KODA LTD

Quarterly 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 year

	3 months ended			6 months ended		
	31/12/2018	31/12/2017		31/12/2018	31/12/2017	
	("2Q19")	("2Q18")	Change	("1HY19")	("1HY18")	Change
	<u>US\$'000</u>	US\$'000	%	US\$'000	US\$'000	%
Revenue	14,646	11,860	23.5	30,369	24,156	25.7
Cost of sales	(9,575)	(7,728)	23.9	(20,183)	(15,779)	27.9
Gross profit	5,071	4,132	22.7	10,186	8,377	21.6
Other income	220	185	18.9	418	353	18.4
Selling & distribution expenses	(1,136)	(1,143)	(0.6)	(2,515)	(2,258)	11.4
General & administrative expenses	(2,020)	(1,872)	7.9	(3,849)	(3,531)	9.0
Other expenses	(90)	(124)	NM	(90)	(138)	NM
Finance costs	(7)	(6)	16.7	(15)	(14)	7.1
Share of results of associate	-	-	NM	-	(1)	NM
Profit before tax	2,038	1,172	73.9	4,135	2,788	48.3
Income tax expense	(164)	(179)	(8.4)	(308)	(373)	(17.4)
Profit for the period	1,874	993	88.7	3,827	2,415	58.5
Other comprehensive income						
Items that may be reclassified subsequently to						
profit or loss						
Translation differences arising from consolidation						
of foreign operations	(12)	466	NM	(306)	657	NM
0 1	(12)	400	INIVI	(300)	657	- INIVI
Other comprehensive income for the period, net of tax	(40)	466		(206)	657	
Het OI tax	(12)	400	-	(306)	037	-
Total comprehensive income for the period	1,862	1,459	27.6	3,521	3,072	14.6

NM: Not meaningful

Notes to Consolidated Statement of Profit or Loss

	2Q19 <u>US\$'000</u>	2Q18 <u>US\$'000</u>	1HY19 <u>US\$'000</u>	1HY18 <u>US\$'000</u>
Other income				
Rental income	24	14	24	58
Interest income	28	29	57	35
Foreign exchange gain	68	13	140	13
Gain on disposal of property, plant & equipment	3	3	3	3
Reversal of doubtful trade receivables	20	-	20	-
Others	77	126	174	244
	220	185	418	353
Other expenses				
Equity-settled share-based expenses	(90)	(114)	(90)	(114)
Others	-	(10)	-	(24)
	(90)	(124)	(90)	(138)

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

	Group		Company	
	31/12/2018	30/6/2018	31/12/2018	30/6/2018
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
<u>ASSETS</u>				
Current assets				
Cash and bank balances	12,117	10,502	7,378	4,950
Trade receivables	2,462	3,905	3,846	5,307
Other receivables and prepayments	3,421	2,465	5,725	6,617
Inventories	10,720	9,552	-	100
Total current assets	28,720	26,424	16,949	16,974
Non-current assets				
Investment in subsidiaries	_	_	7,935	7,935
Investment in associate	2	2	-	-
Club memberships	208	208	192	192
Property, plant and equipment	16,663	17,221	305	347
Deferred tax asset	52	52	-	-
Total non-current assets	16,925	17,483	8,432	8,474
Total assets	45,645	43,907	25,381	25,448
10141 433013	40,040	40,501	20,001	20,440
LIABILITIES AND EQUITY				
Current liabilities				
Bills payable	30	52	_	_
Trade payables	2,394	2,768	6,204	5,726
Other payables	4,942	5,282	1,949	2,291
Obligations under finance lease	33	33	12	12
Bank loans	182	182	182	182
Income tax payable	288	412	-	-
Total current liabilities	7,869	8,729	8,347	8,211
Non-current liabilities				
Deferred tax liabilities	1,058	1,071	_	_
Bank loans	316	410	316	410
Obligations under finance leases	20	36	8	15
Total non-current liabilities	1,394	1,517	324	425
Capital and reserves				
•	1 600	4 525	1 600	4,525
Share capital	4,688	4,525 (71)	4,688	
Treasury shares Capital reserves	(71) 5,851	(71) 5,924	(71) 151	(71)
Translation reserve			101	224
	(1,891)	(1,585)	44.040	10 104
Retained earnings	27,805	24,868	11,942	12,134
Total equity	36,382	33,661	16,710	16,812
Total liabilities and equity	45,645	43,907	25,381	25,448

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

Amount repayable in one year or less, or on demand

	/12/2018 '000)	As at 30/6/2018 (US\$'000)		
Secured	Únsecured	Secured	Únsecured	
33	212	33	234	

Amount repayable after one year

As at 31	/12/2018	As at 30/6/2018			
(US\$'000)		(US\$'000)			
Secured	Unsecured	Secured	Unsecured		
20	316	36	410		

Borrowings and gearing ratio

Total borrowings of US\$0.6 million as at 31 December 2018 comprise short-term borrowings, long-term loans and finance lease obligations. Total borrowings fell by US\$0.01 million compared to 30 June 2018 due to repayments.

The Group's gearing ratio remain unchanged at 0.02 times as at 31 December 2018 and 30 June 2018.

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

	3 months ended 31/12/2018 31/12/2017 3		6 month		
				US\$'000	
Cash flows from operating activities	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	03\$000	
Profit before income tax	2,038	1,172	4,135	2,788	
Adjustments for:	2,000	1,172	4,100	2,700	
Depreciation of property, plant and	313	288	626	567	
Equity-settled share-based expenses	90	114	90	114	
Gain on disposal of property, plant and					
equipment	(3)	(3)	(3)	(3)	
Property, plant & equipment written off	-	1	-	1	
Reversal of doubtful trade receivables	(20)		(20)		
Share of results of associate	-	-	-	1	
Interest income	(28)	(29)	(57)	(35)	
Interest expense	7	6	15	14	
Operating cash flows before working	2,397	1,549	4,786	3,447	
capital changes					
Trade receivables	1,411	(421)	1,463	730	
Other receivables and prepayments	(689)	(406)	(956)	(415)	
Inventories	(1,488)	(2,125)	(1,168)	(2,483)	
Trade payables	(268)	726	(374)	835	
Other payables	(461)	395	(340)	826	
Cash generated from (used in) operations	902	(282)	3,411	2,940	
Interest received	28	29	57	35	
Interest paid	(7)	(6)	(15)	(14)	
Income tax paid	(200)	(173)	(423)	(492)	
Net cash from (used in) operations	723	(432)	3,030	2,469	
Cash flows from investing activities					
Purchase of property, plant and equipment	(210)	(391)	(243)	(2,148)	
Proceeds from disposal of property, plant	(210)	(331)	(243)	(2,140)	
and equipment	3	3	3	3	
Net cash used in investing activities	(207)	(388)	(240)	(2,145)	
J		, ,	, ,	, , ,	
Cash flows from financing activities					
(Increase) Decrease in bills paybles	(1)	24	(22)	(27)	
Dividends paid	(890)	(905)	(890)	(905)	
Proceeds from bank loan	-	136	-	136	
Repayment of bank loans	(48)	(37)	(94)	(74)	
Repayment of finance leases	(7)	(14)	(16)	(29)	
Net cash used in financing activities	(946)	(796)	(1,022)	(899)	
Net (decrease) increase in cash and cash	(400)	(4.040)	4 700	/E=F\	
equivalents	(430)	(1,616)	1,768	(575)	
Cash and cash equivalents at beginning of	12,563	9,548	10,502	8,352	
period Effect of foreign exchange translation	(16)	9,546 327	(153)	6,332 482	
Cash and cash equivalents at end of	(10)	321	(100)	402	
period	12,117	8,259	12,117	8,259	

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

U\$\$'000	Share Capital	Treasury Shares	Capital reserves	Currency translation reserve	Retained earnings	Attributable to equity holders	Non- controlling interests	Total
Group Balance as at 1/7/2018	4,525	(71)	5,924	(1,585)	24,868	33,661		33,661
	4,323	(71)	5,924	,	•	<i>,</i>	-	
Total comprehensive income	-	-	-	(306)	3,827	3,521	-	3,521
Dividends paid	-	-	-	-	(890)	(890)	-	(890)
Issue of new shares	163	-	(163)	-	-	-	-	-
Share-based expenses	-	-	90	-	-	90	-	90
Balance as at 31/12/2018	4,688	(71)	5,851	(1,891)	27,805	36,382	-	36,382
Company								
Balance as of 1/7/2018	4,525	(71)	224	-	12,134	16,812	-	16,812
Total comprehensive income	-	-	-	-	698	698	-	698
Dividends paid	-	-	-	-	(890)	(890)	-	(890)
Issue of new shares	163	-	(163)	-	-	-	-	-
Share-based expenses	-	-	90	-	-	90	-	90
Balance as at 31/12/2018	4,688	(71)	151	-	11,942	16,710	-	16,710

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

				Currency		Attributable	Non-	
	Share	Treasury	Capital	translation	Retained	to equity	controlling	
US\$'000	Capital	Shares	reserves	reserve	earnings	holders	interests	Total
Group								
Balance as at 1/7/2017	4,362	(13)	7,939	(2,232)	18,283	28,339	-	28,339
Total comprehensive income	-	-	-	657	2,415	3,072	-	3,072
Dividends paid	-	-	-	-	(905)	(905)	-	(905)
Issue of new shares	163		(163)	-	-	-	-	-
Share-based expenses	-	-	114	-	-	114	-	114
Reclassification to retained earnings		-	(1,985)	-	1,985	-	-	-
Balance as at 31/12/2017	4,525	(13)	5,905	(1,575)	21,778	30,620	-	30,620
Company								
Balance as of 1/7/2017	4,362	(13)	187	-	12,320	16,856	-	16,856
Total comprehensive income	-	-	-	-	106	106	-	106
Dividends paid	-	-	-	-	(905)	(905)	-	(905)
Issue of new shares	163	-	(163)	-	-	-	-	-
Share-based expenses		-	114	-	-	114	-	114
Balance as at 31/12/2017	4,525	(13)	138	-	11,521	16,171	-	16,171

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

On 14 December 2018, the Company alloted and issued 277,460 New Shares to participants under the Performance Share Plan 2008. Following the allotment and issuance of the New Shares, the total number of Shares of the Company increased from 82,236,160 (excluding 230,000 treasury shares) to 82,513,620 (excluding 230,000 treasury shares).

As at 31 December 2018, the issued share capital of the Company (excluding 230,000 treasury shares and nil subsidiary holdings) comprises 82,513,620 Shares (30 June 2018: 82,236,160). The number of Shares held as treasury shares and the number of subsidiary holdings as at 31 December 2018 was 230,000 and nil respectively (30 June 2018: 230,000 and nil respectively) which in aggregate represents 0.28% of the total number of Shares of the Company (excluding treasury shares and subsidiary holdings) as at that date (30 June 2018: 0.28% of the total number of Shares of the Company (excluding treasury shares and subsidiary holdings) as at that date).

There are no 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.

(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.

	31/12/2018	30/6/2018
Total number of issued shares (excluding treasury shares)	82,513,620	82,236,160

(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.

The number of Shares held as treasury shares as at 31 December 2018 was 230,000. There were no sales, transfer, cancellation and/or use of treasury shares during and as at the end of the current financial period reported on.

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 in the preparation of the of the financial information for the current financial period reported on as those used in the most recent audited financial statements.

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

Earnings per ordinary share ("EPS")	2Q19	2Q18	1HY19	1HY18
US\$ cents	2.28	1.53	4.65	4.55
S\$ cents equivalent (1)	3.08	2.07	6.28	6.14

Note:

Earnings per ordinary share ("EPS") was computed based on 82,272,350 and 82,254,255 weighted average number of shares for the period 2Q19 and 1HY19 respectively. EPS for the corresponding period 2Q18 and 1HY18 was computed based on 65,172,166 and 53,108,941 weighted average number of shares 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

	Gro	oup	Company		
Net asset value ("NAV") per ordinary share	31/12/2018	30/6/2018	31/12/2018	30/6/2018	
US\$ cents	44.1	40.9	20.3	20.3	
S\$ cents equivalent (1)	59.5	55.2	27.4	27.4	

Note:

Net asset value ("NAV") per ordinary share was computed based on 82,513,620 number of issued shares as at 31 December 2018 (30 June 2018: 82,236,160 number of issued shares).

⁽¹⁾ Equivalent amounts in S\$ for EPS have been provided for comparative purposes, based on a closing rate as at 31 December 2018 of US\$1 = S\$1.35.

⁽¹⁾ Equivalent amounts in S\$ for NAV per ordinary share have been provided for comparative purposes, based on a closing rate as at 31 December 2018 of US\$1 = S\$1.35.

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.

Comprehensive Income (2Q19 vs 2Q18)

Revenues for 2Q19 rose by US\$2.8 million to US\$14.6 million due mainly to higher export sales to our key markets.

Gross profit rose by 22.7% or US\$0.9 million to US\$5.0 million on higher revenues from both export sales and retail and distribution business. Gross margin fell by 0.6 percentage points to 34.6% due mainly to changes in sales mix.

General and administrative expenses rose by 7.9% or US\$0.1 million to US\$2.0 million due mainly to higher staff related costs.

Profit after tax

- rose by 88.7% or US\$0.9 million to US\$1.9 million for 2Q19 compared to US\$1.0 million in 2Q18; and
- rose by 58.5% or US\$1.4 million to US\$3.8 million for 1H19 compared to US\$2.4 million in 1H18

Financial Position (31 December 2018 vs 30 June 2018)

Assets

Current assets rose by US\$2.3 million to US\$28.7 million. Significant movements in current assets during the period under review were as follows:

- Trade receivables fell by US\$1.4 million to US\$2.5 million due to faster collections from export customers.
- Other receivables and prepayments rose by US\$1.0 million to US\$3.4 million due mainly to higher advances to suppliers.
- Inventories rose by US\$1.2 million to US\$10.7 million due to (i) higher work in progress, and (ii) higher finished goods pending shipments.

Non-current assets fell by US\$0.6 million to US\$16.9 million due mainly to depreciation of property, plant and equipment.

Liabilities

Current liabilities fell by US\$0.9 million to US\$7.9 million. Significant movements in current liabilities during the period under review were as follows:

 Trade payables fell by US\$0.4 million to US\$2.4 million due mainly to payments to suppliers. Other payables fell by US\$0.3 million to US\$4.9 million due mainly to lower accrued operating expenses.

Non-current liabilities fell by US\$0.1 million to US\$1.4 million due mainly to repayment of borrowings.

Shareholders' equity

Net asset or Equity attributable to shareholders rose by US\$2.7 million to US\$36.4 million as at 31 December 2018 due mainly to current period earnings of US\$3.8 million and dividends paid of US\$0.9 million.

Cash Flows (2Q19 vs 2Q18)

Net cash from operations was US\$0.9 million for 2Q19 after accounting for operating cash flows of US\$2.4 million, net working capital changes of US\$1.5 million and net payments of income tax and interest of US\$0.18 million.

Net cash used in investing activities of US\$0.2 million was due mainly to purchase of equipment and machinery.

Net cash used in financing activities of US\$0.9 million was due mainly to dividends payments (Final and Special Dividends for FY2018) and repayments of borrowings during the period.

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 FY2018 results announcement that barring any unforeseen circumstances, the Group expects to remain profitable in FY2019.

The Group reported Profit after tax of US\$1.9 million and US\$3.8 million for 2Q19 and 1HY19 respectively.

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 Group's growth has been driven largely by the export market and expansion in export sales. Given the fast-changing global market sentiments, we continue to focus on our product differentiation strategy and efficient supply chain management. We remain cautiously optimistic in this highly competitive market.

While Commune's expansion in China remains on track, the Group is mindful of the headwinds where the Chinese economy seems to be moderating or slowing amidst increased trade friction. We are also mindful of changing spending behaviour for the middle-income group as the country's economy is in transition.

We are confident that the strong brand recognition for Commune and our experience has paved the way for us to roll out new marketing plans and business models in new markets. As such, we are exploring opportunities for our retail and distribution business to venture into new regions.

Barring unforeseen circumstances, the Group expects to be profitable in FY2019.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Yes.

Name of dividend: 1HY19 Interim Dividend

Dividend type: Cash

Dividend rate:

Per ordinary share (S\$ cent) 0.25
 Per ordinary share (US\$ cent equivalent) 0.19

Name of dividend: 1HY19 Special Interim Dividend

Dividend type: Cash

Dividend rate:

Per ordinary share (S\$ cent) 0.25
 Per ordinary share (US\$ cent equivalent) 0.19

Total dividend in dollar value: S\$'000 US\$'000 413 306

Note:

Equivalent amount in US\$ for dividend per share and total dividend in dollar value have been provided for information purposes, based on closing rate as at 31 December 2018 of US\$1.00: S\$1.35.

(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: 1HY18 Interim Dividend

Dividend type: Cash

Dividend rate (Restated):

Per ordinary share (S\$ cent) 0.25
Per ordinary share (US\$ cent equivalent) 0.19

Total dividend in dollar value: S\$'000 US\$'000 206 154

Note:

Equivalent amount in US\$ for dividend per share and total dividend in dollar value have been provided for information purposes, based on closing rate as at 31 December 2017 of US\$1.00: S\$1.34.

(c) Date payable

To be determined and announced at a later date.

(d) Books closure date

To be determined and announced at a later date.

(e) If no dividend has been declared/recommended, a statement to that effect

Not applicable.

12. 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 does not have a general mandate from shareholders for IPTs pursuant to Rule 920(1)(a)(ii).

IPT during the period under review was as follows:

Name of Interested Persons	Description of IPT	Value of IPT for the financial period under review (excluding transactions less than \$100,000) (S\$'000)
Koh Jyh Eng Koh Shwu Lee (Directors of the Company)	The Group had, in June 2016, entered into a 10-year long-term lease with Zenith Heights Sdn Bhd (of which Koh Jyh Eng & Koh Shwu Lee are Directors) for land owned by Zenith Heights Sdn Bhd to build warehousing facilities in Malaysia (the "Lease"). The IPT transactions in 2Q19 with regards to the Lease is as follow: (i) Rental expense (RM74,094)	24

Based on an exchange rate of S\$1.00: RM\$3.03

The above IPT transaction constitutes 0.05% of the Group's audited NTA as at 30 June 2018.

13. 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).

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 3 months ended 31 December 2018 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD JAMES KOH JYH GANG Managing Director 13 February 2019