



LY CORPORATION LIMITED

Company Registration Number: 201629154K
(Incorporated in the Republic of Singapore on 24 October 2016)

**FY2017 RESULTS ANNOUNCEMENT
CORPORATE PRESENTATION
13 March 2018**

IMPORTANT NOTICE

01

LY Corporation Limited (“the Company”) was listed on the Catalist of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) on 31 January 2018. The Initial public offering of the Company was sponsored by UOB KayHian Private Limited (the “Sponsor”).

The presentation has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of the presentation.

The presentation has not been examined or approved by the SGX-ST. The Sponsor and SGX-ST assume no responsibility for the contents of this presentation, including the accuracy, completeness and correctness of any of the information, statement or opinions made or reports contained in this presentation.

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FIRST NEW LISTCO in SGX in 2018

ESTABLISHED FURNITURE MANUFACTURER LISTED ON CATALIST in 2018

04

One of Malaysia's leading manufacturers and exporters
of wooden bedroom furniture

Track record of approximately 40 years of experience in the furniture industry

An established Original Design Manufacturer ("ODM") and
Original Equipment Manufacturer ("OEM")

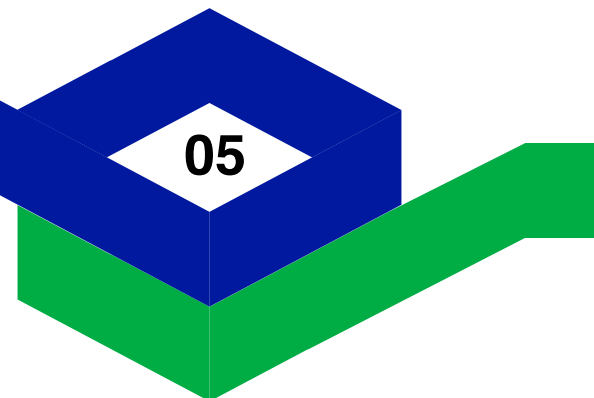
Market share of 9% in Malaysia's wooden bedroom furniture export segment in 2016

As at 15 December 2017, we operate from 15 factories and warehouses,
occupying a combined built-up area of approximately 1.4 million sq ft

Annual production capacity in FY2016: 8,400 (40-ft containers)



PROGRESSIVE GROWTH



The Group was founded by our Executive Chairman and four other partners, and started selling customized wooden home furniture in Johor, Malaysia

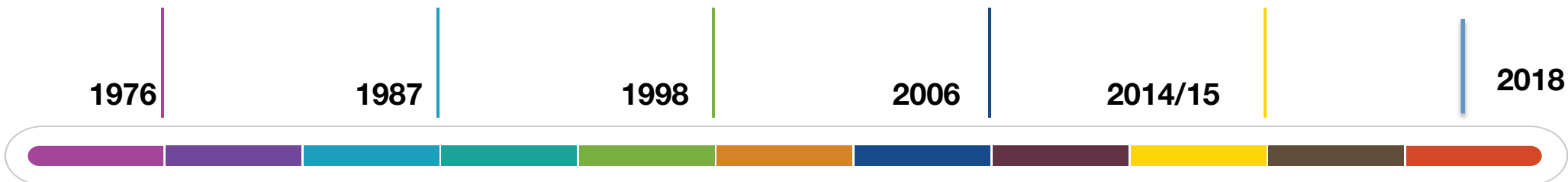
Made its first foray into the export market with its first order for export to the Singapore market

Identified opportunity to enter into the U.S. market due to favourable exchange rate during the financial crisis. Clinched first order for export to the U.S.

Began the construction of a factory equipped with additional spray painting facilities

Collaborated with a software company and began implementing an integrated real-time monitoring and management system (LY-6M system)

Publicly-listed on the SGX Catalist board in Singapore



Identified potential in the bedroom furniture market in Malaysia and began designing bedroom furniture sets for mass production

Began its foray into other international markets. That year, the Group also commenced construction of a larger factory with a built-up area of approximately 45,000 sq ft

Began building subcontractor network to support various production processes

Set up a new factory with built-up area of approximately 228, 479 sq ft complete with two automated finishing line facilities spanning three storeys, increasing our production capacity by approximately 60%

Completed acquisition of a piece of leasehold industrial land covering an approximate area of 5.9 acres



GLOBAL REACH

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EXPORT SALES

- ▶ The Group's products are sold mainly to overseas dealers such as **furniture wholesalers** and **retailers** who generally resell our products to end-users through their respective retail networks.



DOMESTIC SALES

- ▶ Primarily **third party agents** who typically export and resell the Group's products outside Malaysia, such as to the U.S.



AWARDS, ACCREDITATIONS AND CERTIFICATIONS

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Year of Award	Award
2002	<ul style="list-style-type: none">• Enterprise 50 Award (3rd Place)• Asia Pacific International Honesty Enterprise – Keris Award 2002
2003	<ul style="list-style-type: none">• Global Top Enterprise Golden Rim Award• Golden Bull Award for Malaysia’s 100 Outstanding SMEs (2nd Place)• Enterprise 50 Award (2nd Place)
2004	<ul style="list-style-type: none">• ISO 9001:2000 for quality system related to manufacturing and trading of wooden made furniture
2006	<ul style="list-style-type: none">• Best Performing Company Award 2005
2008	<ul style="list-style-type: none">• ISO 9001:2008 for the quality management system related to the manufacture of wooden furniture• ISO 9001:2008 for the quality management system applicable to the manufacture of wooden furniture
2009	<ul style="list-style-type: none">• Asian Furniture Leadership Award• Corporate Social Responsibility Award
2013	<ul style="list-style-type: none">• Award of Industrial Excellence in the category of Furniture Factory
2015	<ul style="list-style-type: none">• Eminent Eagle Award (No Placement)
2016	<ul style="list-style-type: none">• Eminent Eagle Award (2nd Place)





COMPETITIVE STRENGTHS



COMPETITIVE STRENGTHS

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1. **Established track record** in the furniture industry and well recognised for the quality of our furniture products

Track record of approximately 40 years in the furniture industry

Long-standing relationships with customers and agents

Repeat business accounted for > 80% of FY2016 revenue

Core competencies in customisation, design and manufacture of wooden furniture



COMPETITIVE STRENGTHS

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2. **Strong** in-house **design and development** capabilities to cater to the requirements of our customers

- ▶ In-house design team recruited based on stringent criteria, including market and industry knowledge and design skills
- ▶ Aim to continually **introduce unique and innovative designs** which appeal to consumers
- ▶ Constantly strive to improve products, product range and production processes to keep up with trends and developments in the market and stay competitive

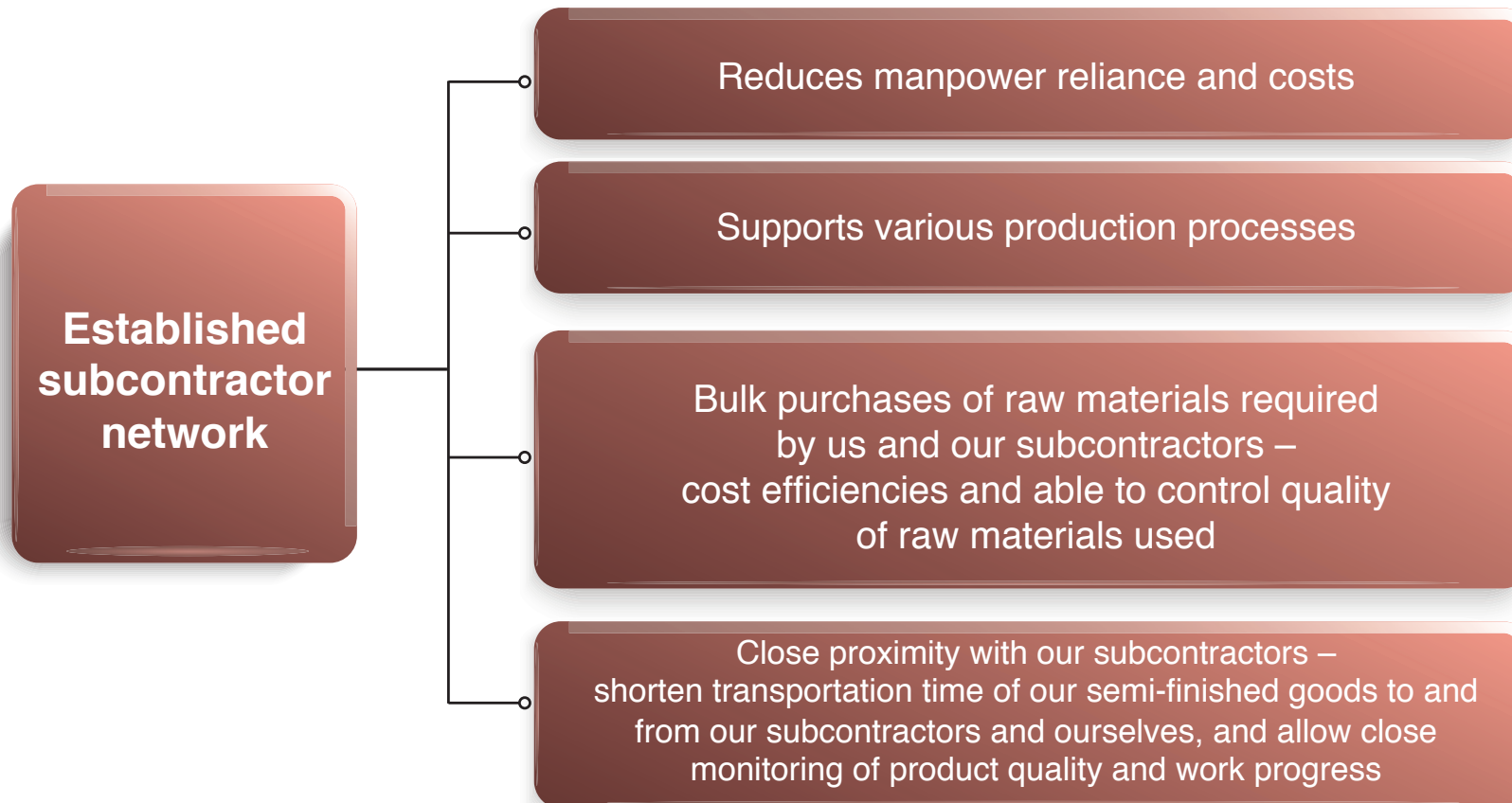


COMPETITIVE STRENGTHS

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3. Established subcontractor network

- ▶ As at 15 December 2017, we work with 19 subcontractors, some of which have worked with us for more than 10 years



COMPETITIVE STRENGTHS

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4. Consistently strive to be **cost-competitive, efficient** and to **turn around products quickly**

Maintaining sufficient raw material inventories



Incorporating automation into production processes



Implementing a real-time integrated process management system (LY-6M system)



COMPETITIVE STRENGTHS

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5. Experienced and committed management team

- ▶ The Group is led by a capable and experienced management team, helmed by our Executive Chairman

Executive Directors



Mr Tan Kwee Chai
Executive Chairman

- One of the Group's founders
- Approximately 40 years of experience and in-depth knowledge of the furniture manufacturing and design industry
- Responsible for overall management and operations



Mr Tan Yong Chuan
Executive Director and CEO

- Responsible for the overall management, operations and strategic planning of the Group



Ms Tan Ai Luang
Executive Director

- Responsible for the sales and marketing activities of the Group, including overseeing the prototype and industrial engineering, purchasing and procurement and exporting and shipping departments



COMPETITIVE STRENGTHS

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5. Experienced and committed management team

Executive Officers



Mr Tan Kwee Lim
Chief Operating Officer

- One of the Group's founders
- More than 30 years of experience in the furniture industry
- Responsible for overseeing the Group's general operations, in particular, the production and procurement processes



Mr Boo Ngek Hee
Chief Quality Controller

- One of the Group's founders
- More than 30 years of experience in the furniture industry
- Responsible for the quality control and assurance process of the Group



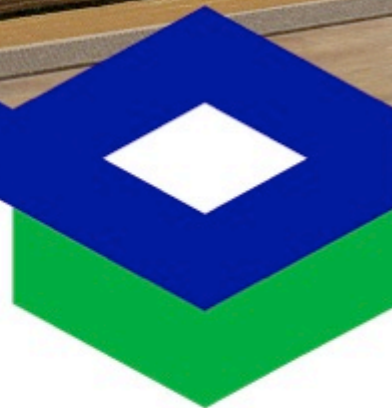
Ms Teo Gin Lian
Chief Financial Officer

- Responsible for overseeing the financial reporting and accounting as well as corporate matters of the Group





INVESTMENT HIGHLIGHTS



INVESTMENT HIGHLIGHTS

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- **One of the leading Malaysian wooden furniture manufacturers.**

Among the major Malaysian wooden bedroom furniture manufacturing:

- ▶ 1st in the net profit margin for FY2015 to FY2016
- ▶ 2nd in CAGR of after tax profit for FY2014 to FY2016
- ▶ 3rd in CAGR of revenue for FY2014 to FY2016

9.0% of market share of Malaysia's wooden bedroom furniture export segment

(Source: Wood Furniture Manufacturing for Export in Malaysia" by Converging Knowledge Pte Ltd dated 19 October 2017)

- **Developed an integrated real-time monitoring and management system ("LY-6M system") with a software company**
 - ▶ Monitors the entire production process and is expected to significantly enhance our productivity and efficiency
- **Tax incentives from the Malaysian Investment Development Authority**
 - ▶ Received approval from the Malaysian government for our application to receive:
 - (i) Full income tax exemption on value-added income for five (5) years on Services and Trading income commencing on the 2018 year of assessment, and
 - (i) Extended income tax exemption on value-added income for five (5) years on the Services and Trading Income commencing on the 2023 year of assessment, subject to the terms of the letter issued by the MIDA on 25 August 2017.



DIVIDEND POLICY

- Intend to recommend and distribute a special dividend for FY2017, representing a payout per share equivalent to 3.0% of the Placement Price, to be approved at a general meeting to be held within 3 months after Listing
- Subject to the above, our Directors intend to recommend and distribute dividends of **not less than 40.0%** of our net profits after tax attributable to our shareholders in respect of each of FY2018, FY2019 and FY2020*
- We intend to recommend and distribute a special dividend of S\$0.0078 per share for FY2017, subject to shareholders' approval at our upcoming annual general meeting



*Please note that these statements are merely statements of our present intention and shall not constitute legally binding statements in respect of our future dividends which may be subject to modification (including reduction or non-declaration thereof) at our Directors' sole and absolute discretion. Please refer to the section entitled "Dividend Policy" of the Offer Document for further details. Average dividend payout ratio between FY2014 and FY2016 was 43.8%.





FINANCIAL HIGHLIGHTS



FINANCIAL HIGHLIGHTS

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Audited

Unaudited

(RM'000)	FY2014	FY2015	FY2016	2017	Change (FY2017 vs 2016)
Revenue	216,036	313,569	287,379	350,644	22.0%
Gross profit	35,731	88,085	74,876	87,709	17.1%
Gross profit margin	16.5%	28.1%	26.1%	25.0%	(1.1%)
Profit before tax	22,327	67,464	56,314	64,386	14.3%
Profit for the year attributable to owners of the Company	17,336	52,656	43,446	51,171	17.8%



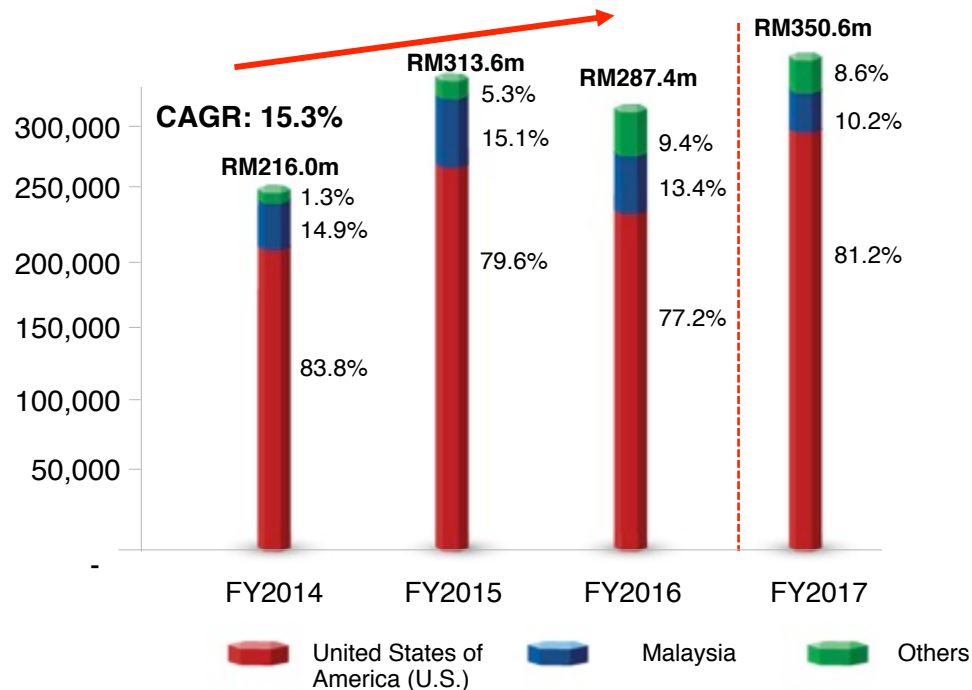
FINANCIAL HIGHLIGHTS

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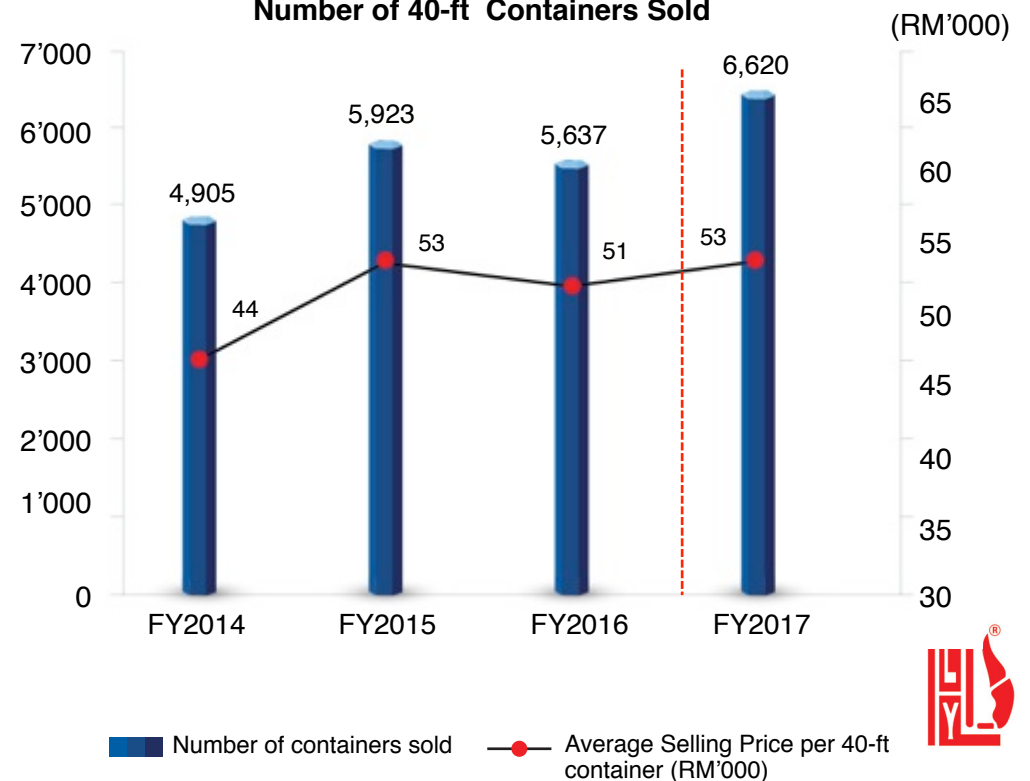
(RM'000)	Audited			Unaudited
	FY2014	FY2015	FY2016	FY2017
Malaysia	32,099	47,255	38,410	35,577
United States of America	181,104	249,743	221,897	284,858
Others	2,833	16,571	27,072	30,209
Total	216,036	313,569	287,379	350,644

	Audited			Unaudited
	FY2014	FY2015	FY2016	FY2017
Number of 40-ft containers sold	4,905	5,923	5,637	6,620
Average Selling Price per 40-ft container (RM'000)	44	53	51	53

Revenue by Geography



Number of 40-ft Containers Sold



FINANCIAL HIGHLIGHTS

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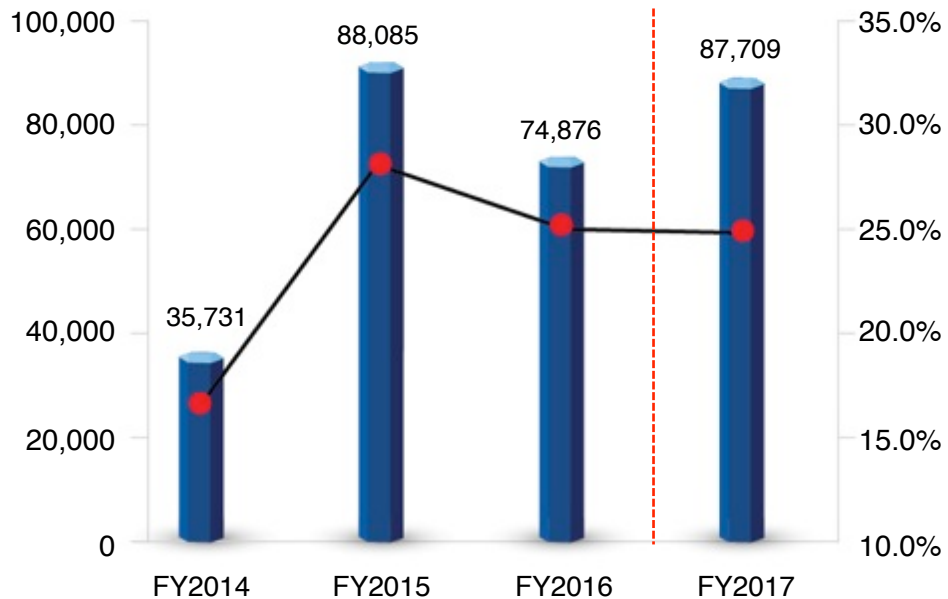
← Audited → Unaudited →

(RM'000)	FY2014	FY2015	FY2016	2017
Gross Profit	35,731	88,085	74,876	87,709
Gross Profit Margin	16.5%	28.1%	26.1%	25.0%

← Audited → Unaudited →

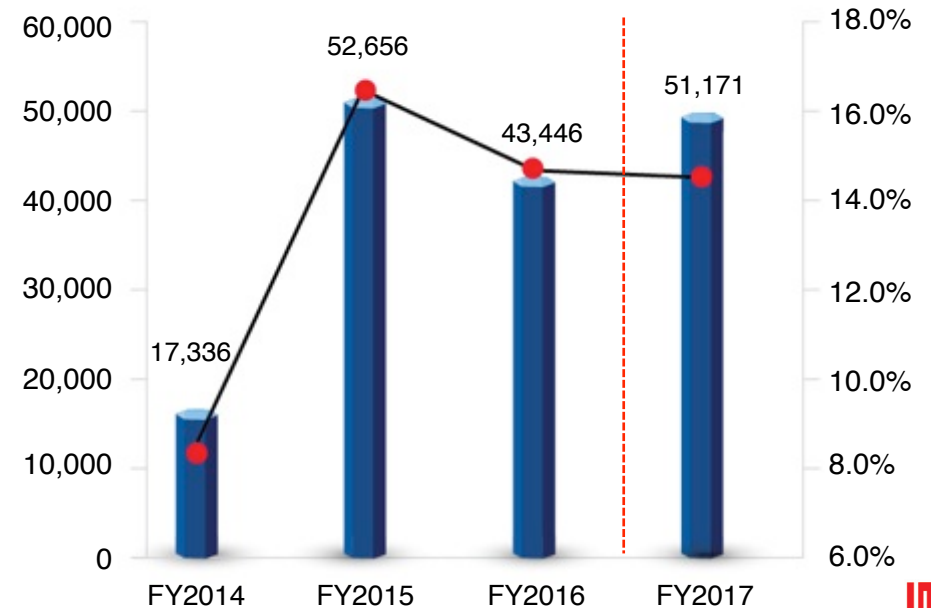
(RM'000)	FY2014	FY2015	FY2016	2017
Profit After Tax	17,336	52,656	43,446	51,171
Profit After Tax Margin	8.0%	16.8%	15.1%	14.6%

Gross Profit and Gross Profit Margin



■ Gross profit —●— Gross profit margin

Profit After Tax and Profit After Tax Margin



■ Profit after tax —●— Profit after tax margin



FINANCIAL POSITION

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← Audited → ← Unaudited →

(RM'000)	As at 31 Dec 2016	As at 31 Dec 2017
Non-current assets	117,074	127,846
Current assets	111,484	107,738
Inventories	40,810	41,351
Cash and cash equivalents	49,468	31,103
Total Assets	228,558	235,584
Current liabilities	42,351	47,728
Non-current liabilities	12,840	13,818
Total Liabilities	55,191	61,546
Total Equity	173,367	174,038

- A strong balance sheet and low gearing ratio.



LIQUIDITY AND CAPITAL RESOURCES

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← Audited → Unaudited →

(RM'000)	FY2014	FY2015	FY2016	FY2017
Net cash generated from operating activities	18,533	61,195	43,110	44,959
Net cash used in investing activities	(13,491)	(9,991)	(3,195)	(15,399)
Net cash used in financing activities	(12,168)	(15,656)	(64,447)	(47,472)
Net increase/(decrease) in cash and cash equivalents	(7,126)	35,548	(24,532)	(17,912)
Effect of exchange rate changes on cash and cash equivalents	527	239	1,075	(453)
Cash and cash equivalents at beginning of year/period	43,737	37,138	72,925	49,468
Cash and cash equivalents at end of year/period	37,138	72,925	49,468	31,103



BUSINESS UPDATES

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- **Strengthening of Malaysian Ringgit against US\$**
- **Increase in raw materials prices**
- **Received approval from Malaysian Ministry of Home Affairs for further additional hiring of 486 foreign workers on 4 January 2018**





**PROSPECTS
&
FUTURE PLANS**

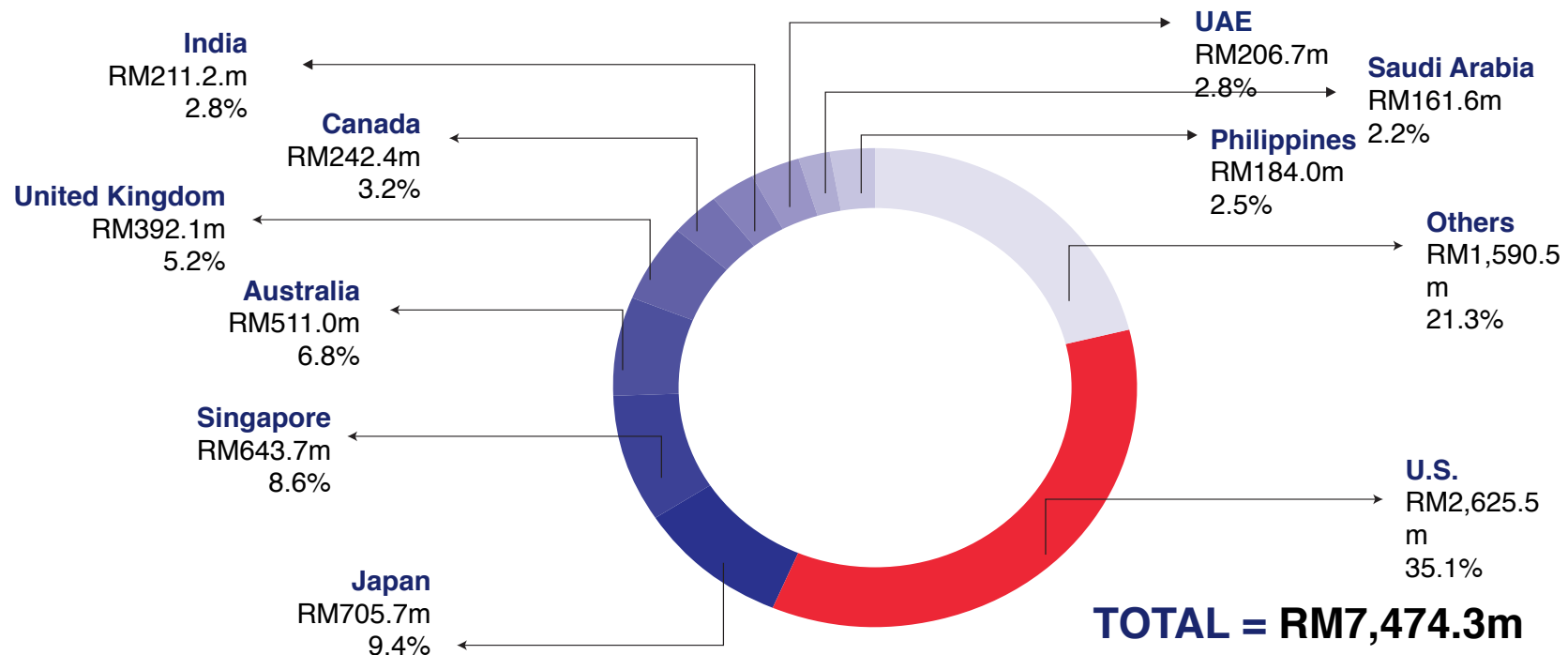


PROSPECTS

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- Given Malaysia is the 8th largest player in the world's furniture market, we expect the competitive advantage to be enhanced under Belt & Road Initiative

- ▶ Asia's 3rd largest furniture exporter and ranked 8th globally, exporting RM 7.5 billion worth of furniture to 169 countries in 2016
- ▶ Strong manufacturing foundation and proven capabilities in producing quality furniture for the global market
- ▶ Access to rubberwood (a sustainable raw material) and tropical hardwoods

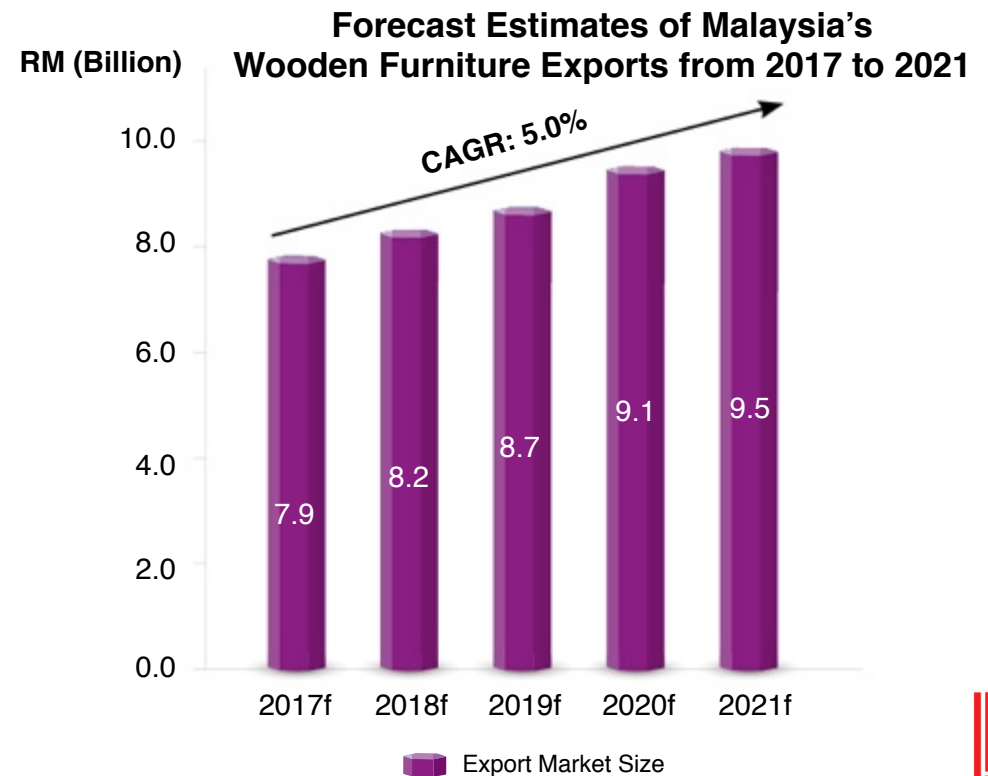
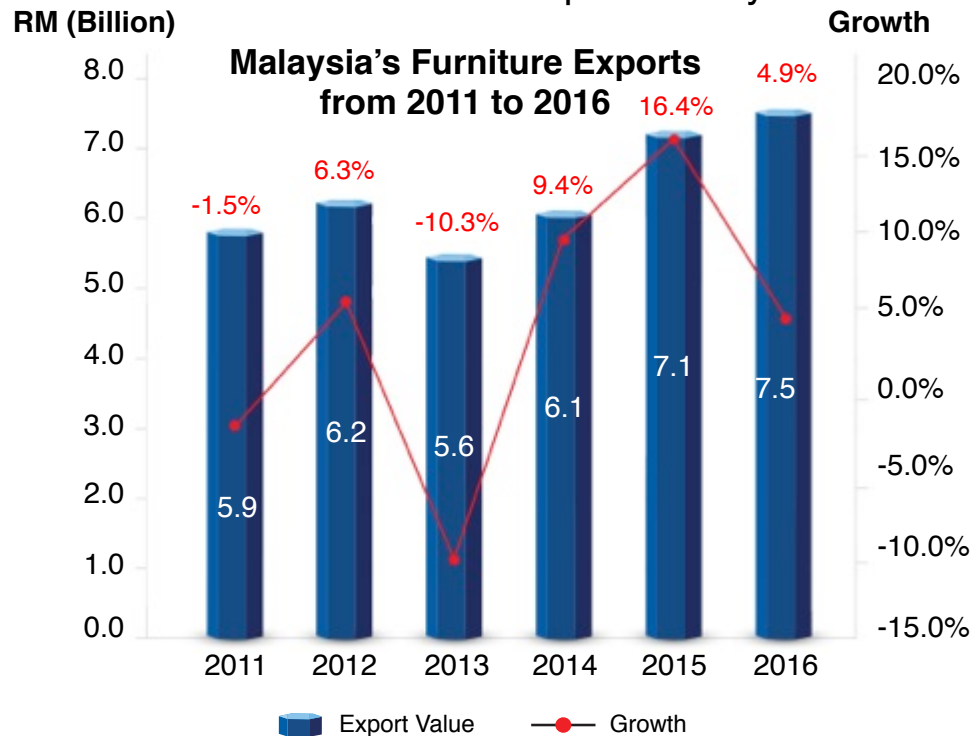


PROSPECTS

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- Demand for wooden furniture manufactured in Malaysia is projected to grow at a CAGR of 5.0% annually from 2017 to 2021

- ▶ Malaysia is being recognised as a producer of quality furniture
- ▶ With more than three decades of accumulated experience in furniture manufacturing, the furniture manufacturing industry in Malaysia is well-perceived as a producer of quality furniture
- ▶ Support and incentives from the government and industry associations for Malaysian furniture manufacturers to boost their productivity



China: New Equation in Our Growth Strategy

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- **BRI presents dynamic opportunity of expansion for wooden furniture players like LY Corporation because of :**
 - Access to over 1 billion consumers based in China
 - Potential demand growth from PRC as PRC's import of wooden furniture increased by 79.8% from 2011 to US\$563.6 million in 2016
 - In 2016, export value from Malaysia to China was RM116.2 million, which was 1.55% of the world's export value of RM7,474.3 million.
- **We believe Malaysian furniture players have the cost advantage to compete competitively with the Chinese manufacturers.**
 - Rising labor cost in China has resulted in furniture manufacturing which is labor intensive to become uncompetitive. Currently, the minimum wage of China is about 2 to 3 times more than that of Malaysia.
 - Target to grow our share of revenue from Chinese market in 3-5 years.

Source:

1 National population estimates of China

2. IPO Prospectus, Industry report by Converging Knowledge

3. Converging Knowledge

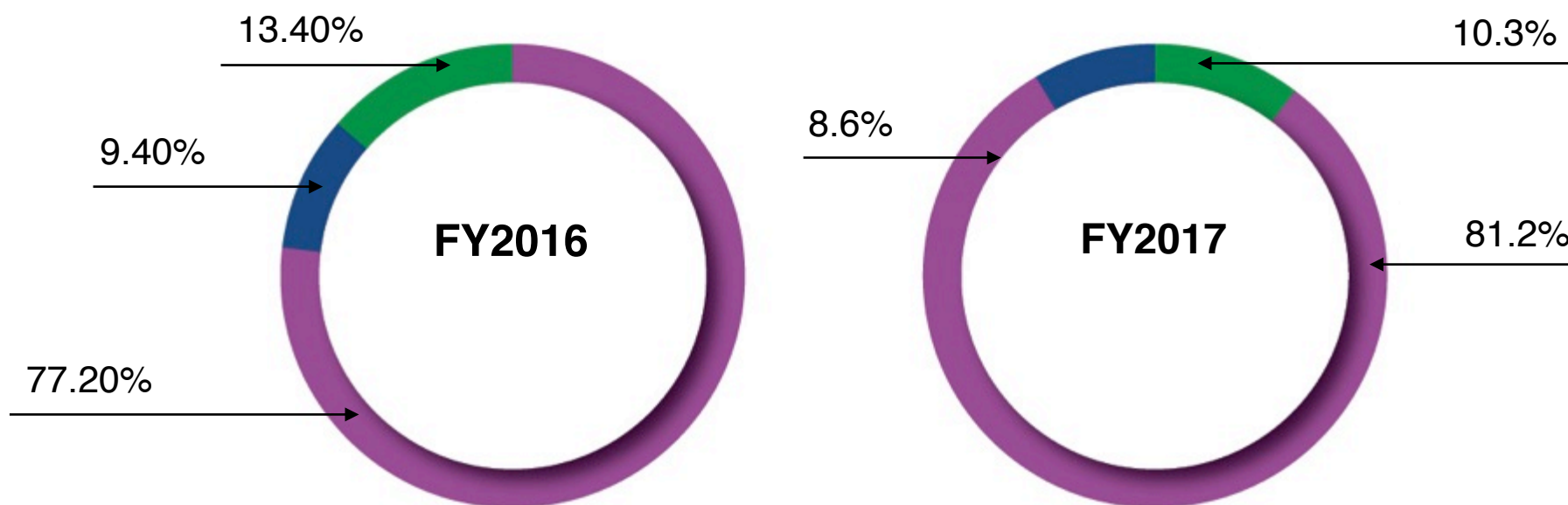


China: New Equation in Our Growth Strategy

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- We intend to increase our brand awareness and products in the PRC, including (but not limited to) the promotion of our products through established e-commerce websites in which customers in the PRC can order our products online.

REVENUE BY GEOGRAPHY



● Malaysia ● United States of America ● China/Others



OUR FUTURE PLANS

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- **Expanding our sales network in the PRC**
 - ▶ The Group believes there is high demand for our products in the PRC due to the quality of our products and competitive prices we offer
- **Upgrading our machinery and equipment and acquiring new technology**
 - ▶ To increase productivity and achieve cost efficiency, as well as increase existing capability
 - ▶ To replace aging machinery with new machinery including advanced and automated woodworking machinery and robotic spraying arms
- **Construction of additional facilities**
 - ▶ To enhance manufacturing and service capacity and capability by possibly acquiring new premises
 - ▶ A new hostel to house all our foreign workers: Allocated approximately 1.9 acres of land (within walking distance from our factories)
- **Explore investments, mergers and acquisitions, joint ventures and/or strategic collaborations**
 - ▶ To expand and diversify our operations either through our own investments or through potential mergers and acquisitions, joint ventures and/or strategic collaborations.
 - ▶ We believe this will further enhance our core capabilities and give us access to new markets, customers and businesses



THANK YOU



LY CORPORATION LIMITED
Company Registration No.: 201629154K
(Incorporated in the Republic of Singapore on
24 October 2016)

UOB KayHian

Sponsor

UOB KayHian Private Limited



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