



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 2019**

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.

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

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 31 December 2019 (“4Q2019”) and financial year ended 31 December 2019 (“FY2019”)

Consolidated Statements of Comprehensive Income

	Group 3 months ended			Group 12 months ended		
	31 December 2019 RM'000	31 December 2018 RM'000	Increase/ (Decrease) %	31 December 2019 RM'000	31 December 2018 RM'000	Increase/ (Decrease) %
Revenue	76,648	63,427	20.8	245,860	263,136	(6.6)
Cost of sales	(72,056)	(51,804)	39.1	(224,573)	(219,243)	2.4
Gross Profit	4,592	11,623	(60.5)	21,287	43,893	(51.5)
Other items of income						
Interest income	123	203	(39.4)	688	627	9.7
Other income	630	290	N.M.	1,980	4,559	(56.6)
Other items of expense						
Selling and administrative expenses	(3,708)	(4,173)	(11.1)	(19,428)	(17,781)	9.3
Finance costs	(151)	(32)	N.M.	(430)	(245)	75.5
Listing expenses	–	–	–	–	(6,794)	N.M.
Other expense	(584)	–	N.M.	(655)	(176)	N.M.
Profit before tax	902	7,911	(88.6)	3,442	24,083	(85.7)
Income tax expense	(108)	(3,407)	(96.8)	(1,784)	(9,162)	(80.5)
Profit for the period/year, representing total comprehensive income for the period	794	4,504	(82.4)	1,658	14,921	(88.9)
Profit for the period/year, representing total comprehensive income for the period attributable to:						
Owners of the Company	874	4,504		3,084	14,921	
Non-controlling interest	(80)	–		(1,426)	–	
	794	4,504		1,658	14,921	

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 2019 RM'000	31 December 2018 RM'000	Increase/ (Decrease) %	31 December 2019 RM'000	31 December 2018 RM'000	Increase/ (Decrease) %
Profit for the period include the following (charges)/credits:						
Finance expenses:						
- obligations under finance lease	(9)	(15)	(40.0)	(45)	(67)	(32.8)
- Lease liabilities	(95)	–	N.M.	(267)	–	N.M.
- bank loans	(47)	(17)	N.M.	(118)	(178)	(33.7)
	(151)	(32)		(430)	(245)	
Amortisation of leasehold land	–	(86)	14.0	–	(342)	3.5
Amortisation of intellectual property	(47)	–	N.M.	(47)	–	N.M.
Depreciation expenses:						
- property, plant and equipment	(1,986)	(1,487)	33.6	(7,148)	(6,068)	17.8
- rights-of-use assets	(383)	–	N.M.	(1,182)	–	N.M.
	(2,369)	(1,487)		(8,330)	(6,068)	
Gain on disposal of property, plant and equipment	72	1	N.M.	86	224	(61.6)
Property plant and equipment written- off	3	(1)	N.M.	45	37	21.6
Rental income	196	215	(8.8)	636	615	3.4
Net foreign exchange loss	(584)	(56)	N.M.	(655)	(139)	N.M.
Listing expenses	–	–	–	–	(6,794)	N.M.
Current income tax:						
- Current income taxation	(268)	(2,288)	(88.3)	(1,944)	(8,043)	(75.8)
- Over provision in respect of previous years	1,252	859	45.8	1,252	859	45.8
Deferred income tax:						
- Origination and reversal of temporary difference	(1,515)	(170)	N.M.	(1,515)	(170)	N.M.
- Under provision in respect of previous years	423	(1,808)	N.M.	423	(1,808)	N.M.
	(108)	(3,407)		(1,784)	(9,162)	

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 2019 RM'000	Group As at 31 December 2018 RM'000	Company As at 31 December 2019 RM'000	Company As at 31 December 2018 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	141,231	119,748	–	–
Leasehold land	–	13,430	–	–
Right-of-use assets	22,382	–	–	–
Intangible assets	3,024	–	–	–
Investment in subsidiaries	–	–	47,886	30,469
	166,637	133,178	47,886	30,469
Current assets				
Inventories	40,889	34,639	–	–
Trade and other receivables	26,774	23,404	4,140	10,518
Contract assets	6,885	10,784	–	–
Prepaid operating expense	1,322	1,221	23	61
Tax recoverable	960	–	–	–
Cash and cash equivalents	36,083	64,709	17,731	32,415
	112,913	134,757	21,894	42,994
Total assets	279,550	267,935	69,780	73,463
LIABILITIES				
Current liabilities				
Loans and borrowings	5,894	2,601	–	–
Trade and other payables	29,092	22,755	–	38
Contract liabilities	247	136	–	–
Lease liabilities	1,434	–	–	–
Accrued expenses	678	504	453	395
Tax payable	–	1,503	56	28
	37,345	27,499	509	461
Net current assets	75,568	107,258	21,385	42,533
Non-current liabilities				
Loans and borrowings	–	781	–	–
Deferred tax liabilities	16,004	14,819	–	–
Lease liabilities	5,822	–	–	–
	21,826	15,600	–	–
Total liabilities	59,171	43,099	509	461
Net assets	220,379	224,836	69,271	73,002
Equity attributable to owners of the Company				
Share capital	66,135	66,135	66,135	66,135
Merger reserve	(15,234)	(15,234)	–	–
Retained earnings	170,904	173,935	3,136	6,867
	221,805	224,836	69,271	73,002
Non-controlling interest	(1,426)	–	–	–
Total equity	220,379	224,836	69,271	73,002
Total equity and liabilities	279,550	267,935	69,780	73,463

* 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 2019		As at 31 December 2018	
Secured	Unsecured	Secured	Unsecured
RM'000	RM'000	RM'000	RM'000
5,894	–	2,601	–

Amount repayable by the Group after one year

As at 31 December 2019		As at 31 December 2018	
Secured	Unsecured	Secured	Unsecured
RM'000	RM'000	RM'000	RM'000
–	–	781	–

Details of collateral

The Group's borrowings consist of obligations under finance lease (included in lease liabilities), 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 (included in right-of-use assets) ("**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 in FY2019.

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 12 months ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Operating activities				
Profit before tax	902	7,911	3,442	24,083
<u>Adjustments for:</u>				
Gain on disposal of property, plant and equipment	(72)	(1)	(86)	(224)
Interest income	(123)	(203)	(688)	(627)
Interest expense	151	32	430	245
Amortisation of leasehold land	–	86	–	342
Amortisation of intellectual property	47	–	47	–
Depreciation of right-of-use assets	383	–	1,182	–
Depreciation of property, plant and equipment	1,986	1,487	7,148	6,068
Reversal of right-of-use-assets on termination of leases	(35)	–	(38)	–
Unrealised exchange loss	454	663	52	300
Listing expenses	–	–	–	6,794
Property, plant and equipment written-off	3	(1)	45	37
Operating profit before working capital changes	3,696	9,974	11,534	37,018
<u>Changes in working capital:</u>				
Decrease/(increase) in inventories	10,056	4,639	(6,250)	2,473
(Increase)/decrease in trade and other receivables	(4,023)	(2,205)	(3,602)	5,123
(Increase)/decrease in contract assets	(1,254)	(4,665)	3,899	(4,665)
(Increase)/decrease in prepaid operating expense	(708)	(765)	(101)	4,543
(Decrease)/increase in trade and other payables	(6,902)	2,786	5,325	(7,870)
Increase/(decrease) in contract liabilities	29	(144)	111	(144)
Increase/(decrease) in accrued expenses	341	(2,847)	174	(4,305)
Cash flows from operations	1,235	6,773	11,090	32,173
Interest paid	(56)	(32)	(163)	(245)
Income taxes paid	1,090	(281)	(2,085)	(9,009)
Net cash flows generated from operating activities	2,269	6,460	8,842	22,919
Investing activities				
Interest income from short term deposits	123	203	688	627
Purchase of property, plant and equipment (Note A)	(1,478)	(2,876)	(18,582)	(11,938)
Proceeds from disposal of property, plant and equipment	213	95	251	691
Acquisition of businesses	(8,294)	–	(13,226)	–
Acquisition of right-of-use asset	(3,040)	–	(3,040)	–
Net cash flows used in investing activities	(12,476)	(2,578)	(33,909)	(10,620)

	Group 3 months ended		Group 12 months ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Financing activities				
Dividends paid on ordinary shares	–	–	(6,115)	(11,304)
Proceeds from loans and borrowings	16,590	6,352	40,621	58,922
Repayment of obligations under finance lease	–	(138)	–	(605)
Repayment of loans and borrowings	(14,484)	(7,928)	(36,864)	(64,543)
Repayment of lease liabilities	(324)	–	(1,312)	–
Proceeds from issuance of new shares pursuant to initial public offering (“IPO”)	–	–	–	48,387
Listing expenses paid	–	–	–	(9,280)
Net cash flows generated from/(used in) financing activities	1,782	(1,714)	(3,670)	21,577
Net (decrease)/increase in cash and cash equivalents	(8,425)	2,168	(28,737)	33,876
Effect of exchange rate changes on cash and cash equivalent	(123)	(594)	111	(270)
Cash and cash equivalents at beginning of period	44,631	63,135	64,709	31,103
Cash and cash equivalents at end of period	36,083	64,709	36,083	64,709

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

Note A: Property, plant and equipment

	Group 3 months ended		Group 12 months ended	
	31 December 2019 RM'000	31 December 2018 RM'000	31 December 2019 RM'000	31 December 2018 RM'000
Current year additions to property, plant and equipment	1,478	2,876	18,582	12,248
Less: Additions under leases	–	–	–	(310)
Net cash outflow from purchase of property, plant and equipment	1,478	2,876	18,581	11,938

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					
	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
At 1 January 2019	66,135	(15,234)	173,935	224,836	–	224,836
Loss for the period, representing total comprehensive income for the period	–	–	(736)	(736)	(236)	(972)
At 31 March 2019 and 1 April 2019	66,135	(15,234)	173,199	224,100	(236)	223,864
Loss for the period, representing total comprehensive income for the period	–	–	(1,367)	(1,367)	(549)	(1,916)
Dividend on ordinary shares, representing total distribution to owners	–	–	(6,115)	(6,115)	–	(6,115)
At 30 June 2019 and 1 July 2019	66,135	(15,234)	165,717	216,618	(785)	215,833
Profit for the period, representing total comprehensive income for the period	–	–	4,313	4,313	(561)	3,752
At 30 September 2019	66,135	(15,234)	170,030	220,931	(1,346)	219,585
Profit for the period, representing total comprehensive income for the period	–	–	874	874	(80)	794
At 31 December 2019	66,135	(15,234)	170,904	221,805	(1,426)	220,379

At 1 January 2018	20,234	(15,234)	170,318	175,318	–	175,318
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)
At 31 March 2018 and 1 April 2018	66,135	(15,234)	167,521	218,422	–	218,422
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)
At 30 June 2018 and 1 July 2018	66,135	(15,234)	162,672	213,573	–	213,573
Profit for the period, representing total comprehensive income for the period	–	–	6,759	6,759	–	6,759
At 30 September 2018 and 1 October 2018	66,135	(15,234)	169,431	220,332	–	220,332
Profit for the period, representing total comprehensive income for the period	–	–	4,504	4,504	–	4,504
At 31 December 2018	66,135	(15,234)	173,935	224,836	–	224,836

Company**(Unaudited)**

	Share capital RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2019	66,135	6,867	73,002
Loss for the period	–	(809)	(809)
At 31 March 2019 and 1 April 2019	66,135	6,058	72,193
Loss for the period	–	(33)	(33)
Dividend on ordinary shares	–	(6,115)	(6,115)
At 30 June 2019 and 1 July 2019	66,135	(90)	66,045
Loss for the period	–	(532)	(532)
At 30 September 2019 and 1 October 2019	66,135	(622)	65,513
Profit for the period	–	3,758	3,758
At 31 December 2019	66,135	3,136	69,271
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)
Capitalisation of listing expenses	(2,486)	–	(2,486)
At 31 March 2018 and 1 April 2018	66,135	(8,207)	57,928
Profit for the period	–	10,975	10,975
Dividend on ordinary shares	–	(11,304)	(11,304)
At 30 June 2018 and 1 July 2018	66,135	(8,536)	57,599
Profit for the period	–	603	603
At 30 September 2018 and 1 October 2019	66,135	(7,933)	58,202
Profit for the period	–	14,800	14,800
At 31 December 2018	66,135	6,867	73,002

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 2019	489,144,200	66,135,255
Balance as at 31 December 2019	489,144,200	66,135,255

The Company did not have any outstanding convertibles as at 31 December 2019 and 31 December 2018.

The Company did not have any treasury shares and subsidiary holdings as at 31 December 2019 and 31 December 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:

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

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

* 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.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable.

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

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.

	Group		
	As at 31 December 2018	SFRS(I) 16 adjustments	As at 1 January 2019
	RM'000	RM'000	RM'000
Non-current assets			
Right-of-use asset	–	1,054	1,054
Current liabilities			
Lease liabilities	–	417	417
Non-current liabilities			
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 12 months ended	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Profit attributable to owners of the Company (RM'000)	874	4,504	3,084	14,921
Weighted average number of ordinary shares ('000)	489,144	489,144	489,144	489,144
Basic and diluted per share ⁽¹⁾ (sen)	0.18	0.92	0.63	3.05

Note:

(1) The basic and fully diluted loss per share were the same as there were no dilutive ordinary shares in issue as at 31 December 2019 and 31 December 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 31 December 2019	As at 31 December 2018	As at 31 December 2019	As at 31 December 2018
Net asset value (“NAV”) (RM’000)	220,379	224,836	69,271	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	0.14	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 31 December 2019 (“4Q2019”) as compared to the 3 months ended 31 December 2018 (“4Q2018”)

Revenue

The Group’s revenue increased by approximately RM13.2 million, or 20.8%. This was mainly attributable to the increase in the number of laden container (“**40–ft containers**”) sold from 1,154 40–ft containers in 4Q2018 to 1,404 40–ft containers in 4Q2019 as a result of higher demand from customers mainly from the United States of America (“**US**”) due to an increase in demand from the Group’s customers. The average selling price per 40 ft-container for 4Q2019 remained the same as 4Q2018 at RM55,000.

Cost of sales and gross profits

Cost of sales increased by approximately RM20.3 million, or 39.1%, mainly due to the increase in raw materials purchased, labour costs, subcontractors’ costs and freight and handling charge. The increase in these costs was mainly due to the higher level of production during 4Q2019.

Gross profit decreased by approximately RM7.0 million, or 60.5%. The gross profit margin decreased from 18.3% in 4Q2018 to 6.0% in 4Q2019 mainly due to the different product mix sold during the 4Q2019 led to higher proportionate increase in raw materials purchased, labour costs and subcontractors’ costs.

Interest income

Interest income decreased by approximately RM0.08 million, or 39.4%, mainly due to lower cash being placed in short term deposits in the bank account maintained in Malaysia.

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 increased by approximately RM0.3 million, or 117.2%, mainly due to the increase in the sales of timber, boards, etc., and gain on disposal of property, plant and equipment in 4Q2019 as compared to 4Q2018.

Selling and administrative expenses

Selling and administrative expenses decreased by approximately RM0.5 million, or 11.1%, mainly due to the decrease in staff costs, directors' remuneration, travelling expenses and upkeep and maintenance cost which was partially offset by the increase in depreciation of property, plant and equipment by approximately RM0.5 million due to the additional machinery & equipment, office equipment and furniture and fittings acquired in 4Q2019.

Other expense

Other expense increased by approximately RM0.6 million mainly due to the net foreign exchange loss recorded in the books of the Group in 4Q2019 as compared to a net foreign exchange gain recorded in 4Q2018.

Profit for the period

As a result of the foregoing, the Group's net profit for 4Q2019 decreased by approximately RM3.7 million, or 82.4%, as compared to 4Q2018.

Review of Group's performance for the financial year ended 31 December 2019 ("FY2019") as compared to the financial year ended 31 December 2018 ("FY2018")

Revenue

The Group's revenue decreased by approximately RM17.3 million, or 6.6%. This was mainly attributable to the decrease in the number of 40–ft containers sold from 5,232 40–ft containers in FY2018 to 4,866 40–ft containers in FY2019 as a result of lower demand from customers mainly from the US due to a drop in demand from the Group's customers.

However, this was partially offset by a slight increase in the average selling price per container from RM50,000 in FY2018 to RM51,000 in FY2019, as a result of the strengthening of the USD against RM. The average movement of USD against RM has strengthened by approximately 2.7% in FY2019 as compared to FY2018.

Cost of sales and gross profits

Cost of sales increased by approximately RM5.3 million, or 2.4%, mainly due to the increase in labour costs and water and electricity charges.

Gross profit decreased by approximately RM22.6 million, or 51.5%, and gross profit margin decreased from 16.7% in FY2018 to 8.7% in FY2019 mainly due to the different product mix sold during the FY2019 which led to higher proportionate increase in labour costs.

Interest income

Interest income increased by approximately RM0.06 million, or 9.7%, mainly due to higher cash being placed in short term deposits in the bank account maintained in Malaysia.

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 RM2.6 million, or 56.6%, as a result of the Company selling lesser boards to LP Global Resources Sdn Bhd to manufacture front drawers for most of our models (including lamination services) in FY2019 as compared to FY2018, due to the drop in demand from the Group's customers.

Selling and administrative expenses

Selling and administrative expenses increased by approximately RM1.6 million, or 9.3%, mainly due to the increase in depreciation of property, plant and equipment, staff costs, wastage disposal costs, professional fees, service tax, entertainment and general office expenses such as printing & stationery and postage & courier charges.

Other expense

Other expense increased by approximately RM0.5 million mainly due to higher net foreign exchange loss recorded in the books of the Group in FY2019 as compared to FY2018.

Profit for the period

As a result of the foregoing, the Group's net profit for FY2019 decreased by approximately RM13.3 million, or 88.9%, as compared to FY2018.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

Non-current assets

Property, plant and equipment increased by approximately RM21.5 million, or 17.9%, mainly due to the purchase of machinery and equipment (including those acquired from LP Global Resources Sdn Bhd), construction of workers' hostel and expansion of office building.

Intangible assets of approximately RM3.0 million consists of trademarks and goodwill arising from provisional purchase price allocation as announced on 28 January 2019.

Right-of-use assets of approximately RM6.3 million comprised the right to use leases by the Group over the respective lease period on adoption of SFRS (I) 16 *Leases*. Included in right-of-use assets is leasehold land which increased by approximately RM2.7 million, due to the purchase of a leasehold land from LP Global Resources Sdn Bhd.

Current assets

Inventories increased by approximately RM6.3million, or 18.0%, mainly due to the increase in the Group's inventories towards the end of FY2019 to meet the orders in the following quarter.

Trade and other receivables of approximately RM26.8 million comprised trade receivables, receivables from related parties, deposits and other receivables. The increase in trade and other receivables by approximately RM3.4 million, or 14.4%, was mainly due to the increase of sales towards the end of FY2019.

Contract assets of approximately RM6.9 million comprised the right to consideration for goods produced but not yet billed as at 31 December 2019 for sale of goods. The decrease in contract assets by approximately RM3.9 million, or 36.2%, was mainly due to the completion of goods produced expected to be delivered in the first quarter of 2020.

Prepaid operating expense of approximately RM1.3 million comprised mainly expenses paid in advance as at 31 December 2019. The increase in the prepaid operating expense was due to expenses being paid in advance as at 31 December 2019.

Advance tax of approximately RM1.0 million comprised of tax paid in advance by the Malaysian subsidiaries for the Year of Assessment 2019.

Current liabilities and non-current liabilities

Loans and borrowings comprised short-term trade financing and bankers' acceptance. The increase in loans and borrowings by approximately RM2.5 million, or 74.3%, was mainly due to the increase in the usage of short term trade financing towards the end of FY2019.

Trade and other payables of approximately RM29.1 million comprised trade payables, amount due to related parties and other payables. The increase in trade and other payables of RM6.3 million, or 27.8%, was mainly due to the increase in purchase of raw materials towards the end of FY2019.

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 31 December 2019.

Lease liabilities of approximately RM7.3 million comprised the liabilities that the Group has to pay over the life of the leases for the use of the lease on adoption of SFRS (I) 16 *Leases*. On adoption of SFRS (I) 16, finance leases that were previously recognised in loans and borrowings are reclassified to lease liabilities.

Accrued expenses of approximately RM0.7 million comprised accrued operating expenses and advances from customers. The increase in accrued expenses of RM0.2 million, or 34.5%, was mainly due to higher accrued expenses as at 31 December 2019 arising from the increase in the audit fee of the Group.

CONSOLIDATED STATEMENT OF CASH FLOW

Review of the Group's cash flow statement for FY2019 as compared to FY2018

The Group recorded net cash flows from operating activities of approximately RM8.8 million in FY2019 which was lower as compared to approximately RM22.9 million in FY2018 mainly due to the decrease in the sales of the Group during the FY2019.

The Group recorded net cash flows used in investing activities of approximately RM33.9 million in FY2019 mainly due to the purchase of new and used machineries, motor vehicles and acquisition of right-of-use asset (leasehold land). In addition, the Group completed two acquisitions of business on 25 January 2019 through its 51%-owned subsidiary, Leyo Holdings Sdn Bhd and on 31 October 2019 through its wholly-owned subsidiary, LY Furniture Sdn Bhd.

The Group recorded net cash flows used in financing activities of approximately RM3.7 million in FY2019 mainly due to the payment of dividends on ordinary shares and was partially offset by the net proceeds from borrowings.

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

The Group's performance for the year under review is in line with its expectations as disclosed in the announcement of results for the third quarter ended 30 September 2019 on 13 November 2019.

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 the financial year ended 31 December 2019 as many US customers have exercised more caution in their purchases due to the uncertainties in the trade war between China and the 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 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 such as the manufacturing of kitchen cabinets and millwork products.
- (c) However, the current outbreak of COVID-19 may cast uncertainty to the general economic environment which may then affect our Group's short-term performance.

**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)	0.083 (tax exempt one-tier)
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 0.41 Singapore cent was declared and paid for FY2018. A dividend amount per share of 0.083 Singapore cent is recommended for FY2019 which is lower than that in FY2018 due to the decrease in the profit of the Group.

(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.

The Group had renewed its general mandate for IPTs at the annual general meeting held on 25 April 2019. Please refer to the Company's appendix to the annual report dated 10 April 2019 for further details.

The aggregate value of all interested person transactions during the FY2019 is as follows:

Name of Interested Person	Nature of relationship	Aggregate value of all interested person transactions during the financial year 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	Note (1)	Not applicable ("NA")	3,230
LP Global Resources Sdn Bhd	Note (2)	NA	6,308
Leatherworld Upholstery Sdn Bhd	Note (3)	NA	3,530
Lian Yu Asset Management Sdn Bhd	Note (2)	900	NA

Notes:

- (1) *Lean Shern Furniture Sdn Bhd's shareholders are Tan Kwee Ming and Tan Kwee Song, who are brothers of the Company's Executive Chairman, Tan Kwee Chai.*
- (2) *LP Global Resources Sdn Bhd and Lian Yu Asset Management Sdn Bhd are wholly-owned subsidiaries of Lian Yu Furniture Corporation Sdn Bhd ("LYFC") which is owned by Tan Kwee Chai and his associates.*
- (3) *Leatherworld Upholstery Sdn Bhd's is 51%-owned subsidiary of LYFC which is owned by Tan Kwee Chai and his associates.*

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	(137)	863
Upgrading the machinery and equipment and acquiring new technology	5,000	(4,291)	709
Construction of additional facilities	4,000	(3,829)	171
General working capital purposes ⁽¹⁾	3,000	(1,447)	1,553
Total	13,000	(9,704)	3,296

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. Disclosure of Acquisition (including incorporations) and sale of shares under Catalyst Rule 706A.

Not applicable. The Company did not acquire and dispose shares in any companies during 4Q2019.

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

17. 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) Republic of China
- (iv) People's Republic of China
- (v) United Arab Emirates
- (vi) Canada
- (vii) Others

Geographical information

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

	Group FY2019	Group FY2018
	RM'000	RM'000
Revenue		
United States of America	166,658	202,905
Malaysia	35,644	30,719
Republic of China	18,200	15,337
People's Republic of China	–	1,734
United Arab Emirates	5,968	6,979
Canada	3,036	2,992
Hong Kong	11,100	–
Japan	1,899	–
Korea	924	–
Others	2,431	2,470
	<hr/>	<hr/>
	245,860	263,136
	<hr/>	<hr/>
Non-current assets		
Malaysia	165,154	133,178
	<hr/>	<hr/>

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

18. 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.

19. A breakdown of sales as follows:

	Group FY2019	Group FY2018	Increase/ (decrease)
	RM'000	RM'000	%
a) Sales reported for first half year	102,890	148,059	(30.5)
b) Operating (loss)/profit after tax for first half	(2,888)	3,658	N.M.
c) Sales reported for second half year	142,970	115,077	24.2
d) Operating profit after tax for second half year	4,546	11,263	(59.6)

Note:

N.M. Not meaningful

20. 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 FY2019 \$'000	Company FY2018 \$'000
a) Ordinary	406	2,005
b) Preference	–	–
c) Total	406	2,005

Note:

FY2019's proposed final dividend of S\$406,000 is calculated based on 0.083 Singapore cent per share multiplied by the number of ordinary shares in issue of 489,144,200 as at 31 December 2019.

21. 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	60	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	58	Uncle of Ms Tan Ai Luang	Chief Quality Controller Year: 2012	Nil
Mr Tan Yong Siang	29	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
28 February 2020