



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 2020**

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.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

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Background

The Group is an established original design manufacturer principally engaged in the design and manufacture of wooden bedroom furniture and the manufacture of custom wooden bedroom furniture which may be tailored to our customers' specifications on an original equipment manufacturer basis.

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF 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 6 months ended 31 December 2020 (“2H2020”) and financial year ended 31 December 2020 (“FY2020”)

Consolidated Statements of Comprehensive Income

	Group 6 months ended			Group 12 months ended		
	31 December 2020 RM'000	31 December 2019 RM'000	Increase/ (Decrease) %	31 December 2020 RM'000	31 December 2019 RM'000	Increase/ (Decrease) %
Revenue	131,263	142,970	(8.2)	238,604	245,860	(3.0)
Cost of sales	(120,102)	(128,606)	(6.6)	(217,740)	(224,573)	(3.0)
Gross Profit	11,161	14,364	(22.3)	20,864	21,287	(2.0)
Other items of income						
Interest income	43	293	(85.3)	177	688	(74.3)
Distributions from short-term investment security	5	–	100.0	5	–	100.0
Other income	2,141	1,114	92.2	4,555	1,980	130.1
Other items of expense						
Selling and administrative expenses	(9,143)	(8,594)	6.4	(18,782)	(19,383)	(3.1)
Finance costs	(336)	(319)	5.3	(560)	(430)	30.2
Other expense	(211)	(700)	(69.9)	(213)	(700)	(69.6)
Profit before tax	3,660	6,158	(40.6)	6,046	3,442	75.7
Income tax expense	(1,520)	(1,612)	(5.7)	(2,598)	(1,784)	45.6
Profit for the period, representing total comprehensive income for the period	2,140	4,546	(52.9)	3,448	1,658	108.0
Profit for the period, representing total comprehensive income for the period attributable to:						
Owners of the Company	2,850	5,187	(45.1)	4,826	3,084	56.5
Non-controlling interest	(710)	(641)	10.8	(1,378)	(1,426)	(3.4)
	2,140	4,546		3,448	1,658	

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

	Group 6 months ended			Group 12 months ended		
	31 December 2020 RM'000	31 December 2019 RM'000	Increase/ (Decrease) %	31 December 2020 RM'000	31 December 2019 RM'000	Increase/ (Decrease) %
Profit for the period include the following (charges)/credits:						
Finance expenses:						
- financing arrangements	(20)	(21)	(4.8)	(36)	(46)	(21.7)
- bank loans	(149)	(79)	88.6	(203)	(117)	73.5
- lease liabilities	(167)	(219)	(23.7)	(321)	(267)	20.2
	(336)	(319)	5.3	(560)	(430)	30.2
Depreciation expenses:						
- property, plant and equipment	(4,727)	(3,849)	22.8	(9,069)	(7,148)	26.9
- rights-of-use assets	(900)	(719)	25.2	(1,709)	(1,146)	49.1
	(5,627)	(4,568)	23.2	(10,778)	(8,294)	29.9
Amortisation of intellectual property	(25)	(47)	(46.8)	(50)	(47)	6.4
(Loss)/Gain on disposal of property, plant and equipment	(59)	82	(172.0)	(61)	86	(170.9)
Property plant and equipment written-off	(228)	(20)	1,040.0	(257)	(45)	471.1
Rental income	273	344	(20.6)	525	635	(17.3)
Net foreign exchange loss	(1,679)	(704)	138.5	(152)	(655)	(76.8)
Current income tax:						
- Over provision in respect of previous years	1,273	1,252	1.7	1,273	1,252	1.7
Deferred income tax:						
- (Under)/Over provision in respect of previous years	(817)	423	(293.1)	(817)	423	(293.1)

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 2020 RM'000	Group As at 31 December 2019 RM'000	Company As at 31 December 2020 RM'000	Company As at 31 December 2019 RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	154,283	141,231	–	–
Right-of-use assets	21,576	22,382	–	–
Intangible assets	2,974	3,024	–	–
Investment in subsidiaries	–	–	59,946	47,886
Other receivable	630	630	–	–
	179,463	167,267	59,946	47,886
Current assets				
Inventories	96,503	40,889	–	–
Trade and other receivables	18,831	26,697	4,007	4,140
Contract assets	4,813	6,332	–	–
Prepaid operating expense	1,329	1,322	14	23
Tax recoverable	2,806	960	–	–
Short-term investment security	1,005	–	–	–
Cash and cash equivalents	37,394	36,083	6,626	17,731
	162,681	112,283	10,647	21,894
Total assets	342,144	279,550	70,593	69,780
LIABILITIES				
Current liabilities				
Loans and borrowings	23,222	6,216	–	–
Trade and other payables	39,306	29,092	–	–
Contract liabilities	13,211	247	–	–
Lease liabilities	1,201	1,112	–	–
Accrued expenses	680	678	454	453
Tax payable	–	–	16	56
	77,620	37,345	470	509
Net current assets	85,061	74,938	10,177	21,385
Non-current liabilities				
Loans and borrowings	20,008	459	–	–
Deferred tax liabilities	17,056	16,004	–	–
Lease liabilities	5,019	5,363	–	–
	42,083	21,826	–	–
Total liabilities	119,703	59,171	470	509
Net assets	222,441	220,379	70,123	69,271
Equity attributable to owners of the Company				
Share capital	66,135	66,135	66,135	66,135
Treasury shares	(135)	–	(135)	–
Merger reserve	(15,234)	(15,234)	–	–
Retained earnings	174,479	170,904	4,123	3,136
	225,245	221,805	70,123	69,271
Non-controlling interest	(2,804)	(1,426)	–	–
Total equity	222,441	220,379	70,123	69,271
Total equity and liabilities	342,144	279,550	70,593	69,780

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 2020		As at 31 December 2019	
Secured	Unsecured	Secured	Unsecured
RM'000	RM'000	RM'000	RM'000
23,222	–	6,216	–

Amount repayable by the Group after one year

As at 31 December 2020		As at 31 December 2019	
Secured	Unsecured	Secured	Unsecured
RM'000	RM'000	RM'000	RM'000
20,008	–	459	–

Details of collateral

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

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

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

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

	Group 6 months ended		Group 12 months ended	
	31 December 2020 RM'000	31 December 2019 RM'000	31 December 2020 RM'000	31 December 2019 RM'000
Operating activities				
Profit before tax	3,660	6,158	6,046	3,442
<u>Adjustments for:</u>				
Loss/(Gain) on disposal of property, plant and equipment	59	(82)	61	(86)
Distributions from short-term investment security	(5)	–	(5)	–
Interest income	(43)	(293)	(177)	(688)
Interest expense	336	319	560	430
Depreciation of right-of-use assets	900	719	1,709	1,146
Amortisation of intangible assets	25	47	50	47
Depreciation of property, plant and equipment	4,727	3,849	9,069	7,148
Property, plant and equipment written-off	228	20	257	45
Unrealised exchange loss/(gain)	300	545	(212)	52
Reversal of right-of-use assets on termination of lease	–	(32)	–	(38)
Operating profit before working capital changes	10,187	11,250	17,358	11,498
<u>Changes in working capital:</u>				
Increase in inventories	(48,720)	(6,424)	(55,614)	(6,250)
Decrease/(increase) in trade and other receivables	10,469	(9,726)	7,838	(4,155)
Decrease in contract assets	2,760	173	1,519	4,452
Increase in prepaid operating expense	(279)	(568)	(7)	(101)
Increase/(decrease) in trade and other payables	5,968	(922)	10,227	5,325
Increase in contract liabilities	12,931	61	12,964	111
Increase in accrued expenses	431	456	2	174
Cash flows (used in)/from operations	(6,253)	(5,700)	(5,713)	11,054
Interest paid	(170)	(100)	(239)	(163)
Income taxes paid	(3,174)	845	(3,699)	(2,085)
Income taxes refund	307	–	307	–
Net cash flows (used in)/generated from operating activities	(9,290)	(4,955)	(9,344)	8,806
Investing activities				
Interest income from short term deposits	43	293	177	688
Distributions from short-term investment security	5	–	5	–
Placement of short-term investment security	(1,005)	–	(1,005)	–
Purchase of property, plant and equipment (Note A)	(13,290)	(14,060)	(21,038)	(21,621)
Proceeds from disposal of property, plant and equipment	69	231	299	251
Acquisition of business	–	(8,295)	–	(13,227)
Net cash flows used in investing activities	(14,178)	(21,831)	(21,562)	(33,909)

	Group		Group	
	6 months ended		12 months ended	
	31	31	31	31
	December	December	December	December
2020	2019	2020	2019	
	RM'000	RM'000	RM'000	RM'000
Financing activities				
Dividends paid on ordinary shares	(1,251)	–	(1,251)	(6,115)
Purchase of treasury shares	(135)	–	(135)	–
Proceeds from loans and borrowings	69,793	27,643	92,006	40,621
Repayment under financing arrangements	(177)	(207)	(344)	(464)
Repayment of loans and borrowings	(31,361)	(23,578)	(56,807)	(36,864)
Repayment of lease liabilities	(769)	(525)	(1,479)	(812)
Net cash flows generated from/(used in) financing activities	36,100	3,333	31,990	(3,634)
Net increase/(decrease) in cash and cash equivalents	12,632	(23,453)	1,084	(28,737)
Effect of exchange rate changes on cash and cash equivalent	52	(291)	227	111
Cash and cash equivalents at beginning of period	24,710	59,827	36,083	64,709
Cash and cash equivalents at end of period	37,394	36,083	37,394	36,083

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

Note A: Property, plant and equipment

	Group		Group	
	6 months ended		12 months ended	
	31	31	31	31
	December	December	December	December
2020	2019	2020	2019	
	RM'000	RM'000	RM'000	RM'000
Current year additions to property, plant and equipment	14,990	14,060	22,738	21,621
Less: Additions under financing arrangements	(1,700)	–	(1,700)	–
Net cash outflow from purchase of property, plant and equipment	13,290	14,060	21,038	21,621

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group

(Unaudited)

	Attributable to owners of the Company						Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Merger reserve RM'000	Retained Earnings RM'000	Equity attributable to owner RM'000	Non- controlling interest RM'000	
At 1 January 2020	66,135	–	(15,234)	170,904	221,805	(1,426)	220,379
Profit for the period, representing total comprehensive income for the period	–	–	–	1,976	1,976	(668)	1,308
At 30 June 2020 and 1 July 2020	66,135	–	(15,234)	172,880	223,781	(2,094)	221,687
Profit for the period, representing total comprehensive income for the period	–	–	–	2,850	2,850	(710)	2,140
Dividend on ordinary shares, representing total distribution to owners	–	–	–	(1,251)	(1,251)	–	(1,251)
Purchase of treasury shares	–	(135)	–	–	(135)	–	(135)
At 31 December 2020	66,135	(135)	(15,234)	174,479	225,245	(2,804)	222,441

Group**(Unaudited)**

	Attributable to owners of the Company				Equity	Non-	Total equity
	Share capital	Treasury shares	Merger reserve	Retained Earnings	attributable to owner	controlling interest	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	–	–	–	(2,103)	(2,103)	(785)	(2,888)
Dividend on ordinary shares	–	–	–	(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	–	–	–	5,187	5,187	(641)	4,546
At 31 December 2019	66,135	–	(15,234)	170,904	221,805	(1,426)	220,379

Company

(Unaudited)	Share capital RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2020	66,135	–	3,136	69,271
Loss for the period	–	–	(579)	(579)
At 30 June 2020 and 1 July 2020	66,135	–	2,557	68,692
Profit for the period	–	–	2,817	2,817
Dividend on ordinary shares	–	–	(1,251)	(1,251)
Purchase of treasury shares	–	(135)	–	(135)
At 31 December 2020	66,135	(135)	4,123	70,123
At 1 January 2019	66,135	–	6,867	73,002
Loss for the period	–	–	(842)	(842)
Dividend on ordinary shares	–	–	(6,115)	(6,115)
At 30 June 2019 and 1 July 2019	66,135	–	(90)	66,045
Profit for the period	–	–	3,226	3,226
At 31 December 2019	66,135	–	3,136	69,271

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Share Capital

	Number of shares	
	31.12.2020	31.12.2019
Issued and fully paid ordinary shares		
Balance at the beginning of the financial period	489,144,200	489,144,200
Balance at the end of the financial period	489,144,200	489,144,200
Treasury shares		
Balance at the beginning of the financial period	–	–
Shares buy-back held as treasury shares	245,000	–
Balance at the end of the financial period	245,000	–
Issued and fully paid ordinary shares excluding treasury shares	488,899,200	489,144,200

The Company did not have any outstanding convertibles as at 31 December 2020 and 31 December 2019.

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 2020	As at 31 December 2019
Total number of issued shares (excluding treasury shares)	488,899,200	489,144,200

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

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.

Please refer to Item 1(d)(ii) above. No treasury share was sold, transferred, cancelled or used for the 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:-

(s) 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 2019.

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 prepared the financial statements in accordance with Singapore Financial Reporting Standards (International) ("**SFRS(I)s**"). The Group adopted a number of new standards, amendments to standards and interpretations under SFRS(I)s that are effective for annual periods beginning on 1 January 2020. The adoption of these new standards, amendments to standards and interpretations did not result in any significant impact on the financial statements of the Group.

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 6 months ended		Group 12 months ended	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Profit attributable to owners of the Company (RM'000)	2,850	5,187	4,826	3,084
Weighted average number of issued shares ('000) (excluding treasury shares)	489,004	489,144	489,074	489,144
Basic and fully diluted earnings per share ⁽¹⁾ (sen)	0.58	1.06	0.99	0.63

Note:

(1) *The basic and fully diluted earnings per share were the same as there were no dilutive ordinary shares in issue as at 31 December 2020 and 31 December 2019.*

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 2020	As at 31 December 2019	As at 31 December 2020	As at 31 December 2019
Net asset value ("NAV") (RM'000)	222,441	220,379	70,123	69,271
Number of ordinary shares in issue ('000)	488,899	489,144	488,899	489,144
NAV per ordinary share (RM)	0.45	0.45	0.14	0.14

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 6 months ended 31 December 2020 ("2H2020") as compared to the 6 months ended 31 December 2019 ("2H2019")

Revenue

The Group's revenue decreased by approximately RM11.7 million, or 8.2%. This was mainly attributable to a decrease in the number of containers loaded with products ("**40- ft container**") sold from 2,720 40-ft containers in 2H2019 to 2,350 40-ft containers in 2H2020 as most of our major customers in the United States of America ("**US**") have only progressively resumed their operations with the gradual lifting of the lockdown measures in the US imposed due to COVID-19 and the shortages of containers have impeded the delivery of finished goods to the Group's customers.

However, this was partially offset by an increase in the average selling price per 40- ft container from approximately RM53,000 in 2H2019 to approximately RM56,000 in 2H2020 as a result of the different product mix sold by the Group.

Cost of sales and gross profits

The cost of sales decreased by approximately RM8.5 million, or 6.6%, mainly due to the decrease in raw materials purchased, labour costs as a result of reduced overtime and subcontractors' costs in tandem with the decrease in revenue.

As a result of the above, the gross profit decreased by approximately RM3.2 million, or 22.3%. The overall gross profit margin also decreased from 10.0% in 2H2019 to 8.5% in 2H2020.

Interest income

Interest income decreased by approximately RM0.3 million, or 85.3%, mainly due to lower cash placements in short term fixed deposits in the bank account maintained in Malaysia and coupled with the reduced overnight interest rate offered.

Distributions from investment security

Distributions from investment security of approximately RM5,000 were income received for funds placed with a Money Market Fund during 2H2020.

Other income

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

Other income increased by approximately RM1.0 million, or 92.2% mainly due to the increase in the sale of timber arising from the new millwork products which commenced shipment in January 2020.

Selling and administrative expenses

Selling and administrative expenses increased by approximately RM0.5 million, or 6.4% mainly due to the increase in wastage disposal cost, insurance costs and upkeep and maintenance costs.

Depreciation expenses

Depreciation expenses increased by approximately RM1.1 million, or 23.2% mainly due to additional machineries acquired. Plant and equipment acquired in 2H2020 amount to approximately RM15.0 million.

Finance costs

Finance costs increased by approximately RM17,000, or 5.3% mainly due to the drawdown of new term loans during 2H2020.

Other expense

The Group incurred higher net foreign exchange loss in 2H2020 as compared to 2H2019 due mainly to the weakening of US dollars against the Malaysian Ringgit in 2H2020. However, this was offset by a net foreign exchange gain in the first half of FY2020 which was reclassified to other expense from other income in 2H2020. As a result, other expense decreased by approximately RM0.5 million, or 69.9% in 2H2020 as compared to 2H2019.

Profit for the period

As a result of the foregoing, the Group reported net profit of approximately RM2.1 million for 2H2020 as compared to approximately RM4.5 million for 2H2019 due principally to the lower gross profit as stated above.

Review of Group's performance for FY2020 as compared to the financial year ended 31 December 2019 ("FY2019")

Revenue

The Group's revenue decreased by approximately RM7.3 million, or 3.0%. This was mainly attributable to the decrease in the number of 40-ft containers sold from 4,866 40-ft containers in FY2019 to 4,298 40-ft containers in FY2020 as a result of the following:

- (a) Movement Control Order as announced by the Prime Minister of Malaysia on 16 March 2020 to contain the spread of COVID-19 in Malaysia which led to the temporary closure of the Group's operations on 18 March 2020. Subsequently, the subsidiaries of the Company resumed partial operations on 30 March 2020 upon receiving the approval from the Malaysian Timber Industry Board which allowed subsidiaries of the Company to operate, subject to certain terms and conditions. As of 31 December 2020, the subsidiaries of the Company have resumed normal operations;
- (b) most of our major customers in the US have only progressively resumed their operations with the gradual lifting of the lockdown in the US imposed due to COVID-19 in 2H2020; and
- (c) the shortages of containers have impeded the delivery of finished goods to the Group's customers in the US. However, the decrease in the Group's revenue was offset by an increase in revenue from Hong Kong.

However, this was partially offset by an increase in the average selling price per 40- ft container from approximately RM51,000 in FY2019 to approximately RM56,000 in FY2020 as a result of the different product mix sold by the Group.

Cost of sales and gross profits

Cost of sales decreased by approximately RM6.8 million, or 3.0%, mainly due to the decrease in raw materials purchased, labour costs as a result of reduced overtime and subcontractors' costs in tandem with the decrease in revenue.

As a result of the decrease in the Group's revenue, the gross profit decreased by approximately RM0.4 million, or 2.0%. However, as the percentage decrease in the cost of sales is in line with the percentage decrease in revenue, the overall gross profit margin remained at 8.7% in FY2019 and FY2020.

Interest income

Interest income decreased by approximately RM0.5 million, or 74.3%, mainly due to lower cash placement in short term fixed deposits in the bank account maintained in Malaysia and coupled with the reduced overnight interest rate offered.

Distributions from investment security

Distributions from investment security of approximately RM5,000 were income received for funds placed with a Money Market Fund during FY2020.

Other income

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

Other income increased by approximately RM2.6 million, or 130.1% mainly due to the increase in the sale of timber arising from the new millwork products which commenced shipment in January 2020.

Selling and administrative expenses

Selling and administrative expenses decreased by approximately RM0.6 million, or 3.1%, mainly due to the decrease in directors' remuneration, staff costs, upkeep and maintenance costs, travelling expenses, promotional expenses and professional fees.

Depreciation expenses

Depreciation expenses increased by approximately RM2.5 million, or 29.9% mainly due additional machineries acquired. Plant and equipment acquired in FY2020 amount to approximately RM22.7 million.

Finance costs

Finance costs increased by approximately RM0.1 million, or 30.2% mainly due to the drawdown of new term loans during the year.

Other expense

Other expense decreased by approximately RM0.5 million, or 69.6% due to lesser net foreign exchange loss recorded in the books of the Group in FY2020 as compared to FY2019.

Profit for the period

As a result of the foregoing, the Group reported net profit of approximately RM3.4 million for FY2020 as compared to approximately RM1.7 million for FY2019.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Review of the Group's financial position as at 31 December 2020 as compared to 31 December 2019

Non-current assets

Property, plant and equipment increased by approximately RM13.1 million, or 9.2% mainly due to the purchase of new and used machineries during FY2020.

Intangible assets of approximately RM3.0 million consists of trademarks and goodwill arising from business combination as announced on 28 January 2019.

Right-of-use assets of approximately RM21.6 million comprised the right to use the properties and land use rights of by the Group over the respective lease period.

Current assets

Inventories increased by approximately RM55.6 million, or 136.0% mainly due to:

- (a) increase in finished goods due to shortages of containers which impeded the delivery of finished goods to the Group's customers. This included finished goods which required further improvements on customers' request and pending the customers' acceptance for which the Group has already received consideration from such customers totalling RM13.2 million as at 31 December 2020. The consideration is classified as contract liabilities under current liabilities. The container shortage situation has affected the Group's delivery of finished goods since the last quarter of FY2020. Please refer to paragraph 10 of this results announcement for further elaborations on the impact of the container shortages to the Group; and
- (b) increase in raw materials and work-in-progress as (i) the Group purchased more raw materials to meet the orders received in respect of the following year; (ii) the Group has also stocked up more raw materials in case of delay in receipt of raw materials due to container shortages; and (iii) a higher work-in-progress due to longer production lead time as shipments from suppliers were also affected by the container shortages.

Trade and other receivables of approximately RM18.8 million comprised trade receivables, receivables from related parties, deposit and other receivables. The decreased in trade and other receivables by approximately RM7.9 million, or 29.5% was mainly due to the decrease of sales towards the end of FY2020.

Contract assets of approximately RM4.8 million comprised the right to consideration for goods produced but not yet billed as at 31 December 2020 for sale of goods. The decreased in contract assets by approximately RM1.5 million, or 24.0% was mainly due to higher amount of finished goods as at 31 December 2019 which were 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 2020.

Tax recoverable, being prepaid current income tax of approximately RM2.8 million comprised tax paid in advance by the Malaysian subsidiaries for the Year of Assessment 2020.

Current liabilities and non-current liabilities

Loans and borrowings comprised financing arrangements, short-term trade financing, bankers' acceptance and long-term loans. The increased in loans and borrowings by approximately RM36.6 million, or 547.6% was mainly due to the increased in the usage of short-term financing and drawdown of new term loans of approximately RM11.5 million and approximately RM23.7 million respectively towards the end of FY2020.

Trade and other payables of approximately RM39.3 million comprised trade payables, amount due to related parties and sundry payables. The increase in trade payables and other payables of approximately RM10.2 million, or 35.1% was mainly due to the increase in purchase of raw materials towards the end of FY2020.

Contract liabilities of approximately RM13.2 million comprised the Group's obligation to transfer finished goods or services to customers for which the Group has received consideration from customers in advance as at 31 December 2020.

Lease liabilities of approximately RM6.2 million comprised the liabilities that the Group has to pay over the life of the leases for the use of the properties.

Accrued expenses of approximately RM0.7 million comprised accrued operating expenses.

REVIEW OF THE GROUP'S CASH FLOW STATEMENT

Review of the Group's cash flow statement for FY2020 as compared to FY2019

The Group recorded net cash flows used in operating activities of approximately RM9.3 million in FY2020 which was higher as compared to net cash flow from operating activities of approximately RM8.8 million in FY2019 mainly due to the increase in inventories of the Group during FY2020. The reasons for the increase in inventories can be found in the review of the Group's current assets set out in previous page.

The Group recorded net cash flows used in investing activities of approximately RM21.6 million in FY2020 mainly due to the purchase of new and used machineries.

The Group recorded net cash flows from financing activities of approximately RM32.0 million in FY2020 mainly due to proceeds from short term and long term loans and borrowings offset by the repayment of 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.

Not applicable. The Group has not previously disclosed any forecast or prospect statements for FY2020 to its shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

(a) Since the last quarter of FY2020, there has been a worldwide container shortage problem that has affected international container cargo shipments. This has also affected the Group in the following ways:

- (i) The Group's ability to export its manufactured products on time has been affected.
- (ii) There is an increase need for warehouses for storage to keep the unshipped finished goods.
- (iii) There are difficulties in planning and maintaining an efficient production schedules.
- (iv) Our import of raw materials from overseas have been delayed.

The above has resulted in the decrease in revenue and increase in costs for the Group. In addition, the recent blockage at the Suez Canal has further worsened the container shortage situation. As a result, we expect the container shortage to continue for at least the next few months.

Accordingly, while there has been increased demand from our customers in view of the lifting of the lockdown in the US imposed due to COVID-19 pandemic and the availability of vaccines for the COVID-19 virus, we expect the Group to be affected by the worldwide container shortage at least in the short term.

(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 millwork products in FY2020. Nevertheless, such expansion is also currently affected by the worldwide container shortage as mentioned above.

(c) As disclosed in the Company's announcement dated 23 February 2021, the Group's operations in the first quarter of the current financial year have been disrupted by (i) the two-week closure of the Group's factories/warehouses in January 2021; and (ii) the movement control order imposed by the Malaysian government between 13 January 2021 and 4 March 2021 ("**MCO**") to curb the soaring number of COVID-19 cases in Malaysia. While operations have returned to normalcy by end January 2021, the two-week closure and MCO have also resulted in backlogs in delivery of orders.

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)	0.1297 (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 0.0830 Singapore cent was declared and paid for FY2019. A dividend amount per share of 0.1297 Singapore cent is recommended for FY2020 which is higher than that for FY2019 due to the increase in the net profit attributable to owners of the Company.

(c) The date the dividend is payable.

The dividend per share of 0.1297 Singapore cent proposed for FY2020 is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting. The Company will announce the payment date in a separate announcement.

(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.

The dividend per share of 0.1297 Singapore cent proposed for FY2020 is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting. The Company will announce the books closure date for the determination of entitlements to the dividend in a separate announcement.

12. If no dividend has been declared (recommended), a statement to that effect and reason(s) for the decision.

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 22 June 2020. Please refer to the Company's appendix to the annual report dated 14 April 2020 for further details.

The aggregate value of all interested person transactions during FY2020 is as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$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 S\$100,000)
	RM'000	RM'000
Lean Shern Furniture Sdn Bhd	NIL	3,107
LP Global Resources Sdn Bhd	NIL	392
Leatherworld Upholstery Sdn Bhd	NIL	3,525

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 Company's offer document dated 18 January 2018 ("**Offer Document**") and announcement dated 16 November 2020 for further details.

As at the date of this announcement, the status on the use of the IPO net proceeds is as follows:

Purpose	Revised allocation of IPO proceeds (S\$'000)	Amount utilised (S\$'000)	Balance (S\$'000)
Expanding the sales network in the PRC	137	(137)	–
Upgrading the machinery and equipment and acquiring new technology	5,863	(5,610)	253
Construction of additional facilities	4,000	(3,972)	28
General working capital purposes ⁽¹⁾	3,000	(2,559)	441
Total	13,000	(12,278)	722

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 and the Company's announcement dated 16 November 2020.

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

Kindly refer to the announcement dated 27 April 2021 regarding the disclosure for Catalyst Rule 706A.

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.

Geographical information

Revenue information based on the geographical location (billing location) of customers is as follows:

	Group FY2020	Group FY2019
	RM'000	RM'000
Revenue		
United States of America	133,213	166,658
Malaysia	36,804	35,644
Republic of China	11,983	18,200
People's Republic of China	30	–
United Arab Emirates	6,046	5,968
Canada	895	3,036
Hong Kong	42,160	11,100
Japan	2,741	1,899
Korea	1,182	924
Others	3,550	2,431
	<hr/>	<hr/>
	238,604	245,860
	<hr/>	<hr/>

Non-current assets information based on the geographical location of assets is as follows:

Non-current assets		
Malaysia	178,833	166,637
	<hr/>	<hr/>

Non-current assets information presented above consist of property, plant and equipment, right-of-use assets and intangible 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 FY2020 RM'000	Group FY2019 RM'000	Increase/ (decrease) %
a) Sales reported for first half year	107,341	102,890	4.3
b) Operating profit/(loss) after tax for first half	1,308	(2,888)	145.3
c) Sales reported for second half year	131,263	142,970	(8.2)
d) Operating profit after tax for second half year	2,140	4,546	(52.9)

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 FY2020 S\$'000	Company FY2019 S\$'000
a) Ordinary	634	406
b) Preference	—	—
c) Total	634	406

Note:

FY2020's proposed final dividend of S\$634,000 is calculated based on 0.1297 Singapore cent per share multiplied by the number of ordinary shares in issue of 488,899,200 as at 31 December 2020.

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	61	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	59	Uncle of Ms Tan Ai Luang	Chief Quality Controller Year: 2012	Nil
Mr Tan Yong Siang	30	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
Executive Directors and Chief Executive Officer
27 April 2021