

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		Change %
	30/9/2017 ("1Q18") US\$'000	30/9/2016 ("1Q17") US\$'000	
Revenue	12,296	11,765	4.5
Cost of sales	(8,051)	(8,426)	(4.5)
Gross profit	4,245	3,339	27.1
Other income	168	206	(18.4)
Selling & distribution expenses	(1,115)	(974)	14.5
General & administrative expenses	(1,659)	(1,298)	27.8
Other expenses	(14)	(4)	250.0
Finance costs	(8)	(7)	14.3
Share of results of associate	(1)	(1)	NM
Profit before tax	1,616	1,261	28.2
Income tax expense	(194)	(394)	(50.8)
Profit for the period	1,422	867	64.0
Other comprehensive income			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Translation differences arising from consolidation of foreign operations	191	(299)	NM
Other comprehensive income for the period, net of tax	191	(299)	
Total comprehensive income for the period	1,613	568	184.0

NM: Not meaningful

Notes to Consolidated Statement of Profit or Loss

Other income

Rental income	44	44
Interest income	6	16
Foreign exchange gain	-	55
Gain on disposal of property, plant & equipment	-	1
Others	118	90
	168	206

Other expenses

Inventories written-off	(3)	-
Foreign exchange loss	(11)	-
Others	-	(4)
	(14)	(4)

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	
	30/9/2017 <u>US\$'000</u>	30/6/2017 <u>US\$'000</u>	30/9/2017 <u>US\$'000</u>	30/6/2017 <u>US\$'000</u>
<u>ASSETS</u>				
Current assets				
Cash and bank balances	9,548	8,352	1,766	1,691
Trade receivables	3,143	4,294	4,403	5,534
Other receivables and prepayments	2,789	2,780	9,215	9,229
Inventories	7,085	6,727	-	-
Total current assets	22,565	22,153	15,384	16,454
Non-current assets				
Investment in subsidiaries	-	-	8,135	8,135
Investment in associate	2	3	-	-
Club memberships	207	207	192	192
Other receivables and prepayment	2,004	548	-	-
Property, plant and equipment	15,165	15,028	579	616
Deferred tax asset	32	32	-	-
Total non-current assets	17,410	15,818	8,906	8,943
Total assets	39,975	37,971	24,290	25,397
<u>LIABILITIES AND EQUITY</u>				
Current liabilities				
Bills payable	76	127	-	-
Trade payables	2,023	1,914	3,932	5,548
Other payables	5,754	5,323	2,645	2,311
Obligations under finance lease	51	51	32	32
Bank loans	146	146	146	146
Income tax payable	320	375	-	-
Total current liabilities	8,370	7,936	6,755	8,037
Non-current liabilities				
Deferred tax liabilities	1,161	1,152	-	-
Bank loans	440	477	440	477
Obligations under finance leases	52	67	17	27
Total non-current liabilities	1,653	1,696	457	504
Capital and reserves				
Share capital	4,362	4,362	4,362	4,362
Treasury shares	(13)	(13)	(13)	(13)
Capital reserves	7,939	7,939	187	187
Translation reserve	(2,041)	(2,232)	-	-
Retained earnings	19,705	18,283	12,542	12,320
Total equity	29,952	28,339	17,078	16,856
Total liabilities and equity	39,975	37,971	24,290	25,397

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

Amount repayable in one year or less, or on demand

As at 30/9/2017 (US\$'000)		As at 30/6/2017 (US\$'000)	
Secured	Unsecured	Secured	Unsecured
51	222	51	273

Amount repayable after one year

As at 30/9/2017 (US\$'000)		As at 30/6/2017 (US\$'000)	
Secured	Unsecured	Secured	Unsecured
52	440	67	477

Borrowings and gearing ratio

Total borrowings of US\$0.8 million as at 30 September 2017 comprise short-term borrowings, long-term loans and finance lease obligations. Total borrowings fell by US\$0.1 million compared to 30 June 2017 due to repayment.

The Group's gearing ratio remain unchanged at 0.03 times as at 30 September 2017 and 30 June 2017.

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	
	30/9/2017	30/9/2016
	US\$'000	US\$'000
Cash flows from operating activities		
Profit before income tax	1,616	1,261
Adjustments for:		
Allowance for inventories/inventories written off	4	-
Depreciation of property, plant and equipment	279	257
Gain on disposal of property, plant and equipment	-	(1)
Share of results of associate	1	1
Interest income	(6)	(16)
Interest expense	8	7
Operating cash flows before working capital changes	1,902	1,509
Trade receivables	1,151	(157)
Other receivables and prepayments	(9)	(375)
Inventories	(362)	(371)
Trade payables	109	(80)
Other payables	431	128
Cash generated from operations	3,222	654
Interest received	6	16
Interest paid	(8)	(7)
Income tax paid	(319)	(146)
Net cash from operations	2,901	517
Cash flows from investing activities		
Purchase of property, plant and equipment	(301)	(450)
Deposits paid for purchase of property, plant and equipment	(1,456)	-
Proceeds from disposal of property, plant and equipment	-	47
Net cash used in investing activities	(1,757)	(403)
Cash flows from financing activities		
Decrease in bills payables	(51)	(416)
Proceeds from bank loan	-	233
Purchase of treasury shares	-	(3)
Repayment of bank loans	(37)	(110)
Repayment of finance leases	(15)	(28)
Net cash used in financing activities	(103)	(324)
Net increase (decrease) in cash and cash equivalents	1,041	(210)
Cash and cash equivalents at beginning of period	8,352	4,607
Effect of foreign exchange translation	155	(134)
Cash and cash equivalents at end of period	9,548	4,263

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**

US\$'000	Share Capital	Treasury Shares	Capital reserves	Currency translation reserve	Retained earnings	Attributable to equity holders	Non-controlling interests	Total
Group								
Balance as at 1/7/2017	4,362	(13)	7,939	(2,232)	18,283	28,339	-	28,339
Total comprehensive income	-	-	-	191	1,422	1,613	-	1,613
Balance as at 30/9/2017	4,362	(13)	7,939	(2,041)	19,705	29,952	-	29,952
Company								
Balance as of 1/7/2017	4,362	(13)	187	-	12,320	16,856	-	16,856
Total comprehensive income	-	-	-	-	222	222	-	222
Balance as at 30/9/2017	4,362	(13)	187	-	12,542	17,078	-	17,078
Group								
Balance as at 1/7/2016	4,312	(10)	5,419	(1,597)	14,786	22,910	-	22,910
Total comprehensive income	-	-	-	(299)	867	568	-	568
Repurchase of shares	-	(3)	-	-	-	(3)	-	(3)
Balance as at 30/9/2016	4,312	(13)	5,419	(1,896)	15,653	23,475	-	23,475
Company								
Balance as of 1/7/2016	4,312	(10)	58	-	6,578	10,938	-	10,938
Total comprehensive income	-	-	-	-	137	137	-	137
Repurchase of shares	-	(3)	-	-	-	(3)	-	(3)
Balance as at 30/9/2016	4,312	(13)	58	-	6,715	11,072	-	11,072

- 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**

As at 30 September 2017, the Company's issued share capital (excluding treasury shares) comprises 41,045,716 (30 June 2017: 41,045,716) ordinary shares. The total number of treasury shares held by the Company as at 30 September 2017 was 55,500 (30 June 2017: 55,500) which represents 0.13% (30 June 2017: 0.13%) of the total number of issued shares (excluding treasury shares).

On 7 November 2017, the Company allotted and issued 41,045,716 Bonus Shares. Following the allotment and issuance of the Bonus Shares, the total number of Shares of the Company increased from 41,045,716 Shares (excluding 55,500 treasury shares) to 82,091,432 Shares (excluding 111,000 treasury shares).

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.**

	<u>30/9/2017</u>	<u>30/6/2017</u>
Total number of issued shares (excluding treasury shares)	41,045,716	41,045,716

- (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 Company held 55,500 treasury shares as at 30 September 2017. There were no sales, transfer, disposal, cancellation and / or use of treasury shares 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 as in the Group's financial year ended 30 June 2017.

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 30/9/2017	3 months ended 30/9/2016 (Restated)
Earnings per ordinary share (US cents)	3.46	2.11

Note: Earnings per ordinary share ("EPS") for 1Q18 was computed based on 41,045,716 weighted average number of shares for the period; EPS for the corresponding period (1Q17) was restated accordingly. The bonus issue completed on 9 November 2017 has not been taken into consideration in arriving at EPS above.

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	
	30/9/2017	30/6/2017	30/9/2017	30/6/2017
Net asset value per ordinary share (US cents)	73.0	69.0	41.6	41.2

Note: Net asset value ("NAV") per ordinary share as at 30 September 2017 and 30 June 2017 was computed based on 41,045,716 number of shares. The bonus issue completed on 9 November 2017 has not been taken into consideration in arriving at NAV per ordinary share above.

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.

Revenue and Net Profit attributable to equity holders of the parent ("Net Profit")

Revenues for 1Q18 rose by US\$0.5 million to US\$12.3 million due to (i) higher export sales to our key markets; and (ii) higher sales from our in-house brand (Commune).

Gross Profit rose by 27.1% or US\$0.9 million to US\$4.2 million on higher revenues and lower cost of sales. Gross Margin rose by 6.1 percentage points to 34.5% due mainly to (i) lower production costs and improved economies of scale and supply chain efficiency; and (ii) higher revenue contribution from our Commune retail and distribution business which command higher margins.

Selling and distribution expenses rose by 14.5% or US\$0.14 million to US\$1.1 million due mainly to (i) participation in overseas fairs and exhibitions in 1Q18; and (ii) higher logistics cost arising from the increased shipments from our factory operations as well as our distribution business in China.

Administrative expenses rose by 27.8% or US\$0.36 million to US\$1.7 million due mainly to higher personnel expenses from increases in headcount to support revenue growth and staff costs.

Income tax expense fell by 50.8% or US\$0.2 million due to the absence of tax expense relating to disposal of investment property in Vietnam during 1Q17.

Given the above, Net Profit rose by 64.0% or US\$0.56 million to US\$1.4 million for 1Q18 compared to US\$0.87 million in 1Q17.

Financial Position (30 September 2017 vs 30 June 2017)

Assets

Current Assets rose by US\$0.4 million to US\$22.6 million. Significant movements in Current Assets during the period under review were as follows:

- Cash at bank (inclusive of fixed deposits) rose by US\$1.2 million to US\$9.5 million due mainly to positive operating cash flows.
- Trade receivables fell by US\$1.2 million to US\$3.1 million due mainly to faster collections from export customers.
- Other receivables and prepayments remain largely unchanged.
- Inventories rose by US\$0.4 million to US\$7.1 million due to increased levels of raw materials and finished goods held.

Non-Current Assets rose by US\$1.6 million to US\$17.4 million due mainly to deposits paid for the purchase of land and buildings in Vietnam.

Liabilities

Current Liabilities rose by US\$0.4 million to US\$8.4 million. Significant movements in Current Liabilities during the period under review were as follows:

- Bills payable fell by US\$0.05 million to US\$0.08 million due to lower short-term borrowings and repayment of trade bills from our operating cash flows.
- Trade payables rose by US\$0.1 million to US\$2.0 million due mainly to increased purchases from suppliers.
- Other payables rose by US\$0.4 million to US\$5.8 million due mainly to accruals of expenses and deposits received from customers.

Non-Current Liabilities fell by US\$0.04 million to US\$1.7 million due mainly to repayment of borrowings.

Shareholders' equity

Net asset or Equity attributable to shareholders rose by US\$1.6 million to US\$29.9 million as at 30 September 2017 due mainly to earnings of US\$1.4 million for the 3 months ended 30 September 2017.

Cash Flows

Net cash from operations amounted to US\$2.9 million for 1Q18 after operating cash flows of US\$1.9 million, net working capital of US\$1.3 million and net payments of income tax and interest of US\$0.3 million.

Net cash used in investing activities of US\$1.8 million was due mainly to deposits paid for the purchase of property, plant and equipment in Vietnam.

Net cash used in financing activities of US\$0.1 million was due mainly to decrease in bills payables and repayments of borrowings during the period. Given these, net cash and cash equivalents rose by US\$1.0 million to US\$9.5 million as at 30 September 2017.

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 FY2017 results announcement that barring any unforeseen circumstances, the Group expects to remain profitable in FY2018.

Net Profit rose by 64.0% or US\$0.56 million to US\$1.4 million for 1Q18 compared to US\$0.87 million in 1Q17.

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 US economy has maintained a healthy growth rate over the last two quarters with improvement in the job market, which has led to a strong housing sector. So, we might see a robust holiday season ahead with improved consumer spending (including demand for furniture) and are thus hopeful of a sustained growth momentum next year in the US, our largest export market. Meanwhile, there have been talks on possible interest rate increase and its impact on the above-mentioned positive indicators is to be closely monitored.

The Group is making steady progress with the regional rollout of its retail brand, *Commune*. In China, seven new *Commune* stores were opened in 1Q18, bringing the total number of outlets in the country to 42. As previously disclosed, the Group intends to have 100 *Commune* stores in China by the year 2020. Over the next 12 months, *Commune* is expected to debut in markets within Asia where it currently does not have a presence.

Given the above and barring any unforeseen circumstances, the Group expects to remain profitable in FY2018.

11.

Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been declared/recommended.

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) (\$'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 1Q18 with regards to the Lease is as follow: (i) Rental expense (RM74,094)	24

Based on an exchange rate of S\$1 : RM\$3.11

The above IPT transaction constitutes 0.08% of the Group's audited NTA as at 30 June 2017.

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 year ended 30 June 2017 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD
JAMES KOH JYH GANG
Managing Director
13 November 2017