



LY CORPORATION LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 201629154K)

**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

LY Corporation Limited (the "**Company**") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 31 January 2018. The initial public offering of the Company was sponsored by UOB Kay Hian Private Limited (the "**Sponsor**").

This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Lan Kang Ming, Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.

Background

The Company was incorporated in Singapore on 24 October 2016 under the Companies Act as a private company limited by shares, under the name of "LY Corporation Pte. Ltd.". The Company was converted into a public company limited by shares and changed its name to LY Corporation Limited on 21 December 2017.

The Group is an established original design manufacturer principally engaged in the design and manufacture of wooden bedroom furniture and the manufacture of custom wooden bedroom furniture which may be tailored to our customers' specifications on an original equipment manufacturer basis.

Prior to the listing on the Catalist of the SGX-ST, on 18 December 2017, the Group undertook a corporate restructuring (the "**Restructuring Exercise**") to rationalise and streamline the Group's corporate structure. Please refer to the Offer Document of the Company dated 18 January 2018 ("**Offer Document**") for further details on the Restructuring Exercise.

PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) 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.

For the 3 months ended 31 December 2018 (“4Q2018”) and financial year ended 31 December 2018 (“FY2018”)

Consolidated Statements of Comprehensive Income

	Group 3 months ended			Group 12 months ended		
	31 December 2018 RM'000	31 December 2017 (Restated) RM'000	Increase/ (Decrease) %	31 December 2018 RM'000	31 December 2017 (Restated) RM'000	Increase/ (Decrease) %
Revenue	63,427	96,651	(34.4)	263,136	345,993	(23.9)
Cost of sales	(51,804)	(72,586)	(28.6)	(219,243)	(269,643)	(18.7)
Gross Profit	11,623	24,065	(51.7)	43,893	76,350	(42.5)
Other items of income						
Interest income	203	194	4.6	627	844	(25.7)
Other income	489	1,973	(75.2)	5,715	6,237	(8.4)
Other items of expense						
Selling and administrative expenses	(4,212)	(5,951)	(29.2)	(17,820)	(16,521)	7.9
Finance costs	(32)	(44)	(27.3)	(245)	(208)	17.8
Listing expenses	–	–	–	(6,794)	–	N.M.
Other expense	(160)	(1,301)	(87.7)	(1,293)	(4,324)	(70.1)
Profit before tax	7,911	18,936	(58.2)	24,083	62,378	(61.4)
Income tax expense	(3,407)	(4,309)	(20.9)	(9,162)	(13,215)	(30.7)
Profit for the period, representing total comprehensive income for the period	4,504	14,627	(69.2)	14,921	49,163	(69.6)

Note:

N.M. Not meaningful

1(a)(ii) Notes to consolidated statement of comprehensive income.

	Group 3 months ended			Group 12 months ended		
	31 December 2018	31 December 2017 (Restated)	Increase/ (Decrease)	31 December 2018	31 December 2017 (Restated)	Increase/ (Decrease)
	RM'000	RM'000	%	RM'000	RM'000	%
Profit for the period include the following (charges)/credits:						
Finance expenses:						
– obligations under finance lease	(15)	(19)	(21.1)	(67)	(59)	13.6
- bank loans	(17)	(25)	(32.0)	(178)	(149)	19.5
	(32)	(44)		(245)	(208)	
Amortisation of leasehold land	(86)	(85)	1.2	(342)	(341)	0.3
Depreciation of property, plant and equipment	(1,487)	(2,323)	(36.0)	(6,068)	(6,049)	0.3
Gain/(loss) on disposal of property, plant and equipment	1	(114)	N.M.	224	86	N.M.
Rental income	202	133	51.9	602	533	12.9
Net foreign exchange loss	(56)	(1,293)	(95.7)	(139)	(4,317)	N.M.
Listing expenses	–	–	–	(6,794)	–	N.M.

Note:

N.M. Not meaningful

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 As at 31 December 2018	Group As at 31 December 2017	Group As at 1 January 2017	Company As at 31 December 2018	Company As at 31 December 2017
	RM'000	(Restated) RM'000	(Restated) RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	119,748	114,074	102,961	–	–
Leasehold land	13,430	13,772	14,113	–	–
Investment in subsidiaries	–	–	–	30,469	20,234
	133,178	127,846	117,074	30,469	20,234
Current assets					
Inventories	34,639	37,112	33,658	–	–
Trade and other receivables	23,404	28,489	18,590	–	–
Contract assets	10,784	6,119	10,728	–	–
Amount due from a subsidiary	–	–	–	4,078	–
Prepaid operating expense	1,221	5,764	2,566	61	5,169
Cash and cash equivalents	64,709	31,103	49,468	32,415	–*
	134,757	108,587	115,010	36,554	5,169
Total assets	267,935	236,433	232,084	67,023	25,403
LIABILITIES					
Current liabilities					
Loans and borrowings	2,601	8,321	4,662	–	–
Trade and other payables	22,755	30,559	24,261	38	5,170
Contract liabilities	136	280	238	–	–
Other liabilities	504	4,809	6,512	395	270
Tax payable	1,503	3,328	4,432	28	–
Derivative liabilities	–	–	2,484	–	–
	27,499	47,297	42,589	461	5,440
Net current assets/(liabilities)	107,258	61,290	72,421	36,093	(271)
Non-current liabilities					
Loans and borrowings	781	977	698	–	–
Deferred tax liabilities	14,819	12,841	12,142	–	–
	15,600	13,818	12,840	–	–
Total liabilities	43,099	61,115	55,429	461	5,440
Net assets	224,836	175,318	176,655	66,562	19,963
Equity attributable to owners of the Company					
Share capital	66,135	20,234	–*	66,135	20,234
Merger reserve	(15,234)	(15,234)	500	–	–
Retained earnings/(accumulated losses)	173,935	170,318	176,155	427	(271)
	224,836	175,318	176,655	66,562	19,963
Total equity and liabilities	267,935	236,433	232,084	67,023	25,403

* Less than RM1,000

1(b)(ii) Aggregate amount of group's borrowings and debt securities**Amount repayable by the Group in one year or less, or on demand**

As at 31 December 2018		As at 31 December 2017	
Secured	Unsecured	Secured	Unsecured
RM'000	RM'000	RM'000	RM'000
2,601	–	8,321	–

Amount repayable by the Group after one year

As at 31 December 2018		As at 31 December 2017	
Secured	Unsecured	Secured	Unsecured
RM'000	RM'000	RM'000	RM'000
781	–	977	–

Details of collateral

The Group's borrowings consist of obligations under finance lease, short-term trade financing and bankers' acceptance.

The obligations under finance leases are secured by a charge over the respective leased motor vehicles.

The bankers' acceptance and short-term trade financing are secured by mortgage over certain buildings and leasehold land and joint and several guarantees provided by the directors from one of our subsidiaries.

1(c)(i) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	12 months ended	
	31 December 2018	31 December 2017 (Restated)
	RM'000	RM'000
Operating activities		
Profit before tax	24,083	62,378
<u>Adjustments for:</u>		
Gain on disposal of property, plant and equipment	(224)	(86)
Interest income	(627)	(844)
Interest expense	245	208
Amortisation of leasehold land	342	341
Depreciation of property, plant and equipment	6,068	6,049
Unrealised exchange loss	298	532
Listing expenses	6,794	–
Net fair value gain on derivatives	–	(2,484)
Property, plant and equipment written-off	39	7
	37,018	66,101
Operating profit before working capital changes		
<u>Changes in working capital:</u>		
Decrease/(increase) in inventories	2,473	(3,454)
Decrease/(increase) in trade and other receivables	5,123	(10,000)
(Increase)/decrease in contract assets	(4,665)	4,609
Decrease/(increase) in prepaid operating expense	4,543	(3,198)
(Decrease)/increase/ in trade and other payables	(7,870)	6,390
(Decrease)/increase in contract liabilities	(144)	42
Decrease in other liabilities	(4,305)	(536)
	32,173	59,954
Cash flows from operations		
Interest paid	(245)	(208)
Income taxes paid	(9,009)	(13,620)
	22,919	46,126
Net cash flows generated from operating activities		
Investing activities		
Interest income from short term deposits	627	844
Purchase of property, plant and equipment (Note A)	(11,938)	(18,576)
Proceeds from disposal of property, plant and equipment	691	1,166
	(10,620)	(16,566)
Net cash flows used in investing activities		
Financing activities		
Dividends paid on ordinary shares	(11,304)	(55,000)
Proceeds from loans and borrowings	58,922	82,322
Repayment of obligations under finance lease	(605)	(471)
Repayment of loans and borrowings	(64,543)	(78,832)
Proceeds from issuance of new shares pursuant to initial public offering (“IPO”)	48,387	4,500
Listing expenses paid	(9,280)	–
	21,577	(47,481)
Net cash flows generated from/(used in) financing activities		

	Group	
	12 months ended	
	31 December	31 December
	2018	2017
		(Restated)
	RM'000	RM'000
Net increase/(decrease) in cash and cash equivalents	33,876	(17,921)
Effect of exchange rate changes on cash and cash equivalent	(270)	(444)
Cash and cash equivalents at beginning of period	31,103	49,468
Cash and cash equivalents at end of period	64,709	31,103

1(c)(ii) Note to the combined statement of cash flows

Note A: Property, plant and equipment

	Group	
	12 months ended	
	31 December	31 December
	2018	2017
	RM'000	RM'000
Current year additions to property, plant and equipment	12,248	18,249
Less: Additions under finance leases	(310)	(840)
Add: Payment of previous year's accruals	–	1,167
Net cash outflow from purchase of property, plant and equipment	11,938	18,576

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.

Group

Restated	Attributable to owners of the Company			Total equity RM'000
	Share capital RM'000	Merger reserve RM'000	Retained earnings RM'000	
Opening balance at 1 January 2018 (FRS framework)	20,234	(15,234)	168,768	173,768
Cumulative effects of adopting SFRS(l)	–	–	1,550	1,550
Opening balance at 1 January 2018 (SFRS(l) framework)	20,234	(15,234)	170,318	175,318
Loss for the period, representing total comprehensive income for the period	–	–	(2,797)	(2,797)
Issuance of new shares pursuant to the IPO	48,387	–	–	48,387
Listing expenses	(2,486)	–	–	(2,486)
At 31 March 2018 and 1 April 2018	66,135	(15,234)	167,521	218,422
Profit for the period, representing total comprehensive income for the period	–	–	6,455	6,455
Dividend on ordinary shares	–	–	(11,304)	(11,304)
At 30 June 2018 and 1 July 2018	66,135	(15,234)	162,672	213,573
Profit for the period, representing total comprehensive income for the period	–	–	6,759	6,759
At 30 September 2018 and 1 October 2018	66,135	(15,234)	169,431	220,332
Profit for the period, representing total comprehensive income for the period	–	–	4,504	4,504
At 31 December 2018	66,135	(15,234)	173,935	224,836

Group

Restated

	Attributable to owners of the Company			Total equity RM'000
	Share capital RM'000	Merger reserve RM'000	Retained earnings RM'000	
Opening balance at 1 January 2017 (FRS framework)	–*	500	172,867	173,367
Cumulative effects of adopting SFRS(l)	–	–	3,288	3,288
Opening balance at 1 January 2017 (SFRS(l) framework)	–*	500	176,155	176,655
Profit for the period, representing total comprehensive income for the period	–	–	10,372	10,372
At 31 March 2017 and 1 April 2017	–*	500	186,527	187,027
Profit for the period, representing total comprehensive income for the period	–	–	10,728	10,728
Dividend on ordinary shares	–	–	(35,000)	(35,000)
At 30 June 2017 and 1 July 2017	–*	500	162,255	162,755
Profit for the period, representing total comprehensive income for the period	–	–	13,436	13,436
At 30 September 2017 and 1 October 2017	–*	500	175,691	176,191
Issuance of new shares	4,500	–	–	4,500
Profit for the period, representing total comprehensive income for the period	–	–	14,627	14,627
Dividend on ordinary shares	–	–	(20,000)	(20,000)
Issue of new shares and effect of adjustments pursuant to the Restructuring Exercise	15,734	(15,734)	–	–
At 31 December 2017	20,234	(15,234)	170,318	175,318

*Less than RM1,000

Company

	Share capital RM'000	Accumulated losses RM'000	Total RM'000
At 1 January 2018	20,234	(271)	19,963
Issuance of new shares pursuant to the IPO	48,387	–	48,387
Loss for the period	–	(7,936)	(7,936)
Listing expenses	(2,486)	–	(2,486)
	66,135	(8,207)	57,928
At 31 March 2018 and 1 April 2018			
Profit for the period	–	10,975	10,975
Dividend on ordinary shares	–	(11,304)	(11,304)
	66,135	(8,536)	57,599
At 30 June 2018 and 1 July 2018			
Profit for the period	–	603	603
	66,135	(7,933)	58,202
At 30 September 2018 and 1 October 2018			
Profit for the period	–	8,360	8,360
	66,135	427	66,562
At 31 December 2018			
	–*	–	–*
Loss for the period	–	–	–
	–*	–	–*
At 31 March 2017 and 1 April 2017			
Loss for the period	–	–	–
	–*	–	–*
At 30 June 2017 and 1 July 2017			
Loss for the period	–	–	–
	–*	–	–*
At 30 September 2017 and 1 October 2017			
Issuance of new shares	4,500	–	4,500
Loss for the period	–	(271)	(271)
Issue of new shares and effect of adjustments pursuant to the Restructuring Exercise	15,734	–	15,734
	20,234	(271)	19,963
At 31 December 2017			

*Less than RM1,000

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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.

Share Capital

	No. of issued shares	Issued and paid-up share capital (RM)
Balance as at 30 September 2018	489,144,200	66,135,255
Balance as at 31 December 2018	489,144,200	66,135,255

The Company did not have any outstanding convertibles as at 31 December 2018 and 31 December 2017.

The Company did not have any treasury shares and subsidiary holdings as at 31 December 2018 and 31 December 2017.

1(d)(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.

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 are as follows:

	As at 31 December 2018	As at 31 December 2017
Total number of issued shares (excluding treasury shares)*	489,144,200	40,000,000

The Company did not have any treasury shares as at 31 December 2018 and 31 December 2017.

* Refers to the number of issued shares of the Company as registered with the Accounting and Corporate Regulatory Authority.

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

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

1(d)(v) 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. The Company did not have any subsidiary holdings during and 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 by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable. The figures have not been audited or reviewed by the Company's auditors.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in paragraph 5 below, the accounting policies and methods of computation adopted in the financial statements for the current reporting period are consistent with those disclosed in the most recently audited consolidated financial statements for the financial year ended 31 December 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.

The Group has adopted Singapore Financial Reporting Standards (International) ("**SFRS(I)**"), which is effective for Singapore-incorporated companies listed on the Singapore Exchange for annual reporting periods beginning on or after 1 January 2018. The Group has also adopted the new SFRS(I) and Interpretations to SFRS(I)s ("**SFRS(I) INT**") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2018.

SFRS(I) 1 – First-time adoption of Singapore Financial Reporting Standards (International)

On transition to SFRS(I), the Group restated comparative periods financial statements to retrospectively apply SFRS(I) where applicable, except where SFRS(I) 1 specifically prohibited such retrospective applications and where optional exemptions from retrospective applications were elected.

SFRS(I) 9 – Financial Instruments

SFRS(I) 9 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group adopts the simplified approach and records lifetime expected losses on all trade receivables.

The Group adopted SFRS(I) 9 using the full retrospective approach.

SFRS(I) 15 – Revenue from Contracts with Customers

The Group is in the business of manufacturing wooden furniture based on standard and customised specifications. The Group previously recognises revenue upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Under SFRS(I) 15, the performance obligation for manufacturing of wooden furniture is satisfied when the manufacturing process is completed and packed as the Group is restricted contractually from directing the finished goods for another use as they are being fulfilled and has an enforceable right to payment for performance completed to date.

The Group adopted SFRS(I) 15 using the full retrospective approach.

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 1 January 2017 to the balance sheet of the Group.

	Group			
	As at	SFRS(I) 15	SFRS(I) 9	As at 1
	1 January 2017	adjustments	adjustments	January 2017
	(FRS)			(SFRS(I))
	RM'000	RM'000	RM'000	RM'000
Current assets				
Inventories	40,810	(7,152)	–	33,658
Trade and other receivables	18,640	–	(50)	18,590
Contract assets	–	10,728	–	10,728
Current liabilities				
Contract liabilities	–	(238)	–	(238)
Equity attributable to owners of the Company				
Retained earnings	172,867	3,338	(50)	176,155

	12 months ended		
	31 December 2017	SFRS(I) 15	31 December 2017
	(FRS)	adjustments	(SFRS(I))
	RM'000	RM'000	RM'000
Profit and loss			
Revenue	350,644	(4,651)	345,993
Cost of sales	(262,935)	(6,708)	(269,643)
Selling and administrative expenses	(26,142)	9,621	(16,521)

	Group		
	As at 31	SFRS(I) 15	As at 31
	December 2017	adjustments	December 2017
	(FRS)		(SFRS(I))
	RM'000	RM'000	RM'000
Current assets			
Inventories	41,351	(4,239)	37,112
Trade and other receivables	28,539	(50)	28,489
Contract assets	–	6,119	6,119
Current liabilities			
Contract liabilities	–	(280)	(280)
Equity attributable to owners of the Company			
Retained earnings	168,768	1,550	170,318

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group 3 months ended		Group 12 months ended	
	<u>31 December 2018</u>	<u>31 December 2017</u>	<u>31 December 2018</u>	<u>31 December 2017</u>
Profit attributable to owners of the Company (RM'000)	4,504	14,627	14,921	49,163
Weighted average number of ordinary shares ⁽¹⁾ ('000)	489,144	40,000	489,144	40,000
Basic and diluted earnings per share ⁽²⁾ (sen)	0.92	36.57	3.05	122.91

	Group 3 months ended		Group 12 months ended	
	<u>31 December 2018</u>	<u>31 December 2017</u>	<u>31 December 2018</u>	<u>31 December 2017</u>
For illustrative purposes ⁽³⁾				
Profit attributable to owners of the Company (RM'000)	4,504	14,627	14,921	49,163
Weighted average number of ordinary shares ('000)	489,144	489,144	489,144	489,144
Basic and diluted earnings per share ⁽²⁾ (sen)	0.92	2.99	3.05	10.05

Notes:

- (1) The Company's number of ordinary shares of 40,000,000 immediately after the Restructuring Exercise has been used in the calculation of basic and diluted earnings per share for financial year ended 31 December 2017.
- (2) The basic and fully diluted earnings per share were the same as there were no dilutive ordinary shares in issue as at 31 December 2018 and 31 December 2017.
- (3) For comparative purposes, the Company's number of ordinary shares of 489,144,200 immediately after the IPO has been used in the calculation of basic and diluted earnings per share for both financial years presented, on the assumption that the Restructuring Exercise pursuant to the subdivision of 1,000 shares into 10,668 shares (the "Share Split"), and issuance of 62,424,200 new shares pursuant to the IPO had been completed as at 1 January 2017.

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:–**
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Net asset value (“NAV”) (RM’000)	224,836	175,318	66,562	19,963
Number of ordinary shares in issue (’000)	489,144	40,000	489,144	40,000
NAV per ordinary share (RM)	0.46	4.38	0.14	0.50

For illustrative purposes ⁽¹⁾	Group		Company	
	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017
Net asset value (“NAV”) (RM’000)	224,836	175,318	66,562	19,963
Number of ordinary shares in issue (’000)	489,144	489,144	489,144	489,144
NAV per ordinary share (RM)	0.46	0.36	0.14	0.04

Note:

- (1) *For comparative purposes, the NAV per ordinary share for the respective financial years have been computed based on the share capital of 489,144,200 shares assuming that the Restructuring Exercise pursuant to the Share Split, and issuance of 62,424,000 new shares pursuant to the IPO had been completed as at 1 January 2017.*

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:–**
- (a) **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; and**
 - (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Review of Group's performance for the 3 months ended 31 December 2018 ("4Q2018") as compared to the 3 months ended 31 December 2017 ("4Q2017")

Revenue

The Group's revenue decreased by approximately RM33.2 million, or 34.4%. This was mainly attributable to the decrease in the number of laden container ("**40-ft containers**") sold from 1,820 40-ft containers in 4Q2017 to 1,154 40-ft containers in 4Q2018 as a result of lower demand from customers mainly from the United States of America ("**US**") due to a drop in demand from the Group's customers. However, the decrease is slightly offset by the increase in the average selling price per container from RM53,000 in 4Q2017 to RM55,000 in 4Q2018 as a result of the strengthening of the USD against RM.

Cost of sales and gross profits

Cost of sales decreased by approximately RM20.8 million, or 28.6% mainly due to the decrease in raw materials purchased, labour costs and subcontractors' costs. The decrease in these costs was mainly due to the lower level of production during 4Q2018.

Gross profit decreased by approximately RM12.4 million, or 51.7%, and gross profit margin decreased from 24.9% in 4Q2017 to 18.3% in 4Q2018 as a result of the decrease in the number of 40ft containers being sold during the 4Q2018 (where the economies of scale is better achieved in 4Q2017 as compared to 4Q2018) despite an increase in the average selling price per container.

Interest income

Interest income increased by approximately RM0.01 million, or 4.6% mainly due to more cash being placed in short term deposits in the bank account maintained in Malaysia.

Other income

Other income decreased by approximately RM1.5 million, or 75.2% as a result of the Company selling lesser boards to LP Global Resources Sdn Bhd ("**LP Global**") to manufacture front drawer for most of our models (including lamination services) in 4Q2018 as compared to 4Q2017 due to the drop in demand from the Group's customers.

Selling and administrative expenses

Selling and administrative expenses decreased by approximately RM1.7 million, or 29.2% mainly due to the decrease in staff costs, directors' remuneration and upkeep and maintenance cost. The decrease in depreciation of property, plant and equipment by approximately RM0.8 million was due to the lesser acquisition of machinery & equipment, office equipment and furniture and fittings in 4Q2018 as compared to 4Q2017.

Profit for the period

As a result of the foregoing, the Group's net profit for 4Q2018 decreased by approximately RM10.1 million, or 69.2% as compared to 4Q2017.

Review of Group's performance for the financial year ended 31 December 2018 ("FY2018") as compared to the financial year ended 31 December 2017 ("FY2017")

Revenue

The Group's revenue decreased by approximately RM82.9 million, or 23.9%. This was mainly attributable to:

- (i) the decrease in the number of 40-ft containers sold from 6,525 40-ft containers in FY2017 to 5,232 40-ft containers in FY2018 as a result of lower demand from customers mainly from the US due to a drop in demand from the Group's customers; and
- (ii) the decrease in the average selling price per container from RM53,000 in FY2017 to RM50,000 in FY2018 was the result of the strengthening of the RM against US\$. The average movement of RM against USD has strengthened by approximately 6.2% in FY2018 as compared to FY2017.

Cost of sales and gross profits

Cost of sales decreased by approximately RM50.4 million, or 18.7% mainly due to the decrease in raw materials purchased, labour costs and subcontractors' costs. The decrease in these costs was mainly due to the lower level of production during FY2018.

Gross profit decreased by approximately RM32.5 million, or 42.5%, and gross profit margin decreased from 22.1% in FY2017 to 16.7% in FY2018 as a result of the decrease in the average selling price arising from the strengthening of the RM against US\$. As explained above, the average RM against the USD has strengthened by approximately 6.2% in FY2018 as compared to FY2017. The lower gross profit was also affected by the decrease in the sales to the Group's customers.

Interest income

Interest income decreased by approximately RM0.2 million, or 25.7% mainly due to lower interest rate for cash being placed under short term deposits in the bank account maintained in Singapore.

Other income

Other income decreased by approximately RM0.5 million, or 8.4% as a result of the Company selling lesser boards to LP Global to manufacture front drawer for most of our models (including lamination services) in FY2018 as compared to FY2017 due to the drop in demand from the Group's customers.

Selling and administrative expenses

Selling and administrative expenses increased by approximately RM1.3 million, or 7.9% mainly due to the increase in advertisement, exhibition & promotional expenses, utilities, gift, donation & condolences expenses and general office expenses such as printing & stationery and postage & courier charges.

Profit for the period

As a result of the foregoing, the Group's net profit for FY2018 decreased by approximately RM34.2 million, or 69.6% as compared to FY2017.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Review of the Group's financial position as at 31 December 2018 as compared to 31 December 2017

Non-current assets

Property, plant and equipment increased by approximately RM5.7 million, or 5.0% mainly due to the purchase of machinery and equipment, construction of hostel workers and expansion of office building in progress as well as a motor vehicle during the FY2018.

Leasehold land decreased by approximately RM0.3 million, or 2.5% due to the amortisation of the leasehold land.

Current assets

Inventories decreased by approximately RM2.5 million, or 6.7% mainly due to the overall improvement in inventory management by the Group.

Trade and other receivables of approximately RM23.4 million comprised trade receivables, receivables from related parties, deposits and other receivables. The decrease in trade and other receivables by approximately RM5.1 million, or 17.8% was mainly due to the decrease of sales towards the end of FY2018.

Contract assets of approximately RM10.8 million comprised the right to consideration for goods produced but not yet billed as at 31 December 2018 for sale of goods. The increase in contract assets by approximately RM4.7 million, or 76.2% was mainly due to the completion of goods produced expected to be delivered in the first quarter of 2019.

Prepaid operating expense of approximately RM1.2 million comprised mainly expenses paid in advance as at 31 December 2018. The decrease in the prepaid operating expense was due to IPO expenses either being expensed off to the income statement or capitalised to equity in FY2018.

Current liabilities and non-current liabilities

Loans and borrowings comprised obligations under finance leases, short-term trade financing and bankers' acceptance. The decrease in loans and borrowings by approximately RM5.9 million, or 63.6% was mainly due to the decrease in the usage of short term trade financing towards the end of FY2018.

Trade and other payables of approximately RM22.8 million comprised trade payables, amount due to related parties, contract liabilities and sundry payables. The decrease in trade and other payables of RM7.8 million, or 25.5% was mainly due to the settlement of debt towards the end of FY2018.

Contract liabilities of approximately RM0.1 million comprised the Group's obligation to transfer goods or services to customers for which the Group has received consideration from customers as at 31 December 2018.

Other liabilities of approximately RM0.5 million comprised accrued operating expenses, advances from customers and accrual for purchase of equipment. The decrease in other liabilities of RM4.3 million, or 89.5% was mainly due to lesser accrued expenses as at 31 December 2018 as a result of lesser allowances and performance incentives being provided.

Tax payable of approximately RM1.5 million comprised estimated tax liabilities that the Group is liable to pay for the FY2018. The decrease in tax payable of RM1.8 million, or 54.8% was mainly due to the decrease in the expected tax payable for the FY2018.

REVIEW OF THE GROUP'S CASH FLOW STATEMENT

Review of the Group's cash flow statement for FY2018 as compared to FY2017

The Group recorded net cash flows from operating activities of approximately RM22.9 million in FY2018 which was lower as compared to approximately RM46.1 million in FY2017 mainly due to the decrease in the sales of the Group during the FY2018.

The Group recorded net cash flows used in investing activities of approximately RM10.6 million in FY2018 mainly due to the purchase of new machineries with improved capabilities.

The Group recorded net cash flows generated from financing activities of approximately RM21.6 million in FY2018 mainly due to the proceeds from the issuance of new shares pursuant to IPO.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable. The Group has not previously disclosed any forecast or prospect statements to its shareholders.

10. 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.

- (a) Our exports to US have reduced in FY2018 as many US customers have exercised more caution in their purchases due to the uncertainties in the trade war between China and US. As the trade war is still on-going, there is still uncertainty as to how this trade war will impact our Group in the financial year ending 31 December 2019 ("FY2019").
- (b) We had on 20 December 2018, through our wholly-owned subsidiary, Leyo Holdings Sdn. Bhd. ("**Leyo Holdings**"), entered into an asset purchase agreement ("**APA**") with Cubo Sdn. Bhd. ("**CSB**"), a company incorporated in Malaysia, and Mr Ng Teck Lai ("**NTL**") (collectively referred to as "**Vendors**"), pursuant to which the Vendors have agreed to sell the assets comprising intellectual properties, plants & machineries, fixed assets and other assets (the "**Assets**") to Leyo Holdings in accordance with the terms and conditions as stipulated in the APA ("**Acquisition**"). The Acquisition was completed on 25 January 2019.

Concurrently with the signing of the APA on 20 December 2018, we had also entered into a shareholders' agreement ("**SHA**") with Lebo Design Sdn. Bhd. ("**Lebo Design**") and Leyo Holdings to give effect to our and Lebo Design's intentions to co-operate with each other to carry on business of manufacture, sell, market and distribute furniture under the brand names EZBO and CUBO ("**Business**") and to regulate their relations *inter se* and in the conduct of the business and affairs of Leyo Holdings.

Through the Acquisition, we are expanding into a new business involved in the original brand manufacturing ("**OBM**") of furniture products. As the brand names are new in the market, we intend to further promote them in various countries and thus far, the response from potential customers have been positive. Based on the product designs and innovations and with the right marketing strategies, we are cautiously optimistic that this Business will grow in the second half of FY2019.

11. Dividend
If a decision regarding dividend has been made:–

(a) Current Financial Period Reported on

Any dividend recommended for the current financial period reported on?

Yes, as follows:

Name of Dividend (First and Final)	Ordinary
Dividend Type	Cash
Dividend Amount per Ordinary Share (in Singapore cent)	0.41 (tax exempt one-tier)
Par value of shares (not applicable for a Singapore incorporated company)	Not applicable
Tax Rate	Tax Exempted

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Yes. Dividend amount per share of 0.78 Singapore cent has been declared for FY2017.

(c) The date the dividend is payable.

Subject to the approval by the shareholders of the Company at the forthcoming annual general meeting and to be announced at a later date.

(d) The date on which Registrable Transfer receive by the Company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Subject to the approval by the shareholders of the Company at the forthcoming annual general meeting and to be announced at a later date.

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.

In connection with the IPO, the Group had obtained a general mandate from shareholders for IPTs disclosed in pages 158 to 202 of the Offer Document. The general mandate for IPTs has been renewed at the Company's annual general meeting held on 23 April 2018.

The aggregate value of all interested person transactions during the FY2018 is as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	RM'000	RM'000
Lean Shern Furniture Sdn Bhd	Not applicable ("NA")	3,646
LP Global Resources Sdn Bhd	NA	10,403
Leatherworld Upholstery Sdn Bhd	NA	3,434

14. Confirmation pursuant to Rule 720(1) of the Catalist Rules

The Company hereby confirms that it has already procured undertakings from all of its Directors and executive officers in the format as set out in Appendix 7H of the Catalist Rules in accordance with Rule 720(1) of the Catalist Rules.

15. Use of IPO Proceeds

Pursuant to the Company's IPO, the Company received net proceeds from the IPO of approximately S\$13.0 million. Please refer to the Offer Document for further details.

As at the date of this announcement, the status on the use of the IPO net proceeds is as follows:

Purpose	Amount allocated (\$'000)	Amount utilised (\$'000)	Balance (\$'000)
Expanding the sales network in the PRC	1,000	(43)	957
Upgrading the machinery and equipment and acquiring new technology	5,000	(760)	4,240
Construction of additional facilities	4,000	(3,277)	723
General working capital purposes ⁽¹⁾	3,000	(727)	2,273
Total	13,000	(4,807)	8,193

Note:

(1) Payment of corporate and administrative expenses.

The above utilisations of proceeds are in line with the intended use of proceeds as set out in the Offer Document.

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

16. **Segmented revenue and results for operating 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.**

The Group's activities are predominantly in manufacturing of wooden bedroom furniture. Management has not segregated the business to different reportable segment. Management monitors the performance of the Group based on revenue by geographical segments. Other information of the profit or loss in respect of the segments are not provided to the chief operating decision maker regularly. Instead, other than revenue, the chief operating decision maker reviews the other information of the profit or loss on a Group basis without segregating such information based on segment. The geographical segments are as follows:

- (i) United States of America
- (ii) Malaysia
- (iii) Others

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Group FY2018 RM'000	Group FY2017 (Restated) RM'000
Revenue		
Malaysia	30,719	38,946
United States of America	202,905	277,583
Others	29,512	29,464
	263,136	345,993
Non-current assets		
Malaysia	133,178	127,846

Non-current assets information presented above consist of property, plant and equipment and leasehold land as presented in the combined statement of financial position.

17. **In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by operating segments.**

Please refer to paragraph 8 above.

18. **A breakdown of sales as follows:**

	Group FY2018 RM'000	Group FY2017 (Restated) RM'000	Increase/ (decrease) %
a) Sales reported for first half year	148,059	163,805	(9.6)
b) Operating profit after tax for first half	3,658	21,100	(82.7)
c) Sales reported for second half year	115,077	182,188	(36.8)
d) Operating profit after tax for second half year	11,263	28,063	(59.9)

19. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:

	Company FY2018 \$'000	Company FY2017 \$'000
a) Ordinary	2,005	3,815
b) Preference	—	—
c) Total	2,005	3,815

Note:

FY2018's proposed final dividend of S\$2.0 million is calculated based on 0.41 Singapore cent per share multiplied by the number of ordinary shares in issue of 489,144,200 as at 31 December 2018.

20. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any directors and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Mr Tan Kwee Lim	59	Brother of Mr Tan Kwee Chai, uncle of Ms Tan Ai Luang and Mr Tan Yong Chuan	Chief Operating Officer Year: 2012	Nil
Mr Boo Ngek Hee	57	Uncle of Ms Tan Ai Luang	Chief Quality Controller Year: 2012	Nil
Mr Tan Yong Siang	28	Son of Mr Tan Kwee Chai, brother of Mr Tan Yong Chuan, cousin of Ms Tan Ai Luang and nephew of Mr Tan Kwee Lim	Director of LY Furniture Sdn Bhd Year: 2017	Nil

BY ORDER OF THE BOARD

Tan Yong Chuan
Chief Executive Officer
25 February 2019