

LY CORPORATION LIMITED

Company Registration Number: 201629154K
(Incorporated in the Republic of Singapore on 24 October 2016)

CORPORATE PRESENTATION

10 March 2018

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BELT & ROAD INITIATIVE: SPEARLEADING ASEAN’S GROWTH

Belt & Road Initiative (BRI)

- **President Xi's most ambitious economic policy which catapults China into the global economic powerhouse in the 21st century**
  - Far-reaching impact comparable to Deng Xiaoping's economic reforms in the 1980s

- **BRI seeks to place China at the centre of the global trade network by recreating ancient trade routes - the Silk Road Economic Belt and a 21st Century Maritime Silk Road - across Asia, Africa and Europe.**

- **BRI bodes tremendous growth opportunities for Asia, Africa and Europe and stands to benefit 60% of world population**

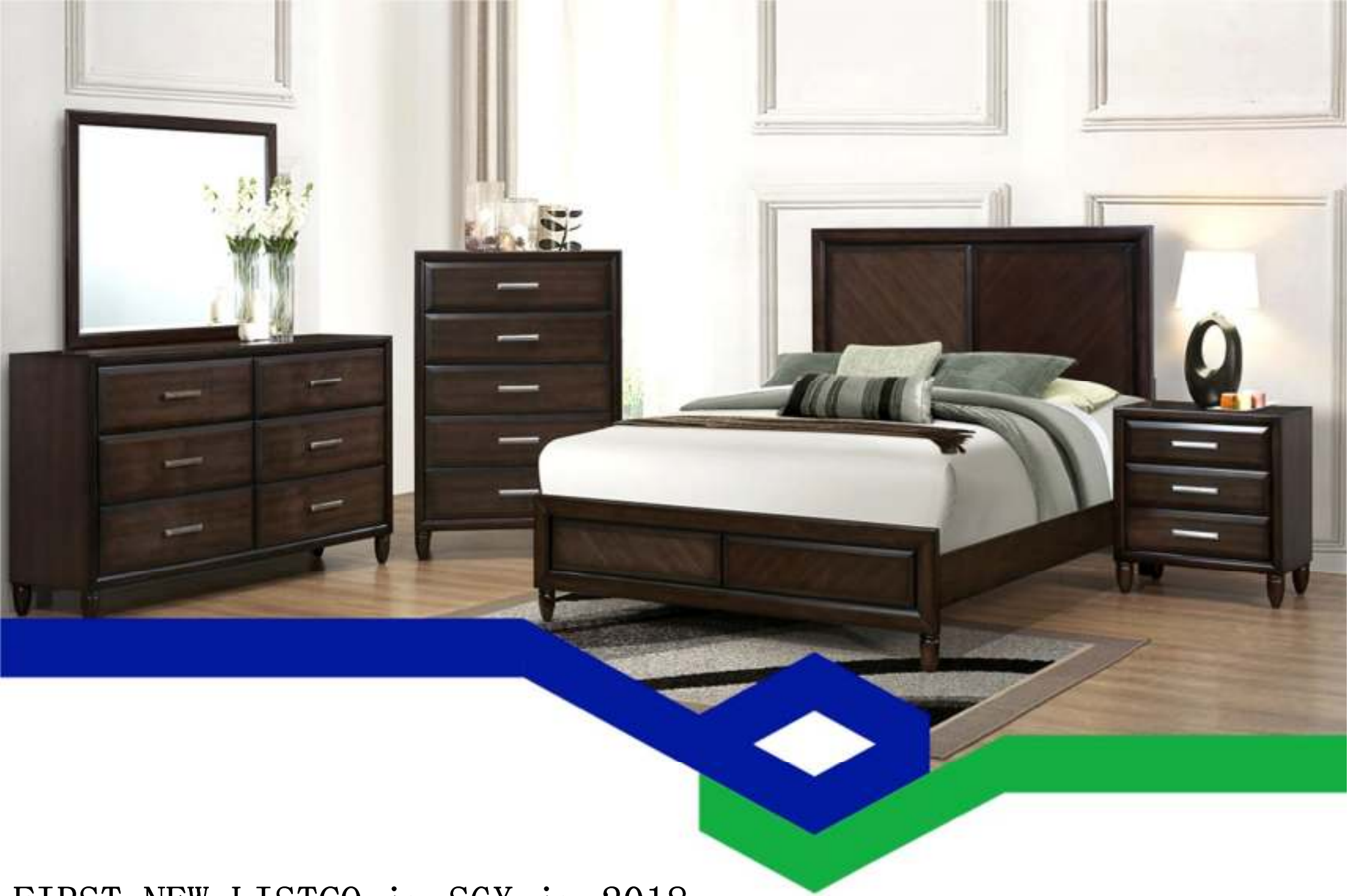


STRAITS TIMES GRAPHICS

Spearleading Asean's Growth

- **From 2013 to 2016, Chinese investments related to the BRI reached US$60 billion.**
  - Asean is one of key beneficiaries of the massive investment flow for the infrastructural developments
  - Singapore has been China's largest foreign investor since 2013 and was one of China's top trading partners in Asean in 2016.
- **In 2017 alone, Chinese outward FDI amounted to US$111 billion - about four times higher than in 2012.**

Source: Straits Times



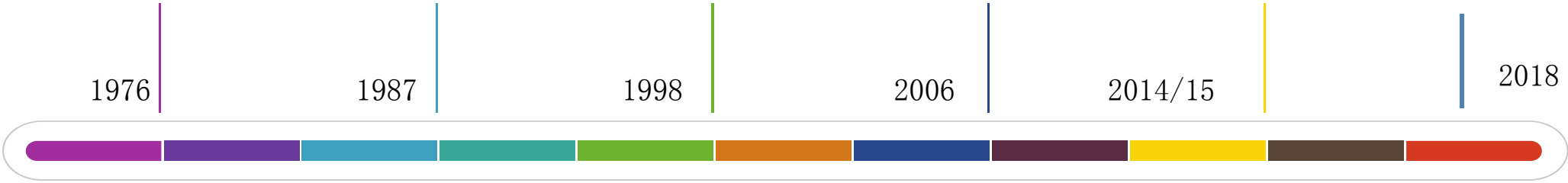
FIRST NEW LISTCO in SGX in 2018

ESTABLISHED FURNITURE MANUFACTURER LISTED ON CATALIST in 2018

- One of Malaysia's leading manufacturers and exporters of wooden bedroom furniture
- Track record of approximately 40 years of experience in the furniture industry
- An established Original Design Manufacturer ("ODM") and Original Equipment Manufacturer ("OEM")
- Market share of 9% in Malaysia's wooden bedroom furniture export segment in 2016
- As at 15 December 2017, we operate from 15 factories and warehouses, occupying a combined built-up area of approximately 1.4 million sq ft
- Annual production capacity in FY2016: 8,400 (40-ft containers)

Source: "Wood Furniture Manufacturing for Export in Malaysia" by Converging Knowledge Pte Ltd dated 19 October 2017

PROGRESSIVE GROWTH



1976

The Group was founded by our Executive Chairman and four other partners, and started selling customized wooden home furniture in Johor, Malaysia

1985

Identified potential in the bedroom furniture market in Malaysia and began designing bedroom furniture sets for mass production

1987

Made its first foray into the export market with its first order for export to the Singapore market

1994

Began its foray into other international markets.
That year, the Group also commenced construction of a larger factory with a built-up area of approximately 45,000 sq ft

1998

Identified opportunity to enter into the U.S. market due to favourable exchange rate during the financial crisis. Clinched first order for export to the U.S.

1999

Began building subcontractor network to support various production processes

2006

Began the construction of a factory equipped with additional spray painting facilities

2010

Set up a new factory with built-up area of approximately 228, 479 sq ft complete with two automated finishing line facilities spanning three storeys, increasing our production capacity by approximately 60%

2014/15

Collaborated with a software company and began implementing an integrated real-time monitoring and management system (LY-6M system)

2016

Completed acquisition of a piece of leasehold industrial land covering an approximate area of 5.9 acres

2018

Publicly-listed on the SGX Catalist board in Singapore

GLOBAL REACH

EXPORT SALES

- The Group's products are sold mainly to overseas dealers such as furniture wholesalers and retailers who generally resell our products to end-users through their respective retail networks.





DOMESTIC SALES

- Primarily third party agents who typically export and resell the Group's products outside Malaysia, such as to the U.S.





AWARDS, ACCREDITATIONS AND CERTIFICATIONS

Year of Award	Award
2002	• Enterprise 50 Award (3rd Place) • Asia Pacific International Honesty Enterprise – Keris Award 2002
2003	• Global Top Enterprise Golden Rim Award • Golden Bull Award for Malaysia's 100 Outstanding SMEs (2nd Place) • Enterprise 50 Award (2nd Place)
2004	• ISO 9001:2000 for quality system related to manufacturing and trading of wooden made furniture
2006	• Best Performing Company Award 2005
2008	• ISO 9001:2008 for the quality management system related to the manufacture of wooden furniture • ISO 9001:2008 for the quality management system applicable to the manufacture of wooden furniture
2009	• Asian Furniture Leadership Award • Corporate Social Responsibility Award
2013	• Award of Industrial Excellence in the category of Furniture Factory
2015	• Eminent Eagle Award (No Placement)
2016	• Eminent Eagle Award (2nd Place)



COMPETITIVE STRENGTHS

COMPETITIVE STRENGTHS

1. **Established track record** in the furniture industry and well recognised for the quality of our furniture products



2. **Strong** in-house **design and development** capabilities to cater to the requirements of our customers

- In-house design team recruited based on stringent criteria, including market and industry knowledge and design skills
- Aim to continually **introduce unique and innovative designs** which appeal to consumers
- Constantly strive to improve products, product range and production processes to keep up with trends and developments in the market and stay competitive

COMPETITIVE STRENGTHS

3. Established subcontractor network

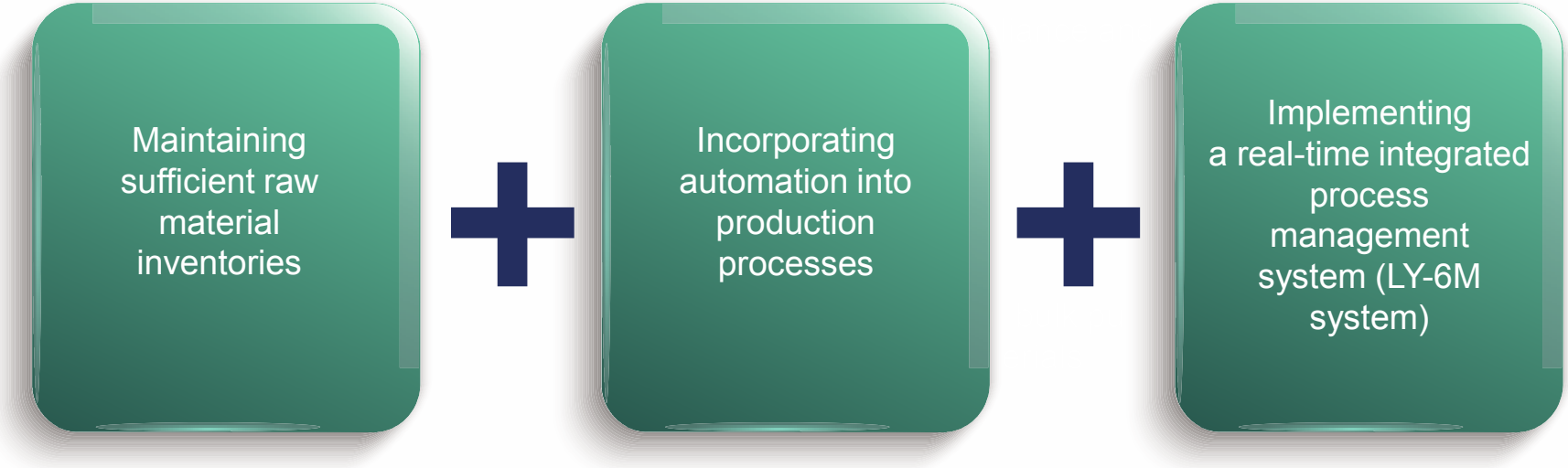
- As at 15 December 2017, we work with 19 subcontractors, some of which have worked with us for more than 10 years

Established subcontractor network

- Reduces manpower reliance and costs
- Supports various production processes
- Bulk purchases of raw materials required by us and our subcontractors – cost efficiencies and able to control quality of raw materials used
- Close proximity with our subcontractors – shorten transportation time of our semi-finished goods to and from our subcontractors and ourselves, and allow close monitoring of product quality and work progress

COMPETITIVE STRENGTHS

4. Consistently strive to be **cost-competitive**, **efficient** and to **turn around products quickly**



5. Experienced and committed management team

The Group is led by a capable and experienced management team, helmed by our Executive Chairman



CHINA: NEW EQUATION IN OUR GROWTH STRATEGY

China: New Equation in Our Growth Strategy

- **BRI presents dynamic opportunity of expansion for wooden furniture players like LY Corporation because of :**
  - Access to over 1 billion consumers based in China[1]
  - Potential demand growth from PRC as PRC's import of wooden furniture increased by 79.8% from 2011 to US$563.6 million in 2016 [2]
  - In 2016, export value from Malaysia to China was RM116.2 million, which was 1.55% of the world's export value at RM7,474.3 million.[3]

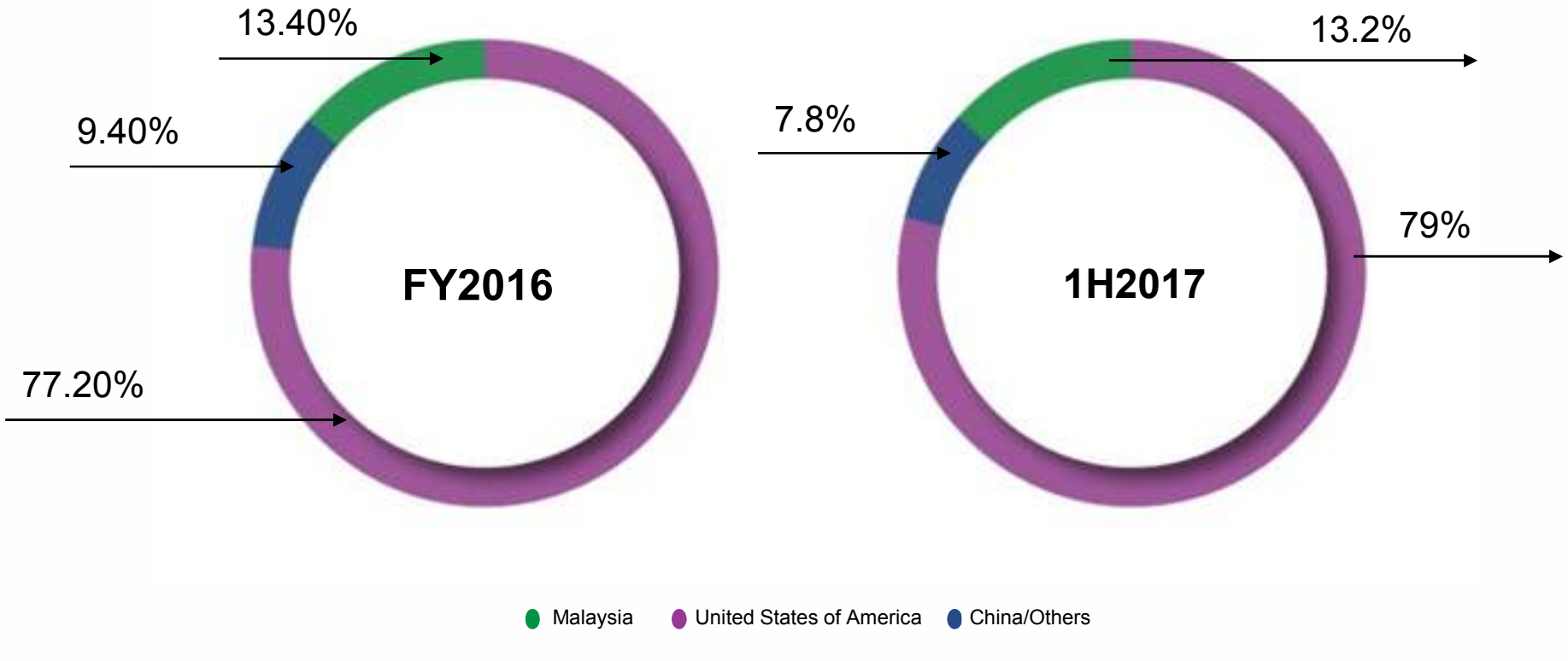
- **We believe Malaysian furniture players have the cost advantage to compete competitively with the Chinese manufacturers.**
  - Rising labor cost in China has resulted in furniture manufacturing which is labor intensive to become uncompetitive. Currently, the minimum wage of China is about 2 to 3 times more than that of Malaysia.
  - Target first-tier cities for our first wave of new market expansion
  - Target to grow our share of revenue from Chinese market in 3-5 years.

Source:
1 National population estimates of China 2. IPO Prospectus, Industry report by Converging Knowledge 3. Converging Knowledge

China: New Equation in Our Growth Strategy

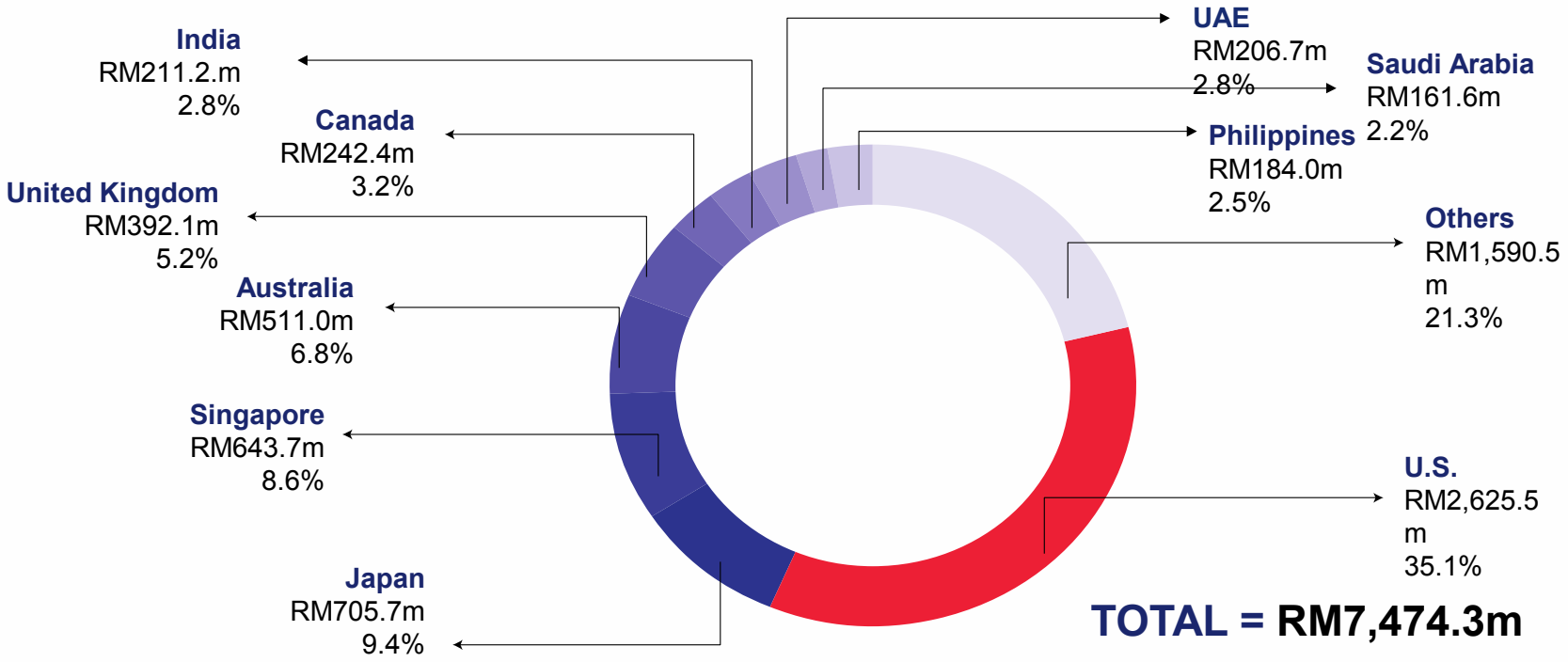
- **We intend to increase our brand awareness and products in the PRC, including (but not limited to) the promotion of our products through established e-commerce websites in which customers in the PRC can order our products online.**

REVENUE BY GEOGRAPHY



PROSPECTS

- **Given Malaysia is the 8th largest player in the world's furniture market, we expect the competitive advantage to be enhanced under BRI**
  - Asia's 3rd largest furniture exporter and ranked 8th globally, exporting RM 7.5 billion worth of furniture to 169 countries in 2016
  - Strong manufacturing foundation and proven capabilities in producing quality furniture for the global market
  - Access to rubberwood (a sustainable raw material) and tropical hardwoods

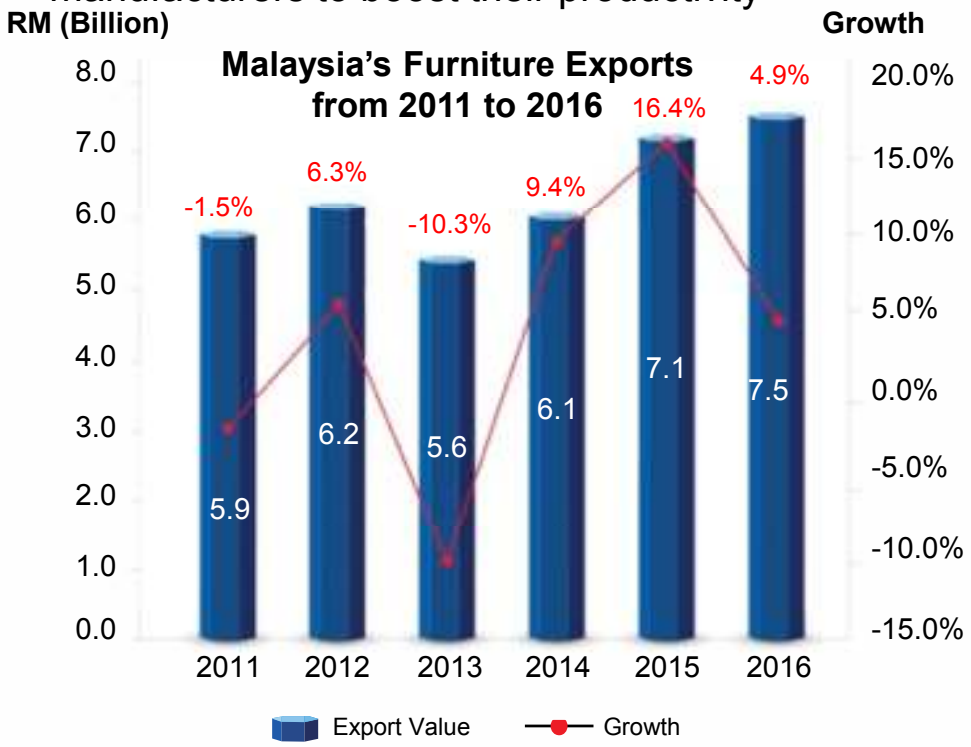


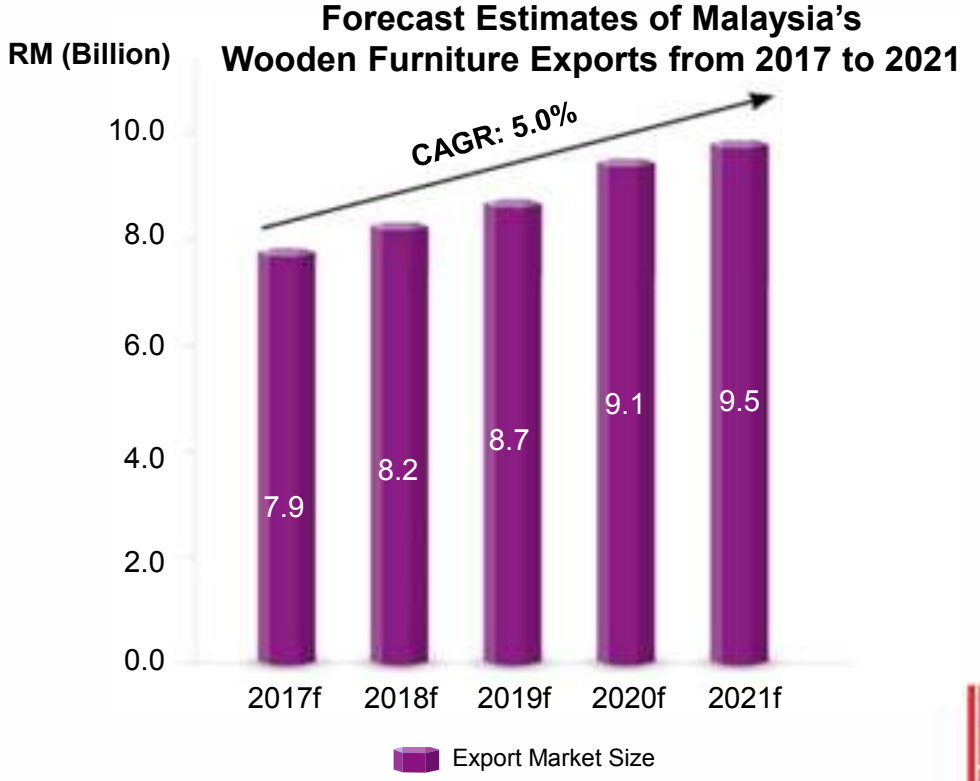
Source: "Wood Furniture Manufacturing for Export in Malaysia" by Converging Knowledge Pte Ltd dated 19 October 2017

PROSPECTS

- **Demand for wooden furniture manufactured in Malaysia is projected to grow at a CAGR of 5.0% annually from 2017 to 2021**

  - Malaysia is being recognised as a producer of quality furniture
  - With more than three decades of accumulated experience in furniture manufacturing, the furniture manufacturing industry in Malaysia is well-perceived as a producer of quality furniture
  - Support and incentives from the government and industry associations for Malaysian furniture manufacturers to boost their productivity





Source: Wood Furniture Manufacturing for Export in Malaysia" by Converging Knowledge Pte Ltd dated 19 October 2017
"f" – forecast. Forecast figures do not take into account of the volatility in the exchange rates.

OUR FUTURE PLANS

- **Expanding our sales network in the PRC**
  - The Group believes there is high demand for our products in the PRC due to the quality of our products and competitive prices we offer
- **Upgrading our machinery and equipment and acquiring new technology**
  - To increase productivity and achieve cost efficiency, as well as increase existing capability
  - To replace aging machinery with new machinery including advanced and automated woodworking machinery and robotic spraying arms
- **Construction of additional facilities**
  - To enhance manufacturing and service capacity and capability by possibly acquiring new premises
  - A new hostel to house all our foreign workers: Allocated approximately 1.9 acres of land (within walking distance from our factories)
- **Explore investments, mergers and acquisitions, joint ventures and/or strategic collaborations**
  - To expand and diversify our operations either through our own investments or through potential mergers and acquisitions, joint ventures and/or strategic collaborations.
  - We believe this will further enhance our core capabilities and give us access to new markets, customers and businesses



INVESTMENT HIGHLIGHTS

INVESTMENT HIGHLIGHTS

- **One of the leading Malaysian wooden furniture manufacturers.**

  Among the major Malaysian wooden bedroom furniture manufacturing:

  - 1st in the net profit margin for FY2015 to FY2016
  - 2nd in CAGR of after tax profit for FY2014 to FY2016
  - 3rd in CAGR of revenue for FY2014 to FY2016

    9.0% of market share of Malaysia's wooden bedroom furniture export segment

  (Source: Wood Furniture Manufacturing for Export in Malaysia" by Converging Knowledge Pte Ltd dated 19 October 2017)

- **Developed an integrated real-time monitoring and management system ("LY-6M system") with a software company**
  - Monitors the entire production process and is expected to significantly enhance our productivity and efficiency

- **Tax incentives from the Malaysian Investment Development Authority**
  - Received approval from the Malaysian government for our application to receive:
    - (i) Full income tax exemption on value-added income for five (5) years on Services and Trading income commencing on the 2018 year of assessment, and
    - (i) Extended income tax exemption on value-added income for five (5) years on the Services and Trading Income commencing on the 2023 year of assessment, subject to the terms of the letter issued by the MIDA on 25 August 2017.

DIVIDEND POLICY

- **Intend to recommend and distribute a special dividend for FY2017, representing a payout per share equivalent to 3.0% of the Placement Price, to be approved at a general meeting to be held within 3 months after Listing**

- **Subject to the above, our Directors intend to recommend and distribute dividends of not less than 40.0% of our net profits after tax attributable to our shareholders in respect of each of FY2018, FY2019 and FY2020***

- **We intend to recommend and distribute a special dividend of S$0.0078 per share for FY2017, subject to shareholders' approval at our upcoming annual general meeting**



*Please note that these statements are merely statements of our present intention and shall not constitute legally binding statements in respect of our future dividends which may be subject to modification (including reduction or non-declaration thereof) at our Directors' sole and absolute discretion. Please refer to the section entitled "Dividend Policy" of the Offer Document for further details. Average dividend payout ratio between FY2014 and FY2016 was 43.8%.



FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

Audited | Unaudited

(RM'000)	FY2014	FY2015	FY2016	1H2016	1H2017
Revenue	216,036	313,569	287,379	141,597	166,007
Gross profit	35,731	88,085	74,876	37,902	39,582
Gross profit margin	16.5%	28.1%	26.1%	26.8%	23.8%
Profit before tax	22,327	67,464	56,314	23,620	28,477
Profit for the year attributable to owners of the Company	17,336	52,656	43,446	17,749	21,588

- A strong balance sheet and low gearing ratio.

FINANCIAL HIGHLIGHTS

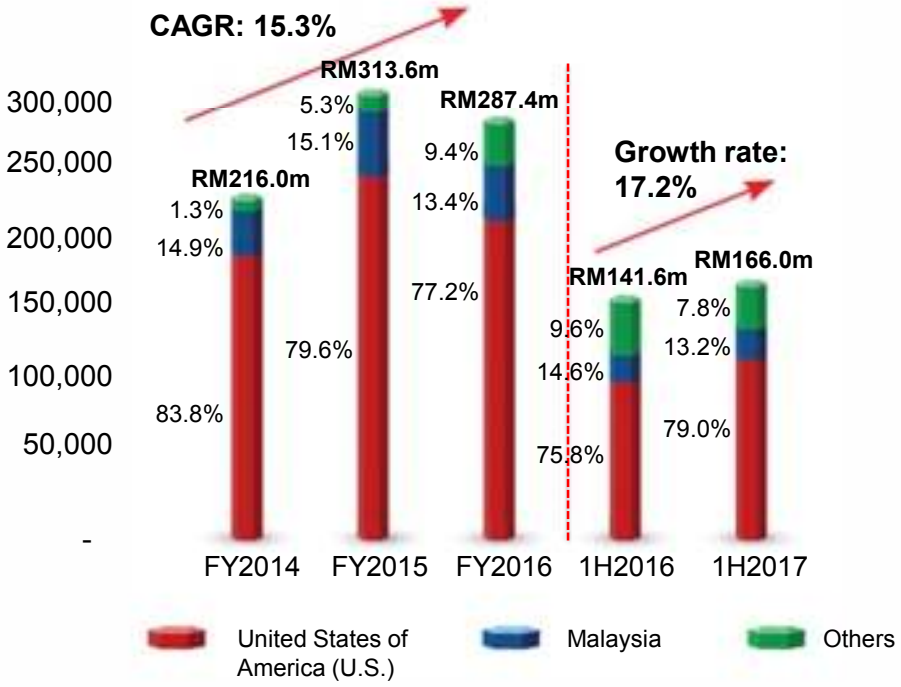
Audited → Unaudited

(RM'000)	FY2014	FY2015	FY2016	1H2016	1H2017
Malaysia	32,099	47,255	38,410	20,695	21,886
United States of America	181,104	249,743	221,897	107,279	131,095
Others	2,833	16,571	27,072	13,623	13,026
Total	**216,036**	**313,569**	**287,379**	**141,597**	**166,007**

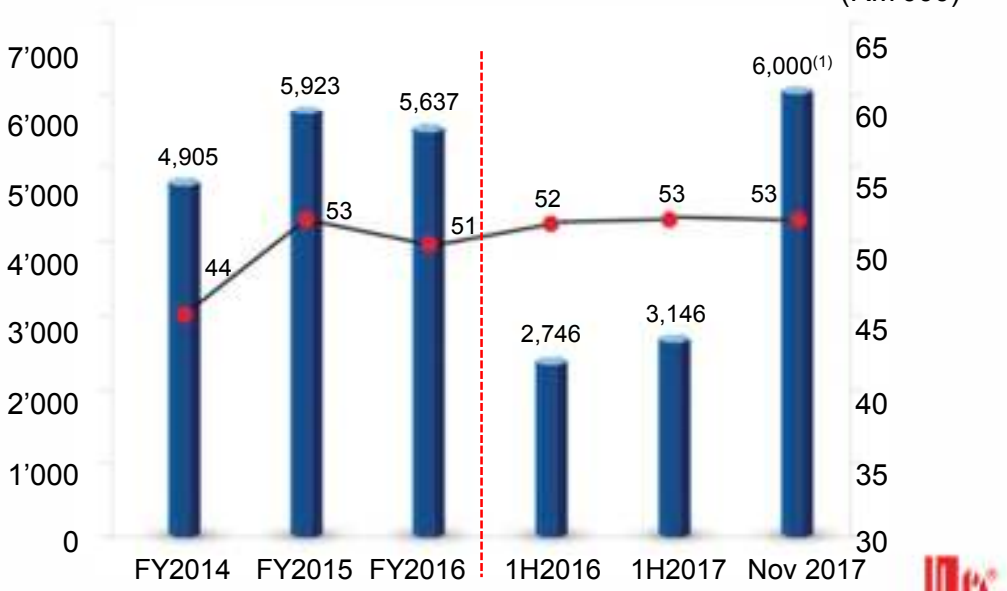
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	FY2014	FY2015	FY2016	1H2016	1H2017
Number of 40-ft containers sold	4,905	5,923	5,637	2,746	3,146
Average Selling Price per 40-ft container (RM'000)	44	53	51	52	53

Revenue by Geography



Number of 40-ft Containers Sold



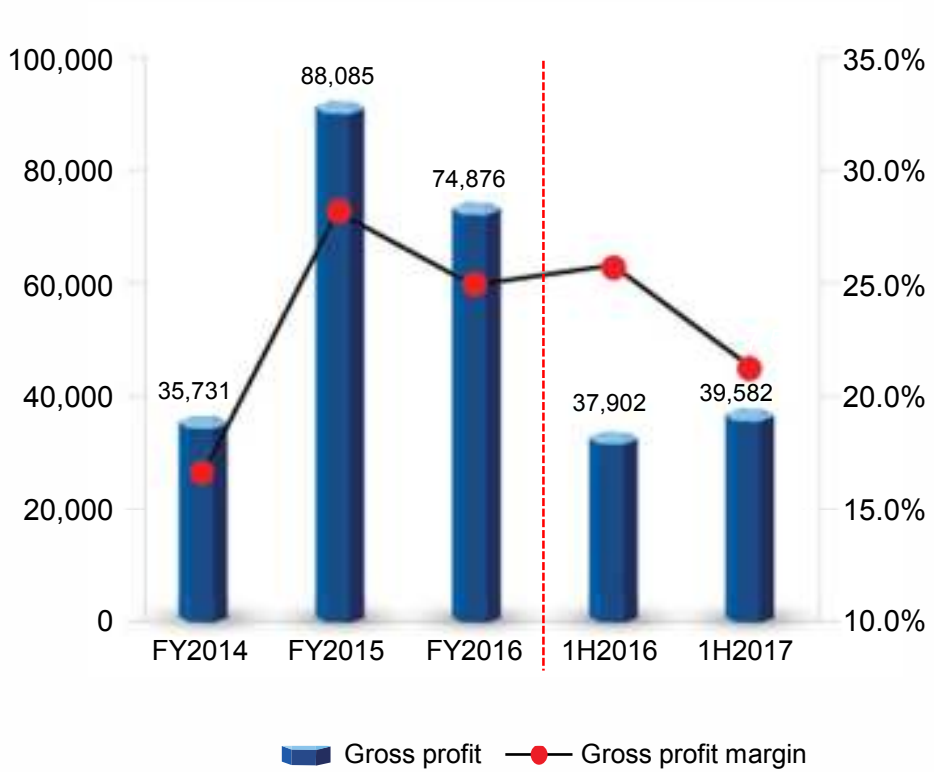
Note(1): As at 30 November 2017, we have sold approximately 6,000 40-ft containers with an average selling price of approximately RM53,000 per 40-ft per container. Barring unforeseen circumstances, we expect our revenue for FY2017 to be higher than that of FY2016.

FINANCIAL HIGHLIGHTS

Audited → Unaudited

(RM'000)	FY2014	FY2015	FY2016	1H2016	1H2017
Gross Profit	35,731	88,085	74,876	37,902	39,582
Gross Profit Margin	16.5%	28.1%	26.1%	26.8%	23.8%

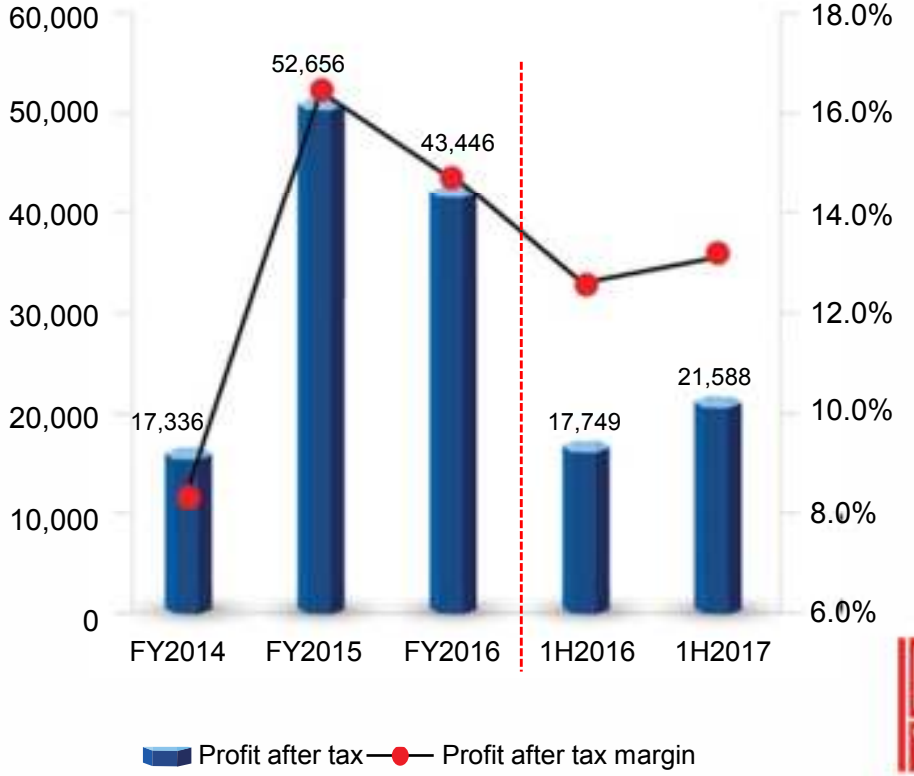
Gross Profit and Gross Profit Margin



Audited → Unaudited

(RM'000)	FY2014	FY2015	FY2016	1H2016	1H2017
Profit After Tax	17,336	52,656	43,446	17,749	21,588
Profit After Tax Margin	8.0%	16.8%	15.1%	12.5%	13.0%

Profit After Tax and Profit After Tax Margin



THANK YOU



LY CORPORATION LIMITED
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Sponsor

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