



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

**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

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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, Xandar Capital Pte. Ltd. (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 (the “**Catalist Rules**”).*

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 correctness of any of the statements or opinions made or reports contained in this announcement.

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A. CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Group 6 months ended		Increase/ (decrease) %
		30 June 2023 RM'000	30 June 2022 RM'000	
Revenue	N4.2	86,910	134,938	(35.6)
Cost of sales		(88,678)	(113,233)	(21.7)
Gross (loss)/profit		(1,768)	21,705	(108.1)
Other items of income				
Interest income from short-term deposits		402	22	1,727.3
Distributions from short-term investment security		32	–	100.0
Other income		2,166	2,792	(22.4)
Other items of expense				
Selling and administrative expenses		(9,004)	(10,320)	(12.8)
Finance costs		(1,316)	(940)	40.0
Other expense		(390)	(60)	550.0
(Loss)/profit before tax	N6	(9,878)	13,199	(174.8)
Income tax expense	N7	(5)	–	100.0
(Loss)/profit for the period, representing total comprehensive income for the period		(9,883)	13,199	(174.9)
(Loss)/profit for the period, representing total comprehensive income for the period attributable to:				
Owners of the Company		(9,621)	14,500	(166.4)
Non-controlling interest		(262)	(1,301)	(79.9)
		(9,883)	13,199	(174.9)
(Loss)/earnings per share attributable to owners of the Company (sen per share)				
Basic and diluted		(1.97)	2.97	

B. CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	Group As at 30 June 2023 RM'000	Group As at 31 December 2022 RM'000	Company As at 30 June 2023 RM'000	Company As at 31 December 2022 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	N11	149,752	154,634	–	–
Right-of-use assets		24,832	29,053	–	–
Intangible assets	N10	2,847	2,872	–	–
Investment in subsidiaries		–	–	63,488	63,255
		177,431	186,559	63,488	63,255
Current assets					
Inventories		62,539	88,885	–	–
Trade and other receivables		15,829	18,272	–	7
Prepaid operating expense		1,503	2,233	27	17
Tax recoverable		4,153	5,361	–	–
Short-term investment security	N12	4,721	–	–	–
Cash and cash equivalents		41,347	25,762	5,119	1,107
		130,092	140,513	5,146	1,131
Total assets		307,523	327,072	68,634	64,386
LIABILITIES					
Current liabilities					
Loans and borrowings	N13	15,708	16,854	–	–
Trade and other payables		34,748	34,200	–	–
Contract liabilities		–	942	–	–
Lease liabilities		2,874	3,221	–	–
Accrued operating expenses		540	761	420	553
		53,870	55,978	420	553
Net current assets		76,222	84,536	4,726	578
Non-current liabilities					
Loans and borrowings	N13	19,710	23,463	–	–
Deferred tax liabilities		17,419	17,419	–	–
Lease liabilities		4,608	8,413	–	–
		41,737	49,295	–	–
Total liabilities		95,607	105,273	420	553
Net assets		211,916	221,799	68,214	63,833
Equity attributable to owners of the Company					
Share capital	N14	66,135	66,135	66,135	66,135
Treasury shares	N14	(173)	(173)	(173)	(173)
Merger reserve		(15,234)	(15,234)	–	–
Other reserve		(3,322)	(3,322)	–	–
Retained earnings		168,042	177,663	2,252	(2,129)
		215,448	225,069	68,214	63,833
Non-controlling interest		(3,532)	(3,270)	–	–
Total equity		211,916	221,799	68,214	63,833
Total equity and liabilities		307,523	327,072	68,634	64,386

C. CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

**Group
(Unaudited)**

	Note	Attributable to owners of the Company				Retained Earnings RM'000	Equity attributable to owner RM'000	Non- controlling interest RM'000	Total equity RM'000
		Share capital RM'000	Treasury share RM'000	Merger reserve RM'000	Other reserve RM'000				
At 1 January 2023	N13	66,135	(173)	(15,234)	(3,322)	177,663	225,069	(3,270)	221,799
Loss for the period, representing total comprehensive income for the period		–	–	–	–	(9,621)	(9,621)	(262)	(9,883)
At 30 June 2023		66,135	(173)	(15,234)	(3,322)	168,042	215,448	(3,532)	211,916
At 1 January 2022	N13	66,135	(173)	(15,234)	–	165,312	216,040	(2,475)	213,565
Profit/(loss) for the period, representing total comprehensive income for the period		–	–	–	–	14,500	14,500	(1,301)	13,199
At 30 June 2022		66,135	(173)	(15,234)	–	179,812	230,540	(3,776)	226,764

C. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (CONT'D)

Company
(Unaudited)

	Note	Share capital RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2023	N13	66,135	(173)	(2,129)	63,833
Profit for the period, representing total comprehensive income for the period		–	–	4,381	4,381
At 30 June 2023		66,135	(173)	2,252	68,214
At 1 January 2022	N13	66,135	(173)	603	66,565
Loss for the period, representing total comprehensive income for the period		–	–	(513)	(513)
At 30 June 2022		66,135	(173)	90	66,052

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Group 6 months ended	
		30 June 2023 RM'000	30 June 2022 RM'000
Operating activities			
(Loss)/profit before tax		(9,878)	13,199
<u>Adjustments for:</u>			
Loss/(gain) on disposal of property, plant and equipment	N6.1	10	(18)
Gain on disposal of short-term investment security	N6.1	(10)	–
Interest income from short-term deposits		(402)	(22)
Distributions from short-term investment security		(32)	–
Interest expense	N6.1	1,316	940
Depreciation on right-of-use assets	N6.1	1,645	1,511
Adjustment on right-of-use assets		(193)	–
Amortisation of trademarks	N10	25	26
Depreciation of property, plant and equipment	N6.1	6,005	5,852
Property, plant and equipment written-off	N6.1	29	–
Reversal of allowance for slow moving inventories	N6.1	(28)	–
Unrealised exchange loss		910	624
Operating (loss)/profit before working capital changes		(603)	22,112
<u>Changes in working capital:</u>			
Decrease/(increase) in inventories		26,374	(18,050)
Decrease/(increase) in trade and other receivables		1,641	(13,570)
Decrease in prepaid operating expense		730	628
Increase in trade and other payables		523	5,400
Decrease in contract liabilities		(942)	(897)
Decrease in accrued operating expenses		(221)	(512)
Cash flows generated from/(used in) operations		27,502	(4,889)
Net income taxes refund/(paid)		1,203	(5)
Net cash flows generated from/(used in) operating activities		28,705	(4,894)
Investing activities			
Interest income from short term deposits		402	22
Distributions from short-term investment security		32	–
Proceeds from disposal of short-term investment security		3,810	–
Placement of short-term investment security		(8,302)	–
Purchase of property, plant and equipment	A	(940)	(2,611)
Proceeds from disposal of property, plant and equipment		3	262
Net cash flows used in investing activities		(4,995)	(2,327)

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

	Note	Group 6 months ended	
		30 June 2023 RM'000	30 June 2022 RM'000
Financing activities			
Proceeds from loans and borrowings		13,294	61,224
Repayment under financing arrangements		(322)	(360)
Repayment of loans and borrowings		(19,189)	(55,940)
Repayment of lease liabilities		(1,549)	(1,225)
Interest paid		(1,150)	(748)
Net cash flows (used in)/generated from financing activities		(8,916)	2,951
Net increase/(decrease) in cash and cash equivalents		14,794	(4,270)
Effect of exchange rate changes on cash and cash equivalent		791	362
Cash and cash equivalents at beginning of period		25,762	30,919
Cash and cash equivalents at end of period		41,347	27,011

Notes to the consolidated statement of cash flows

A. Property, plant and equipment

	Group 6 months ended	
	30 June 2023 RM'000	30 June 2022 RM'000
Current year additions to property, plant and equipment	1,166	3,767
Less: Obligation under financing arrangements	(226)	(1,156)
Net cash outflow from purchase of property, plant and equipment	940	2,611

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

N1. Corporate information

LY Corporation Limited (the “**Company**”) is a limited liability company incorporated and domiciled in Singapore and is listed on the Catalist Board of SGX-ST. The immediate and ultimate holding company is Lian Yu Holdings Pte. Ltd., which was incorporated in Singapore.

These condensed interim consolidated financial statements as at and for the six months ended 30 June 2023 comprise the Company and its subsidiaries (collectively, the “**Group**”). The principal activity of the Company is that of investment holding.

The principal activities of the Group are:

- (a) Manufacturing of all kinds of furniture;
- (b) Manufacturing of any type of woodwork or building product;
- (c) Conducting research in designing any furniture under the subsidiary’s patents; and
- (d) Trading of all kinds of materials, furniture and general hardware.

N2. Basis of preparation

The condensed interim consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2022.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in N2.1.

The condensed interim financial statements are presented in Ringgit Malaysia (“**RM**”) which is the Company’s functional currency and all values in the tables are rounded to the nearest thousand (RM’000), except when otherwise indicated.

N2.1 New and amended standards adopted by the Group

A number of amendments to SFRS(I)s have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

N2.2. Use of judgements and estimates

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2022.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

N2.2. Use of judgements and estimates (cont'd)

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices. Management concluded that the functional currency of the Company and its subsidiaries to be RM.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included in the following notes:

- Valuation of inventories

The raw materials are measured based on first-in-first out basis, while work in progress inventories and finished goods are measured using the standard costing technique. Standard costing was computed based on management's best estimates of the raw materials, labour and overhead cost incurred in the production. Standard costing is subject to periodic review.

In accordance with SFRS(I) 1-2, "The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition". As such, management's estimates are involved in ensuring that the standard costing closely approximate the actual cost incurred. The carrying amount of inventories as at 30 June 2023 was approximately RM62,539,000 (31 December 2022: RM88,885,000).

- Impairment of intangible assets (including goodwill), property, plant and equipment, right-of-use assets and the Company's investment in subsidiaries

The Group assesses whether intangible assets (including goodwill) are impaired on an annual basis, or more frequently if required. The Group also assesses at each reporting date whether there is an indication that any property, plant and equipment, right-of-use assets and the Company's investment in subsidiaries may be impaired. This requires an estimation of the value in use of the cash-generating unit (or group of cash-generating units) to which goodwill is allocated. Estimating the value-in-use method requires the Group to make an estimate of the expected future cash flows from the cash-generating unit (or group of cash-generating units) and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amounts of the Group's intangible assets (including goodwill), property, plant and equipment and right-of-use assets as at 30 June 2023 were approximately RM2,847,000, RM149,752,000 and RM24,832,000 respectively (31 December 2022: RM2,872,000, RM154,633,000 and RM29,053,000 respectively). The carrying amount of the Company's investment in subsidiaries as at 30 June 2023 were approximately RM63,488,000 (31 December 2022: RM63,255,000).

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

N3. Seasonal operations

Generally, the Group's businesses are not subject to any significant seasonal fluctuations that will affect the business and operations except that the revenue is generally higher in the second half of the year due to festive seasons in the United States of America, bearing the challenges that the Group may face in the next 12 months as commented in Section 10, Part F below.

N4. Segment and revenue information

The Group is organised into the following operating segments:

- (a) Segment 1: Manufacturing of all kinds of furniture ("**Furniture**")
- (b) Segment 2: Manufacturing of any type of woodwork or building product ("**Millwork**")

These operating segments are reported in a manner consistent with internal reporting provided to the Chief Executive Officer who are responsible for allocating resources and assessing performance of the operating segments.

N4.1 Reportable segments

	Furniture	Millwork	Total
	RM'000	RM'000	RM'000
1 January 2023 to 30 June 2023			
Total segment revenue			
Revenue	69,372	17,538	86,910
Results			
Segment loss	(5,080)	(4,112)	(9,192)
Interest income from short-term deposits			402
Distributions from short-term investment security			32
Other income			2,166
Finance cost			(1,316)
Unallocated expenses			(1,970)
Loss before tax			(9,878)
Income tax expense			(5)
Loss net of tax			(9,883)

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

N4.1. Reportable segments (cont'd)

	Furniture	Millwork	Total
	RM'000	RM'000	RM'000
1 January 2023 to 30 June 2023			
Other segment information			
Depreciation and amortisation	6,398	1,277	7,675
Additions of non-current assets	676	245	921
Unallocated assets			245
Total additions of non-current assets			<u>1,166</u>
Non-cash expense/(income) other than depreciation	991	(76)	915
Unallocated income			(4)
Total non-cash expense other than depreciation			<u>911</u>
As at 30 June 2023			
Assets			
Segment assets	221,225	75,816	297,041
Unallocated assets			10,482
Total assets			<u>307,523</u>
Liabilities			
Segment liabilities	73,696	2,847	76,543
Unallocated liabilities			19,064
Total liabilities			<u>95,607</u>

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

N4.1. Reportable segments (cont'd)

	Furniture	Millwork	Total
	RM'000	RM'000	RM'000
1 January 2022 to 30 June 2022			
Total segment revenue			
Revenue	98,342	36,596	134,938
Results			
Segment profit	7,369	6,561	13,930
Other income			2,814
Finance cost			(940)
Unallocated expenses			(2,605)
Profit before tax			13,199
Income tax expense			–
Profit net of tax			13,199
Other segment information			
Depreciation and amortisation	6,154	1,235	7,389
Additions of non-current assets	1,357	1,187	2,544
Unallocated expense			67
Total additions of non-current assets			2,611
Non-cash expense other than depreciation	502	112	614
Unallocated expense			10
Total non-cash expense other than depreciation			624
As at 31 December 2022			
Assets			
Segment assets	229,355	89,670	319,025
Unallocated assets			8,047
Total assets			327,072
Liabilities			
Segment liabilities	81,375	5,259	86,634
Unallocated liabilities			18,639
Total liabilities			105,273

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

N4.2 Disaggregation of revenue

	6 months ended 30 June 2023		
	Furniture RM'000	Millwork RM'000	Total RM'000
Primary geographical markets			
United States of America	45,543	7,004	52,547
Malaysia	15,395	143	15,538
Republic of China	1,398	–	1,398
People's Republic of China	275	–	275
United Arab Emirates	1,662	–	1,662
Hong Kong	1	9,858	9,859
Japan	1,857	–	1,857
Korea	643	–	643
Others	2,598	533	3,131
	69,372	17,538	86,910
Major product or service lines			
- Sale of goods	69,097	17,350	86,447
- Fulfilment services	–	188	188
- Fees	275	–	275
	69,372	17,538	86,910
Timing of transfer of goods or services			
At a point in time	69,372	17,538	86,910

	6 months ended 30 June 2022		
	Furniture RM'000	Millwork RM'000	Total RM'000
Primary geographical markets			
United States of America	69,348	167	69,515
Malaysia	18,723	2,807	21,530
Republic of China	5,818	–	5,818
United Arab Emirates	1,503	–	1,503
Canada	3	–	3
Hong Kong	363	33,622	33,985
Japan	813	–	813
Others	1,771	–	1,771
	98,342	36,596	134,938
Major product or service lines			
- Sale of goods	98,342	36,596	134,938

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

N4.2 Disaggregation of revenue (cont'd)

	6 months ended 30 June 2022		
	Furniture RM'000	Millwork RM'000	Total RM'000
Timing of transfer of goods or services			
At a point in time	98,342	36,596	134,938

Note: The above geographical segmentation information is based on the geographical location of customers.

N5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2023 and 31 December 2022:

	Group	
	30 June 2023 RM'000	31 December 2022 RM'000
Financial assets		
At amortised cost		
Trade and other receivables	15,829	18,272
Cash and cash equivalents	41,347	25,762
	57,176	44,034
Financial liabilities		
At amortised cost		
Trade and other payables	34,748	34,200
Accrued operating expenses	540	761
Loans and borrowings	35,418	40,317
Lease liabilities	7,482	11,634
	78,188	86,912
Total undiscounted financial liabilities	(21,012)	(42,878)

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

N5. Financial assets and financial liabilities (cont'd)

	Company	
	30 June 2023	31 December 2022
	RM'000	RM'000
Financial assets		
Trade and other receivables	–	7
Cash and cash equivalents	5,119	1,107
	5,119	1,114
Financial liabilities		
Accrued expenses	420	553
	420	553
Total undiscounted financial assets	4,699	561

N6. (Loss)/profit before taxation

N6.1 Significant items

(Loss)/profit for the period include the following (charges)/credits:

	Group	
	6 months ended	
	30 June 2023	30 June 2022
	RM'000	RM'000
Income		
Rental income	707	616
Gain on disposal of property, plant and equipment	–	18
Gain on disposal of short-term investment security	10	–
Reversal of allowance for slow moving inventories	28	–
Expenses		
Finance expenses:		
- financing arrangements	(74)	(80)
- bank loans	(1,076)	(668)
- lease liabilities	(166)	(192)
	(1,316)	(940)
Depreciation expenses:		
- property, plant and equipment	(6,005)	(5,852)
- rights-of-use assets	(1,645)	(1,511)
	(7,650)	(7,363)
Amortisation of trademarks	(25)	(26)
Loss on disposal of property, plant and equipment	(10)	–
Property plant and equipment written-off	(29)	–
Net foreign exchange loss	(350)	(48)
	(7,650)	(7,363)

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

N6. (Loss)/profit before taxation (cont'd)

N6.2 Related parties transactions

Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial period:

	Group	
	6 months ended 30 June 2023 RM'000	6 months ended 30 June 2022 RM'000
Director-related companies:		
Rental received	77	187
Rental paid	(150)	(170)
Sub-contractor costs	(2,780)	(4,416)
Rental paid to a director of the Company	(14)	(14)

N7. Taxation

The Group calculates the period income tax expense using the applicable corporate tax rate. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	6 months ended 30 June 2023 RM'000	6 months ended 30 June 2022 RM'000
Current income tax		
- Under provision in respect of previous years	5	-
Income tax expense recognised in profit or loss	5	-

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

N8. Dividends

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.

N9. Net assets value

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 2023	As at 31 December 2022	As at 30 June 2023	As at 31 December 2022
Net asset value ("NAV") (RM'000)	211,916	221,799	68,214	63,833
Number of ordinary shares in issue ('000)	488,834	488,834	488,834	488,834
NAV per ordinary share (RM)	0.43	0.45	0.14	0.13

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

N10. Intangible assets

Group	Goodwill RM'000	Trademarks RM'000	Total RM'000
Cost			
At 31 December 2022, 1 January 2023 and 30 June 2023	2,639	432	3,071
Accumulated amortisation			
At 1 January 2022	–	148	148
Amortisation	–	51	51
At 31 December 2022 and 1 January 2023	–	199	199
Amortisation	–	25	25
At 30 June 2023	–	224	224
Net carrying amount			
At 31 December 2022	2,639	233	2,872
At 30 June 2023	2,639	208	2,847

N11. Property, plant and equipment

During the year, the Group acquired assets amounting to RM940,000 (31 December 2022: RM5,953,000) and disposed of assets of net book value of RM13,000 (31 December 2022: RM281,000).

N12. Financial assets at fair value through profit or loss

N12.1 Fair value measurement

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 - Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date;

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Unobservable inputs for the asset or the liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

N12. Financial assets at fair value through profit or loss (cont'd)

N12.2 Assets that are measured at fair value

The following table shows an analysis of each class of assets measured at fair value by level of fair value hierarchy at the end of the reporting period:

	Significant other observable inputs (Level 2)	
	30 June 2023	31 December 2022
	RM'000	RM'000
Assets measured at fair value		
Non-equity investment security at FVPL	4,721	–

Methods and assumptions used to determine fair value

The methods and assumptions used by management to determine fair value of assets and liabilities other than those whose carrying amounts reasonably approximate their fair values as follows:

Asset	Methods and assumptions
• Non-equity investment security	The fair value is determined by reference to valuation provided by financial institutions.

N13. Loans and borrowings

	Group	
	30 June 2023	31 December 2022
	RM'000	RM'000
Current:		
Bankers' acceptances	5,415	7,013
Financing arrangements	657	611
Term loan	9,636	9,230
	15,708	16,854
Non-current:		
Financing arrangements	1,506	1,649
Term loan	18,204	21,814
	19,710	23,463
Total loans and borrowings	35,418	40,317

The bankers' acceptance and short-term financing are secured by corporate guarantee provided by the Company. The term loans are secured by mortgage over certain buildings, leasehold land, assets and corporate guarantee provided by the Company. The financing arrangements are secured by a charge over the respective assets.

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

N13. Loans and borrowings (cont'd)

Loans and borrowings denominated in currency other than functional currency are as follows:

	Group	
	30 June 2023 RM'000	31 December 2022 RM'000
Current:		
United States Dollar	8,459	7,974
Non-current:		
United States Dollar	16,050	19,117

N14. Share capital

	30 June 2023		31 December 2022	
	No. of shares	RM'000	No. of shares	RM'000
Issued and fully paid ordinary shares				
At 1 January and 30 June	489,144,200	66,135	489,144,200	66,135
Treasury shares				
At 1 January and 30 June	310,400	173	310,400	173
Issued and fully paid ordinary shares excluding treasury shares	488,833,800	65,962	488,833,800	65,962

The Company did not have any outstanding convertibles as at 30 June 2023 and 31 December 2022.

The Company did not have any subsidiary holdings during and as at the end of the current financial period reported on.

No treasury share was sold, transferred, cancelled or used for the financial period reported on.

N15. Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

F. INFORMATION REQUIRED UNDER APPENDIX 7C OF THE CATALIST RULES

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.**

Please refer to paragraph A.

- (a)(ii) **Significant items**

Please refer to N6.1.

- (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.**

Please refer to paragraph B.

- (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 30 June 2023		As at 31 December 2022	
Secured	Unsecured	Secured	Unsecured
RM'000	RM'000	RM'000	RM'000
15,708	–	16,854	–

Amount repayable by the Group after one year

As at 30 June 2023		As at 31 December 2022	
Secured	Unsecured	Secured	Unsecured
RM'000	RM'000	RM'000	RM'000
19,710	–	23,463	–

Details of collateral

The Group's borrowings consist of bankers' acceptance, short term financing, financing arrangements, and term loans.

The bankers' acceptance, short term financing and term loans are secured by mortgage over certain buildings, leasehold land, assets and corporate guarantee from the Company.

The financing arrangements are secured by a charge over the respective leased motor vehicles and machineries.

Please also refer to further details of the Group's loans and borrowings in N13.

- (c) **A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Please refer to paragraph D.

- (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.**

Please refer to paragraph C.

- (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.

Please refer to N14.

- (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.

Please refer to N14.

- (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.

Please refer to N14. No treasury share was sold, transferred, cancelled or used for the financial period reported on.

- (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.

Please refer to N14. There is no subsidiary holdings.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice

The condensed consolidated statement of financial position of LY Corporation Limited and its subsidiaries as at 30 June 2023 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any modifications 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.

Please refer to N2.

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.

Please refer to N2.

6. (Loss)/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 6 months ended	
	30 June 2023	30 June 2022
(Loss)/profit attributable to owners of the Company (RM'000)	(9,621)	14,500
Weighted average number of ordinary shares ('000)	488,834	488,834
Basic and diluted (loss)/earnings per share ⁽¹⁾ (sen)	(1.97)	2.97

Note:

(1) The basic and fully diluted (loss)/earnings per share were the same as there were no dilutive ordinary shares in issue as at 30 June 2023 and 30 June 2022.

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.

Please refer to N9.

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.**

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Review of Group's performance for the 6 months ended 30 June 2023 ("1H2023") as compared to the 6 months ended 30 June 2022 ("1H2022")

Revenue

The Group's revenue decreased by approximately RM48.0 million, or 35.6%. This was mainly attributable to the decrease in the number of 40-ft containers sold from 1,882 40-ft containers in 1H2022 to 1,085 40-ft containers in 1H2023.

However, the decrease was partially offset by an increase in the average selling price per 40-ft container which increased from RM72,000 in 1H2022 to RM80,000 in 1H2023 as a result of the different product mix sold by the Group and the further strengthening of USD against RM in 1H2023. As a reference, the closing exchange rate of US\$1 against the Malaysian Ringgit increased from RM4.40954 as at 1 January 2023 to RM4.66903 as at 30 June 2023. *

Note: * Source: www.oanda.com. OANDA Corporation has not consented to the inclusion of the information in this announcement.

Cost of sales and gross profit

Cost of sales decreased by approximately RM24.6 million, or 21.7%, mainly due to the decrease in material used, labour and subcontractors' costs as well as carriage inwards, handling and custom duty charges as a result of the reduction in number of containers sold.

As a result of higher percentage decrease in revenue as compared to our cost of sales, the Group incurred a gross loss of approximately RM1.8 million for 1H2023 as compared to a gross profit of approximately RM21.7 million for 1H2022. The Group recorded a gross loss margin of 2.0% in 1H2023 as compared to a gross profit margin of 16.1% in 1H2022.

Interest income

Interest income increased by approximately RM0.4 million, or 1,727.3%, mainly due to higher cash placements in short term fixed deposits in the bank account maintained in Malaysia and higher overnight interest rate offered in 1H2023.

Distributions from short-term investment security

Distributions from short-term investment security comprised income received for funds placed with Money Market Funds during 1H2023.

Other income

Other income comprised mainly government grants, rental income, sale of timber, boards, hardware and scrap as well as charges for services provided such as transportation.

Other income decreased by approximately RM0.6 million, or 22.4%, mainly due to the decrease in machine rental received and processing fee income. However, this was partially offset by an increase in factory rental received and early termination of tenancy agreements.

Selling and administrative expenses

Selling and administrative expenses decreased by approximately RM1.3 million, or 12.8%, mainly due to the decrease in provision for bonus.

Depreciation expenses

Depreciation expenses increased by approximately RM0.3 million, or 3.9% mainly due to the depreciation of the purchase of plant and machineries as well as leases of new factories and warehouse entered into in May 2022.

Finance costs

Finance costs increased by approximately RM0.4 million, or 40.0% mainly due to the higher interest rate charged on the term loans in 1H2023.

Other expense

Other expense increased by approximately RM0.3 million, or 550.0% mainly due to the increase in net foreign exchange loss in 1H2023 as a result of the strengthening of USD against the Malaysian Ringgit as mentioned above. The Group incurred foreign exchange loss from USD trade and other payables as well as USD loans. However, this was partially offset by a foreign exchange gain from USD cash and cash equivalents as well as short-term investment security.

Loss/(profit) for the period

As a result of lower revenue as compared to higher costs and expenses, the Group recorded a net loss of approximately RM9.9 million in 1H2023 as compared to a net profit of RM13.2 million in 1H2022.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

Review of the Group's financial position as at 30 June 2023 as compared to 31 December 2022

Non-current assets

Property, plant and equipment decreased by approximately RM4.9 million, or 3.2%, mainly due to depreciation charged in 1H2023.

Right-of-use assets of approximately RM24.8 million comprised the right to use the properties and land use rights of the Group over the respective lease period. The decrease in right-of-use assets of approximately RM4.2 million, or 14.5% was due to the early termination of tenancy agreements and depreciation charged in 1H2023.

Intangible assets of approximately RM2.9 million consists of trademarks and goodwill arising from a business combination as announced on 28 January 2019.

Current assets

Inventories decreased by approximately RM26.3 million, or 29.6%, mainly due to the following:

- (a) decrease in purchase of raw materials as the Group has stocked up raw materials in last financial year;
- (b) decrease in the orders from customers to be shipped out in the beginning of the following quarter; and
- (c) improvement in the global supply chain whereby delivery of raw materials and finished goods has gradually return to normal.

Trade and other receivables of approximately RM15.8 million comprised trade receivables, deposits and other receivables. The decrease in trade and other receivables by approximately RM2.4 million, or 13.4% was mainly due to decrease in sales made in 1H2023.

Prepaid operating expense of approximately RM1.5 million comprised mainly expenses paid in advance as at 30 June 2023.

Tax recoverable, being prepaid current income tax of approximately RM4.2 million comprised tax paid in advance by the Malaysian subsidiaries for the Year of Assessment 2020, 2021, 2022 and 2023.

Current liabilities and non-current liabilities

Loans and borrowings comprised bankers' acceptance, financing arrangements and long-term loans. The decrease in loans and borrowings by approximately RM4.9 million, or 12.2% was mainly due to the net decrease in the usage of bankers' acceptances of approximately RM1.6 million and scheduled repayment of loans and borrowings.

Trade and other payables of approximately RM34.8 million comprised trade payables and other payables. The increase in trade and other payables of RM0.5 million, or 1.6%, was mainly due to the increase in purchase of raw materials and finished goods towards the end of 1H2023. However, it was partially offset by a decrease in purchase of plant and equipment in 1H2023.

Contract liabilities comprised the Group's obligation to transfer goods or services to customers for which the Group has received consideration from customers for finished goods which required further improvements on customers' request and pending the customers' acceptance. As at 30 June 2023, the Group had fulfilled customers' request completely and that they had accepted the finished goods.

Lease liabilities of approximately RM7.5 million comprised the liabilities that the Group has to pay over the respective lease period for the use of the properties. The decrease in the lease liabilities of RM4.2 million, or 35.7%, was mainly due to the early termination of tenancy agreements and scheduled repayment of lease liabilities in 1H2023.

Accrued operating expenses of approximately RM0.5 million comprised accrued operating expenses.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Review of the Group's cash flow statement for 1H2023 as compared to 1H2022

The Group recorded net cash flows generated from operating activities of approximately RM28.7 million in 1H2023 which was higher as compared to net cash flows used in 1H2022 of approximately RM4.9 million due to the decrease in purchase of raw materials as explained above.

The Group recorded net cash flows used in investing activities of approximately RM5.0 million in 1H2023 which was higher as compared to net cash flows used in 1H2022 of approximately RM2.3 million due to net increase in purchase of short-term investment security.

The Group recorded net cash flows used in financing activities of approximately RM8.9 million mainly due to repayment of loans and borrowings in 1H2023. However, it was partially offset by the proceed from loans and borrowings.

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

No forecast or a prospect statement was disclosed to 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) The demand for our products has declined due to the high inventories build up by most furniture importers in the US over the past year. Accordingly, any future demand will be dependent on the inventory reduction by our customers in the US as well as the economic conditions in the US in the coming months. Growth in private consumption and investment has moderated in view of the tightening in monetary policy in response to the ongoing inflationary pressures. Though inflation has started to ease, there is still concern on the potential increase in interest rates in the near future in the US. Accordingly, consumer demand may be affected.
- (b) The prolonged war between Ukraine and Russia has created uncertainties in the recovery of the world's economy from the pandemic. The war has resulted in an increase in oil & gas prices which increases logistics and transport costs as well as certain food prices due to shortages. As a result, while the war has no direct effect on the Group since the Group does not have any business in Russia and Ukraine, the negative effects, particularly inflation, has created uncertainties in the supply and demand of the Group's products and raw materials inputs.

11. Dividend

Please refer to N8.

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 1H2023 as the Group would prefer to conserve the cash for any unforeseen circumstances and to reinvest back into its businesses.

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 28 April 2023. Please refer to the Company's appendix to the annual report dated 10 April 2023 for further details.

The aggregate value of all interested person transactions during the 1H2023 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)
		Notes	RM'000
Lean Shern Furniture Sdn Bhd	(1)	- (3)	10,182
Leatherworld Upholstery Sdn Bhd	(2)	- (3)	806

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 Director, Tan Kwee Chai.*
- (2) *Leatherwold Upholstery Sdn Bhd is a 51%-owned subsidiary of Lian Yu Furniture Corporation Sdn Bhd which is owned by Tan Kwee Chai and his associates.*
- (3) *Excludes transactions which are less than S\$100,000*

14. Confirmation pursuant to Rule 705(5) of the Catalist 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 1H2023 to be false or misleading in any material aspect.

Tan Kwee Chai
Executive Director

Tan Yong Chuan
Executive Director and Chief Executive Officer

15. 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.

16. Disclosure of acquisition (including incorporations) and sale of shares under Catalist Rule 706A.

Not applicable. The Company did not acquire and dispose shares in any companies during 1H2023.

BY ORDER OF THE BOARD

Tan Yong Chuan
Executive Director and Chief Executive Officer
10 August 2023