

KODA LTD
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 year

	6 months ended		Change %
	31/12/2019 ("1HY20") US\$'000	31/12/2018 ("1HY19") US\$'000	
Revenue	34,253	30,369	12.8
Cost of sales	(23,298)	(20,183)	15.4
Gross profit	10,955	10,186	7.5
Other income	361	418	(13.6)
Selling & distribution expenses	(2,656)	(2,515)	5.6
General & administrative expenses	(4,096)	(3,849)	6.4
Other expenses	(62)	(90)	(31.1)
Finance costs	(53)	(15)	253.3
Share of results of associate	-	-	NM
Profit before tax	4,449	4,135	7.6
Income tax expense	(414)	(308)	34.4
Profit for the period	4,035	3,827	5.4
Other comprehensive income			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Translation differences arising from consolidation of foreign operations	130	(306)	NM
Other comprehensive income for the period, net of tax	130	(306)	
Total comprehensive income for the period	4,165	3,521	18.3
Profit (Loss) attributable to:			
Owners of the Company	4,128	3,521	17.2
Non-controlling interests	(93)	-	NM
	4,035	3,521	14.6
Total comprehensive income attributable to:			
Owners of the Company	4,258	3,521	20.9
Non-controlling interests	(93)	-	NM
	4,165	3,521	18.3

NM: Not meaningful

	1HY20 US\$'000	1HY19 US\$'000
Other income		
Rental income	48	24
Interest income	123	57
Foreign exchange gain	19	140
Gain on disposal of property, plant & equipment	-	3
Reversal of doubtful trade receivables	-	20
Freight revenue	82	77
Design fee	37	17
Sundry income	52	80
	361	418
Other expenses		
Equity-settled share-based expenses	(60)	(90)
Inventories written off	(1)	-
Loss on disposal of property, plant & equipment	(1)	-
	(62)	(90)

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	
	31/12/2019	30/6/2019	31/12/2019	30/6/2019
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
ASSETS				
Current assets				
Cash and bank balances	12,389	13,394	6,756	8,309
Trade receivables	4,499	3,424	5,735	4,334
Other receivables and prepayments	3,303	2,660	15,156	4,256
Inventories	10,857	10,581	292	205
Total current assets	31,048	30,059	27,939	17,104
Non-current assets				
Investment in subsidiaries	-	-	7,935	7,935
Investment in associate	-	2	-	-
Club memberships	207	207	192	192
Deposits and prepayments	2,671	-	-	-
Property, plant and equipment	16,039	16,116	337	368
Right-of-use assets	2,742	-	656	-
Deferred tax asset	102	102	-	-
Total non-current assets	21,761	16,427	9,120	8,495
Total assets	52,809	46,486	37,059	25,599
LIABILITIES AND EQUITY				
Current liabilities				
Trade payables	2,637	2,275	4,139	5,714
Other payables	4,943	4,984	1,825	2,207
Lease liabilities	857	21	155	-
Bank loans	182	182	182	182
Income tax payable	462	337	-	-
Total current liabilities	9,081	7,799	6,301	8,103
Non-current liabilities				
Deferred tax liabilities	340	228	-	-
Bank loans	122	221	122	221
Lease liabilities	1,872	-	507	-
Total non-current liabilities	2,334	449	629	221
Capital and reserves				
Share capital	4,786	4,688	4,786	4,688
Treasury shares	(71)	(71)	(71)	(71)
Capital reserves	174	212	100	138
Translation reserve	499	369	-	-
Retained earnings	35,955	33,040	25,314	12,520
Equity attributable to owners of the Company	41,343	38,238	30,129	17,275
Non-controlling interests	51	-	-	-
Total equity	41,394	38,238	30,129	17,275
Total liabilities and equity	52,809	46,486	37,059	25,599

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

Amount repayable in one year or less, or on demand

	As at 30/12/2019 (US\$'000)		As at 30/6/2019 (US\$'000)	
	Secured	Unsecured	Secured	Unsecured
Lease liabilities	11	846	21	-
Bank loans	-	182	-	182
Total	11	1,028	21	182

Amount repayable after one year

	As at 30/12/2019 (US\$'000)		As at 30/6/2019 (US\$'000)	
	Secured	Unsecured	Secured	Unsecured
Lease liabilities	-	1,872	-	-
Bank loans	-	122	-	221
Total	-	1,994	-	221

Group borrowings and debts

Total borrowings and debts of US\$3.0 million as at 31 December 2019 comprise short-term borrowings, long-term loans and lease liabilities. Total borrowings and debts rose by US\$2.6 million compared to 30 June 2019 due to the adoption of SFRS(I)16 *Leases* where lease liabilities representing the Group's obligations to make lease payments were recognised and at the same time, recognise a corresponding right-of-use (ROU) asset representing the right to use the underlying asset in relation to the leases.

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 lease liabilities amounting to US\$11,000 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

	6 months ended	
	31/12/2019	31/12/2018
	US\$'000	US\$'000
Cash flows from operating activities		
Profit before income tax	4,449	4,135
Adjustments for:		
Depreciation of property, plant and equipment	852	626
Depreciation of right-of-use assets	559	-
Equity-settled share-based expenses	60	90
Loss (Gain) on disposal of property, plant and equipment	1	(3)
Reversal of doubtful trade receivables	-	(20)
Interest income	(123)	(57)
Interest expense	53	15
Operating cash flows before working capital changes	5,851	4,786
Trade receivables	(1,075)	1,463
Other receivables and prepayments	(643)	(956)
Inventories	(163)	(1,168)
Trade payables	362	(374)
Other payables	(42)	(340)
Cash generated from (used in) operations	4,290	3,411
Interest received	123	57
Interest paid	(53)	(15)
Income tax paid	(82)	(423)
Net cash from (used in) operations	4,278	3,030
Cash flows from investing activities		
Deposit for property, plant and equipment	(2,671)	-
Purchase of property, plant and equipment	(689)	(243)
Proceeds from disposal of property, plant and equipment	23	3
Net cash used in investing activities	(3,337)	(240)
Cash flows from financing activities		
Decrease in bills payables	-	(22)
Dividends paid	(1,213)	(890)
Repayment of bank loans	(99)	(94)
Repayment of leases	(594)	(16)
Net cash used in financing activities	(1,906)	(1,022)
Net (decrease) increase in cash and cash equivalents	(965)	1,768
Cash and cash equivalents at beginning of period	13,394	10,502
Effect of foreign exchange translation	(40)	(153)
Cash and cash equivalents at end of period	12,389	12,117

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 1/7/2019	4,688	(71)	212	369	33,040	38,238	-	38,238
Total comprehensive income	-	-	-	130	4,128	4,258	(93)	4,165
Dividends paid	-	-	-	-	(1,213)	(1,213)	-	(1,213)
Issue of new shares	98	-	(98)	-	-	-	-	-
Share-based expenses	-	-	60	-	-	60	-	60
Non-controlling interest from investment in a subsidiary	-	-	-	-	-	-	144	144
Balance as at 31/12/2019	4,786	(71)	174	499	35,955	41,343	51	41,394
Company								
Balance as of 1/7/2019	4,688	(71)	138	-	12,520	17,275	-	17,275
Total comprehensive income	-	-	-	-	14,007	14,007	-	14,007
Dividends paid	-	-	-	-	(1,213)	(1,213)	-	(1,213)
Issue of new shares	98	-	(98)	-	-	-	-	-
Share-based expenses	-	-	60	-	-	60	-	60
Balance as at 31/12/2019	4,786	(71)	100	-	25,314	30,129	-	30,129

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 1/7/2018	4,525	(71)	5,924	(1,585)	24,868	33,661	-	33,661
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)(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 19 December 2019, the Company allotted and issued 225,382 New Shares to participants under the Performance Share Plan 2018. Following the allotment and issuance of the New Shares, the total number of Shares of the Company increased from 82,513,620 (excluding 230,000 treasury shares) to 82,739,002 (excluding 230,000 treasury shares).

As at 31 December 2019, the issued share capital of the Company (excluding 230,000 treasury shares and nil subsidiary holdings) comprises 82,739,002 Shares (30 June 2019: 82,513,620). The number of Shares held as treasury shares and the number of subsidiary holdings as at 31 December 2019 was 230,000 and nil respectively (30 June 2019: 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 2019: 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.

	<u>31/12/2019</u>	<u>30/6/2019</u>
Total number of issued shares (excluding treasury shares)	82,739,002	82,513,620

(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 2019 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 financial information for the current financial period reported on as those used in the most recent audited financial statements, except as disclosed in Section 5 below.

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

The Group has on 1 July 2019, adopted the new Singapore Financial Reporting Standards (International) (“SFRS(I)”) 16 *Leases*. In adopting SFRS(I)16, the Group has recognised liabilities for non-cancellable operating lease commitments and recognised a corresponding right-of-use assets to be amortised on a straight-line basis over the lease period.

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”)	1HY20	1HY19
US\$ cents	4.89	4.65
S\$ cents equivalent ⁽¹⁾	6.60	6.28

Note:

Earnings per ordinary share (“EPS”) was computed based on 82,528,319 weighted average number of shares for the period 1HY20. EPS for the corresponding period 1HY19 was computed based on 82,254,255 weighted average number of shares.

⁽¹⁾ *Equivalent amounts in S\$ for EPS have been provided for comparative purposes, based on a closing rate as at 31 December 2019 of US\$1 = S\$1.35.*

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

Net asset value (“NAV”) per ordinary share	Group		Company	
	31/12/2019	30/6/2019	31/12/2019	30/6/2019
US\$ cents	50.0	40.3	36.4	20.9
S\$ cents equivalent ⁽¹⁾	67.5	54.8	49.1	28.4

Note:

Net asset value (“NAV”) per ordinary share was computed based on 82,739,002 number of issued shares as at 31 December 2019 (30 June 2019: 82,513,620 number of issued shares).

⁽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 2019 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 (1HY20 vs 1HY19)

Revenues for 1HY20 rose by US\$3.9 million to US\$34.3 million due mainly to (i) higher export sales to our key markets; and (ii) higher sales from our in-house brand (Commune).

Gross profit rose by US\$0.8 million to US\$11.0 million on higher revenues from both export sales and retail and distribution business. Gross margin fell by 1.5 percentage points to 32.0% due mainly to changes in sales mix.

Other income fell by US\$0.06 million due mainly to lower foreign exchange gain, despite higher interest income.

Selling and Administrative Expenses in total rose by US\$0.4 million on the back of higher revenues and staff costs.

Income tax expense rose by US\$0.1 million as a result of higher taxable profits.

Given the above, Profit attributable to Owners of the Company ("Net Profit") rose by 17.2% or US\$0.6 million to US\$4.1 million for 1HY20 compared with US\$3.5 million in 1HY19.

Financial Position (31 December 2019 vs 30 June 2019)

Assets

Current assets rose by US\$3.7 million to US\$33.7 million. Significant movements in current assets during the period under review were as follows:

- Trade receivables rose by US\$1.1 million to US\$4.5 million due to higher export revenue.
- Other receivables and prepayments rose by US\$0.6 million to US\$3.3 million due mainly to higher advances to suppliers.

Total Non-current assets rose by US\$5.3 million to US\$21.8 million due mainly to (i) the recognition of a right-of-use assets from the adoption of SFRS(I)16 as disclosed in the above Note 5; and (ii) deposit paid for the purchase of land in Vietnam.

Liabilities

Current liabilities rose by US\$1.3 million to US\$9.1 million. Significant movements in current liabilities during the period under review were as follows:

- Trade payables rose by US\$0.4 million to US\$2.6 million due mainly to higher purchases.
- Lease liabilities rose by US\$0.8 million to US\$0.9 million due to the recognition of lease liabilities from the adoption of SFRS(I)16, as disclosed in the above Note 5.

Non-current liabilities rose by US\$1.9 million to US\$2.3 million due mainly to the recognition of lease liabilities from the adoption of SFRS(I)16 as disclosed in paragraph 5.

Shareholders' equity

Net asset or Equity attributable to shareholders rose by US\$3.1 million to US\$41.3 million as at 31 December 2019 due mainly to current period earnings.

Cash Flows (1HY20 vs 1HY19)

Net cash from operations was US\$4.3 million for 1HY20 after accounting for operating cash flows of US\$5.9 million, net working capital changes of US\$1.6 million and net payments of income tax and interest of US\$0.01 million.

Net cash used in investing activities was US\$3.3 million due mainly to (i) deposit paid for the purchase of land in Vietnam; and (ii) investments in machinery and equipment.

Net cash used in financing activities was US\$1.9 million due mainly to dividends payments (Final and Special Dividends for FY2019) and repayments of borrowings.

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 FY2019 results announcement that barring any unforeseen circumstances, the Group expects to remain profitable in FY2020.

The Group reported Net Profit of US\$4.1 million for 1HY20.

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

We had previously stated that:

- those key data and indicators published in the US seemed to have suggested that its economy has stayed relatively healthy with improved consumer spending under the continued monetary easing policies, despite the unpredictability of the US-China trade announcements; and
- Commune's expansion comes at a time when the southwest region in China registered a fast-growing pace in its economic performance and we also noted the Country's innovative urbanisation initiatives despite slowing GDP growth.

We observe that:

- whilst the recent trade tensions appear to have eased and those encouraging signs in the US market may continue, we remain mindful of the unpredictable market risk in the current dynamic business environment; and
- the increasing anxieties over the coronavirus outbreak is likely to drag the already-slowing economic growth and affect the overall supply chain in China. As such, we will have to evaluate our existing procurement function and review the planned timeline for the expansion of Commune in China.

Given the above, we remain cautiously optimistic. Barring unforeseen circumstances, the Group expects to remain profitable in FY2020.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Yes.

Name of dividend:	1HY20 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:	1HY20 Special Interim Dividend
Dividend type:	Cash
Dividend rate:	
- Per ordinary share (S\$ cent)	0.25
- Per ordinary share (US\$ cent equivalent) ¹	0.19

Total dividend in dollar value ¹ :	<u>S\$'000</u>	<u>US\$'000</u>
	414	307

(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:	1HY19 Interim Dividend
Dividend type:	Cash
Dividend rate (Restated):	
- 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) ¹	0.19

Total dividend in dollar value ¹ :	<u>S\$'000</u>	<u>US\$'000</u>
	413	306

Note:

- 1) Equivalent amounts 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 2019 of US\$1.00 : S\$1.35.

(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)	<p>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").</p> <p>The IPT transactions in 1HY20 with regards to the Lease is as follow:</p> <p>(i) Rental expense (RM148,189)</p>	49

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

The above IPT transaction constitutes 0.2% of the Group's audited NTA as at 30 June 2019.

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 6 months ended 31 December 2019 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD
JAMES KOH JYH GANG
Managing Director
12 February 2020