

## 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 3 months ended 30 September 2014

	3 months ended 30/09/14 ("1Q15") US\$'000	3 months ended 30/09/13 ("1Q14") US\$'000	Change %
<b>Revenue</b>	<b>13,894</b>	<b>14,060</b>	<b>(1.2)</b>
Cost of sales	(10,484)	(10,635)	(1.4)
<b>Gross profit</b>	<b>3,410</b>	<b>3,425</b>	<b>(0.4)</b>
Other operating income	170	174	(2.3)
Selling and distribution costs	(1,126)	(1,117)	0.8
Administrative expenses	(1,896)	(2,036)	(6.9)
Other operating expenses	(42)	(4)	950
Finance costs	(58)	(65)	(10.8)
<b>Profit before income tax</b>	<b>458</b>	<b>377</b>	<b>21.5</b>
Income tax expense	(50)	(44)	14
<b>Profit after income tax</b>	<b>408</b>	<b>333</b>	<b>22.5</b>
Attributable to:-			
<b>Equity holders of the parent</b>	<b>548</b>	<b>462</b>	<b>18.6</b>
Minority interests	(140)	(129)	9
	<b>408</b>	<b>333</b>	<b>22.5</b>

*Note: For comparison purposes, please refer to Table 1 in Note 8 for details of the Group's results ended 1Q14, 2Q14, 3Q14 and 4Q14.*

## Notes to Consolidated Profit and Loss Statements

	3 months ended 30/09/14 ("1Q15") <u>US\$'000</u>	3 months ended 30/09/13 ("1Q14") <u>US\$'000</u>
<b><u>Other operating income</u></b>		
Rental income	48	77
Interest income	2	4
Exchange gain	-	57
Gain on disposal of fixed assets	15	-
Others	105	36
	<b><u>170</u></b>	<b><u>174</u></b>

	3 months ended 30/09/14 ("1Q15") <u>US\$'000</u>	3 months ended 30/09/13 ("1Q14") <u>US\$'000</u>
<b><u>Other operating expenses</u></b>		
Exchange loss	(42)	-
Others	-	(4)
	<b><u>(42)</u></b>	<b><u>(4)</u></b>

## Statement of Comprehensive Income

	3 months ended 30/09/14 ("1Q15") <u>US\$'000</u>	3 months ended 30/09/13 ("1Q14") <u>US\$'000</u>
Profit after Income Tax	408	333
Currency translation differences	(151)	(151)
<b>Total comprehensive income</b>	<b><u>257</u></b>	<b><u>182</u></b>
Attributable to :-		
<b>Equity holders of the parent</b>	<b>384</b>	<b>308</b>
Minority interests	(127)	(126)
	<b><u>257</u></b>	<b><u>182</u></b>

**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	
As at	30/09/14	30/06/14	30/09/14	30/06/14
	US\$'000	US\$'000	US\$'000	US\$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and bank balances	1,436	2,050	176	447
Trade Receivables	4,624	4,014	9,351	9,087
Other receivables and prepayments	3,167	2,562	6,650	6,472
Inventories	14,472	15,858	-	-
<b>Total current assets</b>	<b>23,699</b>	<b>24,484</b>	<b>16,177</b>	<b>16,006</b>
<b>Non-current assets</b>				
Investment in subsidiaries	-	-	9,823	9,823
Property, plant and equipment	13,336	13,566	631	494
Investment Properties	2,800	2,800	-	-
Intangibles assets	223	230	-	-
Club memberships	211	211	192	192
Goodwill on consolidation	758	758	-	-
Deferred tax asset	377	377	3	3
<b>Total non-current assets</b>	<b>17,705</b>	<b>17,942</b>	<b>10,649</b>	<b>10,512</b>
<b>Total assets</b>	<b>41,404</b>	<b>42,426</b>	<b>26,826</b>	<b>26,518</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Current liabilities</b>				
Bills payable	5,361	6,960	3,674	4,590
Trade payables	4,404	4,178	6,121	4,807
Other payables	5,025	4,725	1,085	1,242
Finance lease obligation : current portion	78	64	46	32
Bank loans and overdrafts : current portion	668	838	634	801
Income tax payable	156	130	-	-
<b>Total current liabilities</b>	<b>15,692</b>	<b>16,895</b>	<b>11,560</b>	<b>11,472</b>
<b>Non-current liabilities</b>				
Finance lease obligations	79	68	60	40
Non-current portions of bank loans	556	639	556	639
Due to related parties	700	693	-	-
Deferred taxation	677	688	-	-
<b>Total non-current liabilities</b>	<b>2,012</b>	<b>2,088</b>	<b>616</b>	<b>679</b>
<b>Capital and reserves</b>				
Issued capital	4,312	4,312	4,312	4,312
Capital reserves	5,047	5,047	58	58
Currency translation reserve	213	378	-	-
Retained earnings	13,483	12,934	10,280	9,997
<b>Equity attributable to shareholders</b>	<b>23,055</b>	<b>22,671</b>	<b>14,650</b>	<b>14,367</b>
Minority interests	645	772	-	-
<b>Total equity</b>	<b>23,700</b>	<b>23,443</b>	<b>14,650</b>	<b>14,367</b>
-	-	-	-	-
<b>Total Liabilities and Equity</b>	<b>41,404</b>	<b>42,426</b>	<b>26,826</b>	<b>26,518</b>

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

**Amount repayable in one year or less, or on demand**

As at 30/09/14 (US\$'000)		As at 30/6/14 (US\$'000)	
Secured	Unsecured	Secured	Unsecured
6,107	-	7,862	-

**Amount repayable after one year**

As at 30/09/14 (US\$'000)		As at 30/6/14 (US\$'000)	
Secured	Unsecured	Secured	Unsecured
635	-	707	-

**Borrowings and gearing ratio**

Total borrowings of US\$6.7 million as at 30 September 2014 comprise short-term borrowings, long-term loans and finance lease obligations. Total borrowings fell by US\$ 1.8 million compared to 30 June 2014 due to loans repayment.

The Group's gearing ratio was 0.29 times as at 30 September 2014 compared to 0.38 times as at 30 June 2014.

**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 30/09/14 ("1Q15") <u>US\$'000</u>	3 months ended 30/09/13 ("1Q14") <u>US\$'000</u>
<b>Cash flows from operating activities</b>		
Profit before income tax	458	377
Adjustments for:		
Depreciation and amortization expenses	328	341
Gain on disposal of fixed assets	(15)	-
Interest income	(2)	(4)
Interest expense	58	65
<b>Operating profit before working capital changes</b>	<b>827</b>	<b>779</b>
Trade receivables	(610)	118
Other receivables and prepayments	(604)	(765)
Inventories	1,386	1,215
Trade payables	227	(571)
Other payables	307	(1)
<b>Net Cash generated from operations</b>	<b>1,533</b>	<b>775</b>
Interest received	2	4
Interest paid	(58)	(65)
Income tax paid	(36)	(25)
<b>Net cash generated from operating activities</b>	<b>1,441</b>	<b>689</b>
<b>Cash flows from investing activities</b>		
Addition of fixed assets	(145)	(135)
Proceeds from disposal of fixed assets	15	-
<b>Net used in investing activities</b>	<b>(130)</b>	<b>(135)</b>
<b>Cash flows from financing activities</b>		
Net decrease in short-term borrowings	(1,599)	(569)
Net (decrease) increase in long-term borrowings	(58)	56
<b>Net cash used in financing activities</b>	<b>(1,657)</b>	<b>(513)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(346)</b>	<b>41</b>
Cash and cash equivalents at beginning of period / year	1,545	1,534
Currency translation differences	(97)	79
<b>Cash and cash equivalents at end of period / year</b>	<b>1,102</b>	<b>1,654</b>
Represented by:		
<b>Cash and bank balances (inclusive of Fixed Deposit)</b>	<b>1,436</b>	<b>1,968</b>
<b>Bank overdraft</b>	<b>(334)</b>	<b>(314)</b>
	<b>1,102</b>	<b>1,654</b>

**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
<b>US\$'000</b>							
<b>Group</b>							
Balance as at 1/7/14	4,312	5,047	378	12,934	22,671	772	23,443
Total comprehensive income	-	-	(165)	549	384	(127)	257
<b>Balance as at 30/09/14</b>	<b>4,312</b>	<b>5,047</b>	<b>213</b>	<b>13,483</b>	<b>23,055</b>	<b>645</b>	<b>23,700</b>
<b>Company</b>							
Balance as at 1/7/14	4,312	58	-	9,997	14,367	-	14,367
Total comprehensive income	-	-	-	283	283	-	283
<b>Balance as at 30/09/14</b>	<b>4,312</b>	<b>58</b>	<b>-</b>	<b>10,280</b>	<b>14,650</b>	<b>-</b>	<b>14,650</b>

	Issued Capital	Capital reserves	Currency translation reserve	Retained earnings	Attributable to equity holders	Minority interests	Total
<b>US\$'000</b>							
<b>Group</b>							
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
<b>Balance as at 30/09/13</b>	<b>4,312</b>	<b>4,208</b>	<b>349</b>	<b>14,633</b>	<b>23,502</b>	<b>1,100</b>	<b>24,602</b>
<b>Company</b>							
Balance as of 1/7/13	4,312	58	-	14,482	18,852	-	18,852
Total comprehensive income	-	-	-	425	425	-	425
<b>Balance as at 30/09/13</b>	<b>4,312</b>	<b>58</b>	<b>-</b>	<b>14,907</b>	<b>19,277</b>	<b>-</b>	<b>19,277</b>

- 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	30/09/14	30/06/14
Total number of issued shares (excluding treasury shares)	136,513,397	136,513,397

*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.**

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 30<sup>th</sup> June 2014.

- 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 30/09/14 ("1Q15")	3 months ended 30/09/13 ("1Q14")
Earnings per ordinary share (US cents)	0.40	0.34

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	
	30/09/2014	30/06/2014	30/09/2014	30/06/2014
Net asset value per ordinary share (US cents)	16.9	16.6	10.7	10.5

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 30/09/13 ("1Q14")	3 months ended 31/12/13 ("2Q14")	3 months ended 31/03/14 ("3Q14")	3 months ended 30/06/14 ("4Q14")	3 months ended 30/9/14 ("1Q15")
<b>Revenue</b>	<b>14,060</b>	<b>13,575</b>	<b>11,262</b>	<b>13,426</b>	<b>13,894</b>
Gross profit	3,425	3,482	2,283	3,673	3,410
<b>Net profit (loss) after tax</b>	<b>333</b>	<b>357</b>	<b>(1,252)</b>	<b>(1,150)</b>	<b>408</b>
Attributable to:-					
<b>Equity holders of the parent</b>	<b>462</b>	<b>425</b>	<b>(1,141)</b>	<b>(1,021)</b>	<b>548</b>
Minority interests	(129)	(68)	(111)	(129)	(140)
	333	357	(1,252)	(1,150)	408



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

1Q15 vs 1Q14

The Group had shown an improvement in net profit for 1Q15 compared to 1Q14.

Revenues fell marginally by just 1.2% or US\$0.17 million to US\$13.9 million due mainly to lower retail sales for Rossano Vietnam. The retail market in Vietnam remained weak. Elsewhere, in North America and Asia, we were able to sustain sales to these major markets.

Gross Profit and Gross Margin remained relatively unchanged as compared to 1Q14. Gross margin rose slightly by 0.2 percentage points to 24.5%.

Selling and distribution expenses remained relatively unchanged at US\$1.1 million whereas administrative expenses fell by 6.9% or US\$0.14 million to US\$1.9 million, following our operational streamlining exercise.

There was a share of loss by minority shareholders of Rossano and Metrolink of US\$0.06 million and US\$0.08 million, respectively.

Given the above, Net Profit improved by 18.6% or US\$0.09 million to US\$0.55 million for 1Q15 compared to 1Q14.

## **Financial Position (30 September 2014 vs 30 June 2014)**

### Assets

Current Assets fell by US\$0.79 million to US\$23.7 million. Significant movements in Current Assets during the period under review were as follows:

- Cash at bank (inclusive of fixed deposits) fell by US\$0.61 million to US\$1.4 million due mainly to loan repayments.
- Trade receivables rose by US\$0.61 million to US\$4.6 million due mainly to slower collections from our export customers. Trade receivables turnaround time increased slightly to 30 days.
- Other receivables and prepayments rose by US\$0.61 million to US\$3.2 million due mainly to higher deposits placed with our suppliers.
- Inventories fell by US\$1.4 million to US\$14.5 million due mainly to an improved supply chain management and production cycle. As a result, inventory turnover improved from 145 days to 124 days.

Non-Current Assets fell by US\$0.24 million to US\$17.7 million due mainly to depreciation of property, plant and equipment and amortization.

### Liabilities

Current Liabilities fell by US\$1.2 million to US\$15.7 million due mainly to loan repayments and reduction in short-term borrowings.

### Shareholders' equity

Net asset or Equity attributable to shareholders rose by US\$0.38 million to US\$23.1 million as at 30 September 2014 due mainly to current period earnings of US\$0.55 million, offset by a lower currency translation reserve, which fell by US\$0.17 million due mainly to lower RM-denominated assets when expressed in US\$ terms (RM weakened against the US\$ during the period under review).

### Minority interests

Minority interests ("MI"), reflecting the cumulative share of net asset by Metrolink Group's and Rossano's other shareholders, who owns 49% and 30% of Metrolink Group and Rossano respectively, fell by US\$0.13 million to US\$0.65 million after offsetting a fall in Metrolink's and Rossano's MI.

### **Cash Flows (movements in 1Q15)**

Net cash from operating activities was US\$1.4 million for 1Q15 after accounting for cash profit of US\$0.83 million, a reduction in working capital investments of US\$0.71 million and interest payments of US\$0.06 million. Net cash used in investing activities was US\$0.13 million due to investments in new equipment. Net cash used in financing activities was US\$1.7 million due mainly to loan repayments. Given these, net cash and cash equivalents fell by US\$0.35 million to US\$1.1 million as at 30 September 2014 (net of bank overdrafts 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 FY2014 announcement that barring any unforeseen circumstances, the financial performance in FY2015 should improve significantly over that of FY2014.

The Group recorded a Net Profit of US\$0.55 million for 1Q15, approximately 18.6% or US\$0.09 million higher than that of the last corresponding quarter in 1Q14.

**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 have been able to sustain the level of sales to the North America and Asia markets due to our focused marketing efforts and continual R&D investments and order books from these markets are encouraging.

Following our capacity consolidation and operational streamlining last year, we had since geared up our capacity in Malaysia by investing in more equipment to boost factory productivity and we have also seen an overall improvement in our Group's factory efficiency in delivering larger orders over shorter lead times.

We believe that the furniture retail market in Vietnam is likely to remain bleak in the medium-term and so far, we have not seen any immediate signs of recovery. Given that, we have planned to further reduce our exposure thereby closing or scaling down more Rossano self-operated stores.

On a positive note, our growth initiatives for the Commune brand in the Asia region has been on track as planned and sales are growing, particularly in China. We will continue to allocate more resources for this business segment.

Given the above, the Board continues to believe that barring any unforeseen circumstances, there will be a significant improvement in the financial performance in FY2015 over that of FY2014.

**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/recommendeded, 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 has not obtained a general mandate from shareholders for IPTs.

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

14. **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

15. **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

16. **A breakdown of sales**

Not applicable

17. **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 quarter ended 30 September 2014 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD  
JAMES KOH JYH GANG  
Managing Director  
13 November 2014**