

Koda's 1HY18 Net Profit Up 26% on Higher *Commune* Sales

Declares Interim Dividend of 0.25 Singapore cent a share

	2Q18	2Q17	Change (%)	1HY18	1HY17	Change (%)
	<u>US\$'000</u>	<u>US\$'000</u>		<u>US\$'000</u>	<u>US\$'000</u>	
Revenue	11,860	13,441	(11.8)	24,156	25,206	(4.2)
Gross Profit	4,132	4,003	3.2	8,377	7,342	14.1
Gross Profit Margin (%)	34.8	29.8	16.8	34.7	29.1	19.2
Net Profit After tax	993	1,046	(5.1)	2,415	1,913	26.2

Singapore, 13 February 2018 – Koda Ltd (“**Koda**” or the “**Group**”) reported today a 26.2% increase in net profit in the first six months of its current financial year ending 30 June 2018, thanks mainly to higher sales of its in-house furniture brand *Commune*.

The furniture original design manufacturer and retailer made a net profit of US\$2.4 million in the half-year ended 31 December 2017 (“**1HY18**”), up from US\$1.9 million in the same period a year earlier (“**1HY17**”).

Commune, the Group’s lifestyle furniture brand targeting younger homeowners with a penchant for contemporary, well-designed furniture, has 50 stores in Singapore, China, Malaysia and Australia. Most of these outlets – 43 – are in China, where Koda expects to open 100 stores by 2020.

Commune’s higher profit margins lifted the Group’s gross profit margin to 34.7% in 1HY18 from 29.1% in 1HY17. Koda’s earnings per share for 1HY18 came in at 3.71 US cents, up from 3.60 US cents for 1HY17.

Overall revenue in 1HY18 declined marginally by 4.2% to US\$24.2 million due to delays in shipments to key export markets in the quarter ended 31 December 2017 (“**2Q18**”). Revenue contributions from *Commune* in 2Q18 partly offset the decline and brought total revenue for the quarter to US\$11.9 million, a difference of 11.8% compared to the same period a year earlier (“**2Q17**”). Most of the delayed shipments in 2Q18 were cleared in January this year. Koda turned in a net profit of US\$1.0 million in 2Q18, compared to US\$1.05 million in 2Q17.

Earnings per share in 2Q18 came in at 1.53 US cents, compared to 1.61 US cents in 2Q17. The Group had US\$8.3 million in cash and cash equivalents as at 31 December 2017, up from US\$6.1 million as at 31 December 2016.

“Our focus on *Commune* as Koda’s key growth driver is paying off, as seen in our higher gross profit margins. We expect *Commune* to continue to do well in the various markets we operate in, especially China,” said Mr James Koh, Koda’s Managing Director.

Besides opening more outlets in China, *Commune* will also roll out stores in the coming months in other Asian markets where it currently does not have a presence. As part of efforts to drive sales, the brand will work towards an omni-channel business model, according to Mr Joshua Koh, *Commune's* CEO.

"We want to offer a seamless shopping experience. We intend to make use of a variety of digital channels while leveraging our physical stores to differentiate *Commune* from the competition and to gain a competitive edge over online-only retailers. We will share more details about this strategy in the coming months," said Mr Joshua Koh.

Koda has proposed an interim dividend of 0.25 Singapore cent a share. This translates into a total pay-out of S\$206,000 based on its 82.4 million issued shares as at 31 December 2017.

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About Koda Ltd

Established in Singapore and founded in 1972, Koda is backed by a management team with combined experience of close to a century and recognised as a leading Original Design Manufacturer ("ODM") in the world. Koda is a strong contender for home furniture exports and is possibly the largest dining room furniture exporter in Southeast Asia. Koda's range of design-intensive products exudes individuality, sophistication and elegance.

Koda is well-known for its strength in design – leading to appreciation from upscale customers worldwide for its aesthetically pleasing and functional pieces. With proven market experience, strong product development and significant in-house design expertise, Koda is able to offer an extensive range of product models to customers all over the world.

Consistent business strategies and focused growth initiatives differentiate Koda from others. Koda has been emphasising cost-effective expansion, and its enlarged production and sourcing facilities in Vietnam and China enhance its cost competitiveness. In addition to its growing base in Vietnam, the Group has another manufacturing base in Malaysia which specialises in a certain range of products.

About Commune Lifestyle Pte Ltd

Established in 2011, Commune Lifestyle Pte Ltd is a wholly owned subsidiary of Koda. As an in-house brand focusing on retail products, it is managed by the third generation of the founding Koh family and has presence in Singapore, Malaysia, China and Australia.

There are currently a total of 51 *Commune* outlets – four owner-operated stores in Singapore, three distributor-retail ("DR") stores in Malaysia, 43 DR stores in China, and one brand-instore presence in Australia.

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