



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

**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT
FOR THE SECOND QUARTER ENDED 30 JUNE 2019**

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

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

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Background

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

PART 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

For the 3 months ended 30 June 2019 (“2Q2019”) and 6 months ended 30 June 2019 (“1H2019”)

Consolidated Statements of Comprehensive Income

	Group 3 months ended			Group 6 months ended		
	30 June 2019 RM'000	30 June 2018 RM'000	Increase/ (Decrease) %	30 June 2019 RM'000	30 June 2018 RM'000	Increase/ (Decrease) %
Revenue	52,064	62,939	(17.3)	102,890	148,059	(30.5)
Cost of sales	(49,988)	(49,953)	0.1	(96,015)	(119,944)	(20.0)
Gross Profit	2,076	12,986	(84.0)	6,875	28,115	(75.5)
Other items of income						
Interest income	192	149	28.9	395	260	51.9
Other income	1,144	2,848	(59.8)	866	2,758	(68.6)
Other items of expense						
Selling and administrative expenses	(5,284)	(7,263)	(27.2)	(10,789)	(15,195)	(29.0)
Finance costs	(27)	(77)	(64.9)	(63)	(169)	(62.7)
Listing expenses	–	–	–	–	(6,794)	N.M.
Other expense	–	–	–	–	(1,506)	N.M.
(Loss)/Profit before tax	(1,899)	8,643		(2,716)	7,469	
Income tax expense	(17)	(2,188)	(99.2)	(172)	(3,811)	(95.5)
(Loss)/Profit for the period, representing total comprehensive income for the period	(1,916)	6,455	N.M.	(2,888)	3,658	N.M.
(Loss)/Profit for the period, representing total comprehensive income for the period attributable to:						
Owners of the Company	(1,367)	6,455		(2,103)	3,658	
Non-controlling interest	(549)	–		(785)	–	
	(1,916)	6,455		(2,888)	3,658	

Note:

N.M. Not meaningful

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

	Group 3 months ended			Group 6 months ended		
	30 June 2019 RM'000	30 June 2018 RM'000	Increase/ (Decrease) %	30 June 2019 RM'000	30 June 2018 RM'000	Increase/ (Decrease) %
Profit for the period include the following (charges)/credits:						
Finance expenses:						
- obligations under finance lease	(12)	(18)	(33.3)	(25)	(35)	(25.7)
- bank loans	(15)	(59)	(74.6)	(38)	(134)	(71.6)
Amortisation of leasehold land	(86)	(85)		(171)	(171)	
Depreciation expenses:						
- property, plant and equipment	(1,711)	(1,511)	13.2	(3,299)	(3,003)	9.9
- rights-of-use assets	(147)	-	N.M.	(256)	-	N.M.
(Loss)/gain on disposal of property, plant and equipment	3	(34)	N.M.	4	212	(98.1)
Property plant and equipment written- off	(25)	(38)	(34.2)	(25)	(38)	(34.2)
Rental income	143	159	(10.1)	291	314	(7.3)
Net foreign exchange gain/(loss)	729	1,456	(49.9)	49	(1,309)	(103.7)
Listing expenses	-	-	-	-	(6,794)	N.M.

Note:

N.M. Not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group As at 30 June 2019	Group As at 31 December 2018	Company As at 30 June 2019	Company As at 31 December 2018
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	126,423	119,748	–	–
Leasehold land	13,259	13,430	–	–
Right-of-use assets	2,309	–	–	–
Intangible assets	3,757	–	–	–
Investment in subsidiaries	–	–	30,469	30,469
	145,748	133,178	30,469	30,469
Current assets				
Inventories	34,465	34,639	–	–
Trade and other receivables	17,869	23,404	5,050	10,518
Contract assets	6,505	10,784	–	–
Prepaid operating expense	754	1,221	52	61
Advance tax	1,261	–	–	–
Cash and cash equivalents	59,827	64,709	30,710	32,415
	120,681	134,757	35,812	42,994
Total assets	266,429	267,935	66,281	73,463
LIABILITIES				
Current liabilities				
Loans and borrowings	2,203	2,601	–	–
Trade and other payables	28,947	22,755	–	38
Contract liabilities	186	136	–	–
Lease liabilities	1,008	–	–	–
Accrued expenses	222	504	184	395
Tax payable	–	1,503	52	28
	32,566	27,499	236	461
Net current assets	88,115	107,258	35,576	42,533
Non-current liabilities				
Loans and borrowings	614	781	–	–
Deferred tax liabilities	14,912	14,819	–	–
Lease liabilities	1,318	–	–	–
	16,844	15,600	–	–
Total liabilities	49,410	43,099	236	461
Net assets	217,019	224,836	66,045	73,002
Equity attributable to owners of the Company				
Share capital	66,135	66,135	66,135	66,135
Merger reserve	(15,234)	(15,234)	–	–
Retained earnings/(Accumulated losses)	165,717	173,935	(90)	6,867
	216,618	224,836	66,045	73,002
Non-controlling interest	401	–	–	–
Total equity	217,019	224,836	66,045	73,002
Total equity and liabilities	266,429	267,935	66,281	73,463

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 30 June 2019		As at 31 December 2018	
Secured	Unsecured	Secured	Unsecured
RM'000	RM'000	RM'000	RM'000
2,203	–	2,601	–

Amount repayable by the Group after one year

As at 30 June 2019		As at 31 December 2018	
Secured	Unsecured	Secured	Unsecured
RM'000	RM'000	RM'000	RM'000
614	–	781	–

Details of collateral

The Group's borrowings consist of obligations under finance lease, short-term trade financing and bankers' acceptance.

The obligations under finance leases are secured by a charge over the respective leased motor vehicles.

The bankers' acceptance and short-term trade financing are secured by mortgage over certain buildings and leasehold land and joint ("**Mortgage**") and several guarantees provided by the directors from one of our subsidiaries ("**Guarantee**"). The Mortgage and Guarantee are currently in the process of being discharged and be replaced with corporate guarantee from the Company.

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

	Group		Group	
	3 months ended		6 months ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Operating activities				
(Loss)/Profit before tax	(1,905)	8,643	(2,722)	7,469
<u>Adjustments for:</u>				
Loss/(gain) on disposal of property, plant and equipment	(3)	34	(4)	(212)
Interest income	(192)	(149)	(395)	(260)
Interest expense	27	77	63	169
Amortisation of leasehold land	86	85	171	171
Depreciation of property, plant and equipment	1,858	1,511	3,555	3,003
Interest expense from lease liabilities	32	–	48	–
Unrealised exchange gain	(78)	(994)	(493)	(150)
Listing expenses	–	–	–	6,794
Property, plant and equipment written-off	25	38	25	38
Operating (loss)/profit before working capital changes	(150)	9,245	248	17,022
<u>Changes in working capital:</u>				
(Increase)/decrease in inventories	(1,850)	(4,135)	174	(2,250)
Decrease in trade and other receivables	103	4,413	5,571	10,179
(Increase)/decrease in contract assets	(863)	–	4,279	–
Decrease/(increase) in prepaid operating expense	213	(256)	467	5,180
Increase/(decrease) in trade and other payables	9,244	(7,796)	6,247	(9,439)
Increase in contract liabilities	13	–	50	–
Increase/(decrease) in other liabilities	(74)	1,897	(282)	(883)
Cash flows from operations	6,636	3,368	16,754	19,809
Interest paid	(27)	(77)	(63)	(169)
Income taxes paid	(1,663)	(2,294)	(2,930)	(4,940)
Interest income from short term deposits	192	149	395	260
Net cash flows generated from operating activities	5,138	1,146	14,156	14,960
Investing activities				
Purchase of property, plant and equipment (Note A)	(3,615)	(2,325)	(7,561)	(6,085)
Proceeds from disposal of property, plant and equipment	5	73	20	580
Acquisition of business	–	–	(4,932)	–
Net cash flows used in investing activities	(3,610)	(2,252)	(12,473)	(5,505)

	Group 3 months ended		Group 6 months ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Financing activities				
Dividends paid on ordinary shares	(6,115)	(11,304)	(6,115)	(11,304)
Proceeds from loans and borrowings	5,290	20,191	12,978	42,950
Repayment of obligations under finance lease	(125)	(143)	(257)	(323)
Repayment of loans and borrowings	(5,879)	(21,061)	(13,286)	(44,975)
Repayment of lease liabilities	(135)	–	(239)	–
Interest expense from lease liabilities	(32)	–	(48)	–
Proceeds from issuance of new shares pursuant to initial public offering ("IPO")	–	–	–	48,387
Listing expenses paid	–	–	–	(9,280)
Net cash flows (used in)/generated from financing activities	(6,996)	(12,317)	(6,967)	25,455
Net (decrease)/increase in cash and cash equivalents	(5,468)	(13,423)	(5,284)	34,910
Effect of exchange rate changes on cash and cash equivalent	160	724	402	(12)
Cash and cash equivalents at beginning of period	65,135	78,700	64,709	31,103
Cash and cash equivalents at end of period	59,827	66,001	59,827	66,001

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

Note A: Property, plant and equipment

	Group 3 months ended		Group 6 months ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Current year additions to property, plant and equipment	3,615	2,325	7,561	6,395
Less: Additions under finance leases	–	–	–	(310)
Net cash outflow from purchase of property, plant and equipment	3,615	2,325	7,561	6,085

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

Group

(Unaudited)

	Attributable to owners of the Company					Total equity RM'000
	Share capital RM'000	Merger reserve RM'000	Retained Earnings RM'000	Equity attributable to owner RM'000	Non- controlling interest RM'000	
At 1 January 2019	66,135	(15,234)	173,935	224,836	–	224,836
Loss for the period, representing total comprehensive income for the period	–	–	(736)	(736)	(236)	(972)
Change in ownership interests without a change in control*	–	–	–	–	1,186	1,186
At 31 March 2019 and 1 April 2019	66,135	(15,234)	173,199	224,100	950	225,050
Loss for the period, representing total comprehensive income for the period	–	–	(1,367)	(1,367)	(549)	(1,916)
Dividend on ordinary shares	–	–	(6,115)	(6,115)	–	(6,115)
At 30 June 2019	66,135	(15,234)	165,717	216,618	(401)	217,019

(Unaudited)

Attributable to owners of the Company

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

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

Company

(Unaudited)

	Share capital RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2019	66,135	6,867	73,002
Loss for the period	–	(809)	(809)
At 31 March 2019 and 1 April 2019	66,135	6,058	72,193
Profit for the period	–	(33)	(33)
Dividend on ordinary shares	–	(6,115)	(6,115)
At 30 June 2019	66,135	(90)	(66,045)
At 1 January 2018	20,234	(271)	19,963
Issuance of new shares pursuant to the IPO	48,387	–	48,387
Loss for the period	–	(7,936)	(7,936)
Capitalisation of listing expenses	(2,486)	–	(2,486)
At 31 March 2018 and 1 April 2018	66,135	(8,207)	57,928
Profit for the period	–	10,975	10,975
Dividend on ordinary shares	–	(11,304)	(11,304)
At 30 June 2018	66,135	(8,536)	57,599

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

Share Capital

	No. of issued shares	Issued and paid-up share capital (RM)
Balance as at 31 March 2019	489,144,200	66,135,255
Balance as at 30 June 2019	489,144,200	66,135,255

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

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

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued shares (excluding treasury shares) as at the end of the current financial period and as at the end of the immediately preceding year are as follows:

	As at 30 June 2019	As at 31 December 2018
Total number of issued shares (excluding treasury shares)*	489,144,200	489,144,200

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

* Refers to the legal number of issued shares of the Company as registered with the Accounting and Corporate Regulatory Authority.

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

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

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

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable. The figures have not been audited or reviewed by the Company's auditors.

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

Except as disclosed in paragraph 5 below, the accounting policies and methods of computation adopted in the financial statements for the current reporting period are consistent with those disclosed in the most recently audited consolidated financial statements for the financial year ended 31 December 2018.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted SFRS(I) 16 *Leases* on 1 January 2019.

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

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

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

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

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

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

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group 3 months ended		Group 6 months ended	
	<u>30 June 2019</u>	<u>30 June 2018</u>	<u>30 June 2019</u>	<u>30 June 2018</u>
(Loss)/Profit attributable to owners of the Company (RM'000)	(1,367)	6,455	(2,103)	3,658
Weighted average number of ordinary shares ('000)	489,144	489,144	489,144	489,144
Basic and diluted per share ⁽¹⁾ (sen)	(0.28)	1.32	(0.43)	0.75

Note:

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

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-
 (a) current financial period reported on; and
 (b) immediately preceding financial year.

	Group		Company	
	As at 30 June 2019	As at 31 December 2018	As at 30 June 2019	As at 31 December 2018
Net asset value ("NAV") (RM'000)	217,019	224,836	66,045	73,002
Number of ordinary shares in issue ('000)	489,144	489,144	489,144	489,144
NAV per ordinary share (RM)	0.44	0.46	0.14	0.15

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-
 (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Review of Group's performance for the 3 months ended 30 June 2019 ("2Q2019") as compared to the 3 months ended 30 June 2018 ("2Q2018")

Revenue

The Group's 2Q2019 revenue decreased by approximately RM10.9 million, or 17.3% as compared to 2Q2018. This was mainly attributable to the decrease in the number of container loaded with products ("**40-ft containers**") sold from 1,295 40-ft containers in 2Q2018 to 1,031 40-ft containers in 2Q2019 mainly due to a drop in demand from the Group's customers in the United States of America ("**US**").

However, the average selling price per 40 ft-container has increased slightly from RM49,000 in 2Q2018 to RM50,000 in 2Q2019 due to the strengthening of the USD against RM. The increase was offset by the following:

- (a) discounts being offered on some of the products (mainly veneer laminated) to our customers due to the drop in demand for such products in the market; and
- (b) different product mix whereby the Group sold more paper laminated products which have lower selling prices as compared to veneer laminated and/or spray-painted products.

Cost of sales and gross profits

The cost of sales increased slightly by approximately RM0.04 million, or 0.1%, despite the decrease of revenue of the Group, mainly due to fixed costs components of certain direct costs such as labour costs, depreciation and utility charges.

As a result of the above and coupled with the discounts being offered on some of the models to our customers, the gross profit decreased by approximately RM10.9 million, or 84%. The overall gross profit margin also decreased from 20.6% in 2Q2018 to 4.0% in 2Q2019.

Other income

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

Other income decreased by approximately RM1.7 million, or 59.8% mainly due to the Company selling lesser boards to LP Global Resources Sdn Bhd ("**LP Global**") to manufacture front drawer for most of our models (including lamination services) in 2Q2019 as compared to 2Q2018 due to the drop in demand from the Group's customers.

Selling and administrative expenses

Selling and administrative expenses decreased by approximately RM2.0 million, or 27.2% mainly due to the decrease in directors' remuneration and wastage disposal costs.

Loss for the period

As a result of the foregoing, the Group reported net loss of RM1.9 million for 2Q2019.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

Non-current assets

Property, plant and equipment increased by approximately RM6.7 million, or 5.6% mainly due to the purchase of machinery and equipment and motor vehicles during the 6 months period ended 30 June 2019 ("**6M2019**").

Leasehold land decreased by approximately RM0.2 million, or 1.3% due to the amortisation of the leasehold land.

Intangible assets of approximately RM3.8 million consist of trademarks and goodwill arising from provisional purchase price allocation from the completion of the Acquisition of Business (as defined under Section 10 below) on 25 January 2019.

Right-of-use assets of approximately RM2.3 million comprised the right to use the properties by the Group over the respective lease period.

Current assets

Inventories decreased by approximately RM0.2 million, or 0.5% mainly due to the overall improvement in inventory management by the Group.

Trade and other receivables of approximately RM17.9 million comprised trade receivables, receivables from related parties, deposit and other receivables. The decrease in trade and other receivables by approximately RM5.5 million, or 23.6% was mainly due to the decrease of sales towards the end of 1H2019.

Contract assets of approximately RM6.5 million comprised the right to consideration for goods produced but not yet billed as at 30 June 2019 for sale of goods. The decrease in contract assets by approximately RM4.3 million, or 39.7% was mainly due to the decrease in the completion of goods produced but not yet delivered in second quarter of 2019.

Prepaid operating expense of approximately RM0.8 million comprised mainly of expenses paid in advance as at 30 June 2019. The decrease in the prepaid operating expense as at 30 June 2019 as compared to 31 December 2018 was due to expenses paid in advance being expensed off to the income statement as at 30 June 2019.

Advance tax of approximately RM1.3 million comprised of tax paid in advance by the Malaysian subsidiaries for the Year of Assessment 2019.

Current liabilities and non-current liabilities

Loans and borrowings comprised of obligations under finance leases and bankers' acceptance. The decrease in loans and borrowings by approximately RM0.6 million, or 16.7% was mainly due to the decrease in the usage of bankers' acceptance towards the end of 1H2019.

Trade and other payables of approximately RM28.9 million comprised trade payables, amount due to related parties and sundry payables. The increase in trade payables and other payables of RM6.2 million, or 27.2% was mainly due to the increase in purchase of raw materials towards the end of 1H2019.

Lease liabilities of approximately RM2.3 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 RM0.2 million comprised accrued operating expenses. The decrease in accrued expenses of RM0.3 million, or 56.0% was mainly due to lower accrued expenses as at 30 June 2019 as a result of lower allowances and performance incentives being provided.

REVIEW OF THE GROUP'S CASH FLOW STATEMENT

Review of the Group's cash flow statement for 2Q2019 as compared to 2Q2018

The Group recorded net cash flows from operating activities of approximately RM5.1 million in 2Q2019 which was higher as compared to approximately RM1.1 million in 2Q2018 mainly due to the increase in the trade and other payables and decrease in income tax paid of the Group during the 2Q2019.

The Group recorded net cash flows used in investing activities of approximately RM3.6 million mainly due to the purchase of new and used machineries as well as motor vehicles.

The Group recorded net cash flows used in financing activities of approximately RM7.0 million mainly due to the repayment of loans and borrowings as well as payment of dividend in 2Q2019 offset by the proceeds from short term financing.

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

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

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

(a) Our exports to US have reduced in the financial year ended 31 December 2018 as many US customers have exercised more caution in their purchases due to the uncertainties in the trade war between China and US. As the trade war is still on-going, there is still uncertainty as to how this trade war will impact our Group in the financial year ending 31 December 2019 (“FY2019”).

(b) We had on 20 December 2018, through our wholly-owned subsidiary, Leyo Holdings Sdn. Bhd. (“**Leyo Holdings**”), entered into an asset purchase agreement (“**APA**”) with Cubo Sdn. Bhd. (“**CSB**”), a company incorporated in Malaysia, and Mr Ng Teck Lai (“**NTL**”) (collectively referred to as “**Vendors**”), pursuant to which the Vendors have agreed to sell the assets comprising intellectual properties, plants & machineries, fixed assets and other assets (the “**Assets**”) to Leyo Holdings in accordance with the terms and conditions as stipulated in the APA (“**Acquisition**”). The Acquisition was completed on 25 January 2019.

Concurrently with the signing of the APA on 20 December 2018, we had also entered into a shareholders’ agreement (“**SHA**”) with Lebo Design Sdn. Bhd. (“**Lebo Design**”) and Leyo Holdings to give effect to our and Lebo Design’s intentions to co-operate with each other to carry on business to manufacture, sell, market and distribute furniture under the brand names EZBO and CUBO (“**Business**”) and to regulate their relations *inter se* and in the conduct of the business and affairs of Leyo Holdings.

Through the Acquisition, we are expanding into a new business involved in the original brand manufacturing (“**OBM**”) of furniture products. As the trade names are new in the market, we intend to further promote them in various countries and thus far, the response from potential customers has been positive.

11. Dividend
If a decision regarding dividend has been made:-

(a) Current Financial Period Reported on

Any dividend recommended for the current financial period reported on?

No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No

(c) The date the dividend is payable.

Not applicable

(d) The date on which Registrable Transfer receive by the Company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable

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

Not applicable. No dividend has been declared/recommended for 2Q2019 as it is the Company's practice to declare/recommend dividend, if any, in the fourth quarter of the financial year.

13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

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

The aggregate value of all interested person transactions during the 6M2019 is as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	RM'000	RM'000
Lean Shern Furniture Sdn Bhd	Not applicable ("NA")	1,368
LP Global Resources Sdn Bhd	NA	3,029
Leatherworld Upholstery Sdn Bhd	NA	1,823

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**") for further details.

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

Purpose	Amount allocated (S\$'000)	Amount utilised (S\$'000)	Balance (S\$'000)
Expanding the sales network in the PRC	1,000	(114)	886
Upgrading the machinery and equipment and acquiring new technology	5,000	(2,474)	2,526
Construction of additional facilities	4,000	(3,690)	310
General working capital purposes ⁽¹⁾	3,000	(1,238)	1,762
Total	13,000	(7,516)	5,484

Note:

(1) Payment of corporate and administrative expenses.

The above utilisations of proceeds are in line with the intended use of proceeds as set out in the Offer Document.

16. Confirmation pursuant to Rule 705(5) of the Catalyst Listing Manual

We, Tan Kwee Chai and Tan Yong Chuan, being two directors of the Company, do hereby confirm on behalf of the Directors of the Company that, to the best of our 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 2Q2019 to be false or misleading in any material aspect.

Tan Kwee Chai
Executive Chairman

Tan Yong Chuan
Executive Director and Chief Executive Officer

BY ORDER OF THE BOARD

Tan Yong Chuan
Executive Director and Chief Executive Officer
14 August 2019