

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 1Q17 and 3 months ended 30 September 2016

	3 months ended 30/09/16 ("1Q17") US\$'000	3 months ended 30/09/15 ("1Q16") US\$'000	Change %
Revenue	11,765	8,835	33.2
Cost of sales	(8,426)	(6,590)	27.9
Gross profit	3,339	2,245	48.7
Other income	206	670	(69.3)
Selling and distribution costs	(974)	(835)	16.6
Administrative expenses	(1,298)	(1,294)	0.3
Other expenses	(4)	-	N/A
Finance costs	(7)	(27)	(74.1)
Share of results of associate	(1)	2	N/A
Profit before income tax	1,261	761	65.7
Income tax expense	(394)	(147)	168.0
Profit after income tax	867	614	41.2
Attributable to:-			
Owners of the Company	867	670	29.4
Non-controlling interests	-	(56)	N/A
	867	614	41.2

N/A - not applicable

Notes to Consolidated Profit and Loss Statements

	3 months ended 30/09/16 ("1Q17") <u>US\$'000</u>	3 months ended 30/09/15 ("1Q16") <u>US\$'000</u>
<u>Other income</u>		
Rental income	44	44
Interest income	16	15
Exchange gain	55	512
Gain on disposal of property, plant & equipment	1	55
Others	90	44
	<u>206</u>	<u>670</u>

	3 months ended 30/09/16 ("1Q17") <u>US\$'000</u>	3 months ended 30/09/15 ("1Q16") <u>US\$'000</u>
<u>Other expenses</u>		
Others	(4)	-
	<u>(4)</u>	<u>-</u>

Statement of Comprehensive Income

	3 months ended 30/09/16 ("1Q17") <u>US\$'000</u>	3 months ended 30/09/15 ("1Q16") <u>US\$'000</u>
Profit after Income Tax	867	614
Other comprehensive loss for the year, net of tax	(299)	(1,386)
Total comprehensive income	<u>568</u>	<u>(772)</u>
Attributable to :-		
Owners of the Company	568	(720)
Non-controlling interests	-	(52)
	<u>568</u>	<u>(772)</u>

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	
	30/09/16 US\$'000	30/06/16 US\$'000	30/09/16 US\$'000	30/06/16 US\$'000
ASSETS				
Current assets				
Cash and bank balances	4,263	4,607	591	764
Trade receivables	3,684	3,528	4,534	4,664
Other receivables and prepayments	2,948	2,573	4,270	4,365
Inventories	7,254	6,883	-	46
Assets classified as held for sale	2,448	2,448	-	-
Total current assets	20,597	20,039	9,395	9,839
Non-current assets				
Investment in subsidiaries	-	-	8,135	8,135
Investment in associate	10	11	-	-
Available-for-sale investments	-	-	-	-
Club memberships	207	208	192	192
Property, plant and equipment	12,045	12,085	693	726
Deferred tax asset	24	24	3	3
Total non-current assets	12,286	12,328	9,023	9,056
Total assets	32,883	32,367	18,418	18,895
LIABILITIES AND EQUITY				
Current liabilities				
Bills payable	106	522	-	-
Trade payables	2,778	2,858	5,057	5,530
Other payables	4,252	4,124	1,233	1,473
Current portion of obligations under finance leases	96	96	65	65
Current portion of bank loans and overdrafts	432	405	432	405
Income tax payable	538	296	-	-
Total current liabilities	8,202	8,301	6,787	7,473
Non-current liabilities				
Deferred tax liabilities	591	609	-	-
Non-current portions of bank loans	521	425	521	425
Obligations under finance leases	94	122	38	59
Total non-current liabilities	1,206	1,156	559	484
Capital and reserves				
Share capital	4,312	4,312	4,312	4,312
Treasury shares	(13)	(10)	(13)	(10)
Capital reserves	5,419	5,419	58	58
Currency translation reserve	(1,896)	(1,597)	-	-
Retained earnings	15,653	14,786	6,715	6,578
Total equity	23,475	22,910	11,072	10,938
Total Liabilities and Equity	32,883	32,367	18,418	18,895

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

Amount repayable in one year or less, or on demand

As at 30/09/16 (US\$'000)		As at 30/6/16 (US\$'000)	
Secured	Unsecured	Secured	Unsecured
96	538	96	927

Amount repayable after one year

As at 30/09/16 (US\$'000)		As at 30/6/16 (US\$'000)	
Secured	Unsecured	Secured	Unsecured
94	521	122	425

Borrowings and gearing ratio

Total borrowings of US\$1.2 million as at 30 September 2016 comprise short-term borrowings, long-term loans and finance lease obligations. Total borrowings fell by US\$0.32 million compared to 30 June 2016 due to loans repayment.

The Group's gearing ratio was 0.05 times as at 30 September 2016 compared to 0.07 times as at 30 June 2016.

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 30/09/16 ("1Q17") US\$'000	3 months ended 30/09/15 ("1Q16") US\$'000
Cash flows from operating activities		
Profit before income tax	1,261	761
Adjustments for:		
Depreciation of property, plant and equipment	257	257
Gain on disposal of property, plant and equipment	(1)	(55)
Share of results of associate	1	(2)
Interest income	(16)	(15)
Interest expense	7	27
Operating profit before working capital changes	1,509	973
Trade receivables	(157)	1,150
Other receivables and prepayments	(375)	(717)
Inventories	(371)	421
Trade payables	(80)	(159)
Other payables	128	926
Net cash generated from operations	654	2,594
Interest received	16	15
Interest paid	(7)	(27)
Income tax paid	(146)	(31)
Net cash generated from operations	517	2,551
Cash flows from investing activities		
Purchase of property, plant and equipment	(450)	(90)
Proceeds from disposal of property, plant and equipment	47	126
Net cash (used in) generated from investing activities	(403)	36
Cash flows from financing activities		
Decrease in bills payables	(416)	(63)
Proceeds from bank loan	233	-
Purchase of treasury shares	(3)	-
Repayment of bank loans	(110)	(83)
Repayment of finance leases	(28)	(48)
Net cash used in financing activities	(324)	(194)
Net (decrease) increase in cash and cash equivalents	(210)	2,393
Cash and cash equivalents at beginning of period / year	4,607	2,933
Effect of foreign exchange translation	(134)	(835)
Cash and cash equivalents at end of period / year	4,263	4,491
Represented by:		
Cash and bank balances (inclusive of fixed deposit)	4,263	4,663
Bank overdraft	-	(237)
	4,263	4,426
Cash and cash equivalents included in a disposal group held for sale	-	65
	4,263	4,491

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

Statement of Changes in Equity

	Share Capital	Treasury Shares	Capital reserves	Legal reserve	Currency translation reserve	Retained earnings	Attributable to equity holders	Non-controlling interests	Total
US\$'000									
Group									
Balance as at 1/7/16	4,312	(10)	5,419	*	(1,597)	14,786	22,910	-	22,910
Total comprehensive income	-	-	-	-	(299)	867	568	-	568
Repurchase of shares	-	(3)	-	-	-	-	(3)	-	(3)
Balance as at 30/09/16	4,312	(13)	5,419	*	(1,896)	15,653	23,475	-	23,475
* Amount less than US\$1,000									
Company									
Balance as at 1/7/16	4,312	(10)	58	-	-	6,578	10,938	-	10,938
Total comprehensive income	-	-	-	-	-	137	137	-	137
Repurchase of shares	-	(3)	-	-	-	-	(3)	-	(3)
Balance as at 30/09/16	4,312	(13)	58	-	-	6,715	11,072	-	11,072

	Share Capital	Treasury Shares	Capital reserves	Legal reserve	Currency translation reserve	Retained earnings	Attributable to equity holders	Non-controlling interests	Total
US\$'000									
Group									
Balance as at 1/7/15	4,312	-	5,047	-	378	12,934	22,671	772	23,443
Total comprehensive income	-	-	-	-	(165)	549	384	(127)	257
Balance as at 30/09/15	4,312	-	5,047	-	213	13,483	23,055	645	23,700
Company									
Balance as of 1/7/15	4,312	-	58	-	-	9,997	14,367	-	14,367
Total comprehensive income	-	-	-	-	-	283	283	-	283
Balance as at 30/09/15	4,312	-	58	-	-	10,280	14,650	-	14,650

- 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**

There was no change in the Company's issued and paid-up share capital since the end of the previous reporting period.

As at 30 September 2016, the Company's issued share capital (excluding treasury shares) comprises 27,265,436 (30 June 2016: 27,272,436) ordinary shares. The total number of treasury shares held by the Company as at 30 September 2016 was 37,000 (30 June 2016: 30,000) which represents 0.14% of the total number of issued shares (excluding treasury shares).

- (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	30/09/16	30/06/16
Total number of issued shares (excluding treasury shares)	27,265,436	27,272,436

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.**

The Company held 37,000 treasury shares as at 30 September 2016. There were no sales, transfer, disposal, cancellation and / or use of treasury shares as at the end of the current financial year 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 as in the Group's financial year ended 30th June 2016.

- 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 30/09/16 ("1Q17")	3 months ended 30/09/15 ("1Q16") (Restated)
Earnings per ordinary share (US cents)	3.18	2.45

Note: The Earnings per ordinary share ("EPS") for 1Q17 has been computed based on 27,271,371 weighted average number of shares; the EPS for the corresponding period (1Q16) has been restated and computed based on 27,301,477 weighted average number of shares (post-share consolidation).

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	
	30/09/2016	30/06/2016	30/09/2016	30/06/2016
Net asset value per ordinary share (US cents)	86.1	83.9	40.6	40.1

Note: The Net asset value ("NAV") per ordinary share as at 30 September 2016 has been computed based on 27,271,371 weighted average number of shares; the NAV per ordinary share as at 30 June 2016 has been computed based on 27,301,477 weighted average number of shares (post-share consolidation).

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.

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

1Q17 vs 1Q16

Revenues rose by 33.2% or US\$2.9 million to US\$11.8 million due to (i) higher export sales to our key markets; and (ii) higher sales from our in-house brand (Commune).

Gross Profit rose by 48.7% or US\$1.1 million to US\$3.3 million on the back of higher revenues. Gross Margin rose by 3.0 percentage points to 28.4% due mainly to (i) the expanding retail and wholesale business of our in-house brand; and (ii) improved factories and supply chain efficiency. The disposal of the loss-making Rossano also helped to boost our margins.

Other income fell by US\$0.46 million to US\$0.21 million due mainly to lower foreign exchange gains in the current period.

Selling and distribution expenses rose by 16.7% or US\$0.14 million due mainly to (i) higher showroom rental costs in Singapore, and (ii) higher logistics cost given increased shipments from our Vietnam operations.

Administrative expenses remained relatively unchanged at US\$1.3 million despite our increased revenues base.

Given the above, Net Profit increased by 29.4% or US\$0.20 million to US\$0.87 million for 1Q17 compared to 1Q16.

Financial Position (30 September 2016 vs 30 June 2016)

Assets

Current Assets rose by US\$0.56 million to US\$20.6 million. Significant movements in Current Assets during the period under review were as follows:

- Cash at bank (inclusive of fixed deposits) fell by US\$0.34 million to US\$4.3 million due mainly to (i) repayment of bank loans; and (ii) higher equipment and working capital investments.
- Trade receivables rose by US\$0.16 million to US\$3.7 million due to higher export revenues. Trade receivables turnaround time improved from 35 to 29 days.
- Other receivables and prepayments rose by US\$0.38 million to US\$2.9 million due mainly to higher deposits placed with our suppliers and higher VAT receivables for our operations in Vietnam.
- Inventories rose by US\$0.37 million to US\$7.3 million due mainly to buffer stock plans for raw material and finished goods in order to meet scheduled lead times for both our export and retail customers.

Non-Current Assets, despite our investments in new equipment, fell by US\$0.04 million to US\$12.3 million due mainly to currency exchange differences which arose from translating our RM-denominated property, plant and equipment held in Malaysia to the US\$, which has strengthened against the RM.

Liabilities

Current Liabilities fell by US\$0.10 million to US\$8.2 million. Significant movements in Current Liabilities during the period under review were as follows:

- Bills payables fell by US\$0.42 million to US\$0.11 million due to lower short-term borrowings and loans repayment. We repaid bank borrowings from our operating cash flows.
- Trade payables fell by US\$0.08 million to US\$2.8 million due to earlier payments to suppliers.
- Other payables rose by US\$0.13 million to US\$4.3 million due mainly to higher accruals made for operating expenses.
- Income tax payable rose by US\$0.24 million to US\$0.54 million due to higher tax provision for our disposal gain on our investment properties in Vietnam.

Non-Current Liabilities rose by US\$0.05 million to US\$1.2 million due mainly to higher long-term loans, offset by a reduction in deferred taxation.

Shareholders' equity

Net asset or Equity attributable to shareholders rose by US\$0.56 million to US\$23.5 million as at 30 September 2016 due to current period earnings of US\$0.87 million and after accounting for a lower currency translation reserve.

Cash Flows (movements in 1Q17)

Net cash from operating activities was US\$0.52 million for 1Q17 after accounting for cash profit of US\$1.5 million, working capital investments of US\$0.86 million and income tax payments of US\$0.15 million. Net cash used in investing activities was US\$0.40 million due to investments in new equipment. Net cash used in financing activities was US\$0.32 million due to loan repayments. Given these, net cash and cash equivalents fell by US\$0.34 million to US\$4.3 million as at 30 September 2016.

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 FY2016 announcement that barring any unforeseen circumstances, the Group expects to remain profitable in FY2017.

The Group recorded a Net Profit of US\$0.87 million for 1Q17, approximately 29.4% or US\$0.20 million higher than that of the last corresponding quarter in 1Q16.

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 continue to see increasingly higher order books from our key markets in the US, EU and Asia Pacific, despite global economic uncertainty. We believe our strategies in marketing and R&D are working well in this aspect. Our retail and distribution business – as supported by our in-house branding strategy and innovative concepts – is expanding fast in China, which comes at a time when the Chinese government is emphasizing on consumption-driven growth.

To support these growth initiatives, we are (i) investing in equipment upgrade for higher operational efficiency and economies of scale; and (ii) allocating more resources to expand our distribution networks in China via the opening of more concept stores under our in-house brand.

Given the above, the Board believes that barring any unforeseen circumstances, the Group expects to remain profitable in FY2017.

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/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

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)	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 ("Lease"). The IPT transactions in 1Q17 with regards to the Lease are as follows: 1) Rental expense (RM74,094)	25

(1) Based on an exchange rate of S\$1:RM\$2.98

Note: The above IPT transaction constitutes 0.08% of the Group's audited NTA as at 30 June 2016.

- 14. 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).

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

- 15. 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

- 16. 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

- 17. A breakdown of sales**

Not applicable

- 18. 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 year ended 30 September 2016 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD
JAMES KOH JYH GANG
Managing Director
10 November 2016**