



**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 THIRD QUARTER ENDED 30 SEPTEMBER 2019**

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This announcement has been prepared by LY Corporation Limited (the "**Company**") and its contents have been reviewed by the Company's sponsor, UOB Kay Hian Private Limited (the "**Sponsor**") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalyst.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes 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.

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**Background**

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.

**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 September 2019 (“3Q2019”) and 9 months ended 30 September 2019 (“9M2019”)**

Consolidated Statements of Comprehensive Income

	Group 3 months ended			Group 9 months ended		
	30 September 2019 RM'000	30 September 2018 RM'000	Increase/ (Decrease) %	30 September 2019 RM'000	30 September 2018 RM'000	Increase/ (Decrease) %
Revenue	66,322	51,650	28.4	169,212	199,709	(15.3)
Cost of sales	(56,674)	(41,232)	37.5	(152,689)	(167,439)	(8.8)
<b>Gross Profit</b>	<b>9,648</b>	<b>10,418</b>	<b>(7.4)</b>	<b>16,523</b>	<b>32,270</b>	<b>(48.8)</b>
<b>Other items of income</b>						
Interest income	170	164	3.7	565	424	33.3
Other income	484	2,841	(83.0)	1,350	5,226	(74.2)
<b>Other items of expense</b>						
Selling and administrative expenses	(4,931)	(4,676)	5.5	(15,720)	(13,608)	15.5
Finance costs	(44)	(44)	–	(107)	(213)	(49.8)
Listing expenses	–	–	–	–	(6,794)	N.M.
Other expense	(71)	–	N.M.	(71)	(1,133)	(93.7)
<b>Profit before tax</b>	<b>5,256</b>	<b>8,703</b>	<b>(39.6)</b>	<b>2,540</b>	<b>16,172</b>	<b>(84.3)</b>
Income tax expense	(1,504)	(1,944)	(22.6)	(1,676)	(5,755)	(70.9)
<b>Profit for the period, representing total comprehensive income for the period</b>	<b>3,752</b>	<b>6,759</b>	<b>(44.5)</b>	<b>864</b>	<b>10,417</b>	<b>(91.7)</b>
<b>Profit/(Loss) for the period, representing total comprehensive income for the period attributable to:</b>						
Owners of the Company	4,313	6,759		2,210	10,417	
Non-controlling interest	(561)	–		(1,346)	–	
	<b>3,752</b>	<b>6,759</b>		<b>864</b>	<b>10,417</b>	

Note:

N.M. Not meaningful

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

	Group 3 months ended			Group 9 months ended		
	30 September 2019 RM'000	30 September 2018 RM'000	Increase/ (Decrease) %	30 September 2019 RM'000	30 September 2018 RM'000	Increase/ (Decrease) %
	Profit for the period include the following (charges)/credits:					
Finance expenses:						
- obligations under finance lease	(11)	(17)	(35.3)	(36)	(52)	(30.8)
- bank loans	(33)	(27)	22.2	(71)	(161)	(55.9)
	(44)	(44)		(107)	(213)	
Amortisation of leasehold land	(85)	(85)	–	(256)	(256)	–
Depreciation expenses:						
- property, plant and equipment	(1,863)	(1,578)	18.1	(5,162)	(4,581)	12.7
- rights-of-use assets	(568)	–	N.M.	(824)	–	N.M.
Gain on disposal of property, plant and equipment	10	11	(9.1)	14	223	(93.7)
Property plant and equipment written-off	17	–	N.M.	42	38	10.5
Rental income	148	86	72.1	439	400	9.8
Net foreign exchange gain/(loss)	(120)	1,226	N.M.	(72)	(83)	(13.3)
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 September 2019 RM'000	Group As at 31 December 2018 RM'000	Company As at 30 September 2019 RM'000	Company As at 31 December 2018 RM'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	134,078	119,748	–	–
Leasehold land	13,174	13,430	–	–
Right-of-use assets	4,579	–	–	–
Intangible assets	3,757	–	–	–
Investment in subsidiaries	–	–	39,469	30,469
	<b>155,588</b>	<b>133,178</b>	<b>39,469</b>	<b>30,469</b>
<b>Current assets</b>				
Inventories	50,945	34,639	–	–
Trade and other receivables	23,098	23,404	7,100	10,518
Contract assets	5,631	10,784	–	–
Prepaid operating expense	614	1,221	38	61
Cash and cash equivalents	44,631	64,709	19,268	32,415
	<b>124,919</b>	<b>134,757</b>	<b>26,406</b>	<b>42,994</b>
<b>Total assets</b>	<b>280,507</b>	<b>267,935</b>	<b>65,875</b>	<b>73,463</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Loans and borrowings	4,140	2,601	–	–
Trade and other payables	34,929	22,755	–	38
Contract liabilities	218	136	–	–
Lease liabilities	895	–	–	–
Accrued expenses	337	504	296	395
Tax payable	4	1,503	66	28
	<b>40,523</b>	<b>27,499</b>	<b>362</b>	<b>461</b>
<b>Net current assets</b>	<b>84,396</b>	<b>107,258</b>	<b>26,044</b>	<b>42,533</b>
<b>Non-current liabilities</b>				
Loans and borrowings	529	781	–	–
Deferred tax liabilities	14,912	14,819	–	–
Lease liabilities	3,772	–	–	–
	<b>19,213</b>	<b>15,600</b>	<b>–</b>	<b>–</b>
<b>Total liabilities</b>	<b>59,736</b>	<b>43,099</b>	<b>362</b>	<b>461</b>
<b>Net assets</b>	<b>220,771</b>	<b>224,836</b>	<b>65,513</b>	<b>73,002</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	66,135	66,135	66,135	66,135
Merger reserve	(15,234)	(15,234)	–	–
Retained earnings/(Accumulated losses)	170,030	173,935	(622)	6,867
	220,931	224,836	65,513	73,002
Non-controlling interest	(160)	–	–	–
<b>Total equity</b>	<b>220,771</b>	<b>224,836</b>	<b>65,513</b>	<b>73,002</b>
<b>Total equity and liabilities</b>	<b>280,507</b>	<b>267,935</b>	<b>65,875</b>	<b>73,463</b>

**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 September 2019</b>		<b>As at 31 December 2018</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>
4,140	–	2,601	–

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

<b>As at 30 September 2019</b>		<b>As at 31 December 2018</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>
529	–	781	–

**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 ("**Mortgage**") and joint and several guarantees provided by the directors from one of our subsidiaries ("**Guarantee**"). However, the Mortgage and Guarantee have been discharged and replaced with corporate guarantee from the Company.

**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 3 months ended		Group 9 months ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
<b>Operating activities</b>				
Profit before tax	5,256	8,703	2,540	16,172
<u>Adjustments for:</u>				
Gain on disposal of property, plant and equipment	(10)	(11)	(14)	(223)
Interest income	(170)	(164)	(565)	(424)
Interest expense	44	44	107	213
Amortisation of leasehold land	85	85	256	256
Depreciation of property, plant and equipment	2,431	1,578	5,986	4,581
Reversal of right-of-use asset	(283)	–	(283)	–
Interest expense from lease liabilities	124	–	172	–
Unrealised exchange loss/(gain)	91	(213)	(402)	(363)
Listing expenses	–	–	–	6,794
Property, plant and equipment written-off	17	–	42	38
<b>Operating profit before working capital changes</b>	<b>7,585</b>	<b>10,022</b>	<b>7,839</b>	<b>27,044</b>
<u>Changes in working capital:</u>				
(Increase)/decrease in inventories	(16,480)	84	(16,306)	(2,166)
(Increase)/decrease in trade and other receivables	(5,150)	(2,851)	421	7,328
Decrease in contract assets	874	–	5,153	–
Decrease in prepaid operating expense	140	128	607	5,308
Increase/(decrease) in trade and other payables	5,980	(1,217)	12,227	(10,656)
Increase in contract liabilities	32	–	82	–
Increase/(decrease) in accrued expenses	115	(575)	(167)	(1,458)
<b>Cash flows (used in)/from operations</b>	<b>(6,904)</b>	<b>5,591</b>	<b>9,856</b>	<b>25,400</b>
Interest paid	(44)	(44)	(107)	(213)
Income taxes paid	(239)	(3,788)	(3,175)	(8,728)
Interest income from short term deposits	170	164	565	424
<b>Net cash flows (used in)/generated from operating activities</b>	<b>(7,017)</b>	<b>1,923</b>	<b>7,139</b>	<b>16,883</b>
<b>Investing activities</b>				
Purchase of property, plant and equipment (Note A)	(9,543)	(2,977)	(17,104)	(9,062)
Proceeds from disposal of property, plant and equipment	18	16	38	596
Acquisition of business	–	–	(4,932)	–
<b>Net cash flows used in investing activities</b>	<b>(9,525)</b>	<b>(2,961)</b>	<b>(21,998)</b>	<b>(8,466)</b>

	Group 3 months ended		Group 9 months ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
<b>Financing activities</b>				
Dividends paid on ordinary shares	–	–	(6,115)	(11,304)
Proceeds from loans and borrowings	11,053	9,620	24,031	52,570
Repayment of obligations under finance lease	(107)	(144)	(364)	(467)
Repayment of loans and borrowings	(9,095)	(11,640)	(22,381)	(56,615)
Repayment of lease liabilities	(213)	–	(452)	–
Interest expense from lease liabilities	(124)	–	(172)	–
Proceeds from issuance of new shares pursuant to initial public offering (“IPO”)	–	–	–	48,387
Listing expenses paid	–	–	–	(9,280)
<b>Net cash flows generated from/(used in) financing activities</b>	<b>1,514</b>	<b>(2,164)</b>	<b>(5,453)</b>	<b>23,291</b>
Net (decrease)/increase in cash and cash equivalents	(15,028)	(3,202)	(20,312)	31,708
Effect of exchange rate changes on cash and cash equivalent	(168)	336	234	324
Cash and cash equivalents at beginning of period	59,827	66,001	64,709	31,103
<b>Cash and cash equivalents at end of period</b>	<b>44,631</b>	<b>63,135</b>	<b>44,631</b>	<b>63,135</b>

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

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

	Group 3 months ended		Group 9 months ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Current year additions to property, plant and equipment	9,543	2,977	17,104	9,372
Less: Additions under finance leases	–	–	–	(310)
<b>Net cash outflow from purchase of property, plant and equipment</b>	<b>9,543</b>	<b>2,977</b>	<b>17,104</b>	<b>9,062</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**

(Unaudited)

	Attributable to owners of the Company					Total equity RM'000
	Share capital RM'000	Merger reserve RM'000	Retained Earnings RM'000	Equity attributable to owner RM'000	Non- controlling interest RM'000	
<b>At 1 January 2019</b>	<b>66,135</b>	<b>(15,234)</b>	<b>173,935</b>	<b>224,836</b>	<b>–</b>	<b>224,836</b>
Loss for the period, representing total comprehensive income for the period	–	–	(736)	(736)	(236)	(972)
<u>Changes in ownership interests in subsidiary</u>						
Change in ownership interests without a change in control*	–	–	–	–	1,186	1,186
<b>At 31 March 2019 and 1 April 2019</b>	<b>66,135</b>	<b>(15,234)</b>	<b>173,199</b>	<b>224,100</b>	<b>950</b>	<b>225,050</b>
Loss for the period, representing total comprehensive income for the period	–	–	(1,367)	(1,367)	(549)	(1,916)
Dividend on ordinary shares	–	–	(6,115)	(6,115)	–	(6,115)
<b>At 30 June 2019 and 1 July 2019</b>	<b>66,135</b>	<b>(15,234)</b>	<b>165,717</b>	<b>216,618</b>	<b>401</b>	<b>217,019</b>
Profit/(loss) for the period, representing total comprehensive income for the period	–	–	4,313	4,313	(561)	3,752
<b>At 30 September 2019</b>	<b>66,135</b>	<b>(15,234)</b>	<b>170,030</b>	<b>220,931</b>	<b>(160)</b>	<b>220,771</b>



(Unaudited)

Attributable to owners of the Company

	Share capital RM'000	Merger reserve RM'000	Retained Earnings RM'000	Equity attributable to owner RM'000	Non- controlling interest RM'000	Total equity RM'000
<b>At 1 January 2018</b>	<b>20,234</b>	<b>(15,234)</b>	<b>170,318</b>	<b>175,318</b>	–	<b>175,318</b>
Loss for the period, representing total comprehensive income for the period	–	–	(2,797)	(2,797)	–	(2,797)
Issuance of new shares pursuant to the IPO	48,387	–	–	48,387	–	48,387
Capitalisation of listing expenses	(2,486)	–	–	(2,486)	–	(2,486)
<b>At 31 March 2018 and 1 April 2018</b>	<b>66,135</b>	<b>(15,234)</b>	<b>167,521</b>	<b>218,422</b>	–	<b>218,422</b>
Profit for the period, representing total comprehensive income for the period	–	–	6,455	6,455	–	6,455
Dividend on ordinary shares	–	–	(11,304)	(11,304)	–	(11,304)
<b>At 30 June 2018 and 1 July 2018</b>	<b>66,135</b>	<b>(15,234)</b>	<b>162,672</b>	<b>213,573</b>	–	<b>213,573</b>
Profit for the period, representing total comprehensive income for the period	–	–	6,759	6,759	–	6,759
<b>At 30 September 2018</b>	<b>66,135</b>	<b>(15,234)</b>	<b>169,431</b>	<b>220,332</b>	–	<b>220,332</b>

\*On 25 January 2019, the Group's subsidiary company, Leyo Holdings Sdn Bhd, issued 49% of its equity interest to the Vendor for the acquisition of business under the trade names EZBO and CUBO.

## Company

(Unaudited)

	Share capital RM'000	Retained earnings RM'000	Total RM'000
<b>At 1 January 2019</b>	<b>66,135</b>	<b>6,867</b>	<b>73,002</b>
Loss for the period	–	(809)	(809)
<b>At 31 March 2019 and 1 April 2019</b>	<b>66,135</b>	<b>6,058</b>	<b>72,193</b>
Loss for the period	–	(33)	(33)
Dividend on ordinary shares	–	(6,115)	(6,115)
<b>At 30 June 2019 and 1 July 2019</b>	<b>66,135</b>	<b>(90)</b>	<b>66,045</b>
Loss for the period	–	(532)	(532)
<b>At 30 September 2019</b>	<b>66,135</b>	<b>(622)</b>	<b>65,513</b>
<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)
<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)
<b>At 30 June 2018 and 1 July 2018</b>	<b>66,135</b>	<b>(8,536)</b>	<b>57,599</b>
Profit for the period	–	603	603
<b>At 30 September 2018</b>	<b>66,135</b>	<b>(7,933)</b>	<b>58,202</b>

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State 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 June 2019	489,144,200	66,135,255
Balance as at 30 September 2019	489,144,200	66,135,255

The Company did not have any outstanding convertibles as at 30 September 2019 and 30 September 2018.

The Company did not have any treasury shares and subsidiary holdings as at 30 September 2019 and 30 September 2018.

**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 September 2019</b>	<b>As at 31 December 2018</b>
Total number of issued shares (excluding treasury shares)*	489,144,200	489,144,200

The Company did not have any treasury shares as at 30 September 2019 and 31 December 2018.

\* Refers to the legal 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 2018.

**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 SFRS(I) 16 *Leases* on 1 January 2019.

On the adoption of SFRS(I) 16, the Group chose, on a lease-by-lease basis, to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group has elected the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

On the adoption of SFRS(I) 16, the Group recognise right-of-use assets of RM1,054,000 and lease liabilities of RM1,054,000 for its leases previously classified as operating leases as of 1 January 2019.

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) 16 on 1 January 2019 to the balance sheet of the Group.

	<b>Group</b>		
	<b>As at 31 December 2018 RM'000</b>	<b>SFRS(I) 16 adjustments RM'000</b>	<b>As at 1 January 2019 RM'000</b>
<b>Non-current assets</b>			
Right-of-use asset	–	1,054	1,054
<b>Current liabilities</b>			
Lease liabilities	–	417	417
<b>Non-current liabilities</b>			
Lease liabilities	–	637	637

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 9 months ended	
	<u>30 September 2019</u>	<u>30 September 2018</u>	<u>30 September 2019</u>	<u>30 September 2018</u>
Profit attributable to owners of the Company (RM'000)	4,313	6,759	2,210	10,417
Weighted average number of ordinary shares ('000)	489,144	489,144	489,144	489,144
Basic and diluted per share <sup>(1)</sup> (sen)	0.88	1.38	0.45	2.13

Note:

(1) The basic and fully diluted loss per share were the same as there were no dilutive ordinary shares in issue as at 30 September 2019 and 30 September 2018.

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 September 2019	As at 31 December 2018	As at 30 September 2019	As at 31 December 2018
Net asset value ("NAV") (RM'000)	220,771	224,836	65,513	73,002
Number of ordinary shares in issue ('000)	489,144	489,144	489,144	489,144
NAV per ordinary share (RM)	0.45	0.46	0.13	0.15

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 September 2019 ("3Q2019") as compared to the 3 months ended 30 September 2018 ("3Q2018")***

### Revenue

The Group's revenue increased by approximately RM14.7 million, or 28.4%. This was mainly attributable to the increase in the number of container loaded with products ("**40-ft containers**") sold from 1,102 40-ft containers in 3Q2018 to 1,316 40-ft containers in 3Q2019 as a result of higher demand from the Group's customers mainly from the United States of America ("**US**").

The average selling price per 40-ft container has increased from RM47,000 in 3Q2018 to RM50,000 in 3Q2019 due to strengthening of USD to RM. The increase was slightly offset by the Group's different product mix whereby the Group sells more paper laminated products which have lower selling prices compared to veneer-laminated and spray-painted products.

### Cost of sales and gross profits

The cost of sales increased by approximately RM15.4 million, or 37.5%, mainly due to the increase in raw materials purchased, labour costs and subcontractors' costs. The increase in these costs was mainly due to the higher level of production during 3Q2019 to cater for the production to meet the increased demand in 3Q2019 and the expected orders in the following quarter.

The gross profit decreased slightly by approximately RM0.7 million, or 7.4%. The overall gross profit margin decreased from 20.2% in 3Q2018 to 14.5% in 3Q2019 mainly due to the different product mix sold during the 3Q2019 led to higher proportionate increase in raw materials purchased, labour costs and sub contractors' costs.

### Other income

Other income comprised mainly sales of timber, boards, hardware and scrap; charges for services provided such as transportation; rental received and gain on disposal of property, plant and equipment.

Other income decreased by approximately RM2.4 million, or 83.0%, mainly due to the Group selling lesser boards to LP Global Resources Sdn Bhd ("**LP Global**") to manufacture front drawers (including lamination services) for our products in 3Q2019 as compared to 3Q2018.

### Selling and administrative expenses

Selling and administrative expenses slightly increased by approximately RM0.3 million, or 5.5%, mainly due to the increase in professional fees, service tax and depreciation on property, plant and equipment.

### Other expense

Other expense increased by approximately RM0.07 million due to net foreign exchange loss recorded in the books of the Group in 3Q2019 as compared to a net foreign exchange gain recorded in 3Q2018.

### Profit for the period

As a result of the foregoing, the Group's net profit for 3Q2019 decreased by approximately RM3.0 million, or 44.5%, as compared to 3Q2018.

## **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

***Review of the Group's financial position as at 30 September 2019 as compared to 31 December 2018***

### **Non-current assets**

Property, plant and equipment increased by approximately RM14.3 million, or 12.0%, mainly due to the purchase of machinery and equipment and motor vehicles during the 9 months period ended 30 September 2019 ("9M2019").

Leasehold land decreased by approximately RM0.3 million, or 1.9%, due to the amortisation of the leasehold land.

Intangible assets of approximately RM3.8 million consists of trademarks and goodwill arising from provisional purchase price allocation from the completion of the acquisition announced on 28 January 2019.

Right-of-use assets of approximately RM4.6 million comprised the right to use the properties by the Group over the respective lease period.

### **Current assets**

Inventories increased by approximately RM16.3 million, or 47.1%, mainly due to the increase in the Group's inventories towards the end of 9M2019 to meet the orders in the following quarter.

Trade and other receivables of approximately RM23.1 million comprised trade receivables, receivables from related parties, deposit and other receivables. The increase in trade and other receivables by approximately RM0.3 million, or 1.3%, was mainly due to the increase of sales towards the end of 9M2019.

Contract assets of approximately RM5.6 million comprised the right to consideration for goods produced but not yet billed as at 30 September 2019 for sale of goods. The decrease in contract assets by approximately RM5.2 million, or 47.8%, was mainly due to the decrease in the completion of goods produced expected to be delivered after the third quarter of 2019.

Prepaid operating expense of approximately RM0.6 million comprised mainly expenses paid in advance as at 30 September 2019. The decrease in the prepaid operating expense as at 30 September 2019 as compared to 31 December 2018 was due to expenses being paid in advance as at 31 December 2018 but were subsequently expensed off to the income statement by 30 September 2019.

### **Current liabilities and non-current liabilities**

Loans and borrowings comprised of obligations under finance leases and bankers' acceptance. The increase in loans and borrowings by approximately RM1.3 million, or 38.1%, was mainly due to the increase in the usage of bankers' acceptance towards the end of 9M2019.

Trade and other payables of approximately RM34.9 million comprised trade payables, amount due to related parties and sundry payables. The increase in trade payables and other payables of RM12.2 million, or 53.5%, was mainly due to the increase in purchase of raw materials towards the end of 9M2019.

Contract liabilities of approximately RM0.2 million comprised the Group's obligation to transfer goods or services to customers for which the Group has received consideration from customers as at 30 September 2019.

Lease liabilities of approximately RM4.7 million comprised the liabilities that the Group has to pay over the life of the leases for the use of the properties.

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

### ***Review of the Group's cash flow statement for 3Q2019 as compared to 3Q2018***

The Group recorded net cash flows used in operating activities of approximately RM7.0 million in 3Q2019 which was lower as compared to net cash flow from operating activities approximately RM1.9 million in 3Q2018 mainly due to the increase in inventories and trade and other receivable of the Group during the 3Q2019.

The Group recorded net cash flows used in investing activities of approximately RM9.5 million mainly due to the purchase of new and used machineries as well as motor vehicles.

The Group recorded net cash flows from financing activities of approximately RM1.5 million mainly due to the proceeds from short term financing offset by repayment of loans and borrowings in 3Q2019.

**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 since financial year ended 31 December 2018 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 years ending 31 December 2019 (“FY2019”) and 2020 (“FY2020”). Nevertheless, we have seen signs of improvement beginning July 2019, with more purchases from our US customers. Therefore, we are cautiously optimistic of an improvement in FY2020, amid the on-going trade war.

(b) Apart from the sale of our bedroom furniture, we have begun the expansion of our revenue base to include other categories of wooden products.

**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 and reason(s) for the decision.**

No dividend has been declared/recommended for 3Q2019 as it is the Company's practice to declare/recommend dividend, if any, in the fourth quarter of the financial year.

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 aggregate value of all interested person transactions entered into during the 9M2019 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")	2,262
LP Global Resources Sdn Bhd	NA	5,361
Leatherworld Upholstery Sdn Bhd	NA	2,580
Lian Yu Asset Management Sdn Bhd	900	NA

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:

<b>Purpose</b>	<b>Amount allocated (S\$'000)</b>	<b>Amount utilised (S\$'000)</b>	<b>Balance (S\$'000)</b>
Expanding the sales network in the PRC	1,000	(127)	873
Upgrading the machinery and equipment and acquiring new technology	5,000	(3,249)	1,751
Construction of additional facilities	4,000	(3,792)	208
General working capital purposes <sup>(1)</sup>	3,000	(1,327)	1,673
<b>Total</b>	<b>13,000</b>	<b>(8,495)</b>	<b>4,505</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 Catalyst Listing Manual

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 the 3Q2019 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  
Executive Directors and Chief Executive Officer  
13 November 2019