

DISPOSAL OF LAND AND BUILDINGS IN HO CHI MINH CITY, VIETNAM

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Koda Ltd (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) wishes to announce that its wholly-owned subsidiary, Koda Vietnam Co., Ltd (“**KDVN**”) and 70%-owned subsidiary, Rossano Joint Stock Company (“**Rossano**”, and together with KDVN, the “**Sellers**”) have entered into agreements (the “**Agreements**”) with Sunhouse Southern Joint Stock Company (the “**Buyer**”), for the disposal of land and buildings located at Lot 8, Street 1, Tan Tao Industrial Park, Tan Tao A Ward, Binh Tan District, Ho Chi Minh City (the “**KDVN Properties**”) and Lot 10, Street 1, Tan Tao Industrial Park, Tan Tao A Ward, Binh Tan District, Ho Chi Minh City (the “**Rossano Properties**”), respectively (the disposal of the KDVN Properties and Rossano Properties collectively referred to as the “**Disposals**”). Rossano currently occupies the KDVN Properties.

KDVN is primarily involved in the manufacturing and export of furniture. Rossano is primarily involved in the manufacturing and retailing of furniture. The Buyer is an independent third party incorporated in Vietnam, which is involved in the business of manufacturing and distribution of housewares and confectionary.

2. RATIONALE

Rossano’s retail business in Vietnam has been weak and as a result, there is excess production capacity. Given that, the Group intends to scale down production capacity for Rossano and rationalize part of its assets in Vietnam to improve return on assets and output per factory. The Disposals are part of the Group’s continual efforts to rationalize its assets for higher productivity per factory, which does not expect to have any significant impact on the Group’s financial performance and if completed, will result in capital gain for and improved cash flow position of the Group.

3. THE DISPOSALS

Both KDVN Properties and Rossano Properties have currently been held as finance lease assets for the Group since 1999 under 48-year lease ownership agreements with Tan Tao Investment Industrial Joint Stock Company (“**ITACO**”) (the “**Lease Ownership**”). The Disposals thus require:

- (i) approval by ITACO for the transfer of the Lease Ownership and
- (ii) approval by local authorities for the change or closure of registered office for Rossano and KDVN.

Given that for the purpose of effecting the Agreements, KDVN, Rossano and ITACO have entered into tripartite agreements for the execution of the Disposals (the “**Tripartite Agreements**”).

4. MATERIAL TERMS & CONDITIONS FOR THE DISPOSALS

4.1 Consideration and Payment Terms

The aggregate consideration for the Disposals (the “**Consideration**”) is US\$1,877,000 and is payable in the following manner:

- a) 15% of the Consideration (amounting to US\$281,550 in aggregate) due within 3 days upon signing of the Tripartite Agreements;
- b) 20% of the Consideration (amounting to US\$375,400 in aggregate) due within 14 days upon signing of the Tripartite Agreements (the “**Second Payment**”); and
- c) 55% of the Consideration (amounting to US\$1,032,350 in aggregate) due within 4 days before the handover date and conditional upon approval by the local authorities for the change or closure of registered offices of Rossano and KDVN (the “**Third Payment**”). For this purpose, the parties agreed that the Handover Date shall be 22 December 2014 for KDVN Properties and 31 December 2014 for Rossano Properties.

In the event that the change or closure of registered offices is not obtained, the Third Payment (being 55% of the Consideration) shall be made in the following manner:

- i) 35% of the Consideration (amounting to US\$656,950 in aggregate) due within 4 days before the Handover Date; and
 - ii) 20% of the Consideration (amounting to US\$375,400 in aggregate) due within 3 days upon approval by the local authorities for the change or closure of registered offices; and
- d) 10% of the Consideration (amounting to US\$187,700 in aggregate) due within 3 days upon the transfer of Lease Ownership to the Buyer (the “**Fourth Payment**”).

The Consideration was arrived on a “willing-buyer, willing-seller” basis after arm’s length negotiations with the Buyer, taking into account the current market valuation of similar properties in the area.

5. FINANCIAL EFFECTS

The pro-forma financial effects of the transaction on the Net Tangible Assets (“**NTA**”) and Earnings/(Loss) per Share (“**EPS**”) of the Group are set out below on the assumption that there is a Completion of the Disposals. For illustration purposes, the pro-forma financial effects have been prepared based on the audited consolidated financial results of the Group for the financial year ended 30 June 2014 (“**FY2014**”) after taking into account of the estimated incidental expenses for the Disposals. The financial effects are solely for illustration purposes only and do not reflect the actual financial position of the Group after completion.

5.1 Excess of Proceeds over Book Value and Estimated Net Gain on Disposal

	KDVN (US\$)	Rossano (US\$)	Total (US\$)
Sales Proceeds	950,000	927,000	1,877,000
Book Value as at 30 June 2014	308,772	186,579	495,351
Excess over Book Value	641,228	740,421	1,381,649
Estimated Net Gain on Disposal (net of incidental expenses and taxes)	440,878	521,369 ⁽¹⁾	962,247

(1) There is a share of estimated Net Gain on Disposal of US\$156,411 by minority shareholders of Rossano (minority shareholders own 30% of Rossano).

5.2 NTA per Share

Assuming that the Disposals had been completed at the end of FY2014, the financial effects on the consolidated NTA of the Group as at 30 June 2014 are as follows:

	<u>Before Disposals</u>	<u>After Disposals</u>
NTA (US\$'000)	21,095	22,020
NTA per share (US cents)	15.5	16.1

5.3 EPS per Share

Assuming that the Disposals had been completed at the beginning of FY2014, the financial effects on the consolidated EPS of the Group are for the year ended 30 June 2014 are as follows:

	<u>Before Disposals</u>	<u>After Disposals</u>
Loss (US\$'000)	(1,237)	(463)
Earnings/(Loss) per share (US cents)	(0.91)	(0.34)

6. RELATIVE FIGURES AS SET OUT IN RULE 1006 OF THE LISTING MANUAL

Listing Rule		Relative Figure
1006(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value ⁽¹⁾	2.2%
1006(b)	Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits	Not meaningful ⁽²⁾
1006(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares ⁽³⁾	18.4%
1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable
1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable

Notes:

- (1) Based on the audited financial results of the Group for FY2014.
- (2) KDVN Properties and Rossano Properties are only factories that support part of the Group's production capacity in Vietnam and account for merely 3.7% of the total Group's Property, Plant and Equipment. Hence, there are no profits / losses which could be directly and / or substantially attributable to these factories.
- (3) The Company's market capitalization is approximately S\$13.24 million and is determined by multiplying the Company's total number of issued shares excluding treasury shares of 136,513,397 shares by the weighted average price of the Company's shares transacted on 26 November 2014, being the market day preceding the date of the Agreements of approximately S\$0.097.

As the relative figures under Rule 1006(c) computed on the basis set out in Rule 1006 of the Listing Manual exceeds 5% but does not exceed 20%, the Disposals, collectively, constitute a discloseable transaction under Chapter 10 of the Listing Manual.

7. USE OF PROCEEDS

The Company intends to utilise the proceeds from the Disposals for working capital purpose.

8. INTEREST OF DIRECTORS AND SHAREHOLDERS

Other than their respective interests in the issued shares in the capital of the Company, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Disposals by the Company's subsidiaries.

9. SERVICE CONTRACTS

There are no directors who are proposed to be appointed as a Director of the Company in connection with the Disposal of Land and Buildings. Accordingly, no service contract is proposed to be entered into between the Company and any such person

10. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Agreements are available for inspection during normal business hours at the Company's registered office at 28 Defu Lane 4, Singapore 539424 for a period of three months from the date of this announcement.

BY ORDER OF THE BOARD
JAMES KOH JYH GANG
Managing Director
28 November 2014