



KODA LTD

(Company Registration No.:198001299R)

(The “Company”, and together with its subsidiaries, the “Group”)

CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021 (“1H2022)

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A. Condensed interim consolidated statement of profit or loss and other comprehensive income

		The Group		
		6 months ended		
		31 Dec 2021 ("1H2022") US\$'000	31 Dec 2020 ("1H2021") US\$'000	Change %
	Note			
Revenue	4	33,840	39,550	-14.4%
Cost of sales		(23,680)	(26,798)	-11.6%
Gross profit		10,160	12,752	-20.3%
Other income	5	1,254	719	74.4%
Distribution costs		(3,140)	(2,949)	6.5%
Administrative expenses		(4,471)	(4,372)	2.3%
Other expenses	6	(78)	(261)	-70.1%
Finance costs		(116)	(120)	-3.3%
Profit before income tax	7	3,609	5,769	-37.4%
Income tax expense	8	(696)	(991)	-29.8%
Profit for the period		2,913	4,778	-39.0%
Profit attributable to :				
Owners of the Company		2,998	4,776	-37.2%
Non-controlling interests		(85)	2	N.M.
		2,913	4,778	-39.0%
Other comprehensive (loss) income				
<u>Items that may be reclassified</u>				
<u>subsequent to profit or loss</u>				
Translation of differences arising from consolidation of foreign operations		(61)	887	N.M.
Total other comprehensive (loss) income for the period, net of tax		(61)	887	N.M.
Total comprehensive income for the period		2,852	5,665	-49.7%
Total comprehensive income attributable to :				
Owners of the Company		2,938	5,669	-48.2%
Non-controlling interests		(86)	(4)	N.M.
		2,852	5,665	-49.7%
Earnings per share for profit for the period attributable to the owners of the Company:				
Basic (US cents)	9	3.62	5.78	
Diluted (US cents)	9	3.62	5.78	

N.M: Not meaningful

B. Condensed interim statements of financial position

	Note	The Group		The Company	
		31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021
		US\$'000	US\$'000	US\$'000	US\$'000
ASSETS					
Current assets					
Cash and cash equivalents		16,674	14,673	6,554	5,024
Trade receivables	10	4,495	4,534	5,447	6,283
Other receivables	11	6,879	7,004	14,564	7,029
Finance lease receivables		86	86	86	86
Inventories	12	22,296	19,575	-	74
Total current assets		50,430	45,872	26,651	18,496
Non-current assets					
Investment in subsidiaries		-	-	18,611	18,611
Club memberships		46	46	32	32
Property, plant and equipment	13	15,397	15,467	174	187
Right-of-use assets		14,895	7,708	253	317
Other receivables	11	729	5,073	12,673	11,944
Finance lease receivables		80	122	80	122
Deferred tax assets		192	192	-	-
Total non-current assets		31,339	28,608	31,823	31,213
Total assets		81,769	74,480	58,474	49,709
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables		5,504	5,025	8,420	2,441
Other payables		10,041	11,819	4,008	7,197
Lease liabilities	14	1,949	1,518	174	166
Current portion of bank loans	14	2,520	1,169	2,426	1,169
Income tax payable		1,452	1,560	1,002	1,082
Total current liabilities		21,466	21,091	16,030	12,055
Non-current liabilities					
Deferred tax liabilities		246	304	31	31
Lease liabilities	14	3,882	2,101	164	257
Non-current portion of bank loans	14	5,243	1,743	5,243	1,743
Total non-current liabilities		9,371	4,148	5,438	2,031
Capital and reserves					
Share capital	15	4,894	4,786	4,894	4,786
Treasury shares		(50)	(75)	(50)	(75)
Other reserves		256	318	182	244
Translation reserve		330	390	-	-
Accumulated profits		45,653	43,887	31,980	30,668
Equity attributable to owners of the Company		51,083	49,306	37,006	35,623
Non-controlling interests		(151)	(65)	-	-
Total equity		50,932	49,241	37,006	35,623
Total liabilities and equity		81,769	74,480	58,474	49,709

C. Condensed interim statements of changes in equity

The Group

		Share capital	Treasury shares	Other reserves	Translation reserve	Accumulated profits	Attributable to equity holders	Non- controlling interests	Total
	Note	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance as at 1 Jul 2021		4,786	(75)	318	390	43,887	49,306	(65)	49,241
<i>Total comprehensive income for the period:</i>									
Profit for the period		-	-	-	-	2,998	2,998	(85)	2,913
Other comprehensive loss		-	-	-	(60)	-	(60)	(1)	(61)
Total		-	-	-	(60)	2,998	2,938	(86)	2,852
<i>Transaction with owners, recognised directly in equity:</i>									
Dividends	18	-	-	-	-	(1,232)	(1,232)	-	(1,232)
Issue of new shares	15	108	-	(108)	-	-	-	-	-
Award of performance shares		-	25	(25)	-	-	-	-	-
Share-based payments		-	-	71	-	-	71	-	71
Total		108	25	(62)	-	(1,232)	(1,161)	-	(1,161)
Balance as at 31 Dec 2021		4,894	(50)	256	330	45,653	51,083	(151)	50,932
Balance as at 1 Jul 2020		4,786	(120)	114	(41)	35,867	40,606	(69)	40,537
<i>Total comprehensive income for the period:</i>									
Profit for the period		-	-	-	-	4,776	4,776	2	4,778
Other comprehensive income		-	-	-	893	-	893	(6)	887
Total		-	-	-	893	4,776	5,669	(4)	5,665
<i>Transaction with owners, recognised directly in equity:</i>									
Dividends paid	18	-	-	-	-	(454)	(454)	-	(454)
Award of performance shares		-	45	(45)	-	-	-	-	-
Share-based payments		-	-	185	-	-	185	-	185
Total		-	45	140	-	(454)	(269)	-	(269)
Balance as at 31 Dec 2020		4,786	(75)	254	852	40,189	46,006	(73)	45,933

C. Condensed interim statements of changes in equity

The Company

	Note	Share capital US\$'000	Treasury shares US\$'000	Other reserves US\$'000	Accumulated profits US\$'000	Total US\$'000
Balance as at 1 Jul 2021		4,786	(75)	244	30,668	35,623
<i>Profit for the period, representing total comprehensive income for the period</i>		-	-	-	2,544	2,544
<i>Transaction with owners, recognised directly in equity:</i>						
Dividends	18	-	-	-	(1,232)	(1,232)
Issue of new shares	15	108		(108)	-	-
Award of performance shares		-	25	(25)	-	-
Share-based payments		-	-	71	-	71
		108	25	(62)	(1,232)	(1,161)
Balance as at 31 Dec 2021		4,894	(50)	182	31,980	37,006
Balance as at 1 Jul 2020		4,786	(120)	40	25,865	30,571
<i>Profit for the period, representing total comprehensive income for the period</i>		-	-	-	2,864	2,864
<i>Transaction with owners, recognised directly in equity:</i>						
Dividends paid	18	-	-	-	(454)	(454)
Award of performance shares		-	45	(45)	-	-
Share-based payments		-	-	185	-	185
		-	45	140	(454)	(269)
Balance as at 31 Dec 2020		4,786	(75)	180	28,275	33,166

D. Condensed interim consolidated statements of cash flows

	The Group	
	6 months ended	
	31 Dec 2021	31 Dec 2020
	US\$'000	US\$'000
Operating activities		
Profit before income tax	3,609	5,769
Adjustments for:		
Depreciation of property, plant and equipment	1,258	893
Depreciation of right-of-use assets	935	773
Inventories written off	7	15
Property tax and rental rebate	(153)	-
Gain on disposal of property, plant and equipments - net	-	(3)
Equity-settled shares-based payments	71	185
Interest income	(54)	(49)
Interest expense	116	120
Operating cash flows before movements in working capital	5,789	7,703
Trade receivables	77	846
Other receivables	(482)	(1,416)
Inventories	(2,759)	(2,642)
Trade payables	410	1,342
Other payables	(1,092)	2,439
Cash generated from operations	1,943	8,272
Interest paid	(116)	(120)
Interest received	54	49
Income tax paid	(867)	(413)
Net cash from operating activities	1,014	7,788
Investing activities		
Deposits for property, plant and equipment	(729)	(1,336)
Purchase of property, plant and equipment	(1,219)	(751)
Proceeds from finance lease receivables	42	3
Net cash used in investing activities	(1,906)	(2,084)
Financing activities		
Dividends paid	(1,232)	(454)
Repayment of bank loans	(875)	(581)
Proceeds from bank loans	5,726	1,461
Repayment of lease liabilities	(764)	(740)
Net cash from (used in) financing activities	2,855	(314)
Net increase in cash and cash equivalents	1,963	5,390
Cash and cash equivalents at beginning of period	14,673	16,426
Effects of exchange rate change on balance of cash held in foreign currencies	38	411
Cash and cash equivalents at end of period	16,674	22,227

E. Notes to the condensed interim consolidated financial statements

1. Corporate information

Koda Ltd is incorporated and domiciled in Singapore and whose shares are publicly traded on the Mainboard of the Singapore Exchange. These condensed interim consolidated financial statements as at and for the six months ended 31 December 2021 comprise the Company and its subsidiaries (collectively, the Group). The primary activities of the Company are those of relating to the export of furniture and fixtures of wood (including upholstery), furniture design service and investment holding.

The principal activities of the Group are:

- (a) Manufacturing of furniture and fixtures of wood (including upholstery); and
- (b) Retail, trading and export of furniture.

2. Basis of preparation

The condensed interim financial statements for the six months ended 31 December 2021 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last audited financial statements for the year ended 30 June 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s.

The condensed interim financial statements are presented in United States dollar ("US\$") which is the Company's functional currency.

2.1 New and amended standards adopted by the Group

In the current financial period, the Group and the Company has adopted all the new and revised SFRS(I)s and Interpretation of SFRS(I) ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 July 2021. The adoption of these new/revised SFRS(I)s and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior periods.

2.2 Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the most recent audited financial statements as at and for the year ended 30 June 2021.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

The Group determines its operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The Group is organized into two business units based on their products on which information is prepared and reportable to the Group's chief operating decision maker for the purpose of resources allocation and assessment of performance.

The Group is principally engaged in two reportable segments, namely "manufacturing" and "retail and distribution".

Information regarding the Group's reporting segments is presented below.

Segment revenue and results

	Segment revenue		Segment profit	
	1H2022 US\$'000	1H2021 US\$'000	1H2022 US\$'000	1H2021 US\$'000
Manufacturing	24,955	31,763	1,745	4,486
Retail and distribution	8,885	7,787	804	945
Total	33,840	39,550	2,549	5,431
Finance costs			(116)	(120)
Other income			1,254	719
Other expenses			(78)	(261)
Profit before income tax			3,609	5,769
Income tax expense			(696)	(991)
Profit for the period			2,913	4,778

Segment assets and liabilities

	31 Dec 2021 US\$'000	30 Jun 2021 US\$'000
Segment assets		
Manufacturing	64,959	62,169
Retail and distribution	16,405	11,865
Total segment assets	81,364	74,034
Unallocated assets	405	446
Consolidated total assets	81,769	74,480
Segment liabilities		
Manufacturing	12,175	13,285
Retail and distribution	4,822	5,119
Total segment liabilities	16,997	18,404
Unallocated liabilities	13,840	6,835
Consolidated total liabilities	30,837	25,239

Other segment information

	Depreciation		Additions to non-current assets	
	1H2022 US\$'000	1H2021 US\$'000	1H2022 US\$'000	1H2021 US\$'000
Manufacturing	1,102	949	671	631
Retail and distribution	1,091	717	596	120
Total	2,193	1,666	1,267	751

In addition to the information reported above, the following were attributable to the following reportable segments:

	1H2022 US\$'000	1H2021 US\$'000
Manufacturing segment		
Gain on disposal of property, plant and equipment - net	-	(3)
Retail and distribution segment		
Inventories written off	7	15

Geographical information

The Group's revenue from external customers and information about its segment assets (non-current assets) including only property, plant and equipment) by geographical location are detailed below:

	Revenue from external customers based on location of customers	
	1H2022 US\$'000	1H2021 US\$'000
Asia-Pacific	10,853	12,743
North America	19,807	22,579
Europe	2,823	3,794
Others	357	434
	<u>33,840</u>	<u>39,550</u>

Non-current assets of the Group are located in Asia Pacific.

5. Other income

	The Group	
	6 months ended	
	31 Dec 2021 ("1H2022") US\$'000	31 Dec 2020 ("1H2021") US\$'000
Rental income	-	31
Interest income on bank balances	54	49
Foreign exchange gain - net	272	-
Gain on disposal of property, plant and equipment - Net	-	3
Government grant income	574	407
Property tax and rental rebate	177	18
Freight revenue	68	115
Design fee	46	26
Sundry income	63	70
	<u>1,254</u>	<u>719</u>

6. Other expenses

	The Group	
	6 months ended	
	31 Dec 2021 ("1H2022") US\$'000	31 Dec 2020 ("1H2021") US\$'000
Inventories written off	7	15
Equity-settled share-based payments	71	185
Foreign exchange loss - net	-	61
	<u>78</u>	<u>261</u>

7. Profit before income tax

	The Group	
	6 months ended	
	31 Dec 2021	31 Dec 2020
	("1H2022")	("1H2021")
	US\$'000	US\$'000
Depreciation of property, plant and equipment	1,258	893
Depreciation of right-of-use assets	935	773
Finance costs:		
- Bank loans	63	84
- Lease liabilities	53	36

8. Income tax expense

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	The Group	
	6 months ended	
	31 Dec 2021	31 Dec 2020
	("1H2022")	("1H2021")
	US\$'000	US\$'000
Current income tax	799	876
Deferred tax	(56)	115
Over provision in prior years:		
- Income tax	(47)	-
	<u>696</u>	<u>991</u>

9. Earnings per share

	The Group	
	6 months ended	
	31 Dec 2021	31 Dec 2020
	("1H2022")	("1H2021")
Based on the weighted average number of ordinary shares on issue:		
- US cents	3.62	5.78
- Singapore cents	4.89	7.64
Weighted average number of shares	82,840,697	82,635,437

The fully diluted earnings per share and basic earnings per share are the same for the six months ended 31 December 2021 and 2020.

10. Trade receivables

	The Group		The Company	
	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021
	US\$'000	US\$'000	US\$'000	US\$'000
Outside parties	4,495	4,534	4,415	4,402
Subsidiaries	-	-	1,032	1,881
	4,495	4,534	5,447	6,283

11. Other receivables

	The Group		The Company	
	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021
	US\$'000	US\$'000	US\$'000	US\$'000
Subsidiaries	-	-	27,745	19,182
Related parties	3	31	-	21
Deposits	1,583	5,756	9	8
Prepayments	3,572	3,471	637	924
Government grant receivable	98	203	74	72
Value added tax recoverable	2,275	1,886	13	11
Others	77	751	20	37
	7,608	12,098	28,498	20,255
Less: Allowance for doubtful debts				
Subsidiaries	-	-	(1,261)	(1,261)
Related parties	-	(21)	-	(21)
	7,608	12,077	27,237	18,973
Less non-current portion:				
Deposits	(729)	(5,073)	(729)	-
Subsidiaries	-	-	(11,944)	(11,944)
	6,879	7,004	14,564	7,029

12. Inventories

	The Group	
	31 Dec 2021 US\$'000	30 Jun 2021 US\$'000
Raw material	10,060	9,024
Work in progress	5,427	4,454
Finished goods	8,000	7,290
	23,487	20,768
Less: Allowance for inventories	(1,191)	(1,193)
	22,296	19,575
Movement in allowance for inventories:		
Balance at beginning of the period	1,193	965
Currency translation difference	(2)	-
Charge to profit or loss for the period	-	228
Balance at end of the period	1,191	1,193

As at 31 December 2021, there were no finished goods held by the Company (30 June 2021: US\$74,000).

Inventories of US\$7,000 (1H2021: US\$15,000) were written off and recognized directly in profit or loss for goods which are not in saleable conditions.

13. Property, plant and equipment

During 1H2022, the Group acquired assets amounting to US\$1,219,000 (1H2021: US\$751,000). There was no disposal of assets in 1H2022 (1H2021: Net book value of assets disposed was US\$Nil).

14. Bank loans and lease liabilities

	The Group		The Company	
	31 Dec 2021 US\$'000	30 Jun 2021 US\$'000	31 Dec 2021 US\$'000	30 Jun 2021 US\$'000
<u>Amount repayable within one year or on demand</u>				
Secured	1,949	1,518	174	166
Unsecured	2,520	1,169	2,426	1,169
	4,469	2,687	2,600	1,335
<u>Amount repayable after one year</u>				
Secured	3,882	2,101	164	257
Unsecured	5,243	1,743	5,243	1,743
	9,125	3,844	5,407	2,000

The banking facilities of the Group and Company are secured by negative pledge on the Group's and Company's assets.

The banking facilities of subsidiaries are guaranteed by the Company.

15. Share capital

	The Group and Company			
	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021
	Number of ordinary shares		US\$'000	US\$'000
Issued and paid up:				
At beginning and end of period	82,969,002	82,969,002	4,786	4,786
Issued during the period	184,854	-	108	-
At end of period	83,153,856	82,969,002	4,894	4,786

As announced on 8 December 2021, the Company has issued and allotted 184,854 new ordinary shares to the eligible recipient who was granted share awards pursuant to Performance Share Plan 2018 ("PSP2018").

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

16. Financial assets and financial liabilities

The following table sets out the financial instruments as at the end of the reporting period.

	The Group		The Company	
	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021
	US\$'000	US\$'000	US\$'000	US\$'000
Financial assets				
Amortised cost (including cash and cash equivalent)	22,103	20,651	37,785	29,273
Finance lease receivables	166	208	166	208
Financial liabilities				
Amortised cost	18,923	14,544	18,313	10,498
Lease liabilities	5,831	3,619	338	423

17. Related party transactions

Please refer to Note 9 of Section F for disclosure of the related party transactions. There are no other material related party transactions apart from those disclosed in Note 9 of Section F.

18. Dividends

	Group	
	6 months ended	
	31 Dec 2021 ("1H2022") US\$'000	31 Dec 2020 ("1H2021") US\$'000
Ordinary dividends paid:		
Final tax-exempt (1-tier) dividend of US\$0.0054 (equivalent to S\$0.0075) per ordinary share for the financial year ended 30 June 2020	-	454
Final tax-exempt (1-tier) dividend of US\$0.0056 (equivalent to S\$0.0075) per ordinary share for the financial year ended 30 June 2021	462	-
Special final tax-exempt (1-tier) dividend of US\$0.0093 (equivalent to S\$0.0125) per ordinary share for the financial year ended 30 June 2021	770	-
	<hr/> 1,232	<hr/> 454
Dividends were authorised and not included as liabilities in these financial statements are as follows:		
Interim tax-exempt (1-tier) dividend of US\$0.0019 (equivalent to S\$0.0025) per ordinary share for the financial year ended 30 June 2021	-	156
Special interim tax-exempt (1-tier) dividend of US\$0.0057 (equivalent to S\$0.0075) per ordinary share for the financial year ended 30 June 2021	-	470
Interim tax-exempt (1-tier) dividend of US\$0.0018 (equivalent to S\$0.0025) per ordinary share for the financial year ended 30 June 2022	154	-
	<hr/> 154	<hr/> 626

19. Net asset value per share

	The Group		The Company	
	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021
Net asset value per ordinary share				
- US cents	61.5	59.6	44.5	43.0
- Singapore cents	83.1	80.1	60.2	57.8

20. Subsequent events

As announced on 4 January 2022, a fire incident occurred on 3 January 2022 at one of the Group's eleven factory buildings located in Long An Province, Vietnam and no casualties were reported. The affected factory building, including equipment and certain inventories stored therein are adequately insured. Alternate arrangements have been made to minimize operational disruptions. The insurance adjusters are in the process of finalising the impact and the Company will make further announcements when there are material updates as may be necessary or appropriate.

F Other information required by Listing Rule Appendix 7.2

1. Review

The condensed consolidated statement of financial position of Koda Ltd and its subsidiaries as at 31 December 2021 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended and certain explanatory notes have not been audited or reviewed.

2. A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

On 12 November 2021, 119,007 treasury shares were transferred to eligible participants pursuant to the vesting of share awards granted under the PSP2018. Following the transfer, the number of shares held as treasury shares as at 31 December 2021 was 59,074 (30 June 2021: 178,081), representing 0.07% of the total number of shares of the Company of 83,094,782, excluding treasury shares (30 June 2021: 0.22% of the total number of shares of the Company of 82,790,921, excluding treasury shares).

There were no convertibles as at end of the current financial period reported on and as at the end of the corresponding period of the immediate preceding financial year.

3. A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

4. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion: (a) Updates on the efforts taken to resolve each outstanding issue. (b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed. This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable.

5. Review of performance of the Group

Condensed interim consolidated statement of profit or loss (1H2022 vs 1H2021)

Revenues fell by US\$5.7 million to US\$33.8 million in 1H2022 due mainly to temporary closure of our operations in Vietnam and Malaysia as a result of COVID-19 related restrictions imposed by the relevant authorities (Note: During the period under review, there were production disruptions in Vietnam and Malaysia, which we temporarily suspended for approximately 3 months and 2 months respectively). Despite lower revenue for export market, revenue from retail and distribution segment rose by US\$1.1 million to US\$8.9 million due mainly to the work-from-home arrangements.

Gross profit fell by US\$2.6 million to US\$10.2 million on the back of lower revenue and gross margin. Gross margin fell by 2.2 percentage point to 30.0% as a result of (i) high unit fixed costs per revenues as we continue to incur such fixed operating expenses during the temporary factories closure; and (ii) higher raw material costs.

Other income rose by US\$0.5 million to US\$1.3 million due mainly to (i) net foreign exchange gain as a result of appreciation of US\$ (Our reporting currency) against S\$ and RM; (ii) higher property tax and rental rebate; and (iii) higher government subsidies.

Other expenses fell by US\$0.2 million to US\$78,000 due mainly to (i) lower equity-settled share-based expense; and (ii) the absence of net foreign exchange loss during the period.

Income tax expense fell by US\$0.3 million to US\$0.7 million due mainly to lower taxable profits for our operations.

Given the above, Profit attributable to Owners of the Company ("**Net Profit**") fell by US\$1.8 million to US\$3.0 million in 1H2022.

Condensed interim statements of financial position (31 December 2021 vs 30 June 2021)

Assets

Current assets rose by US\$4.6 million to US\$50.4 million. Significant movements during the period under review were as follows:

- Cash and cash equivalents rose by US\$2.0 million to US\$16.7 million due mainly to proceeds from bank loans, offset by (i) repayments of bank loans and lease liabilities; and (ii) purchase of property, plant and equipment including the deposit payment.
- Inventories rose by US\$2.7 million to US\$22.3 million due mainly to higher raw material and Work-In-Progress on the back of increased orders book. The overall inventory turnover days however increased to 173 days (30 June 2021: 129 days) as a result of production disruption triggered by temporary factories closure in Vietnam and Malaysia.

Non-current assets rose by US\$2.7 million to US\$31.3 million. Significant movements during the period under review were as follows:

- Right-of-use assets rose by US\$7.2 million to US\$14.9 million due mainly to (i) reclassification of deposit from Other Receivables upon completion of the land purchase in Vietnam; and (ii) new lease for warehouse and other leases renewal.
- Other receivables fell by US\$4.3 million to US\$0.7 million due mainly to reclassification of deposit to Right-of-use Assets as mentioned above.

Liabilities

Current liabilities rose by US\$0.4 million to US\$21.5 million. Significant movements during the period under review were as follows:

- Bank loan (Current portion) rose by US\$1.4 million to US\$2.5 million due to additional bank loans drawdown.
- Trade payables rose by US\$0.5 million to US\$5.5 million due mainly to higher purchases in December 2021. Trade payable turnover days was 43 days (30 June 2021: 33 days).
- Lease liabilities rose by US\$0.4 million to US\$1.9 million due mainly to new lease for warehouse and other leases renewal.
- Other payables fell by US\$1.8 million to US\$10.0 million due mainly to lower deposits received from customers and repayments.

Non-current liabilities rose by US\$5.2 million to US\$9.4 million due mainly to drawdown of additional bank loans, new lease for warehouse and other leases renewal.

Shareholders' equity

Net asset or Equity attributable to Owners of the Company rose by US\$1.8 million to US\$51.1 million as at 31 December 2021 due mainly to Net Profit for 1H2022, offset by payment of final dividend for FY2021.

Condensed interim consolidated statements of cash flows (1H2022 vs 1H2021)

Net cash from operating activities was US\$1.0 million after accounting for operating cash inflows of US\$5.8 million, working capital outflow of US\$3.9 million and net of payments for income tax and interest of US\$0.9 million.

Net cash used in investing activities was US\$1.9 million due mainly to purchase of machinery and equipment for our factories and deposit paid for the purchase of a commercial property in Singapore.

Net cash from financing activities was US\$2.9 million due mainly to proceeds from drawdown of additional bank loans in 1H2022, offset by (i) repayments of lease liabilities and bank loans; and (ii) payment of final dividend for FY2021.

Given the above, net cash and cash equivalents rose by US\$2.0 million to US\$16.7 million as at 31 December 2021.

6. 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 results announcement for FY2021 that barring any unforeseen circumstances, the Group expected to remain profitable in FY2022.

The Group reported a Net Profit of US\$3.0 million in 1H2022.

7. A commentary at the date of the announcement of the significant trends and 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 had previously disclosed that:

- we have seen increasingly higher orders book from export markets given the work-from-home trend;
- COVID-19 variants in varying degrees of ferocity continued to pose threats to resumption of normalcy;
- apart from the virus fear, there were concerns over inflation despite better job reports in the US;
- several regulatory COVID-19 related restrictions imposed by the governments in Malaysia and Vietnam had resulted in temporary closure of our factories and thus delayed our production cycles (and thus weaker 1H2022);
- upsurge of the virus variants in China sparked lockdowns and triggered various restrictions which affected Commune's business in China; and
- there was a fire incident occurred at one of our factory buildings in Vietnam in early January this year which required us to rearrange and reschedule production of certain orders.

As at the date of this announcement:

- demand for our furniture in the export markets remain strong despite raising concerns over rising inflation;
- COVID-19 related supply chain disruptions have caused increase in raw materials cost and operating overheads, which may continue to rise, albeit at a more moderate pace;
- lingering supply chain pressures (which affected our production in Malaysia and Vietnam during the previous temporary factories closure) have since eased following the resumption of our factory operations, which helps to progressively clear orders backlog and replenish inventories while we are still optimising capacity utilization rates;
- the fire incident in Vietnam did not result in any significant operational disruptions as the disrupted supply chain has since been managed; and the affected assets are adequately insured; and
- we have read about China's continual efforts on "zero-COVID" plan that (i) the related restrictions has slowed down Commune's local sales and (ii) could further weigh on domestic consumer spending – but we believe subsequent re-opening will lead to strong demand recovery.

Given the above and our capabilities to manage supply chain under the current business environment, we continue to believe that the Group will remain profitable for FY2022, barring unforeseen circumstances.

8. Dividend information

8a. Current Financial Period Reported on

Any dividend recommended for the current financial period reported on? Yes

Name of Dividend	Interim
Dividend type	Cash
Dividend per share	i) Interim - 0.25 Singapore cents
Tax rate	Tax exempt

The Directors are pleased to declare a tax exempt one-tier interim cash dividend of 0.25 Singapore cents per share in respect of six months ended 31 December 2021 (6 months ended 31 December 2020: tax exempt one-tier interim cash dividend of 0.25 Singapore cents per share and tax exempt one-tier special interim cash dividend of 0.75 Singapore cents per share). The date payable will be determined and announced at a later date.

8b. Corresponding Period of the Immediate Preceding Financial Year

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

Name of Dividend	Interim
Dividend type	Cash
Dividend per share	Interim – 0.25 Singapore cents Special Interim – 0.75 Singapore cents
Tax rate	Tax exempt

8c. Date Payable

To be determined and announced at a later date.

8d. Books Closure Date

To be determined and announced at a later date.

9. Interested person transactions

The Group does not have a general mandate from shareholders for IPTs pursuant to Rule 920(1)(a)(ii).

IPT for 1H2022 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)
Directors of the Company: Koh Jyh Eng Koh Shwu Lee	<p>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").</p> <p>The IPT for 1H2022 with regards to the Lease is as follow:</p> <p>(i) Rental expense (RM148,191)</p>	48(Note 1)

Note 1: Based on closing rate as at 31 December 2021 of S\$1= RM3.0893, the rental expense under the above IPT for 1H2022 was approximately 0.07% of the Group's latest audited Net Tangible Asset as at 30 June 2021.

10. Confirmation pursuant to Rule 705(5)

The Board of Directors of the Company hereby confirms that, to the best of their knowledge, nothing has come their attention which may render the unaudited condensed interim financial statements for the six months ended 31 December 2021 to be false or misleading in any material aspect.

11. 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).

12. Review of performance of the Group – turnover and earnings

Please refer to item 5 above.

BY ORDER OF THE BOARD
JAMES KOH JYH GANG
Executive Chairman and Chief Executive Officer
11 February 2022