

## KODA LTD

### Quarterly and 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 and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial period**

#### Consolidated Profit and Loss Statements for 3 months ended 30 September 2015

	3 months ended 30/09/15 ("1Q16") US\$'000	3 months ended 30/09/14 ("1Q15") US\$'000	Change %
<b>Revenue</b>	<b>8,835</b>	<b>13,894</b>	<b>(36.4)</b>
Cost of sales	(6,590)	(10,484)	(37.1)
<b>Gross profit</b>	<b>2,245</b>	<b>3,410</b>	<b>(34.2)</b>
Other income	670	170	294.1
Selling and distribution costs	(835)	(1,126)	(25.8)
Administrative expenses	(1,294)	(1,896)	(31.8)
Other expenses	-	(42)	N/A
Share of profit of associate	2	-	N/A
Finance costs	(27)	(58)	(53.4)
<b>Profit before income tax</b>	<b>761</b>	<b>458</b>	<b>66.2</b>
Income tax expense	(147)	(50)	194
<b>Profit after income tax</b>	<b>614</b>	<b>408</b>	<b>50.5</b>
Attributable to:-			
<b>Owners of the Company</b>	<b>670</b>	<b>548</b>	<b>22.3</b>
Non-controlling interests	(56)	(140)	(60)
	<b>614</b>	<b>408</b>	<b>50.5</b>

N/A - not applicable

**Note: For comparison purposes, please refer to Table 1 in Note 8 for details of the Group's results ended 1Q15, 2Q15, 3Q15 and 4Q15.**

## Notes to Consolidated Profit and Loss Statements

	3 months ended 30/09/15 ("1Q16") <u>US\$'000</u>	3 months ended 30/09/14 ("1Q15") <u>US\$'000</u>
<b><u>Other income</u></b>		
Rental income	44	48
Interest income	15	2
Exchange gain	512	-
Gain on disposal of property, plant and equipment	55	15
Others	44	105
	<b><u>670</u></b>	<b><u>170</u></b>

	3 months ended 30/09/15 ("1Q16") <u>US\$'000</u>	3 months ended 30/09/14 ("1Q15") <u>US\$'000</u>
<b><u>Other operating expenses</u></b>		
Exchange loss	-	(42)
	<b><u>-</u></b>	<b><u>(42)</u></b>

## Statement of Comprehensive Income

	3 months ended 30/09/15 ("1Q16") <u>US\$'000</u>	3 months ended 30/09/14 ("1Q15") <u>US\$'000</u>
Profit after Income Tax	614	408
Other comprehensive loss for the year, net of tax	(1,386)	(151)
<b>Total comprehensive income</b>	<b><u>(772)</u></b>	<b><u>257</u></b>
Attributable to :-		
<b>Owners of the Company</b>	<b>(720)</b>	<b>384</b>
Non-controlling interests	(52)	(127)
	<b><u>(772)</u></b>	<b><u>257</u></b>

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

As at	Group		Company	
	30/09/15 US\$'000	30/06/15 US\$'000	30/09/15 US\$'000	30/06/15 US\$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and bank balances	4,663	3,133	1,343	1,099
Trade Receivables	2,426	3,571	6,188	6,936
Other receivables and prepayments	3,492	2,757	6,470	5,910
Inventories	7,033	7,348	-	-
Assets classified as held for sale	2,364	2,510	-	-
<b>Total current assets</b>	<b>19,978</b>	<b>19,319</b>	<b>14,001</b>	<b>13,945</b>
<b>Non-current assets</b>				
Investment in subsidiaries	-	-	8,282	8,135
Investment in associate	11	10	-	-
Available-for-sale investments	6	6	6	6
Club memberships	206	209	192	192
Property, plant and equipment	10,646	11,599	805	788
Investment Properties	934	934	-	-
Deferred tax asset	21	21	3	3
<b>Total non-current assets</b>	<b>11,824</b>	<b>12,779</b>	<b>9,288</b>	<b>9,124</b>
<b>Total assets</b>	<b>31,802</b>	<b>32,098</b>	<b>23,289</b>	<b>23,069</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Bills payable	2,263	2,326	1,301	1,663
Trade payables	2,210	2,384	7,970	7,655
Other payables	3,549	2,635	1,164	957
Current portion of obligations under finance lease:	105	93	84	72
Current portion of bank loans and overdrafts	570	604	560	604
Income tax payable	180	212	-	-
Liabilities associated with assets held for sale	1,259	1,261	-	-
<b>Total current liabilities</b>	<b>10,136</b>	<b>9,515</b>	<b>11,079</b>	<b>10,951</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	354	449	-	-
Non-current portion of bank loans	222	306	222	306
Obligations under finance leases	174	140	105	74
<b>Total non-current liabilities</b>	<b>750</b>	<b>895</b>	<b>327</b>	<b>380</b>
<b>Capital and reserves</b>				
Share capital	4,312	4,312	4,312	4,312
Capital reserves	5,373	5,373	58	58
Currency translation reserve	(2,512)	(1,121)	-	-
Retained earnings	14,011	13,340	7,513	7,368
<b>Equity attributable to owners of the Company</b>	<b>21,184</b>	<b>21,904</b>	<b>11,883</b>	<b>11,738</b>
Non-controlling interests	(268)	(216)	-	-
<b>Total equity</b>	<b>20,916</b>	<b>21,688</b>	<b>11,883</b>	<b>11,738</b>
	-	-	-	-
<b>Total Liabilities and Equity</b>	<b>31,802</b>	<b>32,098</b>	<b>23,289</b>	<b>23,069</b>

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

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

As at 30/09/15 (US\$'000)		As at 30/6/15 (US\$'000)	
Secured	Unsecured	Secured	Unsecured
105	2,833	93	2,930

**Amount repayable after one year**

As at 30/09/15 (US\$'000)		As at 30/6/15 (US\$'000)	
Secured	Unsecured	Secured	Unsecured
174	222	140	306

**Borrowings and gearing ratio**

Total borrowings of US\$3.3 million as at 30 September 2015 comprise short-term borrowings, long-term loans and finance lease obligations. Total borrowings fell by US\$0.14 million compared to 30 June 2015 due to loans repayment.

The Group's gearing ratio remained unchanged at 0.16 times as at 30 September 2015 compared to 30 June 2015.

**Details of any collateral**

The banking facilities of the Group are secured by a negative pledge on the Group's assets.

The banking facilities of subsidiaries are guaranteed by the Group.

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

**1(c) A statement of cash flows (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 30/09/15 ("1Q16") <u>US\$'000</u>	3 months ended 30/09/14 ("1Q15") <u>US\$'000</u>
<b>Cash flows from operating activities</b>		
Profit before income tax	761	458
Adjustments for:		
Depreciation and amortization expenses	257	328
Gain on disposal of property, plant and equipment	(55)	(15)
Share of profit of associate	(2)	-
Interest income	(15)	(2)
Interest expense	27	58
<b>Operating profit before working capital changes</b>	<b>973</b>	<b>827</b>
Trade receivables	1,150	(610)
Other receivables and prepayments	(717)	(604)
Inventories	421	1,386
Trade payables	(159)	227
Other payables	926	307
<b>Net Cash generated from operations</b>	<b>2,594</b>	<b>1,533</b>
Interest received	15	2
Interest paid	(27)	(58)
Income tax paid	(31)	(36)
<b>Net cash generated from operating activities</b>	<b>2,551</b>	<b>1,441</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(90)	(145)
Proceeds from disposal of property, plant and equipment	126	15
<b>Net cash generated from (used in) investing activities</b>	<b>36</b>	<b>(130)</b>
<b>Cash flows from financing activities</b>		
Decrease in bills payables	(63)	(1,599)
Repayment of bank loans	(83)	(83)
Repayment of finance leases	(48)	(34)
<b>Net cash used in financing activities</b>	<b>(194)</b>	<b>(1,716)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>2,393</b>	<b>(405)</b>
Cash and cash equivalents at beginning of period / year	2,933	1,545
Effect of foreign exchange translation	(835)	(38)
<b>Cash and cash equivalents at end of period / year</b>	<b>4,491</b>	<b>1,102</b>
Represented by:		
<b>Cash and bank balances (inclusive of Fixed Deposit)</b>	<b>4,663</b>	<b>1,436</b>
<b>Bank overdraft</b>	<b>(237)</b>	<b>(334)</b>
	<b>4,426</b>	<b>1,102</b>
<b>Cash and cash equivalents included in a disposal group held for sale</b>	<b>65</b>	<b>-</b>
	<b>4,491</b>	<b>1,102</b>

**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
<b>US\$'000</b>							
<b>Group</b>							
Balance as at 1/7/15	4,312	5,373	(1,121)	13,340	21,904	(216)	21,688
Total comprehensive income	-	-	(1,391)	671	(720)	(52)	(772)
<b>Balance as at 30/09/15</b>	<b>4,312</b>	<b>5,373</b>	<b>(2,512)</b>	<b>14,011</b>	<b>21,184</b>	<b>(268)</b>	<b>20,916</b>
<b>Company</b>							
Balance as at 1/7/15	4,312	58	-	7,368	11,738	-	11,738
Total comprehensive income	-	-	-	145	145	-	145
<b>Balance as at 30/09/15</b>	<b>4,312</b>	<b>58</b>	<b>-</b>	<b>7,513</b>	<b>11,883</b>	<b>-</b>	<b>11,883</b>

	Issued Capital	Capital reserves	Currency translation reserve	Retained earnings	Attributable to equity holders	Minority interests	Total
<b>US\$'000</b>							
<b>Group</b>							
Balance as at 1/7/14	4,312	5,047	378	12,934	22,671	772	23,443
Total comprehensive income	-	-	(165)	549	384	(127)	257
<b>Balance as at 30/09/14</b>	<b>4,312</b>	<b>5,047</b>	<b>213</b>	<b>13,483</b>	<b>23,055</b>	<b>645</b>	<b>23,700</b>
<b>Company</b>							
Balance as of 1/7/14	4,312	58	-	9,997	14,367	-	14,367
Total comprehensive income	-	-	-	283	283	-	283
<b>Balance as at 30/09/14</b>	<b>4,312</b>	<b>58</b>	<b>-</b>	<b>10,280</b>	<b>14,650</b>	<b>-</b>	<b>14,650</b>

- 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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, 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**

Not applicable

- (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	30/09/15	30/06/15
Total number of issued shares (excluding treasury shares)	136,513,397	136,513,397

*Note: Please refer to 1d(ii) for details.*

- (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 Group has applied the same accounting policies and methods of computation as in the Group's financial year ended 30<sup>th</sup> June 2015.

- 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 30/09/15 ("1Q16")	3 months ended 30/09/14 ("1Q15")
Earnings per ordinary share (US cents)	0.49	0.40

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	
	30/09/2015	30/06/2015	30/09/2015	30/06/2015
Net asset value per ordinary share (US cents)	15.5	16.0	8.7	8.6

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**

**Table 1**

	3 months ended 30/09/14 ("1Q15")	3 months ended 31/12/14 ("2Q15")	3 months ended 31/03/15 ("3Q15")	3 months ended 30/06/15 ("4Q15")	3 months ended 30/9/15 ("1Q16")
<b>Revenue</b>	<b>13,894</b>	<b>12,741</b>	<b>9,873</b>	<b>10,816</b>	<b>8,835</b>
Gross profit	3,410	3,554	1,890	2,434	2,245
<b>Net profit (loss) after tax</b>	<b>408</b>	<b>461</b>	<b>(1,446)</b>	<b>(470)</b>	<b>614</b>
Attributable to:-					
<b>Owners of the Company</b>	<b>548</b>	<b>519</b>	<b>(1,063)</b>	<b>402</b>	<b>670</b>
Non-controlling interests	(140)	(58)	(383)	(872)	(56)
	408	461	(1,446)	(470)	614



## **Revenue and Net Profit attributable to equity holders of the parent (“Net Profit”)**

1Q16 vs 1Q15

Revenues fell by 36.4% or US\$5.1 million to US\$8.8 million due mainly to the absence of sales from the Metrolink Group following our dilution of interest to 10% in FY2015 as well as lower export sales to North America and the UK. Retail sales in Vietnam also continued to remain weak given the low demand for Rossano’s mass market furniture.

Gross Profit fell by 34.2% or US\$1.2 million to US\$2.2 million due to lower revenues. However, our Gross Margins rose by 0.9 percentage points to 25.4% given our efforts to improve operational efficiency of our factories in Malaysia. The deconsolidation of sales from Metrolink also helped to boost our margins as those sales were of lower margins.

Other income rose by US\$0.50 million to US\$0.67 million due mainly to foreign exchange gains arising from the strong US\$ (our main revenues base currency) against the RM (our production costs in Malaysia).

Selling and distribution expenses; and administrative expenses fell by US\$0.29 million and US\$0.60 million to US\$0.84 million and US\$1.3 million, respectively, due mainly to the divestment of Metrolink.

There was a share of loss by the minority shareholder of Rossano of US\$0.06 million.

Given the above, Net Profit improved by 22.3% or US\$0.12 million to US\$0.67 million for 1Q16 compared to 1Q15.

## **Financial Position (30 September 2015 vs 30 June 2015)**

### **Assets**

Current Assets rose by US\$0.66 million to US\$20.0 million. Significant movements in Current Assets during the period under review were as follows:

- Cash at bank (inclusive of fixed deposits) rose by US\$1.5 million to US\$4.7 million due mainly to cash received as deposits for the disposal of investment property in Vietnam.
- Trade receivables fell by US\$1.1 million to US\$2.4 million due mainly to lower export revenues. Trade receivables turnaround time improved from 28 to 25 days.
- Other receivables and prepayments rose by US\$0.74 million to US\$3.5 million due mainly to higher deposits placed with our suppliers.
- Inventories fell by US\$0.32 million to US\$7.0 million due mainly to management’s decision to reduce lower finished goods stocks as a result of shorter order books visibility from our clients.

- Assets held for sale (“AHS”), comprising of investment properties and the total assets of Rossano, fell by US\$0.15 million to US\$2.4 million due to lower total assets of Rossano.

Non-Current Assets fell by US\$0.96 million to US\$11.8 million due mainly to currency translation differences arising from our RM-denominated property, plant and equipment held in Malaysia due to the weakening of the RM against the US\$.

#### Liabilities

Current Liabilities rose by US\$0.62 million to US\$10.1 million. Significant movements in Current Liabilities during the period under review were as follows:

- Trade payables fell by US\$0.17 million to US\$2.2 million due mainly to lower purchases.
- Other payables rose by US\$0.91 million to US\$3.5 million due mainly to deposits received from the disposal of investment property in Vietnam.

Non-Current Liabilities fell by US\$0.15 million to US\$0.75 million due mainly to a reduction in deferred taxation and repayment of loans.

#### Shareholders' equity

Net asset or Equity attributable to shareholders fell by US\$0.72 million to US\$21.2 million as at 30 September 2015 due mainly to a lower currency translation reserve, which fell by US\$1.4 million (as a result of lower RM-denominated assets when expressed in US\$ terms due to the weakening of the RM against the US\$ during the period under review), offset by current period earnings of US\$0.67 million.

#### Minority interests

Minority interests (“MI”) of US\$(0.27) million, reflect the share of net liabilities of Rossano’s other shareholder, who owns 30% of Rossano.

#### **Cash Flows (movements in 1Q16)**

Net cash from operating activities was US\$2.6 million for 1Q16 (an improvement over US\$1.4 million for 1Q15) after accounting for cash profit of US\$0.97 million, a reduction in working capital investments of US\$1.6 million and interest payments of US\$0.03 million. Net cash from investing activities was US\$0.04 million due to disposals of equipment offset by investments in new equipment. Net cash used in financing activities was US\$0.20 million due mainly to loan repayments. Given these, net cash and cash equivalents rose by US\$3.4 million to US\$4.5 million as at 30 September 2015 (net of bank overdrafts of US\$0.24 million).

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

The Board of Directors stated in the FY2015 announcement that barring any unforeseen circumstances, the Group expects to remain profitable in FY2016.

The Group recorded a Net Profit of US\$0.67 million for 1Q16, approximately 22.3% or US\$0.12 million higher than that of the last corresponding quarter in 1Q15. Therefore, the current results are in line with the prospect statement disclosed in the FY2015 results announcement.

**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**

Following the divestment of Metrolink, we also expect to complete the disposal of the loss-making Rossano (retail business in Vietnam) over the next 3 months.

Our sales to Europe and the Pacific region were generally affected by weak economic conditions in these markets and we may be further burdened by the weak Euro and Australian dollar against the US dollar, making our products more expensive in their local currencies. As previously cautioned, we need to monitor the macro economic factors closely as the impact on overall consumer spending (in our case, demand for furniture) arising from the possible interest rate hike in the US, the recent devaluation of the Chinese RMB and volatility of the stock markets remains to be seen. These commercial concerns are valid and cost control is critical.

Sales for the Commune brand were encouraging and are expected to expand, especially in the PRC, via our business plans to increase the number of dealerships there. Meanwhile, we will continue to improve the products mix of Commune and invest in staff training for the Brand, which are important in sustaining sales and expanding the brand presence.

Given the above, the Board continues to believe that barring any unforeseen circumstances, the Group expects to remain profitable in FY2016.

**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/recommendeded in the current period reported on.

**13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect**

The Group has not obtained a general mandate from shareholders for IPTs.

IPT during the period under review was as follows:

<b>Name of Interested Persons</b>	<b>Description of IPT</b>	<b>Value of IPT for the financial period under review (excluding transactions less than \$100,00) (S\$'000)</b>
Koh Jyh Eng Koh Shwu Lee (Directors of the Company)	Refundable deposit placed with Zenith Heights Sdn Bhd (of which Koh Jyh Eng & Koh Shwu Lee are Directors) to secure a long-term lease for land owned by Zenith Heights Sdn Bhd in Malaysia which the Group intends to build warehousing facilities.	317 <sup>(1)</sup>

(1) Based on an exchange rate of S\$1:RM\$3.08

Note: The above IPT transaction constitutes 1.01% of the Group's audited NTA as at 30 June 2015.

**14. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).**

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

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

**15. 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

**16. 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

**17. A breakdown of sales**

Not applicable

**18. 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 quarter ended 30 September 2015 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**  
**JAMES KOH JYH GANG**  
Managing Director  
11 November 2015