,975 | 1,123 | (92) | 529 | 8,985 | - | 13,520 |
| Adjustment arising from abolition of par value of shares | 1,065 | (1,065) | - | - | - | - | - |
| Currency translation differences | - | - | 165 | - | - | - | 165 |
| Net profit for the period | - | - | - | - | 2,154 | - | 2,154 |
| Dividend paid | - | - | - | (529) | - | - | (529) |
| Proposed dividend | - | - | - | - | - | - | - |
| **Balance at 31/12/2005** | **4,040** | **58** | **73** | **-** | **11,139** | **-** | **15,310** |
| **Company** | | | | | | | |
| Balance at 30/6/2005 | 2,975 | 1,123 | - | 529 | 779 | - | 5,406 |
| Adjustment arising from abolition of par value of shares | 1,065 | (1,065) | - | - | - | - | - |
| Net profit for the period | - | - | - | - | 530 | - | 530 |
| Dividend paid | - | - | - | (529) | - | - | (529) |
| Proposed dividend | - | - | - | - | - | - | - |
| **Balance at 31/12/2005** | **4,040** | **58** | **-** | **-** | **1,309** | **-** | **5,407** |

*Equivalent amounts in US$ for the Statement of Changes in Equity as at 31 December 2005 have been provided for comparative purposes, based at the following rates:*

- *average rate of US$1=US$1.6635*
- *closing rate of US$1=S$1.6630*
- *opening rate of US$1=S$1.6840*

**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.

**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 year ended 30 June 2006.

**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**

| | 31/12/2006 | 31/12/2005 |
|---|---|---|
| Earnings per ordinary share (US cents) | 3.5 | 1.9 |
| Earnings per ordinary share (S cents) | 5.5 | 3.2 |

*For comparative purposes, earnings per ordinary share in US cents were converted to S cents at an average rate of US$1 = S$1.5818 and S$1.6653 for the period ended 31 December 2006 and 31 December 2005 respectively.*

**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 | |
|---|---|---|---|---|
| | 31/12/2006 | 30/6/2006 | 31/12/2006 | 30/6/2006 |
| Net asset value per ordinary share (US cents) | 19.1 | 15.8 | 5.9 | 5.2 |
| Net asset value per ordinary share (S cents) | 29.4 | 25.1 | 9.0 | 8.3 |

*For comparative purposes, earnings per ordinary share in US cents were converted to S cents at closing rates of US$1 = S$1.5330 and US$1 = S$1.5870 as at 31 December 2006 and 30 June 2006 respectively.*

**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**

** Note: With effect from 1 July 2005, the company adopted FRS 21 and changed its functional currency from Singapore dollars to United States dollars. Equivalent amounts in S$ for current year transactions (Profit and Loss Accounts) have been provided for comparative purposes, based at an average rate for the financial period ended 31 December 2005 of US$1 = S$1.665.*

## Revenue and Net Profit

Both Revenue and Net Profit continued to perform strongly for the 6 months ended 31 December 2006 ("1H06"). Revenue rose by 37.0% as compared to 1H05, or by US$9.2 million, to US$34.1 million. Net Profit over the same period grew by a more robust 78.6%, or US$1.7 million, to US$3.8 million over the same comparative period.

As previously announced, Italy-based CSIL Milano, a leading provider of specialised, independent research and analysis on the global furniture industry, has included Koda in its "Profiles of 200 major furniture manufacturers worldwide". This special report, which ranks furniture companies according to sales, was published in the research firm's Top World Furniture Manufacturers Report 2007

The strong Revenue growth during the six months under review was due to:

- Strong double-digit growth in sales to the UK, Americas and Australia. Our UK and Americas market grew by 51.4% and 68.9% respectively and remains the Group's fastest growing markets during the period. The growth came from increasing the number of clients that we sell to. The increased number of clients has resulted in a more diversified customer base.

- Strong orders received in the March-2006 International Furniture Fairs. We captured significant orders during these fairs. These orders have since been delivered in full

- The sale of more premium and value-add products, such as our contemporary luxury and our 'back to nature' that emphasizes tranquility range which are of higher value. These sales occurred on the back of our marketing assurance program and our investment in R&D; and

- Improved productivity which resulted in a rise in our output ratio. The improvement in productivity was in large part due to increased use of outsourcing which in turn resulted in add-on capacity from our new major sub-contractors in Vietnam and Dongguan

Net Profit growth outpaced revenue growth as a result of:

- Higher Gross Profit and higher Gross Margin. Gross Profit increased by 47.4% or US$3.0 million to US$9.3 million and Gross Margin improved by 1.9 percentage points to 27.2% as a result of:

    - Lower direct production costs due to increased and more effective outsourcing in Vietnam and Dongguan, and

    - Higher ex-factory selling prices due to continued improvements of product mix and designs as a result of our R&D investments.

- Full impact of the good financial performance of Rossano, which was acquired in the previous financial year. Rossano contributed some US$0.5 million to the Group Net Profit, after deducting minority interest

- Lower unit fixed cost arising from the ability to spread fixed production overheads over a larger Revenue base.

- Improved operating cash flows resulting in a lower working capital to revenue ratio which in turn resulted in lower borrowings and thus interest savings

and despite:

- Higher raw materials prices, particularly of leather and timber.

- Higher selling and distribution costs due mainly to inclusion of post-acquisition selling & distribution costs for Rossano. Sales commission increased on the back of higher revenue.

- Higher general and administrative expenses as a result of increase in head-count, depreciation expense, performance bonuses and the inclusion of post-acquisition administrative expenses for Rossano.

As a result of the above, Net Profit margin rose sharply by 2.7 percentage points to 11.3%.

**<u>Financial Position</u>**

<u>Assets</u>

Current assets increased by US$4.2 million. Significant movements during the period included:

- Cash at bank which increased sharply by US$3.6 million paralleling higher earnings achieved during the six months under review.

- Trade receivables rose by US$1.9 million largely paralleling higher Revenue. Trade Receivables turnover period remained relatively constant at about 36 days.

- Stocks reduced by some US$0.9 million largely due mainly to better 'just-in-time' management and increased outsourcing policy.

Non-current assets fell by some US$0.5 million due mainly to the redemption of a convertible note.

Liabilities

Current liabilities rose by US$0.1 million. Significant movements during the period included:

- Short-term borrowings (bills payable & bank overdraft) fell by US$0.3 million as a result of continued strong operating cash flows position.
- Other payables rose by US$0.8 million due mainly to (1) higher cash deposits from customers for securing their orders and (2) increased accruals for sales commission payable on the back of higher revenue.
- Current portion for both finance lease obligations and term loans fell by US$0.4 million as a result of repayments.

Non-current liabilities fell by US$0.3 million due to repayment of finance lease obligations and term loans.

Shareholders' equity

Net asset or Equity attributable to shareholders rose by a healthy US$3.6 million or 20.7% to US$21.2 million due largely to higher accumulated retained earnings (inclusive of currency realignment adjustments).

Minority interests

Minority interests rose by US$0.2 million reflecting the cumulative share of the operating profit by Rossano's other shareholder, who owns 30% of Rossano.

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

The Directors had previously stated that, barring any unforeseen circumstances, the Board expected the performance for the financial year ending 2007 to be better than that of financial year ended 2006.

The performance for 1H07 exceeded that of 1H06. During the period under review, Revenue increased by US$9.2 million to US$34.1 million, a period-on-period 37.0% increase while Net Profit Attributable to Equity Holders of the Company rose sharply by US$1.7 million to US$3.9 million, a period-on-period 78.6% increase.

**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**

The good results recorded during the period under review appears to be reflecting a global upswing in demand for our furniture and continued positive buying sentiment in our key markets specifically the UK/Europe, Americas and Australia. The broadening of our client base, the enhancing of our sales mix and the ability to sign on more high profile clientele has been the reasons for increasing market share. To meet strong demand, however, further increases in capacity will be required.

Notably, there has been an increasing outsourcing trend to lower-cost regions in the furniture industry, which offer a positive backdrop for demand for our furniture. Our competitive edge in the middle to upper market segment of the global furniture industry makes our product range less price sensitive with our emphasis on design quality, service reliability and delivery timeliness. Thus, the growth momentum of the Group remains strong whilst the industry remains sensitive to changes in market preference, product pricing and competitions.

Whilst our order books remain strong it is important to note the general market cautiousness about declining housing starts in the US. However, it is equally important to note that our marketing strategy has been able to diversify our client base in order to reduce market concentration risks.

In view of the above and barring unforeseen circumstances, the Directors expect the performance of FY2007 to be better than that of FY2006.

**11. Dividend**

**(a) *Current Financial Period Reported On***

Any dividend declared for the current financial period reported on?

Yes

| Name of Dividend | Interim Dividend |
|---|---|
| Dividend Type | Cash |
| Dividend Rate | |
| - per share **(in US$: cents)*** | 0.33 cent per ordinary share (less tax) |
| - per share **(in S$: cents)** | 0.5 cent per ordinary share (less tax) |
| Tax Rate | 20% |

** for comparative purposes: converted at US$1:S$1.533 (closing rate as at 31 December 2006)*

**(b) *Corresponding Period of the Immediately Preceding Financial Year***

Any dividend declared for the corresponding period of the immediately preceding financial year?

Yes.

| Name of Dividend | Interim Dividend |
|---|---|
| Dividend Type | Cash |
| Dividend Rate | |
| - per share **(in US$: cents)*** | 0.32 cent per ordinary share |

| | |
|---|---|
| | (less tax) |
| - per share **(in S$: cents)** | 0.5 cent per ordinary share (less tax) |
| Tax Rate | 20% |

** for comparative purposes: converted at US$1:S$1.587 (closing rate as at 31 December 2006)*

**(c) Date payable**

To be announced

**(d) Books closure date**

To be announced

**12. If no dividend has been declared/recommended, 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)**

**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

BY ORDER OF THE BOARD

**James Koh Jyh Gang**
**Managing Director**

**30 January 2007**