



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

**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

TABLE OF CONTENTS

	Page
A Condensed interim consolidated statement of profit or loss and other comprehensive income	1
B Condensed interim statements of financial position	2
C Condensed interim statements of changes in equity	3-4
D Condensed interim consolidated statement of cash flows	5-6
E Notes to the condensed interim consolidated financial statements	7-19
F Information required under Appendix C of the Catalist Rules	20-28

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

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

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

	Note	Group 6 months ended		Increase/ (decrease) %
		30 June 2022 RM'000	30 June 2021 RM'000	
Revenue	N4.2	134,938	95,747	40.9
Cost of sales		(113,233)	(90,231)	25.5
Gross profit		21,705	5,516	293.5
Other items of income				
Interest income from short-term deposits		22	27	(18.5)
Distributions from short-term investment security		–	1	(100.0)
Other income		2,792	2,625	6.4
Other items of expense				
Selling and administrative expenses		(10,320)	(9,920)	4.0
Finance costs		(940)	(648)	45.1
Other expense		(60)	(4)	1,400.0
Profit/(loss) before tax	N6	13,199	(2,403)	649.3
Income tax expense	N7	–	(38)	(100.0)
Profit/(loss) for the period, representing total comprehensive income for the period		13,199	(2,441)	640.7
Profit/(loss) for the period, representing total comprehensive income for the period attributable to:				
Owners of the Company		14,500	(2,265)	740.2
Non-controlling interest		(1,301)	(176)	639.2
		13,199	(2,441)	640.7
Earnings/(loss) per share attributable to owners of the Company (sen per share)				
Basic and diluted		2.97	(0.46)	

B. CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

		Group As at 30 June 2022	Group As at 31 December 2021 (Restated – Note 12)	Company As at 30 June 2022	Company As at 31 December 2021
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	N11	157,157	159,485	–	–
Right-of-use assets		30,689	26,087	–	–
Intangible assets	N10	2,897	2,923	–	–
Investment in subsidiaries		–	–	62,590	62,456
		190,743	188,495	62,590	62,456
Current assets					
Inventories		106,726	88,676	–	–
Trade and other receivables		33,923	19,833	7	7
Prepaid operating expense		1,678	2,306	55	24
Tax recoverable		5,819	5,814	–	–
Cash and cash equivalents		27,011	30,919	3,587	4,590
		175,157	147,548	3,649	4,621
Total assets		365,900	336,043	66,239	67,077
LIABILITIES					
Current liabilities					
Loans and borrowings	N12	34,250	36,689	–	–
Trade and other payables		47,890	42,500	–	–
Contract liabilities		2,930	3,827	–	–
Lease liabilities		2,883	2,075	–	–
Accrued operating expenses		266	778	187	512
		88,219	85,869	187	512
Net current assets		86,938	61,679	3,462	4,109
Non-current liabilities					
Loans and borrowings	N12	28,127	18,091	–	–
Deferred tax liabilities		12,657	12,657	–	–
Lease liabilities		10,133	5,861	–	–
		50,917	36,609	–	–
Total liabilities		139,136	122,478	187	512
Net assets		226,764	213,565	66,052	66,565
Equity attributable to owners of the Company					
Share capital	N13	66,135	66,135	66,135	66,135
Treasury shares	N13	(173)	(173)	(173)	(173)
Merger reserve		(15,234)	(15,234)	–	–
Retained earnings		179,812	165,312	90	603
		230,540	216,040	66,052	66,565
Non-controlling interest		(3,776)	(2,475)	–	–
Total equity		226,764	213,565	66,052	66,565
Total equity and liabilities		365,900	336,043	66,239	67,077

C. CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

Group
(Unaudited)

	Note	Attributable to owners of the Company					Non-controlling interest RM'000	Total equity RM'000
		Share capital RM'000	Treasury share RM'000	Merger reserve RM'000	Retained Earnings RM'000	Equity attributable to owner RM'000		
At 1 January 2022	N13	66,135	(173)	(15,234)	165,312	216,040	(2,475)	213,565
Profit/(loss) for the period, representing total comprehensive income for the period		–	–	–	14,500	14,500	(1,301)	13,199
At 30 June 2022		66,135	(173)	(15,234)	179,812	230,540	(3,776)	226,764
At 1 January 2021	N13	66,135	(135)	(15,234)	174,479	225,245	(2,804)	222,441
Loss for the period, representing total comprehensive income for the period		–	–	–	(2,265)	(2,265)	(176)	(2,441)
Purchase of treasury shares		–	(38)	–	–	(38)	–	(38)
At 30 June 2021		66,135	(173)	(15,234)	172,214	222,942	(2,980)	219,962

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

Company
(Unaudited)

	Note	Share capital RM'000	Treasury shares RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2022	N13	66,135	(173)	603	66,565
Loss for the period, representing total comprehensive income for the period		–	–	(513)	(513)
At 30 June 2022		66,135	(173)	90	66,052
At 1 January 2021	N13	66,135	(135)	4,123	70,123
Loss for the period, representing total comprehensive income for the period		–	–	(410)	(410)
Purchase of treasury shares		–	(38)	–	(38)
At 30 June 2021		66,135	(173)	3,713	69,675

D. CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Group	
		6 months ended	
		30 June 2022 RM'000	30 June 2021 RM'000
Operating activities			
Profit/(loss) before tax		13,199	(2,403)
<u>Adjustments for:</u>			
Gain on disposal of property, plant and equipment	N6.1	(18)	(10)
Gain on disposal of short-term investment		–	(4)
Interest income from short-term deposits		(22)	(27)
Interest expense	N6.1	940	648
Distributions from short-term investment security		–	(1)
Depreciation on right-of-use assets	N6.1	1,511	1,084
Amortisation of trademarks	N10	26	26
Depreciation of property, plant and equipment	N6.1	5,852	5,037
Property, plant and equipment written-off	N6.1	–	7
Unrealised exchange loss/(gain)		624	(645)
		22,112	3,712
Operating profit before working capital changes			
<u>Changes in working capital:</u>			
Increase in inventories		(18,050)	(17,832)
(Increase)/decrease in trade and other receivables		(13,570)	9,305
Increase in contract assets		–	3,769
Decrease/(increase) in prepaid operating expense		628	(323)
Increase/(decrease) in trade and other payables		5,400	(9,854)
(Decrease)/increase in contract liabilities		(897)	10,544
Decrease in accrued operating expenses		(512)	(302)
		(4,889)	(981)
Cash flows used in operations			
Interest paid		(748)	(478)
Net income taxes paid		(5)	(1,090)
		(5,642)	(2,549)
Net cash flows used in operating activities			
Investing activities			
Interest income from short term deposits		22	27
Distributions from short-term investment security		–	1
Proceeds from disposal of property, plant and equipment		262	62
Purchase of property, plant and equipment	A	(2,611)	(8,336)
Addition of right-of-use assets		–	(3,411)
Proceeds from disposal of short-term investment security		–	1,009
		(2,327)	(10,648)
Net cash flows used in investing activities			

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

	Note	Group	
		6 months ended	
		30 June 2022	30 June 2021
		RM'000	RM'000
Financing activities			
Purchase of treasury shares		–	(38)
Proceeds from loans and borrowings		61,224	48,307
Repayment under financing arrangements		(360)	(271)
Repayment of loans and borrowings		(55,940)	(37,574)
Repayment of lease liabilities		(1,225)	(931)
Net cash flows generated from financing activities		3,699	9,493
Net decrease in cash and cash equivalents		(4,270)	(3,704)
Effect of exchange rate changes on cash and cash equivalent		362	182
Cash and cash equivalents at beginning of period		30,919	37,394
Cash and cash equivalents at end of period		27,011	33,872

Notes to the consolidated statement of cash flows

A. Property, plant and equipment

	Group	
	6 months ended	
	30 June 2022	30 June 2021
	RM'000	RM'000
Current year additions to property, plant and equipment	3,767	8,336
Less: Obligation under financing arrangements	(1,156)	–
Net cash outflow from purchase of property, plant and equipment	2,611	8,336

E. NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

N1. Corporate information

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

These condensed interim consolidated financial statements as at and for the six months ended 30 June 2022 comprise the Company and its subsidiaries (collectively, the “**Group**”). The principal activity of the Company is that of investment holding.

The principal activities of the Group are:

- (a) Manufacturing of all kinds of furniture;
- (b) Manufacturing of any type of woodwork or building product;
- (c) Trading of all kinds of materials, furniture and general hardware; and
- (d) Investment holding company.

N2. Basis of preparation

The condensed interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2021.

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

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

N2.1 New and amended standards adopted by the Group

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

N2.2. Use of judgements and estimates

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

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2021.

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

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

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

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

- Determination of functional currency

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

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

- Valuation of inventories

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

In accordance with SFRS(I) 1-2, "The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition". As such, management's estimates are involved in ensuring that the standard costing closely approximate the actual cost incurred. The carrying amount of inventories as at 30 June 2022 was approximately RM106,726,000 (31 December 2021: RM88,676,000).

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

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

The carrying amounts of the Group's intangible assets (including goodwill), property, plant and equipment and right-of-use assets as at 30 June 2022 were approximately RM2,897,000, RM157,157,000 and RM30,689,000 respectively (31 December 2021: RM2,923,000, RM159,485,000 and RM26,087,000 respectively). The carrying amount of the Company's investment in subsidiaries as at 30 June 2022 were approximately RM62,590,000 (31 December 2021: RM62,456,000).

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

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

- Income taxes

Significant judgement is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The amounts of income tax expenses are disclosed in N7.

N3. Seasonal operations

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

N4. Segment and revenue information

The Group is organised into the following main business segments:

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

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

N4.1 Reportable segments

	Furniture	Millwork	Total
	RM'000	RM'000	RM'000
1 January 2022 to 30 June 2022			
Total segment revenue			
Revenue	98,342	36,596	134,938
Results			
Segment profit	7,369	6,561	13,930
Other income			2,814
Finance cost			(940)
Unallocated expenses			(2,605)
Profit before tax			13,199
Income tax expense			-
Profit net of tax			13,199

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

N4.1. Reportable segments (cont'd)

	Furniture	Millwork	Total
	RM'000	RM'000	RM'000
1 January 2022 to 30 June 2022			
Other segment information			
Depreciation and amortisation	6,154	1,235	7,389
Additions of non-current assets	1,357	1,187	2,544
Unallocated expense			67
Total additions of non-current assets			<u>2,611</u>
Non-cash expense other than depreciation	502	112	614
Unallocated expense			10
Total non-cash expense other than depreciation			<u>624</u>
	Furniture	Millwork	Total
	RM'000	RM'000	RM'000
1 January 2021 to 30 June 2021			
Total segment revenue			
Revenue	77,934	17,813	95,747
Results			
Segment (loss)/profit	(3,456)	1,442	(2,014)
Other income			2,653
Finance cost			(648)
Unallocated expenses			(2,394)
Loss before tax			(2,403)
Income tax expense			(38)
Loss net of tax			<u>(2,441)</u>
Other segment information			
Depreciation and amortisation	4,986	886	5,872
Unallocated expense			275
Total depreciation and amortisation			<u>6,147</u>
Additions of non-current assets	9,103	2,644	11,747
Non-cash expense other than depreciation	(699)	–	(699)
Unallocated expense			61
Total non-cash expense other than depreciation			<u>(638)</u>

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

N4.1. Reportable segments (cont'd)

	<u>Furniture</u>	<u>Millwork</u>	<u>Total</u>
	RM'000	RM'000	RM'000
As at 30 June 2022			
Assets			
Segment assets	262,457	95,163	357,620
Unallocated assets			<u>8,280</u>
Total assets			<u><u>365,900</u></u>
Liabilities			
Segment liabilities	108,690	20,141	128,831
Unallocated liabilities			<u>10,305</u>
Total liabilities			<u><u>139,136</u></u>
As at 31 December 2021			
Assets			
Segment assets	259,346	67,089	326,435
Unallocated assets			<u>9,608</u>
Total assets			<u><u>336,043</u></u>
Liabilities			
Segment liabilities	96,196	17,805	114,001
Unallocated liabilities			<u>8,477</u>
Total liabilities			<u><u>122,478</u></u>

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

N4.2 Disaggregation of revenue

	6 months ended 30 June 2022		
	Furniture RM'000	Millwork RM'000	Total RM'000
Primary geographical markets			
United States of America	69,348	167	69,515
Malaysia	18,723	2,807	21,530
Republic of China	5,818	–	5,818
United Arab Emirates	1,503	–	1,503
Canada	3	–	3
Hong Kong	363	33,622	33,985
Japan	813	–	813
Others	1,771	–	1,771
	98,342	36,596	134,938
Major product or service lines			
- Sale of goods	96,632	36,324	132,956
- Fulfilment services	1,710	272	1,982
	98,342	36,596	134,938
Timing of transfer of goods or services			
At a point in time	96,632	36,324	132,956
Over time	1,710	272	1,982
	98,342	36,596	134,938

	6 months ended 30 June 2021		
	Furniture RM'000	Millwork RM'000	Total RM'000
Primary geographical markets			
United States of America	38,433	–	38,433
Malaysia	13,573	–	13,573
Republic of China	4,338	–	4,338
United Arab Emirates	5,904	–	5,904
Canada	1,136	–	1,136
Hong Kong	9,677	17,813	27,490
Japan	2,516	–	2,516
Korea	927	–	927
Others	1,430	–	1,430
	77,934	17,813	95,747
Major product or service lines			
- Sale of goods	76,174	17,649	93,823
- Fulfilment services	1,760	164	1,924
	77,934	17,813	95,747

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

N4.2 Disaggregation of revenue (cont'd)

	6 months ended 30 June 2021		
	Furniture RM'000	Millwork RM'000	Total RM'000
Timing of transfer of goods or services			
At a point in time	76,174	17,649	93,823
Over time	1,760	164	1,924
	<u>77,934</u>	<u>17,813</u>	<u>95,747</u>

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

N5. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2022 and 31 December 2021:

	Group	
	30 June 2022 RM'000	31 December 2021 RM'000
Financial assets		
At amortised cost		
Trade and other receivables	33,923	19,833
Cash and cash equivalents	27,011	30,919
	<u>60,934</u>	<u>50,752</u>
Financial liabilities		
At amortised cost		
Trade and other payables	47,890	42,500
Accrued operating expenses	266	778
Loans and borrowings	62,377	54,780
Lease liabilities	13,016	7,936
	<u>123,549</u>	<u>105,994</u>
Total undiscounted financial liabilities	<u>(62,615)</u>	<u>(55,242)</u>

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

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

	Company	
	30 June 2022	31 December 2021
	RM'000	RM'000
Financial assets		
Trade and other receivables	7	7
Cash and cash equivalents	3,587	4,590
	3,594	4,597
Financial liabilities		
Accrued expenses	187	512
	187	512
Total undiscounted financial assets	3,407	4,085

N6. Profit/(loss) before taxation

N6.1 Significant items

Profit/(loss) for the period include the following (charges)/credits:

	Group	
	6 months ended	
	30 June	30 June
	2022	2021
	RM'000	RM'000
Income		
Rental income	616	261
Net foreign exchange gain	–	222
Gain on disposal of property, plant and equipment	18	10
Expenses		
Finance expenses:		
- financing arrangements	(80)	(64)
- bank loans	(668)	(414)
- lease liabilities	(192)	(170)
	(940)	(648)
Depreciation expenses:		
- property, plant and equipment	(5,852)	(5,037)
- rights-of-use assets	(1,511)	(1,084)
	(7,363)	(6,121)
Amortisation of trademarks	(26)	(26)
Net foreign exchange loss	(48)	–
Property plant and equipment written-off	–	(7)
	–	(7)

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

N6. Profit/(loss) before taxation (cont'd)

N6.2 Related party transactions

Sale and purchase of goods and services

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

	6 months ended 30 June 2022 RM'000	6 months ended 30 June 2021 RM'000
Director-related companies:		
Rental received	187	7
Sales of goods	9,209	2,453
Rental paid	(170)	(230)
Purchase of goods	(11,250)	(4,166)
Sub-contractor costs	(2,375)	(2,752)
Rental paid to a director of the subsidiary	(14)	(9)

N7. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	6 months ended 30 June 2022 RM'000	6 months ended 30 June 2021 RM'000
Current income tax		
- Current income taxation	-	36
- Withholding tax expense	-	2
Income tax expense recognised in profit or loss	-	38

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

N8. Dividends

If a decision regarding dividend has been made:

(a) Current Financial Period Reported on

Any dividend recommended for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

No.

(c) The date the dividend is payable.

Not applicable.

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

Not applicable.

N9. Net assets value

Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:

- (a) current financial period reported on; and
- (b) immediately preceding financial year.

	Group		Company	
	As at 30 June 2022	As at 31 December 2021	As at 30 June 2022	As at 31 December 2021
Net asset value ("NAV") (RM'000)	226,764	213,565	66,052	66,565
Number of ordinary shares in issue ('000)	488,834	488,834	488,834	488,834
NAV per ordinary share (RM)	0.46	0.44	0.14	0.14

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

N10. Intangible assets

Group	Goodwill RM'000	Trademarks RM'000	Total RM'000
Cost			
At 31 December 2021, 1 January 2022 and 30 June 2022	2,639	432	3,071
Accumulated amortisation			
At 1 January 2021	–	97	97
Amortisation	–	51	51
At 31 December 2021 and 1 January 2022	–	148	148
Amortisation	–	26	26
At 30 June 2022	–	174	174
Net carrying amount			
At 31 December 2021	2,639	284	2,923
At 30 June 2022	2,639	258	2,897

N11. Property, plant and equipment

During the six month ended 30 June 2022, the Group acquired assets amounting to RM3,767,000 (30 June 2021: RM8,336,000) and disposed of assets at net book value of RM244,000 (30 June 2021: RM817,900).

N12. Loans and borrowings

	Group	
	30 June 2022 RM'000	31 December 2021 RM'000 (Restated)
Current:		
Bankers' acceptances	6,716	1,923
Short term financing	17,746	12,967
Financing arrangements	584	500
Term loan	9,204	21,299
	34,250	36,689
Non-current:		
Financing arrangements	1,795	1,083
Term loan	26,332	17,008
	28,127	18,091
Total loans and borrowings	62,377	54,780

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

N12. Loans and borrowings (cont'd)

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

As at 31 December 2021, one of the subsidiaries has breached its covenants with banks that granted short term financing and term loan to the said subsidiary and has subsequent to the financial year end, obtained a waiver for such breach from one of the banks. Nevertheless, as required under SFRS(I) 1-1 *Presentation of Financial Statements*, in the event of a breach of loan covenant on or before the end of reporting date, an entity is required to classify a liability as current as it no longer has the unconditional right to defer its settlement for at least twelve months after that date. Accordingly, the non-current portion of the term loan amounting to RM12.5 million should have been reclassified as current liabilities as at 31 December 2021 and the Company has restated the Group's financial position as at 31 December 2021 to comply with SFRS(I) 1-1.

The subsidiary complied with the said loan covenant due to the improved financial performance for the six months ended 30 June 2022 and with the waiver obtained from the relevant bank subsequent to year end, the Company reclassified the balance of the RM12.5 million which are repayable more than 12 months from the date of balance sheet to non-current liabilities.

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

	Group	
	30 June 2022 RM'000	31 December 2021 RM'000
Current:		
United States Dollar	48,718	46,095

N13. Share capital

	30 June 2022		31 December 2021	
	No. of shares	RM'000	No. of shares	RM'000
Issued and fully paid ordinary shares				
At 1 January and 30 June	489,144,200	66,135	489,144,200	66,135
Treasury shares				
Balance at the beginning of the financial period/year	310,400	173	245,000	135
Shares buy-back held as treasury shares	–	–	65,400	38
Balance at the end of the financial period/year	310,400	173	310,400	173
Issued and fully paid ordinary shares excluding treasury shares	488,833,800	65,962	488,833,800	65,962

N13. Share capital (cont'd)

The Company did not have any outstanding convertibles as at 30 June 2022 and 31 December 2021.

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

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

N14. Subsequent events

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

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

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

Please refer to paragraph A.

- (a)(ii) Significant items

Please refer to N6.1.

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

Please refer to paragraph B.

- (b)(ii) Aggregate amount of group's borrowings and debt securities.
Amount repayable by the Group in one year or less, or on demand

As at 30 June 2022		As at 31 December 2021 (Restated)	
Secured	Unsecured	Secured	Unsecured
RM'000	RM'000	RM'000	RM'000
34,250	–	36,689	–

Amount repayable by the Group after one year

As at 30 June 2022		As at 31 December 2021 (Restated)	
Secured	Unsecured	Secured	Unsecured
RM'000	RM'000	RM'000	RM'000
28,127	–	18,091	–

Details of collateral

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

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

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

Please also refer to further details of the Group's loans and borrowings in N12.

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

Please refer to paragraph D.

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

Please refer to paragraph C.

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

Please refer to N13.

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

Please refer to N13.

- (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 N13. No treasury share was sold, transferred, cancelled or used for the financial period reported on.

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

Please refer to N13. There is no subsidiary holdings.

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

The condensed consolidated statement of financial position of LY Corporation Limited and its subsidiaries as at 30 June 2022 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

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

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

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

- (a) Updates on the efforts taken to resolve each outstanding audit issue.
(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable.

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

Please refer to N2.

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

Please refer to N2.

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

	Group 6 months ended	
	30 June 2022	30 June 2021
Profit/(loss) attributable to owners of the Company (RM'000)	14,500	(2,265)
Weighted average number of ordinary shares ('000)	488,834	488,861
Basic and diluted earnings/(loss) per share ⁽¹⁾ (sen)	2.97	(0.46)

Note:

(1) The basic and fully diluted earnings/(loss) per share were the same as there were no dilutive ordinary shares in issue as at 30 June 2022 and 30 June 2021.

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

Please refer to N9.

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

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

Review of Group's performance for the 6 months ended 30 June 2022 ("1H2022") as compared to the 6 months ended 30 June 2021 ("1H2021")

Revenue

The Group's revenue increased by approximately RM39.2 million, or 40.9%. This was mainly attributable to:

- (a) the increase in the number of laden container ("**40-ft containers**") sold from 1,725 40-ft containers in 1H2021 to 1,882 40-ft containers in 1H2022 as the Group was able to deliver the completed goods to its customers; and
- (b) the increase in the average selling price per 40-ft container has increased from RM56,000 in 1H2021 to RM72,000 in 1H2022 as a result of the different product mix sold by the Group and the strengthening of USD against RM in 1H2022 as compared to 1H2021.

Cost of sales and gross profits

Cost of sales increased by approximately RM23.0 million, or 25.5%, mainly due to the increase in material used and labour costs in tandem with the increase in the number of laden containers sold. However, this was partially offset by the decrease in carriage inwards, handling and custom duty charges.

The Group's gross profit increased by approximately RM16.2 million, or 293.5%, and overall gross profit margin increased from 5.8% in 1H2021 to 16.1% in 1H2022 as a result of the increase in the number of containers sold and increase in the average selling price arising from the different product mix sold and strengthening of the USD against RM as explained above.

Interest income

Interest income decreased by approximately RM5,000, or 18.5%, mainly due to lower cash placement in short term deposits in the bank account maintained in Malaysia.

Distributions from short-term investment security

Distributions from short-term investment security of approximately RM1,000 in 1H2021 were income received for funds placed with a money market fund during 2H2020.

Other income

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

Other income increased by approximately RM0.2 million, or 6.4%, mainly due to increase in machine rental fees.

Selling and administrative expenses

Selling and administrative expenses increased slightly by approximately RM0.4 million, or 4.0%, as the Group's staff cost and directors' remuneration were lower in 1H2021 due to more cost cutting measure effected in 1H2021. The increase is also due to the increase in the Malaysian monthly minimum wage from RM1,200 to RM1,500 effective from 1 May 2022.

Depreciation expenses

Depreciation expenses increased by approximately RM1.2 million, or 20.3% mainly due to the depreciation of the fully-installed solar panels, purchase of plant and machineries as well as leases of new factories and warehouse.

Finance costs

Finance costs increased by approximately RM0.3 million, or 45.1% mainly due to the interest charged on the new term loans that were drawn down in the second quarter of 2021 and increase in short term financing loan in 1H2022.

Other expense

Other expense increased by approximately RM0.06 million, or 1,400.0% due to net foreign exchange loss recorded in the books of the Group in 1H2022 as compared to net foreign exchange gain in 1H2021.

Profit/(loss) for the period

As a result of the higher revenue and lower costs and expenses, the Group recorded a net profit in 1H2022 of approximately RM13.2 million as compared to a net loss in 1H2021 of RM2.4 million.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

Review of the Group's financial position as at 30 June 2022 as compared to 31 December 2021

Non-current assets

Property, plant and equipment decreased by approximately RM2.3 million, or 1.5%, mainly due to increase in depreciation charged for solar panel as well as plant and machineries in 1H2022.

Right-of-use assets of approximately RM30.7 million comprised the right to use the properties and land use rights of the Group over the respective lease period.

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

Current assets

Inventories increased by approximately RM18.1 million, or 20.4%, mainly due to the 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 quarters; (ii) the Group has also stocked up more raw materials in case of delay in receipt of raw materials due to global supply chain disruption; and (iii) a higher work-in-progress due to longer production lead time as shipments from suppliers were also affected by the global supply chain disruption. However, the increase was partially offset by decrease in the 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 RM2.9 million as at 30 June 2022 compared to RM3.8 million as at 31 December 2021. The consideration is classified as contract liabilities under current liabilities.

Trade and other receivables of approximately RM33.9 million comprised trade receivables, deposits and other receivables. The increase in trade and other receivables by approximately RM14.1 million, or 71.0% was mainly due to increase in sales made towards the end of 1H2022, increase in other receivables from a sub-contractor as well as increase in advance payment to suppliers made towards the end of 1H2022.

Prepaid operating expense of approximately RM1.7 million comprised mainly expenses paid in advance as at 30 June 2022.

Tax recoverable, being prepaid current income tax of approximately RM5.8 million comprised tax paid in advance by the Malaysian subsidiaries for the Year of Assessment 2021 and 2022.

Current liabilities and non-current liabilities

Loans and borrowings comprised bankers' acceptance, short term financing, financing arrangements and long-term loans. The increase in loans and borrowings by approximately RM7.6 million, or 13.9% was mainly due to the net increase in the usage of bankers' acceptance and short-term financing of approximately RM9.6 million. However, it was partially offset by the repayment of loans and borrowings.

Trade and other payables of approximately RM47.9 million comprised trade payables and other payables. The increase in trade and other payables of RM5.4 million, or 12.7%, was mainly due to the increase in purchase of raw material towards the end of 1H2022 and provision for bonus.

Contract liabilities of approximately RM2.9 million comprised the Group's obligation to transfer goods or services to customers for which the Group has received consideration as at 30 June 2022 from customers for finished goods which required further improvements on customers' request and pending the customers' acceptance. The decrease in contract liabilities by approximately RM0.9 million, or 23.4%, was mainly due to the fulfilment of customers' request and that they had accepted the finished goods.

Lease liabilities of approximately RM13.0 million comprised the liabilities that the Group has to pay over the respective lease period for the use of the properties.

Accrued operating expenses of approximately RM0.3 million comprised accrued operating expenses.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Review of the Group's cash flow statement for 1H2022 as compared to 1H2021

The Group recorded net cash flows used in operating activities of approximately RM5.6 million in 1H2022 which was higher as compared to RM2.5 million in 1H2021 due to the increase in inventories and trade and other receivables. The reasons for the increase in inventories and trade and other receivables can be found in the review of the Group's current assets set out above.

The Group recorded net cash flows used in investing activities of approximately RM2.3 million in 1H2022 mainly due to the completion of the installation of solar panel as well as purchase of plant and machineries.

The Group recorded net cash flows generated from financing activities of approximately RM3.7 million mainly due to proceed from loans and borrowings received in 1H2022. However, it was partially 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.

No forecast or a prospect statement was disclosed to shareholders.

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

- (a) Since the last quarter of the financial year ended 31 December 2020 (“FY2020”), there has been a global supply chain disruption. 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 increased need for warehouses to store the unshipped finished goods.
 - (iii) There are difficulties in planning and maintaining an efficient production schedule.
 - (iv) In view that the Group experienced delays in receiving the import of raw materials from overseas, the Group has placed advanced and increased orders with overseas’ suppliers.
- (b) While the Group still have orders from its US customers, there are now signs of demand slowdown from the US as a result of the decline in disposable income due to higher inflation and the rising interest rates.
- (c) The current war between Ukraine and Russia has created uncertainties in the recovery of the world’s economy from the pandemic. The war has resulted in increase in oil & gas prices as well as certain food prices due to shortages. This has also in turn resulted in increases in other costs such as logistics and transport cost. As a result, while the war has no direct effect on the Group since the Group does not have any business in Russia and Ukraine, the negative effects, particularly inflation, has created uncertainties in the supply and demand of the Group’s products and raw materials inputs.
- (d) The strengthening of the USD will have a positive impact to the revenue of the Group as the Group’s sales are substantially denominated in USD and recognised in RM. However, the Group anticipates the performance of the Group for the remaining year to be challenging in view of the Malaysian monthly minimum wage being increased to RM1,500 effective 1 May 2022, labour shortages as well as the rising global commodity and raw material prices.
- (e) While there has been relaxation of the standard operating procedures (“SOPs”) by the Malaysian Government effective 1 May 2022 as the Covid-19 situation in Malaysia is transiting into an endemic scenario, the situation is still evolving in Malaysia. Accordingly, the Group is vigilant in monitoring the situation. The Group will endeavour to follow any SOPs imposed by the Malaysian Health authorities to ensure that any impact to the Group will be minimised.

11. Dividend

Please refer to N8.

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

No dividend has been declared/recommended for 1H2022 as it is the Company’s practice to declare/ recommend dividend, if any, after reporting the full year results.

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 29 April 2022. Please refer to the Company’s appendix to the annual report dated 11 April 2022 for further details.

The aggregate value of all interested person transactions during the 1H2022 is as follows:

Name of Interested Person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	Notes	RM'000	RM'000
Lean Shern Furniture Sdn Bhd	(1)	NIL	19,753
Leatherworld Upholstery Sdn Bhd	(2)	NIL	1,041

Notes:

- (1) *Lean Shern Furniture Sdn Bhd's* shareholders are Tan Kwee Ming and Tan Kwee Song, who are brothers of the Company's Executive Chairman, Tan Kwee Chai.
- (2) *Leatherworld Upholstery Sdn Bhd* is a 51%-owned subsidiary of LYFC which is owned by Tan Kwee Chai and his associates.

14. Confirmation pursuant to Rule 705(5) of the Catalist Listing Manual

We, Tan Kwee Chai and Tan Yong Chuan, being two directors of the Company, do hereby confirm on behalf of the Directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited consolidated financial statements of the Group for the 1H2022 to be false or misleading in any material aspect.

Tan Kwee Chai
Executive Director

Tan Yong Chuan
Executive Director and Chief Executive Officer

15. Confirmation pursuant to Rule 720(1) of the Catalist Rules

The Company hereby confirms that it has already procured undertakings from all of its Directors and executive officers in the format as set out in Appendix 7H of the Catalist Rules in accordance with Rule 720(1) of the Catalist Rules.

16. 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	(5,863)	–
Construction of additional facilities	4,000	(4,000)	–
General working capital purposes ⁽¹⁾	3,000	(3,000)	–
Total	13,000	(13,000)	–

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.

As set out above, the Company has fully utilised the IPO net proceeds.

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

Not applicable. The Company did not acquire and dispose shares in any companies during 1H2022.

BY ORDER OF THE BOARD

Tan Yong Chuan
Executive Director and Chief Executive Officer
12 August 2022