

## **PRESS RELEASE**

### **SGX-LISTED KODA SECURES SUPPLY ARRANGEMENT WITH MAJOR U.S RETAILER WORTH S\$22 MILLION**

- **Commitment from Pottery Barn reflects strongly of Group's successful penetration of the North American market and change in sales mix**
- **Group to build sixth factory building (three-storey) in Vietnam with a built-up area of 120,000 square feet**

Singapore, 18 October 2004 – SGX-listed **Koda Ltd** (“**Koda**”), a homegrown Original Design Manufacturer (“ODM”) and furniture exporter, announced today that it has entered into a supply arrangement with Pottery Barn, an established and major home furniture retail chain in the United States, for S\$22 million worth of Koda’s products over a period of 12 months.

Under the arrangement, Koda will supply S\$22 million worth of leather and wood-based home furnishing items including upholstered dining chairs, upholstered occasional pieces such as stools and footrests, upholstered beds and solid oak dining sets, for progressive delivery between January to December 2005. This is expected to contribute positively to the earnings of the Company for the financial years ending 30 June 2005 (“FY2005”) and 30 June 2006 (“FY2006”).

Pottery Barn has a chain of about 180 stores throughout the United States. Its up-market product range includes home furniture, bedding and bath collection, crockery, accessories and lightings.

Koda will be producing the furniture mainly at the Group’s Vietnam facilities, where Koda has been progressively ramping up its production capacity under its regional expansion strategy to meet rising orders, through capitalising on Vietnam’s ready pool of cost-effective labour and tax incentives.

Said Mr. Ernie Koh, Senior Vice-President, Sales & Marketing, of Koda, “Pottery Barn’s commitment to make Koda one of its principal suppliers in the region is significant for the Group as it reflects strongly of our successful penetration of the North American market, which has been targeted as one of our major markets with great growth opportunities. Clearly, our higher-end design-intensive product range, particularly our premium range incorporating oak and leather, is striking a cord with major retailers in the North American market.” The North American market contributed close to one-third of the total Group’s turnover for FY2004.

“During the past two years, we have invested considerably in R&D and new customer acquisition process that had impacted our profits. Now, the pay-offs are starting to kick in. Koda has since been making greater headway in the North American and European markets through concerted marketing

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efforts and enhanced product mix with our strong ability to spot the latest trends in furniture design,” added Mr. Koh.

“Our success with new customers attest to our strategy of sustaining top and bottomline growth through revising our sales mix to focus on higher value products. We may be sacrificing a few highly price-sensitive customers in the process, but we are beginning to achieve better net returns per unit production resource.”

Additionally, the Group also announces that it will be proceeding with plans to build its sixth purpose-built factory on a plot of land purchased in July 2004. The new three-storey factory (adjoining its existing facilities) will have a total built-up area measuring approximately 120,000 square feet and is expected to commence operations by 2006. Koda’s fifth factory in Vietnam (recently acquired in July 2004) is on track to turn operational in the first half of 2005. With the addition of the sixth factory, Koda will have a total built-up area of 240,000 square feet in Vietnam. The expansion could be funded by a combination of internally generated funds and external resources.

Said Mr. Koh, “The gradual capacity ramp-up in Vietnam will enable Koda to continue to meet rising orders while maintaining our cost-competitiveness, as well as further improve our turnaround time. This is an important aspect in attracting more major customers. We have managed to reduce our delivery lead-time from the previous six months to about three-and-a-half months.” Vietnam now accounts for more than half of Koda’s total production capacity.

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

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**About Koda Ltd**

*Listed on SGX Sesdaq, Koda is a leading original design manufacturer of furniture to the world with more than 150 customers located in over 50 countries. The Group specialises in ready-to-assemble dining room furniture, matching themed bedroom furniture, lounge, patio & garden and accessories. Koda’s products have been premium-priced and it has since successfully broken into higher-priced differing market segments with its range of upholstered leather, fabric and oaks products targeted at middle and upper-middle class households. Manufacturing facilities are located in Malaysia and Vietnam and the Group has been actively relocating and expanding into lower-cost Vietnam to improve profit margins. For financial year ended 30 June 2004, the Group’s Net Profit increased 71.3% year-on-year to \$3.9 million as turnover rose sharply by 44.3% or \$16.4 million to \$53.5 million.*

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