LY CORPORATION
LIMITED

Poised for
growth

Annual Report 2018

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.

In January 2019, the Group entered into original brand manufacturing via the acquisition of the assets of Cubo Sdn Bhd, which manufactures and markets furniture under the EZBO and CUBO brands.

The Group currently operates from 15 factories and warehouses, occupying a combined built-up area of approximately 1.4 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 U.S.

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

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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.

Poised for Growth

During the year in review, LY Corporation Limited has taken steps to expand its presence into new markets and strengthened its service offering. The Group expanded downstream into original brand manufacturing through the acquisition of assets and intellectual properties under the brand names EZBO and CUBO as well as signing an exclusive distributorship in China.

GROUP STRUCTURE

LY CORPORATION LIMITED

51%(1)
Leyo Holdings Sdn. Bhd.

100%
Leyo Manufacturing Sdn. Bhd.

100%
LY Furniture Sdn. Bhd.

100%
LY Global Hub Sdn. Bhd.

Note:

(1) Leyo Holdings Sdn. Bhd., ("**LHSB**") was a wholly-owned subsidiary of LY Corporation Limited as at 31 December 2018. LHSB issued 49% of its ordinary shares to Lebo Design Sdn. Bhd. as part of the acquisition of business from Cubo Sdn. Bhd. on 25 January 2019. Upon completion of the acquisition, the Group has 51% equity interest in LHSB.

CHAIRMAN'S STATEMENT

Dear Shareholders,

Since we started in 1976, LY Corporation Limited and its subsidiaries (collectively the "Group") has remained steadfast in our core business value of providing quality products at competitive prices. Over the years, the Group has established itself as one of Malaysia's leading manufacturers and exporters of wooden bedroom furniture.

Financial Highlights

In 2018, the Group faced headwinds arising from the uncertainty of US-China trade war and the strengthening of the Malaysian Ringgit ("**RM**") against the United States Dollar ("**USD**"), which impacted sales from our main market in the United States of America ("**US**"), which accounts for 77% of our direct sales.

For the financial year ended 31 December 2018 ("**FY2018**"), the Group achieved net profit of RM14.9 million despite a 23.9% decrease in revenue to RM263.1 million. Excluding the one-off listing expenses of approximately RM6.8 million in FY2018, the net profit would have been RM21.7 million in FY2018 compared to a net profit of RM49.2 million of the financial year ended 31 December 2017 ("**FY2017**").

The lower revenue is attributable to:

(i) a decrease in number of laden containers ("**40-ft containers**") sold from 6,525 in FY2017 to 5,232 in FY2018 as a result of lower demand from customers mainly from the US; and

(ii) a drop in average selling price per container from RM53,000 in FY2017 to RM50,000 in FY2018 due to the strengthening of the RM against the USD by approximately 6.2% in FY2018.

Gross profit decreased by approximately RM32.5 million, or 42.5% to RM43.9 million in FY2018. The gross profit margin fell from 22.1% in FY2017 to 16.7% in FY2018 mainly due to a decline in the average selling price arising from the strengthening of the RM against the USD, and a drop in sales to our customers, which resulted in lower economies of scale.

The Group's financial position remained firm, with a net asset value of RM224.8 million and cash and cash equivalents of RM64.7 million as at 31 December 2018.

Strategy for Growth

As the US-China trade war is still on-going, there is still uncertainty as to how this trade war have a bearing on the Group's growth moving forward. We have strategic plans in place to navigate the challenging environment with the aim of sustainable growth and diversifying beyond our core market in the North American and into the Asia Pacific market.

Looking ahead, as the operating environment is expected to remain challenging, we will continue to adopt a cautious approach in exploring opportunities to expand and diversify our operations through joint ventures, strategic collaborations and/or acquisitions with parties who can provide synergistic value to our business, and access to new markets and customers.

CHAIRMAN'S STATEMENT

We are diversifying from our core business such as our expansion into the original brand manufacturing ("**OBM**") and our growing E-commerce business in China.

In January 2019, the Group acquired the OBM business and assets of Cubo Sdn. Bhd., including the EZBO and CUBO brand names, through our subsidiary Leyo Holdings Sdn. Bhd.. The products under the brand name CUBO focuses on custom-made furniture while EZBO offers a wide range of easy-to assemble, space-saving furniture, including those for living room, kitchen, bedroom and children's room.

The OBM business is complementary to our Group's existing original design manufacturer ("**ODM**") and original equipment manufacturer ("**OEM**") businesses and diversifies our revenue stream. The acquisition also widens our product range and gives us greater control in our operations which involves design, marketing and distribution of products, which allows us to widen our customer base.

We believe our OBM products are value for money, and have improved functionality. The DIY concept and our designs are patented innovations which are capable of attracting customers from many countries in different parts of the world, especially in the Asia Pacific region. This will allow us to expand and diversify our clientele base from our major customers who are currently mainly located in the North American.

In July 2018, the Group entered into an exclusive distribution agreement with Hangzhou Feilue Network Technology Co., Ltd, to grow our E-commerce business in China by setting up a virtual furniture store on Tmall/Taobao. While we are still in the initial phase of penetrating and growing our brand in China, we believe the Group is on the right track and is in line with our strategy to diversify our revenue stream.

Looking ahead, as the operating environment is expected to remain challenging, we will continue to adopt a cautious approach in exploring opportunities to expand and diversify our operations through joint ventures, strategic collaborations and/or acquisitions with parties who can provide synergistic value to our business, and access to new markets and customers.

Dividend

To reward our shareholders, and as a gesture of our confidence in the Group's future, despite the economic uncertainty, the Board of Directors ("**Board**") has recommended a first and final dividend of 0.41 Singapore cent per ordinary share for FY2018, which is subject to shareholders' approval at the upcoming Annual General Meeting. This represents a dividend payout of 40.2% of our profit after tax.

Appreciation

On behalf of the Board, I would like to express my appreciation to our stakeholders, customers, and business associates and partners, for their trust and confidence in the Group. I would also like to take this opportunity to show my appreciation for my fellow colleagues on the Board, management team and employees for their commitment and dedication as we continue to grow the Group together.

We remain committed to delivering sustainable returns and look forward to all our stakeholders' continuous support as we forge ahead in managing future challenges.

Tan Kwee Chai
Executive Chairman

FINANCIAL REVIEW

LY Corporation Limited and its subsidiaries (collectively the "**Group**") recorded revenue of RM263.1 million in the financial year ended 31 December 2018 ("**FY2018**"), down 23.9% from RM346.0 million for the financial year ended 31 December 2017 ("**FY2017**"). This was mainly attributable to:

(i) a decrease in the number of laden containers ("**40-ft containers**") sold from 6,525 40-ft containers in FY2017 to 5,232 40-ft containers in FY2018 on the back of lower demand from customers mainly from the United States of America ("**US**"); and

(ii) a decline in the average selling price per container from RM53,000 in FY2017 to RM50,000 in FY2018 due to the strengthening of the Malaysian Ringgit ("**RM**") against United States Dollar ("**USD**"). The average movement of RM against USD has strengthened by approximately 6.2% in FY2018 as compared to FY2017.

Cost of sales fell 18.7% to RM219.2 million in FY2018 from RM269.6 million a year ago mainly due to a decrease in raw materials purchased, labour costs and subcontractors' costs as a result of lower level of production during FY2018.

Gross profit decreased by RM32.5 million, or 42.5% to RM43.9 million in FY2018. Gross profit margin fell from 22.1% in FY2017 to 16.7% in FY2018 as a result of a decline in average selling price arising from the strengthening of the RM against USD, and a drop in sales to our customers, which resulted in lower economies of scale.

Interest income dropped by approximately RM0.2 million, or 25.7% mainly due to lower interest rate for cash being placed under short term deposits in the bank account maintained in Singapore.

Other income declined by RM1.7 million, or 26.9% as a result of the Group selling lesser boards to LP Global Resources Sdn Bhd to manufacture front drawer for most of our models (including lamination services) in FY2018 as compared to FY2017 due to a drop in demand from the Group's customers.

Selling and administrative expenses rose by RM1.3 million, or 7.6% mainly due to an increase in advertisement, exhibition and promotional expenses, utilities, gift, donation and condolences expenses, and general office expenses such as printing, stationery, postage and courier charges.

As a result, the Group recorded a net profit of RM14.9 million in FY2018, compared to RM49.2 million in FY2017. Included in FY2018 results are one-off Initial Public Offering ("IPO") expenses of RM6.8 million. Excluding the one-off IPO expenses, the net profit in FY2018 would have been RM21.7 million.

FINANCIAL POSITION

The Group's financial position remained firm, with a net asset value of RM224.8 million as at 31 December 2018 compared with RM175.3 million as at 31 December 2017.

Non-current assets

Non-current assets increased by 4.2% to RM133.2 million as at 31 December 2018 mainly due to an increase in property, plant and equipment. Property, plant and equipment increased by RM5.7 million, or 5.0% mainly due to the purchase of machinery and equipment, construction of hostel for foreign workers, expansion of office building (in progress) as well as purchase of a motor vehicle during FY2018.

Current assets

Current assets increased by 24.0% to RM134.8 million mainly due to an increase in cash and cash equivalents and contract assets, which was partially offset by a decrease in inventories, trade and other receivables, and prepaid operating expenses.

Cash and cash equivalents rose nearly 2.1 times to RM64.7 million as at 31 December 2018 arising from the proceeds from the issuance of new shares pursuant to IPO.

Inventories decreased by RM2.5 million, or 6.7% mainly due to the overall improvement in inventory management by the Group.

Trade and other receivables comprised trade receivables, receivables from related parties, deposits and other receivables. The decrease in trade and other receivables by RM5.1 million, or 18.0% was mainly due to lower sales towards the end of FY2018.

Contract assets comprised the right to consideration for goods produced but not yet billed as at 31 December 2018 for sale of goods. The increase in contract assets by RM4.7 million, or 76.2% was mainly due to the completion of goods produced expected to be delivered in the first quarter of 2019.

Prepaid operating expense declined by RM4.5 million, or 78.8% due to the IPO expenses either being expensed off to the income statement or capitalised to equity in FY2018.

Current liabilities

Current liabilities decreased by 41.9% to RM27.5 million mainly due to a decline in loan and borrowings, trade and other payables, other liabilities and tax payable.

Loans and borrowings comprised obligations under finance leases, short-term trade financing and bankers' acceptance. The decrease in loans and borrowings by RM5.7 million, or 68.7% was mainly due to lower usage of short-term trade financing towards the end of FY2018.

Trade and other payables comprised trade payables, amount due to related parties and sundry payables. The decrease in trade and other payables of RM7.8 million, or 25.5% was mainly due to the settlement of debt towards the end of FY2018.

Contract liabilities of RM0.1 million comprised the Group's obligation to transfer goods or services to customers for which the Group has received consideration from customers as at 31 December 2018.

Other liabilities comprised accrued operating expenses, advances from customers and accrual for purchase of equipment. The decline in other liabilities of RM4.3 million, or 89.5% was mainly due to lower accrued expenses as at 31 December 2018 as a result of lesser allowances and performance incentives being provided.

Tax payable comprised estimated tax liabilities that the Group is liable to pay for the FY2018. The decrease in tax payable of RM1.8 million, or 54.8% was mainly due to the decrease in the expected tax payable for FY2018.

Non-current liabilities

Non-current liabilities increased by 12.9% to RM15.6 million mainly due to an increase in deferred tax liabilities.

CASH FLOW POSITION

The Group's cash and cash equivalents improved from RM31.1 million as at 31 December 2017 to RM64.7 million as at 31 December 2018.

In line with the decrease in revenue, the Group recorded lower net cash flows from operating activities of RM22.9 million in FY2018 compared to RM46.1 million in FY2017.

The Group recorded net cash flows used in investing activities of RM10.6 million in FY2018 mainly due to the purchase of new machineries with improved capabilities.

Net cash flows generated from financing activities was RM21.6 million in FY2018 mainly arising from the proceeds from the issuance of new shares pursuant to IPO.

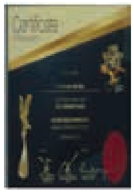
AWARDS & ACCREDITATIONS

2018

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

2016

- Eminent Eagle Award (2nd place)



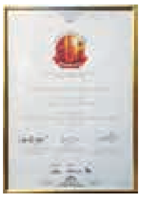
2015

- 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

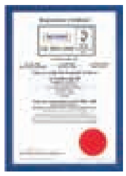
- ISO 9001:2008 for the quality management system related to the manufacture of wooden furniture
- ISO 9001:2008 for the quality management system applicable to the manufacture of wooden furniture

2006

- Best Performing Company Award 2005

2004

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



2003

- Global Top Enterprise Golden Rim Award
- 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 SOCIAL RESPONSIBILITY

At LY Corporation Limited ("**LY Corporation**"), responsible corporate citizenry is a core pillar of our business philosophy and sustainability strategy. We embrace our responsibility to our employees, shareholders, business partners and the communities in which we operate, and are committed to achieving long-term mutually sustainable relationships with our stakeholders.

Our corporate social responsibility ("**CSR**") mission took shape in 2012. Since then, we have actively played our part in caring for the community and lending a helping hand to the less privileged in society or those communities in need. We recognise the importance of encouraging our employees to play an active role in the communities of which we are a part of, and in doing so, develop their leadership potential, corporate camaraderie, community spirit and environmental awareness.

Some of our key corporate initiatives include:

(a) Sustainable wood sourcing

We strive to reduce the environmental impact of our manufacturing operations by using more materials from sustainable sources, such as rubberwood from rubber trees from designated plantation land that are due for replacement, having gone past their optimal latex-producing cycle, as well as using recycled wood such as compressed moulded wood manufactured from waste wood chips.

(b) Recycling of wood waste

We recycle our wood waste as feedstock for our factory boiler to produce heat required for our production process. For example, steam generated contributes to more than 50.0% of the heating requirements for our spray painting process.

(c) Usage of environmentally-friendly materials

We are committed to the responsible use and protection of the natural environment by using materials for our production process which are environmentally-friendly. This includes water-based paint, California Air Resources Board Phase 2 (CARB Phase 2)-compliant raw materials and lead-content-free coating materials.

(d) Giving back to the community

We regularly support various organisations within our community. We have made donations and held fundraising events in support of the local schools and charity bodies, some of which are applied towards the construction of school buildings. We also encourage our various stakeholders such as employees, suppliers and subcontractors to participate in blood donation events which we hold in conjunction with the local general hospital annually.

In 2018, LY Corporation and its subsidiaries continued its policy of charitable donation to support charitable causes in the communities it operates in. Some of the key projects were donations for Bandar Penggaram Associated Chinese Schools and Trinity Community Children Home Society.

LY Corporation and its subsidiaries committed RM20,000 in the planting of 60 trees and upkeep of park facilities at Soga Perdana Forest Eco Park as part of its Corporate Social Responsibility programme. More than 100 of our employees and the Johor State Forestry Department took part in this activity dedicated to the protection of the environment on 11 November 2018. Soga Perdana Forest Eco Park, Batu Pahat was opened in 1988 and has a height of 210 meters. The 60 trees planted, included Eurycoma Longifolia (Tongkat Ali), Meranti, and Cengal and Keladan.

As a regular supporter for blood donation, our annual blood donation drive was conducted on 10 January 2018 and 21 November 2018 where approximately 100 of our employees generously participated to donate blood to the blood bank of a local government hospital.

BOARD OF DIRECTORS

Mr Tan Kwee Chai
Executive Chairman

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 23 April 2018. 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. He was awarded with the (Model of Entrepreneurs award) in 2006, an international award which commends entrepreneurship and contribution to economic development.

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

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 23 April 2018. 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

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 23 April 2018. 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

Mr Lee Dah Khang
Lead Independent Director

Mr Lee Dah Khang was appointed to the Board on 20 December 2017 as an Independent Director. He was re-elected on 23 April 2018. Mr Lee is our Lead Independent Director. He has more than 20 years' experience in providing external audit, internal audit and consultancy services, and is currently a director of Yang Lee Consulting Pte Ltd, a management consulting firm which he set up since 2005. His experience in corporate risk advisory, internal audits, financial due diligence and accounting solutions extends across South East Asia, the People's Republic of China, Eastern Europe and Australia.

Mr Lee is also the Lead Independent Director and Chairman of the Audit and Risk Committee of GS Holdings Limited, a Catalist-listed company.

Mr Lee graduated with a Bachelor of Accountancy from Nanyang Technological University in June 1995. He is a Fellow Chartered Accountant of the Institute of Singapore Chartered Accountants, a Certified Internal Auditor of the Institute of Internal Auditors and a Practising Management Consultant of the Practising Management Consultant Certification Board.

Present directorships in listed companies (other than the Company)	Past directorships in listed companies (for last three years)
GS Holdings Limited	Pteris Global Limited Shinvest Holding Limited

BOARD OF DIRECTORS

Mr Oh Seong Lye
Independent 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 23 April 2018.

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 and a Chartered Accountant of the Institute of Singapore Chartered Accountants. 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 accounting practice under Terence Oh & Associates and has been in public practice up to this present time. In 1982, his firm became a member of Horwath International (from 1982 to1992) when he became the Executive Chairman and International Liaison Partner of Horwath Malaysia (concurrently also practising under Terence Oh & Associates) and was also a Director of Horwath Asia Pacific. During that period, his firm was the external auditors and tax agents for 2 major Malaysian 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 2 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)
Inari Amertron Berhad Insas Berhad	None

Mr Yeo Kian Wee Andy
Independent Director

Mr Yeo Kian Wee Andy was appointed to the Board on 20 December 2017 as an Independent Director. He was re-elected on 23 April 2018. 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 has just 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. He is also a very active volunteer in the Singapore disability sports scene.

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

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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Kwee Chai	– Executive Chairman
Tan Yong Chuan	– Executive Director and Chief Executive Officer
Tan Ai Luang	– Executive Director
Lee Dah Khang	– Lead Independent Director
Oh Seong Lye	– Independent Director
Yeo Kian Wee Andy	– Independent Director

AUDIT COMMITTEE

Oh Seong Lye - Chairman
Lee Dah Khang
Yeo Kian Wee Andy

REMUNERATION COMMITTEE

Yeo Kian Wee Andy - Chairman
Lee Dah Khang
Oh Seong Lye

NOMINATING COMMITTEE

Lee Dah Khang - 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

Ong Bee Choo, ACIS
Pan Mi Keay, ACIS

CONTINUING SPONSOR

UOB Kay Hian Private Limited
8 Anthony Road #01-01
Singapore 229957

PRINCIPAL BANKERS

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
OCBC Centre
Singapore 049513

Standard Chartered Bank (Singapore) Limited
8 Marina Boulevard
#27-01, Marina Bay Financial Centre
Singapore 018981

INDEPENDENT AUDITORS

Ernst & Young LLP
1 Raffles Quay
North Tower Level 18
Singapore 048583
Partner-in-charge: Low Bek Teng
(Appointed since financial year ended
31 December 2016)

SHARE REGISTRAR

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

INVESTOR RELATIONS

Waterbrooks Consultants Pte. Ltd.
Wayne Koo
Tel: +65 6100 2228
Email: wayne.koo@waterbrooks.com.sg

CORPORATE GOVERNANCE REPORT

DISCLOSURE TABLE FOR ANNUAL REPORT IN COMPLIANCE TO THE CODE OF CORPORATE GOVERNANCE 2012 AND CATALIST RULES

The Board of Directors (the "**Board**") of LY Corporation Limited (the "**Company**" and together with its subsidiaries, the "**Group**") is committed to maintaining high standards of corporate governance and places importance on its corporate governance processes and systems so as to ensure greater transparency, accountability and maximisation of long-term shareholder value.

This corporate governance report, set out in tabular form, outlines the Company's corporate governance structures and practices that were in place during the financial year ended 31 December 2018 ("**FY2018**"), with specific reference made to the principles of the Code of Corporate Governance 2012 (the "**Code**") and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Guide**").

This report should be read in totality, instead of being read separately under each principle of the Code. The Board noted the revised Code of Corporate Governance issued on 6 August 2018 ("**Revised Code**"), which is only effective from the Company's financial year commencing 1 January 2019, and will endeavor to comply with the Revised Code once it is effective.

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	The Company has complied with the principles and guidelines as set out in the Code and in the Guide, where applicable. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines of the Code?	Not applicable. The Company did not adopt any alternative corporate governance practices in FY2018.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3">BOARD MATTERS</td></tr>
<tr><td colspan="3">The Board's Conduct of Affairs</td></tr>
<tr><td>1.1</td><td>What is the role of the Board?</td><td>
The Board oversees the effectiveness and efficiency of Management to ensure good corporate governance of the Group. The Board acts in good faith and exercise independent judgement in the best interests of shareholders.
As at the date of this Annual Report, the Board has six Directors and comprises the following:
<table>
<tr><th>Name of Directors</th><th>Designation</th><th>Date appointed</th></tr>
<tr><td>Mr Tan Kwee Chai</td><td>Executive Chairman</td><td>20 December 2017</td></tr>
<tr><td>Mr Tan Yong Chuan</td><td>Executive Director and Chief Executive Officer ("CEO")</td><td>24 October 2016</td></tr>
<tr><td>Ms Tan Ai Luang</td><td>Executive Director</td><td>20 December 2017</td></tr>
<tr><td>Mr Lee Dah Khang</td><td>Lead Independent Director</td><td>20 December 2017</td></tr>
<tr><td>Mr Oh Seong Lye</td><td>Independent Director</td><td>20 December 2017</td></tr>
<tr><td>Mr Yeo Kian Wee Andy</td><td>Independent Director</td><td>20 December 2017</td></tr>
</table>
The Board's principal functions include, inter alia, the following:

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;
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.

</td></tr>
<tr><td>1.2</td><td>All Directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.</td><td>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.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>1.3</td><td>Has the Board delegated certain responsibilities to committees? If yes, please provide details.</td><td>The Board has delegated certain functions to the various committees, namely the Audit Committee ("AC"), 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.

As at the date of this Annual Report, the respective compositions of the Board Committees are as follows:

<table>
<tr><th></th><th>AC</th><th>NC</th><th>RC</th></tr>
<tr><td>Chairman</td><td>Oh Seong Lye</td><td>Lee Dah Khang</td><td>Yeo Kian Wee Andy</td></tr>
<tr><td>Member</td><td>Lee Dah Khang</td><td>Oh Seong Lye</td><td>Oh Seong Lye</td></tr>
<tr><td>Member</td><td>Yeo Kian Wee Andy</td><td>Tan Yong Chuan</td><td>Lee Dah Khang</td></tr>
</table></td></tr>
<tr><td>1.4</td><td>Have the Board and Board Committees met in the last financial year?</td><td>The dates of Board and Board Committee meetings will be 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 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 FY2018, the Board conducted four meetings with full attendance.

The details of the number of meetings held for the Board and Board Committees during FY2018 and the attendance of each Director at those meetings are disclosed below:

<table>
<tr><th rowspan="3">Name of Directors</th><th colspan="2">Board of Directors</th><th colspan="2">Audit Committee</th><th colspan="2">Nominating Committee</th><th colspan="2">Remuneration Committee</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>
<tr><td>Tan Kwee Chai</td><td>4</td><td>4</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td>Tan Yong Chuan</td><td>4</td><td>4</td><td>–</td><td>–</td><td>1</td><td>1</td><td>–</td><td>–</td></tr>
<tr><td>Tan Ai Luang</td><td>4</td><td>4</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td>Lee Dah Khang</td><td>4</td><td>4</td><td>4</td><td>4</td><td>1</td><td>1</td><td>1</td><td>1</td></tr>
<tr><td>Oh Seong Lye</td><td>4</td><td>4</td><td>4</td><td>4</td><td>1</td><td>1</td><td>1</td><td>1</td></tr>
<tr><td>Yeo Kian Wee Andy</td><td>4</td><td>4</td><td>4</td><td>4</td><td>–</td><td>–</td><td>1</td><td>1</td></tr>
</table></td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
1.5	What are the types of material transactions which require approval from the Board?	The matters which specifically require the Board's approval or guidance are those involving: • 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.
1.6	(a) Are new Directors given formal training? If not, please explain why.	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.
	(b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?	During the year, the external auditors, Ernst & Young LLP ("**External Auditors**"), had briefed the AC 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.
1.7	Upon appointment of each Director, has the Company provided a formal letter to the Director, setting out the Director's duties and obligations?	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.
Board Composition and Guidance		
2.1 2.2 3.3	Does the Company comply with the guideline on the proportion of Independent Directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Guideline 2.1 and 2.2 of the Code are met as the Independent Directors made up half of the Board. As Mr Tan Kwee Chai is the Executive Chairman, Mr Lee Dah Khang is appointed as the Lead Independent Director, complying with Guideline 3.3 of the Code.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
2.3 4.3	Has the independence of the Independent Directors been reviewed in the last financial year?	The NC had reviewed and the Independent Directors had also confirmed their independence in accordance with the Code during the NC meeting held on 25 February 2019 and all Independent Directors have provided their independence declaration.
	(a) Is there any Director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the Director and specify the nature of such relationship.	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.
	(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	Not applicable ("**NA**")
2.4	Has any Independent Director served on the Board for more than nine years since the date of his first appointment? If so, please identify the Director and set out the Board's reasons for considering him independent.	None of the Independent Directors have served on the Board beyond nine years from the date of his appointment.
2.5	Has the Board examined its size and decided on what it considers an appropriate size for the Board, which facilitates effective decision making?	The NC is responsible for examining the size and composition of the Board and Board Committees. Having considered the scope and nature of the Group's businesses, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, the Board, in concurrence with the NC, believes that its current board size and the existing composition of the Board Committees effectively serve the Group. It provides sufficient diversity without interfering with efficient decision-making.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
2.6	(a) What is the Board's policy with regard to diversity in identifying Director nominees?	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 Directors Competency Matrix Form and provided additional information (if any) in their respective areas of specialisation and expertise.
	(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.	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 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. The current Board composition provides a diversity of skills, experience and knowledge to the Company as follows:
	(c) What steps have the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?	The Board has taken the following steps to maintain or enhance its balance and diversity: • 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. 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.

Core Competencies	Number of Directors	Proportion of Board (%)
Accounting or finance	4	66.7
Business Management	6	100.0
Legal or corporate experience	3	50.0
Relevant industry knowledge or experience	5	83.3
Strategic planning experience	6	100.0
Customer based experience or knowledge	3	50.0

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
2.7	How have the Non-Executive Directors: (a) constructively challenge and help develop proposals on strategy; and (b) review the performance of Management in meeting, agreed goals and objectives and monitor the reporting of performance?	The Board, particularly the independent directors, which 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 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. This enables the 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 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.
2.8	Have the Non-Executive Directors (including Independent Directors) met in the absence of key management personnel in the last financial year?	The Independent 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. The Independent Directors had also met and discussed with the Internal and External Auditors without the presence of key management personnel in FY2018.
Chairman and Chief Executive Officer		
3.1 3.2	Are the duties between Chairman of the Board and Chief Executive Officer ("**CEO**") segregated?	The Company has a clear division of responsibilities at each level of the Company, with the Executive 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. 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. The Chairman, Mr Tan Kwee Chai is the father of the CEO, Mr Tan Yong Chuan. The CEO 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 made by the Board. The Chairman is responsible for the management of the Board. He leads the Board, encourages Board's interaction with Management, facilitates effective contribution of Independent Directors, encourages constructive relations among the Directors, and promotes corporate governance. Notwithstanding that the Chairman and CEO are immediate family members, the Board is satisfied that there is sufficient transparency and accountability in view of the distinction of responsibilities and the strong independent element on the Board.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
3.4	Have the Independent Directors met in the absence of other Directors?	Led by the Lead Independent Director, the Independent Directors will meet in the absence of the other Directors as and when circumstances warrant. The Independent Directors had met and discussed with the Internal and External Auditors without the presence of other directors in FY2018.
Board Membership		
4.1 4.2	What are the duties of the NC?	The NC comprises Mr Lee Dah Khang, Mr Oh Seong Lye and Mr Tan Yong Chuan. The Chairman of the NC is Mr Lee Dah Khang. 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: (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 executives; and (g) reviewing training and professional development programmes for the Board. During FY2018, the NC held one scheduled meeting with full attendance. 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 Annual General Meeting ("**AGM**"), one-third of the Board is required to retire and provided always that every director shall retire from office at least once every 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 retiring 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:

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		Pursuant to Regulation 98 of the Constitution of the Company: (a) Mr Tan Kwee Chai (b) Mr Oh Seong Lye In making the recommendations, the NC considers the overall contribution and performance of the Directors. The NC member had abstained from deliberation in respect of his own nomination and assessment. The NC reviewed the independence of the Directors as mentioned under Guideline 2.3 and 2.4. The NC has affirmed that Mr Lee Dah Khang, Mr Oh Seong Lye and Mr Yeo Kian Wee Andy are independent and free from any relationship outlined in the Code. Each of the Independent Directors has also confirmed his independence.
4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its Directors? What are the reasons for this number? (b) If a maximum has not been determined, what are the reasons? (c) What are the specific considerations in deciding on the capacity of Directors? (d) Have the Directors adequately discharged their duties?	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. Based on the 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 (including the company). No person would be appointed as an Independent Director if he/she, prior to such appointment, is already holding more than 5 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 Director and he/she should not hold more than 2 other independent directorships in any publicly listed company on the SGX-ST or any other international stock exchanges prior to his/her appointment. The considerations in assessing the capacity of Directors include the following: • 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 principle commitments held. The NC, having reviewed each Director's outside directorships as well as each Director's contributions to the Board, is satisfied that all Directors have discharged their duties adequately for FY2018.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th colspan="3">Company's Compliance or Explanation</th></tr>
<tr><td>4.5</td><td>Are there alternate Directors?</td><td colspan="3">The Company currently does not have any alternate director.</td></tr>
<tr><td rowspan="5">4.6</td><td rowspan="5">Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.</td><td colspan="3">The following table sets out the process for the selection and appointment of new directors:</td></tr>
<tr><td>1.</td><td>Determination of selection criteria</td><td>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>2.</td><td>Search for suitable candidates</td><td>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 Directors/ substantial shareholders; or

(b) external sources through reputable human resource consultants.</td></tr>
<tr><td>3.</td><td>Assessment of shortlisted candidates</td><td>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.</td></tr>
<tr><td>4.</td><td>Appointment of director</td><td>The NC would recommend the selected candidate to the Board for consideration and approval.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td></td><td>The following table sets out the process for the re-election of directors:
<table><tr><td>1.</td><td>Assessment of director</td><td>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>2.</td><td>Re-appointment of director</td><td>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></table>
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.</td></tr>
<tr><td>4.7</td><td>Please provide the following key information regarding the Directors'.
• Academic and professional qualifications
• Shareholding in the Company and its related corporation
• Board committees served on (as a member or chairman), date of first appointment and last re-appointment as a Director;
• Directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments;</td><td>The key information of the Directors, including their appointment dates and directorships held in the past 3 years, are set out on pages 8 to 10 of this Annual Report.

The shareholdings of the Directors in the Company are set out on page 51 of this Annual Report. None of the Directors hold shares in the subsidiaries of the Company.

Directors who are seeking re-election at the forthcoming AGM to be held on 25 April 2019 are stated in the Notice of AGM set out on pages 122 to 125 of this Annual Report.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	• Indicate which Directors are executive, non-executive or considered by the NC to be independent; and • The names of the Directors submitted for appointment or re-appointment should also be accompanied by such details and information to enable shareholders to make informed decisions.	
Board Performance		
5.1 5.2 5.3	What is the performance criteria set to evaluate the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by each Director to the effectiveness of the Board?	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 each Director to the effectiveness of the Board in FY2018. 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. 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). Objective performance criteria used to assess the performance of the Board include both quantitative and qualitative criteria. 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 Non-Executive Directors.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		The NC had conducted the Board's performance evaluation as a whole in FY2018. The performance criteria for the evaluation of the Board as a whole, Board Committee and individual Directors, as determined by the NC, cover the following areas: (a) Composition and Size; (b) Conduct of Meeting; (c) Effectiveness and Training Communication with Shareholders; (d) Provision of information to the Board; (e) Standards of Conduct; (f) Financial performance; and (g) Board compensation.
	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	The Board did not engage any external consultant in the valuation process. Where relevant and when the need arises, the NC will consider such an engagement.
	(b) Has the Board met its performance objectives?	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 FY2018. 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.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td colspan="3"><u>Access to Information</u></td></tr>
<tr><td>6.1
6.2
6.3</td><td>What types of information does the Company provide to Independent Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?</td><td>
<table>
<tr><th></th><th>Information</th><th>Frequency</th></tr>
<tr><td>(a)</td><td>Updates to the Group's operations and the markets in which the Group operates in</td><td>Quarterly</td></tr>
<tr><td>(b)</td><td>Quarterly and full year financial results</td><td>Quarterly</td></tr>
<tr><td>(c)</td><td>Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)</td><td>As and when relevant</td></tr>
<tr><td>(d)</td><td>Report on on-going or planned corporate activity</td><td>As and when relevant</td></tr>
<tr><td>(e)</td><td>Enterprise risk management framework, reports and Internal Auditors' report</td><td>As and when available</td></tr>
<tr><td>(f)</td><td>Research report(s)</td><td>As and when requested</td></tr>
<tr><td>(g)</td><td>Shareholding statistics</td><td>As and when requested</td></tr>
</table>
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. </td></tr>
<tr><td>6.4</td><td>What is the role of the Company Secretary?</td><td> 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. 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 (Chapter 289) of Singapore, Constitution, Companies Act, Cap. 50 and the Catalist Rules. The Company Secretary is also responsible for ensuring the Board procedures are followed and complied and advise the Board on all governance matters.
The appointment and removal of the Company Secretary are subject to the approval of the Board. </td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
REMUNERATION MATTERS		
Developing Remuneration Policies		
7.1 7.2 7.4	What is the role of the RC?	The RC comprises the Independent Directors, Mr Yeo Kian Wee Andy, Mr Lee Dah Khang, Mr Oh Seong Lye. The Chairman of the RC is Mr Yeo Kian Wee Andy. The terms of reference of the RC include, *inter alia*, the following: (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. 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. If necessary, the RC may seek expert advice outside the Company on remuneration of the Directors and key executives. 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.
7.3	Were remuneration consultants engaged in the last financial year?	No remuneration consultants were engaged by the Company in FY2018. The RC has access to professional advice on human resource matters whenever there is a need to consult externally.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Level and Mix of Remuneration		
8.1	What are the measures for assessing the performance of Executive Directors and key management personnel?	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, as so 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.
8.2	Are there long-term incentive schemes for Executive Directors and key management personnel?	The RC administers the Company's LYPSP, which formed part of the offer document dated 18 January 2018 ("**Offer Document**"). No awards were granted under the LYPSP since the establishment of the LYPSP. Further details about the LYPSP are set out in the Company's Offer Document.
8.3	How is the remuneration for Non-Executive Directors determined?	The remuneration for the Non-Executive Directors are determined by the Board based on the effort and time spent, and the responsibilities of the Non-Executive Directors. The Directors' fees of the Non- Executive Directors are subject to approval by shareholders at each AGM. Independent Directors do not have service agreement with the Company and accordingly do not receive salary. They are paid Directors' fees, which are determined by the Board based on the effort, time spent and responsibilities of the Directors (including but not limited to their appointments to the various Board Committees). The Directors' fees of the Independent Directors are subject to approval by shareholders at each AGM.
8.4	Are there any contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company?	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 Board is of the view that as the Group pays performance bonuses based on the actual performance of the Group and/or Company (and not on forward-looking results) as well as the actual results of its Executive Directors and Key Management Personnel, "claw-back" provisions in the service agreements may not be relevant or appropriate. The Executive Directors owe a fiduciary duty to the Company. The Company avails itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.
Disclosure on Remuneration		
9	What is the Company's remuneration policy?	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.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
9.1 9.2	Has the Company disclosed each Director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	The breakdown for the remuneration of the Directors in FY2018 is as follows:

Name of Directors	Breakdown of Remuneration in Percentage (%) Fees[1]	Salary[2]	Allowance[1]	Benefits	Variable Bonus[3]	Total	Total Remuneration in Compensation Bonds of S$250,000
Executive Directors							
Tan Kwee Chai	-	80.1	0.6	2.3	17.0	100.0	S$250,001 – S$500,000
Tan Yong Chuan	0.3	68.1	1.0	3.8	26.8	100.0	<S$250,000
Tan Ai Luang	-	77.9	1.6	6.7	13.8	100.0	<S$250,000
Independent Directors							
Lee Dah Khang	93.8	-	6.2	-	-	100.0	<S$250,000
Oh Seong Lye	93.5	-	6.5	-	-	100.0	<S$250,000
Yeo Kian Wee Andy	93.0	-	7.0	-	-	100.0	<S$250,000

Notes:

(1) The Directors' Fees and Allowances for attending meetings held for the financial year ending 31 December 2019 will be subject to the approval of the shareholders at the AGM.

(2) The salary amount shown is inclusive of equivalent provident fund scheme.

(3) The variable bonus amount shown is inclusive of equivalent provident fund scheme.

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.

There are no termination, retirement, post-employment benefits that may be granted to the Directors.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>9.3</td><td>(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or more in detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</td><td>
During FY2018, the Group only had three (3) top key management personnel (who are not Directors of the Company).
The breakdown for the remuneration of the Company's key management personnel (who are not Directors of the Company) during FY2018 is as follows:
<table>
<tr><th rowspan="2">Name</th><th rowspan="2">Position</th><th colspan="4">Breakdown of Remuneration in Percentage (%)</th><th rowspan="2">Total Remuneration in Compensation Bands of $250,000</th></tr>
<tr><th>Salary[1]</th><th>Benefits-in-kind</th><th>Variable Bonus[2]</th><th>Total</th></tr>
<tr><td>Tan Kwee Lim</td><td>Chief Operating Officer</td><td>72.9</td><td>2.9</td><td>24.2</td><td>100.0</td><td>< S$250,000</td></tr>
<tr><td>Boo Ngek Hee</td><td>Chief Quality Officer</td><td>77.8</td><td>4.6</td><td>17.6</td><td>100.0</td><td>< S$250,000</td></tr>
<tr><td>Teo Gin Lian</td><td>Chief Financial Officer ("CFO")</td><td>80.4</td><td>–</td><td>19.6</td><td>100.0</td><td>< S$250,000</td></tr>
</table>
Notes:
(1) The salary amount shown is inclusive of allowances such as fixed transport allowance and equivalent provident fund scheme
(2) The variable bonus amount shown is inclusive of employees' provident funds
There are no termination, retirement, post-employment benefits that may be granted to the key management personnel.
</td></tr>
<tr><td></td><td>(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).</td><td>The aggregate remuneration paid to the above key management personnel (who are not Directors or CEO) in FY2018 was S$427,000.</td></tr>
<tr><td>9.4</td><td>Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S$50,000 during the last financial year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.</td><td>
Tan Kwee Lim and Tan Kwee Chai are brothers and his remuneration for FY2018 is disclosed in the table above (please refer to Section 9.3(a) above).
Tan Yong Siang is the son of Tan Kwee Chai and brother of Tan Yong Chuan. His remuneration for FY2018 has exceeded S$50,000.
Save as disclosed, there is no other employee of the Group who is an immediate family member of a Director or the CEO of the Company and whose remuneration exceeded S$50,000 during FY2018.
</td></tr>
<tr><td>9.5</td><td>Please provide details of the employee share scheme(s).</td><td>The Company has adopted. LY Performance Share Plan. Details of which can be found in page 51 of the Annual Report.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
9.6	(a) Please describe how the remuneration received by Executive Directors and key management personnel has been determined by the performance criteria.	The remuneration received by the Executive Directors and key management personnel takes into consideration his or her individual performance and contribution towards the overall performance of the Group in FY2018. Their remuneration is made up of fixed and variable compensations. The fixed compensation consists of an annual base salary, fixed allowance and annual wage supplement. The variable compensation is determined based on the level of achievement of corporate and individual performance objectives.
	(b) What were the performance conditions used to determine their entitlement under the short term and long term incentive schemes?	The performance criteria used to assess the remuneration of Executive Directors and key management personnel is based on qualitative and quantitative components: (a) Leadership (b) Teamwork (c) People development (d) Responsibilities and commitment (e) Profitability performance of the Group
	(c) Were all of these performance conditions met? If not, what were the reasons?	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 FY2018.
ACCOUNTABILITY AND AUDIT		
Accountability		
10.1 10.2	The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.	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. 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 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. 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.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Risk Management and Internal Controls		
11.1	The Board should determine the Company's levels of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems.	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. 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.
11.2 11.4	The Board should, at least annually, review the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls. Such review can be carried out internally or with the assistance of any competent third parties.	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. The Management reports 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 at least annually. The responsibility of overseeing the Company's internal control system and policies are undertaken by the AC 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.
11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance and information technology, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	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 2018 in its current business environment. The basis for the Board's view are as follows: • Assurance has been received from the CEO and CFO (please refer to Section 11.3(b) below); • 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 AC on material risks and a set of risk registers is maintained, updated and presented to the AC at least annually; • Work performed by the Internal and External Auditors; and • Discussions were held between the AC, Internal and External Auditors in the absence of the key management personnel to review and address any potential concerns.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditors that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	The Board has obtained the following assurance from the CEO and CFO: (a) the financial records of the Group have been properly maintained and the financial statements for FY2018 give a true and fair view of the Group's operations and finances; (b) material information relating to the Company was disclosed on a timely basis for the purposes of preparing financial statements; and (c) the Company's risk management systems and internal control systems were adequate and effective as of 31 December 2018. 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 AC, 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 2018 in its current business environment. 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. The AC has reviewed the Management's assessment and discussed with the External Auditors about the identified key audit matters (referred to in page 53 of this Annual Report); and how those key audit matters have been addressed by the External Auditors. Having considered the Management's assessment and the approach taken by the External Auditors and their findings, the AC is satisfied with the basis and estimates adopted by the Group.
12.1 12.3 12.4	What is the role of the AC?	The AC is guided by the following key terms of reference: (a) assist our Board in the discharge of its responsibilities on financial reporting matters; (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;

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		(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 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); (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); (e) review the assistance and co-operation given by our Company's officers to the internal and External Auditors; (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; (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; (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; (i) review transactions falling within the scope of Chapter 9 and Chapter 10 of the Catalist Rules (if any); (j) review potential conflicts of interest (if any) and set out a framework to resolve or mitigate any potential conflicts of interest; (k) review the effectiveness and adequacy of our administrative, operating, internal accounting and financial control procedures; (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;

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td></td><td></td><td>(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 AC;
(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;
(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) 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.</td></tr>
<tr><td>12.2</td><td>Are the members of the AC appropriately qualified to discharge its responsibilities?</td><td>The Board is of the view that the AC 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 AC are appropriately qualified to discharge the responsibilities of the AC.</td></tr>
<tr><td>12.5</td><td>Has the AC met with the auditors in the absence of key management personnel?</td><td>During the year, the Company's Internal Auditors and External Auditors were invited to attend the AC meeting(s) and make presentations as appropriate. They also met separately with the AC without the presence of Management.</td></tr>
<tr><td>12.6</td><td>Has the AC reviewed the independence of the External Auditors?</td><td>The AC has reviewed the non-audit services provided by the External Auditors and is satisfied that the nature and extent of such services would not prejudice the independence of the External Auditors, and has recommended the re-appointment of the External Auditors at the forthcoming AGM.</td></tr>
<tr><td></td><td>(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.</td><td>The breakdown of the fees paid/payable to the Group's External Auditors (including its associated firms) is as follows:
<table><tr><th>External Auditor Fees for FY2018</th><th>S$'000</th><th>% of Total Fees</th></tr><tr><td>Audit Fees</td><td>120</td><td>69.8</td></tr><tr><td>Non-Audit Fees</td><td>52</td><td>30.2</td></tr><tr><td>Total</td><td>172</td><td>100.0</td></tr></table></td></tr>
<tr><td></td><td>(b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the AC's view on the independence of the external auditors.</td><td>The AC is satisfied that the External Auditors remain independent after considering that the non-audit fees in FY2018 relate to the advisory and preparation of the Sustainability Report as well as review of the inventory management system. The AC has recommended to the Board the re-appointment of Ernst & Young LLP as the External Auditors at the forthcoming AGM.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
12.7	Does the Company have a whistle-blowing policy?	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 AC Chairman directly. 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 victimization for whistle blowing in good faith. Assisted by the IC, the AC addresses issues/concerns raised and arranges for investigation and/or follow-up of appropriate action. The AC reports to the Board any issues/concerns received by it and the IC, at the ensuing Board meeting. Should the AC 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.
		Investigation Committee The IC consists of an Executive Director, CFO and an external outsourced Human Resource Consultant. The IC is empowered to: • 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 AC); • make the necessary reports and recommendations to the AC 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. 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 AC directly and in confidentiality, and his/her identity is protected from reprisals within the limits of the law. There were no whistle-blowing reports received in FY2018.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
12.8	What are the AC's activities or the measures it has taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements?	The AC had been briefed by the External Auditors on changes or amendments to the Accounting Standards and issues which are relevant to the Group and have a direct impact on the Group's financial statements.
12.9	Are any of the members of the AC (i) a former partner or director of the Company's existing auditing firm or auditing corporation within the previous 12 months and (ii) hold any financial interest in the auditing firm or auditing corporation?	None of the AC members (i) is a former partner or director of the Company's existing auditing firm or auditing corporation in the previous 12 months and (ii) holds any financial interest in the auditing firm or auditing corporation.
Internal Audit		
13.1 13.2 13.3 13.4 13.5	Please provide details of the Company's internal audit function, if any.	The AC's responsibilities over the Group's internal controls and risk management are complemented by the work of the Internal Auditors. The Company has outsourced its internal audit function to Baker Tilly TFW LLP ("**Internal Auditors**"). The Internal Auditors has unrestricted access to all the Company's documents, records, properties and personnel, including access to the AC. The Internal Auditors' ultimate line of reporting is to the Chairman of the AC. It carries out the Internal Auditor functions under the direction of the AC and reports the findings and makes recommendations to the AC accordingly. The Internal Auditor plans its audit work in consultation with, but independently of, the management, and its yearly plan is submitted to the AC for review and approval prior to the beginning of the financial year. The Internal Auditor has full access to all the Company's documents, records, properties and personnel including access to the AC. The AC is satisfied that internal auditor is adequately qualified (given, *inter alia*, 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.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Shareholders' Rights		
14.1	The Company should facilitate the exercise of ownership rights by all shareholders. In particular, shareholders have the right to be sufficiently informed of changes in the Company or its business which would be likely to materially affect the price or value of the Company's shares.	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.
14.2	The Company should ensure that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. Shareholders should be informed of the rules, including voting procedures that govern general meetings of shareholders.	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. The Board welcomes questions from shareholders who have an opportunity to raise issues either formally or informally before or at the shareholders' meetings. 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.
14.3	The Company should allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.	The Constitution of the Company allows an individual shareholder to appoint not more than two proxies to attend and vote on his or her behalf at the general meetings. Member who is a relevant intermediary may appoint more than two 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 proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
SHAREHOLDER RIGHTS AND RESPONSIBILITIES		
Communication with Shareholders		
15.1	Does the Company have an investor relations policy?	The Company currently does not have an investor relations policy. However, the Company has engaged an external investor relations adviser, Waterbrooks Consultants Pte. Ltd., to carry out investor relations activities.
15.2 15.3 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	The Company strives to communicate with shareholders and the investing community through the timely release of announcements to the SGX-ST via SGXNET.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	To further enhance its communication with investors, the Company has also enhanced its website through its Investor Relations page at http://investor.lyfurniture.com/ where the public can access information on the Group directly.
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	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.
15.5	Does the Company have a dividend policy?	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: (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). The Directors intend to recommend and distribute dividends of not less than 40.0% of the Group's net profits after tax attributable to shareholders in respect of each of the financial years ending 2019 and 2020. For FY2018, the Board has recommended a tax-exempt (one-tier) dividend of 0.41 Singapore cents per ordinary share, which will be subject to the approval of shareholders at the forthcoming AGM.
	Is the Company is paying dividends for the financial year? If not, please explain why.	The Board has recommended a tax-exempt (one-tier) dividend of 0.41 Singapore cents per ordinary share for FY2018, which will be subject to the approval of shareholders at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
CONDUCT OF SHAREHOLDER MEETINGS		
16.1 16.3 16.4 16.5	How are the general meetings of shareholders conducted?	A shareholder who is entitled to attend and vote may either vote in person or through the appointment of proxies. The Company's Constitution does allow for abstentia 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. The Board welcomes questions from shareholders who wish to raise issues, either informally or formally before or during the general meetings. The Chairmen 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. The minutes of general meetings, which include substantial comments or queries from shareholders and responses from the Board are available to shareholders upon written request. All resolutions are put to vote by poll, and their detailed results will be announced via SGXNET after the conclusion of the general meeting.

COMPLIANCE WITH APPLICABLE CATALIST RULES		
Catalist Rule	**Rule Description**	**Company's Compliance or Explanation**
712, 715 or 716	Appointment of auditors	The Group complied with Rule 712 and Rule 715 of the Catalist Rules.
1204(8)	Material contracts	Save for the service agreements between the Company and the Executive Directors as well as the material contracts disclosed in page 219 to 220 of the Company's Offer Document, 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 FY2018 or if not then subsisting, which were entered into since the end of the previous financial year.
1204(10)	Confirmation of adequacy of internal controls	The Board and the AC are 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 risks as of 31 December 2018 in its current business environment based on the following: • 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 AC on material risks and a set of risk registers is maintained, updated and presented to the AC at least annually; • Work performed by the Internal and External Auditors; and • Discussions were held between the AC, Internal and External Auditors in the absence of the key management personnel to review and address any potential concerns.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Catalist Rule</th><th>Rule Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>1204(10C)</td><td>AC's comment on Internal Audit Function</td><td>The AC is satisfied that the Company's internal audit function is

• 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.</td></tr>
<tr><td>1204(17)</td><td>Interested persons transaction ("IPT")</td><td>Details of the IPT for FY2018 as required pursuant to Rule 907 of the Catalist Rules of SGX-ST are as follows:

<table>
<tr><th rowspan="2">Name of Interested Person</th><th>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)</th><th>Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)</th></tr>
<tr><th>RM'000</th><th>RM'000</th></tr>
<tr><td>Lean Shern Furniture Sdn Bhd</td><td>NA</td><td>3,646</td></tr>
<tr><td>LP Global Resources Sdn Bhd</td><td>NA</td><td>10,403</td></tr>
<tr><td>Leatherworld Upholstery Sdn Bhd</td><td>NA</td><td>3,434</td></tr>
</table>

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC 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.</td></tr>
<tr><td>1204(19)</td><td>Dealing in securities</td><td>The Company has adopted an internal policy which prohibits the Company, its Directors and officers from dealing in the securities of the Company while in possession of price-sensitive information.

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 two weeks before the announcement of the Group's quarterly financial results and one month before the announcement of the Group's full-year financial results, and ending on the date of the announcement of the relevant results.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Catalist Rule</th><th>Rule Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>1204(21)</td><td>Non-sponsor fees</td><td>No non-sponsor fees were paid to the Company's sponsor, UOB Kay Hian Private Limited for FY2018.</td></tr>
<tr><td>1204(22)</td><td>Use of proceeds</td><td>Pursuant to the Company's IPO, the Company received net proceeds from the IPO of approximately RM13.0 million (the "Net Proceeds"). Further details can be found in the Offer Document.

As at the date of this Corporate Governance Report, the status on the use of IPO proceeds as follows:

<table>
<tr><th>Purpose</th><th>Amount allocated (S$'000)</th><th>Amount utilised (S$'000)</th><th>Balance (S$'000)</th></tr>
<tr><td>Expanding the sales network in the PRC</td><td>1,000</td><td>(43)</td><td>957</td></tr>
<tr><td>Upgrading the machinery and equipment and acquiring new technology</td><td>5,000</td><td>(900)</td><td>4,100</td></tr>
<tr><td>Construction of additional facilities</td><td>4,000</td><td>(3,581)</td><td>419</td></tr>
<tr><td>General working capital purposes[1]</td><td>3,000</td><td>(1,010)</td><td>1,990</td></tr>
<tr><td>Total</td><td>13,000</td><td>(5,534)</td><td>7,466</td></tr>
</table>

Note:
(1) Payment of corporate and administrative expenses.</td></tr>
</table>

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Tan Kwee Chai and Mr Oh Seong Lye are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 25 April 2019 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(5) of the Catalist Rules of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7F to the Listing Manual of the SGX-ST:

	MR TAN KWEE CHAI	MR OH SEONG LYE
Date of Appointment	20 December 2017	20 December 2017
Date of last re-appointment	23 April 2018	23 April 2018
Age	62	70
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 contribution, performance, attendance, preparedness, participation, candour and suitability of Mr Tan Kwee Chai for re-appointment as Executive Director (Chairman) of the Company. The Board has reviewed and concluded that Mr Tan Kwee Chai, who is the founder of the business, possess the 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 qualification, work experiences, contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Oh Seong Lye for re-appointment as Independent Director of the Company. The Board has reviewed and concluded that Mr Oh Seong Lye 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	Executive Mr Tan Kwee Chai is responsible for the Group's overall management and operations as well as formulating the Group's strategic directions and expansion plan.	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman	Independent Director, Chairman of the Audit Committee, member of the NC and Remuneration Committee.

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TAN KWEE CHAI	MR OH SEONG LYE
Professional qualifications	N/A	1. Fellow member of the Institute of Chartered Accountants of England and Wales; 2. Chartered Accountant of Institute of Singapore Chartered Accountants; 3. Public Accountant of Malaysian Institute of Accountants; and 4. Executive Master of Business Administration from United Business Institutes (Belgium).
Working experience and occupation(s) during the past 10 years	LY Furniture Sdn. Bhd. and its related corporations	Senior Partner of Terence Oh & Associates, Chartered Accountants (1978 to present)
Shareholding interest in the listed issuer and its subsidiaries	Direct interest: 1,008,500 Deemed Interest: 352,305,400	Direct interest: 115,000
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	Mr Tan Kwee Chai is the father of Mr Tan Yong Chuan who is also the Executive Director and Chief Executive Officer of the Company, and uncle of Ms Tan Ai Luang, another Executive Director of the Company.	None
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# Past (for the last 5 years) Present	None	Yes None Terence Oh & Associates
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.		
(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

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

		MR TAN KWEE CHAI	MR OH SEONG LYE
(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 TAN KWEE CHAI	MR OH SEONG LYE
(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

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

		MR TAN KWEE CHAI	MR OH SEONG LYE
(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 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 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 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 in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	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 OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TAN KWEE CHAI	MR OH SEONG LYE
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. 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. 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).	N/A	N/A

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

The directors are pleased to 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 statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2018.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; 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.

2. DIRECTORS

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

Tan Yong Chuan
Tan Kwee Chai
Tan Ai Luang
Lee Dah Khang
Oh Seong Lye
Yeo Kian Wee Andy

3. 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

4. DIRECTORS' INTERESTS IN SHARES AND 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, Chapter 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest			Deemed interest		
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At 21 January 2019**	**At the beginning of financial year**	**At the end of financial year**	**At 21 January 2019**
Ordinary shares of the Company						
Tan Kwee Chai	–	658,500	1,008,500	34,400,000*	352,305,400	352,305,400
Tan Yong Chuan	–	–	–	–	–	–
Tan Ai Luang	–	800,000	800,000	–	–	–
Lee Dah Khang	–	77,000	77,000	–	–	–
Oh Seong Lye	–	115,000	115,000	–	–	–
Yeo Kian Wee Andy	–	115,000	115,000	–	–	–
Ordinary shares of the ultimate holding company- Lian Yu Holdings Pte. Ltd.						
Tan Kwee Chai	431,730	431,730	431,730	–	–	–
Tan Yong Chuan	107,336	107,336	107,336	–	–	–

* The number of shares held by Tan Kwee Chai has changed to 366,979,200 on 21 January 2018 due to sub-division of shares.

By virtue of Section 7 of the Companies Act, Chapter 50, 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 wholly-owned 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.

5. 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 administrated 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.

DIRECTORS' STATEMENT

6. AUDIT COMMITTEE

The Audit Committee performed the functions specified in the Singapore Companies Act, Chapter 50. The functions performed are detailed in the Report on Corporate Governance.

7. AUDITOR

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors:

Tan Kwee Chai
Director

Tan Yong Chuan
Director

1 April 2019

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Independent Auditor's Report to the Members of LY Corporation Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of LY Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group") which comprise the statements of financial position of the Group and the Company as at 31 December 2018, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") 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 2018 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.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (the "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 are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (the "ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (the "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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 of the current period. 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. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to the matter below. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of inventories – work-in-progress

As of 31 December 2018, the work-in-progress inventories amounted to RM10,434,000. Significant management estimate is required in arriving at the cost of the inventory, which is determined based on standard costing technique, in particular the estimation of direct labour and direct overheads to be apportioned to the specific inventories based on stage of completion. As such, we considered this to be a key audit matter.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Key Audit Matters (Continued)

Valuation of inventories – work-in-progress (Continued)

Our audit procedures included, among others:

- obtained an understanding and evaluated the design and operating effectiveness of the Group's internal controls with respect to inventory costing process;
- observed the year-end inventory count performed by management and selected work-in-progress inventories on a sampling basis to agree the physical state of the inventories to the description of bill of materials in the accounting records;
- assessed management's budgeting and monitoring process by comparing actual costs incurred for completed customers' orders during the year to the standard costs on a sample basis;
- reviewed the standard costing on a sample basis to check that cost components of work-in-progress inventories are appropriate; and
- tested the standard costing by checking the actual cost components to supporting documents and testing the overhead costs capitalised in work-in-progress inventories.

The Group's disclosures relating to work-in-progress inventories are included in Note 15 to the financial statements.

Other Information

Management is responsible for other information. The other information comprises the information included in 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), 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 the 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.

As part of an audit in accordance with the 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 and by those subsidiary corporations incorporated in Singapore of which we are the auditors 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 Low Bek Teng.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

1 April 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM'000	2017 RM'000
Revenue	4	**263,136**	345,993
Cost of sales		**(219,243)**	(269,643)
Gross profit		**43,893**	76,350
Other items of income			
Interest income from short-term deposits		**627**	844
Other income	5	**4,559**	6,237
Other items of expense			
Selling and administrative expenses		**(17,781)**	(16,521)
Finance costs	6	**(245)**	(208)
Listing expenses		**(6,794)**	–
Other expenses	7	**(176)**	(4,324)
Profit before tax	8	**24,083**	62,378
Income tax expense	10	**(9,162)**	(13,215)
Profit for the year, representing total comprehensive income for the year attributable to owners of the Company		**14,921**	49,163
Earnings per share attributable to owners of the Company (sen per share)			
Basic and diluted	11	**3.05**	122.91

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF FINANCIAL POSITION

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000	Group 1.1.2017 RM'000	Company 31.12.2018 RM'000	Company 31.12.2017 RM'000	Company 1.1.2017 RM'000
Non-current assets							
Property, plant and equipment	12	**119,748**	114,074	102,961	**–**	–	–
Leasehold land	13	**13,430**	13,772	14,113	**–**	–	–
Investment in subsidiaries	14	**–**	–	–	**30,469**	20,234	–
		133,178	127,846	117,074	**30,469**	20,234	–
Current assets							
Inventories	15	**34,639**	37,112	33,658	**–**	–	–
Trade and other receivables	16	**23,404**	28,539	18,640	**10,518**	–	–
Contract assets	4(c)	**10,784**	6,119	10,728	**–**	–	–
Prepaid operating expense		**1,221**	5,764	2,566	**61**	5,169	2,114
Cash and cash equivalents	17	**64,709**	31,103	49,468	**32,415**	–*	–*
		134,757	108,637	115,060	**42,994**	5,169	2,114
Total assets		**267,935**	236,483	232,134	**73,463**	25,403	2,114
Current liabilities							
Loans and borrowings	18	**2,601**	8,321	4,662	**–**	–	–
Trade and other payables	19	**22,755**	30,559	24,261	**38**	5,170	2,114
Contract liabilities	4(c)	**136**	330	288	**–**	–	–
Other liabilities	20	**504**	4,809	6,512	**395**	270	–
Tax payable		**1,503**	3,328	4,432	**28**	–	–
Derivative liabilities	21	**–**	–	2,484	**–**	–	–
		27,499	47,347	42,639	**461**	5,440	2,114
Net current assets/(liabilities)		**107,258**	61,290	72,421	**42,533**	(271)	–
Non-current liabilities							
Loans and borrowings	18	**781**	977	698	**–**	–	–
Deferred tax liabilities	22	**14,819**	12,841	12,142	**–**	–	–
		15,600	13,818	12,840	**–**	–	–
Total liabilities		**43,099**	61,165	55,479	**461**	5,440	2,114
Net assets		**224,836**	175,318	176,655	**73,002**	19,963	–
Equity attributable to owners of the Company							
Share capital	23	**66,135**	20,234	–*	**66,135**	20,234	–*
Merger reserve	24	**(15,234)**	(15,234)	500	**–**	–	–
Retained earnings		**173,935**	170,318	176,155	**6,867**	(271)	–
		224,836	175,318	176,655	**73,002**	19,963	–
Total equity and liabilities		**267,935**	236,483	232,134	**73,463**	25,403	2,114

* *Less than RM1,000*

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Attributable to owners of the Company			
	Share capital (Note 23) RM'000	**Merger reserve (Note 24) RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
Group				
Opening balance at 1 January 2017 (FRS framework)	–*	500	172,867	173,367
Cumulative effects of adopting SFRS(I)	–	–	3,288	3,288
Opening balance at 1 January 2017 (SFRS(I) framework)	–*	500	176,155	176,655
Issuance of new shares	4,500	–	–	4,500
Profit for the year, representing total comprehensive income for the year	–	–	49,163	49,163
Dividend on ordinary shares, representing total distribution to owners (Note 31)	-	-	(55,000)	(55,000)
Issue of new shares and effect of adjustments pursuant to the Restructuring Exercise	15,734	(15,734)	–	–
At 31 December 2017	20,234	(15,234)	170,318	175,318
Opening balance at 1 January 2018 (FRS framework)	20,234	(15,234)	168,768	173,768
Cumulative effects of adopting SFRS(I)	–	–	1,550	1,550
Opening balance at 1 January 2018 (SFRS(I) framework)	20,234	(15,234)	170,318	175,318
Issuance of new shares pursuant to the Initial Public Offering ("IPO")	48,387	–	–	48,387
Listing expenses	(2,486)	–	–	(2,486)
Profit for the year, representing total comprehensive income for the year	–	–	14,921	14,921
Dividend on ordinary shares, representing total distribution to owners (Note 31)	–	–	(11,304)	(11,304)
At 31 December 2018	**66,135**	**(15,234)**	**173,935**	**224,836**

* *Less than RM1,000*

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Share capital (Note 23) RM'000	Retained earnings RM'000	Total equity RM'000
Company			
At 1 January 2017	–*	–	–*
Issuance of new shares	4,500	–	4,500
Issue of new shares and effect of adjustments pursuant to the Restructuring Exercise	15,734	–	15,734
Loss for the year, representing total comprehensive income for the year	–	(271)	(271)
At 31 December 2017 and 1 January 2018	20,234	(271)	19,963
Issuance of new shares pursuant to the IPO	48,387	–	48,387
Listing expenses	(2,486)	–	(2,486)
Profit for the year, representing total comprehensive income for the year	–	18,442	18,442
Dividend on ordinary shares, representing total distribution to owners (Note 31)	–	(11,304)	(11,304)
At 31 December 2018	**66,135**	**6,867**	**73,002**

* *Less than RM1,000*

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM'000	2017 RM'000
Operating activities			
Profit before tax		**24,083**	62,378
Adjustments for:			
Gain on disposal of property, plant and equipment	5	**(224)**	(86)
Net fair value gain on derivatives		**–**	(2,484)
Interest income from short-term deposits		**(627)**	(844)
Interest expense	6	**245**	208
Write-off of property, plant and equipment	7	**37**	8
Amortisation of leasehold land	13	**342**	341
Depreciation of property, plant and equipment	12	**6,068**	6,049
Unrealised exchange loss		**300**	531
Listing expenses		**6,794**	–
Operating profit before working capital changes		**37,018**	66,101
Changes in working capital:			
Decrease/(increase) in inventories		**2,473**	(3,454)
Decrease/(increase) in trade and other receivables		**5,123**	(10,000)
(Increase)/decrease in contract assets		**(4,665)**	4,609
Decrease/(increase) in prepaid operating expense		**4,543**	(3,198)
(Decrease)/increase in trade and other payables		**(7,870)**	6,320
(Decrease)/increase in contract liabilities		**(144)**	42
Decrease in other liabilities		**(4,305)**	(536)
Cash flows from operations		**32,173**	59,884
Interest paid		**(245)**	(208)
Income taxes paid		**(9,009)**	(13,620)
Net cash flows from operating activities		**22,919**	46,056
Investing activities			
Interest income from short-term deposits received		**627**	844
Purchase of property, plant and equipment	A	**(11,938)**	(18,576)
Proceeds from disposal of property, plant and equipment		**691**	1,166
Net cash flows used in investing activities		**(10,620)**	(16,566)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 RM'000	2017 RM'000
Financing activities			
Dividends paid on ordinary shares	31	**(11,304)**	(55,000)
Proceeds from loans and borrowings		**58,922**	82,322
Repayment of obligations under finance lease		**(605)**	(401)
Repayment of loans and borrowings		**(64,543)**	(78,832)
Proceeds from issuance of shares		**48,387**	4,500
Listing expenses paid		**(9,280)**	–
Net cash flows generated from/(used in) financing activities		**21,577**	(47,411)
Net increase/(decrease) in cash and cash equivalents		**33,876**	(17,921)
Effect of exchange rate changes on cash and cash equivalent		**(270)**	(444)
Cash and cash equivalents at beginning of year		**31,103**	49,468
Cash and cash equivalents at end of year	17	**64,709**	31,103

Note to the consolidated statement of cash flows

A. Property, plant and equipment

	2018 RM'000	2017 RM'000
Current year additions to property, plant and equipment	**12,248**	18,249
Less:		
Obligation under finance leases	**(310)**	(840)
Decrease in other payables	**–**	1,167
Net cash outflow from purchase of property, plant and equipment	**11,938**	18,576

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1. CORPORATE INFORMATION

1.1 *The Company*

LY Corporation Limited (the "Company") was incorporated as a private limited company domiciled in Singapore on 24 October 2016. The immediate and ultimate holding company is Lian Yu Holdings Pte. Ltd., which was incorporated in Singapore. On 21 December 2017, the Company was converted into a public company limited by shares and changed its name from LY Corporation Pte. Ltd. to LY Corporation Limited. The Company was listed on the Catalist Board of Singapore Exchange Securities Trading Limited (the "SGX-ST") on 31 January 2018.

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 14.

1.2 *The Restructuring Exercise*

A restructuring exercise was carried out in connection with the listing exercise (the "Restructuring Exercise"). The following steps were taken pursuant to the Restructuring Exercise:

(a) ***Incorporation of the Company***

The Company was incorporated on 24 October 2016 with an initial share capital of S$1 comprising one share held by Mr Tan Yong Chuan. On 28 June 2017, Mr Tan Yong Chuan transferred one share to Lian Yu Holdings Pte. Ltd. for a consideration of S$1.

On 18 December 2017, Lian Yu Holdings Pte. Ltd. and Crown Leap Limited subscribed for an aggregate of 19,999,999 issued and fully paid-up ordinary shares ("Shares") for a consideration price of RM4,500,000 in the following proportions:

Shareholder	Number of Shares
Lian Yu Holdings Pte. Ltd.	17,199,999
Crown Leap Limited	2,800,000

(b) ***Acquisition of shares in LY Furniture Sdn. Bhd. ("LYFSB")***

On 18 December 2017, the Company subscribed for 4,500,000 shares in 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 from Lian Yu Furniture Corporation Sdn. Bhd. (formerly known as LY Furniture Corporation Sdn. Bhd.) 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 by our Company of 20,000,000 Shares to Lian Yu Furniture Corporation Sdn. Bhd. (formerly known as LY Furniture Corporation Sdn. Bhd.) (or its nominees). Lian Yu Furniture Corporation Sdn. Bhd. (formerly known as LY Furniture Corporation Sdn. Bhd.) directed that 17,200,000 Shares and 2,800,000 Shares be allotted and issued to Lian Yu Holdings Pte. Ltd. and Crown Leap Limited respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1. CORPORATE INFORMATION (CONTINUED)

1.2 *The Restructuring Exercise (Continued)*

(b) ***Acquisition of shares in LY Furniture Sdn. Bhd. ("LYFSB") (Continued)***

Upon completion of the acquisition of shares in LYFSB, LYFSB became a wholly-owned subsidiary of the Company.

(c) ***Sub-division of shares***

As approved by the shareholders on 16 January 2018, every 1,000 issued share capital of the Company was sub-divided into 10,668 shares (the "Share Split"). The number of shares after the Share Split was 426,720,000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of preparation*

The consolidated financial statements of 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)").

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRS"). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

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

The 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 *First-time adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)")*

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 *First-time adoption of SFRS(I) (Continued)*

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- SFRS(I) 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 January 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.

- SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I). Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

- The comparative information does not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments*: Disclosures to the extent the disclosures relate to items within the scope of SFRS(I) 9.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 *Financial Instruments*

On 1 January 2018, the Group adopted SFRS(I) 9 *Financial instruments*, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at 1 January 2017. The comparative information has been prepared in accordance with the requirements of SFRS(I) 9.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 *First-time adoption of SFRS(I) (Continued)*

SFRS(I) 9 *Financial Instruments* (Continued)

Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL"). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. The Group has a mixed business model. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. For debt instruments that were measured at FVOCI previously, the Group's business model is to hold the debt instrument to collect contractual cash flows and sell, and accordingly measured at FVOCI when it applies SFRS(I) 9. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

SFRS(I) 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income.

The initial application of SFRS(I) 9 does not have any reclassification effect to the Group's financial statements.

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group adopts the simplified approach and records lifetime expected losses on all trade receivables. The Group recognised an impairment on the Group's trade receivables of RM50,000. The impairment recognised arising from adoption of SFRS(I) 9 above resulted in a corresponding decrease in retained earnings of RM50,000 as at 1 January 2018.

The corresponding tax impact to the Group arising from the adoption of SFRS(I) 9 is not material to the Group's consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 ***First-time adoption of SFRS(I) (Continued)***

SFRS(I) 9 *Financial Instruments* (Continued)

Impairment (Continued)

The reconciliation for loss allowances for the Group's trade receivables are as follow:

	RM'000
Opening loss allowance at 1 January 2018	–
Amount restated through opening retained earnings	50
Adjusted loss allowance at 1 January 2018	50

There is no loss allowance for the Company's financial assets.

SFRS(I) 15 *Revenue from Contracts with Customers*

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

The Group is in the business of manufacturing wooden furniture based on committed orders from its customers. The key impact of adopting SFRS(I) 15 is detailed as follows:

(a) ***Accounting for contracts with multiple performance obligations***

The Group is in the business of manufacturing made-to-order wooden furniture based on standard and customised specifications. The Group previously recognises revenue from sale of goods upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods.

The Group has assessed each contract under the requirements of SFRS(I) 15 and concluded that there are two distinct performance obligations, (i) sale of goods and (ii) fulfilment services, which are satisfied at different timings and had allocated transaction price for each of the performance obligation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 *First-time adoption of SFRS(I) (Continued)*

SFRS(I) 15 *Revenue from Contracts with Customers* (Continued)

(a) ***Accounting for contracts with multiple performance obligations (Continued)***

Timing of revenue recognition – sale of goods

Under SFRS(I) 15, the performance obligation for manufacturing of wooden furniture is satisfied at the point in time when the manufacturing process is completed and the finished goods are packed as the Group is restricted from directing the finished goods for another use and has an enforceable right to payment for the finished goods.

On adoption of SFRS(I) 15, the Group will recognise an adjustment to increase contract assets by RM10,728,000, derecognise inventories (finished goods) of RM7,152,000 with a corresponding adjustment to retained earnings of RM3,576,000 on 1 January 2017.

The Group's balance sheet as at 31 December 2017 was restated, resulting in the recognition of contract assets of RM6,119,000, decrease in inventories (finished goods) of RM4,239,000 and a corresponding adjustment to retained earnings of RM1,880,000. The statement of profit or loss for the year ended 31 December 2017 was also restated, resulting in decreases in revenue and cost of sales of RM4,609,000 and RM2,913,000 respectively.

Timing of revenue recognition – fulfilment services

Under SFRS(I) 15, the performance obligation for fulfilment services is completed over time as the products are shipped to the specific location.

On adoption of SFRS(I) 15, the Group recognised contract liabilities of RM288,000 with a corresponding adjustment to retained earnings of the same amount relating to unsatisfied performance obligation as at 1 January 2017.

The Group's balance sheet as at 31 December 2017 was restated, resulting in the recognition of contract liabilities of RM330,000 with a corresponding adjustment to retained earnings of the same amount. The statement of profit or loss for the year 31 December 2017 was also restated, resulting in a decrease in revenue of RM42,000.

Additionally, on adoption of SFRS(I) 15, the Group recorded a reclassification adjustment relating to freight and handling charges to increase its cost of sales by RM9,621,000 and a decrease in selling and administrative expenses by the same amount for the financial year ended 31 December 2017.

(b) ***Tax adjustments***

The corresponding tax impact to the Group arising from the adoption of SFRS(I) 15 is not material to the Group's consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 *First-time adoption of SFRS(I) (Continued)*

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 1 January 2017 to the statements of financial position of the Group.

	Group		
	As at 1 January 2017 (FRS) RM'000	SFRS(I) 15 adjustments RM'000	As at 1 January 2017 (SFRS(I)) RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	102,961	–	102,961
Leasehold land	14,113	–	14,113
	117,074	–	117,074
Current assets			
Inventories	40,810	(7,152)	33,658
Trade and other receivables	18,640	–	18,640
Contract assets	–	10,728	10,728
Prepaid operating expense	2,566	–	2,566
Cash and cash equivalents	49,468	–	49,468
	111,484	3,576	115,060
Total assets	228,558	3,576	232,134
LIABILITIES			
Current liabilities			
Loans and borrowings	4,662	–	4,662
Trade and other payables	24,261	–	24,261
Contract liabilities	–	288	288
Other liabilities	6,512	–	6,512
Tax payable	4,432	–	4,432
Derivative liabilities	2,484	–	2,484
	42,351	288	42,639
Net current assets	69,133	3,288	72,421

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 *First-time adoption of SFRS(I) (Continued)*

	Group		
	As at 1 January 2017 (FRS) RM'000	SFRS(I) 15 adjustments RM'000	As at 1 January 2017 (SFRS(I)) RM'000
Non-current liabilities			
Loans and borrowings	698	–	698
Deferred tax liabilities	12,142	–	12,142
	12,840	–	12,840
Total liabilities	55,191	288	55,479
Net assets	173,367	3,288	176,655
Equity attributable to owners of the Company			
Share capital	–*	–	–*
Merger reserve	500	–	500
Retained earnings	172,867	3,288	176,155
	173,367	3,288	176,655
Total equity and liabilities	228,558	3,576	232,134

* *Less than RM1,000*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 *First-time adoption of SFRS(I) (Continued)*

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 31 December 2017 to the statements of financial position of the Group.

	Group		
	As at 31 December 2017 (FRS)	SFRS(I) 15 adjustments	As at 31 December 2017 (SFRS(I))
	RM'000	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	114,074	–	114,074
Leasehold land	13,772	–	13,772
	127,846	–	127,846
Current assets			
Inventories	41,351	(4,239)	37,112
Trade and other receivables	28,539	–	28,539
Contract assets	–	6,119	6,119
Prepaid operating expense	5,764	–	5,764
Cash and cash equivalents	31,103	–	31,103
	106,757	1,880	108,637
Total assets	234,603	1,880	236,483
LIABILITIES			
Current liabilities			
Loans and borrowings	8,321	–	8,321
Trade and other payables	30,559	–	30,559
Contract liabilities	–	330	330
Other liabilities	4,809	–	4,809
Tax payable	3,328	–	3,328
	47,017	330	47,347
Net current assets	59,740	1,550	61,290

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 *First-time adoption of SFRS(I) (Continued)*

	Group		
	As at 31 December 2017 (FRS) RM'000	SFRS(I) 15 adjustments RM'000	As at 31 December 2017 (SFRS(I)) RM'000
Non-current liabilities			
Loans and borrowings	977	–	977
Deferred tax liabilities	12,841	–	12,841
	13,818	–	13,818
Total liabilities	60,835	330	61,165
Net assets	173,768	1,550	175,318
Equity attributable to owners of the Company			
Share capital	20,234	–	20,234
Merger reserve	(15,234)	–	(15,234)
Retained earnings	168,768	1,550	170,318
	173,768	1,550	175,318
Total equity and liabilities	234,603	1,880	236,483

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 ***First-time adoption of SFRS(I) (Continued)***

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) and application of the new accounting standards to the statement of comprehensive income of the Group for the year ended 31 December 2017.

	Group		
	31 December 2017 (FRS) RM'000	**SFRS(I) 15 adjustments RM'000**	**31 December 2017 (SFRS(I)) RM'000**
Revenue	350,644	(4,651)	345,993
Cost of sales	(262,935)	(6,708)	(269,643)
Gross Profit	87,709	(11,359)	76,350
Other items of income			
Interest income	844	–	844
Other income	6,237	–	6,237
Other items of expense			
Selling and administrative expenses	(26,142)	9,621	(16,521)
Finance costs	(208)	–	(208)
Other expense	(4,324)	–	(4,324)
Profit before tax	64,116	(1,738)	62,378
Income tax expense	(13,215)	–	(13,215)
Profit for the period, representing total comprehensive income for the period attributable to owners of the Company	50,901	(1,738)	49,163
Earnings per share attributable to owners of the Company (sen per share)			
Basic and diluted	127.25	(4.34)	122.91

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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) 16 *Leases*	1 January 2019
SFRS(I) INT23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the consolidated financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 is described below:

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 *Standards issued but not yet effective (Continued)*

SFRS(I) 16 *Leases (Continued)*

In addition, the Group plans to elect the following practical expedients:

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

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 *Basis of consolidation (Continued)*

(a) ***Basis of consolidation (Continued)***

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(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 (if any), 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 *Basis of consolidation (Continued)*

(b) ***Business combinations and goodwill (Continued)***

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) ***Combination not involving a Business***

The comparative financial statements of the Group for the financial year ended 31 December 2017 comprising the Company and LYFSB are presented as a continuation of LYFSB. The comparative financial statements will reflect any difference in share capital as an adjustment to equity. The Company does not recognise this adjustment in any component of equity that may be required to be reclassified to profit or loss at a later date as the establishment of the Group arose from the Restructuring Exercise is not a business combination as defined by SFRS(I) 3 *Business Combination* but a reorganisation without a change in beneficial shareholders. Such manner of presentation reflects the economic substance of the combining companies as a single economic enterprise, although the legal parent-subsidiary relationship was not established until after the end of the reporting periods. These comparative financial statements of the Group are a combination or aggregation of the financial statements of the Company and LYFSB as at and for the year ended 31 December 2017. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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	1.72% to 2.33%
Freehold buildings	2%
Machinery and equipment	10%
Office equipment, furniture and fittings	10%
Motor vehicles	12.5%

Capital work-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 de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 *Leasehold land*

Leasehold land are initially measured at cost. Following initial recognition, leasehold land are measured at cost less accumulated amortisation and accumulated impairment losses. The leasehold land are amortised over the lease term of 43 to 58 years.

2.8 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.9 *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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Investment in debt instruments

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. The three measurement categories for classification of debt instruments are:

(i) 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.

(ii) Fair value through other comprehensive income ("FVOCI")

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 ***Financial Instruments (Continued)***

(a) ***Financial assets (Continued)***

Subsequent measurement (Continued)

Investment in debt instruments (Continued)

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition 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.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On de-recognition, 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 balance sheet 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 and contract assets, 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.

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: 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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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*

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 and the subsidiaries incorporated in Malaysia make contributions to the Central Provident Fund scheme in Singapore and the Employees Provident Fund in Malaysia respectively, 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.

2.17 *Leases*

(a) ***As lessee***

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 *Leases (Continued)*

(a) ***As lessee (Continued)***

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) ***As lessor***

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.18(d).

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***

The Group is in the business of manufacturing made-to-order wooden furniture based on standard and customised specifications.

Revenue is recognised at the point in time when the manufacturing process is completed and the finished goods are packed as the Group is restricted contractually from directing the finished goods for another use and has an enforceable right to payment for the finished goods.

(b) ***Fulfilment services***

Revenue from fulfilment services is recognised over time as the goods are shipped to the specific location.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 *Revenue (Continued)*

(c) ***Interest income***

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

(d) ***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

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 *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.

2.21 *Segment reporting*

For management purposes, the performance of the Group is monitored based on revenue by geographical segments. Management of the Company regularly review the revenue by geographical segments in order to assess the segment performance. Additional disclosures on each of these segments are shown in Note 30.

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:

(a) ***Determination of functional currency***

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 inventories are measured using the standard costing technique. Standard costing was computed based on management's best estimates of the overhead cost incurred in the production. Standard costing is subject to periodic review.

In accordance with SFRS(I) 1-2, "The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition". As such, Management estimates is involved in ensuring the standard costing is closely approximate to the actual cost incurred. The carrying amount of inventories are disclosed in Note 15.

4. REVENUE

(a) ***Disaggregation of revenue***

	2018 RM'000	2017 RM'000
Primary geographical markets		
United States of America	**202,905**	277,583
Malaysia	**30,719**	38,946
Republic of China	**15,337**	18,330
People's Republic of China	**1,734**	6,073
United Arab Emirates	**6,979**	3,305
Canada	**2,992**	1,585
Others	**2,470**	171
	263,136	345,993
Major product or service lines		
– Sale of goods	**254,087**	334,256
– Fulfilment services	**9,049**	11,737
	263,136	345,993
Timing of transfer of goods of services		
At a point in time	**254,087**	334,256
Over time	**9,049**	11,737
	263,136	345,993

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. REVENUE (CONTINUED)

(b) ***Judgement and methods used in estimating revenue***

Determining transaction price and amounts allocated to sale of goods and fulfilment services

The Company allocates the transaction price to the wholesale sales and fulfilment services based on their relative stand-alone selling prices. The stand-alone selling prices are determined based on estimated costs plus margin.

For the fulfilment services, revenue is recognised over time as the goods are shipped to the specific location. Management has referred to prices from logistics providers and adjusted those prices as necessary to reflect the Company's costs and margins, based on the Company's business pricing strategies and practices as analysed by different product types and different geographical areas.

(c) ***Contract assets and contract liabilities***

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

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	RM'000	**RM'000**	**RM'000**
Receivables from contracts with customers (Note 16)	**15,072**	22,383	15,086
Contract assets	**10,784**	6,119	10,728
Contract liabilities	**136**	330	288

Contract assets primarily relate to the Group's right to consideration when the manufacturing process is completed and the finished goods are packed but not yet billed at reporting date for sale of goods. Contract assets are transferred to receivables when they are billed.

Contract liabilities primarily relate to the Group's obligation to transfer fulfilment services over time as the goods are shipped to the specific location for which the Group has billed for receivables ahead of completion of the performance obligation.

Significant changes in contract assets and liabilities arose on reclassification of contract assets to receivables on billing, and recognising of revenue from performance obligations satisfied in previous year that was included in the contract liability balance at the beginning of the year.

(d) ***Transaction price allocated to remaining performance obligation***

As permitted under SFRS(I) 15, the aggregated transaction price allocated to unsatisfied contracts of periods one year or less is not disclosed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. OTHER INCOME

	2018 RM'000	2017 RM'000
Sale of materials	**2,710**	4,039
Gain on disposal of property, plant and equipment	**224**	86
Rental income	**615**	533
Insurance claims	**18**	710
Others	**992**	869
	4,559	6,237

6. FINANCE COSTS

	2018 RM'000	2017 RM'000
Interest expense on:		
– Bank loans	**178**	149
– Obligations under finance lease	**67**	59
	245	208

7. OTHER EXPENSES

	2018 RM'000	2017 RM'000
Net foreign exchange loss	**139**	4,316
Write-off of property, plant and equipment	**37**	8
	176	4,324

8. PROFIT BEFORE TAX

The following amounts have been included in arriving at profit before tax:

	2018 RM'000	2017 RM'000
Audit fees:		
– auditor of the Company	**273**	270
– member firm of EY Global	**115**	65
Non-audit fees to auditor of the Company*	**593**	–
Amortisation of leasehold land (Note 13)	**342**	341
Depreciation of property, plant and equipment (Note 12)	**6,068**	6,049
Operating lease expense	**553**	614
Employee benefits expense (Note 9)	**33,842**	39,277
Sub-contractor costs	**27,678**	37,297
Freight cost and handling charges	**7,869**	9,621
Utilities expenses	**4,028**	4,304
Inventories recognised as an expense in cost of sales (Note 15)	**136,259**	175,938

* In addition to the statutory audit fees disclosed, the Group recognised RM593,000 (2017: RMNil) as an expense for non-audit fees to the Auditor of the Company relating to the Initial Public Offering exercise of the Company during the year which was previously deferred as prepayment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9. EMPLOYEE BENEFITS

	2018 RM'000	2017 RM'000
Employee benefits expense (including directors):		
Salaries and bonuses	**31,537**	37,288
Directors' fees	**488**	–
Directors' allowances	**45**	–
Employees' Provident Fund	**1,579**	1,718
Other benefits	**193**	271
	33,842	39,277

10. INCOME TAX EXPENSE

(a) ***Major components of income tax expense***

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	2018 RM'000	2017 RM'000
Current income tax		
– Current income taxation	**8,043**	12,728
– Over provision in respect of previous year	**(859)**	(153)
Real property gain tax		
– Current year	**–**	–
– Over provision in respect of previous year	**–**	(59)
Deferred income tax		
– Origination and reversal of temporary difference	**170**	1,148
– Under/(over) provision in respect of previous year	**1,808**	(449)
Income tax expense recognised in profit or loss	**9,162**	13,215

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. INCOME TAX EXPENSE (CONTINUED)

(b) ***Relationship between tax expense and accounting profit***

The reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 2017 is as follows:

	2018 RM'000	**2017 RM'000**
Profit before tax	**24,083**	62,378
Tax at the domestic rates applicable to profits in the countries where the Group operates	**6,369**	15,805
Adjustments:		
– Non-deductible expenses	**1,530**	762
– Income not subject to taxation	**(10)**	(17)
– Effects of partial tax exemption and tax relief	**–**	(16)
– Effects of tax incentives (allowance for increased export)	**–**	(2,241)
– Deferred tax asset not recognised	**280**	–
– Over provision of real property gain tax in respect of previous years	**–**	(59)
– Under/(over) provision in respect of previous years	**949**	(602)
– Others	**44**	(417)
Income tax expense recognised in profit or loss	**9,162**	13,215

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

Allowance for increased exports ("AIE")

During the financial year ended 31 December 2017, the Group utilised AIE tax incentive which was introduced by Inland Revenue Board of Malaysia to encourage increased in value of exported goods in Malaysia which is made available to resident companies engaged in manufacturing and exporting of manufactured products.

The tax incentive is calculated based on statutory income equivalent to 10% or 15% of the value of increased exports given to manufacturers provided that the value of the exported goods had increased by at least 30% or 50%, respectively, from the previous year. The tax incentive is deductible up to 70% of statutory income.

The Group did not utilise the AIE tax incentive for the financial year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. EARNINGS PER SHARE

Pursuant to the Restructuring Exercise, the share capital of the Company was 40,000,000 ordinary shares. The computation of the basic earnings per share for 2017 as follows takes into account the share capital of 40,000,000 ordinary shares, which is assumed to be in issue throughout the entire financial year ended 31 December 2017.

	2018	2017
Profit of the year attributable to owners of the Company (RM'000)	**14,921**	49,163
Weighted average number of ordinary shares ('000)	**489,144**	40,000
Basic and diluted earnings per share ("EPS") (sen per share)	**3.05**	122.91

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares existing during the financial years ended 31 December 2018 and 2017.

The Company's number of ordinary shares in issue immediately after the Restructuring Exercise as disclosed in Note 1.2 together with the 62,424,200 new shares issued and allotted pursuant to the Initial Public Offering was 489,144,200 shares. Had the 489,144,200 shares been used in the calculation, the basic and diluted earnings per shares for the financial years ended 31 December 2018 and 2017 would be as follows:

	2018	2017
Profit of the year attributable to owners of the Company (RM'000)	**14,921**	49,163
Weighted average number of ordinary shares ('000)	**489,144**	489,144
Basic and diluted EPS (sen per share)	**3.05**	10.05

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares existing during the financial years ended 31 December 2018 and 2017.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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	Capital in progress RM'000	Total RM'000
Cost							
At 1 January 2017	95	90,737	30,178	4,924	4,176	1,993	132,103
Additions	–	645	10,280	1,023	1,325	4,976	18,249
Disposals	–	–	(1,876)	(335)	(395)	–	(2,606)
Written off	–	–	(34)	(21)	–	–	(55)
Reclassification	–	3,029	–	–	–	(3,029)	–
At 31 December 2017 and 1 January 2018	95	94,411	38,548	5,591	5,106	3,940	147,691
Additions	–	324	2,087	130	328	9,379	12,248
Disposals	–	–	(1,944)	(45)	(510)	–	(2,499)
Written off	–	–	(218)	–	–	–	(218)
Reclassification	–	52	2,040	–	–	(2,092)	–
At 31 December 2018	**95**	**94,787**	**40,513**	**5,676**	**4,924**	**11,227**	**157,222**
Accumulated depreciation							
At 1 January 2017	–	8,224	16,877	1,865	2,176	–	29,142
Depreciation charge for the year	–	1,867	3,053	521	608	–	6,049
Disposals	–	–	(995)	(170)	(362)	–	(1,527)
Written off	–	–	(27)	(20)	–	–	(47)
At 31 December 2017 and 1 January 2018	–	10,091	18,908	2,196	2,422	–	33,617
Depreciation charge for the year	–	1,925	3,088	506	549	–	6,068
Disposals	–	–	(1,628)	(17)	(385)	–	(2,030)
Written off	–	–	(180)	(1)	–	–	(181)
At 31 December 2018	**–**	**12,016**	**20,188**	**2,684**	**2,586**	**–**	**37,474**
Net carrying amount							
At 1 January 2017	95	82,513	13,301	3,059	2,000	1,993	102,961
At 31 December 2017	95	84,320	19,640	3,395	2,684	3,940	114,074
At 31 December 2018	**95**	**82,771**	**20,325**	**2,992**	**2,338**	**11,227**	**119,748**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets held under finance lease

During the financial year, the Group acquired motor vehicles with an aggregate cost of RM310,000 (31.12.2017: RM840,000, 1.1.2017: RM70,000) by means of finance leases. The cash outflow on acquisition of property, plant and equipment amounted to of RM11,938,000 (31.12.2017: RM18,576,000, 1.1.2017: RM8,777,000).

The carrying amount of motor vehicles held under finance leases at the end of the reporting period were RM1,814,000 (31.12.2017: RM2,105,000, 1.1.2017: RM1,602,000).

Assets pledged as security

In addition to assets held under finance leases, the Group's buildings with a carrying amount of RM22,794,000 (31.12.2017: 20,092,000, 1.1.2017: RM 20,206,000) are pledged to secure the Group's bank borrowings (Note 18).

13. LEASEHOLD LAND

	RM'000
Cost	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	**15,159**
Accumulated amortisation	
At 1 January 2017	1,046
Amortisation for the year	341
At 31 December 2017 and 1 January 2018	1,387
Amortisation for the year	342
At 31 December 2018	**1,729**
Net carrying amount	
At 1 January 2017	14,113
At 31 December 2017	13,772
At 31 December 2018	**13,430**

The Group has leasehold land over 14 (31.12.2017: 14, 1.1.2017: 14) plots of state-owned land in Malaysia where the Group's Malaysia manufacturing and storage facilities reside. The leasehold land is transferable when consent is obtained from the state authority and have a remaining tenure of 35 to 51 years (31.12.2017: 36 to 52, 1.1.2017: 37 to 53).

The right of use of the land over the lease term with an aggregate carrying value of RM4,080,000 (31.12.2017: RM4,181,000, 1.1.2017: RM5,068,000) are pledged to financial institutions for bank borrowings as disclosed to in Note 18.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. INVESTMENT IN SUBSIDIARIES

	Company	
	31.12.2018	31.12.2017
	RM'000	RM'000
Unquoted equity shares, at cost		
At 1 January 2017 and 1 January 2018	**20,234**	–
Additions	**10,235**	20,234[(2)]
At 1 January 2017, 31 December 2017, and 31 December 2018	**30,469**	20,234

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 31.12.2018	31.12.2017	1.1.2017
Held by the Company:					
LY Furniture Sdn. Bhd.[(1) (2)]	Malaysia	Manufacturing of wooden furniture	**100.00**	100.00	100.00
Leyo Holdings Sdn. Bhd.[(3)]	Malaysia	Investment holding company	**100.00**	–	–
Held through LY Furniture Sdn. Bhd					
LY Global Hub Sdn. Bhd.[(1)]	Malaysia	Trading of wooden furniture, related products and materials and providing management and support services	**100.00**	100.00	–
Held through Leyo Holdings Sdn. Bhd.					
Leyo Manufacturing Sdn. Bhd.[(3)]	Malaysia	Manufacturing of all kinds of furniture	**100.00**	–	–

1 Audited by a member firm of EY Global in the principal place of business.
2 The Group acquired the shares in LY Furniture Sdn. Bhd. as described in Note 1.2(b).
3 Incorporated during the financial year ended 31 December 2018.

(a) Incorporation of new subsidiaries

On 23 November 2018, the Group incorporated a wholly-owned subsidiary, Leyo Holdings Sdn. Bhd. ("LHSB") with issued and paid up capital of RM1.00. On 25 January 2019, the Company further subscribed for additional 509,999 ordinary shares in the share capital of LHSB for a total subscription price of RM1,235,000.

On 3 December 2018, the Group incorporated a wholly-owned subsidiary, Leyo Manufacturing Sdn. Bhd. ("LMSB") through LHSB with issued and paid up capital of RM1.00. On 1 February 2019, the Group further subscribed for additional 768,000 ordinary shares in the share capital of LMSB through LHSB, for a total subscription price of RM1,858,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Acquisition of business after the reporting period

On 25 January 2019 (the "acquisition date"), the Group through its subsidiary LHSB acquired 51% equity interest in a business under the trade names of EZBO and CUBO (the "Business") from the Vendor, a strategic move to expand into a new business segment to manufacture original brand manufacturing furniture.

The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of the LHSB's net identifiable assets.

The provisional fair value of the identifiable assets and liabilities of the acquired businesses as at the acquisition date were:

	Provisional fair value recognised on acquisition RM'000
Property, plant and equipment	2,466
Trademark	391
	2,857
Deferred tax liabilities	(94)
	(94)
Total net identifiable assets at fair value	2,763
Non-controlling interest measured at the non-controlling interest's proportionate share of LHSB's net identifiable assets	–
Goodwill arising from acquisition	2,201
	4,964
Consideration settled in cash, representing net cash outflow on acquisition of Business	4,964

Goodwill arising from acquisition

The goodwill of RM2,201,000 comprises the value of strengthening the Group's products offering in the furniture industry, and cost reduction syngeries expected to arise from the acquisition. It also includes the vendor's expertise and experience in the original brand manufacturing industry when he joined the Group, which has not been recognised separately and does not meet the criteria for recognition as an intangible asset under SRFS(I) 1-38. Goodwill is allocated entirely to the original brand manufacturing segment. The goodwill recognised is not deductible for income tax purposes.

Provisional accounting of the acquisition of the Business

A trademark has been identified as an intangible asset arising from this acquisition. The Group has engaged an independent valuer to determine the fair value of the trademark. The fair value of the trademark amounting to RM391,000 has been determined on a provisional basis as the final results of the independent valuation have not been received by the date of the financial statements was authorised for issue. Goodwill arising from this acquisition, the carrying amount of the trademark, deferred tax liability and amortisation of the brand will be adjusted accordingly on a retrospective basis when the valuation of the brand is finalised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. INVENTORIES

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	RM'000	**RM'000**	**RM'000**
Consolidated statement of financial position:			
Raw materials	**24,204**	24,465	19,185
Work-in-progress	**10,435**	12,647	14,473
	34,639	37,112	33,658
Consolidated statement of comprehensive income:			
Inventories recognised as an expense in cost of sales	**136,259**	175,938	139,711

16. TRADE AND OTHER RECEIVABLES

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Current						
Trade receivables, net	**15,072**	22,383	15,086	**–**	–	–
Due from:						
– related parties (trade)	**40**	203	57	**–**	–	–
– related parties (non-trade)	**3,560**	–	–	**–**	–	–
– ultimate holding company (non-trade)	**–**	19	–	**–**	–	–
– a subsidiary company (non-trade)	**–**	–	–	**6,440**	–	–
Loan to a subsidiary	**–**	–	–	**4,078**	–	–
Deposit	**378**	368	409	**–**	–	–
GST receivables	**3,130**	4,927	2,789	**–**	–	–
Other receivables	**1,224**	639	299	**–**	–	–
Total trade and other receivables	**23,404**	28,539	18,640	**10,518**	–	–
Add: Cash and cash equivalents (Note 17)	**64,709**	31,103	49,468	**32,415**	–*	–*
Less: GST receivable	**(3,130)**	(4,927)	(2,789)	**–**	–	–
Total loans and receivables	**84,983**	54,715	65,319	**42,933**	–	–

* *Less than RM1,000*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade receivables

Trade receivables are non-interest bearing and are generally on 7 to 30 days (31.12.2017: 7 to 30 days, 1.1.2017: 7 to 30 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		
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**
United States Dollar	**13,014**	21,769	13,630

Related party balances

Amounts due from a subsidiary and related parties are unsecured, non-interest bearing, repayable upon demand and are to be settled by cash.

Loan to a subsidiary is unsecured, bear interest of 3.35% (31.12.2017: Nil%, 1.1.2017: Nil%) per annum and are to be settled in cash.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM7,478,000 as at 31 December 2017 and RM254,000 as at 1 January 2017 that are past due at the end of the reporting periods but not impaired. These receivables are unsecured and the analysis of their aging at the reporting periods are as follows:

	Group	
	31.12.2017 RM'000	**1.1.2017 RM'000**
Less than 30 days	7,472	254
30 to 60 days	6	–
	7,478	254

Receivables that are impaired

As at 1 January 2017 and 31 December 2017, there are no receivables that are impaired at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Expected credit loss

The movement in allowance for expected credit losses of trade receivables and contract assets computed based on lifetime ECL are as follows:

	Group RM'000
Movement in allowance account:	
Opening loss allowance at 1 January 2018	–
Amount restated through opening retained earnings	50
Adjusted loss allowance at 31 December 2018	50

17. CASH AND CASH EQUIVALENTS

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Cash at banks and on hand	**56,625**	31,103	49,468	**32,415**	–*	–*
Short-term deposits	**8,084**	–	–	**–**	–	–
	64,709	31,103	49,468	**32,415**	–*	–*

Cash at banks earn interest at floating rates based on daily bank deposits rates. Short-term deposits are made for varying periods of between one day and one month, depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2018 for the Group was 3.58% (31 December 2017: Nil%, 1 January 2017: Nil%).

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

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
United States Dollar	**14,029**	22,858	31,019
Singapore Dollar	**32,716**	–*	–*
Renminbi	**104**	1	–*

* *Less than RM1,000*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18. LOANS AND BORROWINGS

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Current:			
Bankers' acceptance	**2,137**	–	4,259
Obligations under finance leases (Note 26(d))	**464**	563	403
Short-term trade financing	**–**	7,758	–
	2,601	8,321	4,662
Non-current:			
Obligations under finance leases (Note 26(d))	**781**	977	698
	781	977	698
Total loans and borrowings	**3,382**	9,298	5,360

Obligations under finance leases

These obligations are secured by a charge over the leased asset (Note 12). The average discount rate implicit in the leases is 4.78% (31.12.2017: 4.80%, 1.1.2017: 4.57%) per annum.

Bankers' acceptance and short-term trade financing

The weighted average effective interest rate at the end of the reporting period were as follows:

	Group		
	31.12.2018	31.12.2017	1.1.2017
Bankers' acceptance	**4.01**	–	4.57
Short-term trade financing	**–**	1.93	–

The bankers' acceptance and short-term trade financing are secured by mortgage over certain buildings and leasehold land and joint and several guarantees provided by the directors of a subsidiary.

A reconciliation of liabilities arising from the Group's financing activities is as follows:

			Non-cash changes			
	2017 RM'000	Cash flows RM'000	Addition RM'000	Foreign exchange movement RM'000	Others RM'000	2018 RM'000
Bankers' acceptance	–	2,137	–	–	–	**2,137**
Short-term trade financing	7,758	(7,758)	–	–	–	**–**
Obligations under finance leases (Note 26(d))						
– current	563	(605)	100	–	406	**464**
– non-current	977	–	210	–	(406)	**781**
Total	9,298	(6,226)	310	–	–	**3,382**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18. LOANS AND BORROWINGS (CONTINUED)

			Non-cash changes			
	1.1.2017 RM'000	**Cash flows RM'000**	**Addition RM'000**	**Foreign exchange movement RM'000**	**Others RM'000**	**31.12.2017 RM'000**
Bankers' acceptance	4,259	(4,259)	–	–	–	–
Short-term trade financing	–	7,749	–	9	–	7,758
Obligations under finance leases (Note 26(d))						
– current	403	(401)	56	–	505	563
– non-current	698	–	784	–	(505)	977
Total	5,360	3,089	840	9	–	9,298

The 'others' column relates to reclassification of non-current portion of loans and borrowings including obligations under finance leases due to passage of time.

19. TRADE AND OTHER PAYABLES

	Group			Company		
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Trade payables	**13,716**	22,965	19,882	**–**	–	–
Other payables	**8,260**	6,097	3,964	**38**	157	–
Amount due to related parties (trade)	**779**	1,497	415	**–**	–	–
Amount due to a subsidiary (non-trade)	**–**	–	–	**–**	5,013	2,114
Total trade and other payables	**22,755**	30,559	24,261	**38**	5,170	2,114
Add: Accrued operating expense (Note 20)	**504**	4,768	5,345	**395**	270	–
Add: Accrual for purchase of equipment (Note 20)	**–**	–	1,167	**–**	–	–
Add: Loans and borrowings (Note 18)	**3,382**	9,298	5,360	**–**	–	–
Total financial liabilities carried at amortised cost	**26,641**	44,625	36,133	**433**	5,440	2,114

Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from one month to four months (31.12.2017: one month to four months, 1.1.2017: one month to four months).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. TRADE AND OTHER PAYABLES (CONTINUED)

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

	Group		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
United States Dollar	**1,432**	3,044	786

Related party balances

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

20. OTHER LIABILITIES

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Accrued operating expenses	**504**	4,768	5,345	**395**	270	–
Advances from customers	**-**	41	–	**-**	–	–
Accrual for purchase of equipment	**-**	–	1,167	**-**	–	–
	504	4,809	6,512	**395**	270	–

21. DERIVATIVE LIABILITIES

	Group	
	Contract/notional amount RM'000	Liabilities RM'000
1 January 2017		
Current		
Forward currency contracts	17,711	1,159
Cross currency interest rate swaps	3,000	1,325
Total financial liabilities at fair value through profit or loss		2,484

Forward currency contracts that were used to hedge foreign currency risk arising from the Group's sales and purchases denominated in USD for which firm commitments existed have either been fully settled or cancelled during the financial years ended 31 December 2018 and 2017.

Cross currency interest rate swaps that were used to exchange interest payments and principal on loans of a foreign currency denominated loan into RM to reduce the Group's exposure from adverse fluctuations in foreign currency and interest rates have either been fully settled or cancelled during the financial year ended 31 December 2017. The Group did not use cross currency interest rate swaps for the financial year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

22. DEFERRED TAX

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

	Group				
	Statements of Financial Position			Consolidated Statement of Comprehensive Income	
	31.12.2018	**31.12.2017**	**1.1.2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Deferred tax liabilities:					
Differences in depreciation for tax purposes	**(14,819)**	(12,841)	(12,142)	**(1,978)**	(699)

23. SHARE CAPITAL

	Group and Company			
	2018		2017	
	No. of shares	**RM'000**	**No. of shares**	**RM'000**
Issued and fully paid ordinary shares				
At 1 January	**40,000,000**	**20,234**	1	–*
Issuance of new shares[1]	**-**	**-**	19,999,999	4,500
Sub-division of 1,000 shares into 10,668 shares ("Share Split")	**426,720,000**	**-**	–	–
Issuance of new shares pursuant to IPO	**62,424,200**	**48,387**	–	–
Issue of new shares and effect of adjustment pursuant to the Restructuring Exercise[2]	**-**	**-**	20,000,000	15,734
Capitalisation of listing expenses	**-**	**(2,486)**	–	–
At 31 December	**489,144,200**	**66,135**	40,000,000	20,234

* Less than RM1,000

1 Lian Yu Holdings Pte. Ltd. and Crown Leap Limited subscribed for 17,199,999 and 2,800,000 shares, respectively, in the Company for a consideration price of RM4,500,000 as detailed in Note 1.2(a).

2 Pursuant to the Restructuring Exercise as detailed in Note 1.2(b), 20,000,000 shares, amounting to RM15,734,000, were issued as consideration for the acquisition of equity interest in LY Furniture Sdn. Bhd..

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

23. SHARE CAPITAL (CONTINUED)

The Company issued 62,424,200 shares as part of its listing on the Catalist Board of the SGX-ST on 31 January 2018. Upon the Share Split as disclosed in Note 1.2(c) and issuance of new shares pursuant to the Initial Public Offering, the number of issued and fully paid ordinary shares increased to 489,144,200 shares.

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 1.2.

25. 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	
	2018	**2017**
	RM'000	**RM'000**
Director-related companies:		
Sale of goods	**29,904**	3,337
Sale of property, plant and equipment	**13**	11
Rental received	**456**	482
Rental paid	**(156)**	(156)
Purchase of goods	**(39,950)**	(16,030)
Sub-contractor costs	**(11,612)**	(13,166)
Rental paid to a director of the subsidiary	**(18)**	(18)

(b) *Compensation of key management personnel*

	Group	
	2018	**2017**
	RM'000	**RM'000**
Salaries and bonuses	**3,773**	3,741
Employee Provident Fund	**299**	358
	4,072	4,099
Comprise amounts paid to:		
Directors of the Company	**2,796**	2,332
Other key management personnel	**1,276**	1,767
	4,072	4,099

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. COMMITMENTS

(a) ***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		
	31.12.2018	**31.12.2017**	**1.1.2017**
	RM'000	**RM'000**	**RM'000**
Capital commitments in respect of property, plant and equipment	**2,676**	5,938	3,030

(b) ***Operating lease arrangements – as lessee***

In addition to the leasehold land disclosed in Note 13, the Group has entered into non-cancellable operating lease arrangements for the use or rent of land and buildings. These leases have an average life of between one and two years with no renewal or purchase option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Minimum lease payments, including amortisation of leasehold land recognised as an expense in profit or loss for the financial year ended 31 December 2018 amounted to RM895,000 (2017: RM955,000).

Future minimum rental payable under non-cancellable operating leases (excluding leasehold land) at the end of the reporting period are as follows:

	Group		
	31.12.2018	**31.12.2017**	**1.1.2017**
	RM'000	**RM'000**	**RM'000**
Not later than one year	**3**	16	119
Later than one year but not later than two years	**–**	3	8
	3	19	127

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. COMMITMENTS (CONTINUED)

(c) ***Operating lease arrangements – as 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		
	31.12.2018	**31.12.2017**	**1.1.2017**
	RM'000	**RM'000**	**RM'000**
Not later than one year	**219**	88	35

(d) ***Finance lease commitments***

The Group has finance leases for certain motor vehicles. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Total minimum lease payments 31.12.2018 RM'000	**Present value of payments 31.12.2018 RM'000**	**Total minimum lease payments 31.12.2017 RM'000**	**Present value of payments 31.12.2017 RM'000**	**Total minimum lease payments 1.1.2017 RM'000**	**Present value of payments 1.1.2017 RM'000**
Group						
Not later than one year	**510**	**464**	621	563	444	403
Later than one year but not later than five years	**827**	**781**	1,043	977	730	698
Total minimum lease payments	**1,337**	**1,245**	1,664	1,540	1,174	1,101
Less: Amount representing finance charges	**(92)**	**–**	(124)	–	(73)	–
Present value of minimum lease payments	**1,245**	**1,245**	1,540	1,540	1,101	1,101

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

27. 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.

Except for derivatives, the carrying amount of financial assets and liabilities are reasonable approximation of fair values, due to their short-term nature.

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.

(b) ***Assets and liabilities measured at fair value***

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period.

		Group RM'000 (Level 2)	
	31.12.2018	**31.12.2017**	**1.1.2017**
Liabilities measured at fair value			
Derivatives liabilities (Note 21)	–	–	2,484

(c) ***Level 2 fair value measurements***

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivatives

Forward currency contracts, interest rate swaps and cross currency swaps are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 Committee provides independent oversight to the effectiveness of the risk management process.

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 incurred 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 the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 180 days when they fall due, which are derived based on the Group's historical information.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) *Credit risk (Continued)*

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.

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The loss allowance provision as at 31 December 2018 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) *Credit risk (Continued)*

Trade receivables (Continued)

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix, grouped by geographical region:

31 December 2018 RM'000	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
Gross carrying amount:						
Malaysia	**2,392**	**–**	**–**	**1,602**	**–**	**3,994**
United States of America	**9,533**	**220**	**–**	**–**	**–**	**9,753**
Others	**1,272**	**103**	**–**	**–**	**–**	**1,375**
	13,197	**323**	**–**	**1,602**	**–**	**15,122**
Loss allowance provision	**–**	**–**	**–**	**–**	**(50)**	**(50)**

Information regarding loss allowance movement of trade receivables and contract assets are disclosed in Note 16.

During the financial year, the Group did not write off any trade receivables which are more than 180 days past due which the Group still expects to receive future cash flows from.

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the consolidated statement of financial position.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) ***Credit risk (Continued)***

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	%
31.12.2018		
By country:		
United States of America	**9,956**	**65.8**
Malaysia	**3,992**	**26.4**
Others	**1,124**	**7.8**
	15,072	**100.0**
31.12.2017:		
By country:		
United States of America	16,598	76.5
Malaysia	3,969	15.1
Others	1,816	8.4
	22,383	100.0
1.1.2017:		
By country:		
United States of America	12,399	82.2
Malaysia	1,078	7.1
Others	1,609	10.7
	15,086	100.0

At the end of the reporting period approximately 73.5% (31.12.2017: 76.9%, 1.1.2017: 69.0%) of the Group's trade receivables were due from the 5 major customers located in United States of America and Malaysia.

Financial assets that are neither past due nor impaired

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.

Information regarding trade and other receivables that are either past due or impaired is disclosed in Note 16.

28. 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 76.9% (31.12.2017: 89.5%, 1.1.2017: 87.0%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements, excluding discontinued operation.

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	Total RM'000
31 December 2018			
Financial assets			
Trade and other receivables (net of GST receivable)	20,274	–	20,274
Cash and cash equivalents	64,709	–	64,709
	84,983	–	84,983
Financial liabilities			
Trade and other payables	22,755	–	22,755
Accrued operating expense	504	–	504
Loans and borrowings	2,647	827	3,474
	25,906	827	26,733
Total undiscounted financial assets/(liabilities)	59,077	(827)	58,250

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. 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	Total RM'000
31 December 2017			
Financial assets			
Trade and other receivables (net of GST receivable)	23,612	–	23,612
Cash and cash equivalents	31,103	–	31,103
	54,715	–	54,715
Financial liabilities			
Trade and other payables	30,559	–	30,559
Accrued operating expense	4,768	–	4,768
Loans and borrowings	8,379	1,043	9,422
	43,706	1,043	44,749
Total undiscounted financial assets/(liabilities)	11,009	(1,043)	9,966

Group	On demand or within one year RM'000	One to five years RM'000	Total RM'000
1 January 2017			
Financial assets			
Trade and other receivables (net of GST receivable)	15,851	–	15,851
Cash and cash equivalents	49,468	–	49,468
	65,319	–	65,319
Financial liabilities			
Trade and other payables	24,261	–	24,261
Accrued operating expense	6,512	–	6,512
Loans and borrowings	4,703	730	5,433
	35,476	730	36,206
Total undiscounted financial assets/(liabilities)	29,843	(730)	29,113

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) ***Liquidity risk (Continued)***

Analysis of financial instruments by remaining contractual maturities (Continued)

	Company		
	On demand or within one year		
	31.12.2018	**31.12.2017**	**1.1.2017**
	RM'000	**RM'000**	**RM'000**
Financial assets			
Trade and other receivables (net of GST receivable)	**10,518**	–	–
Cash and cash equivalents	**32,415**	–*	–*
	42,933	–*	–*
Financial liabilities			
Trade and other payables	**38**	5,170	2,114
Accrued operating expense	**28**	–	–
	66	5,170	2,114
Total undiscounted financial assets/(liabilities)	**42,867**	(5,170)	(2,114)

(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 10 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM9,000 (2017: RM9,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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's entities. The currency giving rise to this risk is primarily United States Dollars ("USD"). Approximately 88% (31.12.2017: 90%, 1.1.2017: 99%) of the Group's sales are denominated in foreign currencies whilst almost 83% (31.12.2017: 85%, 1.1.2017: 78%) 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.

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 against the functional currency of the Group, with all other variables held constant.

	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
USD/RM			
– strengthen by 9% (2017: 9%)	**2,563**	3,044	2,137
– weaken by 9% (2017: 9%)	**(2,563)**	(3,044)	(2,137)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

29. 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 2018 and 2017.

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

	2018 RM'000	2017 RM'000
Loans and borrowings	**3,382**	9,298
Equity attributable to the owners of the Company	**224,836**	175,318
Gearing ratio	**1.5%**	5.3%

30. SEGMENT INFORMATION

The Group's activities are predominantly in manufacturing of wooden bedroom furniture. Management has not segregated the business to different reportable segment. Management monitors the performance of the Group based on revenue by geographical segments. Other information of the profit or loss in respect of the segments are not provided to the chief operating decision maker regularly. Instead, other than revenue, the chief operating decision maker reviews the other information of the profit or loss on a Group basis without segregating such information based on segment. The geographical segments are as follows:

(i) United States of America
(ii) Malaysia
(iii) Republic of China
(iv) People's Republic of China
(v) United Arab Emirates
(vi) Canada
(vii) Others

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. SEGMENT INFORMATION (CONTINUED)

Geographical information

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

	2018 RM'000	2017 RM'000
Revenue		
United States of America	**202,905**	277,583
Malaysia	**30,719**	38,946
Republic of China	**15,337**	18,330
People's Republic of China	**1,734**	6,073
United Arab Emirates	**6,979**	3,305
Canada	**2,992**	1,585
Others	**2,470**	171
	263,136	345,993

	31.12.2018	31.12.2017	1.1.2017
Non-current assets			
Malaysia	**133,178**	127,846	117,074

Non-current assets information presented above consist of property, plant and equipment and leasehold land as presented in the consolidated statement of financial position.

Information about major customers

Revenue from three (2017: three) major customers amount to RM153,289,000 (2017: RM218,579,000).

31. DIVIDENDS

	2018 RM'000	2017 RM'000
Declared and paid during the financial year		
- Interim exempt (one-tier) dividend for 2018: Nil (2017: RM40) per share paid by LYFSB to its then shareholders	-	20,000
Final single tier dividend for 2017: 2.31 sen (2016: Nil) per share	**11,304**	-
Final single tier dividend for 2017: Nil (2016: RM70) per share paid by LYFSB to its then shareholders	-	35,000
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
- Final exempt (one-tier) dividend for 2018: 1.24 sen (2017: 2.37 sen) per share	**6,080**	11,587

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. EVENTS OCCURRING AFTER REPORTING PERIOD

On 21 December 2017, the Company entered into a call options and right of first refusal agreement (the "Agreement") with Lian Yu Furniture Corporation Sdn. Bhd. (formerly known as LY Furniture Corporation Sdn. Bhd.) ("LYFC"). Under the Agreement, LYFC has agreed to grant the Company a call option ("Call Option") to acquire from LYFC all assets that it may from time to time hold in LP Global Resources Sdn. Bhd. ("LP Global").

On 9 January 2019, the Group has exercised the call option to acquire assets of LP Global at fair market value which is to be determined by an independent appraiser for the purchase consideration. The assets acquired includes land, plant and machineries. The acquisition is yet to be completed when the financial statements were authorised for issue.

33. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 1 April 2019.

STATISTICS OF SHAREHOLDINGS

AS AT 18 MARCH 2019

SHARE CAPITAL AND VOTING RIGHTS

Number of shares issued	:	489,144,200
Issued and fully paid-up capital	:	S$22,985,000
Class of shares	:	Ordinary shares
Voting rights	:	1 vote per ordinary share
Treasury shares	:	Nil
Subsidiary holdings	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	0	0.00	0	0.00
100 – 1,000	7	2.14	3,700	0.00
1,001 – 10,000	81	24.77	551,800	0.11
10,001 – 1,000,000	229	70.03	34,607,000	7.08
1,000,001 AND ABOVE	10	3.06	453,981,700	92.81
TOTAL	**327**	**100.00**	**489,144,200**	**100.00**

TWENTY LARGEST SHAREHOLDERS AS AT 18 MARCH 2019

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	LIAN YU HOLDINGS PTE. LTD.	352,305,400	72.02
2	CROWN LEAP LIMITED	59,740,800	12.21
3	UOB KAY HIAN PTE LTD	18,039,200	3.69
4	DB NOMINEES (SINGAPORE) PTE LTD	7,803,800	1.60
5	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	5,792,500	1.18
6	RHB SECURITIES SINGAPORE PTE LTD	4,660,500	0.95
7	TANG HEE SUNG	2,010,000	0.41
8	OCBC SECURITIES PRIVATE LTD	1,326,600	0.27
9	CHANG CHING CHAU @ TEW KING CHANG	1,294,000	0.26
10	PHILLIP SECURITIES PTE LTD	1,008,900	0.21
11	KHOR KENG SEAH	905,000	0.19
12	TAN FIE PING	825,000	0.17
13	TAN AI LUANG	800,000	0.16
14	LAU CHIA EN	788,462	0.16
15	TAN YI ZE	780,000	0.16
16	TAN YANG SENG (CHEN YINGSHENG)	750,000	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	**461,373,162**	**94.32**

STATISTICS OF SHAREHOLDINGS

AS AT 18 MARCH 2019

SUBSTANTIAL SHAREHOLDERS AS AT 18 MARCH 2019

Substantial Shareholders	Direct Interest Number of Shares	%	Deemed Interest Number of Shares	%	Total Interest Number of Shares	%
Lian Yu Holdings Pte. Ltd.	352,305,400	72.02	–	–	352,305,400	72.02
Crown Leap Limited	59,740,800	12.21	–	–	59,740,800	12.21
Tan Kwee Chai(1)	1,008,500	0.21	352,305,400	72.02	353,313,900	72.23
Tan Kwee Lim(2)	1,000,000	0.20	352,305,400	72.02	353,305,400	72.22
Shen Min-Hui(3)	–	–	59,740,800	12.21	59,740,800	12.21

(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 14.64% of the shareholding of the Company is held in the hands of the public as at 18 March 2019 and Rule 723 of the Catalist Rules is complied with.

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Vanda Ballroom, Level 5, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594 on Thursday, 25 April 2019 at 11.00 a.m. to transact the following business:-

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 2018 together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To declare a tax-exempt (one-tier) final dividend of S$0.0041 per ordinary share in respect of the financial year ended 31 December 2018. **(Resolution 2)**

3. To approve the proposed Directors' fees of up to S$150,000 for the financial year ending 31 December 2019, to be paid quarterly in arrears. **(Resolution 3)**

4. To re-elect Mr Tan Kwee Chai as Director of the Company who retired by rotation pursuant to Regulation 98 of the Constitution of the Company. *[See Explanatory Note (a)]* **(Resolution 4)**

5. To re-elect Mr Oh Seong Lye as Director of the Company who retired by rotation pursuant to Regulation 98 of the Constitution of the Company. *[See Explanatory Note (b)]* **(Resolution 5)**

6. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

SPECIAL BUSINESS

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

8. **AUTHORITY TO ALLOT AND ISSUE SHARES**

That pursuant to Section 161 of the Companies Act, Chapter 50 and the Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to (i) issue and allot new shares ("**Shares**") in the capital of the Company (whether by way of rights, bonus or otherwise); and/or (ii) make or grant offers, agreements or options (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) 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 may, in their absolute discretion, deem fit; and (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 while this resolution was in force, provided that:

(1) the aggregate number of the Shares to be issued pursuant to such authority (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority), does not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with 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 ("**non 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 such authority) shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with paragraph (2) below);

NOTICE OF THE ANNUAL GENERAL MEETING

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of the Shares that may be issued under paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the issued Shares of the Company (excluding treasury shares and subsidiary holdings) at the time such authority was conferred, 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 the vesting of share awards which are outstanding or subsisting at the time this resolution is passed, provided that the 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 consolidation or subdivision of the 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 Rules of Catalist 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, the authority so conferred shall continue to be 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 7)**

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

"That pursuant to Section 161 of the Companies Act, Chapter 50 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 in the capital of the Company 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 8)**

10. **RENEWAL OF THE INTERESTED PERSON TRANSACTIONS MANDATE**

"That:

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Rules of Catalist 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 Rules of Catalist 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 2019 (the "**Appendix**") with any party who fall within the classes of 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 Mandate**");

(b) the IPT 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

NOTICE OF THE ANNUAL GENERAL MEETING

(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 Mandate and/or this Resolution."

[See Explanatory Note (e)] **(Resolution 9)**

By Order of the Board

Ong Bee Choo
Company Secretary

10 April 2019
Singapore

Explanatory Notes:

(a) Key information on Mr Tan Kwee Chai, who is seeking re-election as a Director of the Company, is found on page 8 of the Annual Report. Details of the share interests of Mr Tan Kwee Chai in the Company can be found on page 51 of the Annual Report. Mr Tan Kwee Chai is the Executive Chairman of the Company and also the father of Mr Tan Yong Chuan, the Executive Director and Chief Executive Officer of the Company and uncle of Ms Tan Ai Luang, who is also an Executive Director of the Company.

(b) Key information of Mr Oh Seong Lye, who is seeking re-election as Director of the Company, is found on page 10 of the Annual Report. Details of the share interests of Mr Oh Seong Lye in the Company can be found on page 51 of the Annual Report. Mr Oh Seong Lye will remain as the Independent Director, Chairman of the Audit Committee and Member of the Nominating Committee and Remuneration Committee upon re-election as a Director of the Company and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules. Mr Oh Seong Lye has no relationships with the Company and its substantial shareholders or its Directors.

(c) The proposed ordinary resolution 7, if passed, will empower the Directors of the Company from the date of the above meeting to issue shares in the Company up to an amount not exceeding 100% of the total number of issued shares in the capital of the Company with a sub-limit of 50% other than on a pro-rata basis to shareholders for the time being for such purposes as they consider would be in the interest of the Company. The authority will, unless previously revoked or varied at a general meeting, expire at the next annual general meeting of the Company.

(d) The proposed ordinary resolution 8, if passed, will empower the Directors of the Company to allot and issue Shares in the Company of up to a number not exceeding in total 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the share capital of the Company from time to time pursuant to the grant of share awards under the LYPSP.

(e) The proposed ordinary resolution 9, if passed, will empower the Directors of the Company to do all acts necessary to give effect to the IPT 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 annual general meeting of the Company is held or required by law to be held.

Notes:

(1) A member of the Company (other than a "Relevant Intermediary") entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a shareholder of the Company. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.

(2) A Relevant Intermediary may appoint more than two proxies provided that each proxy must be appointed to exercise the rights attached to different shares held by him (which number and class of shares shall be specified). Where such member's form of proxy appoints more than two 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, Chapter 50 of Singapore.

NOTICE OF THE ANNUAL GENERAL MEETING

(3) A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a member of the Company.

(4) The instrument appointing a proxy must be duly deposited at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 at least seven-two (72) hours before the time appointed for the holding of the Annual General Meeting.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, 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 proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing 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 that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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LY CORPORATION LIMITED

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

IMPORTANT

1. Relevant intermediaries (as defined in Section 181 of the Companies Act, Cap.50 of Singapore may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy shares in the capital of LY Corporation Limited, this Proxy Form is not valid for use 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 agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. **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 the Annual General Meeting dated 10 April 2019**.

PROXY FORM

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 Vanda Ballroom, Level 5, Marina Mandarin Singapore, 6 Raffles Boulevard, Marina Square, Singapore 039594 on Thursday, 25 April 2019 at 11.00 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against 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	**For	**Against
ORDINARY BUSINESS			
1.	Adoption of the Directors' Statement, Audited Financial Statements and the Independent Auditors' Report for the financial year ended 31 December 2018.		
2.	Declaration of tax exempt (one-tier) final dividend.		
3.	Approval for payment of Directors' fees for the financial year ending 31 December 2019, payable quarterly in arrears.		
4.	Re-election of Mr Tan Kwee Chai as a Director of the Company.		
5.	Re-election of Mr Oh Seong Lye as a Director of the Company.		
6.	Re-appointment of Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.		
SPECIAL BUSINESS			
7.	Authority to allot and issue shares.		
8.	Authority to allot and issue shares under the LY Performance Share Plan.		
9.	Renewal of the Interested Person Transactions Mandate.		

* *Delete accordingly*

** *Voting will be conducted by poll. Indicate your vote "For" or "Against" with a (✓) within the box provided. Alternatively, please indicate the number of votes "For" or "Against" next to each resolution.*

Dated this ________ day of ______________, 2019

Total Number of Shares Held

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

IMPORTANT: Please read notes overleaf

Notes:-

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy, failing which the appointments will be deemed to have been made in the alternative.

   (b) A member who is a relevant intermediary is entitled to appoint more than two 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's form of proxy appoints more than two 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, Chapter 50 of Singapore.

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be signed by the appointor or his duly authorised attorney or if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.

4. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.

AFFIX
POSTAGE
STAMP

The Company Secretary
LY CORPORATION LIMITED
80 Robinson Road
#02-00
Singapore 068898

5. The instrument appointing a proxy or proxies (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) must be deposited at the registered office of the Company at 80 Robinson Road, #02-00, Singapore 068898 at least seven-two (72) hours before the time appointed for the AGM.

6. Completion and return of an instrument appointing a proxy or proxies shall not preclude a member from attending, speaking and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a 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 a proxy or proxies, to the AGM.

7. A member should insert the total number of shares held. 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 as well as 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.

8. The Company shall be entitled to reject an instrument appointing a proxy or proxies 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 name 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)
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