

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

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### 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 International Ltd (“**KDINT**”) has entered into an agreement (the “**Agreement**”) with Duy Tan Plastics Manufacturing Corporation (the “**Buyer**”) on 31 July 2015 for the disposal of land and buildings located at Lot 1, Road 1A, Tan Tao Industrial Park, Tan Tao A Ward, Binh Tan District, Ho Chi Minh City (the “**Land and Buildings**”) (the “**Disposal**”).

KDINT is primarily involved in the holding of investment properties in Ho Chi Minh City, Vietnam. The Buyer is an independent third party incorporated in Vietnam, which is involved in the business of manufacturing of household and industrial plastic products.

### 2. RATIONALE

KDINT is an investment holding company which has held some of the Group’s land and buildings in Vietnam since FY2012. The Group has decided to dispose of some of the land and buildings due to the following reasons:

- i) The Group had previously consolidated our manufacturing capacity in Vietnam to improve on the operational efficiency of our plants by operating from only one location. As such, the Group does not foresee the expansion of future manufacturing capacity at the KDINT location.
- ii) The buildings of the Land and Buildings have deteriorated and significant capital expenditure and maintenance costs will be required to restore the buildings to operational condition.
- iii) The existing offer price is close to the current valuation of the Land and Buildings based on its internal estimates.
- iv) The Disposal, if completed, will help to further improve on the cash flow position of the Group.

### 3. MATERIAL TERMS & CONDITIONS OF DISPOSAL

#### *3.1 Consideration and Payment Terms*

The consideration for the Disposal of Land and Buildings is US\$1,840,000 (excluding value added tax (“**VAT**”)) (the “**Consideration**”) and is payable in the following manner:

- a) US\$920,000 (50% of the Consideration) due within 7 working days upon signing of the Agreement (the “**First Payment**”); and
- b) US\$184,000 (10% of the Consideration) due within 15 days upon signing of the Agreement (the “**Second Payment**”); and

- c) US\$368,000 (20% of the Consideration) due 4 days before the agreed handover date<sup>(1)</sup> (the “**Handover Date**”) or conditional<sup>(2)</sup> upon approval by the local authorities accepting the relocation of KDINT’s registered office out from the existing premise that is being disposed of (the “**Third Payment**”); and
- d) US\$368,000 (20% of the Consideration) due within 10 days upon the transfer of legal ownership of the Land and Buildings to the buyer (the “**Fourth Payment**”).

(1) The Handover Date refers to the agreed date on which the Buyer will move into the premises. This date is agreed upon as 31 October 2015.

(2) Please refer to para 3.2 a) for conditions relating to the Third 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.

Upon completion, there would be a transfer of the land use rights together with its structures and installations situated on the Land.

### 3.2 Other terms

- a) In the event that the local authorities accept KDINT’s relocation of its registered office before the Handover Date, the Buyer will be allowed to move into the premises once the Group has received the Third Payment from the Buyer.
- b) In the event that there is a termination of the Agreement prior to completion due to KDINT defaulting on the transaction, all payments received from the Buyer will be refunded to the Buyer and a penalty amount equivalent to the First Payment made to the Buyer will be payable by KDINT.
- c) In the event that there is a termination of the Agreement prior to completion due to the Buyer defaulting on the transaction, an amount equivalent to the First Payment shall be retained by KDINT and any balance amounts received will be refunded by KDINT to the Buyer.
- d) In the event that there is a termination of the Agreement prior to completion due to any reason other than a fault by either party, a termination agreement shall be signed by both the Buyer and KDINT. Within 15 days from the signing of the termination agreement, the Buyer shall return the land and building in the same condition in which it has received it and all payments made are to be refunded to the Buyer.

## 4. FINANCIAL EFFECTS

Assuming the completion of the disposal of the land and buildings, 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. 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**”) and include estimated expenses that cannot be confirmed as at the date of the announcement. The unaudited consolidated financial results of the Group for the financial year ended 30 June 2015 have not been announced. The financial effects are solely for illustration purposes only and do not reflect the actual financial position of the Group after completion.

### 4.1 Excess or Deficit of Proceeds over Book Value and Estimated Gain on Disposal after Taxes and Expenses

	(US\$)
Sales Proceeds (excluding VAT)	1,842,000

Book Value (as at 31 March 2015)	1,855,000
Deficit over Book Value	13,000
Estimated Loss on Disposal (net of taxes and other expenses)	91,000

#### 4.2 NTA per Share

Assuming that the Disposal of Land and Buildings had been completed at the end of FY2014, the financial effects on the consolidated NTA of the Group are as follows:

	<u>Before Disposal</u>	<u>After Disposal</u>
NTA (US\$'000)	21,683	21,592
Number of issued shares	136,513,397	136,513,397
NTA per share (US cents)	15.9	15.8

#### 4.3 EPS

Assuming that the Disposal of Land and Buildings had been completed at the beginning of FY2014, the financial effects on the consolidated EPS of the Group are as follows:

	<u>Before Disposal</u>	<u>After Disposal</u>
Loss (US\$'000)	(1,237)	(1,328)
Earnings/(Loss) per share (US cents)	(0.91)	(0.97)

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

Listing Rule		Relative Figures
1006(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value <sup>(1)</sup>	8.6%
1006(b)	Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits	Not applicable
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 <sup>(2)</sup>	15.6%
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	Not 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.	
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**Notes:**

- (1) The Net Asset Value of the Group as at 31 March 2015 is US\$21.5 million.
- (2) The Company's market capitalization is approximately S\$16.25 million based on 136,513,397 shares in issue and the weighted average price of the Company's shares transacted on 30 July 2015, being the market day preceding the date of the Agreements.

As the relative figures under Rules 1006(a) and 1006(c) computed on the bases set out in Rule 1006 of the Listing Manual exceeds 5% but does not exceed 20%, the Disposal constitutes a discloseable transaction under Chapter 10 of the Listing Manual.

**6. USE OF PROCEEDS**

The Company intends to utilise the proceeds from the disposal for the purpose of financing the working capital of the Group.

**7. 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 Disposal of Land and Buildings by the Company's subsidiaries.

**8. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the Agreement is 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 the announcement.

**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.

**BY ORDER OF THE BOARD**  
**JAMES KOH JYH GANG**  
**Managing Director**  
**3 August 2015**