



LY CORPORATION
LIMITED



BUILDING **CAPABILITIES**

ANNUAL REPORT **2022**

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Building Capabilities

In the face of a constantly evolving economic climate, we have been able to ride the waves of change by adapting swiftly to capture new opportunities. We will remain focused on strengthening our business and sharpening our competitive edge by building new capabilities, streamlining our manufacturing operations, and broadening our product range to drive sustainable and long-term growth.

Vision

We aspire to be a world-class wooden bedroom furniture manufacturer providing quality products for all dream homes globally.

Mission

We aim to be a world-class provider of quality wooden bedroom furniture at competitive prices for our customers. We build win-win partnerships across our value chain, so that all our stakeholders will be successful together.

This annual report has been prepared by LY Corporation Limited (the “**Company**”) and its contents have been reviewed by Xandar Capital Pte. Ltd. (the “**Sponsor**”) for compliance with the SGX-ST Listing Manual Section B: Rules of Catalyst.

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

The contact person for the Sponsor is Ms. Pauline Sim, Head of Corporate Finance, at 3 Shenton Way, #24-02, Singapore 068805, telephone (65) 6319 4954.

CORPORATE PROFILE

LY Corporation Limited and its subsidiaries (collectively the “**Group**”) is one of Malaysia’s leading manufacturers and exporters of wooden bedroom furniture. With an established track record of more than 40 years in the furniture industry, the Group is an established original design manufacturer (“**ODM**”) principally engaged in the design and manufacturing of custom wooden bedroom furniture, and the manufacturing of custom wooden bedroom furniture which may be tailored to customers’ specifications and requirements on an original equipment manufacturer (“**OEM**”) basis.

The Group has in recent years expanded into the manufacturing of kitchen cabinets as well as original brand manufacturing business to manufacture easy-to-assemble and custom-made furniture under the EZBO brand name to widen its product offerings.

The Group has also diversified into the manufacturing of millworks products which are categorised as building materials.

The Group currently operates from 25 factories and warehouses, occupying a combined built-up area of approximately 1.9 million sq ft. Our 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 and domestic customers who are primarily third-party agents who typically export and resell our products outside Malaysia, such as to the United States of America.

LY Corporation Limited was listed on Catalist of Singapore Exchange Securities Trading Limited on 31 January 2018.



MESSAGE TO SHAREHOLDERS

Dear Shareholders,

While more countries around the world are easing COVID-19 measures and moving COVID-19 to an endemic phase, the recovery path to the pre-pandemic level remains fraught with much uncertainty. In addition, the Group continued to contend with an increasingly volatile global business environment brought about by the Russia-Ukraine war, which led to high energy prices, supply chain disruptions and food shortages, all contributing to rising inflation, economic uncertainty and tighter global financing conditions. Despite all these challenges, we remained focused on strengthening our Group and businesses and will continue to develop more strategies and explore more measures to build a stronger foundation for growth and sustainable profitability.

THE YEAR IN REVIEW

We are gratified that the Group has performed resiliently in the financial year ended 31 December 2022 (“FY2022”). The Group achieved a net profit attributable to shareholders of RM12.4 million in FY2022, reversing a net loss of RM7.2 million for the financial year ended 31 December 2021 (“FY2021”). This was achieved on the back of a 23.9% rise in revenue to RM234.5 million, mainly due to an increase in the average selling price per laden container (“40-ft container”) from RM59,000 in FY2021 to RM73,000 in FY2022 as a result of a different product mix sold and the strengthening of United States dollars (“USD”) to Ringgit Malaysia (“RM”). In addition, the number of 40-ft containers sold rose slightly to 3,220 in FY2022 as compared to 3,207 in FY2021.

However, the Group’s overall performance was moderated by a net foreign exchange loss of RM2.4 million arising from USD loans due to the strengthening of USD against RM. Excluding the net foreign exchange loss, the Group would have registered a net profit attributable to shareholders of RM14.8 million in FY2022.

In December 2022, we completed an internal restructuring exercise to rationalise and streamline the Group’s manufacturing operations by consolidating all the manufacturing activities under LY Furniture Sdn Bhd (“LYFSB”), a wholly-owned subsidiary of the Company. The internal restructuring involved the transfer of the entire share capital of Leyo Manufacturing Sdn Bhd (“LEM”) from Leyo Holdings Sdn Bhd (“LEH”), a 51%-owned subsidiary, to LYFSB at a nominal consideration of RM1. We believe the internal restructuring will be beneficial for the Group as it will allow us to better focus and capitalise on our strengths to increase operational efficiencies.

The millworks business, which accounted for 22.1% of the Group’s revenue in FY2022, has grown steadily over the years as we increased our efforts in promoting and marketing the millworks products and gained new customers during the year.

While we continue with the sub-contracting arrangement to supply the main framework of kitchen cabinets to a local furniture manufacturer, we have also started manufacturing and exporting the kitchen cabinets directly to an overseas customer during the year. We believe that we are well-positioned to grow this new product line in the United States (“USA”) market by tapping into our wide network to promote and distribute this product.

LY Global Hub Sdn. Bhd. (“LYGH”), a wholly-owned subsidiary of the Company, was granted the Principal Hub Incentive (“PH Incentive”) by the Malaysian Investment Development Authority in August 2017. Due to the recent change in economic conditions, we have decided to put on hold our initial plan to centralise our regional procurement under LYGH and will surrender the PH Incentive in 2023.

COMMITMENT TO SUSTAINABILITY

The Group remains steadfast in its commitment to sustainability. As we grow and expand our business, we seek to operate in a way that contributes to a better society, reduces environmental footprint and delivers sustainable business.

As a supporter of a greener and more sustainable future, we are committed to managing and reducing our environmental impact through continuous improvements in our business processes and operations. The Group adopts sustainable manufacturing practices that minimise waste and environmental harm while conserving energy and natural resources, including sustainable sourcing of raw materials, recycling wood waste, and using environmentally friendly materials for our production processes.

To further enhance our sustainability commitments and reduce emissions, we have installed solar photovoltaic systems at several of our manufacturing facilities in Batu Pahat to improve the Group’s energy efficiency. In FY2022, the solar photovoltaic systems generated 3,524.6 megawatt hours of active solar energy. As solar electricity produces no carbon emission, the Group eliminated carbon emissions of approximately 2,062 tonnes, with a total net savings of RM1.4 million in FY2022.

Sustainability-based initiatives across the Group will remain at the forefront of our future planning and operational decision-making. We believe that the effective management and monitoring of our carbon footprint would contribute positively to the Group’s productivity and competitiveness as well as reduce wastage and pollution to the environment.

LOOKING AHEAD

Moving into 2023, we expect the global economy to slow further as the energy shock triggered by the Russia-Ukraine war continues to spur inflationary pressures, weakening confidence and household purchasing power and increasing risks worldwide. Additionally, interest rates will likely continue to rise as central banks around the world tighten monetary policy to fight soaring inflation.

Given the challenging global business outlook, we are adopting a more cautious approach to operations and investments. We will remain focused on our strategic initiatives to enhance the performance of the Group’s businesses while managing our financial resources prudently and efficiently. We will continue to work hard to sharpen our competitive edge by building new capabilities, broadening our product range, and innovating to create new designs and concepts to meet changing trends.

MESSAGE TO SHAREHOLDERS



As we continue to pursue growth in the USA, our key market, we also intend to seek opportunities to expand into new geographical markets to gain access to new prospective customers. With the reopening of borders and easing of travel restrictions, we plan to intensify our marketing efforts by regularly attending and participating in local and international trades and exhibitions fairs to increase the awareness of our products in our current and potential new markets and to keep abreast with market trends and development.

While we do not foresee an easy year ahead, as a resilient Group with a proven track record, we are confident that we will be able to weather the challenges and adapt to constantly changing market conditions to capture new opportunities to deliver higher value to shareholders.

APPRECIATION

We would like to express our sincere appreciation to our fellow members of the Board for their support and strategic counsel and to our management and staff for their unwavering commitment and hard work. Additionally, we would like to thank our shareholders, business partners, customers and stakeholders, for your continued confidence in the Group.

Together, we will hold steady and push forward in the year ahead.

Oh Seong Lye

Chairman/Independent Non-Executive Director

Tan Yong Chuan

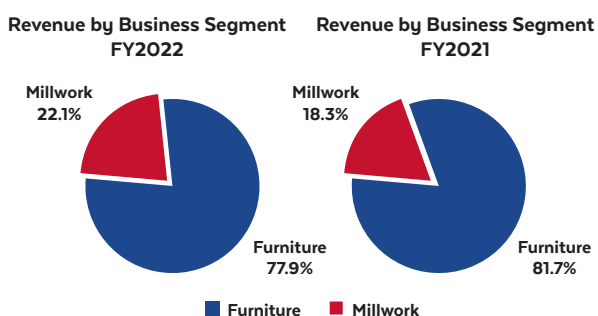
Executive Director and Chief Executive Officer

Given the challenging global business outlook, we are adopting a more cautious approach to operations and investments. We will remain focused on our strategic initiatives to enhance the performance of the Group's businesses while managing our financial resources prudently and efficiently. We will continue to work hard to sharpen our competitive edge by building new capabilities, broadening our product range, and innovating to create new designs and concepts to meet changing trends.

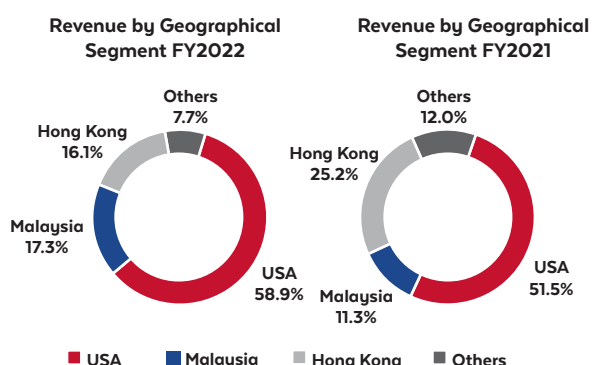
FINANCIAL REVIEW

LY Corporation Limited and its subsidiaries (collectively the “Group”) recorded revenue of RM234.5 million for the financial year ended 31 December 2022 (“FY2022”), up by 23.9% from RM189.2 million for the financial year ended 31 December 2021 (“FY2021”). This was mainly attributable to an increase in the average selling price per laden container (“40-ft container”) from RM59,000 in FY2021 to RM73,000 in FY2022 as a result of a different product mix sold and the strengthening of United States dollars (“USD”) against Ringgit Malaysia (“RM”). USD appreciated approximately 6.1% against RM in FY2022 as compared to the previous financial year. In addition, the number of 40-ft containers sold rose slightly to 3,220 in FY2022 as compared to 3,207 in FY2021.

The Furniture and Millwork segments accounted for 77.9% and 22.1% of the Group’s revenue respectively in FY2022, compared to 81.7% and 18.3% respectively in FY2021.



Geographically, the United States of America (“USA”) continued to be the Group’s largest market, accounting for 58.9% of the Group’s revenue in FY2022. During the year, sales across major geographical segments increased, in particular, the USA and Malaysia. However, this was partially offset by a drop in sales to Hong Kong due to the decrease in demand from customers placing orders in or through Hong Kong.



Cost of sales rose by 5.6% to RM203.5 million in FY2022 from RM192.7 million in FY2021 mainly due to an increase in raw materials used, labour costs and subcontractors’ costs brought about by the higher sales volume. However, this was partially offset by a decline in carriage inwards, handling and custom duty charges.

As a result of the lower rate of percentage increase in the cost of sales as compared to our revenue, the Group registered a gross profit of RM31.0 million for FY2022 as compared to a gross loss of RM3.5 million for FY2021. Accordingly, the Group’s achieved a positive gross profit margin of 13.2% in FY2022 as compared to a gross loss margin of 1.8% in the previous year.

Interest income grew by 242.5% to RM137,000 arising from higher cash being placed under short-term fixed deposits in the bank account maintained in Malaysia and a higher overnight interest rate in the second half of 2022 (“2H2022”).

As the Group had disposed of the short-term investment security in the first half of FY2021, there were no distributions from short-term investment security in FY2022.

Other income comprised mainly government grants, rental income, sales of timber, boards, hardware and scrap, as well as charges for services provided such as transportation. Other income dropped by 39.2% to RM6.2 million in FY2022 largely due to a decrease in grants from the Malaysian government to support businesses in Malaysia through the COVID-19 pandemic. This was partially offset by an increase in processing fees from main contractors and rental income.

Selling and administrative expenses rose by 8.2% to RM19.7 million mainly due to an increase in staff costs and directors’ remuneration as a result of (i) the reinstatement of staff salaries and directors’ remuneration to the level before the cost-cutting measure implemented in the third quarter of FY2021 during the temporary closure of the Group’s operations from 1 June 2021 to 26 August 2021, and (ii) the increase in the monthly minimum wage in Malaysia from RM1,200 to RM1,500 effective from 1 May 2022, and provision made for slow-moving inventories.

Depreciation expenses increased by 19.7% to RM11.8 million primarily due to the depreciation of the solar photovoltaic systems, purchase of plant and machinery, and leases of new factories and warehouse during the year.

Finance costs rose by 55.1% to RM2.2 million mainly due to higher interest rates charged on term loans in 2H2022 and additional short-term loan drawdown in FY2022.

In FY2022, the Group recorded a net foreign exchange loss of RM2.4 million arising from the USD loans due to the strengthening of USD against RM. Consequently, other expense increased by 574.4% to RM2.5 million.

The Group incurred income tax expense of RM4.7 million mainly due to the provision of deferred tax liabilities in FY2022.

As a result of the higher revenue, the Group recorded a net profit attributable to the owners of RM12.4 million in FY2022, reversing from a net loss of RM7.2 million in FY2021.

FINANCIAL REVIEW

FINANCIAL POSITION

The Group's net asset value as at 31 December 2022 was RM221.8 million, representing a net asset value per share of RM0.45 as compared to RM0.44 as at 31 December 2021.

Non-current assets

Non-current assets declined by 1.0% to RM186.6 million mainly due to a decrease in property, plant and equipment and intangible assets, which was partially offset by an increase in right-of-use assets.

Property, plant and equipment fell by 3.0% to RM154.6 million mainly due to higher depreciation charged for the solar photovoltaic systems and plant and machinery during the year.

Right-of-use assets relates to the right to use the properties and land use rights by the Group over the respective lease period. Right-of-use assets rose by 11.4% to RM29.1 million due to new tenancy entered by the Group in FY2022.

Intangible assets remained constant at approximately RM2.9 million comprised trademarks and goodwill arising from the acquisition of the assets of Cubo Sdn. Bhd., including the EZBO and CUBO brand names, in January 2019 which are attributable to Leyo Holdings Sdn Bhd after the completion of the internal restructuring.

Current assets

Current assets dropped by 4.8% to RM140.5 million mainly due to a decrease in trade and other receivables, prepaid operating expenses, tax recoverable, and cash and cash equivalent, which was partially offset by an increase in inventories.

Inventories rose by 0.2% to RM88.9 million mainly due to an increase in (i) raw materials as the Group stocked up raw materials in case of delay in receipt of raw materials arising from the global supply chain disruptions, and (ii) finished goods – completed goods manufactured but yet to ship out as at 31 December 2022. However, the increase was partially offset by a decrease in work-in-progress.

Trade and other receivables comprised trade receivables, deposits, and other receivables. Trade and other receivables fell by 7.9% to RM18.3 million largely due to lower sales towards the end of FY2022.

Prepaid operating expense of approximately RM2.2 million comprised mainly expenses paid in advance as at year end.

Tax recoverable relates to prepaid current income tax of approximately RM5.4 million resulting from tax paid in advance by the Malaysian subsidiaries for the Year of Assessment 2020, 2021, and 2022.

Current liabilities

Current liabilities fell 34.8% to RM56.0 million mainly due to a decrease in short-term loans and borrowings, trade and other payables, contract liabilities, and accrued operating expenses, which was partially offset by an increase in lease liabilities.

Short-term loans and borrowings comprised bankers' acceptance, short-term financing, financing arrangements, and long-term loans repayable within one year. Short-term loans and borrowings dropped by 54.1% to RM16.9 million mainly due to a net decrease in the usage of short-term financing of approximately RM12.9 million, which was partially offset by the net increase in the usage of bankers' acceptances of approximately RM5.1 million.

Trade and other payables comprised trade payables and other payables. Trade and other payables declined by 19.5% to RM34.2 million mainly due to lower purchase of raw materials towards the end of FY2022.

Contract liabilities comprised the Group's obligation to transfer goods or services to customers for which the Group has received consideration as at 31 December 2022 from customers for finished goods that required further improvements on customers' request and pending the customers' acceptance. The contract liabilities went down by 75.4% to RM0.9 million mainly due to the Group having fulfilled the customers' request and they accepted the finished goods during the financial year.

Current lease liabilities relates to liabilities that the Group must pay over the respective lease period for the use of the properties. Current lease liabilities increased by 55.2% to RM3.2 million due to new tenancies entered by the Group during the year.

Accrued operating expenses of approximately RM0.8 million comprised miscellaneous operating expenses.

Non-current liabilities

Non-current liabilities rose 34.7% to RM49.3 million mainly due to an increase in (i) long-term loans and borrowings of 29.7% to RM23.5 million arising from the USD loans due to the strengthening of USD against RM; and (ii) non-current lease liabilities of 43.5% to RM8.4 million due to the new tenancies entered by the Group in FY2022.

CASH FLOW

In line with the increase in revenue, the Group recorded a higher net cash flows generated from operating activities of RM20.7 million in FY2022 compared to RM5.0 million in FY2021.

The Group used RM5.6 million for investing activities in FY2022 mainly for the installation of the solar panels and purchase of plant and machinery.

Net cash flows used in financing activities of RM20.1 million in FY2022 were mainly due to the repayment of loans and borrowings, which was partially offset by the proceeds from loans and borrowings.

Consequently, the Group's cash and cash equivalents fell from RM30.9 million as at 31 December 2021 to RM25.8 million as at 31 December 2022.

BOARD OF DIRECTORS

Mr Oh Seong Lye

Chairman/Independent Non-Executive Director

Mr Oh Seong Lye was appointed to the Board on 20 December 2017 as an Independent Director and is also the Chairman of our Audit Committee. He was re-elected on 25 April 2019. He was appointed as the Chairman of the Board of Directors at the Annual General Meeting held on 29 April 2022.

Mr Oh is a London (England) trained Chartered Accountant. He is a Fellow of the Institute of Chartered Accountants in England and Wales, a Chartered Accountant of the Malaysian Institute of Accountants, a Chartered Accountant of the Institute of Singapore Chartered Accountants and an ASEAN Chartered Professional Accountant. He holds an Executive Master of Business Administration degree from United Business Institute, a Brussels-based business school.

In 1975, after serving his 4 years' articleship with 2 London firms of Chartered Accountants and after a year of post-qualifying experience there, he returned to Malaysia and worked for SGV-Kassim Chan (a "big-eight" accounting firm) as a supervisory management consultant for 2 years and thereafter as a senior accountant for about a year for Overseas Union Bank Ltd in Kuala Lumpur. In 1978, he started his public accounting firm and practised for about 43 years. He retired as an approved company auditor in 2021, but continued to provide professional corporate services, including in the areas of taxation and company liquidations. In 1982, his firm became a member of Horwath International (from 1982 to 1992) when he became the Executive Chairman and International Liaison Partner of Horwath Malaysia and was also a Director of Horwath Asia Pacific. During that period, his firm was the external auditors and tax agents for 2 Malaysian commercial banks, several other financial institutions and insurance companies and other substantial private enterprises. He had also personally undertaken large receivership and liquidation assignments, and conducted, together with foreign partners, market and financial feasibility studies for several organisations involved in the hospitality business and tourism industry. He has therefore, vast experience in the fields of professional accountancy and corporate and business consultancy.

Mr Oh was previously a director of 4 Bursa Malaysia public listed companies and was also the founder/promoter and first Honorary Secretary of a national manufacturing association and a past Honorary Secretary-General of a national tourism-related association. He had also acted as a consultant to the Centre of Corporate Excellence, Institute of Professional Development, Open University Malaysia, for its financial services programme.

Present directorships in listed companies (other than the Company)	Past directorships in listed companies (for last three years)
None	Inari Amertron Berhad Insas Berhad

Mr Tan Yong Chuan

Executive Director and Chief Executive Officer

Mr Tan Yong Chuan was appointed to the Board on 24 October 2016 as an Executive Director and was redesignated as an Executive Director and Chief Executive Officer on 20 December 2017. He was re-elected on 28 June 2021. He joined our Group in January 2011. He is responsible for the overall management, operations and strategic planning of our Group, including overseeing the finance functions of our Group. Prior to joining our Group, he was an audit senior at Deloitte Kassim Chan, where he was involved in statutory audit engagements for both listed and non-listed companies in the fields of manufacturing, trading, services and agriculture.

He obtained a Bachelor of Commerce in Accounting from Universiti Tunku Abdul Rahman in Malaysia in 2008. He is a fellow member of the Association of Chartered Certified Accountants and a Chartered Accountant with the Malaysian Institute of Accountants.

Present directorships in listed companies (other than the Company)	Past directorships in listed companies (for last three years)
None	None

BOARD OF DIRECTORS

Mr Tan Kwee Chai

Executive Director

Mr Tan Kwee Chai is one of our founders and was appointed to the Board on 20 December 2017 as an Executive Chairman. He was re-elected on 29 April 2022 as the Executive Director when he relinquish his position as the Executive Chairman. He has been in the furniture manufacturing and design industry for more than 40 years. He was one of the founders of Lian Yu Furniture Co. (“**Lian Yu**”) which was subsequently corporatised when LY Furniture Sdn. Bhd (“**LYFSB**”) was incorporated to take over the business of Lian Yu in July 1991. Mr Tan has been a director of LYFSB since its incorporation. He is responsible for our Group’s overall management and operations, including formulating our Group’s strategic directions and expansion plans. He has been instrumental in our Group’s growth, leading to the expansion of our business and operations.

Mr Tan is presently the honorary advisor to the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCIM), advisor to the Federation of Johor Furniture Manufacturers and Traders Association, honorary president of the Batu Pahat Chinese Chamber of Commerce and honorary president of the Batu Pahat Furniture Association.

Present directorships in listed companies (other than the Company)	Past directorships in listed companies (for last three years)
None	None

Ms Tan Ai Luang

Executive Director

Ms Tan Ai Luang was appointed to the Board on 20 December 2017 as an Executive Director. She was re-elected on 22 June 2020. She joined our Group in February 1999. She is responsible for the sales and marketing activities of our Group including overseeing the prototype and industrial engineering, purchasing and procurement and exporting and shipping departments. She commenced her career in October 1997 with Timberplus Creation Pte. Ltd. as a showroom manager, where she was involved in the selling of furniture to end users. In February 1999, she joined our Group as a marketing manager. Between 2005 to 2011, she set up a trading company, Mixpro Resources Sdn. Bhd., which was involved in the business of furniture trading. In July 2012, she returned to our Group as an assistant general manager, where she was responsible for the overall supervision of sales and marketing and custom and shipping functions of our Group.

She obtained a Bachelor of Arts in Communication from Universiti Kebangsaan Malaysia in 1998.

Present directorships in listed companies (other than the Company)	Past directorships in listed companies (for last three years)
None	None

BOARD OF DIRECTORS

Mr Yeo Kian Wee Andy

Independent Non-Executive Director

Mr Yeo Kian Wee Andy was appointed to the Board on 20 December 2017 as an Independent Director. He was re-elected on 28 June 2021. Mr Yeo is presently a Partner at Eldan Law LLP. He has over 20 years of experience in legal practice.

He began his career as a trainee with the Legal Service Commission in March 1996, before becoming an assistant registrar of the Supreme Court in July 1996. He was appointed as a magistrate and a coroner in the State Courts from September 1997 to September 1998. In October 1998, he joined the Attorney-General's Chambers as a state counsel and deputy public prosecutor. He left Allen & Gledhill LLP after 18 years and is now practising with Eldan Law LLP.

Mr Yeo graduated with a Bachelor of Laws from the National University of Singapore in 1996 and was admitted as an advocate and solicitor in Singapore in 2000. He is also a non-practising solicitor of England and Wales, having been admitted to the Roll of Solicitors of England and Wales in 2010. Mr Yeo has been an accredited international mediator of the Thailand Arbitration Centre since 2016.

Present directorships in listed companies (other than the Company)	Past directorships in listed companies (for last three years)
Tee International Ltd	None

Datuk Yap Kheng Fah

Independent Non-Executive Director

Datuk Yap Kheng Fah was appointed to the Board on 1 January 2022 as an Independent Director. He was re-elected on 29 April 2022.

Datuk Yap is the Founder and Chairman of a licensed private equity firm. He is a seasoned entrepreneur, investor and corporate advisor who has led, completed or been involved in mergers and acquisitions, reverse takeovers, corporate restructuring, divestiture and debt transactions. He currently sits on the board of several private and publicly listed companies in Malaysia and Singapore.

Datuk Yap graduated with a Bachelor of Commerce degree from the University of Auckland, New Zealand and a Master in Business Administration from Charles Sturt University, Australia. He was conferred with the Panglima Gemilang Darjah Kinabalu by the Governor of Sabah in 2014, which carries the title "Datuk".

Present directorships in listed companies (other than the Company)	Past directorships in listed companies (for last three years)
None	Milux Corporation Berhad

KEY MANAGEMENT

Mr Tan Kwee Lim Chief Operating Officer

Mr Tan Kwee Lim is one of our founders and was promoted as our Chief Operating Officer since 2012. He has more than 30 years of experience working in the furniture industry. He started his career in Lian Yu Furniture Co. (“**Lian Yu**”) and assisted in overseeing and managing the operational aspects of the business. After the corporatisation of Lian Yu, he was appointed as a director of LY Furniture Sdn. Bhd. (“**LYFSB**”). He is responsible for overseeing our Group’s general operations, in particular, the production and procurement processes. He has been instrumental in our Group’s growth, leading to the expansion of our business and operations.

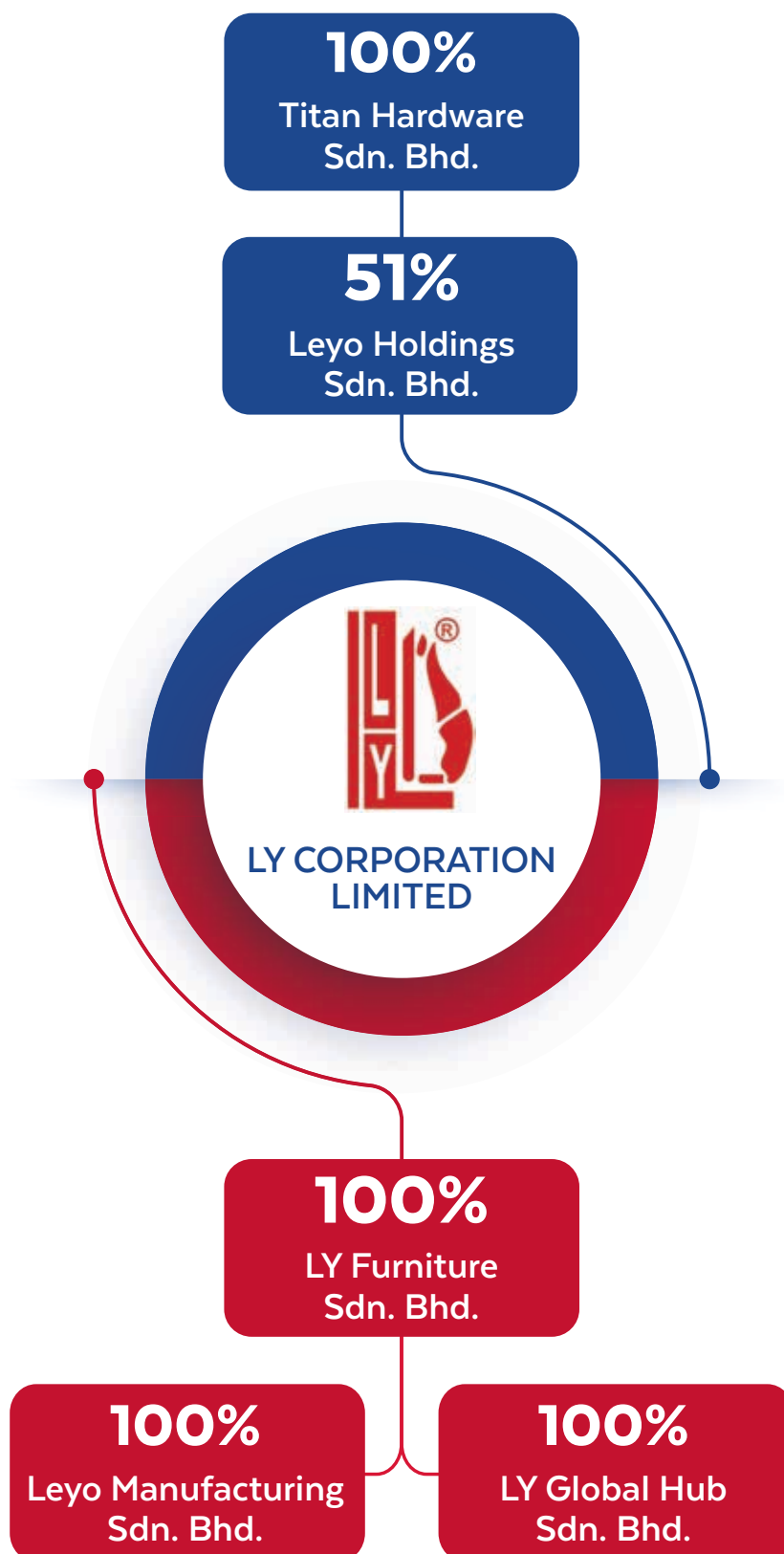
Mr Boo Ngek Hee Chief Quality Controller

Mr Boo Ngek Hee is one of our founders and was promoted as our Chief Quality Controller since 2012. He has more than 30 years of experience working in the furniture industry. He started his career in Lian Yu and assisted in overseeing and managing the operational aspects of the business. After the corporatisation of Lian Yu, he was appointed as a director of LYFSB. He is responsible for the quality control and assurance process of our Group. He has been instrumental in our Group’s growth, leading to the expansion of our business and operations.

Ms Teo Gin Lian Chief Financial Officer

Ms Teo Gin Lian joined our Group in May 2016 and was appointed as our Chief Financial Officer. She is responsible for overseeing the financial reporting and accounting as well as corporate matters of our Group. She began her career with Deloitte Kassim Chan in December 1999, and was an assistant audit manager responsible for audit and tax engagements in both listed and non-listed companies. From June 2004 to July 2005, she served as a Finance Executive in Hwang-DBS Securities Berhad, a listed company involved in the business of stockbroking. Between July 2005 to September 2011, she was attached to MIMB Investment Bank Berhad, now known as Hong Leong Investment Bank Berhad, and was involved in corporate advisory work relating to initial public offerings, mergers and acquisitions, take-overs, fund raising and capital restructuring. She subsequently joined Kuwait Finance House (Malaysia) Berhad between October 2011 and May 2014 as a senior manager overseeing corporate finance and mergers and acquisitions. From June 2014 to July 2015, she was appointed as an associate director at KAF Investment Bank Berhad involved in corporate advisory work. She obtained a Third Level Group Diploma in Accounting (London Chamber of Commerce and Industry Examinations Board) from Institut Perkim-Goon in 1997. She is a fellow member of the Association of Chartered Certified Accountants and a Chartered Accountant with the Malaysian Institute of Accountants.

GROUP STRUCTURE



AWARDS & ACCREDITATIONS

2022 PEFC ST 2002:2020 for Chain of Custody of Forest and Tree Based Products - Requirements

2021 2021 - PEFC ST 2002:2013 (Second Edition) for Chain of Custody of Forest Based Products

2019 ISO 45001:2018 for the management system related to the manufacture of wooden furniture

2018 ISO 9001:2015 for the management system related to the manufacture of wooden furniture

2016 Eminent Eagle Award (2nd place)

2015 Eminent Eagle Award (no placement)

2013 Award of Industrial Excellence in the category of Furniture Factory

2009 Asian Furniture Leadership Award
Corporate Social Responsibility Award

2008 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

2006 Best Performing Company Award 2005

2004 ISO 9001:2000 for quality system related to manufacturing and trading of wooden made furniture

2003 Golden Bull Award for Malaysia's 100 Outstanding SMEs (2nd place)
Enterprise 50 Award (2nd place)

2002 Enterprise 50 Award (3rd place)
Asia Pacific International Honesty Enterprise - Keris Award 2002

CORPORATE INFORMATION

BOARD OF DIRECTORS

Oh Seong Lye	- Chairman/Independent Non-Executive Director
Tan Yong Chuan	- Executive Director and Chief Executive Officer
Tan Kwee Chai	- Executive Director
Tan Ai Luang	- Executive Director
Yeo Kian Wee Andy	- Independent Non-Executive Director
Datuk Yap Kheng Fah	- Independent Non-Executive Director

AUDIT AND RISK COMMITTEE

Oh Seong Lye	- Chairman
Yeo Kian Wee Andy	
Datuk Yap Kheng Fah	

REMUNERATION COMMITTEE

Yeo Kian Wee Andy	- Chairman
Oh Seong Lye	
Datuk Yap Kheng Fah	

NOMINATING COMMITTEE

Datuk Yap Kheng Fah	- Chairman
Oh Seong Lye	
Tan Yong Chuan	

REGISTERED OFFICE ADDRESS

80 Robinson Road #02-00
Singapore 068898

Telephone: +607 455 8828

Website: <http://lyfurniture.com/>

Company registration number: 201629154K

COMPANY SECRETARIES

Pan Mi Keay, ACIS
Chan Wan Mei, ACIS

CONTINUING SPONSOR

Xandar Capital Pte. Ltd.
3 Shenton Way, #24-02
Singapore 068805

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad
108-2 Jalan Rahmat
83000 Batu Pahat
Johor Darul Takzim
Malaysia

AmBank (M) Berhad
No. 35, Jalan Rahmat
83000 Batu Pahat
Johor Darul Takzim
Malaysia

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
7 Straits View
Marina One, East Tower
Singapore 018936
Partner-in-charge: Maurice Loh Seow Wee
(Appointed since financial year ended
31 December 2022)

SHARE REGISTRAR

Tricor Barbinder Share Registration Services
80 Robinson Road #02-00
Singapore 068898

INVESTOR RELATIONS

GC Consultants Pte. Ltd.
Grace Choong
Tel: +65 9026 7978
Email: grace@gccconsultants.io

SUSTAINABILITY REPORT

BOARD STATEMENT

Dear Stakeholders,

The Board of Directors (the “**Board**”) of LY Corporation Limited (the “**Company**” or “**LY Corporation**”, together with its subsidiaries, the “**Group**”, “**we**” or “**us**”), is pleased to present the Group’s sustainability report (this “**Report**”) for the financial year ended 31 December 2022 (“**FY2022**”). The entire Report is set out on pages 14 to 40, and forms part of the Annual Report of the Company.

In this Report, we set out the key material sustainability factors that the Board has considered in setting the Group’s business strategies and direction. The Board is responsible for LY Corporation’s sustainability strategy and reporting. They review our sustainability mission, goals, key considerations, control mechanisms, and performance annually. Through this Report, we hope to reaffirm our commitment to create a long-term sustainable future and achieve further progress in our efforts towards sustainable growth as we continue to refine our sustainability efforts.

Being in the wooden bedroom furniture industry, LY Corporation recognises that sustainable development is imperative for the Group’s long-term success. Our vision is to lead the change towards a climate resilient industry while being a fair and equal company. The Board is keenly aware of growing risks posed by climate change and global warming, as well as deeply committed to respecting human rights across our operations and value chain. Accordingly, we strive to integrate Economic, Environmental, People, and Governance considerations across our business operations, as well as continue to build on our capabilities and extend the value propositions of our business to safeguard stakeholders’ interests.

As we progress on our sustainability journey, we will be regularly reviewing and revising our performance indicators and targets to align with our business objectives. We will also be strengthening our engagement with stakeholders to improve our sustainability efforts and practices to build a long-term, sustainable business. Notably, it is our responsibility to respect and work to advance the human rights and working conditions of the people working for our suppliers as well as the Group’s employees to ensure they know their rights. The Board, assisted by LY Corporation’s Sustainability Steering Committee (“**SSC**”), is responsible for the monitoring, and overseeing of salient sustainability issues as part of its strategic formulation annually. Through the materiality assessment, the SSC identifies the material topics and embeds their underlying implications into our strategic direction. To realise them, our SSC has developed the relevant metrics and targets in the short-, medium- and long-term time horizons to adequately address the various material topics.

We would like to take this opportunity to express our utmost gratitude towards the management of the Group (the “**Management**”), all our staff, customers, suppliers and business partners for their boundless support and commitment to our sustainability goals. We aim to continue to create greater value for all our stakeholders in the year ahead.

The Board of Directors

LY Corporation Limited

SUSTAINABILITY REPORT

ABOUT THIS REPORT

This Report outlines our Group's sustainability approaches, initiatives and strategies. The information presented in this Report covers the reporting period from 1 January 2022 to 31 December 2022 ("FY2022"), unless stated otherwise.

This Report has been reviewed by the Board in compliance with Rule 711B of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst.

REPORTING FRAMEWORK

This Report is prepared with reference to the Global Reporting Initiative Standards ("GRI Standards"), Task Force on Climate-related Financial Disclosures ("TCFD") recommendations and published in pursuant to 711(A) and 711(B) Listing Manual Section B: Rules of Catalyst of the SGX-ST. The Company has selected the GRI Standards as it is a globally recognised and widely adopted framework, which enables our stakeholders to compare our sustainability performance against our industry peers.

The content of this Report was developed using the four (4) reporting principles established by the GRI Standards as follows:

1. Stakeholder inclusiveness: Report context was determined based on engagement and discussions with various stakeholders that the Group considers to be accountable.
2. Sustainability context: The Report covers the Group's performance in the context of sustainability which include the Economic, Environmental, Social and Governance ("EESG") aspects.
3. Materiality: Material issues in the Report are determined through stakeholder engagements and internal discussions.
4. Completeness: The Report covers the impacts of the Group's sustainability efforts during the reporting period using all relevant information collected.

SCOPE OF REPORT

In FY2022, Leyo Holdings Sdn. Bhd. has expanded its operations to include furniture trading and designing of furniture. This Report covers all aspects of the Group's furniture designing, manufacturing, trading and sales in Malaysia for FY2022, which includes the following entities:

- LY Furniture Sdn. Bhd. and LY Global Hub Sdn. Bhd. (collectively "LY Furniture")
- Leyo Holdings Sdn. Bhd. and its subsidiaries, Leyo Manufacturing Sdn. Bhd.⁽¹⁾ and Titan Hardware Sdn. Bhd. (collectively "LHG")

Note:

- (1) The Company transferred the entire share capital of Leyo Manufacturing Sdn. Bhd. held by Leyo Holdings Sdn. Bhd. to LY Furniture Sdn. Bhd. on 30 December 2022. However, as Leyo Manufacturing Sdn. Bhd. was wholly-owned by Leyo Holdings Sdn. Bhd. for the majority of FY2022, Leyo Manufacturing Sdn. Bhd. is referred as part of the LHG group of companies in this Report.

FEEDBACK

This Report forms part of our Annual Report for FY2022 ("2022 Annual Report") and can be viewed or downloaded from <https://investor.lyfurniture.com/>. As part of our continued efforts to improve our reporting, we welcome our stakeholders to submit their feedback to the following personnel:

- Mr. Tan Yong Chuan, Chief Executive Officer (CEO) at tanyc@lyfurniture.com
- Ms. Teo Gin Lian, Chief Financial Officer (CFO) at teogl@lyfurniture.com

SUSTAINABILITY REPORT

KEY HIGHLIGHTS

Dimensions	Material Areas	FY2022 Achievements
Economic	Economic Agility	<ul style="list-style-type: none"> Attended several trade fairs for furniture and builders in FY2022. Launched four (4) new products for LY Furniture and two (2) new product lines for LHG (FY2021: 5 new products for LY Furniture and 2 new product lines for LHG)
	Quality of Product and Services	<ul style="list-style-type: none"> Achieved zero cases of significant chargeback under LY Furniture and LHG (FY2021: zero cases)
	Customer Satisfaction	<ul style="list-style-type: none"> Obtained an average score of 4.12 out of 5 across all three (3) aspects for LY Furniture (FY2021: Obtained an average score of 4.02 out of 5 across all three (3) aspects for LY Furniture)
Environmental	Climate Change	<ul style="list-style-type: none"> Monitored any potential risks and opportunities that climate changes have on our operations. Tracked Scope 1 and Scope 2 Greenhouse Gas emissions
	Energy Usage	<ul style="list-style-type: none"> Generated a total of 3,524.60MWh of solar energy, which is equivalent to approximate 2,062 tonnes of carbon dioxide (CO₂) avoidance
	Water Consumption	<ul style="list-style-type: none"> Adopted more water efficient fixtures and fittings to reduce water consumption Performed frequent checks and maintenance on pipes and installations to prevent potential water leakages
	Waste Management	<ul style="list-style-type: none"> Recycled 1,963,829 kg of wastes, such as scrap iron, wood, plastics and carton
	Material Use	<ul style="list-style-type: none"> 97.96% of wood from sustainable source (FY2021: 99.75%)
Social	Talent Attraction and Retention	<ul style="list-style-type: none"> Provided fair and competitive compensation packages to ensure that employees' well-being, and career progression are well-taken care of
	Training and Development	<ul style="list-style-type: none"> Attained an average 8.6 training hours per employee (FY2021: 7.7 training hours)
	Workplace Health and Safety	<ul style="list-style-type: none"> Achieved zero cases of workplace fatalities (FY2021: zero cases)
Governance	Corporate Governance	<ul style="list-style-type: none"> Complied with principles of the Code of Corporate Governance and provided explanations where there are deviations to the Code of Corporate Governance (FY2021: same as FY2022)
	Ethics, Bribery and Corruption	<ul style="list-style-type: none"> Achieved zero cases which are unethical, fraudulent or corrupt in nature (FY2021: zero cases)
	Regulatory Compliance	<ul style="list-style-type: none"> Achieved zero significant fines and zero reported cases of non-compliance with all applicable laws, rules and regulations (FY2021: zero significant fines and zero reported cases)

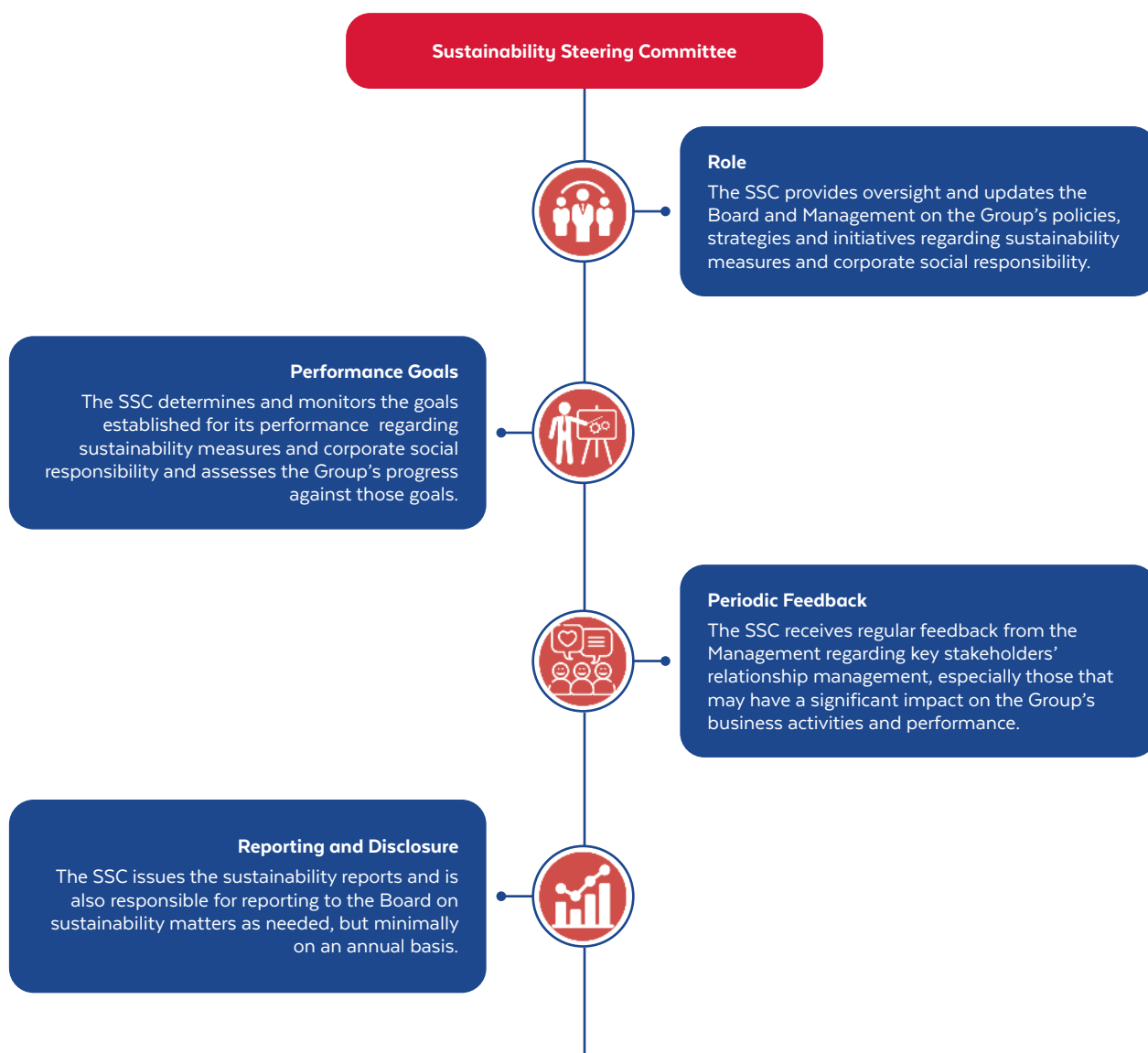
SUSTAINABILITY REPORT

MANAGING SUSTAINABILITY AT LY CORPORATION

We recognise the importance of a robust sustainability governance structure to ensure accountability and transparency. The SSC, supported by the SWC, takes a pro-active role in executing and monitoring of the Group’s sustainability practices and performance. The SSC comprises the Heads of Departments from Finance, Sales & Marketing, Administration, Purchasing & Procurement, Operations and Health, Safety & Environmental Department departments.



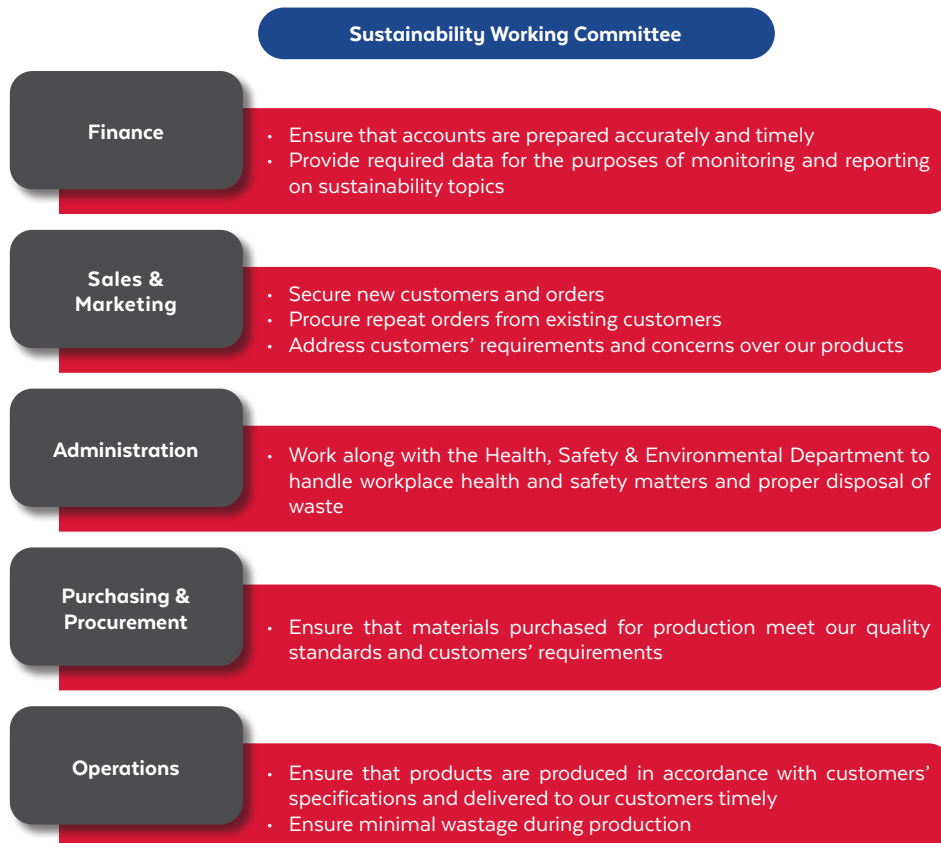
SUSTAINABILITY STEERING COMMITTEE



SUSTAINABILITY REPORT

SUSTAINABILITY WORKING COMMITTEE

The SWC consists of representatives from Finance, Sales & Marketing, Administration, Purchasing & Procurement and Operations departments. Under the directives of SSC, the representatives are responsible for implementing the Group's sustainability initiatives.



SUSTAINABILITY REPORT

STAKEHOLDER ENGAGEMENT

We actively communicate and respond to our stakeholders’ needs to align our expectations and goals. We regularly review the needs and expectations of the respective groups of stakeholders to ensure that stakeholders’ expectations and concerns are considered in our business decisions.

The following table summarises the various stakeholder engagement activities, the key concerns of stakeholders which the Group has gathered, and our commitments to sustainability to address those key stakeholder concerns.

Stakeholder	Engagement Platforms	Frequency	Key Feedback/Concern	Commitments to Sustainability
Investors	Annual general meeting	Annual	<ul style="list-style-type: none"> • Sustainable profitability and shareholders’ returns • Long-term business growth • Accurate, timely and transparent disclosure of information • High standards of corporate governance 	<ul style="list-style-type: none"> • Strive to generate sustainable long-term profitability • Adhere to timely, transparent and accurate dissemination of pertinent information to the market • Ensure good corporate governance are in place in accordance to principles and provisions of the Code of Corporate Governance 2018
	Annual report	Annual		
	Financial result announcements	Bi-annual		
	Other corporate announcements	Ad-hoc		
	Company website	Throughout the year		
Employees and Workers	Performance reviews with Heads of Department	Quarterly	<ul style="list-style-type: none"> • Job security • Safe working environment • Fair and competitive employment practices • Staff development and well-being • Work-life balance • Competitive remuneration and benefits 	<ul style="list-style-type: none"> • Seek to ensure the job security of employees when making business decisions • Create a safe and cohesive working environment • Provide fair and equal opportunities to all employees • Provide talks and trainings on safety • Share economic value generated by the Group with employees through increments and bonuses
	Training and development	Throughout the year		
	Feedback platform	Throughout the year		
Customers	Emails	Throughout the year	<ul style="list-style-type: none"> • Quality of finished goods • Timely delivery of finished goods • Competitive pricing • Timely response to customers’ feedbacks and complaints 	<ul style="list-style-type: none"> • Deliver products with high standards of quality and consistency according to customers’ specifications • Ensure timely shipment of products • Price negotiation with clients to ensure competitive pricing in the market while maintaining the Group’s profit margin • Prompt to deliver after-sales services upon customers’ requests
	Tele-conversations	Throughout the year		
	Physical and/or virtual meetups with customers	Throughout the year		
Suppliers/ Sub-contractors	Emails	Throughout the year	<ul style="list-style-type: none"> • Provide suppliers consistent/greater business opportunities • Meeting our Group’s quality requirements 	<ul style="list-style-type: none"> • Committed to making sustainable procurement choices • Providing timely feedback on quality of materials/products to suppliers/sub-contractors
	Tele-conversations	Throughout the year		
	Physical and/or virtual meetups with suppliers/ sub-contractors	Ad-hoc		

SUSTAINABILITY REPORT

Stakeholder	Engagement Platforms	Frequency	Key Feedback/Concern	Commitments to Sustainability
Government/ Regulators	Correspondences through emails and letters	Throughout the year	<ul style="list-style-type: none"> • Compliance with laws, rules and regulations • Corporate governance • Safe working environment 	<ul style="list-style-type: none"> • Strict compliance with relevant laws, rules and regulations • Fair and reasonable business practices • Prioritise employees' health and safety • Provide directors and employees regular trainings to update them of latest regulations and practices
	Meetings, briefings and regular reporting	Ad-hoc		
The Community	Community outreach initiatives	Ad-hoc	<ul style="list-style-type: none"> • Eco-sustainable business practices • Responsible and ethical business practices • Contribution to local community 	<ul style="list-style-type: none"> • Understand and support initiatives by local community/government

SUSTAINABILITY REPORT

MATERIALITY ASSESSMENT

To keep abreast of material and critical issues, the Group periodically evaluates and benchmarks its business operations against the changing business landscape, emerging global trends, stakeholders’ opinions and regulatory developments.

The opinions and feedbacks were gathered from the various stakeholders from the abovementioned engagement channels in the previous section. The materiality assessment is outlined below:

Stage 1: Identification

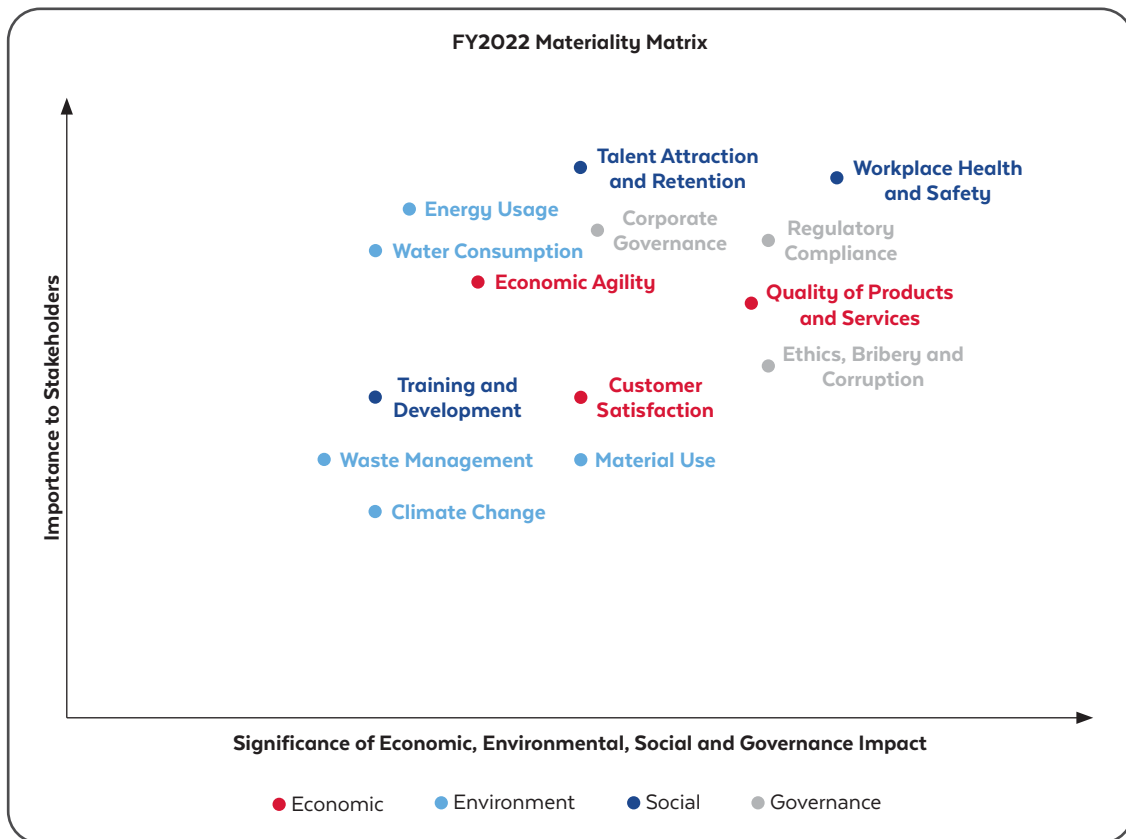
ESG factors are identified through the feedbacks provided from stakeholders through the various communication channels. Additionally, benchmarking of the Group’s ESG factors was made against those disclosed by suitable peer companies of the Group.

Stage 2: Prioritisation

The SSC, SWC, key management personnel and employees responsible for each identified ESG factor review and assess the relevance of material factors, based on the importance to our stakeholders and the level of impact to our business.

Stage 3: Validation

Findings from the first two stages are presented to the Board who subsequently confirms a list of key material ESG factors for disclosure.



SUSTAINABILITY REPORT

UPDATES TO MATERIAL TOPICS

In FY2022, through our materiality assessment, we have identified and included the following new material topics:

- Energy Usage;
- Water Consumption;
- Waste Management;
- Climate Change; and
- Talent Attraction and Retention.

Reasons for their inclusion and their relevance to our business and stakeholders are discussed below.

MATERIAL TOPICS - AT A GLANCE

For each material topic, we report on its importance to our business and stakeholders as well as measures that are in place to address these material aspects.

Material Topic	Relevance	How We Are Addressing the Issue
Economic		
Economic Agility	<p>We recognise the importance to adapt to the constantly evolving business environment in the furniture industry.</p> <p>We aim to be adaptable and expand into new markets and product offerings to diversify our risks and increase our market presence.</p>	<p>We strive to continue to expand our presence into new markets and strengthen our product offerings through collaboration with business partners and engagements in business fairs.</p> <p>We also believe that our strategy for diversification over the years will help us to mitigate the financial impact of the pandemic and global market events.</p>
Quality of Products and Services	<p>We believe that providing our customers with products and services of the highest quality is the cornerstone of business growth.</p> <p>We recognise that delivering consistent excellent quality products and services is critical for our customer satisfaction and brand loyalty.</p>	<p>We uphold our standard of delivering quality products and services through our rigorous quality control inspections and dedication to customer service. We also invest in our human capital through provision of regular trainings.</p> <p>Our quality assurance policy also emphasises the importance of products being of excellent quality before delivering to our customers.</p>
Customer Satisfaction	<p>We recognise the importance of quality in our products and services, as it forms a large part of our branding.</p> <p>We are committed to providing our customers with high quality furniture and services, while seeking to maintain this business relationship in the long run.</p>	<p>We are committed to engage in open communication with our customers and to hear their views and concerns.</p> <p>We have established feedback channels to receive prompt feedback. We also have formalised process in place to receive, escalate, follow-up and report customers' feedback.</p>
Environmental		
Energy Usage	<p>The Group recognises that investing in energy conservation not only reduces our carbon footprint but will simultaneously aid in our cost savings.</p>	<p>We constantly review our production processes to optimise the use of energy. We have also adopted renewable energy solutions which improves our energy efficiency and diversify our energy supply.</p>
Water Consumption	<p>We recognise that water is a finite resource and businesses play an important role in ensuring the sustainability of water resources.</p>	<p>We strive to minimise water consumption and improve water usage efficiency through active monitoring. We also seek to inculcate a sense of environmental stewardship in our employees through reminders to minimise use of water.</p>
Material Use	<p>We believe in providing the best quality products to our customers but not at the expense of the environment.</p>	<p>We are committed to achieve our economic goals in a sustainable and environmentally friendly manner.</p> <p>The Board and Management recognises the importance of using materials that adheres to our quality policy. We continue to strive towards making sustainable procurement choices.</p>

SUSTAINABILITY REPORT

Material Topic	Relevance	How We Are Addressing the Issue
Waste Management	We recognise that minimising waste produced can reduce environmental degradation and conserve resources.	We aim to effectively manage and minimise waste produced from our business activities through resourceful usage and the adoption of recycling initiatives.
Climate Change	We recognise the impact that climate changes might have on our business and see the importance of partaking in global efforts to mitigate the impact of our operations on the environment.	We perform regular risk assessments and constantly monitor our environment for any potential risks and opportunities that climate changes have on our operations.
Social		
Talent Attraction and Retention	We believe that attracting and retaining competent employees is crucial in the success of our business.	We strive to provide fair and competitive compensation packages for our employees. Furthermore, we also ensure that employee's well-being, welfare, and career progression are well-taken care of.
Training and Development	We believe that our business' productivity and profitability is dependent on our human capital capacity and quality. Investing in training and development programmes to groom skilled and competent employees and workers create long-term value for our Group.	We strive to retain our talent pool by offering them in-house and external training programmes to upgrade their skill sets and meet the needs of their professional development. We advocate good working environment by providing orientation and on-job supervision and guidance.
Workplace Health and Safety	We are committed to provide a safe and healthy working environment for all employees.	We have established a Safety, Health and Environment Policy and our Safety, Health and Environment Committee is responsible for ensuring that the policy is understood and adhered by all employees and workers. Regular trainings are provided to promote health and safety awareness amongst our employees.
Governance		
Corporate Governance	We are committed to establish a strong corporate governance culture with zero tolerance towards unethical practices.	We strive to uphold the highest standard of corporate governance and transparency and compliance to the principles of the Code of Corporate Governance. We established code of conduct which are expected to be complied by all employees as our commitment to the ethical standards.
Ethics, Bribery and Corruption	We believe that upholding high standards of ethics and conducting our business with integrity is fundamental for the business' success. Therefore, we are committed to building a positive corporate image through our exemplary corporate governance and business ethics.	We have zero tolerance towards unethical practices, bribery, corruption and fraud. We also have a whistle-blowing policy in place to enable the reporting and follow-up on concerns of malpractice or any suspicion of fraudulent or inappropriate activities within the Group. We have established internal controls and written policies on areas of Conflict of Interest, Whistle-blowing, Employment Code of Conduct and Anti-Bribery & Anti-Corruption Policy to provide guidance to our employees in their business conduct.
Regulatory Compliance	With a strong ethical culture, we seek to ensure compliance with all regulatory requirements at all times. Any breach of laws, rules and regulations could significantly hurt our businesses and negatively impact our reputation in the industry.	The Board and Management set a strong tone at the top with zero tolerance towards any non-compliances with the Group's policies, applicable laws, rules and regulations. The Group upholds a strong ethical culture and all employees are inculcated with the importance of regulatory compliance since their orientation training.

SUSTAINABILITY REPORT

ECONOMIC

LY Corporation is committed to be the leading manufacturer of wooden bedroom set, and we strive to achieve strong, sustainable economic performance and exceed customers' expectations with our corporate network, robust inventory management, and vast experience in the industry. As we aspire to provide competitive, cutting-edge products for our clients and enhance operational efficiency, we seek to deliver exceptional and professional customer service and ultimately, create long-term value for all stakeholders, promote growth and scalability, and boost profitability.

For detailed information on our financial performance, please refer to the financial statements in our 2022 Annual Report.

ECONOMIC AGILITY

We recognise the importance to adapt to the constantly evolving business environment in the furniture industry. We aim to be adaptable and expand into new markets and product offerings to diversify our risks and increase our market presence. We are dedicated to being economically agile and operationally ready to respond to the ever-changing market condition and risks. In FY2022, we strive to continue to expand our presence into new markets and strengthen our product offerings for diversification.

Economic Value Generated and Distributed

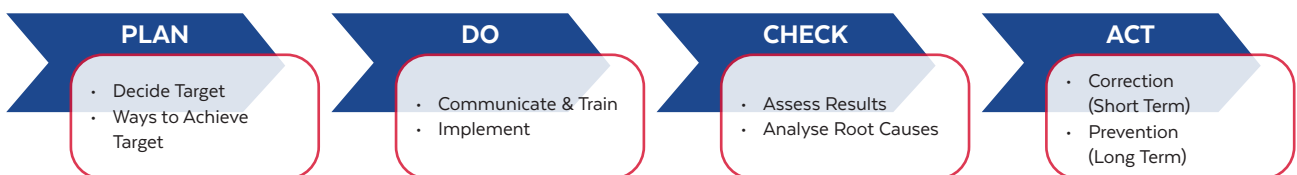
Financial Year		FY2021 RM'000	FY2022 RM'000
Economic Value Generated		199,524	240,898
Economic Value Distributed	Operating Costs	168,459	192,530
	Employee Wages and Benefits	36,379	37,766
	Capital Providers	1,449	2,247
	Government	81	98
	Communities	18	23
Total Economic Value Distributed		206,386	232,664
Economic Value (Distributed)/Retained		(6,826)	8,234

The Group continues to remain resilient and vigilant in monitoring the evolving market conditions and purchasing trend of consumers to continue to grow the business in a sustainable manner and remain relevant in the industry. We also strive to continue to expand our presence into new markets and strengthen our product offerings. In FY2022, we have attended several trade fairs for furniture and builders to reach out to more customers and expand our market.

Perpetual Target	Performance in FY2022
To expand our presence into new markets and strengthen our product offerings	Attended several trade fairs for furniture and builders to reach out to a wider customer base.

QUALITY OF PRODUCTS AND SERVICES

Delivering excellent quality products and services is at the heart of our business philosophy since the Group was set up in 1976. Our Group's Quality Policy emphasises the importance of a Plan-Do-Check-Act ("PDCA") approach to ensure continual improvement and enhance customer satisfaction in all of our business processes.



We also understand that it is important to invest in our human capital through training programmes so as to equip them to conduct better quality checks and higher standard of internal audits on our quality assessments. Notably, the Group recognises that the importance of quality assurance training, which will enable employees to develop the required knowledge and skillsets to assess and report on the conformance and implementation of the quality procedures. In FY2022, the Group has conducted several ISO related in-house training courses for employees, delivered by both internal and external trainers.

SUSTAINABILITY REPORT

In lieu of the Group’s commitment to maintain high standards of quality, the Group did not have any significant customer chargeback cases (that is, cases with chargeback amounts of RM50,000 and above) in FY2022.

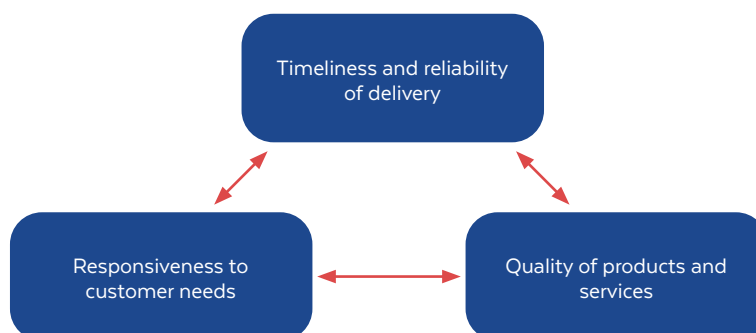
Target for FY2022	Performance in FY2022	Target for FY2023
To achieve no more than five (5) significant customer chargeback cases in FY2022	Zero significant customer chargeback cases in FY2022 (FY2021: zero significant customer chargeback cases)	To achieve no more than five (5) significant customer chargeback cases in FY2023

CUSTOMER SATISFACTION

We prioritise our customers’ experience and strive to exceed their expectations in our products and services delivery. The Group values all types of feedback received from our customers and views them as opportunities for continuous improvement. To demonstrate the Group’s commitment, our dedicated Sales and Marketing team had established a customer feedback process to ensure that all feedback are received and addressed delicately and intentionally.

Upon the receipt of feedback from customer, a thorough investigation will be conducted and issues will be directed to the respective departments for their necessary actions. Thereafter, our team will provide prompt detailed explanations to our customers to show our commitment to our customers’ well-being.

An annual customer survey for LY Furniture, overseen by our Executive Director of Sales and Marketing of LY Furniture, was also conducted by our Sales and Marketing Team of LY Furniture in accordance with ISO9001:2015 requirements. The annual survey highlights areas with room for improvement and provide guidance in development of corrective action. The key criteria for our customer survey are as follows:



Customers are required to grade our products and services against these criteria based on five (5) different levels of satisfaction, from 1 (Not Satisfied) to 5 (Fully Satisfied). As a testament to our efforts, LY Furniture obtained an average score of 4.12 across all three (3) aspects in FY2022.

Target for FY2022	Performance in FY2022	Target for FY2023
To achieve an average of above 4.0 across all three (3) aspects for the customer satisfaction survey for FY2022 for LY Furniture and LHG.	Obtained an average score of 4.12 across all three (3) aspects for LY Furniture (FY2021: Obtained an average score of 4.02 across all three (3) aspects for LY Furniture)	To achieve an average of above 4.0 across all three (3) aspects for the customer satisfaction survey for FY2023 for LY Furniture and LHG.

MOVING FORWARD

As we forge ahead, we remain steadfast in our pursuit of growth and innovation. Our aim is to conquer new frontiers and fortify our product portfolio. With unwavering dedication, we will constantly elevate our quality standards to deliver exceptional value to our stakeholders. We aim to surpass customer expectations and provide unparalleled satisfaction with our products and services.

SUSTAINABILITY REPORT

ENVIRONMENTAL

As the world rallies to limit global temperature rise to well below 1.5°C as set out in the Paris Agreement, we too seek to do our part to reduce GHG emissions in our business activities. We are working towards developing strategies to build climate resilience across our business divisions, and the first step is to understand the potential risks and opportunities from climate change, as well as their financial impact on our businesses.

TCFD REPORT (CLIMATE CHANGE)

GOVERNANCE

The Board has the overall responsibility for the Group's sustainability strategy, including climate-related risks and opportunities. Committees are established to evaluate and monitor climate-related risks and opportunities. Refer to our Sustainability Steering Committee Structure on page 16 and 17 of the Report for further details.

STRATEGY

We seek to transform the Group into a climate-resilient and future-ready business. Our overarching climate strategy is to identify, assess, prioritise, mitigate, and monitor climate-related physical and transition risks in our business. We also seek to capitalise on climate-related opportunities with the global shift to a lower-carbon economy by 2030 and a net-zero standard by 2050. We expect our strategies evolve to be more developed and refined as we progress with a deeper analysis of risks and opportunities over the coming years.

SCENARIO ANALYSIS

To assess the impact of climate change on our business, we have performed scenario analysis to review risks and opportunities under different climate scenarios as follows:

Scenario	Paris-aligned scenario (below 2°C)	No mitigation scenario (4°C)
Rationale	We selected this scenario to assess the transition impacts in an economy shifting to a low carbon world. It reflects actions required to limit global warming to under 2°C.	We selected this scenario to assess our physical risk under a high-emission scenario, consistent with a future with limited policy changes to reduce emissions.
Underlying model	International Energy Agency's Sustainable Development Scenario	Intergovernmental Panel on Climate Change ("IPCC") Representative Concentration Pathway 8.5
Used to analyse	Transition impacts	Physical impacts
Assumptions	Transition features: <ul style="list-style-type: none"> Carbon tax and pricing introduced Fossil fuel subsidies phased out by 2050 in net-importers and by 2035 in net-exporters Increased generation from renewable energy 	Physical features: <ul style="list-style-type: none"> Global emissions continue to rise because of high carbon intensity Global mean sea level rise of 0.63 metres by year 2100 High frequency and intensity of heat waves and extreme precipitation events

CLIMATE-RELATED RISKS AND OPPORTUNITIES

Taking into consideration the above scenarios, we have identified the following risks/opportunities and their impact on our business should the above scenarios materialise.

Climate-related risks	
Description	Impact
Physical risks	
Acute <i>Increased severity of extreme weather events such as frequent flooding</i>	<ul style="list-style-type: none"> Prolonged production timeline Increased insurance premiums Reduced revenue from lower sales output
Chronic <i>Rising mean temperatures</i>	<ul style="list-style-type: none"> Longer dry spells leading to higher water costs Increased thermal stress and a health risk for our employees Lower work productivity

SUSTAINABILITY REPORT

Climate-related risks	
Description	Impact
Transition risks	
Policy and Legal	<ul style="list-style-type: none"> • Increased compliance costs and operation costs • Increased insurance premiums
Technology	<ul style="list-style-type: none"> • Capital investments into technology development • Cost of adoption • Increased write-offs and early retirement of existing assets • Reduced demand for services
Market	<ul style="list-style-type: none"> • Increase in energy and water costs • Changing client preferences such as demand for environmental-friendly products • Inability to meet customers' sustainability expectations could make our services less attractive

Climate-related opportunities	
Description	Impact
Resource Efficiency	<ul style="list-style-type: none"> • Enhancing energy efficiency and water conservation in our operations and business properties can reduce costs
Energy Sources	<ul style="list-style-type: none"> • Reduced exposure to fossil fuel price increase • Returns on investment in low-emission technology • Increased energy resilience
Products and Services	<ul style="list-style-type: none"> • Offerings with sustainable designs or material can attract environmentally conscious customers

RISK MANAGEMENT

To safeguard the interest of the Company and its shareholders, the Group has established an Enterprise Risk Management (“ERM”) Framework formulated as a guideline for the Group’s approach and mitigative actions on sustainability-related risks. As part of our annual ERM exercise, ESG risks are identified, assessed, and managed to ensure that these risks remain within our risk appetite.

The table below illustrates our key mitigation strategies for material risks.

Climate-related risks	
Description	Mitigating Measures
Physical risks	
Acute <i>Increased severity of extreme weather events such as frequent flooding</i>	<ul style="list-style-type: none"> • Business continuity plan and crisis management plan • Develop climate-resilient policies and procedures as well as integrate them as a part of ERM efforts • Conduct stress-test total exposure against projected climate hazards
Chronic <i>Rising mean temperatures</i>	<ul style="list-style-type: none"> • Adopt more water efficient fittings and products • Shorten exposure time and use frequent rest breaks for workers • Provide a better indoor environmental quality for our employees
Transition risks	
Policy and Legal	<ul style="list-style-type: none"> • Use of sustainable materials and technologies that are compliant with laws and regulations • Adoption of renewable energy
Technology	<ul style="list-style-type: none"> • Switch to low-emission technologies
Market	<ul style="list-style-type: none"> • Prioritise the reduction of emissions and pollutions in our value chain • Leverage on opportunities to develop new markets • Work closely with stakeholders to promote environmental-friendly practices in value chain

SUSTAINABILITY REPORT

METRICS AND TARGETS

In addition to our existing metrics and targets, we will continue to enhance our disclosures on the implementation of our Net Zero Roadmap by 2050. This includes improving our ability to identify and measure emissions, working with our suppliers and customers, and exploring new ways in which we can use analytics, automation, and artificial intelligence to enhance decision making and transparency.

Greenhouse gas emissions

The majority of GHG emissions within our operations arise from the use of electricity and fuel (diesel). Activities from our projects are key driver of GHG emissions.

We monitor our GHG emissions regularly and report Scope 1 direct emissions and Scope 2 indirect emissions in line with the GHG Protocol and the GRI Standards. Our Scope 1 direct emissions are primarily from motor vehicles and on-site furnaces. Scope 2 emissions are from purchased electricity.

Scope 1 Emissions

Scope 1 mobile emissions refer to a wide variety of company-owned or operated vehicles, engines and equipment that generate GHG emissions through the combustion of various fuels while moving from one location to another. To further curtail our emissions, we consider replacing more vehicles with green engines or switching to lower emissions vehicles that are fuel efficient, equipped with eco-friendly technology, and comply with the emission standards. We practise efficient planning of route for our motor vehicles, and regular maintenance is performed to ensure optimal engine performance and fuel consumption, which in turn reduces our GHG emissions.

The Group's environmental performance in FY2022 is as below:

Pollutant	CO ₂	CH ₄	N ₂ O
Emission Factor ¹ (kg/litre)	2.68	0.000023	0.000032
Global Warming Potential (GWP)	1	28	265

Financial Year	FY2022
Fuel Used	Diesel
Fuel Consumed (litre)	38,343
CO ₂ Emissions (tCO ₂ e)	102.76
CH ₄ Emissions (tCO ₂ e)	0.02
N ₂ O Emissions (tCO ₂ e)	0.33
Total GHG Emissions (tCO ₂ e)	103.11
Number of employees	1,042
GHG Intensity (tCO ₂ e/employee)	0.10

Scope 2 Emissions

Our Scope 2 GHG emissions are indirect emissions generated from the consumption of purchased energy in the form of electricity. The Group's environmental performance in FY2022 is as below:

Pollutants	CO ₂
Operating Margin (OM) Grid Emission Factor (GEF) ²	0.55
Global Warming Potential (GWP)	1

Financial Year	FY2022
Electricity Consumed (kWh)	8,482,062
CO ₂ Emissions (tCO ₂ e)	4,663.13
Number of Employees as at 31 December 2022	1,042
GHG Intensity (tCO ₂ e/employee)	4.48

¹ Retrieved from: Guidance from GHG Protocol and Intergovernmental Panel on Climate Change (IPCC)

² Retrieved from: TNB's (Tenaga Nasional Berhad) Sustainability Report 2021

SUSTAINABILITY REPORT

Target for FY2023	Target for FY2030
To maintain zero incidents of environmental policy related fines	<ul style="list-style-type: none"> Reduce GHG emission levels and emission intensities by 20% by FY2030 (in comparison with FY2022) Include disclosure of Scope 3 GHG emissions by FY2030

MATERIAL USE

Exhibiting our commitment to sustainable growth, the Group seeks to monitor and manage resources consumed by our business closely. In FY2022, 98% of our wood (that is, timber) were sourced from sustainable sources.

Target for FY2022	Performance in FY2022
At least 90% of wood sourced from sustainable sources.	97.96% of our wood (that is, timber) were sourced from sustainable sources.

The Group is committed to making sustainable procurement choices for our manufacturing operations and continually reminds suppliers to source from environmental-friendly sources. All potential suppliers undergo rigorous evaluations to assess their impact on the environment and only those who have minimal or no negative impact are considered for partnership. The Group also conducts yearly evaluations for all current suppliers to ensure they are meeting sustainability standards and fulfilling the Group's expectations.

LY Furniture had attained the Certificate for Chain-of-Custody of Forest Based Products, under Programme for the Endorsement of Forest Certification ("PEFC") in 2021. The scope of our certification includes the (i) purchase of PEFC-certified and PEFC-controlled sources sawn timber and wood panels and (ii) manufacture and sale of PEFC-certified and PEFC-controlled source wooden bedroom set furniture using physical separation and percentage-based method. Our certification is valid until the end of 2026.

The receipt of the PEFC certification will further reinforce our brand reputation as an eco-friendly business. Below are some of the benefits:

- (a) Enables us to source responsibly and to communicate to customers that the wood we are using for our products comes from sustainably managed forests;
- (b) Leading retailers are demanding PEFC-certified products as part of their corporate social responsibility commitments and are developing responsible procurement policies for many forest products. With PEFC certification, we will be well placed to meet these requirements;
- (c) PEFC certification assists in meeting regulatory requirements such as the European Union Timber Regulation and the US Lacey Act; and
- (d) We are able to use the PEFC label by selling products produced from PEFC-certified materials.

Perpetual Target
Explore ways to increase adoption of renewable sources of energy and environmental-friendly production methods.

ENERGY USAGE

The Group recognises that investing in energy conservation not only reduces our carbon footprint but will simultaneously aid in our cost savings. We actively monitor our electricity consumption and seek ways to optimise energy usage. For data on energy consumption, kindly refer to the disclosures under the TCFD Report – Scope 2 Emissions.

We have also explored efficient and renewable solar solutions which improves our energy efficiency and diversify our energy supply in a sustainable manner, allowing us to reduce the environmental impact of our operations.

In FY2022, the solar photovoltaic (PV) system installed had generated a total of 3,524.60MWh of solar active energy, which is equivalent to approximate 2,062 tonnes of carbon dioxide (CO₂) avoidance.

SUSTAINABILITY REPORT

WATER CONSUMPTION

We also recognise that businesses play an important role in ensuring the sustainability of water resources. Therefore, we strive to minimise water consumption and improve water usage efficiency. Our water usage data is closely tracked, monitored and reported.

Financial Year	FY2022
Water Consumed (cubic meters)	108,750
Number of Employees as at 31 December 2022	1,042
Water Intensity (Total water consumption/Number of employee)	104.34

We have continued to monitor our water usage and adopted the following measures to ensure water usage efficiency:

- Adopt more water efficient fixtures and fittings with Water Efficient Labelling Scheme (“WELS”) three ticks or more to reduce water consumption;
- Installation of water conservation apparatus; and
- Perform frequent checks and maintenance on pipes and installations to prevent potential water leakages.

Target for FY2023	Target for FY2030
Reduce water intensities by 5% in FY2023	Reduce waste intensities by 20% in FY2030

WASTE MANAGEMENT

In line with our dedication to preserve the environment, we have made waste management a key aspect of our operations and processes. We aim to effectively manage and minimise waste produced from our business activities through resourceful usage and the adoption of recycling initiatives, which play a central role in our waste management approach. In FY2022, the amount of waste disposed and recycled by LY Furniture are as follows:

	Type of waste				
	Wood	Plastic	Carton	Scrap Iron	Others
Amount of waste recycled (kg)	1,822,268	37,890	78,950	5,070	19,651
Amount of waste disposed (kg)	1,303,280	-	-	-	816,532

Wood waste generated in LY Furniture is also used as feedstock for our factory boiler to produce heat for our production process in addition to being sent to third-party boilers. Sawdust is also sold to other companies for their consumption or further processing.

Additionally, conscious efforts were put in to maximising the usage of the wood to reduce wastage (i.e. off cut).

Target for FY2023	Target for FY2030
Reduce waste intensities by 5% in FY2023	Reduce waste intensities by 20% by FY2030

MOVING FORWARD

As part of the Group’s ongoing efforts to conserve energy, we will continue to take a proactive stance in environmental protection, exploring new ways to improve our waste management practices and raise our recycling rates. We also remain dedicated to maintaining our record of zero penalties for non-compliance with all applicable environmental regulations in the jurisdictions we operate in.

SUSTAINABILITY REPORT

SOCIAL

LY stands for “Lian You” (联友), which means “uniting friends” and the Group strongly believes that one cannot succeed without friends, especially in an ever-changing and fast-growing globalised market. Our corporate philosophy is embedded into our corporate actions and is extended to all our stakeholders as identified in previous pages.

The Group recognises that employees, customers, and communities are the cornerstone of a successful and sustainable organisation. As such, we are dedicated to empowering and fostering the growth of our staff to their full potential. Additionally, we also aim to make a positive impact on the communities in which we operate.

TALENT ATTRACTION AND RETENTION

We recognise that our business’ longevity is tied to our human capital. Our employees’ compensation packages are designed to be fair, equal and based on job requirements, qualifications and experience. Recognising compensation as a crucial factor for our staff, we regularly review our packages against industry standards to maintain their competitiveness. We also adopt a firm stance against discrimination based on race, ethnicity, age, gender or nationality.

Our recruitment process is robust, fair and transparent, with selection criteria based on merit. Along with competitive compensation, we also ensure that employees’ well-being, welfare, and career progression are well-taken care of. Employees are entitled to benefits such as medical allowances, annual leaves, and special leaves for life events like marriage, prenatal, and paternity. For our employees who have given their all, serving the company for more than five (5) years, we reward them with long service awards as a token of our appreciation for their valuable contributions and unwavering commitment.

By doing so, we seek to attract and retain competent individuals who embody our Group’s culture and values.

Employees’ Profile

As of 31 December 2022, our employees’ profile is as follows:

Workforce As of 31 December 2022	No. of headcount	Percentage of total headcount (%)
By Gender		
Male	824	79
Female	218	21
By Age Group		
18-30 years old	372	36
31-50 years old	595	57
Over 50 years old	75	7
By Nationality		
Malaysian	552	53
Bangladeshi	190	18
Burmese	206	20
Nepalese	85	8
Pakistanis	9	1

Workforce As of 31 December 2022	No. of new hires	No. of turnovers
By Gender		
Male	309	533
Female	59	110
By Age Group		
18-30 years old	120	338
31-50 years old	228	289
Over 50 years old	20	16

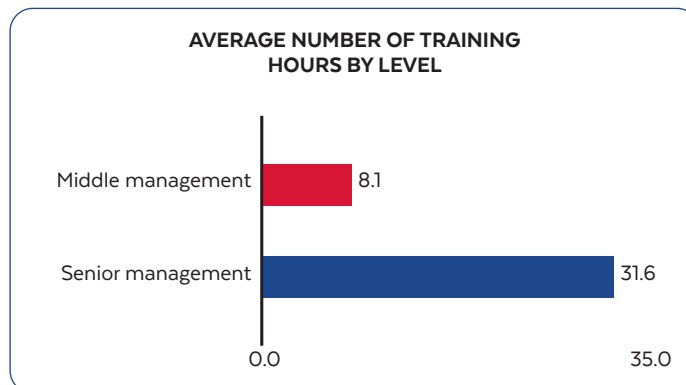
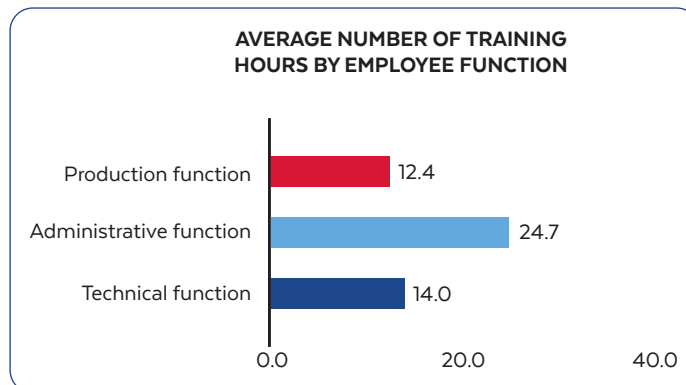
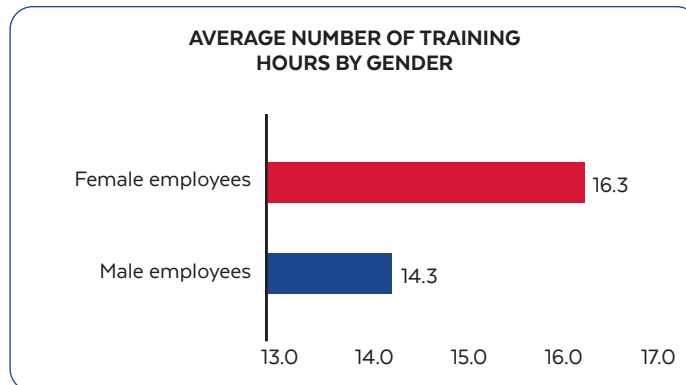
SUSTAINABILITY REPORT

TRAINING AND DEVELOPMENT

At the Group, we understand that our triumph is predicated on a competent team, capable of achieving our business objectives. As such, we are steadfast in fostering the growth of our people through a wide variety of internal and external training and development programs. These programs aim to equip our employees with cutting-edge skills and knowledge, allowing them to stay ahead of the curve and meet the demands of their professional growth.

In FY2022, we conducted training for employees on topics such as security, information security, fire safety, personal data protection act and department/function specific training. All new employees are also given induction training where they are introduced to the basic company rules and regulations as well as Occupation, Health and Safety (“OHS”) awareness.

The details of our employee training statistics for FY2022 are as follows:



Notes:

- 1: Senior management refers to employees with designation of Assistant Manager and above (excluding general workers from production function).
- 2: Middle management refers to employees with designation of Executive and below (including general workers from production function).

SUSTAINABILITY REPORT

We believe in regularly evaluating our employees’ performance and providing them with constructive feedback to help them improve and grow. To this end, we’ve implemented a quarterly performance review system that gives employees quick and actionable insights into their work. The review process assesses the employee’s quality of work, output, work responsibility, timeliness, ability to follow instructions, relationships with colleagues, and critical thinking skills. This regular review process allows employees to track their progress, receive recognition for their good work, and make necessary adjustments to their job performance.

Target for FY2022	Performance in FY2022	Target for FY2023
To provide an average of 4 hours of training per employee for the Group.	Attained an average 8.6 training hours per employee (FY2021: 7.7 training hours)	To provide an average of 10 hours of training per employee for the Group.

WORKPLACE HEALTH AND SAFETY

The Group places utmost importance on the health and safety of our employees and takes proactive measures to foster a culture of safety. We have implemented a comprehensive Safety, Health, and Environment Policy (“**SHE Policy**”) to guide all employees in maintaining safe and healthy work practices.

The Management is responsible for ensuring compliance with all health and safety regulations and all employees are trained on proper health and safety procedures. The Group has also achieved ISO 45001:2018 certification for occupational health and safety management. A dedicated Safety, Health, and Environment Committee (“**SHE Committee**”) oversees the implementation of the SHE Policy and ensures that it is being followed by all employees. The SHE Committee comprises key leaders and safety representatives from various factories and warehouses. Our commitment to employees’ safety and health remains unwavering as we strive to create a safe and healthy work environment for all.

In LY Furniture, to identify work related hazards that poses a high consequence work injury, we adopted the following model for every work activity:



The use of personal protective equipment and engineering control are required wherever it is appropriate. We also installed machine covers to reduce sound level and pinch hazard to safeguard the health and safety of our employees.

In FY2022, the breakdown of the injury rate is as follows:

Indicator	FY2022
	Total Number
Fatalities as a result of work-related injury	0
High-consequence work-related injuries ¹	0
Number of recordable work-related injuries ² , excluding high-consequence work-related injuries	4
Number of hours worked	2,930,932

Notes:

- 1: High-consequence work-related injuries refers to work-related injury that results in a fatality or in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within six (6) months.
- 2: Recordable work-related injuries refers to work-related injury or ill health that results in any of the following: death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid, or loss of consciousness; or significant injury or ill health diagnosed by a physician or other licensed healthcare professional, even if it does not result in death, days away from work, restricted work or job transfer, medical treatment beyond first aid, or loss of consciousness.

The main causes of the aforementioned work-related injuries were due to human error especially relating to machine handling and not adhering to work instructions. We have since briefed the supervisors to step up on continuous supervision to ensure that all employees properly handle machinery and equipment with care and strong safety awareness.

We have taken proactive steps to ensure that first-aid rooms are maintained and trained first aiders are available at every factory in LY Furniture. For employees who require medical check-ups or treatments, we will arrange transport to send them to health clinics to seek medical attention. Fire drills are also conducted to ensure that employees are aware of how to use fire-fighting equipment and how to respond in a fire safety situation.

SUSTAINABILITY REPORT

Our factories and warehouses are equipped with first-aid rooms, trained first aiders, and Emergency Response Teams (“ERTs”) to respond to any emergency. All employees are insured with personal accident and life insurance, and have access to a range of panel clinics for medical check-ups and treatments. Our foreign workers receive transportation to medical clinics as needed, and undergo malaria and filariasis screening tests to ensure their good health.

Perpetual Target	Performance in FY2022
To achieve zero major (i.e. leave of absence of more than 4 calendar days) case of workplace injuries and fatalities	Four (4) cases of minor injuries and zero fatality

COMMUNITY INVOLVEMENT

As a socially responsible business and part of a larger community, the Group believes in empowering the lives of others and contributing back to the communities that supported our business. Contributing back to the communities that we cared for is one of the sentiments very much rooted in our Group’s values and principles.

In FY2022, we continued our support for charitable causes in the communities we operate in. Some of the key projects were donations to Batu Pahat Chinese High School, Persatuan Peniaga-Peniaga Perabut Batu Pahat, Johor, and Bandar Penggaram Associated Chinese Schools.

In FY2022, approximately 80 of our employees also generously participated in our annual blood drive which we held in conjunction with the local general hospital.

MOVING FORWARD

The Group is steadfast in its commitment to uplifting our people by providing training and professional development opportunities. Our aim is to create a workforce that is adept at navigating the shifting business landscape. By fortifying our workplace safety measures, we aim to achieve the goal of zero major workplace incidents in the coming fiscal year. Additionally, we plan to amplify our positive impact on the community through increased engagement in social initiatives.

SUSTAINABILITY REPORT

GOVERNANCE

Both the Board and Management are dedicated to maintaining high ethical standards and adhering to best practices in corporate governance for the long-term sustainability of the Group. With strong internal controls and a commitment to corporate governance, the Group aims to create value for its stakeholders and maintain a sound, ethical corporate environment.

Guided by the Code of Corporate Governance (“**CG Code**”), the Group implements multiple sustainability measures to ensure that the best practices of good governance are instilled throughout its operations.

Our Board is composed of a balanced mix of directors who bring a diversity of skills, experience, and knowledge, allowing the Group to effectively achieve its long-term goals. The following is a summary of our board and management composition, more details can be found in the earlier sections of the 2022 Annual Report.

Description	Percentage (%)
Board Independence The number of independent board of directors as a percentage of all directors.	50
Women on the Board The number of female board directors as a percentage of all directors.	17

CORPORATE GOVERNANCE

The Group places a strong emphasis on adhering to high standards of corporate governance and promoting transparency and accountability. The Board and Management are committed to maintaining a culture of integrity and ethical behaviour.

To ensure that the Group operates within the principles of good governance, we align our framework with the CG Code issued by the Monetary Authority of Singapore, regularly updating ourselves with the latest changes. The Board has established various committees, such as the Nominating Committee (“**NC**”), Remuneration Committee (“**RC**”) and the Audit and Risk Committee (“**ARC**”), to ensure that key functions are separated and responsibilities are well-defined.

Perpetual Target	Performance in FY2022
To achieve zero non-compliance with the principles of the Code of Corporate Governance	We have complied with the principles of the Code of Corporate Governance and provided explanations where there are deviations to the Code of Corporate Governance 2018 in our 2022 Annual Report. (FY2021: same as FY2022)

SUSTAINABILITY REPORT

ETHICS, BRIBERY AND CORRUPTION

The Group values integrity and ethical behaviour as crucial for maintaining credibility and achieving its strategic goals. To this end, we have a strict zero-tolerance policy towards bribery, fraud, and corruption, and we believe that ethical conduct creates long-term stakeholder value. In FY2022, there were no reports of unethical, fraudulent, or corrupt behaviour within the Group.

To promote ethical behaviour, we have implemented internal controls and established written policies on Conflict of Interest, Whistleblowing, Employment Code of Conduct, and Anti-Bribery & Anti-Corruption Policy. These policies serve as guidelines for our employees and are communicated to all new hires during their onboarding process. The key elements of the policies are as shown below:

Conflict of Interest Policy
<ul style="list-style-type: none"> Employees must not accept gifts, entertainment or favours that may influence one’s objectivity in exercising judgment on behalf of the company Potential scenarios where interests may be conflicted
Whistle-blowing Policy
<ul style="list-style-type: none"> Guidelines for employees to raise concerns of malpractice or any suspicion of fraudulent or inappropriate activities within the Group to the Investigation Committee (IC) Escalation process to IC or where appropriate or required, to relevant government authorities for further investigation or action
Employee Code of Conduct
<ul style="list-style-type: none"> Contains a comprehensive list of examples of employee misconduct Misconduct includes violation of company safety rules, forgery, theft, sexual harassment and sleeping on the job
Anti-Bribery & Anti-Corruption Policy
<ul style="list-style-type: none"> Iteration that the Group is committed to conduct its business dealings with integrity and has a zero tolerance approach against all form of bribery and corruption Guidelines to identify potential and corruption risks that may affect the Group Guidelines towards Conflict of Interest, Gifts, Entertainment, Corporate Hospitality and Travel, Dealing with Public Officials, and Corporate Social Responsibility and Donations Iteration that facilitation payments are strictly prohibited and the guidelines for employees should they encounter any request for facilitation payments

The Group places significant importance on ensuring that employees exhibit professional and ethical behaviour, and is committed to upholding the standards outlined in the Employee Code of Conduct. All employees are expected to maintain integrity in their conduct and those who engage in any misconduct or fail to meet performance standards may face disciplinary action, including termination. In FY2022, there were no cases of employee misconduct resulting in dismissal.

Perpetual Target	Performance in FY2022
To achieve zero cases which are unethical, fraudulent or corrupt in nature	Achieved zero cases which are unethical, fraudulent or corrupt in nature.

SUSTAINABILITY REPORT

REGULATORY COMPLIANCE

Compliance with regulations is of utmost importance as any failure to do so can have legal and financial consequences and can also harm the Group’s reputation. In addition, the Group’s policy on labour standards follows the regulations and guidelines set by the government, and bars discrimination, child labour and forced labour in all facets of our operations and business activities. Having structured labour standards in place shows the Group’s dedication towards socially responsible conduct and its impact, as well as human rights protection through forbidding discrimination, slavery and any inhuman treatment whilst promoting equality and fairness.

Specifically, some of the laws, regulations, and rules that the Group abides by include:

Ministry of International Trade and Industry
• Industrial Co-ordination Act (1975)
Department of Occupational Safety and Health
• Factories and Machinery Act (1967)
Ministry of Human Resource
• Employment Act (1955)
Department of Environment
• Environmental Quality Act (1974)
Personal Data Protection Department
• Personal Data Protection Act (2010)
Singapore Exchange Limited
• SGX-ST Catalist Rules
Monetary Authority of Singapore
• Code of Corporate Governance 2018
Singapore Companies Act
Malaysia Companies Act 2016
Malaysia Timber Industry Board
• Malaysian Timber Industry Board (Incorporation) Act (1973)
• Timber Industrialisation Methods (Registration) (1991)

Perpetual Target	Performance in FY2022
To achieve zero significant fines and reportable cases of non-compliance with all applicable laws, rules and regulations	Achieved zero significant fines and reportable cases of non-compliance with all applicable laws, rules and regulations.

MOVING FORWARD

As we progress, our focus remains on preserving a culture of strong corporate governance and ensuring adherence to all applicable laws, regulations, and rules in the territories where we conduct our business.

SUSTAINABILITY REPORT

GRI CONTENT INDEX

GRI Standard	Disclosure Number & Title	Section Reference
GRI 2: General Disclosures 2021	2-1 Organisational details	Annual Report: Corporate Profile
	2-2 Entities included in the organisation's sustainability reporting	Annual Report: Corporate Profile
	2-3 Reporting period, frequency and contact point	Sustainability Report: About this Report
	2-4 Restatements of information	Not applicable
	2-5 External assurance	LY Corporation has not sought external assurance for this reporting period, and may consider it in the future
	2-6 Activities, value chain and other business relationships	Annual Report: Corporate Governance Statement
	2-7 Employees	Sustainability Report: Social
	2-8 Workers who are not employees	Not applicable
	2-9 Governance structure and composition	Annual Report: Corporate Governance Statement Sustainability Report: Sustainability Steering Committee
	2-10 Nomination and selection of the highest governance body	Annual Report: Corporate Governance Statement
	2-11 Chair of the highest governance body	Annual Report: Corporate Governance Statement
	2-12 Role of the highest governance body in overseeing the management of impacts	Annual Report: Corporate Governance Statement
	2-13 Delegation of responsibility for managing impacts	Annual Report: Corporate Governance Statement Sustainability Report: Sustainability Steering Committee
	2-14 Role of the highest governance body in sustainability reporting	Annual Report: Corporate Governance Statement
	2-15 Conflicts of interest	Annual Report: Corporate Governance Statement
	2-16 Communication of critical concerns	Annual Report: Corporate Governance Statement
	2-17 Collective knowledge of the highest governance body	Annual Report: Corporate Governance Statement
	2-18 Evaluation of the performance of the highest governance body	Annual Report: Corporate Governance Statement
	2-19 Remuneration policies	Annual Report: Corporate Governance Statement
	2-20 Process to determine remuneration	Annual Report: Corporate Governance Statement
	2-21 Annual total compensation ratio	Annual Report: Corporate Governance Statement
	2-22 Statement on sustainable development strategy	Annual Report: Corporate Governance Statement Sustainability Report: Sustainability Steering Committee
	2-23 Policy commitments	Annual Report: Corporate Governance Statement Sustainability Report: <ul style="list-style-type: none"> • Governance – Ethics, Bribery and Corruption • Governance – Regulatory Compliance
	2-24 Embedding policy commitments	Annual Report: Corporate Governance Statement Sustainability Report: <ul style="list-style-type: none"> • Governance – Ethics, Bribery and Corruption • Governance – Regulatory Compliance
	2-25 Processes to remediate negative impacts	Annual Report: Corporate Governance Statement
	2-26 Mechanisms for seeking advice and raising concerns	Annual Report: Corporate Governance Statement

SUSTAINABILITY REPORT

GRI Standard	Disclosure Number & Title	Section Reference
	2-27 Compliance with laws and regulations	Annual Report: Corporate Governance Statement Sustainability Report: <ul style="list-style-type: none"> • Governance – Ethics, Bribery and Corruption • Governance – Regulatory Compliance
	2-28 Membership associations	Not applicable
	2-29 Approach to stakeholder engagement	Sustainability Report: Stakeholder Engagement
	2-30 Collective bargaining agreements	Not applicable, no collective bargaining agreements are in place
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Sustainability Report: Materiality Assessment
	3-2 List of material topics	
	3-3 Management of material topics	
Topic-specific disclosure		
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Sustainability Report: <ul style="list-style-type: none"> • Economic • TCFD Report
	201-2 Financial implications and other risks and opportunities due to climate change	
GRI 205: Anti-Corruption 2016	205-1 Operations assessed for risks related to corruption	Sustainability Report: <ul style="list-style-type: none"> • Social – Training and Development • Governance – Ethics, Bribery and Corruption
	205-2 Communication and training about anti-corruption policies and procedures	
	205-3 Confirmed incidents of corruption and actions taken	
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	Sustainability Report: <ul style="list-style-type: none"> • Greenhouse Gas Emissions • Energy Usage
	302-3 Energy intensity	
	302-4 Reduction of energy consumption	
	302-5 Reductions in energy requirements of products and services	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Sustainability Report: Greenhouse Gas Emissions
	305-2 Energy indirect (Scope 2) GHG emissions	
	305-4 GHG emissions intensity	
	305-5 Reduction of GHG emissions	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Sustainability Report: Talent Attraction and Retention
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	
	401-3 Parental leave	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Sustainability Report: Workplace Health and Safety
	403-5 Worker training on occupational health and safety	
	403-6 Promotion of worker health	
	403-9 Work-related injuries	
	403-10 Work-related ill health	

SUSTAINABILITY REPORT

GRI Standard	Disclosure Number & Title	Section Reference
	Topic-specific disclosure	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Sustainability Report: Training and Development
	404-2 Programmes for upgrading employee skills and transition assistance programs	
	404-3 Percentage of employees receiving regular performance and career development reviews	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Sustainability Report: <ul style="list-style-type: none"> • Social - Talent Attraction and Retention • Governance - Ethics, Bribery and Corruption
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	Sustainability Report: Regulatory Compliance
GRI 409: Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	Sustainability Report: Regulatory Compliance
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Sustainability Report: Social - Community Involvement

SUSTAINABILITY REPORT

TCFD RECOMMENDATIONS CONTENT INDEX

Governance		
TCDF 1(a)	Describe the board’s oversight of climate-related risks and opportunities.	Pages 16, 17 and 25
TCFD 1(b)	Describe management’s role in assessing and managing climate-related risks and opportunities.	
Strategy		
TCFD 2(a)	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Pages 25 and 26
TCFD 2(b)	Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning.	
TCFD 2(c)	Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	
Risk Management		
TCFD 3(a)	Describe the organisation’s processes for identifying and assessing climate-related risks.	Pages 25 and 26
TCFD 3(b)	Describe the organisation’s processes for managing climate-related risks.	
TCFD 3(c)	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management.	
Metrics and Targets		
TCFD 4(a)	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Page 27
TCFD 4(b)	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks.	
TCFD 4(c)	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	

CORPORATE GOVERNANCE REPORT

DISCLOSURE TABLE FOR ANNUAL REPORT IN COMPLIANCE TO THE CODE OF CORPORATE GOVERNANCE 2018 AND THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”) LISTING MANUAL SECTION B: RULES OF CATALIST

The Board of Directors (the “**Board**”) of LY Corporation Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) are committed to maintaining high standards of corporate governance and places importance on maintaining sound internal controls and systems so as to ensure greater transparency, accountability and protect and enhance shareholders’ interests.

This report outlines the Company’s corporate governance practices for financial year ended 31 December 2022 (“**FY2022**”) with specific reference to principles of the Code of Corporate Governance 2018 (the “**Code**”). The Company is also guided by the voluntary Practice Guidance which was issued to complement the Code and which sets out best practice standards for companies. Where there are deviations from the provisions of the Code, appropriate explanations are provided in this Report.

Principle	Code Description	Company’s compliance or explanation																												
BOARD MATTERS																														
The Board’s Conduct of Affairs																														
1	The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.	<p>The Board sets the direction and goals of the Group and oversees the implementation of the strategies by the Management in achieving the goals. The Board acts in good faith and exercise independent judgement in the best interests of shareholders. The Board is collectively responsible for the long-term success of the Group and its value creation, and exercises close oversight over key areas including but not limited to effective implementation of strategies, efficient achievement of goals as well as high standard of corporate governance. A code of conduct and ethics has also been put in place by the Board to ensure proper accountability within the Company. The Board has clear policies and procedures for dealing with conflicts of interests. Where a Director faces conflict of interest which is likely to impact his or her independence or conflict with a subject under discussion by the Board, he or she is required to immediately declare his or her interest to the Board and recuse himself or herself from discussions and decisions involving the issues of conflict. On an annual basis, each director is also required to submit details of his/her associates for the purpose of monitoring interested person transactions.</p> <p>As at the date of this Annual Report, the Board has six Directors as follows:</p> <table border="1"> <thead> <tr> <th>Name of Directors</th> <th>Designation</th> <th>Date appointed</th> <th>Date last re-elected</th> </tr> </thead> <tbody> <tr> <td>Mr Oh Seong Lye</td> <td>Chairman, Independent Non-Executive Director</td> <td>20 December 2017</td> <td>25 April 2019</td> </tr> <tr> <td>Mr Tan Kwee Chai</td> <td>Executive Director</td> <td>20 December 2017</td> <td>29 April 2022</td> </tr> <tr> <td>Mr Tan Yong Chuan</td> <td>Executive Director and Chief Executive Officer (“CEO”)</td> <td>24 October 2016</td> <td>28 June 2021</td> </tr> <tr> <td>Ms Tan Ai Luang</td> <td>Executive Director</td> <td>20 December 2017</td> <td>22 June 2020</td> </tr> <tr> <td>Mr Yeo Kian Wee Andy</td> <td>Independent Non-Executive Director</td> <td>20 December 2017</td> <td>28 June 2021</td> </tr> <tr> <td>Datuk Yap Kheng Fah</td> <td>Independent Non-Executive Director</td> <td>1 January 2022</td> <td>29 April 2022</td> </tr> </tbody> </table> <p>The Board’s principal functions include, <i>inter alia</i>, the following:</p> <ul style="list-style-type: none"> providing entrepreneurial leadership, setting strategic objectives; reviewing and monitoring Management’s performance toward achieving organisational goals, establishing a framework of prudent and effective controls which enables risk to be assessed and managed; 	Name of Directors	Designation	Date appointed	Date last re-elected	Mr Oh Seong Lye	Chairman, Independent Non-Executive Director	20 December 2017	25 April 2019	Mr Tan Kwee Chai	Executive Director	20 December 2017	29 April 2022	Mr Tan Yong Chuan	Executive Director and Chief Executive Officer (“ CEO ”)	24 October 2016	28 June 2021	Ms Tan Ai Luang	Executive Director	20 December 2017	22 June 2020	Mr Yeo Kian Wee Andy	Independent Non-Executive Director	20 December 2017	28 June 2021	Datuk Yap Kheng Fah	Independent Non-Executive Director	1 January 2022	29 April 2022
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CORPORATE GOVERNANCE REPORT

Principle	Code Description	Company's compliance or explanation																
		<ul style="list-style-type: none"> • identifying key stakeholder groups and recognise their perceptions affecting the Company's reputation; • overseeing succession planning for management, setting corporate values and standards for the Group to ensure that the obligations to shareholders and other stakeholders are understood and met, considering sustainability issues including environmental and social factors in the Group's strategic formulation; • reviewing financial plans for investments/divestments; and • ensuring the communication with shareholders are timely, accurate and adequate. <p>All Directors exercise due diligence and independent judgment in dealing with the business affairs of the Group and are obliged to act in good faith and to take objective decisions in the interest of the Group.</p> <p>The Board has delegated certain functions to the various committees, namely the Audit and Risk Committee ("ARC"), Nominating Committee ("NC") and the Remuneration Committee ("RC") (collectively, the "Board Committees"). Each of the Board Committee has its own written terms of reference and whose actions are reported to and monitored by the Board. The duties, authorities and responsibilities of each Board Committee are set out in their respective terms of reference. The Board accepts that, while these Board Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board. A summary of each committee's activities, are disclosed in this Annual Report.</p> <p>As at the date of this Annual Report, the respective compositions of the Board Committees are as follows:</p> <table border="1" data-bbox="584 1375 1428 1565"> <thead> <tr> <th></th> <th>ARC</th> <th>NC</th> <th>RC</th> </tr> </thead> <tbody> <tr> <td>Chairman</td> <td>Oh Seong Lye</td> <td>Datuk Yap Kheng Fah</td> <td>Yeo Kian Wee Andy</td> </tr> <tr> <td>Member</td> <td>Yeo Kian Wee Andy</td> <td>Oh Seong Lye</td> <td>Oh Seong Lye</td> </tr> <tr> <td>Member</td> <td>Datuk Yap Kheng Fah</td> <td>Tan Yong Chuan</td> <td>Datuk Yap Kheng Fah</td> </tr> </tbody> </table> <p>The dates of Board and Board Committee meetings are scheduled in advance. To assist Directors in planning their attendance, the Company Secretary will first consult every Director before fixing the dates of these meetings. The Board will meet at least four (4) times a year and as warranted by particular circumstances. Ad-hoc meetings will also be convened to deliberate on urgent substantive matters. The Company's constitution ("Constitution") provides for the Board to convene meetings via telephone conferencing and electronic means in the event when Directors were unable to attend meetings in person. To enable members of the Board and its Board Committees to prepare for the meetings, agendas were circulated at least a week in advance and most materials dispatched a few days before the meetings. During FY2022, the Board conducted five (5) meetings with full attendance.</p>		ARC	NC	RC	Chairman	Oh Seong Lye	Datuk Yap Kheng Fah	Yeo Kian Wee Andy	Member	Yeo Kian Wee Andy	Oh Seong Lye	Oh Seong Lye	Member	Datuk Yap Kheng Fah	Tan Yong Chuan	Datuk Yap Kheng Fah
	ARC	NC	RC															
Chairman	Oh Seong Lye	Datuk Yap Kheng Fah	Yeo Kian Wee Andy															
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CORPORATE GOVERNANCE REPORT

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		<p>The details of the number of meetings held for the Board and Board Committees during FY2022 and the attendance of each Director at those meetings are disclosed below:</p> <table border="1"> <thead> <tr> <th rowspan="3">Name of Directors</th> <th colspan="2">Board of Directors</th> <th colspan="2">ARC</th> <th colspan="2">NC</th> <th colspan="2">RC</th> </tr> <tr> <th colspan="2">No. of meeting</th> <th colspan="2">No. of meeting</th> <th colspan="2">No. of meeting</th> <th colspan="2">No. of meeting</th> </tr> <tr> <th>Held</th> <th>Attended</th> <th>Held</th> <th>Attended</th> <th>Held</th> <th>Attended</th> <th>Held</th> <th>Attended</th> </tr> </thead> <tbody> <tr> <td>Oh Seong Lye</td> <td>5</td> <td>5</td> <td>4</td> <td>4</td> <td>1</td> <td>1</td> <td>1</td> <td>1</td> </tr> <tr> <td>Tan Kwee Chai</td> <td>5</td> <td>5</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Tan Yong Chuan</td> <td>5</td> <td>5</td> <td>-</td> <td>-</td> <td>1</td> <td>1</td> <td>-</td> <td>-</td> </tr> <tr> <td>Tan Ai Luang</td> <td>5</td> <td>5</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Yeo Kian Wee Andy</td> <td>5</td> <td>5</td> <td>4</td> <td>4</td> <td>-</td> <td>-</td> <td>1</td> <td>1</td> </tr> <tr> <td>Datuk Yap Kheng Fah</td> <td>5</td> <td>5</td> <td>4</td> <td>4</td> <td>1</td> <td>1</td> <td>1</td> <td>1</td> </tr> </tbody> </table> <p>The matters which specifically require the Board's approval or guidance are those involving:</p> <ul style="list-style-type: none"> • strategies and objectives of the Group; • material acquisition and disposal of assets/investments; • corporate/financial restructuring and corporate exercises; • budgets/forecasts and business plan; • financial results announcements, annual report and audited financial statements; • policies & procedures, delegation of authority matrix, code of conduct & business ethics; and • material financial/funding arrangements and capital expenditures. <p>All newly appointed Directors will undergo an orientation programme where the Directors would be briefed on the Group's strategic direction, governance practices, business and organisation structure as well as the expected duties of a director of a listed company. To obtain a better understanding of the Group's business, the Directors will also be given the opportunity to visit the Group's operational sites and meet with key management personnel. A new Director who has no prior experience as a director of an issuer listed on the SGX-ST must also undergo mandatory training in his roles and responsibilities as prescribed by the SGX-ST.</p>	Name of Directors	Board of Directors		ARC		NC		RC		No. of meeting		No. of meeting		No. of meeting		No. of meeting		Held	Attended	Held	Attended	Held	Attended	Held	Attended	Oh Seong Lye	5	5	4	4	1	1	1	1	Tan Kwee Chai	5	5	-	-	-	-	-	-	Tan Yong Chuan	5	5	-	-	1	1	-	-	Tan Ai Luang	5	5	-	-	-	-	-	-	Yeo Kian Wee Andy	5	5	4	4	-	-	1	1	Datuk Yap Kheng Fah	5	5	4	4	1	1	1	1
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		<p>Formal letters of appointment will be furnished to newly-appointed Directors, upon their appointments, stating among other matters, the roles, obligations, duties and responsibilities as a member of the Board. Datuk Yap Kheng Fah was appointed to the Board on 1 January 2022. The Company had conducted an orientation programme to provide him with extensive background information about the Group's structure, core values, strategic direction and businesses to enable him to assimilate into his new role and get acquainted with the Management, thereby facilitating Board interaction and independent access to the Management. In light of the COVID-19 travel restriction, the Company will arrange for him to visit the Group's operational facilities to gain a better understanding of the Group's operations. Datuk Yap Kheng Fah, has no experience as a director of listed company in Singapore. He has attended training courses conducted by the Singapore Institute of Directors to familiarise himself with the roles and responsibilities of a director of a public listed company in Singapore as prescribed by the SGX-ST.</p> <p>During their appointments, Directors are provided with opportunities to develop and maintain their skills and knowledge so that they are able to perform their duties to the best of their abilities. The Company will bear the expense of such training and development. From time to time, the Directors will be briefed during meetings or by circulation of board papers of changes to regulations, policies, accounting standards, SGX-ST continuing listing obligations and other relevant matters. During the year, the external auditors, PricewaterhouseCoopers LLP ("External Auditors"), briefed the ARC on changes or amendments to accounting standards. The Company has also arranged and funded certain relevant training courses for Directors to keep them up-to-date.</p> <p>Management recognises the importance of ensuring the flow of complete, adequate and timely information to the Directors on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities. To allow Directors sufficient time to prepare for the meetings, all Board and Board Committee papers are distributed to the Directors in advance of the meetings. Any additional material or information requested by the Directors is promptly furnished.</p> <p>Management papers are circulated to the Board every quarter to keep the Board updated on the key matters concerning the Group. Employees who can provide additional insight into matters to be discussed will be present at the relevant time during the Board and Board Committee meetings. In order to keep Directors abreast of the Group's operations, the Directors are also updated on initiatives and developments on the Group's business as soon as practicable and/or possible and on an on-going basis.</p>

CORPORATE GOVERNANCE REPORT

Principle	Code Description	Company's compliance or explanation																														
		<p>The types of information provided by the Group to the Independent Non-Executive Directors to enable them to understand its business, the business and financial environment and the risks faced by the Group, together with its frequency, include the following:</p> <table border="1" data-bbox="587 645 1428 1211"> <thead> <tr> <th data-bbox="587 645 646 683"></th> <th data-bbox="652 645 1166 683">Information</th> <th data-bbox="1173 645 1428 683">Frequency</th> </tr> </thead> <tbody> <tr> <td data-bbox="587 692 646 763">(a)</td> <td data-bbox="652 692 1166 763">Updates to the Group's operations and the markets in which the Group operates in</td> <td data-bbox="1173 692 1428 763">Quarterly</td> </tr> <tr> <td data-bbox="587 772 646 810">(b)</td> <td data-bbox="652 772 1166 810">Quarterly and full year financial results</td> <td data-bbox="1173 772 1428 810">Quarterly</td> </tr> <tr> <td data-bbox="587 819 646 913">(c)</td> <td data-bbox="652 819 1166 913">Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)</td> <td data-bbox="1173 819 1428 913">As and when relevant</td> </tr> <tr> <td data-bbox="587 922 646 960">(d)</td> <td data-bbox="652 922 1166 960">Report on on-going or planned corporate activity</td> <td data-bbox="1173 922 1428 960">As and when relevant</td> </tr> <tr> <td data-bbox="587 969 646 1041">(e)</td> <td data-bbox="652 969 1166 1041">Enterprise risk management framework, reports and Internal Auditors' report</td> <td data-bbox="1173 969 1428 1041">As and when available</td> </tr> <tr> <td data-bbox="587 1050 646 1088">(f)</td> <td data-bbox="652 1050 1166 1088">External Auditors' report</td> <td data-bbox="1173 1050 1428 1088">As and when available</td> </tr> <tr> <td data-bbox="587 1097 646 1135">(g)</td> <td data-bbox="652 1097 1166 1135">Sustainability report</td> <td data-bbox="1173 1097 1428 1135">As and when available</td> </tr> <tr> <td data-bbox="587 1144 646 1182">(h)</td> <td data-bbox="652 1144 1166 1182">Research report(s)</td> <td data-bbox="1173 1144 1428 1182">As and when requested</td> </tr> <tr> <td data-bbox="587 1191 646 1229">(i)</td> <td data-bbox="652 1191 1166 1229">Shareholding statistics</td> <td data-bbox="1173 1191 1428 1229">As and when requested</td> </tr> </tbody> </table> <p>Key management personnel will also provide any additional material or information that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.</p> <p>All Directors have separate and independent access to the Company Secretary. The Company Secretary, or her representatives, will attend all the Board and Board Committee meetings and is responsible to ensure that the Board procedures are followed and that information flows well between the Board and the Board Committees and between the Management and Independent Non-Executive Directors. It is the Company Secretary's responsibility to ensure that the Company complies with requirements of all applicable rules and regulations, including requirements of the Securities and Futures Act 2001 of Singapore, Constitution, Companies Act 1967 of Singapore and the Catalist Rules. The Company Secretary is also responsible for ensuring the Board procedures are followed and complied and advises the Board on all governance matters. The appointment and removal of the Company Secretary is a matter for the Board as a whole.</p> <p>If any of the Directors require independent professional advice either individually or as a Board in the furtherance of their duties within the Group, the cost of such professional advice will be borne by the Company. During the year under review, the Directors underwent the sustainability training course organised by Singapore Institute of Directors.</p>		Information	Frequency	(a)	Updates to the Group's operations and the markets in which the Group operates in	Quarterly	(b)	Quarterly and full year financial results	Quarterly	(c)	Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)	As and when relevant	(d)	Report on on-going or planned corporate activity	As and when relevant	(e)	Enterprise risk management framework, reports and Internal Auditors' report	As and when available	(f)	External Auditors' report	As and when available	(g)	Sustainability report	As and when available	(h)	Research report(s)	As and when requested	(i)	Shareholding statistics	As and when requested
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Principle	Code Description	Company's compliance or explanation																																			
Board Composition and Guidance																																					
2	The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.	<p>The Board has six (6) Directors comprising three (3) Executive Directors and three (3) Independent Non-Executive Directors. The Chairman of the Board is an Independent Non-Executive Director. The current members of the Board and their membership on the Board Committees of the Company are as follows:</p> <table border="1"> <thead> <tr> <th>Name of Directors</th> <th>Board Membership</th> <th>ARC</th> <th>NC</th> <th>RC</th> </tr> </thead> <tbody> <tr> <td>Oh Seong Lye</td> <td>Independent Non-Executive Director</td> <td>Chairman</td> <td>Member</td> <td>Member</td> </tr> <tr> <td>Tan Kwee Chai</td> <td>Executive Director</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Tan Yong Chuan</td> <td>Executive Director & CEO</td> <td>-</td> <td>Member</td> <td>-</td> </tr> <tr> <td>Tan Ai Luang</td> <td>Executive Director</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Yeo Kian Wee Andy</td> <td>Independent Non-Executive Director</td> <td>Member</td> <td>-</td> <td>Chairman</td> </tr> <tr> <td>Datuk Yap Kheng Fah</td> <td>Independent Non-Executive Director</td> <td>Member</td> <td>Chairman</td> <td>Member</td> </tr> </tbody> </table> <p>The NC had reviewed and the Independent Non-Executive Directors had also confirmed their independence in accordance with the Code during the NC meeting held on 28 February 2023 and all Independent Non-Executive Directors have provided their independence declaration. Out of six Directors, three are Independent.</p> <p>The NC, having considered the assessment made by the Directors on the independent status of Mr Oh Seong Lye, Mr Yeo Kian Wee Andy and Datuk Yap Kheng Fah and other relevant factors, has determined that each Independent Non-Executive Director has no relationship with the Company, its related corporations, its substantial shareholders or its officers and is also independent of the executive functions of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Company. In this respect, the NC affirmed that Mr Oh Seong Lye, Mr Yeo Kian Wee Andy and Datuk Yap Kheng Fah remain as Independent Non-Executive Directors of the Company and each abstained from the discussions and taking a decision in respect of their own independence.</p> <p>There are no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.</p> <p>Under Listing Rules of SGX-ST which took effect from 1 January 2022, an independent director will not be considered independent if he has served on the Board for more than nine years unless prior to 1 January 2022 he has obtained approval from shareholders to continue in office under a two-tier voting by (a) all shareholders; and (b) shareholders, excluding the directors and the chief executive officer and their associates. On 11 January 2023, SGXRegCo announced that the two-tier vote mechanism for companies to retain long-serving independent directors who have served for more than 9 years will be removed with immediate effect. Therefore, the tenure for independent directors serving on the boards of listed issuers will be limited to 9 years.</p>	Name of Directors	Board Membership	ARC	NC	RC	Oh Seong Lye	Independent Non-Executive Director	Chairman	Member	Member	Tan Kwee Chai	Executive Director	-	-	-	Tan Yong Chuan	Executive Director & CEO	-	Member	-	Tan Ai Luang	Executive Director	-	-	-	Yeo Kian Wee Andy	Independent Non-Executive Director	Member	-	Chairman	Datuk Yap Kheng Fah	Independent Non-Executive Director	Member	Chairman	Member
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		<p>The Board confirms that none of the Independent Non-Executive Directors have served on the Board beyond nine years from the date of their appointment.</p> <p>Provision 2.3 of the Code requires non-executive directors make up a majority of the Board. While the current Independent Non-Executive Directors comprising Mr Oh Seong Lye, Mr Yeo Kian Wee Andy and Datuk Yap Kheng Fah, make up only half of the Board, the Board believes that there is balance of power and authority amongst the board members with no undue influence by the Executive Directors over the Board. Each of the Independent Non-Executive Directors is considered independent of management and free of any relationship that could materially interfere with the exercise of their independent judgement. The current Independent Non-Executive Directors bring a wide range of business and financial experience, skills and knowledge necessary for the effective stewardship of the Group. The current Board and Board committees are chaired by the Independent Non-Executive Directors. In case of an equality of votes the Chairman of the Board shall have a second or casting vote.</p> <p>As such, notwithstanding that the Provision 2.3 of the Code is not met, the Board is of the view that it has an appropriate level of independence and diversity to enable it to make decisions in the best interests of the Group. The Board will continue to assess and evaluate the need to appoint additional independent non-executive director to meet the said provision of the Code.</p> <p>The NC is responsible for examining the size and composition of the Board and Board Committees.</p> <p>The Company's Board Diversity Policy endorses the principle that the Board should have an appropriate mix of skills, knowledge and experience required to effectively oversee and support the management of the Company. Selection of candidates will be based on a range of diversity perspectives, including the balance of skills, knowledge, experience, age and gender. The composition of the Board will be reviewed on an annual basis by the NC to ensure that the Board comprises members from different backgrounds and whose core competencies, qualifications, skills and experiences are extensive and other aspects such as gender and age. Having reviewed and considered the composition and diversity of the Board and its committees, the NC has determined that the current Board size and structure is adequate for the existing business operations of the Company.</p> <p>To assist the NC in its annual review of the Directors' mix of skills and experiences that the Board requires to function competently and efficiently, the Directors have completed their Board of Director's Skills Set and Competency Matrix Form and provide additional information (if any) in their respective areas of specialisation and expertise.</p> <p>The NC, having conducted its reviews, was satisfied that members of the Board possess the relevant core competencies in areas such as accounting and finance, legal environment, business and management experience, and strategic planning. In particular, the Executive Directors possess good industry knowledge while the Independent Non-Executive Directors, who are mostly professionals in their own fields, are able to take a broader view of the Group's activities, contribute their valuable experiences and provide independent judgment during Board deliberations.</p>

CORPORATE GOVERNANCE REPORT

Principle	Code Description	Company's compliance or explanation																					
		<p>The current Board composition provides a diversity of skills, experience and knowledge to the Company as follows:</p> <table border="1" data-bbox="587 584 1426 958"> <thead> <tr> <th data-bbox="587 584 922 627">Core Competencies</th> <th data-bbox="922 584 1155 627">Number of Directors</th> <th data-bbox="1155 584 1426 627">Proportion of Board (%)</th> </tr> </thead> <tbody> <tr> <td data-bbox="587 627 922 672">Accounting or finance</td> <td data-bbox="922 627 1155 672">5</td> <td data-bbox="1155 627 1426 672">83.3</td> </tr> <tr> <td data-bbox="587 672 922 716">Business Management</td> <td data-bbox="922 672 1155 716">5</td> <td data-bbox="1155 672 1426 716">83.3</td> </tr> <tr> <td data-bbox="587 716 922 761">Legal or corporate governance</td> <td data-bbox="922 716 1155 761">5</td> <td data-bbox="1155 716 1426 761">83.3</td> </tr> <tr> <td data-bbox="587 761 922 840">Relevant industry knowledge or experience</td> <td data-bbox="922 761 1155 840">4</td> <td data-bbox="1155 761 1426 840">66.7</td> </tr> <tr> <td data-bbox="587 840 922 884">Strategic planning experience</td> <td data-bbox="922 840 1155 884">6</td> <td data-bbox="1155 840 1426 884">100.0</td> </tr> <tr> <td data-bbox="587 884 922 958">Customer based experience or knowledge</td> <td data-bbox="922 884 1155 958">4</td> <td data-bbox="1155 884 1426 958">66.7</td> </tr> </tbody> </table> <p>The Board has taken the following steps to maintain or enhance its balance and diversity:</p> <ul style="list-style-type: none"> Review by the NC at least once a year to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and Evaluation by the Directors at least once a year of the skill sets the other Directors possess, with a view to understanding the range of expertise which is lacking by the Board. <p>The NC will consider the results of these exercises in its recommendation for the appointment of new Directors and/or the re-appointment of incumbent Directors.</p> <p>The Board, particularly the Independent Directors, who are Non-Executive Directors, must be kept well informed of the Group's business and be knowledgeable about the industry the Group operates in. To ensure that the Independent Non-Executive Directors are well supported by accurate, complete and timely information, they have unrestricted access to Management, and have sufficient time and resources to discharge their oversight functions effectively.</p> <p>This enables the Independent Non-Executive Directors to constructively challenge and help develop proposals on strategy and also review the performance of Management in meeting agreed goals and objectives, and extend guidance to Management. The Independent Non-Executive Directors' objective judgement on corporate affairs and collective experience and knowledge are invaluable to the Group and allows for the useful exchange of ideas and views.</p> <p>The Independent Non-Executive Directors do discuss and/or meet on a need-basis without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of the Executive Directors.</p> <p>The Independent Non-Executive Directors had met and discussed with the external and internal auditors without the presence of key management personnel in FY2022.</p>	Core Competencies	Number of Directors	Proportion of Board (%)	Accounting or finance	5	83.3	Business Management	5	83.3	Legal or corporate governance	5	83.3	Relevant industry knowledge or experience	4	66.7	Strategic planning experience	6	100.0	Customer based experience or knowledge	4	66.7
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Chairman and Chief Executive Officer								
3	There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.	<p>The Company has a clear division of responsibilities at each level of the Company, with the Chairman and the CEO having separate roles to ensure an appropriate balance of power, increased accountability and a greater capacity of the Board for independent decision-making.</p> <p>The division of responsibilities between the Chairman and the CEO is also clearly established in the Constitution of the Company. The Chairman manages the business of the Board whilst the CEO and his management team translate the Board's decisions into executive action. The CEO has executive responsibilities for the Group's businesses and is accountable to the Board.</p> <p>Mr Oh Seong Lye is an Independent Non-Executive Director and was appointed as the Chairman of the Board on 29 April 2022. The Chairman is responsible for the overall leadership and management of the Board. He leads the Board, encourages Board's interaction with Management, facilitates effective contribution of Independent Non-Executive Directors, encourages constructive relations among the Directors, and promotes an open environment for debate and ensure that Independent Non-Executive Directors are able to speak freely and contribute effectively. He also ensures that the Board receives timely and accurate information from the Management, provides guidance and advice on corporate governance systems and sustainability practices.</p> <p>The CEO, Mr Tan Yong Chuan takes a leading role in developing the businesses of the Group and manages the day-to-day operations with the assistance of key management personnel. He also oversees the execution of the business and corporate strategy decisions as endorsed by the Board.</p> <p>Accordingly, the Board is satisfied that there is sufficient transparency and accountability in view of the distinction of responsibilities.</p> <p>There is also a strong independent element on the Board as half of the Board members are Independent Non-Executive Directors and all the Board committees are chaired by the Independent Non-Executive Directors. In view of the foregoing, the Board believes that there is an appropriate balance of power, adequate accountability, and adequate capacity of the Board for independent decision making.</p> <p>The independent Non-Executive Chairman and the CEO of the Company are separately held by two unrelated individuals. In light of the foregoing, the Board does not appoint a lead independent director.</p>						
Board Membership								
4	The Board has a formal and transparent process for the appointment and reappointment of directors, taking into account the need for progressive renewal of the Board.	<p>The NC comprises three members, the majority of whom, including the Chairman, are Independent. The composition of the NC is as follows:</p> <table border="0"> <tr> <td>Datuk Yap Kheng Fah, Chairman</td> <td>(Independent Non-Executive Director, appointed on 1 January 2022)</td> </tr> <tr> <td>Mr Oh Seong Lye</td> <td>(Independent Non-Executive Director)</td> </tr> <tr> <td>Mr Tan Yong Chuan</td> <td>(Executive Director and CEO)</td> </tr> </table>	Datuk Yap Kheng Fah, Chairman	(Independent Non-Executive Director, appointed on 1 January 2022)	Mr Oh Seong Lye	(Independent Non-Executive Director)	Mr Tan Yong Chuan	(Executive Director and CEO)
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		<p>The NC, which meets at least once a year, carries out its duties in accordance with a set of written Terms of Reference which includes, mainly, the following:</p> <ul style="list-style-type: none"> (a) reviewing and recommending the nomination or re-nomination of the Directors having regard to the Director's contribution and performance; (b) determining on an annual basis, and as and when circumstances require, whether or not a Director is independent; (c) deciding whether or not a Director is able to, and has been, adequately carrying out his duties as a Director; (d) reviewing and approving any new employment of related persons and the proposed terms of their employment; (e) developing a process for the evaluation of the performance of the Board, its committees and the Directors and proposing objective performance criteria, as approved by the Board that allows comparison with its industry peers, and addressing how the Board has enhanced long-term shareholders' value; (f) reviewing succession plans for Directors and key management personnel; and (g) reviewing training and professional development programmes for the Board. <p>During FY2022, the NC held one meeting with full attendance.</p> <p>The key responsibilities of the NC include making recommendations to the Board on relevant matters such as the process for evaluating the performance of the Board and each Director as well as succession planning which form a critical part of corporate governance process for CEO and board members. It seeks to refresh the board membership as it thinks fit in an orderly and progressive manner so as to keep institutional memory intact. It also ensures compliance with the requirements of the Company's Constitution which provides that at each AGM, one-third of the Board is required to retire and provided always that every director shall retire from office at least once every three (3) years. In addition, the Directors, by the recommendation of NC, shall have the power to appoint any person to be the Director either to fill a casual vacancy or as an additional Director. All new Directors who are appointed by the Board are subject to re-election at the next AGM but shall not be taken into account in determining the numbers of Directors who are retire by rotation at such meeting. In this respect, the NC has recommended and the Board has agreed for the following Directors to retire and seek re-election at the forthcoming AGM:</p> <p><u>Pursuant to Regulation 98 of the Constitution of the Company:</u></p> <ul style="list-style-type: none"> (a) Mr Oh Seong Lye (b) Ms Tan Ai Luang

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Principle	Code Description	Company's compliance or explanation
		<p>Each Mr Oh Seong Lye and Ms Tan Ai Luang had abstained from the discussion and taking a decision in respect of his/her re-election at the forthcoming AGM. In making the recommendations, the NC considers the overall contribution and performance with reference to their attendance and participation at meetings of the Board and Board Committees.</p> <p>The NC reviewed the independence of the Directors pursuant to Rule 406(3)(d) of the Catalist Rules and Provision 2.1 of the Code. During the year under review, the NC has reviewed and affirmed that Mr Oh Seong Lye, Mr Yeo Kian Wee Andy and Datuk Yap Kheng Fah are independent and free from any relationship outlined in the Code. Each of the Independent Non-Executive Directors has also confirmed his independence.</p> <p>The NC has reviewed and made recommendation to the Board accordingly on the maximum number of listed company board appointments which any Director may hold to ensure that sufficient time and attention are given to the affairs of the Group. Based on the NC's recommendation, the Board has determined and set the maximum number of listed company board appointments at not more than four (4) other listed companies. Currently, none of the Directors hold more than four (4) directorships in other listed companies. No person would be appointed as an Independent Director if he/she, prior to such appointment, is already holding five (5) or more directorship appointments in any publicly listed company on the SGX-ST or any other international stock exchanges; and for person with full-time employment (with existing employment contract), he/she should obtain consensus from his/her employer(s) before accepting the appointment as an Independent Director and he/she should not hold three (3) or more other independent directorships in any publicly listed company on the SGX-ST or international stock exchanges prior to his/her appointment.</p> <p>The considerations in assessing the capacity of Directors include the following:</p> <ul style="list-style-type: none"> • Expected and/or competing time commitments of Directors, including whether such commitment is a full-time or part-time employment capacity; • Geographical location of Directors; • Size and composition of the Board; • Nature and scope of the Group's operations and size; and • Capacity, complexity and expectations of the other listed directorships and principal commitments held. <p>The NC, having reviewed each Directors' other directorships and principal commitments as well as each Director's overall performance and contributions to the Board, is satisfied that all Directors have discharged their duties adequately for FY2022.</p> <p>During the year under review, there was no alternate directors appointed to the Board.</p>

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		<p>The following table sets out the process for the selection and appointment of new directors:</p> <table border="1" data-bbox="584 584 1433 1644"> <tbody> <tr> <td data-bbox="584 584 660 779">1.</td> <td data-bbox="665 584 911 779">Determination of selection criteria</td> <td data-bbox="916 584 1433 779">The NC, in consultation with the Board would identify the current needs of the Board in terms of expertise and skills that are required in the context of the strengths and weaknesses of the existing Board to complement and strengthen the Board.</td> </tr> <tr> <td data-bbox="584 779 660 1115">2.</td> <td data-bbox="665 779 911 1115">Search for suitable candidates</td> <td data-bbox="916 779 1433 1115">The NC will consider various channels in sourcing of suitable candidate(s) either through: (a) internal promotion by way of nominating the successor via the succession plan of the Company or recommendations from Board members, management, business associates and professional bodies; or (b) external sources through professional search firms and reputable human resource consultants.</td> </tr> <tr> <td data-bbox="584 1115 660 1570">3.</td> <td data-bbox="665 1115 911 1570">Assessment of shortlisted candidates</td> <td data-bbox="916 1115 1433 1570">Those short-listed candidate(s) will be required to furnish their curriculum vitae stating in detail their qualification, working experience, employment history, and to complete the following prescribed Forms: (a) Director's Declaration on Independence; (b) Internal Guidelines for Directors Serving on Multiple Boards; and (c) Board of Director's Skills Set and Competency Matrix. The Board is also advised by the Sponsor on appointment of directors as required under Catalyst Rule 226(2)(d).</td> </tr> <tr> <td data-bbox="584 1570 660 1644">4.</td> <td data-bbox="665 1570 911 1644">Appointment of director</td> <td data-bbox="916 1570 1433 1644">The NC would recommend the selected candidate to the Board for consideration and approval.</td> </tr> </tbody> </table> <p>The following table sets out the process for the re-election of directors:</p> <table border="1" data-bbox="584 1720 1433 2087"> <tbody> <tr> <td data-bbox="584 1720 660 1957">1.</td> <td data-bbox="665 1720 911 1957">Assessment of director</td> <td data-bbox="916 1720 1433 1957">(a) The NC would assess the contributions and performance of the Director in accordance with the performance criteria set by the Board; and (b) The NC would also review the range of expertise, skills and attributes of current needs of the Board.</td> </tr> <tr> <td data-bbox="584 1957 660 2087">2.</td> <td data-bbox="665 1957 911 2087">Re-appointment of director</td> <td data-bbox="916 1957 1433 2087">Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the director to the Board for its consideration and approval.</td> </tr> </tbody> </table>	1.	Determination of selection criteria	The NC, in consultation with the Board would identify the current needs of the Board in terms of expertise and skills that are required in the context of the strengths and weaknesses of the existing Board to complement and strengthen the Board.	2.	Search for suitable candidates	The NC will consider various channels in sourcing of suitable candidate(s) either through: (a) internal promotion by way of nominating the successor via the succession plan of the Company or recommendations from Board members, management, business associates and professional bodies; or (b) external sources through professional search firms and reputable human resource consultants.	3.	Assessment of shortlisted candidates	Those short-listed candidate(s) will be required to furnish their curriculum vitae stating in detail their qualification, working experience, employment history, and to complete the following prescribed Forms: (a) Director's Declaration on Independence; (b) Internal Guidelines for Directors Serving on Multiple Boards; and (c) Board of Director's Skills Set and Competency Matrix. The Board is also advised by the Sponsor on appointment of directors as required under Catalyst Rule 226(2)(d).	4.	Appointment of director	The NC would recommend the selected candidate to the Board for consideration and approval.	1.	Assessment of director	(a) The NC would assess the contributions and performance of the Director in accordance with the performance criteria set by the Board; and (b) The NC would also review the range of expertise, skills and attributes of current needs of the Board.	2.	Re-appointment of director	Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the director to the Board for its consideration and approval.
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		<p>Each member of the NC will abstain from voting on any resolution and making any resolutions and/or participating in any deliberations of the NC in respect of the assessment of his performance or nomination for re-election as a Director.</p> <p>The key information of the Directors, including their appointment dates and their listed company directorships held in the past three (3) years, are set out on pages 6 to 8 of this Annual Report.</p> <p>The shareholdings of the Directors in the Company are set out on page 78 of this Annual Report. None of the Directors hold shares in the subsidiaries of the Company.</p> <p>Directors who are seeking re-election at the forthcoming AGM to be held on 28 April 2023 are stated in the Notice of AGM set out on pages 71 to 75 of this Annual Report.</p>
Board Performance		
5	The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.	<p>The NC has set the performance criteria to evaluate the effectiveness of the Board as a whole and its Board Committees, and assessed the contributions by the Chairman and each Director to the effectiveness of the Board in FY2022.</p> <p>This assessment will also be conducted by the NC at least once a year by way of a Board Evaluation where the Directors complete a Board Performance Evaluation Questionnaire, Self-Assessment Checklist, and Board of Director's Skills Set and Competency Matrix Form.</p> <p>Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his/her performance or re-nomination as a Director. The Board will act on the results of the performance evaluation, and in consultation with the NC, propose, where appropriate, that new members be appointed to the Board or seek the resignation of Director(s).</p> <p>Objective performance criteria used to assess the performance of the Board include both quantitative and qualitative criteria.</p> <p>The Board and the NC believe that the financial indicators are mainly used to measure the Management's performance and hence are less applicable to the Independent Non-Executive Directors.</p> <p>The NC had conducted the Board's performance evaluation as a whole in FY2022. The performance criteria for the Board's evaluation, as determined by the NC, cover the following areas:</p> <ul style="list-style-type: none"> (a) Appropriateness of the size and composition (including diversity) of the Board and Board Committees; (b) Effectiveness of Board meetings conducted (including robustness and comprehensiveness of issues discussed, as well as timely resolution of issues); (c) Effectiveness and timeliness of communications with Management;

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		<p>(d) Adequacy of training and development for Directors;</p> <p>(e) Adequacy of communication and accountability to Shareholders;</p> <p>(f) Standards of conduct;</p> <p>(g) Financial performance of the Group; and</p> <p>(h) Board compensation.</p> <p>No external facilitator has been engaged by the Company for the purpose of evaluation of the Board and Board Committee during the year under review. Where relevant and when the need arises, the NC will consider such engagement.</p> <p>The evaluation of individual Director's performance is performed on an annual basis at the same time as evaluation of the performance of the Board as a whole based on its performance criteria set as above in FY2022.</p> <p>For the year under review, the NC also took note of each individual Director's attendance at meetings of the Board and Board Committees as well as at general meeting(s); participation in discussions at meetings; knowledge of and contacts in the regions where the Group operates; the individual Director's functional expertise and his commitment of time to the Company. The NC was of the view that the Board has met its performance objectives and will continue to improve further to an effective Board.</p>
REMUNERATION MATTERS		
Procedures for Developing Remuneration Policies		
6	The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.	<p>The RC comprises the following three members, all of whom (including its Chairman) are Independent Non-Executive Directors:</p> <p>Mr Yeo Kian Wee Andy, Chairman (Independent Non-Executive Director)</p> <p>Mr Oh Seong Lye (Independent Non-Executive Director)</p> <p>Datuk Yap Kheng Fah (Independent Non-Executive Director, appointed on 1 January 2022)</p>

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		<p>The Board has approved the written terms of reference of the RC. Its functions are, <i>inter alia</i>, as follows:</p> <ul style="list-style-type: none"> (a) offer an independent perspective in assisting the Board in the establishment of a formal and transparent procedure for developing policy on remuneration matters for the Directors and key management personnel of the Company; (b) establish appropriate framework of remuneration policies to motivate and retain Directors and executives, and ensure that the Company is able to attract appropriate talent from the market to maximise the value for shareholders; (c) determine specific remuneration packages for the Directors and key management personnel (or executive of equivalent rank) and any relative of a Director and/or substantial shareholder who is employed in a managerial position by the Company; (d) review and administer the award of shares to Directors and employees under the Company's performance share plan (the "LY Performance Share Plan" or the "LYPSP"); (e) review and determine the contents of service contracts for Executive Directors and/or key management personnel; and (f) review the appropriateness and transparency of remuneration matters for disclosure to shareholders. <p>The RC ensures that a formal and transparent procedure is in place for fixing the remuneration packages of individual Directors and key management personnel. The recommendations of the RC are submitted for endorsement by the Board. Such frameworks are reviewed periodically to ensure that they remain competitive and relevant. All aspects of remuneration frameworks, including but not limited to directors' fees, salaries, allowances, bonuses, the awards to be granted under the performance share plan as well as other benefits-in-kind are reviewed by the RC. Each member of the RC abstains from voting on any resolutions in respect of his remuneration package. The RC also reviews the Company's obligations arising in the event of termination of Executive Directors and key management personnel's contracts of service to ensure such contracts of service contain fair and reasonable termination clauses.</p> <p>If necessary, the RC may seek expert advice outside the Company on remuneration of the Directors and key management personnel. The RC ensures that in the event of such advice being sought, existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.</p> <p>No remuneration consultants were engaged by the Company in FY2022.</p> <p>The RC has access to expert professional advice on human resource matters whenever there is a need to consult externally.</p>

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Level and Mix of Remuneration		
7	<p>The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.</p>	<p>In reviewing and determining the remuneration packages of the Executive Directors and the Group's key management personnel, the RC considers the Executive Directors' and key management personnel's responsibilities, skills, expertise and contribution to the Group's performance when designing their respective remuneration packages, so as ensure that the level of remuneration is appropriate to attract, retain and motivate the Executive Directors' and key management personnel to run the Company successfully.</p> <p>The RC administers the Company's LYPSP, which formed part of the offer document dated 18 January 2018 (the "Offer Document"). No awards were granted under the LYPSP in FY2022. Further details about the LYPSP are set out in the Company's Offer Document. With the recommendation of RC, the Board has approved the establishment of a new Committee for administering the LY Performance Share Plan ("LYPSP Committee") which consists of all the existing Chairman and members of the RC. In addition, the CEO, Mr Tan Yong Chuan has been appointed as member of the LYPSP Committee for expediency purposes. Accordingly, the LYPSP Committee comprises the following members:</p> <ul style="list-style-type: none"> (a) Oh Seong Lye; (b) Andy Yeo Kian Wee; (c) Datuk Yap Kheng Fah; and (d) Tan Yong Chuan. <p>Independent Non-Executive Directors do not have service agreement with the Company and accordingly do not receive salary. The Independent Non-Executive Directors are paid Directors' fees, which are determined by the Board based on the effort, time spent and responsibilities of the Independent Non-Executive Directors (including but not limited to their appointments to the various Board Committees). The Directors' fees of the Independent Non-Executive Directors are subject to approval by shareholders at each AGM. The Independent Non-Executive Directors were also paid allowance to facilitate their participation in Board's affairs.</p> <p>There are no contractual provisions to allow the Company to reclaim incentive components of the remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.</p>

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8	The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.	<p>The Company's remuneration policy is one that seeks to attract, retain and motivate talent to achieve the Company's business vision and create sustainable value for its stakeholders. The policy establishes the link between total compensation and the achievement of organisational and individual performance objectives, and is benchmarked against relevant and comparative compensation in the market.</p> <p>The breakdown for the remuneration of the Directors in FY2022 is as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">Name of Directors</th> <th colspan="6">Breakdown of Remuneration in Percentage (%)</th> <th rowspan="2">Total Remuneration in Compensation Bands of \$250,000</th> </tr> <tr> <th>Fees⁽¹⁾</th> <th>Salary⁽²⁾</th> <th>Allowance⁽¹⁾</th> <th>Benefits</th> <th>Variable Bonus⁽³⁾</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td colspan="8"><u>Executive Directors</u></td> </tr> <tr> <td>Tan Kwee Chai</td> <td>-</td> <td>97.6</td> <td>0.9</td> <td>1.5</td> <td>-</td> <td>100.0</td> <td>\$250,001-\$500,000</td> </tr> <tr> <td>Tan Yong Chuan</td> <td>0.5</td> <td>92.9</td> <td>1.7</td> <td>4.9</td> <td>-</td> <td>100.0</td> <td><\$250,000</td> </tr> <tr> <td>Tan Ai Luang</td> <td>-</td> <td>91.5</td> <td>2.3</td> <td>6.2</td> <td>-</td> <td>100.0</td> <td><\$250,000</td> </tr> <tr> <td colspan="8"><u>Independent Non-Executive Directors</u></td> </tr> <tr> <td>Oh Seong Lye</td> <td>92.2</td> <td>-</td> <td>7.8</td> <td>-</td> <td>-</td> <td>100.0</td> <td><\$250,000</td> </tr> <tr> <td>Yeo Kian Wee Andy</td> <td>91.6</td> <td>-</td> <td>8.4</td> <td>-</td> <td>-</td> <td>100.0</td> <td><\$250,000</td> </tr> <tr> <td>Datuk Yap Kheng Fah</td> <td>91.7</td> <td>-</td> <td>8.3</td> <td>-</td> <td>-</td> <td>100.0</td> <td><\$250,000</td> </tr> </tbody> </table> <p><u>Notes:</u></p> <p>(1) The Directors' Fees and Allowances for attending meetings to be held for the financial year ending 31 December 2023 will be subject to the approval of the shareholders at the AGM.</p> <p>(2) The salary amount shown is inclusive of equivalent provident fund scheme.</p> <p>(3) The variable bonus amount shown is inclusive of equivalent provident fund scheme.</p> <p>Taking into consideration the highly competitive business environment, the nature of the industry and the confidentiality of the Group's remuneration policies, the Board is of the view that providing full disclosure of the remuneration of each individual director and key management personnel is not in the best interests of the Group and may adversely affect talent attraction and retention.</p> <p>There are no termination, retirement, post-employment benefits that may be granted to the Directors.</p> <p>During FY2022, the Group had six (6) top key management personnel (who are not Directors or the CEO of the Company).</p>	Name of Directors	Breakdown of Remuneration in Percentage (%)						Total Remuneration in Compensation Bands of \$250,000	Fees ⁽¹⁾	Salary ⁽²⁾	Allowance ⁽¹⁾	Benefits	Variable Bonus ⁽³⁾	Total	<u>Executive Directors</u>								Tan Kwee Chai	-	97.6	0.9	1.5	-	100.0	\$250,001-\$500,000	Tan Yong Chuan	0.5	92.9	1.7	4.9	-	100.0	<\$250,000	Tan Ai Luang	-	91.5	2.3	6.2	-	100.0	<\$250,000	<u>Independent Non-Executive Directors</u>								Oh Seong Lye	92.2	-	7.8	-	-	100.0	<\$250,000	Yeo Kian Wee Andy	91.6	-	8.4	-	-	100.0	<\$250,000	Datuk Yap Kheng Fah	91.7	-	8.3	-	-	100.0	<\$250,000
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CORPORATE GOVERNANCE REPORT

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		<p>The performance criteria used to assess the remuneration of Executive Directors and key management personnel is based on qualitative and quantitative components:</p> <ul style="list-style-type: none"> (a) Leadership (b) Teamwork (c) People development (d) Responsibilities and commitment (e) Profitability performance of the Group <p>The RC has reviewed the performance of the Executive Directors and key management personnel based on its performance conditions and concluded that they have met the performance criteria in FY2022.</p>
ACCOUNTABILITY AND AUDIT		
Risk Management and Internal Controls		
9	The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.	<p>The Board is accountable to shareholders and ensures that all material information is fully disclosed in a timely manner to shareholders in compliance with statutory and regulatory requirements. The Board strives to provide its shareholders a balanced and understandable assessment of the Group's performance, position and prospects.</p> <p>The Board takes steps to ensure compliance with all the Group's policies, operational practices and procedures, and relevant legislative and regulatory requirements, including requirements under the Catalist Rules, where appropriate. The Independent Non-Executive Directors in consultation with management will request for management's consideration for the establishment of written policies for any particular matter that is deemed to be essential to form part of management control.</p> <p>Management provides appropriately detailed management accounts of the Group's performance on a quarterly basis to the Board to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects. As and when circumstances arise, the Board can request management to provide any necessary explanation and/or information on the management accounts of the Group.</p> <p>The Board reviews the Group's business and operational activities to identify areas of significant business risk as well as the measures in place to control and mitigate these risks within the Group's policies and business strategies. The risk assessment exercise also includes identifying and assessing key risk areas of the Group such as financial, operational, compliance and information technology risks based on the feedback of the Internal and External Auditors. The Board also oversees the Management in implementing the risk management and internal controls system.</p>

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		<p>The Board is also responsible for governance of risk management, and determining the Company's levels of risk tolerance and risk policies. The Board consults with the Internal and External Auditors to determine the risk tolerance level and corresponding risk policies.</p> <p>The risk management and internal control systems have been integrated throughout the Group and have been an essential part of its business planning and monitoring process. On quarterly basis, the Management will report to the Board on updates to the Group's risk profile, evaluation process for identified risks and mitigation process thereon as well as the results of assurance activities so as to assure that the process is operating effectively as planned.</p> <p>The responsibility of overseeing the Company's internal control system and policies are undertaken by the ARC with the assistance of the Internal and External Auditors. Having considered the Company's business operations as well as its existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being.</p> <p>The Board is of the view that the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective as of 31 December 2022 in its current business environment.</p> <p>The basis for the Board's view are as follows:</p> <ul style="list-style-type: none"> • Assurance has been received from the CEO and CFO; • Board Committee meetings are held with the key management personnel to discuss and review the financial and operational (including compliance issues) performance of the Group. Internal control issues, where applicable, were discussed and addressed during such meetings; • Key management personnel regularly evaluates, monitors and reports to the ARC on material risks and a set of risk registers is maintained, updated and presented to the ARC at least annually; • Work performed by the Internal and External Auditors; and • Discussions were held between the ARC, Internal and External Auditors in the absence of the key management personnel to review and address any potential concerns. <p>The Board has obtained the assurance from the CEO and CFO that the financial records of the Group have been properly maintained and the financial statements for FY2022 give a true and fair view of the Group's operations and finances; and the assurance from the CEO and other key management personnel who are responsible that the Company's risk management systems and internal control systems are adequate and effective.</p> <p>Based on the internal controls established and maintained by the Group, work performed by the Internal and External Auditors, and reviews performed by the Management, various Board Committees and the Board, the Board, in concurrence with the ARC, is of the opinion that the Group's system of internal controls, which addresses the financial, operational, compliance and information technology controls and risk management systems, were adequate and effective as of 31 December 2022 in its current business environment.</p>

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		<p>The Board notes that system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.</p> <p>The ARC has reviewed the external auditor's audit plan for FY2022 and agreed with the auditor's proposed significant areas of focus and assumptions that impact the financial statements. In review of the financial statements for FY2022, the ARC has discussed with Management, the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements and considered the clarity of key disclosures in the financial statements. The ARC has also reviewed the matters identified as key audit matters in the auditor's report and has obtained Management's assessment and the reasonableness of those assumptions and concurred with the basis and conclusions.</p>
Audit and Risk Committee		
10	The Board has an ARC which discharges its duties objectively.	<p>The Company has an ARC which comprises the following three (3) members, all of whom including its Chairman, are Independent Non-Executive Directors:</p> <p>Mr Oh Seong Lye, Chairman (Independent Non-Executive Directors)</p> <p>Mr Yeo Kian Wee Andy (Independent Non-Executive Directors)</p> <p>Datuk Yap Kheng Fah (Independent Non-Executive Directors, appointed on 1 January 2022)</p> <p>The Chairman of the ARC, Mr Oh Seong Lye is a Fellow of Institute of the Chartered Accountants of England and Wales; a Chartered Accountant of the Malaysian Institute of Accountants and a Chartered Accountants of the Institute of Singapore Chartered Accountants. Datuk Yap Kheng Fah has experience in corporate finance and private equity who has led, completed or been involved in corporate restructuring, divestiture, mergers and acquisitions, reverse takeovers and debt transactions.</p> <p>The ARC is guided by the following key terms of reference:</p> <p>(a) assist our Board in the discharge of its responsibilities on financial reporting matters;</p> <p>(b) consider the appointment or re-appointment of the External Auditors, the level of their remuneration and matters relating to the resignation or dismissal of the External Auditors, and review with the External Auditors the audit plans, their evaluation of the system of internal accounting controls, their audit reports, their management letter and our management's response before submitting the results of such review to our Board for approval;</p>

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Principle	Code Description	Company's compliance or explanation
		<p>(c) consider the appointment or re-appointment of the Internal Auditors, the level of their remuneration and matters relating to the resignation or dismissal of the Internal Auditors, and review with the Internal Auditors the internal audit plans and their evaluation of the adequacy of our system of internal accounting controls and accounting system before submitting the results of such review to our Board for approval prior to the incorporation of such results in our annual report (where necessary);</p> <p>(d) review the system of internal accounting controls and procedures established by the management and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of our management where necessary);</p> <p>(e) review the assistance and co-operation given by our Company's officers to the Internal and External Auditors;</p> <p>(f) review the half yearly and annual, and quarterly if applicable, financial statements and results announcements before submission to our Board for approval, focusing in particular, on changes in accounting policies and practices, major areas of judgement, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;</p> <p>(g) review and discuss with the External Auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our Group's operating results or financial position, and consider the adequacy of our management's response;</p> <p>(h) review and assess our Company's foreign exchange and hedging policies including whether our Company has in place adequate and appropriate hedging policies and used appropriate instruments for hedging, if applicable;</p> <p>(i) review transactions falling within the scope of Chapter 9 and Chapter 10 of the Catalist Rules (if any);</p> <p>(j) review potential conflicts of interest (if any) and set out a framework to resolve or mitigate any potential conflicts of interest;</p> <p>(k) review the effectiveness and adequacy of our administrative, operating, internal accounting and financial control procedures;</p> <p>(l) review our key financial risk areas, with a view to providing an independent oversight on our Group's financial reporting, the outcome of such review to be disclosed in the annual reports or, if the findings are material, immediately announced via SGXNET;</p> <p>(m) undertake such other reviews and projects as may be requested by our Board and report to our Board its findings from time to time on matters arising and requiring the attention of our ARC;</p> <p>(n) generally undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time;</p>

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		<p>(o) review arrangements by which our staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow-up; and</p> <p>(p) review our Group's compliance with such functions and duties as may be required under the relevant statutes or the Catalist Rules, including such amendments made thereto from time to time.</p> <p>The Board is of the view that the ARC members possess the relevant accounting or related financial management expertise to discharge their responsibilities. The members collectively have many years of experience in accounting and audit, business and financial management and law. The Board considers that the members of the ARC are appropriately qualified to discharge the responsibilities of the ARC.</p> <p>During the year, the Company's Internal and External Auditors were invited to attend the ARC meeting(s) and make presentations as appropriate. They also met separately with the ARC without the presence of Management to review matters that might be raised privately, at least annually or as and when the need arises.</p> <p>The ARC has reviewed the independence and objectivity of the External Auditors through discussion with the external auditors and an annual review of the nature, extent and charges of non-audit services provided by the External Auditors as part of the ARC's assessment of the External Auditor's independence. A breakdown of the fees paid to the Group's External Auditors (including its associated firms) is disclosed in the table below:</p> <table border="1" data-bbox="587 1272 1422 1451"> <thead> <tr> <th data-bbox="587 1272 1066 1317">External Auditor Fees for FY2022</th> <th data-bbox="1066 1272 1225 1317">RM'000</th> <th data-bbox="1225 1272 1422 1317">% of Total Fees</th> </tr> </thead> <tbody> <tr> <td data-bbox="587 1317 1066 1361">Total Audit Fees</td> <td data-bbox="1066 1317 1225 1361">525</td> <td data-bbox="1225 1317 1422 1361">73.9</td> </tr> <tr> <td data-bbox="587 1361 1066 1406">Total Non-Audit Fees</td> <td data-bbox="1066 1361 1225 1406">185</td> <td data-bbox="1225 1361 1422 1406">26.1</td> </tr> <tr> <td data-bbox="587 1406 1066 1451">Total Fees</td> <td data-bbox="1066 1406 1225 1451">710</td> <td data-bbox="1225 1406 1422 1451">100.0</td> </tr> </tbody> </table> <p>The ARC is satisfied that the nature and extent of non-audit services above provided by the External Auditors in FY2022 will not prejudice the independence and objectivity of the External Auditors, and is pleased to recommend their re-appointment.</p> <p>To encourage proper work ethics and eradicate any internal improprieties, unethical acts, malpractices, fraudulent acts, corruption and/or criminal activities in the Group, the Company has a whistle blowing policy ("Whistle-blowing Policy") in place. The Whistle-blowing Policy provides the mechanism by which concerns about plausible improprieties in matters of financial reporting, etc., may be raised. An Investigation Committee ("IC") had been established for this purpose. In addition, a dedicated secured e-mail address at whistleblow@lyfurniture.com which allows whistle blowers to contact the IC and/or the ARC Chairman directly.</p> <p>The Company's Whistle-blowing Policy allows not just employees but also external parties to raise concerns and offer reassurance that they will be protected from reprisals or victimisation for whistle blowing in good faith.</p>	External Auditor Fees for FY2022	RM'000	% of Total Fees	Total Audit Fees	525	73.9	Total Non-Audit Fees	185	26.1	Total Fees	710	100.0
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		<p>Assisted by the IC, the ARC addresses issues/concerns raised and arranges for investigation and/or follow-up of appropriate action. The ARC reports to the Board any issues/concerns received by it and the IC, at the ensuing Board meeting. Should the ARC or IC receive reports relating to serious offences, and/or criminal activities in the Group, they and the Board have access to the appropriate external advice where necessary. Where appropriate or required, a report shall be made to the relevant governmental authorities for further investigation/action.</p> <p><i>Investigation Committee</i></p> <p>The IC consists of an Executive Director, CFO and an external outsourced Human Resource Consultant.</p> <p>The IC is empowered to:</p> <ul style="list-style-type: none"> • look into all issues/concerns relating to the Group (except for those directed specifically to or affecting any member of the IC which are dealt with by the ARC); • make the necessary reports and recommendations to the ARC or the Board for their review and further action, if deemed required by them; and • access the appropriate external advice where necessary and, where appropriate or required, report to the relevant governmental authorities for further investigation/action. <p>The Group takes concerns with the integrity and honesty of its employees very seriously. The Whistle-blowing Policy has been established and disseminated to all employees to encourage the report of any behaviour or action that anyone reasonably believes might be suspicious, against any rules/regulations/accounting standards as well as internal policies. Whistle blowers could also email to the ARC directly and in confidentiality, and his/her identity is protected from reprisals within the limits of the law.</p> <p>There were no whistle-blowing reports received during FY2022.</p> <p>None of the ARC members (i) is a former partner or director of the Company's existing auditing firm or auditing corporation in the previous 2 years and (ii) holds any financial interest in the auditing firm or auditing corporation.</p> <p>The ARC's responsibilities over the Group's internal controls and risk management are complemented by the work of the Internal Auditors.</p>

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		<p>The Company has outsourced its internal audit function to Baker Tilly Consultancy (Singapore) Pte. Ltd. ("Baker Tilly" or "Internal Auditors"). Baker Tilly is the appointed outsourced internal auditor to many public listed companies in Singapore & Hong Kong. The engagement team is led by its engagement partner who has more than 20 years of professional experience in the field and possesses the designation of Certified Internal Auditor and Chartered Accountant (Singapore). The engagement team from Baker Tilly comprises an Engagement Manager, Lead Consultants and Consultants who possess relevant experience as well as designations such as Certified Public Accountant, Certified Internal Auditor etc. The Internal Auditors conduct their work in accordance to the International Professional Practices Framework issued by the Institute of Internal Auditors.</p> <p>The Internal Auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the ARC and the ARC is satisfied that the Internal Auditors possess the relevant skillsets/qualifications and have appropriate standing within the Company to carry out their work in line with the approved Internal Audit Plans. The Internal Auditors' ultimate line of reporting is to the Chairman of the ARC. It carries out the Internal Auditor functions under the direction of the ARC and reports the findings and makes recommendations to the ARC accordingly.</p> <p>The Internal Auditor plans its audit work in consultation with, but independently of, the management, and its yearly plan is submitted to the ARC for review and approval prior to the beginning of the financial year.</p> <p>The Internal Auditor has full access to all the Company's documents, records, properties and personnel including access to the ARC. The ARC is satisfied that Internal Auditors is adequately qualified (given, <i>inter alia</i>, its adherence to Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors) and resourced, and has the appropriate standing in the Company to discharge its duties effectively.</p>
SHAREHOLDER RIGHTS AND ENGAGEMENT		
Shareholder Rights and Conduct of General Meetings		
11	The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.	<p>The Company believes in providing sufficient and regular information to its shareholders to keep the shareholders updated with the recent development of the Group. In this respect, the Board strive to provide clear, timely and fair disclosure of information via SGXNET about the Company's business developments and financial performance updates that could have a material impact on the price or value of its shares.</p> <p>Shareholders are encouraged to attend shareholders' meetings to stay informed of the Company's strategy and goals. Notice of the meeting is dispatched to shareholders, together with annual report or a circular, at least 14 days, or 21 days (as the case may be), before the meeting.</p> <p>All shareholders are entitled to vote in accordance with the established voting rules and procedures. The Company shall conduct poll voting for all resolutions tabled at the general meetings. The rules, including the voting process, shall be explained by the scrutineers at such general meetings.</p>

CORPORATE GOVERNANCE REPORT

Principle	Code Description	Company's compliance or explanation
		<p>A shareholder who is entitled to attend and vote may either vote in person or through the appointment of proxies. The Constitution of the Company allows an individual shareholder to appoint not more than two (2) proxies to attend and vote on his or her behalf at the general meetings.</p> <p>Member who is a relevant intermediary may appoint more than two (2) proxies to attend, speak and vote at the shareholders' meetings, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.</p> <p>The Company's Constitution does allow for absentia voting at general meetings of shareholders at the discretion of Directors to approve and implement such voting, subject to the security measures as may be deemed necessary or expedient. Separate resolutions are proposed on each separate issue at general meetings. Where the resolutions are "bundled", the Company explains the reasons and material implications in the notice of meeting.</p> <p>The Board welcomes questions from shareholders who wish to raise issues, either informally or formally before or during the general meetings. The Chairman of the Board and its Committees, CEO and CFO will all attend the general meetings to address issues raised by shareholders. The External Auditors and the Sponsors are also present to address any relevant queries from shareholders.</p> <p>All resolutions are put to vote by poll, and their detailed results will be announced via SGXNET after the conclusion of the general meeting.</p> <p>The minutes of general meetings which incorporate substantial comments or queries from shareholders relating to the agenda of the meeting, response from the Board and Management, are publicly available on both the SGXNET and the Company's corporate website.</p> <p>In view of the COVID-19 situation in Singapore, the Company's AGM for FY2021 was conducted and held by electronic means through a live webcast and shareholders were given an option to watch the "live" webcast or listen to the "live" audio feeds on 29 April 2022 where all directors were present.</p> <p>As per the Regulator's Column dated 23 May 2022, general meetings which are conducted virtually on or after 1 October 2022 and annual general meetings for financial years ending 30 June 2022 onwards, will need to provide both (i) real-time electronic voting and (ii) real-time electronic communication.</p> <p>In view that Singapore is exiting acute phase of the Covid-19 pandemic by returning to Dorscon green level with effect from 13 February 2023, this has made the return to normalcy and have made possible the resumption of general meetings in a physical face-to-face format practised pre-COVID. The Company's forthcoming AGM in respect of FY2022 will be held physically at Suntec Singapore Convention & Exhibition Centre, Room 328, 1 Raffles Boulevard, Singapore 039593 on 28 April 2023 and be convened pursuant to the Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation released by SGXRegCo on 4 February 2022.</p>

CORPORATE GOVERNANCE REPORT

Principle	Code Description	Company's compliance or explanation
		<p>The Company does not have a fixed dividend policy. The form, frequency and amount of future dividends on the shares that the Board may recommend or declare will depend on, among other factors deemed relevant by the Board, the factors outlined below:</p> <ul style="list-style-type: none"> (a) cash flow and retained earnings; (b) actual and projected business and financial performance; (c) projected levels of capital expenditure and expansion plans; (d) results of operations; (e) working capital requirements and general financing condition; and (f) restrictions on the payment of dividends imposed on the Company (if any). <p>The Board will not be recommending any final dividend for FY2022 as the Board is of the view that it would be prudent to conserve cash for any unforeseen circumstances and to reinvest back into its business.</p>
Engagement with Shareholders		
12	The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.	<p>The Company currently does not have an investor relations policy. However, the Company has engaged an external investor relations adviser, GC Consultants Pte. Ltd., to carry out investor relations activities.</p> <p>The Company strives to communicate with shareholders and the investing community through the timely release of announcements to the SGX-ST via SGXNET including the financial results announcements of the Company and the Group, which are published through the SGXNET on a half-yearly basis.</p> <p>To further enhance its communication with investors, the Company has also enhanced its website through its Investor Relations at http://investor.lyfurniture.com/ where the public can access information on the Group directly and make enquiries via the contact information published on the corporate website.</p> <p>General meetings will be the principal forum for dialogue with shareholders. Shareholders are given opportunities to participate through open discussions with the Chairman, Directors, CEO or the Management to better understand the business operations or performance of the Group.</p>
MANAGING STAKEHOLDER RELATIONSHIPS		
Engagement with Stakeholders		
13	The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.	<p>The Group has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. The Company engages its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders. More information on the Company's stakeholder engagement can be found under Sustainability Report on pages 18 to 19 of this Annual Report.</p> <p>The Company maintains a corporate website at http://www.lyfurniture.com to communicate and engage with stakeholders.</p>

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH APPLICABLE CATALIST RULES		
Catalist Rule	Rule Description	
712, 715 or 716	Appointment of Auditors	The Group complied with Rule 712 and Rule 715 of the Catalist Rules.
1204(8)	Material Contracts	There were no material contracts entered into by the Group involving the interests of the CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2022 or if not then subsisting, which were entered into since the end of the previous financial year, save for the service agreements between the Company and the Executive Directors.
1204(10)	Confirmation of Adequacy of Internal Controls	<p>The Board, with the concurrence of the ARC, is of the opinion that the Group's internal controls and risk management systems are adequate and effective to address the financial, operational, compliance and information technology controls, and risk management systems in FY2022 in its current business environment based on the following:</p> <ul style="list-style-type: none"> • Assurance has been received from the CEO and CFO; • Board Committee meetings are held with the key management personnel to discuss and review the financial and operational (including compliance issues) performance of the Group. Internal control issues, where applicable, were discussed and addressed during such meetings; • Key management personnel regularly evaluates, monitors and reports to the ARC on material risks and a set of risk registers is maintained, updated and presented to the ARC at least annually; • Work performed by the Internal and External Auditors; and • Discussions were held between the ARC, Internal and External Auditors in the absence of the key management personnel to review and address any potential concerns. <p>There were no material weaknesses identified by the Board or ARC in FY2022.</p>
1204(10)(C)	ARC's comment on internal audit function	<p>The ARC is satisfied that the Company's internal audit function is:</p> <ul style="list-style-type: none"> • sufficiently independent to carry out its role; • conducted effectively as Management has provided full co-operation to enable Internal Auditors to perform its function; • adequately resourced to perform the work for the Group; and • has the appropriate standing within the Company.

CORPORATE GOVERNANCE REPORT

Catalist Rule	Rule Description				
1204(17)	Interested Person Transaction (“IPT”)	Details of the interested person transactions for FY2022 as required pursuant to Rule 907 of the Catalist Rules of SGX-ST are as follows:			
				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)
		Name of Interested Person	Nature of Relationship	RM’000	RM’000
		Lean Shern Furniture Sdn Bhd (“Lean Shern”)	Mr Tan Khwee Ming and Mr Tan Kwee Song, who are both brothers of Mr Tan Kwee Chai and Mr Tan Kwee Lim, each owns 50% of the issued and paid-up capital of Lean Shern and the directors of Lean Shern are Mr Tan Khwee Ming and Mr Tan Kwee Song.	– ⁽²⁾	39,498
		Leatherworld Upholstery Sdn Bhd (“Leatherworld”)	Lian Yu Furniture Corporation Sdn Bhd (“LYFC”) ⁽¹⁾ owns 51.0% of the issued and paid-up share capital of Leatherworld, and the remaining 49.0% shareholding interest in Leatherworld is owned by Ms Tan Pei Wah. The directors of Leatherworld are Mr Eu Choon Sian and Ms Tan Pei Wah, who are both not related to any of our Directors, CEO, Controlling Shareholders or their Associates. None of our Directors, CEO, Executive Officers or Controlling Shareholders has an executive role in Leatherworld.	– ⁽²⁾	2,000
		<i>Notes:</i>			
		<i>(1) Mr Tan Kwee Chai, Mr Tan Yong Chuan, Mr Tan Kwee Lim, Mr Boo Ngek Hee, Mdm Cha Geek Ngo, Mr Tan Yong Siang and Lead Chance Holdings Limited own 37.13%, 9.23%, 19.24%, 10.01%, 4.39%, 6.00% and 14.00% of the issued and paid-up share capital of LYFC respectively. Lead Chance Holdings Limited is wholly-owned by Mr Shen Min-Hui. The directors of LYFC are Mr Tan Kwee Chai, Mr Tan Yong Chuan, Mr Tan Kwee Lim and Mr Boo Ngek Hee.</i>			
		<i>(2) Excludes transactions which are less than S\$100,000.</i>			
		The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the ARC and the transactions are carried out on normal commercial terms and will not be prejudicial to the interest of the Company and its minority shareholders.			

CORPORATE GOVERNANCE REPORT

Catalist Rule	Rule Description	
1204(19)	Dealing in Securities	<p>The Company has adopted an internal policy which prohibits the Directors and officers from dealing in the securities of the Company while in possession of price-sensitive information.</p> <p>The Company, its Directors and officers are also discouraged from dealing in the Company's securities on short term considerations and are prohibited from dealing in the Company's securities during the period commencing one month before the announcement of the Group's half-yearly or full year results, and ending on the date of the announcement of the relevant results.</p>
1204(21)	Non-sponsor Fees	No non-sponsor fees were paid to the Company's sponsor, Xandar Capital Pte. Ltd. during FY2022.
1204(22)	Use of Proceeds	<p>Pursuant to the Company's initial public offering ("IPO") in 2018, the Company received net proceeds from the IPO of approximately RM13.0 million (the "Net Proceeds").</p> <p>The Company had on 12 August 2022 disclosed in its announcement in relation to the Group's results for the six months ended 30 June 2022 that the Company has fully utilised the net proceeds raised from its IPO in 2018.</p>

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Oh Seong Lye and Ms Tan Ai Luang are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 28 April 2023 (“AGM”) (collectively the “Retiring Directors” and each a “Retiring Director”).

Pursuant to Rule 720(5) of the Singapore Exchange Securities Trading Limited’s Listing Manual Section B: Rules of Catalist (the “Catalist Rules”), the following is the information relating to the Retiring Directors as set out in Appendix 7F to the Catalist Rules:

	MR OH SEONG LYE	MS TAN AI LUANG
Date of Appointment	20 December 2017	20 December 2017
Date of last re-appointment	25 April 2019	22 June 2020
Age	74	50
Country of principal residence	Malaysia	Malaysia
The Board’s comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee (“NC”) and has reviewed and considered the qualification, work experience, contribution, performance, attendance, preparedness, participation, candour and suitability of Mr Oh Seong Lye for re-appointment as Independent Non-Executive Director of the Company. The Board has reviewed and is of the view that Mr Oh Seong Lye possesses the requisite experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the NC and has reviewed and considered the contribution, performance, business knowledge, attendance, preparedness, participation, candour and suitability of Ms Tan Ai Luang for re-election as Executive Director of the Company. The Board has reviewed and concluded that Ms Tan Ai Luang possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive Ms Tan Ai Luang is responsible for the sales and marketing activities of our Group including overseeing the prototype and industrial engineering, purchasing and procurement and exporting and shipping departments.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Director, Chairman of the Board of Directors and the Audit and Risk Committee, a member of the Nominating and Remuneration Committees	Executive Director

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR OH SEONG LYE	MS TAN AI LUANG
Professional qualifications	<ol style="list-style-type: none"> 1. Fellow member of the Institute of Chartered Accountants of England and Wales; 2. Chartered Accountant of Institute of Singapore Chartered Accountants; 3. Chartered Accountant of Malaysian Institute of Accountants; and 4. Executive Master of Business Administration from United Business Institutes (Belgium). 	Ms Tan Ai Luang obtained a Bachelor of Arts in Communication from Universiti Kebangsaan Malaysia in 1998.
Working experience and occupation(s) during the past 10 years	Senior Partner of Terence Oh & Associates, Chartered Accountants (1978 to 2021)	LY Corporation Limited and its related corporations.
Shareholding interest in the listed issuer and its subsidiaries	Direct interest: 115,000 ordinary shares of LY Corporation Limited	Direct interest: 800,000 ordinary shares of LY Corporation Limited
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	Ms Tan Ai Luang is the niece of Mr Tan Kwee Chai, the Executive Director, and cousin of Mr Tan Yong Chuan, Executive Director and Chief Executive Officer.
Conflict of Interest (including any competing business)	None	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments including Directorships	Yes	None
Past (for the last 5 years)	Terence Oh & Associates Inari Amertron Berhad Insas Berhad	
Present	OSL Corporate Services	

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR OH SEONG LYE	MS TAN AI LUANG
<p>Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is “yes”, full details must be given.</p>		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR OH SEONG LYE	MS TAN AI LUANG
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:		
i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR OH SEONG LYE	MS TAN AI LUANG
<p>iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or</p> <p>iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere</p> <p>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only		
<p>Any prior experience as a director of a listed company?</p> <p>If yes, please provide details of prior experience.</p> <p>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.</p> <p>Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).</p>	Not Applicable.	Not Applicable.

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DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of LY Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet of the Company for the financial year ended 31 December 2022.

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 80 to 141 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2022 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement are as follows:

Tan Yong Chuan
Tan Kwee Chai
Tan Ai Luang
Oh Seong Lye
Yeo Kian Wee Andy
Datuk Yap Kheng Fah
Lee Dah Khang (retired on 29 April 2022)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as disclosed in this statement, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act 1967, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of director	Direct interest			Deemed interest		
	At the beginning of financial year	At the end of financial year	At 21 January 2022	At the beginning of financial year	At the end of financial year	At 21 January 2022
<u>Ordinary shares of the Company</u>						
Tan Kwee Chai	1,556,200	2,520,400	2,520,400	355,159,700	355,159,700	355,159,700
Tan Ai Luang	800,000	800,000	800,000	-	-	-
Oh Seong Lye	115,000	115,000	115,000	-	-	-
Yeo Kian Wee Andy	115,000	115,000	115,000	-	-	-
<u>Ordinary shares of the ultimate holding company</u>						
- Lian Yu Holdings Pte. Ltd.						
Tan Kwee Chai	431,730	431,730	431,730	-	-	-
Tan Yong Chuan	107,336	107,336	107,336	-	-	-

By virtue of Section 7 of the Singapore Companies Act 1967, Tan Kwee Chai is deemed to have an interest in the shares held by Lian Yu Holdings Pte. Ltd. in the Company and in its subsidiaries.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

SHARE AWARDS

On 21 December 2017, the Company adopted the LY Performance Share Plan for the granting of non-transferable share awards. The awards are settled by the physical delivery of the ordinary shares of the Company to eligible participants (including Executive Directors and Independent Directors). The LY Performance Share Plan is administered by the Remuneration Committee of the Company.

Since the commencement of the LY Performance Share Plan till the end of the financial year, no share awards have been granted.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee performed the functions specified in the Singapore Companies Act 1967. The functions performed are detailed in the Report on Corporate Governance.

DIRECTORS' STATEMENT

AUDITORS

The auditors, PricewaterhouseCoopers LLP have expressed their willingness to accept re-appointment as auditors.

Signed on behalf on the Board of Directors in accordance with their resolution dated 5 April 2023.

TAN KWEE CHAI
DIRECTOR

TAN YONG CHUAN
DIRECTOR

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
Revenue	4	234,521	189,222
Cost of sales		(203,531)	(192,710)
Gross profit/(loss)		30,990	(3,488)
OTHER ITEMS OF INCOME			
Interest income from short-term deposits		137	40
Distributions from short-term investment security		-	1
Other income	5	6,240	10,261
OTHER ITEMS OF EXPENSE			
Selling and administrative expenses		(19,693)	(18,207)
Finance costs	6	(2,247)	(1,449)
Other expenses	7	(2,475)	(367)
Profit/(loss) before tax	8	12,952	(13,209)
Income tax (expense)/credit	10	(4,718)	6,347
Profit/(loss) for the year, representing total comprehensive income/(loss) for the year		8,234	(6,862)
Profit/(loss) for the year, representing total comprehensive income/(loss) for the year attributable to:			
- Owners of the Company		12,351	(7,191)
- Non-controlling interest		(4,117)	329
		8,234	(6,862)
Earnings/(loss) per share attributable to owners of the Company (sen per share)			
Basic and diluted	11	2.53	(1.47)

STATEMENTS OF FINANCIAL POSITION

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group		Company	
		2022	2021	2022	2021
		RM'000	(Restated) RM'000	RM'000	RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	12	154,634	159,485	-	-
Right-of-use assets	21	29,053	26,087	-	-
Investment in subsidiaries	13	-	-	63,255	62,456
Intangible assets	14	2,872	2,923	-	-
		186,559	188,495	63,255	62,456
CURRENT ASSETS					
Inventories	15	88,885	88,676	-	-
Trade and other receivables	16	18,272	19,833	7	7
Prepaid operating expense		2,233	2,306	17	24
Tax recoverable		5,361	5,814	-	-
Cash and cash equivalents	17	25,762	30,919	1,107	4,590
		140,513	147,548	1,131	4,621
TOTAL ASSETS		327,072	336,043	64,386	67,077
CURRENT LIABILITIES					
Loans and borrowings	18	16,854	36,689	-	-
Trade and other payables	19	34,200	42,500	-	-
Contract liabilities	4(b)	942	3,827	-	-
Accrued operating expenses		761	778	553	512
Lease liabilities		3,221	2,075	-	-
		55,978	85,869	553	512
NET CURRENT ASSETS		84,535	61,679	578	4,109
NON-CURRENT LIABILITIES					
Loans and borrowings	18	23,463	18,091	-	-
Lease liabilities		8,413	5,861	-	-
Deferred tax liabilities	20	17,419	12,657	-	-
		49,295	36,609	-	-
TOTAL LIABILITIES		105,273	122,478	553	512
NET ASSETS		221,799	213,565	63,833	66,565

STATEMENTS OF FINANCIAL POSITION

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group		Company	
		2022	2021	2022	2021
		RM'000	(Restated) RM'000	RM'000	RM'000
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital	22	66,135	66,135	66,135	66,135
Treasury shares	23	(173)	(173)	(173)	(173)
Merger reserve	24	(15,234)	(15,234)	-	-
Other reserve	25	(3,322)	-	-	-
Retained earnings/(accumulated losses)		177,663	165,312	(2,129)	603
		225,069	216,040	63,833	66,565
Non-controlling interest	13	(3,270)	(2,475)	-	-
NET ASSETS		221,799	213,565	63,833	66,565
TOTAL EQUITY AND LIABILITIES		327,072	336,043	64,386	67,077

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Attributable to owners of the Company							Total equity RM'000
	Share capital (Note 22)	Treasury shares (Note 23)	Merger reserve (Note 24)	Other reserve (Note 25)	Retained earnings RM'000	Equity attributable to owner RM'000	Non-controlling interest RM'000	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Group								
At 1 January 2022	66,135	(173)	(15,234)	-	165,312	216,040	(2,475)	213,565
Profit/(loss) for the year, representing total comprehensive income/(loss) for the year	-	-	-	-	12,351	12,351	(4,117)	8,234
Accretion of interest in a subsidiary company	-	-	-	(3,322)	-	(3,322)	3,322	-
At 31 December 2022	66,135	(173)	(15,234)	(3,322)	177,663	225,069	(3,270)	221,799

	Attributable to owners of the Company							Total equity RM'000
	Share capital (Note 22)	Treasury shares (Note 23)	Merger reserve (Note 24)	Retained earnings RM'000	Equity attributable to owner RM'000	Non-controlling interest RM'000	RM'000	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Group								
At 1 January 2021	66,135	(135)	(15,234)	174,479	225,245	(2,804)	222,441	
(Loss)/profit for the year, representing total comprehensive (loss)/income for the year	-	-	-	(7,191)	(7,191)	329	(6,862)	
Purchase of treasury shares	-	(38)	-	-	(38)	-	(38)	
Dividend on ordinary shares, representing total distribution to owners (Note 33)	-	-	-	(1,976)	(1,976)	-	(1,976)	
At 31 December 2021	66,135	(173)	(15,234)	165,312	216,040	(2,475)	213,565	

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Share capital (Note 22) RM'000	Treasury shares (Note 23) RM'000	(Accumulated losses)/retained earnings RM'000	Total equity RM'000
<u>Company</u>				
At 1 January 2022	66,135	(173)	603	66,565
Loss for the year, representing total comprehensive loss for the year	-	-	(2,732)	(2,732)
At 31 December 2022	66,135	(173)	(2,129)	63,833
At 1 January 2021	66,135	(135)	4,123	70,123
Loss for the year, representing total comprehensive loss for the year	-	-	(1,544)	(1,544)
Purchase of treasury shares	-	(38)	-	(38)
Dividend on ordinary shares, representing total distribution to owners (Note 33)	-	-	(1,976)	(1,976)
At 31 December 2021	66,135	(173)	603	66,565

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
OPERATING ACTIVITIES			
Profit/(loss) before tax		12,952	(13,209)
Adjustments for:			
Loss on disposal of property, plant and equipment	7	16	37
Gain on disposal of short-term investment security		-	(4)
Distributions from short-term investment security		-	(1)
Allowance for slow moving inventories		606	-
Interest income from short-term deposits		(137)	(40)
Interest expense	6	2,247	1,449
Write-off of property, plant and equipment	7	54	47
Adjustment on right-of-use assets		(43)	(24)
Amortisation of trademarks	14	51	51
Depreciation of right-of-use assets	21	3,366	2,388
Depreciation of property, plant and equipment	12	11,845	10,323
Unrealised exchange loss		2,477	374
Operating profit before working capital changes		33,434	1,391
Changes in working capital:			
(Increase)/decrease in inventories		(815)	7,827
Decrease in trade and other receivables		560	168
Decrease in contract assets		-	4,813
Decrease/(increase) in prepaid operating expense		73	(977)
(Decrease)/increase in trade and other payables		(8,279)	3,164
Decrease in contract liabilities		(2,885)	(9,384)
(Decrease)/increase in accrued operating expenses		(17)	98
Cash flows generated from operations		22,071	7,100
Net income taxes refunded/(paid)		497	(1,060)
Net cash flows generated from operating activities		22,568	6,040
INVESTING ACTIVITIES			
Interest income from short term deposits		137	40
Distributions from short-term investment security		-	1
Proceeds from disposal of short-term investment security		-	1,009
Purchase of property, plant and equipment*	(a)	(5,953)	(15,688)
Addition of right-of-use assets	21	-	(3,411)
Proceeds from disposal of property, plant and equipment		265	79
Net cash flows used in investing activities		(5,551)	(17,970)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	2022 RM'000	2021 RM'000
FINANCING ACTIVITIES			
Dividends paid on ordinary shares	33	-	(1,976)
Purchase of treasury shares		-	(38)
Proceeds from loans and borrowings	(b)	84,184	83,157
Repayment under financing arrangements	(b)	(699)	(554)
Repayment of loans and borrowings	(b)	(100,633)	(71,941)
Principal repayment of lease liabilities	(b)	(2,591)	(1,748)
Interest paid	(b)	(2,247)	(1,449)
Net cash flows (used in)/generated from financing activities		(21,986)	5,451
NET CHANGE IN CASH AND CASH EQUIVALENTS		(4,969)	(6,479)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENT		(188)	4
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		30,919	37,394
CASH AND CASH EQUIVALENTS AT END OF YEAR	17	25,762	30,919

Note to the consolidated statement of cash flows

(a) The net cash outflow for the acquisition of property, plant and equipment are as follows:

	Note	2022 RM'000	2021 RM'000
Current year additions	12	7,329	15,688
Less: Obligation under financing arrangements		(1,376)	-
Net cash outflow from purchase of property, plant and equipment		5,953	15,688

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Note to the consolidated statement of cash flows (Continued)

(b) Changes in Liabilities Arising from Financing Activities

The analysis of movements in liabilities arising from financing activities are as follows:

	Cash movements			Non-cash movements			Currency translation difference RM'000	Termination RM'000	As at 31.12.2022 RM'000
	As at 1.1.2022 RM'000	Principal paid RM'000	Interest paid RM'000	Drawdown RM'000	Interest expense RM'000	Addition RM'000			
Loans and borrowing	53,197	(100,633)	(1,677)	84,184	1,677	-	1,309	-	38,057
Financing arrangements	1,583	(699)	(160)	-	160	1,376	-	-	2,260
Lease liabilities	7,936	(2,591)	(410)	-	410	8,536	-	(2,247)	11,634
	62,716	(103,923)	(2,247)	84,184	2,247	9,912	1,309	(2,247)	51,951

	Cash movements			Non-cash movements			Currency translation difference RM'000	Termination RM'000	As at 31.12.2021 RM'000
	As at 1.1.2021 RM'000	Principal paid RM'000	Interest paid RM'000	Drawdown RM'000	Interest expense RM'000	Addition RM'000			
Loans and borrowing	41,093	(71,941)	(964)	83,157	964	-	888	-	53,197
Financing arrangements	2,137	(554)	(119)	-	119	-	-	-	1,583
Lease liabilities	6,220	(1,748)	(366)	-	366	3,606	-	(142)	7,936
	49,450	(74,243)	(1,449)	83,157	1,449	3,606	888	(142)	62,716

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NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

1 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 (the “SGX-ST”). The immediate and ultimate holding company is Lian Yu Holdings Pte. Ltd., which was incorporated in Singapore.

The registered office of the Company is located at 80 Robinson Road, #02-00, Singapore 068898.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 13.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of preparation*

The consolidated financial statements of LY Corporation Limited and its subsidiaries (collectively, the “Group”) and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I”).

The consolidated financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The consolidated financial statements are presented in Ringgit Malaysia (“RM”) and all values in the tables are rounded to the nearest thousand (RM’000), except when otherwise indicated.

2.2 *New and amended standards and interpretations*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2022. The adoption of these new standards did not have any material effect on the financial performance or position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 *Standards issued but not yet effective*

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
• SFRS(I) 1-1 Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)	1 January 2024
• SFRS(I) 1-1 Presentation of Financial Statements and SFRS(I) Practice Statement 2 (Disclosure of Accounting Policies)	1 January 2023
• SFRS(I) 17: Insurance Contracts	1 January 2023
• Amendments to SFRS(I) 1-8: Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)	1 January 2023
• Amendments to SFRS(I) 1-12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
• Amendments to SFRS(I) 17: Initial Application of SFRS(I) 17 and SFRS(I) 9 - Comparative Information	1 January 2023
• Amendments to SFRS(I) 10 & SFRS(I) 1-28: Investment in Associates and Joint Ventures (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)	To be determined

The Group does not expect any significant impact arising from applying these amendments.

2.4 *Basis of consolidation*

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, other than those under common control (Note 2.4(c)) being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 *Basis of consolidation (Continued)*

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value unless another measurement basis is required by another SFRS(I).

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

(c) Corporate reorganisation

- (i) On 18 December 2017, the Group underwent a corporate reorganisation in preparation for its listing on the SGX-ST (the "Restructuring Exercise"). The Company subscribed for 4,500,000 shares in LY Furniture Sdn. Bhd. ("LYFSB"), amounting to 90% of the enlarged issued and paid-up share capital of LYFSB, for a consideration of RM4,500,000 which was based on RM1 for each share in LYFSB.

Concurrently, the Company entered into a sale and purchase agreement to acquire the remaining 10% of the issued and paid-up share capital in LYFSB for a consideration of RM15,995,500. The consideration was based on the unaudited net asset value of LYFSB as at 30 June 2017. The consideration was satisfied by the allotment and issue of 20,000,000 Shares in the Company. Upon completion of the acquisition of shares in LYFSB, LYFSB became a wholly-owned subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 *Basis of consolidation (Continued)*

(c) Corporate reorganisation (Continued)

The above Restructuring Exercise is considered to be a reorganisation without a change in beneficial shareholders. Accordingly, the Company recognises the difference between the deemed cost of acquiring LYFSB and the share capital of the subsidiary pursuant to the Restructuring Exercise as merger reserve. Although the Restructuring Exercise occurred on 18 December 2017, the consolidated financial statements present the financial position and financial performance as if the businesses have always been consolidated since the beginning of the earliest period presented. Such manner of presentation reflects the economic substance of the combining companies as a single economic enterprise, although the legal parent-subsidary relationship was not established until after the Restructuring Exercise. Comparatives are presented as if the entities or businesses had always been combined since the date of incorporation of the entities.

Pursuant to this:

- The assets and liabilities of the consolidated entities are reflected at their carrying amounts recorded in their respective financial statements.
- No adjustments are made to reflect the fair values on the date of consolidation or recognise any new assets or liabilities.
- No additional goodwill is recognised as a result of the consolidation.
- Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within the equity as merger reserve.
- The statement of comprehensive income reflects the results of the consolidated entities for the full year, irrespective of when the consolidation took place.

(d) Business combination under common control

On 30 December 2022, the Group has undertaken an internal restructuring exercise involving the transfer of the entire share capital of Leyo Manufacturing Sdn. Bhd. ("LEM") from Leyo Holdings Sdn. Bhd. ("LEH", a 51%-owned subsidiary of the Company) to LYFSB, a wholly-owned subsidiary of the Company, at a nominal consideration of RM1 (the "Internal Restructuring").

Pursuant to this:

- The assets and liabilities of the consolidated entities are reflected at their carrying amounts recorded in their respective financial statements.
- No adjustments are made to reflect the fair values on the date of consolidation or recognise any new assets or liabilities.
- No additional goodwill is recognised as a result of the consolidation.
- Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within the equity.

(e) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 *Functional and foreign currency*

The financial statements are presented in Ringgit Malaysia, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

2.6 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold buildings	Based on lease terms
Freehold buildings	50 years
Machinery and equipment	10 years
Office equipment, furniture and fittings	10 years
Motor vehicles	8 years
Renovation	10 years

Construction-in-progress is not depreciated as it is not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 *Impairment of non-financial assets*

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) Intangible assets, property, plant and equipment, right-of-use assets and investments in subsidiaries

Intangible assets, property, plant and equipment, right-of-use assets and investments in subsidiaries, associates and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

For an asset other than goodwill, management assesses at the end of the reporting period whether there is any indication that an impairment recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated and may result in a reversal of impairment loss. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.9 *Investment in subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.10 *Financial instruments*

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset.

Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 *Financial instruments (Continued)*

(a) Financial assets (Continued)

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

(c) Offsetting of financial instrument

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 *Impairment of financial assets*

The Group recognises an allowance for expected credit losses (“ECL”) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a “12-month ECL”). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a “lifetime ECL”).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment which could affect debtor’s ability to pay.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.12 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at banks and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.13 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a first-in first-out basis.
- Work-in-progress and finished goods: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow-moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.15 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.16 *Employee benefits*

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Company's subsidiaries incorporated in Malaysia make contributions to the Employees Provident Fund in Malaysia which is a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted estimated liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- | | |
|---|---------------|
| • Land use rights (expiring from 2053 2069) | 35 – 68 years |
| • Buildings | 2 to 6 years |

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.7.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 *Leases (Continued)*

(b) Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.18(e). Contingent rents are recognised as revenue in the period in which they are earned.

Subleases

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

When the sublease is assessed as a finance lease, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognised the net investment in the sublease within "Trade and other receivables". Any differences between the right-of-use asset derecognised and the net investment in sublease is recognised in profit or loss. The lease liability relating to the head lease is retained in the balance sheet, which represents the lease payments owed to the head lessor.

When the sublease is assessed as an operating lease, the Group recognise lease income from the sublease in profit or loss within "Other income". The right-of-use asset relating to the head lease is not derecognised.

For contract which contains lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

2.18 *Revenue*

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Sale of goods – Original design manufacturer and original equipment manufacturer

Revenue from the sales of custom wooden furniture (original design manufacturer basis) and revenue from the sales of made-to-order wooden furniture based on customised specifications from customers (original equipment manufacturer basis) are recognised at the point in time when the manufacturing process is completed with the customers' acceptance and customers have obtained control of the goods.

(b) Sale of goods – Original brand manufacturer

Revenue from sale of self-assembled wooden furniture is recognised at the point in time upon delivery and when the customer obtained control of the goods.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 *Revenue (Continued)*

(c) Sale of goods – Millwork

Revenue from woodwork or building product is recognised at the point in time upon delivery and when the customer obtained control of the goods.

(d) Interest income

Interest income from banks is recognised on a time-proportion basis using the effective interest method.

(e) Rental income

Rental income arising from operating leases on leasehold properties is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.19 *Taxes*

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Taxes (Continued)

(b) Deferred tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 *Intangible assets*

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement comprehensive income.

Trademarks

The trademarks were acquired in a business combination. The useful live of the trademarks are estimated to be finite because based on the current assessment, management believes there is no affirmative decision to renew the Trademarks as at acquisition date. These trademarks were amortised on a straight-line basis over the useful life of 8.5 years.

2.21 *Share capital and share issuance expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.22 *Treasury shares*

The Group's own equity instrument, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed and reviewed by the Chief Executive Officer in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 32.

2.24 *Government grants*

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments. Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant. Where the grants relate to income, government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income are presented as a credit in profit or loss under "Other income".

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 *Judgements made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

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 and the currency that influences labour, materials, overheads and finance costs. Management concluded that the functional currency of the Company and its subsidiaries to be RM.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur:

(a) Valuation of inventories

The raw materials are measured based on first-in first-out basis, while work-in-progress and finished goods are measured using the actual costing technique.

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 estimate is involved in ensuring that the cost of work-in-progress and finished goods consist of raw material cost and cost of conversion. Cost of conversion includes direct labour and a systematic allocation of fixed and variable production overheads. The accuracy of inventory costing is subject to management’s judgement and estimate in the allocation of cost of conversion to reflect actual costs. The carrying amount of inventories are disclosed in Note 15.

(b) 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. In performing the impairment assessment of the carrying amount of intangible assets (including goodwill), as disclosed in Note 14, the recoverable amounts of the cash-generating units (“CGUs”) in which goodwill and trademarks are attributable to, are determined in using value-in-use (“VIU”) calculation.

Significant judgements are used to estimate the gross margin, weighted average growth rates and pre-tax discount rates applied in computing the recoverable amounts of different CGUs. In making these estimates, management has relied on past performance, its expectations of market developments in the United States of America, Korea and Japan, the industry trends for wooden furniture. Specific estimates are disclosed in Note 14.

The Group also determines whether property, plant and equipment, right-of-use assets and the Company’s investment in subsidiaries are impaired on an annual basis. This requires an estimation of the value in use of the cash-generating unit (or group of cash-generating units). 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 31 December 2022 were approximately RM2,872,000, RM154,634,000 and RM29,053,000 as disclosed in Note 14, Note 12 and Note 21 respectively. The carrying amount of the Company’s investment in subsidiaries as at 31 December 2022 were approximately RM63,255,000 as disclosed in Note 13.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4 REVENUE

(a) Disaggregation of revenue

	Furniture RM'000	Millwork RM'000	Total RM'000
<u>2022</u>			
<u>Primary geographical markets</u>			
United States of America	127,210	10,304	137,514
Malaysia	36,899	3,643	40,542
Hong Kong	363	37,506	37,869
Republic of China	8,906	-	8,906
United Arab Emirates	3,342	-	3,342
Japan	2,353	-	2,353
Puerto Rico	1,863	-	1,863
Others	1,673	459	2,132
	182,609	51,912	234,521
<u>Major product or service lines</u>			
Sale of goods	182,609	51,912	234,521
<u>Timing of transfer of goods or services</u>			
At a point in time	182,609	51,912	234,521
<u>2021</u>			
<u>Primary geographical markets</u>			
United States of America	97,406	-	97,406
Malaysia	21,476	-	21,476
Republic of China	5,924	-	5,924
United Arab Emirates	8,777	-	8,777
Puerto Rico	1,403	-	1,403
Hong Kong	13,145	34,573	47,718
Canada	1,308	-	1,308
Korea	1,688	-	1,688
Japan	3,204	-	3,204
Others	318	-	318
	154,649	34,573	189,222
<u>Major product or service lines</u>			
- Sale of goods	154,649	34,573	189,222
<u>Timing of transfer of goods or services</u>			
At a point in time	154,649	34,573	189,222

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4 REVENUE (CONTINUED)

(b) Contract liabilities

Information about receivables and contract liabilities from contracts with customers is disclosed as follows:

	Group	
	2022 RM'000	2021 RM'000
Contract liabilities	942	3,827

	Group	
	2022 RM'000	2021 RM'000
Movement in contract liabilities is as follow:		
At beginning of the financial year	3,827	13,211
Revenue recognised in current period that was included in the contract liability balance at the beginning of the year	(2,885)	(9,384)
At end of the financial year	942	3,827

Contract liabilities primarily relate to advances received from customers and the Group's obligation to transfer the goods that are shipped to the specific location for which the Group has billed for receivables ahead of completion of the performance obligation.

Changes in contract liabilities arose on recognising of revenue from performance obligations satisfied in previous year that was included in the contract liability balance at the beginning of the year.

5 OTHER INCOME

	2022 RM'000	2021 RM'000
Sale of materials	138	120
Sale of scrap materials	269	267
Rental income	1,478	878
Government grants	1,099	2,410
Processing fee income	821	-
Compensation received	-	4,710
Insurance claims	-	403
Gain on disposal of short-term investment security	-	4

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

6 FINANCE COSTS

	2022 RM'000	2021 RM'000
Interest expense on:		
- Bank loans	1,677	964
- Financing arrangements	160	119
- Lease liabilities	410	366
	2,247	1,449

7 OTHER EXPENSES

	2022 RM'000	2021 RM'000
Net foreign exchange loss	2,405	283
Loss on disposal of property, plant and equipment	16	37
Write-off of property, plant and equipment	54	47
	2,475	367

8 PROFIT/(LOSS) BEFORE TAX

The following amounts have been included in arriving at profit/(loss) before tax:

	2022 RM'000	2021 RM'000
Audit fee	523	461
Amortisation of trademarks	51	51
Depreciation expenses:		
- property, plant and equipment (Note 12)	11,845	10,323
- right-of-use assets (Note 21)	3,366	2,388
Employee benefits expense (Note 9)	37,766	36,379
Sub-contractor costs	19,139	13,374
Freight cost and handling charges	6,225	5,848
Utilities	4,771	4,193
Allowance for slow moving inventories	606	-
Inventories recognised as an expense in cost of sales (Note 15)	120,167	111,392

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

9 EMPLOYEE BENEFITS EXPENSE

	2022 RM'000	2021 RM'000
Employee benefits expense (including directors):		
Salaries and bonuses	34,745	33,749
Directors' fees	366	332
Directors' allowances	61	60
Employees' Provident Fund	2,067	1,795
Other benefits	527	443
	37,766	36,379

10 INCOME TAX EXPENSE/(CREDIT)

(a) Major components of income tax expense/(credit)

The major components of income tax expense/(credit) for the years ended 31 December 2022 and 2021 are:

	2022 RM'000	2021 RM'000
Current income tax		
- Current income taxation	30	-
- Over provision in respect of previous years	(107)	(1,974)
- Withholding tax expense	33	26
Deferred income tax		
- Origination and reversal of temporary difference	4,496	(2,314)
- Under/(over) provision in respect of previous years	266	(2,085)
Income tax expense/(credit) recognised in profit or loss	4,718	(6,347)

(b) Relationship between tax expense/(credit) and accounting profit/(loss)

The reconciliation between income tax expense/(credit) and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 December 2022 and 2021 are as follows:

	2022 RM'000	2021 RM'000
Profit/(loss) before tax	12,952	(13,209)
Tax at statutory income tax rate of 24% (2021:24%)	3,108	(3,170)
Adjustments:		
- Tax rate differential from other tax jurisdiction	(189)	107
- Non-deductible expenses	568	265
- Deferred tax asset not recognised	1,039	484
- Under/(over) provision in respect of previous years	159	(4,059)
- Withholding tax expense	33	26
Income tax expense/(credit) recognised in profit or loss	4,718	(6,347)

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

11 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings/(loss) per share is calculated by adjusting the profit/(loss) attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

The following table reflects the income and share data used in the basic and diluted earnings/(loss) per share calculations:

	2022	2021
	RM'000	RM'000
Profit/(loss) attributable to ordinary equity holders of the parent for basic earnings	12,351	(7,191)
	2022	2021
Weighted average number of ordinary shares for basic earnings/(loss) per share ('000)	488,834	488,847
Basic and diluted earnings/(loss) per share (sen per share)	2.53	(1.47)

Diluted earnings/(loss) per share is the same as basic earnings/(loss) per share as there were no potential dilutive ordinary shares existing during the financial years ended 31 December 2022 and 2021.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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12 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Building RM'000	Machinery and equipment RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Renovation RM'000	Construction-in-progress RM'000	Total RM'000
<u>Cost</u>								
At 1 January 2022	95	115,432	79,488	6,778	5,526	1,337	9,014	217,670
Additions	-	693	1,793	392	302	91	4,058	7,329
Disposals	-	-	(1,127)	-	(61)	-	-	(1,188)
Written off	-	-	(234)	(129)	-	-	-	(363)
Reclassification	-	420	3,791	7,239	-	-	(11,450)	-
At 31 December 2022	95	116,545	83,711	14,280	5,767	1,428	1,622	223,448
<u>Accumulated depreciation</u>								
At 1 January 2022	-	18,928	31,469	3,332	4,276	180	-	58,185
Depreciation charge for the year	-	2,532	7,402	1,394	377	140	-	11,845
Disposals	-	-	(889)	-	(18)	-	-	(907)
Written off	-	-	(219)	(90)	-	-	-	(309)
At 31 December 2022	-	21,460	37,763	4,636	4,635	320	-	68,814
<u>Net carrying amount</u>								
At 31 December 2022	95	95,085	45,948	9,644	1,132	1,108	1,622	154,634
<u>Cost</u>								
At 1 January 2021	95	111,096	70,960	6,403	5,453	962	8,895	203,864
Additions	-	4,074	3,416	375	73	375	7,375	15,688
Disposals	-	-	(679)	(278)	-	-	-	(957)
Written off	-	-	(882)	(39)	-	-	(4)	(925)
Reclassification	-	262	6,673	317	-	-	(7,252)	-
At 31 December 2021	95	115,432	79,488	6,778	5,526	1,337	9,014	217,670
<u>Accumulated depreciation</u>								
At 1 January 2021	-	16,436	26,393	2,967	3,722	63	-	49,581
Depreciation charge for the year	-	2,492	6,537	623	554	117	-	10,323
Disposals	-	-	(616)	(225)	-	-	-	(841)
Written off	-	-	(845)	(33)	-	-	-	(878)
At 31 December 2021	-	18,928	31,469	3,332	4,276	180	-	58,185
<u>Net carrying amount</u>								
At 31 December 2021	95	96,504	48,019	3,446	1,250	1,157	9,014	159,485

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets held under financing arrangements

During the financial year, the Group acquired motor vehicles and machineries and equipment with an aggregate cost of RM220,000 (2021: Nil) and RM1,156,000 (2021: Nil) respectively by means of financing arrangements. The carrying amount of motor vehicles and machineries and equipment held under financing arrangements at the end of the year ended 31 December 2022 were RM505,000 (2021: RM721,000) and RM2,204,000 (2021: RM1,369,000) respectively. The assets are pledged as security under the financing arrangements.

Assets pledged as security

In addition to assets held under financing arrangements, the Group's buildings with a carrying amount of RM30,152,000 (2021: RM30,947,000) were pledged to secure the Group's bank borrowings (Note 18) as at 31 December 2022.

Impairment testing of property, plant and equipment

The Group follows the guidance of SFRS(I)1-36 "Impairment of Assets" to assess the impairment of the property, plant and equipment, whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e: the carrying amount of the asset is more than the recoverable amount.

Property, plant and equipment are aggregated at the CGU level for impairment assessment. CGUs assessed for impairment are its business operations in LYFSB, LEM and LHG. The recoverable amounts of the CGU have been determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:

	Group	
	2022	2021
	%	%
Pre-tax discount rate	14.5 - 18.4	15.0
Terminal growth rates	2.0 - 3.0	2.5

Key assumptions used in the value in use calculations

The calculations of value-in-use for the CGU are most sensitive to the following assumptions:

(i) Budgeted gross margins

Gross margins are based on average values achieved since the Group acquired the respective businesses. These are increased over the budget period for anticipated efficiency improvements and cost saving measures through leveraging on Group synergies.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment testing of property, plant and equipment (Continued)

Key assumptions used in the value in use calculations (Continued)

(ii) Pre-tax discount rates

Discount rates represent the current market assessment of the risks specific to the CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

(iii) Terminal growth rates

The forecasted terminal growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGU.

Sensitivity to changes in assumptions

With regards to the assessment of value-in-use for property, plant and equipment and right-of-use assets (Note 21), in the LYFSB and LEM CGUs the sensitivity of the impairment assessment to a reasonably possible change in each of the key inputs is as follows:

	Change in assumption, holding other inputs constant	Impairment charge RM'000
Budgeted gross margin	Reduce by 1%	14,078
Discount rate	Increase by 1%	15,543
Terminal growth rate	Reduce by 0.5%	1,226

With regards to the assessment of the value-in-use for property, plant and equipment and right-of-use assets (Note 21) in the LHG CGU, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

13 INVESTMENT IN SUBSIDIARIES

	Company	
	2022	2021
	RM'000	RM'000
<u>Unquoted equity shares, at cost</u>		
At 1 January	48,469	48,469
Amount due from subsidiary (non-trade)	14,786	13,987
At 31 December	63,255	62,456

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13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The amount due from subsidiary represents part of net investment and are unsecured and interest bearing at prevailing fixed deposit rate. The weighted average effective interest rate as at 31 December 2022 was 2.85% (2021: 1.85%). Settlement of the amount due is neither planned nor likely to occur in the foreseeable future and it is repayable only when cash flows of the subsidiary permits.

The effects of discounting from time value of money are not material.

Composition of the Group

The Group has the following investments in subsidiaries as at the reporting periods:

Name of subsidiaries	Principal place of business	Principal activities	Proportion of ownership interest	
			2022 %	2021 %
<i>Held by the Company:</i>				
LY Furniture Sdn. Bhd.	Malaysia	Manufacturing of all kinds of furniture and any type of woodwork or building product	100	100
Leyo Holdings Sdn. Bhd.	Malaysia	Investment holding, conducting research in designing any furniture under the company's patents and carry on all or any of the business of general merchants	51	51
<i>Held through LY Furniture Sdn. Bhd.</i>				
LY Global Hub Sdn. Bhd.	Malaysia	Inactive	100	100
Leyo Manufacturing Sdn. Bhd.	Malaysia	Manufacturing of all kinds of furniture	100	51
<i>Held through Leyo Holdings Sdn. Bhd.</i>				
Titan Hardware Sdn. Bhd.	Malaysia	Trading of all kinds of materials, furniture and general hardware	100	100

On 30 December 2022, the Company announced that the Group has undertaken an internal restructuring exercise involving the transfer of the entire share capital of Leyo Manufacturing Sdn. Bhd. ("LEM") from Leyo Holdings Sdn. Bhd. (a 51%-owned subsidiary of the Company) to LY Furniture Sdn. Bhd. (a wholly-owned subsidiary of the Company) at a nominal consideration of RM1, based on the post-capitalisation net asset value of LEM of RM1. The effect at Group was as follows:

	RM'000
Cost of investment	-*
Net total assets	(3,322)
Other reserve	(3,322)

* This denotes RM1.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Composition of the Group (Continued)

- (a) Interest in subsidiary with material non-controlling interest ("NCI")

The Group has the following subsidiary that have NCI that are material to the Group.

Name of subsidiary	Principal place of business	Proportion of ownership interest held by NCI	Loss/(profit) allocated to NCI RM'000	Accumulated deficit of NCI RM'000	Dividends paid to NCI RM'000
31 December 2022					
Leyo Holdings Sdn. Bhd. and its subsidiary (collectively, "LHG")	Malaysia	49%	4,117	3,270	-
31 December 2021					
Leyo Holdings Sdn. Bhd. and its subsidiary (collectively, "LHG")	Malaysia	49%	(329)	2,475	-

There is no restriction on the Group's ability to use or access assets and settle liabilities of the subsidiaries with material non-controlling interests.

	2022 RM'000	2021 RM'000
Carrying value of non-controlling interest	3,270	2,475

- (b) Summarised financial information about subsidiary with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiary with material non-controlling interests are as follows:

Summarised statement of financial position

	LHG	
	2022 RM'000	2021 RM'000
<u>Current</u>		
Assets	6,671	10,706
Liabilities	(808)	(9,161)
Net current assets	5,863	1,545
<u>Non-current</u>		
Assets	3,517	11,308
Liabilities	(68)	(2,706)
Net non-current assets	3,449	8,602
Net assets	9,312	10,147

NOTES TO THE FINANCIAL STATEMENTS

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13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Composition of the Group (Continued)

(b) Summarised financial information about subsidiary with material NCI (Continued)

Summarised statement of comprehensive income

	LHG	
	2022 RM'000	2021 RM'000
Revenue	19,765	13,047
(Loss)/profit before income tax	(3,748)	629
Income tax (expense)/credit	(269)	42
(Loss)/profit after tax from continuing operations, representing total comprehensive (loss)/income	(4,017)	671
<u>Other summarised information</u>		
Net cash flows used in operating activities	(189)	(2,179)

14 INTANGIBLE ASSETS

Group

Cost

At 1 January 2022 and 31 December 2022

	Goodwill RM'000	Trademarks RM'000	Total RM'000
At 1 January 2022 and 31 December 2022	2,639	432	3,071
<u>Accumulated amortisation</u>			
At 1 January 2022	-	148	148
Amortisation	-	51	51
At 31 December 2022	-	199	199
<u>Net carrying amount</u>			
At 31 December 2022	2,639	233	2,872

Group

Cost

At 1 January 2021 and 31 December 2021

	Goodwill RM'000	Trademarks RM'000	Total RM'000
At 1 January 2021 and 31 December 2021	2,639	432	3,071
<u>Accumulated amortisation</u>			
At 1 January 2021	-	97	97
Amortisation	-	51	51
At 31 December 2021	-	148	148
<u>Net carrying amount</u>			
At 31 December 2021	2,639	284	2,923

NOTES TO THE FINANCIAL STATEMENTS

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14 INTANGIBLE ASSETS (CONTINUED)

Amortisation expense

The trademarks were acquired through a business combination and have a useful life of 8.5 years based on the remaining period granted by the relevant government agencies.

The amortisation of trademarks is included in “Selling and Administrative expenses” line items in consolidated statement of comprehensive income.

Impairment testing of goodwill and trademarks

Goodwill acquired through a business and trademarks have been allocated to a cash generating unit (“CGU”) which consists of LHG (under the business segment of Furniture) for impairment testing.

The carrying amounts of goodwill and trademarks allocated to the CGU are as follows:

	LHG	
	2022	2021
	RM'000	RM'000
Goodwill	2,639	2,639
Trademarks	233	284
At 31 December	2,872	2,923

The recoverable amounts of the CGU have been determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:

	LHG	
	2022	2021
	%	%
Pre-tax discount rate	18.4	18.5
Terminal growth rates	2.0	2.5

Key assumptions used in the value in use calculations

The calculations of value-in-use for the CGU are most sensitive to the following assumptions:

- (i) Budgeted gross margins

Gross margins are based on average values achieved since the Group acquired the respective businesses. These are increased over the budget period for anticipated efficiency improvements and cost saving measures through leveraging on Group synergies.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

14 INTANGIBLE ASSETS (CONTINUED)

Key assumptions used in the value in use calculations (Continued)

(ii) Pre-tax discount rates

Discount rates represent the current market assessment of the risks specific to the CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

(iii) Terminal growth rates

The forecasted terminal growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGU.

Sensitivity to changes in assumptions

With regards to the assessment of value-in-use for intangible assets, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying value of the unit to significantly exceed its recoverable amount.

15 INVENTORIES

	Group	
	2022 RM'000	2021 RM'000
Consolidated statement of financial position:		
Raw materials	52,909	44,742
Work-in-progress	18,554	28,705
Finished goods	18,028	15,229
	89,491	88,676
Less: Allowance for slow moving inventories	(606)	-
	88,885	88,676
Consolidated statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	120,167	111,392

NOTES TO THE FINANCIAL STATEMENTS

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16 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<u>Current</u>				
Trade receivables	11,180	11,991	-	-
Deposits	995	716	7	7
Other receivables	6,147	7,176	-	-
	18,322	19,883	7	7
Less: Allowance for doubtful debts	(50)	(50)	-	-
Total trade and other receivables	18,272	19,833	7	7
Add: Cash and cash equivalents (Note 17)	25,762	30,919	1,107	4,590
Total financial assets carried at amortised cost	44,034	50,752	1,114	4,597

As at 1 January 2021, the Group's trade receivables amounted to RM15,427,000.

Trade receivables

Trade receivables are non-interest bearing and are generally on 3 to 40 days (2021: 7 to 40 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables denominated in foreign currency at the reporting periods are as follows:

	Group	
	2022 RM'000	2021 RM'000
United States Dollar	10,958	11,487

Expected credit loss

The Group recognises expected credit losses of RM50,000 (2021: RM50,000) for its trade receivables computed based on lifetime ECL. There is no movement in the allowance for expected credit losses for the year ended 31 December 2022 and 2021.

17 CASH AND CASH EQUIVALENTS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash at banks and on hand	25,762	30,919	1,107	4,590

Cash at banks earn interest at floating rates based on daily bank deposits rates.

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17 CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and cash equivalents denominated in currency other than functional currency of each entity are as follows:

	Group	
	2022 RM'000	2021 RM'000
United States Dollar	21,638	23,856
Singapore Dollar	1,656	4,537
Chinese Renminbi	8	9

18 LOANS AND BORROWINGS

	Group	
	2022 RM'000	2021 RM'000 (Restated)
Current:		
Bankers' acceptances	7,013	1,923
Short term financing	-	12,967
Financing arrangements	611	500
Term loan	9,230	21,299
	16,854	36,689
Non-current:		
Financing arrangements	1,649	1,083
Term loan	21,814	17,008
	23,463	18,091
Total loans and borrowings	40,317	54,780

Bankers' acceptances, short term financing and term loan

The interest rates at the end of the reporting period were as follows:

	Group	
	2022 %	2021 %
Floating rates:		
Bankers' acceptances	2.55 to 3.78	2.56 to 2.60
Short term financing	-	0.69 to 1.01
Term loan	4.35 to 6.46	2.23 to 3.35
Fixed rates:		
Financing arrangements	2.31 to 3.56	2.31 to 3.56

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

18 LOANS AND BORROWINGS (CONTINUED)

Bankers' acceptances, short term financing and term loan (Continued)

The Company has the following principal bank loans:

- (i) A loan of RM3,954,000 (2021: RM5,179,000). The loan was drawn down in March 2021 and November 2020. Monthly repayment commenced in January 2021 and will continue until December 2025. The loan carries an effective interest rate at 4.44% (2021: 3.35%) per annum.
- (ii) A loan of RM13,260,000 (2021: RM16,704,000). The loan was drawn down in December 2020. Quarterly repayment commenced in March 2021 and will continue until December 2025. The loan carries an effective interest rate at 5.13% (2021: 2.23%) per annum.
- (iii) A loan of RM13,830,000 (2021: RM16,424,000). The loan was drawn down in May 2021. Monthly repayment commenced in December 2021 and will continue until November 2026. The loan carries an effective interest rate at 6.46% (2021: 2.50%) per annum.

The bankers' acceptances 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, machineries and equipment and corporate guarantee provided by the Company.

As at 31 December 2021, one of the subsidiaries 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 all the loan covenants for the year ended 31 December 2022.

The Group has a term loan which references USD LIBOR. The term loan is disclosed within the table above. It is currently expected that Secured Overnight Financing Rate ("SOFR") will replace USD LIBOR. There remain key differences between USD LIBOR and SOFR. USD LIBOR is a 'term rate', which means that it is published for a borrowing period (such as three months or six months) and is 'forward looking', because it is published at the beginning of the borrowing period. SOFR is currently a 'backward-looking' rate, based on overnight rates from actual transactions, and it is published at the end of the overnight borrowing period. Furthermore, LIBOR includes a credit spread over the risk-free rate, which SOFR currently does not. To transition existing contracts and agreements that reference USD LIBOR to SOFR, adjustments for term differences and credit differences might need to be applied to SOFR, to enable the two benchmark rates to be economically equivalent on transition.

As at 31 December 2022, changes required to systems, processes and models have been identified and have been partially implemented.

NOTES TO THE FINANCIAL STATEMENTS

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18 LOANS AND BORROWINGS (CONTINUED)

Financing arrangements

The financing arrangements are secured by a charge over the respective assets (Note 12) and bear interest at rates ranging from 2.31% to 3.95% (2021: 2.31% to 3.50%) per annum.

The Group has the following financial arrangements:

- (i) Multiple financing arrangements totaling RM730,000 (2021: RM365,000) in relation to purchase of motor vehicles. The financing arrangements commenced in years between 2017 to 2022. Monthly repayments usually commenced in the following months and will continue between 2023 to 2025.
- (ii) A financing arrangement of RM1,530,000 (2021: RM1,218,000) in relation to purchase of machineries and equipment. The financing arrangement commenced in years between 2020 to June 2022. Monthly repayments commenced in the following months and will continue until 2023 to 2027.

19 TRADE AND OTHER PAYABLES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Trade payables	8,568	16,904	-	-
Other payables	24,025	24,371	-	-
Amount due to related parties (trade)	1,607	1,225	-	-
Total trade and other payables	34,200	42,500	-	-
Add: Accrued operating expense	761	778	553	512
Add: Loans and borrowings (Note 18)	40,317	54,780	-	-
Add: Lease liabilities	11,634	7,936	-	-
Total financial liabilities carried at amortised cost	86,912	105,994	553	512

Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 7 to 90 days (2021: one month to four months).

Trade payables denominated in foreign currency as at the reporting periods are as follows:

	Group	
	2022 RM'000	2021 RM'000
United States Dollar	704	1,288

Related party balances

Amounts due to related parties are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

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20 DEFERRED TAX

Deferred tax as at the reporting periods relate to the following:

	At 1.1.2021 RM'000	Recognised in profit or loss (Note 10) RM'000	At 31.12.2021 RM'000	Recognised in profit or loss (Note 10) RM'000	At 31.12.2022 RM'000
Deferred tax assets:					
Lease liabilities	1,493	412	1,905	(52)	1,853
Deferred tax liabilities:					
Differences in depreciation for tax purposes	(17,058)	4,364	(12,694)	(4,760)	(17,454)
Intangible assets	(80)	12	(68)	-	(68)
Right-of-use assets	(1,411)	(389)	(1,800)	50	(1,750)
Deferred tax liabilities, net	(17,056)	4,399	(12,657)	(4,762)	(17,419)

Unrecognised tax losses

As at 31 December 2022, one of the subsidiaries in the Group had unabsorbed tax losses (after offsetting with deductible temporary differences) of approximately RM3,650,000 (2021: RM Nil) that are available for offset against future taxable profit of the subsidiary for which no deferred tax is recognised. The unrecognised deferred tax assets at the tax rate of 24% is approximately RM877,000. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. The tax losses will be available for carry forward for a period of 10 consecutive years up to 2029 to 2031. Upon expiry of the 10 years, the unabsorbed tax losses will be disregarded.

21 LEASES

Group as a lessee

The Group has lease contracts for land use rights, factory buildings and residential units for manufacturing operation, warehousing and as staff quarters. The Group's obligations under these leases are secured by the lessor's title to the leased assets. The Group is restricted from assigning and subleasing the leased assets. The contract includes extension option which are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

Leasehold land with aggregate carrying amount of RM1,801,000 (2021: RM1,847,000) were pledged to secure the Group's bank borrowings (Note 18) as at 31 December 2022.

The Group also has certain leases of office equipment with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

21 LEASES (CONTINUED)

Group as a lessee (Continued)

(a) Carrying amount of right-of-use assets

	Land use rights RM'000	Buildings RM'000	Total RM'000
<u>Cost</u>			
As at 1 January 2022	21,610	11,298	32,908
Additions for the year	-	8,536	8,536
Lease modification	-	(2,118)	(2,118)
As at 31 December 2022	21,610	17,716	39,326
<u>Accumulated Depreciation</u>			
As at 1 January 2022	3,021	3,800	6,821
Depreciation	520	2,846	3,366
Lease modification	-	86	86
As at 31 December 2022	3,541	6,732	10,273
As at 31 December 2022	18,069	10,984	29,053
<hr/>			
	Land use rights RM'000	Buildings RM'000	Total RM'000
<u>Cost</u>			
As at 1 January 2021	18,199	7,849	26,048
Additions for the year	3,411	3,606	7,017
Lease modification	-	(157)	(157)
As at 31 December 2021	21,610	11,298	32,908
<u>Accumulated Depreciation</u>			
As at 1 January 2021	2,502	1,970	4,472
Depreciation	519	1,869	2,388
Lease modification	-	(39)	(39)
As at 31 December 2021	3,021	3,800	6,821
As at 31 December 2021	18,589	7,498	26,087

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21 LEASES (CONTINUED)

Group as a lessee (Continued)

(a) Carrying amount of right-of-use assets (Continued)

Impairment testing of right-of-use assets

The Group follows the guidance of SFRS(I) 1-36 “Impairment of Assets” to assess the impairment of the right-of-use assets, whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e: the carrying amount of the asset is more than the recoverable amount.

Right-of-use assets are aggregated at the CGU level for impairment assessment. CGUs assessed for impairment are its business operations in LYFSB, LEM and LHG. The recoverable amounts of the CGU have been determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:

	Group	
	2022	2021
	%	%
Pre-tax discount rate	14.5 – 18.4	15.0
Terminal growth rates	2.0 – 3.0	2.5

Key assumptions used in the value in use calculations

The calculations of value-in-use for the CGU are most sensitive to the following assumptions:

(i) Budgeted gross margins

Gross margins are based on average values achieved since the Group acquired the respective businesses. These are increased over the budget period for anticipated efficiency improvements and cost saving measures through leveraging on Group synergies.

(ii) Pre-tax discount rates

Discount rates represent the current market assessment of the risks specific to the CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital (“WACC”). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group’s investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

(iii) Terminal growth rates

The forecasted terminal growth rates are based on published industry research and do not exceed the long-term average growth rate for the industries relevant to the CGU.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

21 LEASES (CONTINUED)

Group as a lessee (Continued)

(a) Carrying amount of right-of-use assets (Continued)

Sensitivity to changes in assumptions

With regards to the assessment of value-in-use for right-of-use assets, the sensitivity of the impairment assessment to a reasonably possible change in each of the key inputs is disclosed in Note 12 to the financial statements.

(b) Amounts recognised in profit or loss

	2022	2021
	RM'000	RM'000
Depreciation of right-of-use assets	3,366	2,388
Interest expense on lease liabilities (Note 6)	410	366
Short-term leases and leases of low value assets	632	1,345
Total amount recognised in profit or loss	4,408	4,099

(c) Total cash outflow

The Group had total cash outflow for leases of RM3,001,000 and RM2,114,000 in 2022 and 2021 respectively.

Group as a lessor

The Group has entered into commercial property leases for the use or rent of land and buildings. These non-cancellable leases have an average lease term of between one and two years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rental receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2022	2021
	RM'000	RM'000
Not later than one year	768	12
Later than one year but not later than five years	714	-
	1,482	12

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22 SHARE CAPITAL

	Group and Company			
	2022		2021	
	Number of shares	RM'000	Number of shares	RM'000
<u>Issued and fully paid ordinary shares</u>				
At 1 January and 31 December	489,144,200	66,135	489,144,200	66,135

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary share has no par value.

23 TREASURY SHARES

	Group and Company			
	2022		2021	
	Number of shares	RM'000	Number of shares	RM'000
At 1 January	310,400	173	245,000	135
Purchase during the year	-	-	65,400	38
At 31 December	310,400	173	310,400	173

Treasury shares relate to ordinary shares of the Company that are held by the Company. The Company purchased Nil (2021: 65,400) of its shares in the open market during the financial year for total consideration of RM Nil (2021: RM38,000).

24 MERGER RESERVE

This represents the difference between the deemed cost of acquiring the subsidiary and the share capital of the subsidiary pursuant to the Restructuring Exercise as described in Note 2.4(c)(i).

25 OTHER RESERVE

On 30 December 2022, the Group has undertaken an internal restructuring exercise involving the transfer of the entire share capital of LEM from LEH (a 51%-owned subsidiary of the Company) to LYFSB (a wholly-owned subsidiary of the Company) at a nominal consideration of RM1, based on the post-capitalisation net asset value of LEM of RM1.

Save as disclosed above, there is no other acquisition and/or sale of shares in any subsidiaries or associated companies of the Group announced in the current year which is required to be reported under Rule 706(A) of the Catalist Rules. The internal Restructuring is disclosed in Note 2.4(d).

NOTES TO THE FINANCIAL STATEMENTS

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26 RELATED PARTY DISCLOSURES

(a) 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 year:

	Group	
	2022 RM'000	2021 RM'000
Director-related companies:		
Rental received	410	60
Rental paid	(320)	(372)
Sub-contractor costs	(8,461)	(7,215)
Rental paid to a director of the Company	(29)	(26)

(b) Compensation of key management personnel

	Group	
	2022 RM'000	2021 RM'000
Salaries and bonuses	3,246	2,864
Employee Provident Fund	168	159
	3,414	3,023
Comprise amounts paid to:		
Directors of the Company	2,411	2,116
Other key management personnel	1,003	907
	3,414	3,023

(c) Commitments with related parties

On 1 April 2022, LYFSB entered into a 24-month agreement commencing on 1 April 2022 and ending 31 March 2024 with Lian Yu Asset Management Sdn. Bhd. ("LYAM"), a director-related company, for the lease of building. The Group expects the rental paid to LYAM to be RM132,000 in 2023.

On 1 July 2022, LYFSB entered into a 24-month agreement commencing on 1 July 2022 and ending 30 June 2024 with LYAM, a director-related company, for the lease of building. The Group expects the rental paid to LYAM to be RM168,000 in 2023.

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27 COMMITMENTS

Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2022 RM'000	2021 RM'000
Capital commitments in respect of property, plant and equipment	229	957

28 GUARANTEES

As at 31 December 2022 and 2021, the Company has provided corporate guarantees for bank facilities taken by subsidiaries amounting to RM122,648,000 and RM117,053,000 respectively.

29 FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

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

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

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

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

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

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The carrying amount of financial assets and liabilities are reasonable approximation of fair values.

Fair value of trade and other receivables, payables and accrued operating expenses are not materially different from their carrying amounts. The Group does not anticipate that the carrying amounts recorded at the end of the reporting period would be significantly different from the values that would eventually be received or settled.

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

The directors review and agree on policies and procedures for the management of these risks, which are executed by the management team. The Audit and Risk Committee provides independent oversight to the effectiveness of the risk management process.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

It is, and has been throughout the current and previous financial years, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group does not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For cash and bank balances, the Group recognise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while recognised losses due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal and external credit rating;
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 180 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Trade receivables

The Group has applied the simplified approach to measure the lifetime expected credit losses for trade receivables.

Trade receivable are subject to immaterial credit losses except for those individually determined to be impaired. To measure the expected credit losses, trade receivables have been individually assessed upon credit risk characteristics and days past due. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts for forward-looking macroeconomics factors.

At each reporting date, the Group assesses whether trade receivables are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Group considered that there was evidence if any of the following indicators were present:

- There is significant difficulty of debtor.
- Breach of contractual credit term, such as default or past due event.
- It is probable that the debtor will enter bankruptcy or other financial reorganisation.
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligation.

The Group categorises trade receivable for write off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

As at 31 December 2022, management has identified debtors to be credit impaired as they experienced significant financial difficulties. Hence, management has assessed the recoverability of the outstanding balances separately from the provision matrix.

	Group	
	2022 RM'000	2021 RM'000
Gross amount	50	50
Less: Allowance for impairment	(50)	(50)
	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Trade receivables (Continued)

The Group's credit risk exposure in relation to trade receivables as at 31 December 2022 and 31 December 2021 are set out as follows:

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 120 days past due	Total
31 December 2022						
RM'000						
Gross carrying amount:						
Malaysia	1,347	670	38	-	-	2,055
United States of America	6,344	1,382	1	4	526	8,257
Hong Kong	282	-	-	-	2	284
Others	492	-	2	2	38	534
	8,465	2,052	41	6	566	11,130
31 December 2021						
RM'000						
Gross carrying amount:						
Malaysia	2,070	209	5	-	-	2,284
United States of America	3,795	209	9	-	67	4,080
Hong Kong	3,642	790	-	-	-	4,432
Others	1,130	11	-	-	4	1,145
	10,637	1,219	14	-	71	11,941

The Group's trade receivables are subject to immaterial credit loss. The Group has credit insurance policies in place whereby it can seek compensation to prevent a significant loss in event of non-payment by certain debtors.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. Selective hedging is used within the Group to manage risk concentrations at both the relationship and industry levels. The Group does not apply hedge accounting.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	RM'000	%
<u>2022</u>		
By country:		
United States of America	8,257	74.2
Malaysia	2,055	18.4
Hong Kong	284	2.6
Others	534	4.8
	11,130	100.0
<u>2021</u>		
By country:		
United States of America	4,080	34.2
Hong Kong	4,432	37.1
Malaysia	2,284	19.1
Others	1,145	9.6
	11,941	100.0

At the end of the reporting period approximately 59% (2021: 60%) of the Group's trade receivables were due from the 5 major customers located in United States of America, Hong Kong and Malaysia.

Information regarding trade and other receivables that are impaired is disclosed in Note 16.

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record within the Group. Cash and short-term deposits are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with three different banks to meet its short-term working capital requirements. At the end of the reporting period, approximately 41.8% (2021: 67.0%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

The Group has access to its undrawn banking facilities amounting to RM37,950,000 as at 31 December 2022 to meet its liquidity needs. The banking facilities are available at the Company's discretion since the facilities are pledged with the lands of the Group.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial assets used for managing liquidity risk and financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

Group	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
<u>31 December 2022</u>				
<u>Financial assets</u>				
Trade and other receivables	18,272	–	–	18,272
Cash and cash equivalents	25,762	–	–	25,762
Total undiscounted financial assets	44,034	–	–	44,034

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

Group	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
<u>31 December 2022</u>				
<u>Financial liabilities</u>				
Trade and other payables	34,200	–	–	34,200
Accrued operating expense	761	–	–	761
Loans and borrowings	18,185	24,892	–	43,077
Lease liabilities	3,749	8,675	240	12,664
Total undiscounted financial liabilities	56,895	33,567	240	90,702
Excess of undiscounted financial liabilities over financial assets	(12,861)	(33,567)	(240)	(46,668)
<u>31 December 2021 (restated)</u>				
<u>Financial assets</u>				
Trade and other receivables	19,833	–	–	19,833
Cash and cash equivalents	30,919	–	–	30,919
Total undiscounted financial assets	50,752	–	–	50,752
<u>Financial liabilities</u>				
Trade and other payables	42,500	–	–	42,500
Accrued operating expense	778	–	–	778
Loans and borrowings	38,122	19,142	–	57,264
Lease liabilities	2,439	6,386	–	8,825
Total undiscounted financial liabilities	83,839	25,528	–	109,367
Excess of undiscounted financial liabilities over financial assets	(33,087)	(25,528)	–	(58,615)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)

	On demand or within one year	
	2022	2021
	RM'000	RM'000
<u>Company</u>		
<u>Financial assets</u>		
Trade and other receivables	7	7
Cash and cash equivalents	1,107	4,590
Total undiscounted financial assets	1,114	4,597
<u>Financial liabilities</u>		
Accrued operating expense	553	512
Excess of undiscounted financial assets over financial liabilities	561	4,085

The facilities expiring within one year from the statement of financial position date are subject to annual review at various dates during the year.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from its borrowings.

Sensitivity analysis for interest rate risk

During the financial year, if interest rates had been 25 basis points (2021: 10 basis points) lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM77,000 (2021: RM42,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the current observable market environment.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to transactional currency risk primarily through sales that are denominated in a currency other than the respective functional currencies of the Group entities. The currency giving rise to this risk is primarily United States Dollars ("USD"). Approximately 83% (2021: 89%) of the Group's sales are denominated in foreign currencies whilst almost 58% (2021: 69%) of the costs are denominated in the respective functional currencies of the Group's entities. The Group's trade receivables and trade payables at the end of the reporting period have similar exposure.

The Group also hold cash, short-term deposits and short-term trade financing denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in USD and Singapore Dollars ("SGD").

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD and SGD against the functional currency of the Group, with all other variables held constant.

	2022 RM'000	2021 RM'000
USD/RM		
– strengthen by 6% (2021: 9%)	715	83
– weaken by 6% (2021: 9%)	(715)	(83)
SGD/RM		
– strengthen by 3% (2021: 9%)	50	408
– weaken by 3% (2021: 9%)	(50)	(408)

31 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 2021.

The Group monitors capital using a gearing ratio, which is total indebtedness divided by total capital. Total indebtedness comprises loans and borrowings whereas total capital comprises the equity attributable to owners of the Company.

The externally imposed financial covenant ratios on its debt service coverage ratio ("DSCR"), dividend payout, gearing ratio and adjusted debt to adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA"). These financial covenant ratios have been fully complied with by the Group for the financial year ended 31 December 2022.

	2022 RM'000	2021 RM'000
Loans and borrowings (Note 18)	40,317	54,780
Lease liabilities	11,634	7,936
	51,951	62,716
Equity attributable to the owners of the Company	225,069	216,040
Gearing ratio	23.1%	29.0%

There were no changes in the Group's approach to capital management during the financial year. Other than the securities on borrowings as disclosed in Note 18, the Group is not subject to any other externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

32 SEGMENT INFORMATION

(a) Business segments

The Group is organised into the following main business segments:

- (i) Segment 1: Manufacturing of all kinds of furniture (“Furniture”)
- (ii) 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 is responsible for allocating resources and assessing performance of the operating segments.

	Furniture RM'000	Millwork RM'000	Total RM'000
<u>2022</u>			
<u>Total segment revenue</u>			
Revenue	182,609	51,912	234,521
<u>Results</u>			
Segment profit	6,515	7,308	13,823
Interest income from short-term deposits			137
Other income			6,240
Finance cost			(2,247)
Unallocated expenses			(5,001)
Profit before tax			12,952
Income tax charge			(4,718)
Profit after tax			8,234
<u>Other segment information</u>			
Depreciation and amortisation	12,816	2,446	15,262
Additions of non-current assets	3,670	1,981	5,651
Unallocated expense			302
Total depreciation and amortisation			5,953
Non-cash expense/(income) other than depreciation	3,227	(78)	3,149
Unallocated expense			(14)
Total non-cash expense other than depreciation			3,135
<u>Assets</u>			
Segment assets	234,616	89,670	324,286
Unallocated assets			2,786
Total assets			327,072
<u>Liabilities</u>			
Segment liabilities	86,368	5,259	91,627
Unallocated liabilities			13,646
Total liabilities			105,273

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

32 SEGMENT INFORMATION (CONTINUED)

(a) Business segments (Continued)

	Furniture RM'000	Millwork RM'000	Total RM'000
<u>2021</u>			
<u>Total segment revenue</u>			
Revenue	154,649	34,573	189,222
<u>Results</u>			
Segment (loss)/profit	(18,759)	1,537	(17,222)
Interest income from short-term deposits			40
Distributions from short-term investment security			1
Other income			10,261
Finance cost			(1,449)
Unallocated expenses			(4,840)
Loss before tax			(13,209)
Income tax credit			6,347
Loss after tax			(6,862)
<u>Other segment information</u>			
Depreciation and amortisation	10,371	1,860	12,231
Unallocated expense			531
Total depreciation and amortisation			12,762
Additions of non-current assets	13,769	5,330	19,099
Non-cash expense other than depreciation	370	29	399
Unallocated expense			22
Total non-cash expense other than depreciation			421
<u>Assets</u>			
Segment assets	256,643	67,089	323,732
Unallocated assets			12,311
Total assets			336,043
<u>Liabilities</u>			
Segment liabilities	90,738	17,805	108,543
Unallocated liabilities			13,935
Total liabilities			122,478

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

32 SEGMENT INFORMATION (CONTINUED)

(a) Business segments (Continued)

Notes: Nature of adjustments to arrive at amounts reported in the consolidated financial statements

- A The following items are deducted from segment results to arrive at "Profit/(loss) before tax" presented in the consolidated statement of comprehensive income:

	2022 RM'000	2021 RM'000
Selling and administrative expenses	(2,509)	(2,683)
Directors' fees	(2,492)	(2,157)
	(5,001)	(4,840)

- B Additions of non-current assets consist of additions to property, plant and equipment and land use rights.

- C Other segment information:

	2022 RM'000	2021 RM'000
Depreciation of motor vehicles	302	531

- D The following items are added to segment assets to arrive at total assets reported in the statement of financial position:

	2022 RM'000	2021 RM'000
Motor vehicles	990	1,045
Trade and other receivables	(71)	91
Prepaid operating expense	93	96
Tax recoverable	5,361	5,814
Cash and cash equivalents	1,674	5,265
	8,047	12,311

- E The following items are added to segment liabilities to arrive at total liabilities reported in the statement of financial position:

	2022 RM'000	2021 RM'000
Loans and borrowings	351	365
Trade and other payables	305	374
Accrued operating expenses	564	539
Deferred tax liabilities	17,419	12,657
	18,639	13,935

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

32 SEGMENT INFORMATION (CONTINUED)

(b) Geographical segments

Revenue and non-current assets information based on the geographical location (billing location) of customers and assets respectively are as follow:

	2022		
	Furniture RM'000	Millwork RM'000	Total RM'000
<u>Primary geographical markets</u>			
<u>Revenue</u>			
United States of America	127,210	10,304	137,514
Malaysia	36,899	3,643	40,542
Hong Kong	363	37,506	37,869
Republic of China	8,906	–	8,906
United Arab Emirates	3,342	–	3,342
Japan	2,353	–	2,353
Puerto Rico	1,863	–	1,863
Others	1,673	459	2,132
	182,609	51,912	234,521
<u>Non-current assets</u>			
Malaysia			186,559
	2021		
	Furniture RM'000	Millwork RM'000	Total RM'000
<u>Primary geographical markets</u>			
<u>Revenue</u>			
United States of America	97,406	–	97,406
Malaysia	21,476	–	21,476
Republic of China	5,924	–	5,924
United Arab Emirates	8,777	–	8,777
Puerto Rico	1,403	–	1,403
Hong Kong	13,145	34,573	47,718
Canada	1,308	–	1,308
Korea	1,688	–	1,688
Japan	3,204	–	3,204
Others	318	–	318
	154,649	34,573	189,222
<u>Non-current assets</u>			
Malaysia			188,495

Non-current assets information presented above consist of property, plant and equipment, right-of-use assets and intangible assets as presented in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

32 SEGMENT INFORMATION (CONTINUED)

- (b) Geographical segments (Continued)

Information about major customers

Revenue from three (2021: three) major customers amount to RM104,153,000 (2021: RM81,666,000).

33 DIVIDENDS

Declared and paid during the financial year

Final single tier dividend for 2021: Nil (2020: 0.39 sen) per share

2022 RM'000	2021 RM'000
-	1,976

34 PRIOR PERIOD ERROR

As at 31 December 2021, one of the Group's subsidiaries, LYFSB, breached certain financial covenants with banks that had granted short term financing and term loan to LYFSB. While LYFSB has obtained a waiver for the breach from one of the banks which offered the term loan to LYFSB subsequent to 31 December 2021, the guidance under SFRS(I) 1-1 *Presentation of Financial Statements* requires that in the event of a breach of loan covenant on or before the end of reporting date, an entity is required to classify its liability as current as it no longer has the unconditional right to defer its settlement for at least twelve months after that date. Management has inadvertently classified the borrowings as non-current liabilities in the prior period financial statements. Accordingly, the comparative figures in the statement of financial position have been restated to reflect the correct classification.

- (a) Impact on the Company's statement of financial position

Statement of financial statement restated as at 31 December 2021 are as follows:

	Note	As previously reported RM'000	Adjustment RM'000	As restated RM'000
<u>Statement of Financial Position as at</u>				
<u>31 December 2021</u>				
<u>Current liabilities</u>				
Loans and borrowings	18	(24,161)	(12,528)	(36,689)
<u>Non-current liabilities</u>				
Loans and borrowings	18	(30,619)	12,528	(18,091)
		(54,780)	-	(54,780)

In relation to the above, comparative figures in Note 18 and Note 30 have been restated.

- (b) Impact on the Company's statement of comprehensive income and statement of cash flows

The above restatement has no impact on the Company's statement of comprehensive income and statement of cash flows.

35 AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 5 April 2023.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LY CORPORATION LIMITED

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying consolidated financial statements of LY Corporation Limited ("the Company") and its subsidiaries ("the Group") and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 ("the Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group, and changes in equity of the Company for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated statement of comprehensive income of the Group for the financial year ended 31 December 2022;
- the statements of financial position of the Group and the Company as at 31 December 2022;
- the consolidated statement of changes in equity of the Group for the financial year then ended;
- the statement of changes in equity of the Company for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LY CORPORATION LIMITED

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Valuation of goodwill, trademarks, property, plant and equipment and right-of-use assets</i></p> <p><i>(Refer to Note 2.7, Note 3.2(b), Note 12, Note 14 and Note 21 to the financial statements.)</i></p> <p>As at 31 December 2022, the carrying amounts of goodwill, trademarks, property, plant and equipment and right-of-use assets of the Group were RM2,639,000, RM233,000, RM154,634,000 and RM29,053,000 respectively.</p> <p>The impairment testing of goodwill, trademarks, property, plant and equipment and right-of-use assets is considered to be a key audit matter due to the significance of the carrying amounts of goodwill, trademarks, property, plant and equipment and right-of-use assets and the significance of management's judgement and estimate in the determination of the recoverable amounts.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> Assessed management's identification of the relevant cash-generating units; Checked the mathematical accuracy of the value-in-use computations, and evaluated the reliability of the underlying data supporting the value-in-use projections; Assessed the reasonableness of key assumptions and inputs used by management by comparing to the Group's past and actual experience, and prevailing market trends; and Involved our valuation specialists to assess the reasonableness of discount rate adopted. <p>Based on our audit procedures, we noted management's key assumptions to be within a reasonable range of our expectations.</p> <p>We also considered the adequacy of disclosures in the financial statements, describing the methodologies used, degree of subjectivity and key assumptions used in the estimates.</p>
<p><i>Accuracy of inventory costing</i></p> <p><i>(Refer to Note 2.13, Note 3.2(a), and Note 15 to the financial statements.)</i></p> <p>As at 31 December 2022, the carrying amounts of inventory work-in-progress and finished goods of the Group were RM18,554,000 and RM18,028,000 respectively.</p> <p>The cost of work-in-progress and finished goods consist of raw material cost and cost of conversion. The major component of the cost of work-in-progress and finished goods relates to its raw material which mainly comprise of sawn timbers and wood panels. Cost of conversion includes direct labour and a systematic allocation of fixed and variable production overheads.</p> <p>The accuracy of inventory costing is a key audit matter due to the significance of management's judgement and estimate in the allocation of cost of conversion to reflect actual costs.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> Obtained an understanding and evaluated the effectiveness of the controls over inventory costing process; Performed substantive test of details on a sample basis of the cost components of work-in-progress and finished goods; Evaluated management's methodology of allocating the cost of conversion to each line of product; and Assessed the reasonableness of cost of conversion cost allocated to work-in-progress and finished goods by recomputing the actual conversion costs incurred over the units produced. <p>Based on our audit procedures, we noted that management's recording of the inventory to be appropriate.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LY CORPORATION LIMITED

Other Matter

The financial statements for the preceding financial year were reported on by an audit firm other than PricewaterhouseCoopers LLP. The auditor's report dated 4 April 2022 issued by the predecessor audit firm on the financial statements for the financial year ended 31 December 2021 was unqualified.

Other Information

Management is responsible for the other information. The other information comprises all the sections of the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LY CORPORATION LIMITED

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Maurice Loh Seow Wee.

STATISTICS OF SHAREHOLDINGS

AS AT 16 MARCH 2023

Issued and fully paid-up capital	: S\$22,985,000
Number of shares issued (including treasury shares)	: 489,144,200
Number and percentage of treasury shares	: 310,400 (0.06%)
Number of shares issued (excluding treasury shares)	: 488,833,800
Class of shares	: Ordinary shares
Voting rights	: 1 vote per ordinary share. The Company cannot exercise any voting rights in respect of the shares held by it as treasury shares.
Subsidiary holdings	: Nil

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 16 MARCH 2023

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS		NO. OF SHARES	
		%		%
1 - 99	0	0.00	0	0.00
100 - 1,000	4	1.47	1,200	0.00
1,001 - 10,000	67	24.63	452,800	0.09
10,001 - 1,000,000	191	70.22	32,158,700	6.58
1,000,001 AND ABOVE	10	3.68	456,221,100	93.33
TOTAL	272	100.00	488,833,800	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 16 MARCH 2023

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	LIAN YU HOLDINGS PTE LTD	355,159,700	72.65
2	CROWN LEAP LIMITED	59,740,800	12.22
3	UOB KAY HIAN PTE LTD	17,390,900	3.56
4	CITIBANK NOMINEES SINGAPORE PTE LTD	8,340,000	1.71
5	PHILLIP SECURITIES PTE LTD	5,426,000	1.11
6	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	3,531,700	0.72
7	TEE BOON HUAT	2,170,000	0.44
8	TANG HEE SUNG	2,010,000	0.41
9	CHANG CHING CHAU @ TEW KING CHANG	1,294,000	0.26
10	OCBC SECURITIES PRIVATE LTD	1,158,000	0.24
11	TAN FIE PING	948,000	0.19
12	KHOR KENG SEAH	935,000	0.19
13	TAN AI LUANG	800,000	0.16
14	LAU CHIA EN	788,462	0.16
15	TAN YI ZE	750,000	0.15
16	TAN YANG SENG (CHEN YINGSHENG)	748,000	0.15
17	KHOR GUAN CHIANG	668,000	0.14
18	LIM POH HUNG	630,000	0.13
19	CHINK POH CHENG @ CHNG POH CHENG	625,000	0.13
20	KOH PI HWEE	620,000	0.13
	TOTAL	463,733,562	94.85

NOTE: PERCENTAGE COMPUTED IS BASED ON 488,833,800 SHARES IN ISSUE (EXCLUDING SHARES HELD AS TREASURY SHARES) AS AT 16 MARCH 2023. TREASURY SHARES AS AT 16 MARCH 2023 ARE 310,400 SHARES

STATISTICS OF SHAREHOLDINGS

AS AT 16 MARCH 2023

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Lian Yu Holdings Pte. Ltd.	355,159,700	72.65	-	-	355,159,700	72.65
Crown Leap Limited	59,740,800	12.22	-	-	59,740,800	12.22
Tan Kwee Chai ⁽¹⁾	2,520,400	0.52	355,159,700	72.65	357,680,100	73.17
Tan Kwee Lim ⁽²⁾	1,958,300	0.40	355,159,700	72.65	357,118,000	73.05
Shen Min-Hui ⁽³⁾	-	-	59,740,800	12.22	59,740,800	12.22

- (1) Mr Tan Kwee Chai is deemed to be interested in the shares held by Lian Yu Holdings Pte. Ltd. in the share capital of the Company through his 43.17% of interest held in Lian Yu Holdings Pte. Ltd.
- (2) Mr Tan Kwee Lim is deemed to be interested in the shares held by Lian Yu Holdings Pte. Ltd. in the share capital of the Company through his 22.37% of interest held in Lian Yu Holdings Pte. Ltd.
- (3) Mr Shen Min-Hui is the director and holds 100% of the issued shares of Crown Leap Limited. He is therefore deemed to be interested in all the shares held by Crown Leap Limited in the Company.

SHAREHOLDING HELD IN PUBLIC HANDS

Approximately 13.34% of the shareholding of the Company is held in the hands of the public as at 16 March 2023 and Rule 723 of the Catalist Rules is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that Annual General Meeting of the Company will be convened and held at Room 328, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Singapore 039593 on Friday, 28 April 2023 at 2.30 p.m. for the purpose of transacting the following business:-

AS ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2022 together with the Independent Auditors' Report thereon. **(Resolution 1)**
2. To approve the proposed Directors' fees of up to S\$150,000 for the financial year ending 31 December 2023, to be paid quarterly in arrears. **(Resolution 2)**
3. To re-elect Mr Oh Seong Lye, who is retiring pursuant to Regulation 98 of the Company's Constitution, as a Director of the Company. *[See Explanatory Note (a)]* **(Resolution 3)**
4. To re-elect Ms Tan Ai Luang, who is retiring pursuant to Regulation 98 of the Company's Constitution, as a Director of the Company. *[See Explanatory Note (b)]* **(Resolution 4)**
5. To re-appoint Messrs PricewaterhouseCoopers LLP as Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:

7. AUTHORITY TO ALLOT AND ISSUE SHARES

"That pursuant to Section 161 of the Companies Act 1967 of Singapore ("**Companies Act**") and Rule 806 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"), authority be and is hereby given to the Directors of the Company to:

- (a) (i) allot and issue shares in the capital of the Company ("**Shares**") (whether by way of rights, bonus or otherwise); and/or
- (ii) make or grant offers, agreements or options or convertible securities (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of the Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings and as calculated in accordance with sub-paragraph (2) below), and provided further that where shareholders of the Company (“**Shareholders**”) are not given the opportunity to participate in the same on a pro-rata basis, then the Shares to be issued under such circumstances (including the Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings and as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST from time to time) for the purpose of determining the aggregate number of the Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time of passing this Resolution, after adjusting for:
 - (a) new Shares arising from the conversion or exercise of any convertible securities;
 - (b) new Shares arising from the exercising of share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed, provided that such share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules of the SGX-ST; and
 - (c) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Catalist Rules of the SGX-ST for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Constitution of the Company for the time being; and
- (4) unless revoked or varied by the Company in a general meeting, such authority so conferred shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.”

[See Explanatory Note (c)]

(Resolution 6)

8. AUTHORITY TO ALLOT AND ISSUE SHARES UNDER THE LY PERFORMANCE SHARE PLAN

“That pursuant to Section 161 of the Companies Act and the provisions of the LY Performance Share Plan (“**LYPSP**”), authority be and is hereby given to the Directors of the Company to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the vesting of awards under the LYPSP, provided always that the aggregate number of additional ordinary Shares to be allotted and issued pursuant to LYPSP shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company from time to time.”

[See Explanatory Note (d)]

(Resolution 7)

NOTICE OF ANNUAL GENERAL MEETING

9. RENEWAL OF THE INTERESTED PERSON TRANSACTIONS MANDATE

“That:

- (a) approval be and is hereby given, for the purposes of Chapter 9 of the Catalist Rules of the SGX-ST, for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9 of the Catalist Rules of the SGX-ST), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the Appendix to Annual Report dated 10 April 2023 (the “**Appendix**”) with the interested persons described in the Appendix, provided that such transactions are made on normal commercial terms and are not prejudicial to the interest of the Company or its minority shareholders, and in accordance with the review procedures for such interested person transactions as set out in the Appendix (the “**IPT General Mandate**”);
- (b) the IPT General Mandate shall, unless revoked or varied by the Company in a general meeting, continue to be in force until the date that the next Annual General Meeting of the Company is held or required by law to be held; and
- (c) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the IPT General Mandate and/or this Resolution.”

[See Explanatory Note (e)]

(Resolution 8)

10. RENEWAL OF THE SHARE BUYBACK MANDATE

“That:

- (1) for the purposes of Section 76C and 76E of the Companies Act, and such other laws and regulations as may for the time being be applicable, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire Shares (excluding treasury shares) not exceeding in aggregate the Prescribed Limit (as defined herein), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as defined herein), whether by way of:
 - (a) on-market purchases transacted through the ready market of the SGX-ST, or through one or more duly licensed stock brokers appointed by the Company for the purpose (“**Market Purchase**”); and/or
 - (b) off-market purchases otherwise than on a securities exchange, in accordance with an equal access scheme as defined in Section 76C of the Companies Act and as may be determined or formulated by the Directors as they consider fit, which scheme shall satisfy all the conditions prescribed by the Companies Act, the Constitution of the Company and the Catalist Rules of the SGX-ST (“**Off-Market Purchase**”),

be and is hereby authorised and approved generally and unconditionally (“**Share Buyback Mandate**”);

- (2) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buyback Mandate shall, at the discretion of the Directors, either be cancelled or held as treasury shares and dealt with in accordance with the Companies Act;
- (3) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors to purchase Shares pursuant to the Share Buyback Mandate may be exercised by the Directors any time and from time to time, on and from the date of the passing of this resolution, up to the earliest of:
 - (a) the date on which the next annual general meeting is held or is required by law to be held;
 - (b) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate have been carried out to the full extent mandated; or
 - (c) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by Shareholders in a general meeting (“**Relevant Period**”);

NOTICE OF ANNUAL GENERAL MEETING

(4) in this resolution:

“**Average Closing Price**” means the average of the closing market prices of the Shares over the last five (5) market days on which transactions in the Shares were recorded, preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the Catalist Rules of the SGX-ST, for any corporate action that occurs during the relevant five (5) day period and the day on which the purchases are made;

“**date of the making of the offer**” means the day on which the Company announces its intention to make an Off-Market Purchase from the Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

“**Maximum Price**” in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commissions, stamp duties, applicable goods and services tax, clearance fees and other related expenses) to be paid by the Company for the Shares as determined by the Directors must not exceed the maximum price as set out below:

(a) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and

(b) in the case of an Off-Market Purchase, 120% of the Average Closing Price of the Shares;

“**Prescribed Limit**” means that number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this resolution (excluding any treasury shares and subsidiary holdings as at that date), unless the Company has, at any time during the Relevant Period, reduced its share capital in accordance with the applicable provisions of the Companies Act. In which event, the total number of Shares of the Company shall be taken to be the total number of Shares of the Company altered; and

(5) any Director be and is hereby authorised, in his absolute discretion, to do any and all such acts and things, including without limitation, to sign, seal, execute and deliver all such documents and deeds, and to approve any amendment, alteration or modification to any document, as he may consider necessary, desirable or expedient or in the interest of the Company to give effect to the matters referred to in this resolution and the taking of any and all actions whatsoever, by any Director on behalf of the Company in connection with the Share Buyback Mandate prior to the date of the Annual General Meeting be and are hereby approved, ratified and confirmed.”

[See Explanatory Note (f)]

(Resolution 9)

By Order of the Board

Chan Wan Mei
Company Secretary

10 April 2023
Singapore

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (a) If re-elected under Resolution 3, Mr Oh Seong Lye will remain as the Independent Non-Executive Director, Chairman of the Board of Directors and the Audit and Risk Committee, a member of Nominating Committee and a member of Remuneration Committee, and be considered independent for the purposes of Rule 704(7) of the Catalist Rules of the SGX-ST. Mr Oh Seong Lye holds 115,000 Shares and has no relationships with the Company, its related corporation, its substantial shareholders or its Directors. Key information on Mr Oh Seong Lye, who is seeking re-election as a Director of the Company, can be found under the "Board of Directors" and "Disclosure of information on Directors seeking re-election" sections of the Annual Report.
- (b) If re-elected under Resolution 4, Ms Tan Ai Luang will remain as the Executive Director of the Company. Ms Tan Ai Luang holds 800,000 Shares and she is also the niece of Mr Tan Kwee Chai (the Executive Director) and cousin of Mr Tan Yong Chuan (the Executive Director and Chief Executive Officer). Key information of Ms Tan Ai Luang, who is seeking re-election as a Director of the Company, can be found under the "Board of Directors" and "Disclosure of information on Directors seeking re-election" sections of the Annual Report.
- (c) The proposed Ordinary Resolution 6, if passed, will empower the Directors of the Company from the date of the Annual General Meeting ("**AGM**") until the date of the next AGM, to allot and issue Shares and/or instruments at any time. The aggregate number of Shares that the Directors may allot and issue under this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 100% of the issued Shares (excluding treasury shares and subsidiary holdings), of which the total number of Shares to be issued (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) other than on a pro rata basis to existing shareholders shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), at the time this Resolution is passed. The authority will, unless previously revoked or varied at a general meeting, expire at the next AGM of the Company or the date by which the AGM of the Company is required by law to be held, whichever is earlier.
- (d) The proposed Ordinary Resolution 7, if passed, will empower the Directors of the Company to allot and issue Shares of up to a number not exceeding in total 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) from time to time pursuant to the grant of share awards under the LYPSP.
- (e) The proposed Ordinary Resolution 8, if passed, will empower the Directors of the Company to do all acts necessary to give effect to the IPT General Mandate as described in the Appendix. The authority shall, unless revoked or varied by the Company in a general meeting, continue to be in force until the date that the next AGM of the Company is held or required by law to be held.
- (f) The proposed Ordinary Resolution 9, if passed, will empower the Directors of the Company, to do all acts necessary to give effect to the Share Buyback Mandate as described in the Appendix and to repurchase Shares by way of Market Purchases or Off-Market Purchases of up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the Maximum Price. The authority shall, unless revoked or varied by the Company in a general meeting, continue to be in force until the date that the next AGM of the Company is held or required by law to be held.

Important Notes:

1. The members of the Company are invited to attend physically the AGM. **There will be no option for shareholders to participate virtually.** This Notice and the accompanying proxy form will be sent to members by electronic means via publication on the Company's website at the URL <https://www.lyfurniture.com> and is also made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>. For convenience, printed copies of this Notice and the accompanying proxy form will also be sent by post to members.
2. Please bring along your NRIC/passport so as to enable the Company to verify your identity. Members are requested to arrive early to facilitate the registration process and are advised not to attend the AGM if feeling unwell. Members are strongly encouraged to exercise social responsibility to rest at home and consider appoint proxy(ies) to attend the AGM. We encourage members to mask up when attending the AGM.

Voting by proxy

3. A member who is unable to attend the AGM and wishes to appoint proxy(ies) to attend, speak and vote on his/her/its behalf at the AGM should complete, sign and return the instrument of proxy in accordance with the instructions printed thereon. This proxy form may be accessed at the Company's website at the URL <https://www.lyfurniture.com>, and on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>. A proxy need not be a member of the Company.
4. A member who is not a Relevant Intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote on his/her/its behalf at the AGM. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.

Where such member appoints more than one (1) proxy, the proportion of his/her shareholding concerned to be represented by each proxy shall be specified in the proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing 100% of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.

5. A member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act 1967.

NOTICE OF ANNUAL GENERAL MEETING

6. A member can appoint the Chairman of the Meeting as his/her/its proxy, but this is not mandatory.

Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

For investors who hold shares through relevant intermediaries, including Central Provident Fund Investment Schemes (“CPF Investors”) and/or Supplementary Retirement Scheme (“SRS Investors”) and wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 18 April 2023, being seven (7) working days prior to the date of AGM.

The Chairman of the Meeting, as proxy, need not be a member of the Company.

7. The instrument appointing a proxy must be submitted to the Company in the following manner:

- (a) if submitted by post, be lodged with the Company’s Share Registrar address at 80 Robinson Road, #11-02, Singapore 068898; or
- (b) if submitted electronically, be submitted via email to the Company at agm@lyfurniture.com,

in either case, at least 72 hours before the time appointed for holding the AGM.

A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

8. The Annual Report and the Appendix may be accessed at the Company’s website at the URL <https://www.lyfurniture.com> and on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.

Submission of questions in advance of the AGM

9. Members can submit questions related to the resolutions to be tabled for approval at the AGM to the Chairman of the Meeting in advance of the AGM and must be submitted in the following manner and must reach us no later than 2.30 p.m. on 17 April 2023:

- (a) by email to agm@lyfurniture.com; or
- (b) by post to the registered office of the Company’s Share Registrar, 80 Robinson Road, #11-02, Singapore 068898.

When sending in their questions by email or post, members are required to provide the Company with the following details to enable the Company to verify the shareholders’ status:

- their full name;
- their address; and
- the manner in which they hold shares in the Company (e.g. via CDP, CPF or SRS).

The Management and the Board of Directors of the Company will endeavour to address all substantial and relevant questions received from members prior to the AGM by publishing the responses to those questions on SGX website at the URL <https://www.sgx.com/securities/company-announcements> and the Company’s website at the URL <https://www.lyfurniture.com> by 23 April 2023. Where substantial and relevant questions submitted by members are unable to be addressed prior to the AGM, the Company will address them at the AGM.

PERSONAL DATA PRIVACY

By submitting an instrument appointing proxy(ies) and/or representative(s) to attend, speak and vote at the AGM of the Company and/or any adjournment thereof and submit any question to the Company in advance of the Company in accordance with this Notice, a member of the Company (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the proxies and representatives appointed for the AGM of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy list, minutes and other documents relating to the AGM of the Company (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the “Purposes”); (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees to provide the Company with written evidence of such prior consent upon reasonable request.

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LY CORPORATION LIMITED

Company Registration no. 201629154K
(Incorporated in the Republic of Singapore)

IMPORTANT

1. Pursuant to Section 181(1C) of the Companies Act 1967 of Singapore, Relevant Intermediary may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.

CPF/SRS Investors

2. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective CPF Agent Banks or SRS Operators if they have any queries regarding their appointment as proxies.

3. CPF/SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 18 April 2023.

Personal Data Privacy

4. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2023.

PROXY FORM

Annual General Meeting

I/We, _____ (name) _____ (NRIC/Passport No.)
of _____ (address)
being a member/members of LY Corporation Limited (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholding(s)	
		No. of Shares	%
Address			

*and/or

Name	NRIC/Passport No.	Proportion of Shareholding(s)	
		No. of Shares	%
Address			

as *my/our *proxy/proxies to attend, speak and vote for *me/us on *my/our behalf at the Annual General Meeting ("**AGM**") of the Company to be held at Room 328 Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Singapore 039593 on Friday, 28 April 2023 at 2.30 p.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against or abstain from voting the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as *he/they will on any other matter arising at the AGM and at any adjournment thereof. If no person is named in the above boxes, the Chairman of the AGM shall be *my/our proxy to vote, for or against the Resolutions to be proposed at the AGM as indicated hereunder, for *me/us and on *my/our behalf at the AGM and at any adjournment thereof.

No.	Resolutions	Number of votes For	Number of votes Against	Abstain
ORDINARY BUSINESS				
1.	Adoption of the Directors' Statement, Audited Financial Statements and the Independent Auditors' Report for the financial year ended 31 December 2022.			
2.	Approval for payment of Directors' fees for the financial year ending 31 December 2023, payable quarterly in arrears.			
3.	Re-election of Mr Oh Seong Lye as a Director of the Company.			
4.	Re-election of Ms Tan Ai Luang as a Director of the Company.			
5.	Re-appointment of Messrs PricewaterhouseCoopers LLP as Auditors of the Company.			
SPECIAL BUSINESS				
6.	Authority to allot and issue shares.			
7.	Authority to allot and issue shares under the LY Performance Share Plan.			
8.	Renewal of the Interested Person Transactions Mandate.			
9.	Renewal of the Share BuyBack Mandate.			

* Delete accordingly

The resolutions put to vote at the AGM shall be decided by poll.

If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick "√" in the relevant box provided. Alternatively, please indicate the number of votes "For" or "Against" each resolution. If you mark "√" in the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution.

Dated this _____ day of _____ 2023

**Total Number of Shares Held
(see note 1)**

Signature(s) of Member(s)/Common Seal

IMPORTANT: Please read notes overleaf



Notes:

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
2. A member who is unable to attend the AGM and wishes to appoint proxy(ies) to attend, speak and vote on his/her/its behalf at the AGM should complete, sign and return the instrument of proxy in accordance with the instructions printed thereon. This proxy form may be accessed at the Company's website at the URL <https://www.lyfurniture.com>, and on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>. A proxy need not be a member of the Company.
3. A member who is not a Relevant Intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote on his/her/its behalf at the AGM. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. Where such member appoints more than one (1) proxy, the proportion of his/her shareholding concerned to be represented by each proxy shall be specified in the proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing 100% of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
4. A member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act 1967.
5. A member can appoint the Chairman of the Meeting as his/her/its proxy, but this is not mandatory.
6. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid. CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 18 April 2023.

Affix
Postage
Stamp

The Company Secretary
LY CORPORATION LIMITED
80 Robinson Road
#11-02
Singapore 068898

7. The Chairman of the Meeting, as proxy, need not be a member of the Company.
8. The instrument appointing a proxy must be submitted to the Company in the following manner:
 - (a) if submitted by post, be lodged with the Company's Share Registrar address at 80 Robinsons Road, #11-02, Singapore 068898; or
 - (b) if submitted electronically, be submitted via email to the Company at agm@lyfurniture.com,in either case, at least 72 hours before the time appointed for holding the AGM.
A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.
9. Completion and return of the Proxy Form by a member will not prevent him/her from attending, speaking and voting at the AGM if he/she so wishes. The appointment of the proxy(ies) for the AGM will be deemed to be revoked.
10. The Proxy Form must be signed by the appointor or of his/her attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the Proxy Form is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
11. If the member attends the AGM in person and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the relevant instrument appointing proxy(ies) to the AGM. The Company shall be entitled to reject an instrument appointing a proxy if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company shall be entitled to reject any instrument appointing a proxy or proxies which has been lodged if such member, being the appointor, is not shown to have shares entered against his/her/their name(s) in the Depository Register at least 72 hours before the time appointed for the AGM, as certified by The Central Depository (Pte) Limited to the Company.



LY CORPORATION LIMITED

(Incorporated in the Republic of Singapore on 24 October 2016)

(Company Registration Number: 201629154K)

80 Robinson Road #02-00

Singapore 068898

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Fax: +607 455 8853

Website: <http://www.lyfurniture.com>