



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

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**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT  
FOR THE SECOND QUARTER ENDED 30 JUNE 2018**

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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 30 June 2018 (“2Q2018”) and 6 months ended 30 June 2018 (“1H2018”)**

Consolidated Statements of Comprehensive Income

	Group 3 months ended			Group 6 months ended		
	30 June 2018 RM'000	30 June 2017 RM'000	Increase/ (Decrease) %	30 June 2018 RM'000	30 June 2017 RM'000	Increase/ (Decrease) %
Revenue	62,939	80,222	(21.5)	148,059	163,805	(9.6)
Cost of sales	(49,953)	(61,270)	(18.5)	(119,944)	(124,711)	(3.8)
<b>Gross Profit</b>	<b>12,986</b>	<b>18,952</b>	<b>(31.5)</b>	<b>28,115</b>	<b>39,094</b>	<b>(28.1)</b>
<b>Other items of income</b>						
Interest income	149	215	(30.7)	260	402	(35.3)
Other income	2,848	3,141	(9.3)	2,758	4,299	(35.8)
<b>Other items of expense</b>						
Selling and administrative expenses	(7,263)	(6,252)	16.2	(15,195)	(11,972)	26.9
Finance costs	(77)	(34)	N.M.	(169)	(119)	42.0
Listing expenses	-	-	-	(6,794)	-	N.M.
Other expense	-	(1,716)	N.M.	(1,506)	(3,715)	(59.5)
<b>Profit before tax</b>	<b>8,643</b>	<b>14,306</b>	<b>(39.6)</b>	<b>7,469</b>	<b>27,989</b>	<b>(73.3)</b>
Income tax expense	(2,188)	(3,578)	(38.8)	(3,811)	(6,889)	(44.7)
<b>Profit for the period, representing total comprehensive income for the period</b>	<b>6,455</b>	<b>10,728</b>	<b>(39.8)</b>	<b>3,658</b>	<b>21,100</b>	<b>(82.7)</b>

Note:

N.M. Not meaningful

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

	Group 3 months ended			Group 6 months ended		
	30 June 2018 RM'000	30 June 2017 RM'000	Increase/ (Decrease) %	30 June 2018 RM'000	30 June 2017 RM'000	Increase/ (Decrease) %
Profit for the period include the following (charges)/credits:						
Finance expenses:						
- obligations under finance lease	(18)	(14)	28.6	(35)	(26)	34.6
- bank loans	(59)	(20)	N.M.	(134)	(93)	44.1
Amortisation of leasehold land	(85)	(85)	-	(171)	(171)	-
Depreciation of property, plant and equipment	(1,511)	(1,228)	23.0	(3,003)	(2,427)	23.7
(Loss)/gain on disposal of property, plant and equipment	(34)	56	N.M.	212	50	N.M.
Rental income	159	137	16.1	314	273	15.0
Net foreign exchange gain/(loss)	1,456	(1,722)	N.M.	(1,309)	(3,715)	(64.8)
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 30 June 2018	Group As at 31 December 2017	Group As at 1 January 2017	Company As at 30 June 2018	Company As at 31 December 2017
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	117,060	114,074	102,961	-	-
Leasehold land	13,601	13,772	14,113	-	-
Investment in subsidiaries	-	-	-	20,234	20,234
	<b>130,661</b>	<b>127,846</b>	<b>117,074</b>	<b>20,234</b>	<b>20,234</b>
<b>Current assets</b>					
Inventories	39,362	37,112	33,658	-	-
Trade and other receivables	24,804	34,658	29,368	-	-
Prepaid operating expense	584	5,764	2,566	18	5,169
Cash and cash equivalents	66,001	31,103	49,468	37,558	-*
	<b>130,751</b>	<b>108,637</b>	<b>115,060</b>	<b>37,576</b>	<b>5,169</b>
<b>Total assets</b>	<b>261,412</b>	<b>236,483</b>	<b>232,134</b>	<b>57,810</b>	<b>25,403</b>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Loans and borrowings	6,272	8,321	4,662	-	-
Trade and other payables	21,283	30,559	24,261	-	5,170
Amount due to subsidiary	-	-	-	46	-
Other liabilities	3,926	4,809	6,512	165	270
Tax payable	2,199	3,328	4,432	-	-
Derivative liabilities	-	-	2,484	-	-
	<b>33,680</b>	<b>47,017</b>	<b>42,351</b>	<b>211</b>	<b>5,440</b>
<b>Net current assets/(liabilities)</b>	<b>97,071</b>	<b>61,620</b>	<b>72,709</b>	<b>37,365</b>	<b>(271)</b>
<b>Non-current liabilities</b>					
Loans and borrowings	988	977	698	-	-
Deferred tax liabilities	12,841	12,841	12,142	-	-
	<b>13,829</b>	<b>13,818</b>	<b>12,840</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>47,509</b>	<b>60,835</b>	<b>55,191</b>	<b>211</b>	<b>5,440</b>
<b>Net assets</b>	<b>213,903</b>	<b>175,648</b>	<b>176,943</b>	<b>57,599</b>	<b>19,963</b>
<b>Equity attributable to owners of the Company</b>					
Share capital	66,135	20,234	-*	66,135	20,234
Merger reserve	(15,234)	(15,234)	500	-	-
Retained earnings/(accumulated losses)	163,002	170,648	176,443	(8,536)	(271)
	<b>213,903</b>	<b>175,648</b>	<b>176,943</b>	<b>57,599</b>	<b>19,963</b>
<b>Total equity and liabilities</b>	<b>261,412</b>	<b>236,483</b>	<b>232,134</b>	<b>57,810</b>	<b>25,403</b>

\* 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**

<b>As at 30 June 2018</b>		<b>As at 31 December 2017</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
6,272	-	8,321	-

**Amount repayable by the Group after one year**

<b>As at 30 June 2018</b>		<b>As at 31 December 2017</b>	
<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
988	-	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 guarantee 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		Group	
	3 months ended 30 June 2018 RM'000	30 June 2017 RM'000	6 months ended 30 June 2018 RM'000	30 June 2017 RM'000
<b>Operating activities</b>				
Profit before tax	8,643	14,306	7,469	27,989
<u>Adjustments for:</u>				
Loss/(gain) on disposal of property, plant and equipment	34	(56)	(212)	(50)
Interest income	(149)	(215)	(260)	(402)
Interest expense	77	34	169	119
Amortisation of leasehold land	85	85	171	171
Depreciation of property, plant and equipment	1,511	1,228	3,003	2,427
Unrealised exchange gain	(994)	(309)	(150)	(225)
Listing expenses	-	-	6,794	-
Net fair value gain on derivatives	-	(1,682)	-	(1,682)
Property, plant and equipment written-off	38	-	38	-
<b>Operating profit before working capital changes</b>	<b>9,245</b>	<b>13,391</b>	<b>17,022</b>	<b>28,347</b>
<u>Changes in working capital:</u>				
(Increase)/decrease in inventories	(4,135)	(555)	(2,250)	346
Decrease in trade and other receivables	4,413	11,621	10,179	2,932
(Increase)/decrease in prepaid operating expense	(256)	(4,712)	5,180	(2,340)
Decrease in trade and other payables	(7,796)	(8,751)	(9,439)	(37)
Increase/(decrease) in other liabilities	1,897	3,140	(883)	(2,428)
<b>Cash flows from operations</b>	<b>3,368</b>	<b>14,134</b>	<b>19,809</b>	<b>26,820</b>
Interest paid	(77)	(34)	(169)	(119)
Income taxes paid	(2,294)	(2,029)	(4,940)	(4,906)
<b>Net cash flows generated from operating activities</b>	<b>997</b>	<b>12,071</b>	<b>14,700</b>	<b>21,795</b>
<b>Investing activities</b>				
Interest income from short term deposits	149	215	260	402
Purchase of property, plant and equipment (Note A)	(2,325)	(2,168)	(6,085)	(3,223)
Proceeds from disposal of property, plant and equipment	73	118	580	151
<b>Net cash flows used in investing activities</b>	<b>(2,103)</b>	<b>(1,835)</b>	<b>(5,245)</b>	<b>(2,670)</b>

	Group 3 months ended		Group 6 months ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
<b>Financing activities</b>				
Dividends paid on ordinary shares	(11,304)	(5,000)	(11,304)	(5,000)
Proceeds from loans and borrowings	20,191	20,748	42,950	41,723
Repayment of obligations under finance lease	(143)	(38)	(323)	(139)
Repayment of loans and borrowings	(21,061)	(20,281)	(44,975)	(38,687)
Proceeds from issuance of new shares pursuant to initial public offering ("IPO")	-	-	48,387	-
Listing expenses paid	-	-	(9,280)	-
<b>Net cash flows (used in)/generated from financing activities</b>	<b>(12,317)</b>	<b>(4,571)</b>	<b>25,455</b>	<b>(2,103)</b>
Net (decrease)/increase in cash and cash equivalents	(13,423)	5,665	34,910	17,022
Effect of exchange rate changes on cash and cash equivalent	724	176	(12)	176
Cash and cash equivalents at beginning of period	78,700	60,825	31,103	49,468
<b>Cash and cash equivalents at end of period</b>	<b>66,001</b>	<b>66,666</b>	<b>66,001</b>	<b>66,666</b>

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

**Note A: Property, plant and equipment**

	Group 3 months ended		Group 6 months ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Current year additions to property, plant and equipment	2,325	2,488	6,395	3,543
Less: Additions under finance leases	-	(320)	(310)	(320)
<b>Net cash outflow from purchase of property, plant and equipment</b>	<b>2,325</b>	<b>2,168</b>	<b>6,085</b>	<b>3,223</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.**

**Group**

Restated	Attributable to owners of the Company			
	Share capital RM'000	Merger reserve RM'000	Retained Earnings RM'000	Total equity RM'000
<b>At 1 January 2018</b>	<b>20,234</b>	<b>(15,234)</b>	<b>170,648</b>	<b>175,648</b>
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
Capitalisation of listing expenses	(2,486)	-	-	(2,486)
<b>At 31 March 2018 and 1 April 2018</b>	<b>66,135</b>	<b>(15,234)</b>	<b>167,851</b>	<b>218,752</b>
Profit for the period, representing total comprehensive income for the period	-	-	6,455	6,455
Dividend on ordinary shares	-	-	(11,304)	(11,304)
<b>At 30 June 2018</b>	<b>66,135</b>	<b>(15,234)</b>	<b>163,002</b>	<b>213,903</b>
<b>At 1 January 2017</b>	<b>-*</b>	<b>500</b>	<b>176,443</b>	<b>176,943</b>
Profit for the period, representing total comprehensive income for the period	-	-	10,372	10,372
<b>At 31 March 2017 and 1 April 2017</b>	<b>-*</b>	<b>500</b>	<b>186,815</b>	<b>187,315</b>
Profit for the period, representing total comprehensive income for the period	-	-	10,728	10,728
<b>At 30 June 2017</b>	<b>-*</b>	<b>500</b>	<b>197,543</b>	<b>198,043</b>

*\*Less than RM1,000*

**Company**

	Share capital RM'000	Accumulated losses RM'000	Total RM'000
<b>At 1 January 2018</b>	<b>20,234</b>	<b>(271)</b>	<b>19,963</b>
Issuance of new shares pursuant to the IPO	48,387	-	48,387
Loss for the period	-	(7,936)	(7,936)
Capitalisation of listing expenses	(2,486)	-	(2,486)
	<hr/>		
<b>At 31 March 2018 and 1 April 2018</b>	<b>66,135</b>	<b>(8,207)</b>	<b>57,928</b>
Profit for the period	-	10,975	10,975
Dividend on ordinary shares	-	(11,304)	(11,304)
	<hr/>		
<b>At 30 June 2018</b>	<b>66,135</b>	<b>(8,536)</b>	<b>57,599</b>
	<hr/>		
<b>At 1 January 2017</b>	<b>-*</b>	<b>-</b>	<b>-*</b>
Loss for the period	-	-	-
	<hr/>		
<b>At 31 March 2017 and 1 April 2017</b>	<b>-*</b>	<b>-</b>	<b>-*</b>
Loss for the period	-	-	-
	<hr/>		
<b>At 30 June 2017</b>	<b>-*</b>	<b>-</b>	<b>-*</b>

\*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**

	<b>No. of issued shares</b>	<b>Issued and paid-up share capital (RM)</b>
Balance as at 31 March 2018	489,144,200	66,135,255
<b>Balance as at 30 June 2018</b>	<b>489,144,200</b>	<b>66,135,255</b>

The Company did not have any outstanding convertibles as at 30 June 2018 and 2017.

The Company did not have any treasury shares and subsidiary holdings as at 30 June 2018 and 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:

	<b>As at 30 June 2018</b>	<b>As at 31 December 2017</b>
Total number of issued shares (excluding treasury shares)*	489,144,200	40,000,000

The Company did not have any treasury shares as at 30 June 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 adopts Singapore Financial Reporting Standards (International) ("**SFRS(I)**"), a new financial reporting framework identical to the International Financial Reporting Standards. The Group adopted SFRS(I) 15 *Revenue from Contracts with Customers* which are effective for annual periods beginning on or after 1 January 2018 and applied the changes in accounting policies retrospectively to each reporting period presented.

The Group is in the business of manufacturing wooden furniture based on standard and customised specifications. The Group currently 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 customised wooden furniture are satisfied over time 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 expects that revenue and cost of sales to be recognised over time arising from the adoption of SFRS(I) 15.

On the adoption of SFRS(I) 15, the Group recorded an adjustment to increase its revenue by RM2,924,081 with a related adjustment to cost of sales of RM2,154,486 for the financial period ended 30 June 2018 and a decrease in revenue by RM2,201,570 and a related adjustment to cost of sales of RM1,713,517 for the financial period ended 30 June 2017.

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 6 months ended	
	<u>30 June 2018</u>	<u>30 June 2017</u>	<u>30 June 2018</u>	<u>30 June 2017</u>
Profit attributable to owners of the Company (RM'000)	6,455	10,728	3,658	21,100
Weighted average number of ordinary shares <sup>(1)</sup> ('000)	489,144	40,000	489,144	40,000
Basic and diluted earnings per share <sup>(2)</sup> (sen)	1.32	26.82	0.75	52.75

	Group 3 months ended		Group 6 months ended	
	<u>30 June 2018</u>	<u>30 June 2017</u>	<u>30 June 2018</u>	<u>30 June 2017</u>
For illustrative purposes <sup>(3)</sup>				
Profit attributable to owners of the Company (RM'000)	6,455	10,728	3,658	21,100
Weighted average number of ordinary shares ('000)	489,144	489,144	489,144	489,144
Basic and diluted earnings per share <sup>(2)</sup> (sen)	1.32	2.19	0.75	4.31

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 period ended 30 June 2017.
- (2) The basic and fully diluted earnings per share were the same as there were no dilutive ordinary shares in issue as at 30 June 2018 and 30 June 2017.
- (3) For comparison 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 periods presented, on the assumption that the Restructuring Exercise pursuant to the Share Split, and 62,424,200 new shares were issued and allotted 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 30 June 2018	As at 31 December 2017	As at 30 June 2018	As at 31 December 2017
Net asset value ("NAV") (RM'000)	213,903	175,648	57,599	19,963
Number of ordinary shares in issue ('000)	489,144	40,000	489,144	40,000
NAV per ordinary share (RM)	0.44	4.39	0.12	0.50

For illustrative purposes <sup>(1)</sup>	Group		Company	
	As at 30 June 2018	As at 31 December 2017	As at 30 June 2018	As at 31 December 2017
Net asset value ("NAV") (RM'000)	213,903	175,648	57,599	19,963
Number of ordinary shares in issue ('000)	489,144	489,144	489,144	489,144
NAV per ordinary share (RM)	0.44	0.36	0.12	0.04

Notes:

- (1) *For comparatives 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 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 30 June 2018 ("2Q2018") as compared to the 3 months ended 30 June 2017 ("2Q2017")***

##### **Revenue**

The Group's revenue decreased by approximately RM17.3 million, or 21.5%. This was mainly attributable to:

- (i) the decrease in the number of container loaded with products ("**40-ft containers**") sold from 1,585 40-ft containers in 2Q2017 to 1,295 40-ft containers in 2Q2018 due to the decrease in the demand from customers mainly from the United States of America as a result of a drop in demand from their end customers; and

- (ii) the decrease in the average selling price per container from RM51,000 in 2Q2017 to RM49,000 in 2Q2018 due to the strengthening of the RM against US\$. The average movement of RM against USD has been strengthened by approximately 8.8% in 2Q2018 as compared to 2Q2017.

#### Cost of sales and gross profits

The cost of sales decreased by approximately RM11.3 million, or 18.5% 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 2Q2018.

The gross profit decreased by approximately RM6.0 million, or 31.5%, and overall gross profit margin decreased from 23.6% in 2Q2017 to 20.6% in 2Q2018 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 US\$ has strengthened by approximately 8.8% in 2Q2018 as compared to 2Q2017.

#### Interest income

Interest income decreased by approximately RM0.07 million, or 30.7% mainly due to lower interest rate for cash being placed under short term deposits.

#### Other income

Other income decreased by approximately RM0.3 million, or 9.3% mainly due to lesser sales of scrap materials and the absence of net fair value gain on derivatives.

#### Selling and administrative expenses

Selling and administrative expenses increased by approximately RM1.0 million, or 16.2% mainly due to the increase in depreciation of property, plant and equipment as a result of acquisition of new machineries, wastage disposal costs and Directors' remuneration.

#### Other expense

Other expense decreased by approximately RM1.7 million, or 100.0% mainly due to net foreign exchange gain recorded in the books of the Group in 2Q2018 as compared to 2Q2017 as the Group was holding lesser USD-denominated assets in 2Q2018 as compared to 2Q2017.

#### Profit for the period

As a result of the foregoing, the Group's net profit for 2Q2018 decreased by approximately RM4.3 million, or 39.8% as compared to 2Q2017.

### **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

#### ***Review of the Group's financial position as at 30 June 2018 as compared to 31 December 2017***

#### Non-current assets

Property, plant and equipment increased by approximately RM3.0 million, or 2.6% mainly due to the purchase of machinery and equipment as well as a motor vehicle during the 6 months period ended 30 June 2018 ("**6M2018**").

Leasehold land decreased by approximately RM0.2 million, or 1.2% due to the amortisation of the leasehold land.

### Current assets

Inventories increased by approximately RM2.3 million, or 6.1% mainly due to the increase in the Group's inventories towards the end of 6M2018 to meet the orders in the following quarter.

Trade and other receivables of approximately RM39.4 million comprised trade receivables, receivables from related parties, contract assets, deposits and other receivables. The decrease in trade and other receivables by approximately RM9.9 million, or 28.4% was mainly due to the decrease of sales towards the end of 6M2018.

Prepaid operating expense of approximately RM0.6 million comprised mainly of expenses paid in advance as at 30 June 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 6M2018.

### Current liabilities and non-current liabilities

Loans and borrowings comprised of obligations under finance leases, short term trade financing and bankers' acceptance. The decrease in loans and borrowings by approximately RM2.0 million, or 21.9% was mainly due to the decrease in the usage of short term trade financing towards the end of 6M2018.

Trade and other payables of approximately RM21.3 million comprised trade payables, amount due to related parties, contract liabilities and sundry payables. The decrease in trade payable and other payables of RM9.3 million, or 30.4% was mainly due to the settlement of debts towards the end of 6M2018.

Other liabilities of approximately RM3.9 million comprised of accrued operating expenses, advances from customers and accrual for purchase of equipment. The decrease in other liabilities of RM0.9 million, or 18.4% was mainly due to lesser accrued expenses as at 30 June 2018 as a result of lesser allowances and performance incentives being provided.

## **REVIEW OF THE GROUP'S CASH FLOW STATEMENT**

### ***Review of the Group's cash flow statement for 2Q2018 as compared to 2Q2017***

The Group recorded net cash flows from operating activities of approximately RM1.0 million in 2Q2018 which was lower as compared to approximately RM12.1 million in 2Q2017 mainly due to the decrease in the sales of the Group during the 2Q2018.

The Group recorded net cash flows used in investing activities of approximately RM2.1 million in 2Q2018 mainly due to the purchase of new machineries with improved capabilities.

The Group recorded net cash flows used in financing activities of approximately RM12.3 million in 2Q2018 mainly due to the dividend paid during the period.

**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) In view that the Malaysian Ringgit (“RM”) has strengthened against United States Dollar (“USD”) since the last quarter of financial year 2017, the Group has constantly engaged with its customers where the majority of its products will be based on new prices which reflect the latest exchange rates for the coming new orders. While the Group acknowledges that the unfavourable exchange rate may affect its financial results, the Group expects the impact, if any, of such exchange rate to be short term given the Group’s ability to adjust the products’ selling prices determined in RM with the fluctuation in RM against USD. In addition, the Group will continue to review its hedging policy and strategy from time to time to manage its foreign exchange exposure.
- (b) The prices of most of the raw materials currently used by the Group, have stabilised. However, the Group will continue to engage its suppliers to negotiate for more favourable prices through arrangements such as bulk purchases and early cash payments.
- (c) As at the date of this report, we have implemented the LY-6M system and engaged an Information Technology auditor to conduct a review on the LY-6M system post-implementation.

**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?

No

**(b) Corresponding Period of the Immediately Preceding Financial Year**

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

No

**(c) The date the dividend is payable.**

Not applicable

**(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.**

Not applicable

**12. If no dividend has been declared (recommended), a statement to that effect.**

Not applicable. No dividend has been declared/recommendeded for 2Q2018.

**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 6M2018 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")	1,604
LP Global Resources Sdn Bhd	NA	5,856
Leatherworld Upholstery Sdn Bhd	NA	1,833

#### 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 (S\$'000)	Amount utilised (S\$'000)	Balance (S\$'000)
Expanding the sales network in the PRC	1,000	-	1,000
Upgrading the machinery and equipment and acquiring new technology	5,000	(203)	4,797
Construction of additional facilities	4,000	(2,075)	1,925
General working capital purposes <sup>(1)</sup>	3,000	(420)	2,580
<b>Total</b>	<b>13,000</b>	<b>(2,698)</b>	<b>10,302</b>

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.

**16. Confirmation pursuant to Rule 705(5) of the Catalist Rules**

We, Tan Kwee Chai and Tan Yong Chuan, being two directors of the Company, do hereby confirm on behalf of the Directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited consolidated financial statements of the Group for 2Q2018 to be false or misleading in any material aspect.

Tan Kwee Chai  
Executive Chairman

Tan Yong Chuan  
Executive Director and Chief Executive Officer

**BY ORDER OF THE BOARD**

Tan Yong Chuan  
Chief Executive Officer  
13 August 2018