

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 3Q14 and 9 months ended 31 March 2014

	3 months ended 31/03/14 ("3Q14") US\$'000	3 months ended 31/03/13 ("3Q13") US\$'000	Change %	9 months ended 31/03/14 US\$'000	9 months ended 31/03/13 US\$'000	Change %
Revenue	11,262	9,601	17.3	38,897	37,454	3.9
Cost of sales	(8,979)	(7,050)	27.4	(29,707)	(27,048)	9.8
Gross profit	2,283	2,551	(10.5)	9,190	10,406	(11.7)
Other operating income	181	141	28.4	360	379	(5.0)
Selling and distribution costs	(1,404)	(1,248)	12.5	(3,593)	(3,958)	(9.2)
Administrative expense	(2,241)	(2,292)	(2.2)	(6,057)	(6,715)	(9.8)
Other operating expenses	(7)	(380)	NM	(10)	(453)	NA
Finance costs	(67)	(67)	-	(197)	(225)	(12.4)
Loss before income tax	(1,255)	(1,295)	(3.1)	(307)	(566)	(45.8)
Income tax credit (expense)	3	(6)	NA	(255)	37	NA
Loss after income tax	(1,252)	(1,301)	(3.8)	(562)	(529)	6.2
Attributable to:-						
Equity holders of the parent	(1,141)	(1,271)	(10.2)	(254)	(538)	(52.8)
Minority interests	(111)	(30)	NA	(308)	9	NA
	(1,252)	(1,301)	(3.8)	(562)	(529)	6.2

Note: For comparison purposes, please refer to Table 1 in Note 8 for details of the Group's results ended FY2013, 1Q14, 2Q14 and 3Q14.

Note to Consolidated Profit and Loss Statements

	3 months ended 31/03/14 ("3Q14") US\$'000	3 months ended 31/03/13 ("3Q13") US\$'000	9 months ended 31/03/14 US\$'000	9 months ended 31/03/14 US\$'000
Other operating income				
Rental income	71	79	152	233
Interest income	7	7	12	13
Exchange gain	45	11	70	27
Gain on disposal of fixed assets	5	14	14	19
Others	53	30	112	87
	181	141	360	379

Notes to Profit and Loss account (Continued)

	3 months ended 31/03/14 ("3Q14") US\$'000	3 months ended 31/03/13 ("3Q13") US\$'000	9 months ended 31/03/14 US\$'000	9 months ended 31/03/13 US\$'000
<u>Other operating expenses</u>				
Foreign exchange loss	-	-	-	-
Loss on sale of fixed assets	-	-	(2)	(2)
Loss on sale of investment property	-	-	-	(33)
Provision for slow moving stocks	-	(262)	-	(262)
Others	(7)	(118)	(8)	(156)
	(7)	(380)	(10)	(453)

Statement of Comprehensive Income

	3 months ended 31/03/14 ("3Q14") US\$'000	3 months ended 31/03/13 ("3Q13") US\$'000	9 months ended 31/03/14 US\$'000	9 months ended 31/03/13 US\$'000
Loss after Income Tax	(1,252)	(1,301)	(562)	(529)
Currency translation differences	(46)	(125)	(289)	176
Total comprehensive income	(1,298)	(1,426)	(851)	(353)
Attributable to :-				
Equity holders of the parent	(1,162)	(1,399)	(532)	(389)
Minority interests	(136)	(27)	(319)	36
	(1,298)	(1,426)	(851)	(353)

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		
	31/03/14 US\$'000	31/12/13 US\$'000	30/06/13 US\$'000	31/03/14 US\$'000	31/12/13 US\$'000	30/06/13 US\$'000
ASSETS						
Current assets						
Cash and Fixed Deposits	1,601	2,485	1,816	122	769	441
Trade Receivables	4,003	4,881	3,987	13,591	14,608	12,085
Other receivables and prepayments	3,419	4,054	2,901	6,578	7,143	6,347
Inventories	16,382	16,180	17,619	171	187	180
Total current assets	25,405	27,600	26,323	20,462	22,706	19,053
Non-current assets						
Investment in subsidiaries	-	-	-	13,141	13,141	13,141
Property, plant and equipment	12,722	12,916	13,615	467	511	559
Investment Properties	2,800	2,800	2,800	-	-	-
Intangibles assets	414	429	455	177	177	187
Available-for-sale investment and other assets	211	211	211	192	192	192
Goodwill on consolidation	1,206	1,206	1,206	-	-	-
Deferred tax asset	263	263	254	3	3	3
Total non-current assets	17,616	17,825	18,541	13,980	14,024	14,082
Total assets	43,021	45,425	44,864	34,442	36,730	33,135
LIABILITIES AND EQUITY						
Current liabilities						
Bank overdrafts and bills payable	9,118	10,254	8,807	7,094	8,464	6,819
Trade payables	4,562	4,117	4,540	7,846	7,268	5,148
Other payables and accruals	4,678	4,948	5,186	899	1,095	1,329
Finance lease obligation : current portion	103	103	85	69	69	69
Long-term bank loans : current portion	64	160	833	64	160	833
Total current liabilities	18,525	19,582	19,451	15,972	17,056	14,198
Non-current liabilities						
Finance lease obligations	58	82	101	21	36	85
Due to related parties	693	713	707	-	-	-
Deferred taxation	176	181	185	-	-	-
Total non-current liabilities	927	976	993	21	36	85
Capital and reserves						
Issued capital	4,312	4,312	4,312	4,312	4,312	4,312
Capital reserves	4,208	4,208	4,208	58	58	58
Currency translation reserve	224	245	503	-	-	-
Retained earnings	13,918	15,059	14,171	14,079	15,268	14,482
Equity attributable to shareholders	22,662	23,824	23,194	18,449	19,638	18,852
Minority interests	907	1,043	1,226	-	-	-
Total equity	23,569	24,867	24,420	18,449	19,638	18,852
Total Liabilities and Equity	43,021	45,425	44,864	34,442	36,730	33,135

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

Amount repayable in one year or less, or on demand

As at 31/03/14 (US\$'000)		As at 31/12/13 (US\$'000)		As at 30/6/13 (US\$'000)	
Secured	Unsecured	Secured	Unsecured	Secured	Unsecured
9,285	-	10,517	-	9,725	-

Amount repayable after one year

As at 31/03/14 (US\$'000)		As at 31/12/13 (US\$'000)		As at 30/6/13 (US\$'000)	
Secured	Unsecured	Secured	Unsecured	Secured	Unsecured
58	-	82	-	101	-

Borrowings and gearing ratio

Total borrowings of US\$9.3 million as at 31 March 2014 comprise of short-term borrowings, callable term loans and finance lease obligations. Total borrowings decreased by US\$1.26 million compared to 31 December 2013 due to loan repayments.

The Group's gearing ratio was 0.41 times as at 31 March 2013 compared to 0.44 times as at 30 December 2013.

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 secured by a legal mortgage on the subsidiary's leasehold land and buildings and 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 31/03/14 ("3Q14") US\$'000	3 months ended 31/03/13 ("3Q13") US\$'000	9 months ended 31/03/14 US\$'000	9 months ended 31/03/13 US\$'000
Cash flows from operating activities				
Loss before income tax	(1,254)	(1,295)	(307)	(566)
Adjustments for:				
Depreciation and amortization expenses	332	344	996	1,059
Interest income	(7)	(7)	(12)	(13)
Interest expense	67	67	197	225
Gain on disposal of fixed assets	(8)	(14)	(14)	(17)
Loss on disposal of fixed assets	2	-	2	-
Loss on disposal of investment property	-	-	-	33
Provision for slow moving stocks	-	(262)	-	(262)
Operating (loss) profit before working capital changes	(868)	(1,167)	862	459
Trade receivables	602	896	(16)	594
Other receivables and prepayments	911	174	(518)	57
Inventories	(202)	(205)	1,237	267
Trade payables	445	(1)	23	(58)
Other payables	(285)	(555)	(556)	(533)
Net Cash generated from (used in) operations	603	(858)	1,032	786
Interest received	7	7	12	13
Interest paid	(67)	(67)	(197)	(225)
Income tax paid	(5)	(7)	(326)	(151)
Net cash generated from (used in) operating activities	538	(925)	521	423
Cash flows from investing activities				
Addition of fixed assets	(136)	(81)	(314)	(223)
Proceeds from disposal of fixed assets	6	45	30	76
Proceeds from disposal of investment property	-	-	-	941
Net cash (used in) generated from investing activities	(130)	(36)	(284)	794
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	690	(79)	266	(527)
Net decrease in long-term borrowings	(1,597)	(227)	(795)	(1,281)
Net cash used in financing activities	(907)	(306)	(529)	(1,808)
Net decrease in cash and cash equivalents	(499)	(1,267)	(292)	(591)
Cash and cash equivalents at beginning of period / year	1,808	2,558	1,534	1,878
Currency translation differences	(35)	(36)	32	(32)
Cash and cash equivalents at end of period / year	1,274	1,255	1,274	1,255
Represented by:				
Cash and bank balances (inclusive of Fixed Deposit)	1,601	1,836	1,601	1,836
Bank overdraft	(327)	(581)	(327)	(581)
	1,274	1,255	1,274	1,255

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 1/7/13	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 at 1/7/13	4,312	58	-	14,482	18,852	-	18,852
Other 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	-	15,268	18,449	-	18,449

	Issued Capital	Capital reserves	Currency translation reserve	Retained earnings	Attributable to equity holders	Minority interests	Total
US\$'000							
Group							
Balance as at 1/7/12	4,312	4,183	484	13,602	22,581	1,382	23,963
Total comprehensive income	-	-	221	363	584	23	607
Balance as at 30/09/12	4,312	4,183	705	13,965	23,165	1,405	24,570
Total comprehensive income	-	-	56	370	426	40	466
Balance as at 31/12/12	4,312	4,183	761	14,335	23,591	1,445	25,036
Total comprehensive income	-	-	(128)	(1,271)	(1,399)	(27)	(1,426)
Balance as at 31/03/13	4,312	4,183	633	13,064	22,192	1,418	23,610
Company							
Balance as of 1/7/12	4,312	33	-	16,712	21,057	-	21,057
Total comprehensive income	-	-	-	17	17	-	17
Balance as at 30/09/12	4,312	33	-	16,729	21,074	-	21,074
Total comprehensive income	-	-	-	77	77	-	77
Balance as at 31/12/12	4,312	33	-	16,806	21,151	-	21,151
Total comprehensive income	-	-	-	(687)	(687)	-	(687)
Balance as at 31/03/13	4,312	33	-	16,119	20,464	-	20,464

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	<u>31/03/14</u>	<u>31/12/13</u>	<u>30/06/13</u>
Total number of issued shares (excluding treasury shares)	136,513,397	136,513,397	136,513,397

(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 30th June 2013.

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 31/03/14 ("3Q14")	3 months ended 31/03/13 ("3Q13")
Loss per ordinary share (US cents)	0.84	0.93

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		
	31/03/2014	31/12/2013	30/06/2013	31/03/2014	31/12/2013	30/06/2013
Net asset value per ordinary share (US cents)	16.6	17.5	16.9	13.5	14.4	13.8

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 31/12/12 ("2Q13")	3 months ended 31/03/13 ("3Q13")	3 months ended 30/06/13 ("4Q13")	3 months ended 30/09/13 ("1Q14")	3 months ended 31/12/13 ("2Q14")	3 months ended 31/03/14 ("3Q14")
Revenue	13,638	9,601	13,045	14,060	13,575	11,262
Gross profit	3,888	2,551	4,210	3,425	3,482	2,283
Net profit (loss) after tax	401	(1,301)	901	333	357	(1,252)
Attributable to:-						
Equity holders of the parent	370	(1,271)	1,107	462	425	(1,141)
Minority interests	31	(30)	(206)	(129)	(68)	(111)
	401	(1,301)	901	333	357	(1,252)

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

During the quarter under review (3Q14), revenues rose by 10.2% or US\$1.66 million to US\$11.26 million while Net Loss narrowed 14.9% or US\$0.13 million to US\$1.14 million. For the 9 months ended 31 March 2014, revenues rose marginally by 3.9% or US\$1.44 million to US\$38.9 million while Net Loss narrowed by 52.8% or US\$0.28 million to US\$0.25 million. In line with our previous financial performance trends, 3Q has always been our weakest quarter due mainly to shorter production days during the holiday season in the months of January / February.

More specifically:

- Sales to the Asia Pacific markets (specifically Korea and Japan) were significantly higher;
- Retail sales in Singapore were higher; and

Despite

- Lower retail sales in Vietnam (retail sales for Rossano remained weak) and
- Lower sales to the UK and US

Gross Profit fell by 10.5% or US\$0.27 million to US\$2.28 million. Gross margin fell by 6.3 percentage points to 20.3% due mainly to higher raw materials cost and direct production overheads in Vietnam and China (particularly wages).

Administrative expenses remained relatively unchanged, despite rising staff costs in Singapore and for our manufacturing plants, as we continued to practice good cost control measures. Selling and distribution expenses rose by 12.5% or US\$0.16 million to US\$1.4 million due to higher advertisement and promotional expenses for our Singapore retail business and sales compensation paid to our export customers.

Given the above, our Net Loss before tax improved marginally from US\$1.3 million to US\$1.26 million.

There was a share of loss by minority shareholders of Rossano and Metrolink of US\$0.06 million and US\$0.05 million respectively.

Our Net Loss also improved marginally from US\$1.27 million to US\$1.14 million in 3Q14, after the share of losses by minority shareholders.

Financial Position (31 March 2014 vs. 31 December 2013)

Assets

Current Assets fell by 7.9% or US\$2.2 million to US\$25.4 million. Significant movements in Current Assets during the period under review were as follows:

- Cash at bank (inclusive of fixed deposits) fell by US\$0.88 million to US\$1.60 million due mainly to repayment of bank loans.
- Trade receivables fell by US\$0.88 million to US\$4.03 million due to better collection cycle, which improved by 4 days to 28 days.

- Other receivables and prepayments fell by US\$0.64 million to US\$3.42 million due mainly to lower cash advances to trade suppliers.

Non-Current Assets fell by US\$0.21 million due mainly to depreciation of property, plant and equipment and amortization.

Liabilities

Current Liabilities fell by US\$1.06 million to US\$18.5 million due mainly to lower bank borrowings and customer deposits.

Shareholders' equity

Net asset or Equity attributable to shareholders fell by US\$1.16 million to US\$22.7 million as at 31 March 2014 due mainly to current period losses and lower currency translation reserve.

Minority interests

Minority interests ("MI"), reflecting the cumulative share of net assets by Metrolink Group's and Rossano's other shareholders, who own 49% and 30% of Metrolink Group and Rossano respectively, fell by US\$0.14 million to US\$0.91 million due mainly to losses recorded by Metrolink Group and Rossano.

Cash Flows (movements in 3Q14)

Net cash generated from operating activities was US\$0.54 million for 3Q14 due mainly to an improved working capital cycle as a result of faster turnaround time for receivables. Net cash used in investing activities was US\$0.14 million (net of proceeds from disposal) due mainly to purchase of new equipment. Net cash used in financing activities was US\$0.91 million due mainly to repayment of loans. Given these, net cash and cash equivalents fell by US\$0.02 million to US\$1.27 million as at 31 March 2014 (net of bank overdraft of US\$0.33 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 2Q14 announcement that "the Group would expect to remain profitable in FY2014".

In line with our previous financial performance trends, 3Q has always been our weakest quarter due mainly to shorter production days during the holiday season in the months of January / February.

For 3Q14, Net Loss narrowed by 10.2% or US\$0.13 million to US\$1.14 million. For the 9 months ended 31 March 2014, Net Loss narrowed by 52.8% or US\$0.28 million to US\$0.25 million.

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

As seen in the previous trend, our sales to Asia Pacific market continues to grow at a faster pace compared to that in the US/EU. The growth is mainly attributable to our focused marketing efforts and the right product mix for this market segment, which works well. Meanwhile, we will continue to expand the fast-growing distribution business and have also worked on strategies to sustain sales in the US. However, demand for furniture in the UK and furniture retail business in Vietnam is expected to remain weak, which require us to re-allocate our resources.

While we are expanding our revenue base, there have been rising cost pressures in the countries where we have operations. The increasingly higher wages and material costs have eroded our operating margins and we are aware of the importance of managing our costs more cautiously.

Given the above:

- we are evaluating our capital expenditure budgets for new investments in equipment for higher efficiency and productivity so as to reduce dependency on labor;
- we are reducing our retail exposure in Vietnam with our plans to further shut down more retail locations and reduce the number of distribution channels in Vietnam (which are currently owned and managed by Rossano). Whilst this rationalization exercise aims to improve the Group's financial performance over a longer term, the Group will incur additional compensation and other one-off redundancy costs. We will also need to review assets and goodwill impairment for FY2014 given the loss-making status of Rossano; and
- we will continue to expand the furniture retail and distribution business in the PRC and other regions, enlarging our revenue base and reducing our market concentration risk.

The Group has significant investment and manufacturing facilities in Ho Chi Minh City, Vietnam. We thus need to caution that the recent anti-China riot in Vietnam could spark security concerns and disrupt production schedules. If the situation worsens, it will adversely affect our supply chain management and goods delivery from Vietnam, which will affect our financial performance. We are observing the situation very closely.

Given the above strategic moves for Rossano, the supply chain concerns in Vietnam and these highlighted risk factors, we caution that the Group may record additional asset impairment loss and may slip into loss for FY2014.

- 11. If a decision regarding whether dividend has been made:-**
- (a) Whether an interim (final) ordinary dividend has been declared; (recommended); and**
None
 - (b) (i) Amount per share**
Not applicable
 - (ii) Corresponding Period of the Immediately Preceding Financial Year**
Not applicable
 - (c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, the tax rate and the country where the dividend is derived must be stated. (If the dividend is not taxable in the hands of shareholders, this must be stated).**
Not applicable
 - (d) The date the dividend is payable**
Not applicable
 - (e) The date on which Registrable Transfers received by the Company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.**
Not applicable

- 12. If no dividend has been declared/recommended, a statement to that effect**
Not applicable

- 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**

There are no such IPT transactions as required under Rule 920(1)(a)(ii) and thus the Group does not obtain a general mandate from shareholders for IPTs. The Group has not obtained a general mandate from shareholders for IPTs.

14. Confirmation pursuant to Rule 705(5) of the Listing Manual SGX-ST (not required for announcement on full year results)

We, James Koh Jyh Gang and Koh Shwu Lee, being two directors of Koda Ltd (the "Group"), do hereby confirm on behalf of the directors of the Group that, to the best of our knowledge, nothing has come to the attention of the board of directors of the Group which may render the un-audited financial results for quarter ended 31 March 2014 to be materially false or misleading.

**BY ORDER OF THE BOARD
JAMES KOH JYH GANG
Managing Director
15 May 2014**