

KODA LTD
Quarterly 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

	3 months ended			9 months ended		
	31/3/2018	31/3/2017	Change	31/3/2018	31/3/2017	Change
	("3Q18")	("3Q17")		("9M18")	("9M17")	
	US\$'000	US\$'000	%	US\$'000	US\$'000	%
Revenue	13,447	10,976	22.5	37,603	36,182	3.9
Cost of sales	(8,557)	(7,661)	11.7	(24,336)	(25,525)	(4.7)
Gross profit	4,890	3,315	47.5	13,267	10,657	24.5
Other income	176	258	(31.8)	516	704	(26.7)
Selling & distribution expenses	(1,721)	(1,117)	54.1	(3,979)	(3,163)	25.8
General & administrative expenses	(1,999)	(1,795)	11.4	(5,530)	(4,857)	13.9
Other expenses	(26)	(219)	NM	(151)	(223)	NM
Finance costs	(10)	(8)	25.0	(24)	(24)	-
Share of results of associate	-	-	NM	(1)	(1)	NM
Profit before tax	1,310	434	201.8	4,098	3,093	32.5
Income tax expense	(136)	(109)	24.8	(509)	(855)	(40.5)
Profit for the period	1,174	325	261.2	3,589	2,238	60.4
Other comprehensive income						
<u>Items that may be reclassified subsequently to profit or loss</u>						
Translation differences arising from consolidation of foreign operations	559	159	NM	1,216	(956)	NM
Other comprehensive income for the period, net of tax	559	159		1,216	(956)	
Total comprehensive income for the period	1,733	484	258.1	4,805	1,282	274.8

NM: Not meaningful

Notes to Consolidated Statement of Profit or Loss

	3Q18	3Q17	9M18	9M17
	US\$'000	US\$'000	US\$'000	US\$'000
<u>Other income</u>				
Rental income	15	42	73	130
Interest income	22	11	57	41
Foreign exchange gain	-	100	-	262
Gain on disposal of property, plant & equipment	1	1	4	2
Others	138	104	382	269
	176	258	516	704
<u>Other expenses</u>				
Allowance for doubtful trade receivables	-	(31)	-	(31)
Allowance for doubtful other receivables	-	(116)	-	(116)
Foreign exchange loss	(25)	-	(12)	-
Inventories written off	(1)	-	(1)	-
Loss on disposal of assets held for sale	-	(46)	-	(46)
Equity-settled share-based expenses	-	-	(114)	-
Others	-	(26)	(24)	(30)
	(26)	(219)	(151)	(223)

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	
	31/3/2018	30/6/2017	31/3/2018	30/6/2017
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
<u>ASSETS</u>				
Current assets				
Cash and bank balances	7,750	8,352	2,774	1,691
Trade receivables	4,116	4,294	6,173	5,534
Other receivables and prepayments	3,029	2,780	7,208	9,229
Inventories	9,233	6,727	-	-
Total current assets	24,128	22,153	16,155	16,454
Non-current assets				
Investment in subsidiaries	-	-	8,135	8,135
Investment in associate	2	3	-	-
Club memberships	208	207	192	192
Other receivables and prepayment	-	548	-	-
Property, plant and equipment	17,739	15,028	461	616
Deferred tax asset	32	32	-	-
Total non-current assets	17,981	15,818	8,788	8,943
Total assets	42,109	37,971	24,943	25,397
<u>LIABILITIES AND EQUITY</u>				
Current liabilities				
Bills payable	205	127	-	-
Trade payables	2,266	1,914	5,917	5,548
Other payables	5,097	5,323	2,473	2,311
Obligations under finance lease	53	51	32	32
Bank loans	166	146	166	146
Income tax payable	440	375	-	-
Total current liabilities	8,227	7,936	8,588	8,037
Non-current liabilities				
Deferred tax liabilities	1,216	1,152	-	-
Bank loans	472	477	472	477
Obligations under finance leases	29	67	-	27
Total non-current liabilities	1,717	1,696	472	504
Capital and reserves				
Share capital	4,525	4,362	4,525	4,362
Treasury shares	(46)	(13)	(46)	(13)
Capital reserves	5,905	7,939	138	187
Translation reserve	(1,016)	(2,232)	-	-
Retained earnings	22,797	18,283	11,266	12,320
Total equity	32,165	28,339	15,883	16,856
Total liabilities and equity	42,109	37,971	24,943	25,397

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

Amount repayable in one year or less, or on demand

As at 31/3/2018 (US\$'000)		As at 30/6/2017 (US\$'000)	
Secured	Unsecured	Secured	Unsecured
53	371	51	273

Amount repayable after one year

As at 31/3/2018 (US\$'000)		As at 30/6/2017 (US\$'000)	
Secured	Unsecured	Secured	Unsecured
29	472	67	477

Borrowings and gearing ratio

Total borrowings of US\$0.93 million as at 31 March 2018 comprise short-term borrowings, long-term loans and finance lease obligations. Total borrowings increased marginally compared to 30 June 2017 due to increase in short-term borrowings offset by repayments.

The Group's gearing ratio remain unchanged at 0.03 times as at 31 March 2018 and 30 June 2017.

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

	3 months ended		9 months ended	
	31/3/2018	31/3/2017	31/3/2018	31/3/2017
	US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from operating activities				
Profit before income tax	1,310	434	4,098	3,093
Adjustments for:				
Allowance for doubtful trade receivables	-	31	-	31
Allowance for doubtful other receivables	-	116	-	116
Inventories written off	1	-	1	-
Depreciation of property, plant and equipment	298	259	865	790
Property, plant & equipment written off	-	-	1	-
Gain on disposal of property, plant and equipment	(1)	(1)	(4)	(2)
Loss on disposal of assets held for sale	-	46	-	46
Equity-settled share-based expenses	-	-	114	51
Share of results of associate	-	-	1	1
Interest income	(22)	(11)	(57)	(41)
Interest expense	9	8	23	24
Operating cash flows before working capital changes	1,595	882	5,042	4,109
Trade receivables	(552)	167	178	299
Other receivables and prepayments	166	611	(249)	129
Inventories	(22)	1,107	(2,505)	1,296
Trade payables	(483)	(927)	352	(687)
Other payables	(1,052)	(456)	(226)	129
Cash (used in) generated from operations	(348)	1,384	2,592	5,275
Interest received	22	11	57	41
Interest paid	(9)	(8)	(23)	(24)
Income tax paid	(190)	(625)	(682)	(859)
Net cash (used in) from operations	(525)	762	1,944	4,433
Cash flows from investing activities				
Purchase of property, plant and equipment	(149)	(959)	(2,297)	(1,739)
Proceeds from disposal of property, plant and equipment	-	1,067	-	1,067
Proceeds from disposal of assets held for sale	-	1	3	48
Net cash (used in) from investing activities	(149)	109	(2,294)	(624)
Cash flows from financing activities				
Increase (Decrease) in bills payables	105	10	78	(481)
Dividends paid	(155)	(97)	(1,060)	(491)
Proceeds from bank loan	-	-	136	233
Purchase of treasury shares	(33)	-	(33)	(3)
Repayment of bank loans	(46)	(119)	(120)	(347)
Repayment of finance leases	(7)	(24)	(36)	(83)
Net cash used in financing activities	(136)	(230)	(1,035)	(1,172)
Net (decrease) increase in cash and cash equivalents	(810)	641	(1,385)	2,637
Cash and cash equivalents at beginning of period	8,259	6,113	8,352	4,607
Effect of foreign exchange translation	301	142	783	(348)
Cash and cash equivalents at end of period	7,750	6,896	7,750	6,896

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 1/7/2017	4,362	(13)	7,939	(2,232)	18,283	28,339	-	28,339
Total comprehensive income	-	-	-	1,216	3,589	4,805	-	4,805
Dividends paid	-	-	-	-	(1,060)	(1,060)	-	(1,060)
Issue of new shares	163	-	(163)	-	-	-	-	-
Repurchase of shares	-	(33)	-	-	-	(33)	-	(33)
Share-based expenses	-	-	114	-	-	114	-	114
Reclassification to retained earnings	-	-	(1,985)	-	1,985	-	-	-
Balance as at 31/3/2018	4,525	(46)	5,905	(1,016)	22,797	32,165	-	32,165
Company								
Balance as of 1/7/2017	4,362	(13)	187	-	12,320	16,856	-	16,856
Total comprehensive income	-	-	-	-	6	6	-	6
Dividends paid	-	-	-	-	(1,060)	(1,060)	-	(1,060)
Issue of new shares	163	-	(163)	-	-	-	-	-
Repurchase of shares	-	(33)	-	-	-	(33)	-	(33)
Share-based expenses	-	-	114	-	-	114	-	114
Balance as at 31/3/2018	4,525	(46)	138	-	11,266	15,883	-	15,883

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 1/7/2016	4,312	(10)	5,419	(1,597)	14,786	22,910	-	22,910
Total comprehensive income	-	-	-	(956)	2,238	1,282	-	1,282
Dividends paid	-	-	-	-	(491)	(491)	-	(491)
Issue of new shares	50	-	51	-	-	101	-	101
Share-based expenses	-	-	(51)	-	-	(51)	-	(51)
Repurchase of shares	-	(3)	-	-	-	(3)	-	(3)
Balance as at 31/3/2017	4,362	(13)	5,419	(2,553)	16,533	23,748	-	23,748
Company								
Balance as of 1/7/2016	4,312	(10)	58	-	6,578	10,938	-	10,938
Total comprehensive income	-	-	-	-	347	347	-	347
Dividends paid	-	-	-	-	(491)	(491)	-	(491)
Issue of new shares	50	-	-	51	-	101	-	101
Share-based expenses	-	-	-	(51)	-	(51)	-	(51)
Repurchase of shares	-	(3)	-	-	-	(3)	-	(3)
Balance as at 31/3/2017	4,362	(13)	58	-	6,434	10,841	-	10,841

- 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**

As at 31 March 2018, the Company's issued share capital comprises 82,287,160 (30 June 2017: 41,045,716) ordinary shares (excluding treasury shares). During 3Q18, the Company acquired 68,000 of its own shares (under the share buyback mandate which was renewed at the annual general meeting of the Company held on 27 October 2017) by way of market acquisition on the Singapore Exchange.

The total number of treasury shares held by the Company as at 31 March 2018 was 179,000 (30 June 2017: 55,500) which represents 0.22% (30 June 2017: 0.13%) of the total number of issued shares (excluding treasury shares).

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>31/3/2018</u>	<u>30/6/2017</u>
Total number of issued shares (excluding treasury shares)	82,287,160	41,045,716

- (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 179,000 treasury shares as at 31 March 2018. There were no sales, transfer, disposal, cancellation and / or use of treasury shares 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 as in the Group's financial year ended 30 June 2017.

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

	3Q18	3Q17 (Restated)	9M18	9M17 (Restated)
Earnings per ordinary share (US cents)	1.42	0.39	5.72	3.57

Note: Earnings per ordinary share ("EPS") was computed based on weighted average number of shares of 82,349,071 and 62,713,363 for the period 3Q18 and 9M18 respectively. EPS for the corresponding period was restated accordingly.

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		
	31/3/2018	30/6/2017	30/6/2017 (Restated) ⁽¹⁾	31/3/2018	30/6/2017	30/6/2017 (Restated) ⁽¹⁾
Net asset value per ordinary share (US cents)	39.1	69.0	34.4	19.3	41.2	20.6

Note: Net asset value ("NAV") per ordinary share was computed based on 82,287,160 number of issued shares as at 31 March 2018 (30 June 2017: 41,045,716 number of issued shares).

(1) The restated NAV per ordinary share as at 30 June 2017 was based on 82,287,160 number of shares for comparative purposes.

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 (3Q18 vs 3Q17)

Revenues for 3Q18 increased by US\$2.5 million to US\$13.4 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 47.5% or US\$1.6 million to US\$4.9 million and gross margin rose by 6.2 percentage points to 36.4% due mainly to (i) better economies of scale from higher capacity utilisation, and (ii) higher revenue contribution from our Commune retail and distribution business which command higher margins.

Selling and distribution expenses rose by 54.1% or US\$0.6 million to US\$1.7 million due mainly to higher advertising expenses, fair and exhibition related expenses and staff related costs.

General and administrative expenses rose by 11.4% or US\$0.2 million to US\$2.0 million due mainly to higher staff related costs and other operating expenses.

Other income fell by US\$0.1 million due mainly to the absence of foreign exchange gain.

Other expenses fell by US\$0.2 million in the absence of provisions made on amounts owing by entities disposed of in the previous year.

Income tax expense rose by 24.8% or US\$0.03 million due to higher profitability from our Vietnam operations and Commune business.

Given the above, profit after tax rose by 261.2% or US\$0.8 million to US\$1.2 million for 3Q18 compared to US\$0.3 million in 3Q17.

Financial Position (31 March 2018 vs 30 June 2017)

Assets

Current assets rose by US\$2.0 million to US\$24.1 million. Significant movements in current assets during the period under review were as follows:

- Trade receivables fell by US\$0.2 million to US\$4.1 million due to faster collections from export customers.
- Other receivables and prepayments rose by US\$0.2 million to US\$3.0 million due mainly to higher advances to suppliers.
- Inventories rose by US\$2.5 million to US\$9.2 million due to (i) higher raw materials; and (ii) higher finished goods pending shipments.

Non-current assets rose by US\$2.2 million to US\$18.0 million due mainly to (i) the purchase of land and buildings in Vietnam; and (ii) investments in new equipment and machinery.

Liabilities

Current liabilities rose by US\$0.3 million to US\$8.2 million. Significant movements in current liabilities during the period under review were as follows:

- Bills payable rose by US\$0.1 million to US\$0.2 million due to increase in trade financing.
- Trade payables rose by US\$0.4 million to US\$2.3 million due mainly to higher purchases from suppliers.
- Other payables fell by US\$0.2 million to US\$5.1 million due mainly to lower deposits received from customers.

Non-current liabilities remained unchanged at US\$1.7 million.

Shareholders' equity

Net asset or Equity attributable to shareholders rose by US\$3.8 million to US\$32.2 million as at 31 March 2018 due mainly to current period (9M18) earnings of US\$3.6 million.

Cash Flows (3Q18 vs 3Q17)

Net cash used in operations was US\$0.5 million for 3Q18 after accounting for operating cash flows of US\$1.6 million, net working capital outflows of US\$1.9 million and net payments of income tax and interest of US\$0.18 million.

Net cash used in investing activities was US\$0.15 million due mainly to purchase of equipment and machinery.

Net cash used in financing activities was US\$0.1 million due mainly to dividends payments (Interim Dividends for 1HY2018), repayments of borrowings during the period, despite higher trade bills financing. Given these, net cash and cash equivalents fell by US\$0.8 million to US\$7.8 million as at 31 March 2018.

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 FY2017 results announcement that barring any unforeseen circumstances, the Group expects to remain profitable in FY2018.

The Group reported Net Profit of US\$1.2 million and US\$3.6 million for 3Q18 and 9M18 respectively.

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

The Group, with its established export network in the original design manufacturing business, will endeavour to remain nimble amidst the keen competition and ever-evolving dynamics in the furniture manufacturing sector. Its focus over the years on automation, cost control and collaborations with dependable sub-contractors is expected to help mitigate some of these competitive pressures.

With regard to the expansion plans for our distribution business, *Commune* will continue to open more stores in Asia, including in cities where it does not currently have a presence. The planned rollout of 100 stores in China by 2020 remains on track as *Commune* now has 45 outlets in various Chinese cities. As previously highlighted, *Commune* is working with a Singapore statutory board to develop an omni-channel strategy that leverages data analytics and business intelligence tools to better meet the needs of customers.

Overall, the Group expects sales from exports and *Commune* to continue growing in the coming quarters, barring any major disruption to the world economy. One potential global risk is the growing tension between the US and China over trade. As various commentators have highlighted, an all-out trade war between the world's two largest economies is expected to dampen business and investor confidence and possibly even undermine global growth.

Despite that and taking into account the results for 9M18, barring unforeseen circumstances, the Group expects its performance to improve in FY2018.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

(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 S\$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 (the "Lease"). The IPT transactions in 3Q18 with regards to the Lease is as follow: (i) Rental expense (RM74,094)	25

Based on an exchange rate of S\$1.00 : RM\$2.99

The above IPT transaction constitutes 0.06% of the Group's audited NTA as at 30 June 2017.

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 3 months ended 31 March 2018 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD
JAMES KOH JYH GANG
Managing Director
9 May 2018