

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 3Q15 and 9 months ended 31 March 2015

	3 months ended 31/03/15 ("3Q15") US\$'000	3 months ended 31/03/14 ("3Q14") US\$'000	Change %	9 months ended 31/03/15 US\$'000	9 months ended 31/03/14 US\$'000	Change %
Revenue	9,873	11,262	(12.3)	36,508	38,897	(6.1)
Cost of sales	(7,983)	(8,979)	(11.1)	(27,654)	(29,707)	(6.9)
Gross profit	1,890	2,283	(17.2)	8,854	9,190	(3.7)
Other operating income	236	181	30.3	614	360	70.6
Selling and distribution costs	(1,205)	(1,404)	(14.2)	(3,467)	(3,593)	(3.5)
Administrative expenses	(1,439)	(2,241)	(35.8)	(5,099)	(6,057)	(15.8)
Other operating expenses	(807)	(7)	NM	(839)	(10)	NM
Finance costs	(38)	(67)	(43.3)	(146)	(197)	(25.9)
Share of profit of an associated company	8	-	N/A	9	-	N/A
Loss before income tax	(1,356)	(1,255)	8.0	(74)	(307)	(75.9)
Income tax expense	(90)	3	(3,100)	(502)	(255)	96.9
Loss after income tax	(1,446)	(1,252)	15.5	(576)	(562)	2.5
Attributable to:-						
Equity holders of the parent	(1,063)	(1,141)	(6.8)	4	(254)	(101.6)
Minority interests	(383)	(111)	245.0	(580)	(308)	88.3
	(1,446)	(1,252)	15.5	(576)	(562)	2.5

Note: For comparison purposes, please refer to Table 1 in Note 8 for details of the Group's results ended 1Q14, 2Q14, 3Q14, 4Q14, 1Q15 and 2Q15.

Notes to Consolidated Profit and Loss Statements

	3 months ended 31/03/15 ("3Q15") <u>US\$'000</u>	3 months ended 31/03/14 ("3Q14") <u>US\$'000</u>	9 months ended 31/03/15 <u>US\$'000</u>	9 months ended 31/03/14 <u>US\$'000</u>
<u>Other operating income</u>				
Rental income	45	71	140	152
Interest income	3	7	6	12
Exchange gain	67	45	154	70
Gain on disposal of property, plant & equipment	-	5	16	14
Others	121	53	297	112
	236	181	614	360

	3 months ended 31/03/15 ("3Q15") <u>US\$'000</u>	3 months ended 31/03/14 ("3Q14") <u>US\$'000</u>	9 months ended 31/03/15 <u>US\$'000</u>	9 months ended 31/03/14 <u>US\$'000</u>
<u>Other operating expenses</u>				
Allowances for inventories	(601)	-	(601)	-
Impairment of intangible asset	(205)	-	(205)	-
Loss on disposal of property, plant & equipment	(1)	-	-	(2)
Others	-	(7)	(33)	(8)
	(807)	(7)	(839)	(10)

Statement of Comprehensive Income

	3 months ended 31/03/15 ("3Q15") <u>US\$'000</u>	3 months ended 31/03/14 ("3Q14") <u>US\$'000</u>	9 months ended 31/03/15 <u>US\$'000</u>	9 months ended 31/03/14 <u>US\$'000</u>
Profit after Income Tax	(1,446)	(1,252)	(576)	(562)
Currency translation differences	(468)	(46)	(1,197)	(289)
Total comprehensive income	(1,914)	(1,298)	(1,773)	(851)
Attributable to :-				
Equity holders of the parent	(1,542)	(1,162)	(1,214)	(532)
Minority interests	(372)	(136)	(559)	(319)
	(1,914)	(1,298)	(1,773)	(851)

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	
	31/03/15 US\$'000	30/06/14 US\$'000	31/03/15 US\$'000	30/06/14 US\$'000
ASSETS				
Current assets				
Cash and bank balances	3,186	2,050	923	447
Trade Receivables	3,338	4,015	8,022	9,087
Other receivables and prepayments	2,833	2,562	6,010	6,472
Inventories	12,326	15,858	-	-
Assets classified as held for sale	485	-	-	-
Total current assets	22,168	24,485	14,955	16,006
Non-current assets				
Investment in subsidiaries	-	-	9,823	9,823
Investment in associate	11	-	-	-
Property, plant and equipment	12,247	13,566	834	494
Investment Properties	2,800	2,800	-	-
Intangibles assets	-	230	-	-
Club memberships	209	211	192	192
Goodwill on consolidation	758	758	-	-
Deferred tax asset	376	377	3	3
Total non-current assets	16,401	17,942	10,852	10,512
Total assets	38,569	42,426	25,807	26,518
LIABILITIES AND EQUITY				
Current liabilities				
Bills payable	4,031	6,960	2,856	4,590
Trade payables	3,297	4,178	6,703	4,807
Other payables	6,339	4,725	1,175	1,242
Finance lease obligation : current portion	100	64	74	32
Bank loans and overdrafts : current portion	618	838	577	801
Income tax payable	42	130	-	-
Total current liabilities	14,427	16,895	11,385	11,472
Non-current liabilities				
Finance lease obligations	98	68	91	40
Non-current portions of bank loans	389	639	389	639
Due to related parties	1,072	693	-	-
Deferred taxation	914	688	-	-
Total non-current liabilities	2,473	2,088	480	679
Capital and reserves				
Issued capital	4,312	4,312	4,312	4,312
Capital reserves	5,047	5,047	58	58
Currency translation reserve	(841)	378	-	-
Retained earnings	12,939	12,934	9,571	9,997
Equity attributable to shareholders	21,457	22,671	13,942	14,367
Minority interests	213	772	-	-
Total equity	21,670	23,443	13,942	14,367
Total Liabilities and Equity	38,569	42,426	25,807	26,518

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

Amount repayable in one year or less, or on demand

As at 31/03/15 (US\$'000)		As at 30/06/14 (US\$'000)	
Secured	Unsecured	Secured	Unsecured
4,749	-	7,862	-

Amount repayable after one year

As at 31/03/15 (US\$'000)		As at 30/06/14 (US\$'000)	
Secured	Unsecured	Secured	Unsecured
487	-	707	-

Borrowings and gearing ratio

Total borrowings of US\$5.2 million as at 31 March 2015 comprise short-term borrowings, long-term loans and finance lease obligations. Total borrowings fell by US\$3.3 million compared to 30 June 2014 due to lower working-capital borrowings and repayment of loans.

The Group's gearing ratio was 0.24 times as at 31 March 2015 compared to 0.38 times as at 30 June 2014.

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 31/03/15 ("3Q15") <u>US\$'000</u>	3 months ended 31/03/14 ("3Q14") <u>US\$'000</u>	9 months ended 31/03/15 <u>US\$'000</u>	9 months ended 31/03/14 <u>US\$'000</u>
Cash flows from operating activities				
(Loss)/Profit before income tax	(1,356)	(1,255)	(74)	(307)
Adjustments for:				
Allowance for inventories	601	-	601	-
Depreciation and amortization expenses	315	332	967	996
Gain on disposal of fixed assets	-	(8)	(16)	(14)
Loss on disposal of fixed assets	1	2	-	2
Interest income	(3)	(7)	(6)	(12)
Interest expense	38	67	146	197
Impairment of intangible asset	205	-	205	-
Operating (loss)/profit before working capital changes	(199)	(869)	1,823	862
Trade receivables	23	602	677	(16)
Other receivables and prepayments	728	911	(271)	(518)
Inventories	737	(202)	2,931	1,237
Trade payables	(466)	445	(881)	23
Other payables	1,226	(285)	1,993	(556)
Net Cash generated from operations	2,049	602	6,272	1,032
Interest received	3	7	6	12
Interest paid	(38)	(67)	(146)	(197)
Income tax paid	(280)	(5)	(365)	(326)
Net cash generated from operating activities	1,734	537	5,767	521
Cash flows from investing activities				
Addition of fixed assets	(245)	(136)	(866)	(314)
Net cash outflows from acquisition of an associate	-	-	(6)	-
Proceeds from disposal of fixed assets	50	6	70	30
Net cash used in investing activities	(195)	(130)	(802)	(284)
Cash flows from financing activities				
Net (decrease) increase in short-term borrowings	(324)	690	(2,893)	266
Net decrease in long-term borrowings	(52)	(1,596)	(220)	(795)
Net cash used in financing activities	(376)	(906)	(3,113)	(529)
Net increase (decrease) in cash and cash equivalents	1,163	(499)	1,852	(292)
Cash and cash equivalents at beginning of period / year	1,959	1,808	1,545	1,534
Currency translation differences	(221)	(35)	(495)	32
Cash and cash equivalents at end of period / year	2,901	1,274	2,901	1,274
Represented by:				
Cash and bank balances (inclusive of Fixed Deposit)	3,186	1,601	3,186	1,601
Bank overdraft	(285)	(327)	(285)	(327)
	2,901	1,274	2,901	1,274

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

	Issued Capital	Capital reserves	Currency translation reserve	Retained earnings	Attributable to equity holders	Minority interests	Total
US\$'000							
Group							
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
Balance as at 30/09/14	4,312	5,047	213	13,483	23,055	645	23,700
Total comprehensive income	-	-	(575)	519	(56)	(60)	(116)
Balance as at 31/12/14	4,312	5,047	(362)	14,002	22,999	585	23,584
Total comprehensive income	-	-	(479)	(1,063)	(1,542)	(372)	(1,914)
Balance as at 31/03/15	4,312	5,047	(841)	12,939	21,457	213	21,670
Company							
Balance as at 1/7/14	4,312	58	-	9,997	14,367	-	14,367
Total comprehensive income	-	-	-	283	283	-	283
Balance as at 30/09/14	4,312	58	-	10,280	14,650	-	14,650
Total comprehensive income	-	-	-	134	134	-	134
Balance as at 31/12/14	4,312	58	-	10,414	14,784	-	14,784
Total comprehensive income	-	-	-	(843)	(843)	-	(843)
Balance as at 31/03/15	4,312	58	-	9,571	13,941	-	13,942
US\$'000							
Group							
Balance as at 1/7/13	4,312	4,208	503	14,171	23,194	1,226	24,420
Total comprehensive income	-	-	(154)	462	308	(126)	182
Balance as at 30/09/13	4,312	4,208	349	14,633	23,502	1,100	24,602
Total comprehensive income	-	-	(104)	426	322	(57)	265
Balance as at 31/12/13	4,312	4,208	245	15,059	23,824	1,043	24,867
Total comprehensive income	-	-	(21)	(1,141)	(1,162)	(136)	(1,298)
Balance as at 31/03/14	4,312	4,208	224	13,918	22,662	907	23,569
Company							
Balance as of 1/7/13	4,312	58	-	14,482	18,852	-	18,852
Total comprehensive income	-	-	-	425	425	-	425
Balance as at 30/09/13	4,312	58	-	14,907	19,277	-	19,277
Total comprehensive income	-	-	-	361	361	-	361
Balance as at 31/12/13	4,312	58	-	15,268	19,638	-	19,638
Total comprehensive income	-	-	-	(1,189)	(1,189)	-	(1,189)
Balance as at 31/03/14	4,312	58	-	14,079	18,449	-	18,449

- 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	31/03/15	30/06/14
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 June 2014.

- 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 31/03/15 ("3Q15")	3 months ended 31/03/14 ("3Q14")
Loss per ordinary share (US cents)	0.78	0.84

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	
	31/03/2015	30/06/2014	31/03/2015	30/06/2014
Net asset value per ordinary share (US cents)	15.7	16.6	10.2	10.5

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 31/12/13 ("2Q14")	3 months ended 31/03/14 ("3Q14")	3 months ended 30/06/14 ("4Q14")	3 months ended 30/09/14 ("1Q15")	3 months ended 31/12/14 ("2Q15")	3 months ended 31/03/15 ("3Q15")
Revenue	13,575	11,262	13,426	13,894	12,741	9,873
Gross profit	3,482	2,283	3,673	3,410	3,554	1,890
Net profit (loss) after tax	357	(1,252)	(1,150)	408	461	(1,446)
Attributable to:-						
Equity holders of the parent	425	(1,141)	(1,021)	548	519	(1,063)
Minority interests	(68)	(111)	(129)	(140)	(58)	(383)
	357	(1,252)	(1,150)	408	461	(1,446)

Profit and Loss (3Q15 vs 3Q14)

Revenues fell by 12.3% or US\$1.4 million to US\$9.9 million due mainly to (i) lower sales to the Asia Pacific and Middle East regions; (ii) lower sales by Metrolink in China due to the weak demand for high-end classical style furniture; and (iii) lower retail sales for Rossano Vietnam to the local market which remained weak

Gross Profit fell by 17.2% or US\$0.39 million to US\$1.9 million on the back of lower revenues while Gross Margin fell by 1.1% points to 19.1% despite improved margins for our operations in Malaysia and Vietnam. Whilst Gross Margins for our operations in Malaysia and Vietnam rose given better capacity utilization and higher operational efficiencies, Metrolink's operations continued to face rising cost pressures in China. As a result, our Group's gross margins fell, on average.

Selling and distribution expenses fell by US\$0.2 million to US\$1.2 million due mainly to lower showroom rental expenses for Rossano following our strategic decision to reduce the number of retail showrooms in Vietnam.

Administrative expenses fell sharply by US\$0.80 million to US\$1.4 million due mainly to good cost control and lower accruals following our Group's operational streamlining exercise, particularly in China (Dongguan) and Vietnam.

Other Income rose by US\$0.05 million to US\$0.24 million due mainly to foreign exchange gains arising from the strengthening of the US dollar (our reporting currency) against the RM.

Other Expenses rose to US\$0.8 million due to provisions for obsolete and slow-moving inventories and impairment of intangible assets (for brand names which Metrolink carried).

Income Tax Expenses rose to US\$0.09 million due mainly to higher taxable profits for our operations in Malaysia and Vietnam.

There was a share of loss by minority shareholders of Metrolink and Rossano of US\$0.37 million and US\$0.01 million, respectively.

Given the above,

- Net Loss narrowed by 6.8% or US\$0.08 million to US\$1.1 million for 3Q15 compared to 3Q14;
- We reported a small US\$4k net profit for 9M15 compared to a net loss of US\$0.25 million for 9M14, after accounting for non-cash provisions; and
- Notably, our net operating cash flows improved significantly, generating US\$1.7 million and US\$5.8 million for 3Q15 and 9M15, respectively.

Financial Position (31 March 2015 vs 30 June 2014)

Assets

Current Assets fell by US\$2.3 million to US\$22.2 million. Significant movements in Current Assets during the period under review were as follows:

- Cash at bank (inclusive of fixed deposits) rose by US\$1.1 million to US\$3.2 million due mainly to cash received as deposits for the sale of our land and buildings in Vietnam.
- Trade receivables fell by US\$0.68 million to US\$3.3 million due mainly to (i) lower revenues; and (ii) faster collections from our export customers. Trade receivables turnaround time improved from 28 days (as at 30 June 2014) to 25 days (as at 31 March 2015)
- Other receivables and prepayments rose by US\$0.27 million to US\$2.8 million due mainly to higher advances made to our suppliers as well as refundable import duties for our operations in Vietnam.
- Inventories fell by US\$3.5 million to US\$12.3 million due to utilization of our raw material buffer stocks and reduction in WIP on improved production cycles; and a provision for obsolete and slow-moving inventories of Metrolink.

Non-Current Assets fell by US\$1.5 million to US\$16.4 million due mainly to (i) depreciation and amortization expenses; (ii) a reclassification of US\$0.49 million from Property, Plant and Equipment to assets held for sale following our decision to sell the land the buildings in Vietnam; and (iii) impairment of intangible assets of Metrolink.

Liabilities

Current Liabilities fell by US\$2.5 million to US\$14.4 million. Significant movements in Current Liabilities during the period under review were as follows:

- Bills payable fell by US\$2.9 million to US\$4 million due to repayment of short-term borrowings.
- Trade payables fell by US\$0.88 million to US\$3.3 million due to lower purchases and faster payments to suppliers
- Other payables rose by US\$1.6 million to US\$6.3 million due mainly to deposits received for the disposal of land and buildings in Vietnam.
- Bank loans and overdrafts fell by US\$0.22 million to US\$0.62 million due to lower working capital borrowings.

Shareholders' equity

Net asset or Equity attributable to shareholders fell by US\$1.2 million to US\$21.5 million as at 31 March 2015 due mainly to lower currency translation reserve, which fell by US\$1.2 million as a result of lower RM-denominated assets when expressed in US\$ terms (RM weakened against the US\$ during the period under review).

Minority interests

Minority interests (“MI”), reflecting the cumulative share of net asset by Metrolink Group’s and Rossano’s other shareholders, who owns 49% and 30% of Metrolink Group and Rossano respectively, fell by US\$0.56 million to US\$0.21 million after offsetting a fall in Metrolink’s and Rossano’s MI.

Cash Flows (movements in 3Q15)

Net cash from operating activities was positive US\$1.7 million for 3Q15 after accounting for a cash loss of US\$0.2 million, a reduction in working capital investments of US\$2.2 million, interest payments of US\$0.04 million and income taxes of US\$0.28 million. Net cash used in investing activities was US\$0.2 million due to investments in new equipment. Net cash used in financing activities was US\$0.38 million due to loan repayments. Given these, net cash and cash equivalents rose by US\$0.94 million to US\$2.9 million as at 31 March 2015 (net of bank overdrafts of US\$0.29 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 2Q15 announcement that barring any unforeseen circumstances, there will be an improvement in the financial performance in FY2015 over that of FY2014.

The Group recorded a Net Loss of US\$1.06 million for 3Q15, approximately 6.8% or US\$0.08 million higher than that of the last corresponding quarter in 3Q14. For the 9-months ending 31 March 2015, the Group recorded a breakeven level of Net Profit, approximately US\$4k, compared to a Net Loss of US\$0.25 million in the last corresponding 9-months. Net cash from operating activities increased by US\$1.7 million and US\$5.8 million for 3Q15 and 9M15 respectively. The Group’s financial results for 9M15 are in line with the prospect statement made in the 2Q15 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

The operational efficiencies for our factories in Malaysia and Vietnam have improved given new equipment investments and better supply chain management, which means capacity utilization rates are now higher while unit production costs have fallen. On a macro perspective, the strengthening of US dollar against the Australian dollar and other Asian currencies have made it more expensive for our customers in the Asia Pacific region to buy from us – we have been monitoring the situation closely. We are also reviewing our pricing strategy to see if our products could be made more affordable for certain market segments given the recent improvement in our supply chain and cost competitiveness for products produced in our Malaysia and Vietnam factories.

On the other hand, manufacturing costs in China are increasingly higher, while demand for high end classical style furniture has been weak, which has adversely affected the business of Metrolink. As previously guided in our announcements, following the closure of our operations in Dongguan (China), we have since conducted a strategic review on the business models of Metrolink which include redundancy plans, asset rationalization and steps to discontinue marketing activities for certain in-house brands of Metrolink. Given these factors, Metrolink needs to further streamline its operations to sustain margins and may need to enlarge its capital base or change its capital structure for better leverage. We will update shareholders in due course.

Given the above, the Board continues to believe that, barring any unforeseen circumstances, there will be an improvement in the financial performance in FY2015 over that of FY2014.

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 or recommended.

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.

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

14. 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

- 15. 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

- 16. A breakdown of sales**

Not applicable

- 17. 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 31 March 2015 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD
JAMES KOH JYH GANG
Managing Director
14 May 2015**