



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

UPDATE REGARDING IMPACT ON BUSINESS OPERATIONS DUE TO RESTRICTED MOVEMENT ORDER

The Board of Directors (the “**Board**”) of LY Corporation Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the announcements dated 19 March 2020 and 30 March 2020 with regards to the Restricted Movement Order (“**RMO**”) as announced by the Prime Minister of Malaysia on 16 March 2020 to deal with the rise in Covid-19 infection in Malaysia (“**Previous Announcements**”).

Unless otherwise defined, the definitions used in this Announcement shall have the same meaning as per the Previous Announcements.

Further to the Previous Announcements, the Company wishes to inform that the Government of Malaysia has implemented a conditional RMO on 4 May 2020 which was subsequently been extended to 9 June 2020 (“**Conditional RMO**”). This allows the operations of most sectors of the economy at 100% capacity during the Conditional RMO subject to certain conditions which include continued social distancing, amongst others. The key impact on the Group is as follows:

Impact on Operations

As announced previously on 30 March 2020 and prior to the implementation of the Conditional RMO, the Group was operating earlier under certain conditions as approved by MTIB. However, many of the Group’s suppliers and sub-contractors were subject to operational restrictions and as a result, the Group had faced capacity and operational constraints. With the implementation of the Conditional RMO from 4 May 2020, the Group’s supply chain is expected to be substantially restored.

On the Group’s sales orders, some of the customers have requested to reschedule/delay the shipments of their orders whilst certain orders were cancelled, of which the financial impact to-date is assessed to be not significant. The demand situation is expected to improve as most of the main customers in the United States of America (“**US**”) have progressively restarted their operations with the gradual lifting of the lockdown in the US.

Apart from the traditional bedroom furniture manufacturing of the Group, the Group has in 2019 expanded into the following businesses:

- (1) The acquisition of Cubo Sdn Bhd’s business and assets in the original brand manufacturing furniture business via our subsidiary, Leyo Holdings Sdn Bhd which was completed in January 2019. The Leyo Group is involved in the easy-to-assemble and space saving furniture line.

Although the Leyo Group is also affected by the RMO and Covid-19 and that the growth of this business will be dependent on the demand of its products after the world wide containment of Covid-19, the Group is confident that this new business will continue to grow in the longer term.

- (2) The Group has diversified into the manufacturing of millworks products which are categorised as building materials. The millworks products are considered intermediate products in the Group’s furniture manufacturing, amid certain changes made to specifications, requirements and quality.

While Covid-19 is expected to affect the property market in the US, thus far, the Group continues to receive orders from US for millwork products. Accordingly, we are cautiously optimistic that we will be able to grow this business.

- (3) The Group has also expanded the existing Original Design Manufacturing product offerings to include that of kitchen cabinets.

Whilst the Group is expecting bedroom furniture manufacturing business to be affected by a decline in demand from its US customers arising from the economic downturn as a result of Covid-19, the Group believes that the products expansion and diversification since 2019 will help to cushion and mitigate the financial impact to the Group in the near future.

Impact on Cash Flow Position and Profitability

Based on the Group's Annual Report 2019, the cash and cash equivalents balance as at 31 December 2019 amounted to RM36.1 million whilst the Group's total loans and borrowings (including leases) amounted to approximately RM13.1 million (RM7.3 million classified under current liabilities and RM5.8 million classified under non-current liabilities). The Group also does not foresee any material collectability issues with its trade receivables and is working closely with its suppliers on its trade creditors management.

Based on its latest assessment, the Group expects that it will have sufficient cash resources to meet its short-term obligations. However, the Group's cash flow position and profitability going forward is dependent on various external factors such as the duration of the Conditional RMO (which may be subject to further extensions or changes), the future impact of Covid-19 on the world economy, the Group's supply chain and customers' demand.

Despite the potential negative impact on the Group's financial performance, the Group is confident in its ability to sail through this crisis in view of its proven track record of riding through previous crises, its strong management team and its healthy financial position.

The Company will continue to assess the impact from Covid-19 on the Group and will continue to keep shareholders informed of any material development.

BY ORDER OF THE BOARD

Tan Yong Chuan
Executive Director and Chief Executive Officer
15 May 2020

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 Catalist.

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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