



LY CORPORATION  
LIMITED



LIFE'S CREATION,  
**BRIGHTEN**  
YOUR  
***DREAM HOME***

ANNUAL REPORT 2017

## 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 approximately 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.

Currently the Group 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 United States of America.

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

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

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

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

The contact person for the Sponsor is Mr Lan Kang Ming, Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.

## 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 for 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.



## INVESTMENT HIGHLIGHTS

### 1 One of the leading Malaysian wooden furniture manufacturers. Among the major Malaysian wooden bedroom furniture manufacturing companies.<sup>(1)</sup>

- 1<sup>st</sup> in net profit margin for FY2015 to FY2016
  - 2<sup>nd</sup> in CAGR of after tax profit for FY2014 to FY2016
  - 3<sup>rd</sup> in CAGR of revenue for FY2014 to FY2016
- 9.0% of market share of Malaysia's wooden bedroom furniture export segment for FY2016

### 2 Developed an integrated real-time monitoring and management system with a software company

- Monitors the entire production process and is expected to significantly enhance our productivity and efficiency

### 3 Tax incentives from the Malaysian Investment Development Authority ("MIDA")

Received approval from the Malaysian government for our application to receive:

- Full income tax exemption on value-added income for five (5) years on Services and Trading income commencing on the 2018 year of assessment, and
- Extended income tax exemption on value-added income for five (5) years on the Services and Trading Income commencing on the 2023 year of assessment, subject to the terms of the letter issued by MIDA on 25 August 2017

4 Intend to recommend and distribute a special dividend for FY2017, representing a payout per share equivalent to 3.0% of the placement price per share pursuant to the share placement carried out for the initial public offering, to be approved at the First Annual General Meeting to be held on 23 April 2018.

SPECIAL  
DIVIDEND  
OF  
**3%**  
OF THE  
PLACEMENT  
PRICE

5 Intend to recommend and distribute ordinary dividends of not less than 40.0% of net profits after tax attributable to our shareholders in respect of each of FY2018, FY2019 and FY2020\*

DISTRIBUTION  
OF  
**40%**  
OF  
NET PROFIT  
AFTER TAX

*Note 1: According to the Industry Report "Wood Furniture Manufacturing for Export in Malaysia", 19 October 2017, Converging Knowledge Pte Ltd*

\*Please note that these statements are merely statements of our present intention and shall not constitute legally binding statements in respect of our future dividends which may be subject to modification (including reduction or non-declaration thereof) at our Directors' sole and absolute discretion.

## FINANCIAL HIGHLIGHTS

(RM'000)	FY2015	FY2016	FY2017
Revenue	313,569	287,379	350,644
Gross profit	88,085	74,876	87,709
Gross profit margin	28.1%	26.1%	25.0%
Profit before tax	67,464	56,314	64,116
Profit attributable to owners of the Company	52,656	43,446	50,901

**GROUP  
STRUCTURE**



## CHAIRMAN'S STATEMENT

**We strive to innovate constantly to sustain our competitive advantage in a fast-moving business environment and fast-changing consumer purchasing behaviour.**



### Dear Shareholders:

LY Corporation Limited's ("LY Corporation" or the "Company") vision of internationalisation took flight in 2017 when we were gearing for the listing on the Catalyst board of Singapore Exchange ("SGX"). The moment of glory climaxed at our official listing on SGX as we were the first initial public offering on the Catalyst board in 2018 on 31 January 2018.

The Company 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 approximately 40 years in the furniture industry, the Group is an 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.

From a small carpentry workshop in Batu Pahat, Johor, the Group grew and now 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 the products to end-users through their respective retail networks and domestic customers who are primarily third party agents who typically export and resell its products outside Malaysia, such as to the United States of America.

Our classy and durable products are designed to tailor to the export market, with the United States of America as our largest export market. We are proud to be a supplier to major retailers and reputable wholesalers.

### Year In Review

We have chose to list on SGX because of Singapore's excellent reputation as an international finance centre with attractive infrastructure for financial services. Through the listing, we hope to reach out to international business partners as well as investors to power our next phase of growth.

We are confident that we will leapfrog into the next stage of expansion swiftly and grow in tandem with Singapore's growth as a competitive and vibrant financial hub in Asia.

For the financial year ended 31 December 2017 ("FY2017"), the Group's revenue increased by 22.0% to RM350.6 million in FY2017 compared to RM287.3 million in the financial year ended 31 December 2016 ("FY2016"). This can be attributed largely to two main factors:

- (1) an increase in the number of containers loaded with products ("40-ft containers") sold from 5,637 40-ft containers in FY2016 to 6,620 40-ft containers in FY2017 due to the increase in the demand from its customers mainly from the United States of America; and
- (2) an increase in average selling price per 40-ft container from RM51,000 in FY2016 to RM53,000 in FY2017 due to the increase in the selling prices of certain furniture models.

As a result of the increase in the revenue, the gross profit increased by approximately RM12.8 million, or 17.1%. The overall gross profit margin decreased from 26.1% in FY2016 to 25.0% in FY2017 mainly due the increase in the purchase price of most of the raw materials as well as the strengthening of Malaysian Ringgit against the U.S. dollar.

Net profit attributable to the owners of the Company rose by 17.2% from RM43.4 million in FY2016 to RM50.9 million in FY2017.





## Growth Prospects

We are fired with passion to take LY Corporation to the next phase of growth. We aim to expand our sales network in the People's Republic of China ("PRC") to meet the high demand for quality furniture in a burgeoning market. Belt and Road Initiative presents dynamic opportunity for expansion in PRC for wooden furniture players like LY Corporation because of the direct access to over 1 billion consumers based in China. Potential demand growth from PRC augurs strong as PRC's import of wooden furniture increased by 79.8% from 2011 to US\$563.6 million in 2016. In 2016, export value from Malaysia to China was only RM116.2 million, which was 1.55% of the world's export value of RM7,474.3 million with plenty of room for Malaysia's wooden furniture players to grow our exports.

We are excited at the prospects of introducing advanced and automated woodworking machinery in our factories and therefore we plan to upgrade machinery and equipment and acquire new technology to increase productivity and cost efficiency.

As at to-date, we have completed the construction of an additional manufacturing facility which is currently awaiting for the approval from relevant authorities before we can commence production which will contribute towards the increase of our production capacity. A new hostel to house all our foreign workers is under construction on an approximately 1.9 acres of land (within walking distance from our factories). Last but not least, we are open to explore investments, mergers and acquisitions, joint ventures and strategic collaborations to strengthen our competitive advantage through enhancing our core competencies and giving us access to new markets, customers and businesses.

## Innovate for Competitive Advantage

Our competitive strengths have placed us in a market leadership position over the past 40 years. Not only do we have established track record in the furniture industry, we are well recognised for the quality of our furniture products. Strong in-house design and development capabilities have enabled our Group to cater effectively to the customised requirements of our customers. Furthermore, our established subcontractor network of subcontractors, some of which have worked with us for more than 10 years, has given us an unsurmountable competitive edge over our competitors.

We strive to innovate constantly to sustain our competitive advantage in a fast-moving business environment and fast-changing consumer purchasing behaviour. Since 2014, we have been collaborating with a software company to develop and implement an integrated real-time monitoring and management system ("LY-6M system") which monitors the entire production

process. We believe that our implementation of the LY-6M system, an integrated process management system which monitors our entire production process, is expected to significantly enhance our productivity and efficiency through improvements in raw material optimisation, inventory optimisation; monitoring and tracking, data collection and analysis, and performance measurement and appraisal.

## Rewarding Shareholders

We have proposed to distribute a special dividend for FY2017, representing a payout per share equivalent to 3.0% of the placement price per share pursuant to the share placement carried out for the initial public listing of LY Corporation, to be approved at our upcoming annual general meeting. This represents a special dividend of S\$0.0078 per share.

In addition, our Directors intend to recommend and distribute dividends of not less than 40.0% of our net profits after tax attributable to our shareholders in respect of each of FY2018, FY2019 and FY2020<sup>1</sup>.

## Note of Appreciation

On behalf of LY Corporation, I wish to thank SGX and all professional firms for their invaluable support in making the public listing on the Catalist board a success.

I would also like to thank my business partners for their partnership over the past 40 years because their faith in my vision has enabled me to lead LY Furniture Sdn. Bhd. from a cottage workshop to a public-listed company in Singapore today. I am also grateful to our customers who have placed their trust in us and grew with us all these years. My deepest appreciation goes to my management team and staff for working hand in hand to realise the dream of taking LY Corporation beyond the shores of Malaysia and blossom into an international company.

We look forward to your continued support for the new company as we expand beyond United States of America.

Tan Kwee Chai  
Executive Chairman

### Note:

1. Please note that these statements are merely statements of our present intention and shall not constitute legally binding statements in respect of our future dividends which may be subject to modification (including reduction or non-declaration thereof) at our Directors' sole and absolute discretion.

## FINANCIAL REVIEW

Revenue of LY Corporation Limited and its subsidiaries (collectively the “Group”) increased by 22.0% to RM350.6 million in the financial year ended 31 December 2017 (“FY2017”) compared to RM287.3 million in the financial year ended 31 December 2016 (“FY2016”). This can be attributed largely to two main factors:

- (a) an increase in the number of containers loaded with products (“40-ft containers”) sold from 5,637 40-ft containers in FY2016 to 6,620 40-ft containers in FY2017 due to the increase in the demand from its customers mainly from the United States of America; and
- (b) an increase in average selling price per 40-ft container from RM51,000 in FY2016 to RM53,000 in FY2017 due to the increase in the selling prices of certain furniture models.

Cost of sales increased by approximately RM50.4 million, or 23.7%, mainly due to the increase in raw materials purchased, labour costs and subcontractors’ costs. The increase in these costs was mainly due to the higher level of production during the year to cater for the production to meet the demand in FY2017.

As a result of the increase in the revenue, gross profit increased by approximately RM12.8 million, or 17.1%. The overall gross profit margin decreased from 26.1% in FY2016 to 25.0% in FY2017 mainly due to the increase in the purchase price of most of the raw materials as well as the strengthening of Malaysian Ringgit (“MYR”) against the U.S. dollar (“USD”).

Interest income increased by approximately RM0.3 million, or 48.1% mainly due to more cash being placed under short term deposits.

Other income increased by approximately RM1.1 million, or 21.9% mainly due to the increase in the sale of materials by approximately RM2.9 million in FY2017 as a result of the Company selling more boards to LP Global Resources Sdn Bhd (“LP Global”) to manufacture front drawer for most of our models (including lamination services) as compared to previously whereby LP Global only provided lamination services. The increase in the other income was partly set-off by the decrease in the gain on disposal of property, plant and equipment.

However, selling and administrative expenses increased by approximately RM3.7 million, or 16.5% mainly due to the increase in depreciation of property, plant and equipment, freight and handling charges, staff costs (including, but not limited to salary, EPF, Social Security Contribution, staff welfare and training) and Directors’ bonus.

Finance costs decreased by approximately RM0.5 million, or 70.7% mainly due to settlement of our term loans in FY2016.

Other expense increased by approximately RM3.2 million mainly due to net foreign exchange loss recorded in the books of the Company in FY2017 as compared to FY2016 due to the appreciation of the MYR against USD as the Company holds some of its cash in USD for daily operating purposes.

Net profit attributable to the owners of the Company rose by 17.2% from RM43.4 million in FY 2016 to RM50.9 million in FY2017.

### FINANCIAL POSITION

The financial position of the Group continues to be stable. Net assets stood at RM173.8 million as at 31 December 2017 as compared to RM173.4 million as at 31 December 2016. Net asset value per share stands at RM4.34 as at 31 December 2017.

For non-current assets, property, plant and equipment increased by approximately RM11.1 million, or 10.8% mainly due to the purchase of machinery and equipment as well as office equipment, furniture and fittings. Leasehold land decreased by approximately RM0.3 million, or 2.4% due to the amortisation of the leasehold land.

In terms of current assets, inventories increased by approximately RM0.5 million, or 1.3% mainly due to the Group stocking up raw materials towards the end of FY2017 to fulfil sales orders due for delivery in the financial year ending 31 December 2018 (“FY2018”).

Trade and other receivables of approximately RM28.5 million comprised trade receivables, receivables from related parties, deposit and other receivables. The increased in trade and other receivables by approximately RM9.9 million, or 53.0% was in line with the increase in sales.

Prepaid operating expense of approximately RM5.8 million comprised mainly of the expenses related to the initial public offering of the Company which will only be either expensed off to the income statement or capitalised in FY2018.

The Group’s non-current liabilities increased by approximately RM1.0 million to RM13.8 million as at 31 December 2017 mainly due to the increase in the deferred tax liability by RM0.7 million.

Loans and borrowings comprised obligations under finance leases and short-term trade financing. The increase in loans and borrowings by approximately RM3.9 million, or 73.5% was mainly due to the increase in the usage of short-term trade financing towards the end of FY2017.

Trade and other payables of approximately RM30.6 million comprised trade payables, amount due to related parties and sundry payables. The increased in trade and other payables of approximately RM6.3 million, or 26.0% was mainly due to the increase in purchase of raw materials to cater for the sales orders.

There were no derivative liabilities recorded as there were no outstanding forward currency contracts and cross currency swap as at the end of FY2017.

### CASH FLOW POSITION

The Group’s cash position remained healthy at RM31.1 million as at 31 December 2017 despite a decrease of 37.2% as compared with RM49.5 million as at 31 December 2016.

The Group recorded net cash flows from operating activities of approximately RM45.0 million in FY2017 which was higher as compared to approximately RM43.1 million in FY2016 mainly due to higher operating profit before working capital changes recorded by the Group in FY2017 as compared to in FY2016 and partially offset by the increase in the requirement for working capital in FY2017.

The Group recorded net cash flows used in investing activities of approximately RM15.4 million mainly due to the purchase of new machineries with better features.

The Group recorded net cash flows used in financing activities of approximately RM47.5 million mainly due to the payment of dividends of RM55.0 million, net proceeds from loan and borrowings of RM3.5 million, and proceeds from issuance of ordinary shares of RM4.5 million.



# AWARDS & ACCREDITATIONS



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



·Eminent Eagle Award (no placement)



·Eminent Eagle Award (2<sup>nd</sup> place)



·Asian Furniture Leadership Award  
·Corporate Social Responsibility Award



·Award of Industrial Excellence in the category of Furniture Factory



·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



·Best Performing Company Award 2005



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



·Global Top Enterprise Golden Rim Award  
·Golden Bull Award for Malaysia's 100 Outstanding SMEs (2<sup>nd</sup> place)  
·Enterprise 50 Award (2<sup>nd</sup> place)



·Enterprise 50 Award (3<sup>rd</sup> 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 play 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 2017, 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 NCCIM Economic Forum (Malaysia), USA Harvey Disaster (USA) and Penang Flood Relief.

As a regular supporter for blood donation, our annual blood donation drive was conducted on 16 March 2017 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 has been in the furniture manufacturing and design industry for more than 40 years. He was one of the founders of Lian Yu which was subsequently corporatised when LY Furniture Sdn. Bhd (“LYFSB”) was incorporated to take over the business of Lian Yu Furniture Co. 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 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 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. 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 began his career in 1995 in Deloitte & Touche LLP Singapore, where he last held the position of an audit senior in 1998, and was the internal audit manager at Asia Pulp and Paper from 1999 to 2001. He was also a practice review manager with the Institute of Certified Public Accountants of Singapore from 2001 to 2002, and with the Public Accountants Board in 2003.

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 chartered accountant of the Institute of Singapore Chartered Accountants and a certified internal auditor of the Institute of Internal Auditors and is 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



**Mr Oh Seong Lye**

Independent Director

Mr Oh Seong Lye was appointed to the Board on 20 December 2017 as an Independent Director. Mr Oh is presently the senior partner of Terence Oh & Associates, an accounting practice which he started in 1978. He began his career as a trainee chartered accountant in London at Murty, Langridge & Company in 1968, followed by Lewis & Co in 1971. Upon his return from London to Malaysia, from 1975 to 1976, he worked as a supervisory management consultant in SGV-Kassim Chan Sdn. Bhd. He then joined Overseas Union Bank Ltd as a senior accountant from 1976 to 1977.

Mr Oh received an Executive Master of Business Administration from the United Business Institutes (Brussels, Belgium) in June 2007. He is a chartered accountant of the Institute of Singapore Chartered Accountants, a public accountant of the Malaysian Institute of Accountants and a fellow of the Institute of Chartered Accountants in England and Wales.

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. Mr Yeo is presently a Partner at Allen & Gledhill LLP. He has over 10 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, before leaving to join Allen & Gledhill LLP in July 2000.

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 currently an executive committee member of the Singapore Disability Sports Council.

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 GOVERNANCE REPORT

### DISCLOSURE TABLE FOR ANNUAL REPORT IN COMPLIANCE WITH 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 2017 (“**FY2017**”), 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**”) in January 2015 (the “**Guide**”).

<b>Guideline</b>	<b>Code and/or Guide Description</b>	<b>Company’s Compliance or Explanation</b>
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 FY2017.

## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																					
<b>BOARD MATTERS</b>																							
<b>The Board's Conduct of Affairs</b>																							
1.1	What is the role of the Board?	<p>The Board oversees the effectiveness and efficiency of Management to ensure the corporate governance of the Group is committed. The Board acts in good faith and exercise independent judgement in the best interests of shareholders.</p> <p>As at the date of this Annual Report, the Board has six Directors and comprises the following:</p> <table border="1"> <thead> <tr> <th>Name of Directors</th> <th>Designation</th> <th>Date appointed</th> </tr> </thead> <tbody> <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> </tbody> </table> <p>The Board's principal functions include, <i>inter alia</i>, the following:</p> <ul style="list-style-type: none"> <li>• providing entrepreneurial leadership, setting strategic objectives;</li> <li>• 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;</li> <li>• identifying key stakeholder groups and recognise their perceptions affecting the Company's reputation;</li> <li>• 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;</li> <li>• reviewing financial plans for investments/divestments; and</li> <li>• ensuring the communication with shareholders are timely, accurate and adequate.</li> </ul>	Name of Directors	Designation	Date appointed	Mr Tan Kwee Chai	Executive Chairman	20 December 2017	Mr Tan Yong Chuan	Executive Director and Chief Executive Officer ("CEO")	24 October 2016	Ms Tan Ai Luang	Executive Director	20 December 2017	Mr Lee Dah Khang	Lead Independent Director	20 December 2017	Mr Oh Seong Lye	Independent Director	20 December 2017	Mr Yeo Kian Wee Andy	Independent Director	20 December 2017
Name of Directors	Designation	Date appointed																					
Mr Tan Kwee Chai	Executive Chairman	20 December 2017																					
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Mr Lee Dah Khang	Lead Independent Director	20 December 2017																					
Mr Oh Seong Lye	Independent Director	20 December 2017																					
Mr Yeo Kian Wee Andy	Independent Director	20 December 2017																					
1.2	All Directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.	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.																					



## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																
1.3	Has the Board delegated certain responsibilities to committees? If yes, please provide details.	<p>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 “<b>Board Committees</b>”). 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.</p> <p>As at the date of this Annual Report, the respective compositions of the Board Committees are as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>AC</th> <th>NC</th> <th>RC</th> </tr> </thead> <tbody> <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> </tbody> </table>		AC	NC	RC	Chairman	Oh Seong Lye	Lee Dah Khang	Yeo Kian Wee Andy	Member	Lee Dah Khang	Oh Seong Lye	Oh Seong Lye	Member	Yeo Kian Wee Andy	Tan Yong Chuan	Lee Dah Khang
	AC	NC	RC															
Chairman	Oh Seong Lye	Lee Dah Khang	Yeo Kian Wee Andy															
Member	Lee Dah Khang	Oh Seong Lye	Oh Seong Lye															
Member	Yeo Kian Wee Andy	Tan Yong Chuan	Lee Dah Khang															
1.4	Have the Board and Board Committees met in the last financial year?	The Company was established on 24 October 2016 and formally admitted to the Official List of the Catalist of the SGX-ST on 31 January 2018 (“ <b>IPO</b> ”). There was no board meeting in FY2017.																
1.5	What are the types of material transactions which require approval from the Board?	<p>The matters which specifically require the Board’s approval or guidance are those involving:</p> <ul style="list-style-type: none"> <li>• strategies and objectives of the Group;</li> <li>• material acquisition and disposal of assets/investments;</li> <li>• corporate/financial restructuring and corporate exercises;</li> <li>• budgets/forecasts and business plan;</li> <li>• financial results announcements, annual report and audited financial statements;</li> <li>• policies &amp; procedures, delegation of authority matrix, code of conduct &amp; business ethics; and</li> <li>• material financial/funding arrangements and capital expenditures.</li> </ul>																
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.																

## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?	Briefings, updates and trainings for the Directors in FY2017 included: <ul style="list-style-type: none"> <li>• In conjunction with the IPO, a briefing was conducted by Dentons Rodyk &amp; Davidson LLP, the solicitors to the placement and legal adviser to the Company as to Singapore Law, on the roles and responsibilities of a director of a public listed company in Singapore;</li> <li>• The external auditors, Ernst &amp; Young LLP ("<b>External Auditors</b>"), had briefed the AC on changes or amendments to accounting standards; and</li> <li>• All Directors who did not previously serve on the board of a Singapore listed company have attended the "Listed Company Director Essentials: Understanding the Regulatory Environment in Singapore - What Every Director Ought to Know" course conducted by the Singapore Institute of Directors.</li> </ul>
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 had been furnished to newly-appointed Directors, upon their appointments, stating among other matters, the roles, obligations, duties and responsibilities as a member of the Board.
<b>Board Composition and Guidance</b>		
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.
2.3 4.3	Has the independence of the Independent Directors been reviewed in the last financial year?	There was no NC meeting in FY2017 as the Company was established on 24 October 2016 and the Independent Directors were appointed on 20 December 2017.  The NC had reviewed and the Independent Directors had also confirmed their independence in accordance with the Code during the NC meeting held on 12 March 2018 subsequent to FY2017 and all Independent Directors have provided their independence declaration.

## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	<p>(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.</p> <p>(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.</p>	<p>There are no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.</p> <p>Not applicable ("NA")</p>
2.4	<p>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.</p>	<p>None of the Independent Directors have served on the Board beyond nine years from the date of his appointment.</p>
2.5	<p>Has the Board examined its size and decided on what it considers an appropriate size for the Board, which facilitates effective decision making?</p>	<p>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.</p>

## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																					
2.6	<p>(a) What is the Board's policy with regard to diversity in identifying Director nominees?</p> <p>(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.</p>	<p>To assist the NC in its annual review of the Directors' mix of skills and experiences that the Board requires to function competently and efficiently, the Directors have completed their Board of Directors Competency Matrix Form and provide additional information (if any) in their respective areas of specialisation and expertise.</p> <p>The NC, having conducted its reviews, was satisfied that members of the Board possess the relevant core competencies in areas such as accounting and finance, legal environment, business and management experience, and strategic planning. In particular, the Executive Directors possess good industry knowledge while the Independent Directors, who are mostly professionals in their own fields, are able to take a broader view of the Group's activities, contribute their valuable experiences and provide independent judgment during Board deliberations.</p> <p>The current Board composition provides a diversity of skills, experience and knowledge to the Company as follows:</p> <table border="1" data-bbox="596 1043 1431 1415"> <thead> <tr> <th>Core Competencies</th> <th>Number of Directors</th> <th>Proportion of Board (%)</th> </tr> </thead> <tbody> <tr> <td>Accounting or finance</td> <td>4</td> <td>66.7</td> </tr> <tr> <td>Business Management</td> <td>6</td> <td>100.0</td> </tr> <tr> <td>Legal or corporate governance</td> <td>3</td> <td>50.0</td> </tr> <tr> <td>Relevant industry knowledge or experience</td> <td>5</td> <td>83.3</td> </tr> <tr> <td>Strategic planning experience</td> <td>6</td> <td>100.0</td> </tr> <tr> <td>Customer based experience or knowledge</td> <td>3</td> <td>50.0</td> </tr> </tbody> </table>	Core Competencies	Number of Directors	Proportion of Board (%)	Accounting or finance	4	66.7	Business Management	6	100.0	Legal or corporate governance	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
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Relevant industry knowledge or experience	5	83.3																					
Strategic planning experience	6	100.0																					
Customer based experience or knowledge	3	50.0																					
	<p>(c) What steps have the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?</p>	<p>The Board has taken the following steps to maintain or enhance its balance and diversity:</p> <ul style="list-style-type: none"> <li>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</li> <li>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.</li> </ul> <p>The NC will consider the results of these exercises in its recommendation for the appointment of new Directors and/or the re-appointment of incumbent Directors.</p>																					

## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
2.7	<p>How have the Non-Executive Directors:</p> <p>(a) constructively challenge and help develop proposals on strategy; and</p> <p>(b) review the performance of Management in meeting, agreed goals and objectives and monitor the reporting of performance?</p>	<p>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.</p> <p>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.</p>
2.8	<p>Have the Non-Executive Directors (including Independent Directors) met in the absence of key management personnel in the last financial year?</p>	<p>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.</p> <p>The Independent Directors had met and discussed with the external and internal auditors as part of the IPO process in the absence of key management personnel in FY2017.</p>
<b>Chairman and Chief Executive Officer</b>		
3.1 3.2	<p>Are the duties between Chairman of the Board and CEO segregated?</p>	<p>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.</p> <p>The division of responsibilities between the Chairman and the CEO is also clearly established in the Constitution of the Company. The Chairman manages the business of the Board whilst the CEO and his management team translate the Board's decisions into executive action. The CEO has executive responsibilities for the Group's businesses and is accountable to the Board.</p> <p>The Chairman, Mr Tan Kwee Chai is the father of the CEO, Mr Tan Yong Chuan.</p> <p>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.</p> <p>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.</p> <p>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.</p>

## 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?	<p>Led by the Lead Independent Director, the Independent Directors will meet in the absence of the other Directors as and when circumstances warrant.</p> <p>The Independent Directors had met and discussed with the external and internal auditors as part of the IPO process in the absence of other directors in FY2017.</p>
<b>Board Membership</b>		
4.1 4.2	What are the duties of the NC?	<p>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.</p> <p>The NC, which meets at least once a year, carries out its duties in accordance with a set of written Terms of Reference which includes, mainly, the following:</p> <ul style="list-style-type: none"> <li>(a) reviewing and recommending the nomination or re-nomination of the Directors having regard to the Director's contribution and performance;</li> <li>(b) determining on an annual basis, and as and when circumstances require, whether or not a Director is independent;</li> <li>(c) deciding whether or not a Director is able to, and has been, adequately carrying out his duties as a director;</li> <li>(d) reviewing and approving any new employment of related persons and the proposed terms of their employment;</li> <li>(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;</li> <li>(f) reviewing succession plans for Directors and key executives; and</li> <li>(g) reviewing training and professional development programmes for the Board.</li> </ul> <p>As the Company was listed on 31 January 2018, no NC meeting was held in FY2017.</p> <p>The key responsibilities of the NC include making recommendations to the Board on relevant matters such as the process for evaluating the performance of the Board and each Director as well as succession planning which form a critical part of corporate governance process for CEO and board members. It seeks to refresh the board membership as it thinks fit in an orderly and progressive manner so as to keep institutional memory intact. It also ensures compliance with the requirements of the Company's Constitution which provides that at each Annual General Meeting ("<b>AGM</b>"), 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 retire by rotation at such meeting. In this respect, the NC has recommended and the Board has agreed for the following Directors to retire and seek re-election at the forthcoming AGM:</p> <p>Pursuant to Regulation 98 of the Constitution of the Company:</p> <ul style="list-style-type: none"> <li>(a) Mr Tan Yong Chuan</li> </ul>

## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		<p>Pursuant to Regulation 102 of the Constitution of the Company:</p> <p>(a) Mr Tan Kwee Chai; (b) Ms Tan Ai Luang; (c) Mr Lee Dah Khang; (d) Mr Oh Seong Lye; and (e) Mr Yeo Kian Wee Andy.</p> <p>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.</p> <p>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.</p>
4.4	<p>(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?</p> <p>(b) If a maximum has not been determined, what are the reasons?</p> <p>(c) What are the specific considerations in deciding on the capacity of Directors?</p> <p>(d) Have the Directors adequately discharged their duties?</p>	<p>The NC has reviewed and made recommendation to the Board accordingly on the maximum number of listed company board appointments which any Director may hold. Based on the recommendation, the Board has determined and set the maximum number of listed company board appointments at not more than five (5) other listed companies. Currently, none of the Directors hold more than five (5) directorships in other listed companies. 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 international stock exchanges prior to his/her appointment.</p> <p>The considerations in assessing the capacity of Directors include the following:</p> <ul style="list-style-type: none"> <li>• Expected and/or competing time commitments of Directors, including whether such commitment is a full-time or part-time employment capacity;</li> <li>• Geographical location of Directors;</li> <li>• Size and composition of the Board;</li> <li>• Nature and scope of the Group's operations and size; and</li> <li>• Capacity, complexity and expectations of the other listed directorships and principle commitments held.</li> </ul> <p>The NC, having reviewed each Directors' outside directorships as well as each Director's contributions to the Board, is satisfied that all Directors have discharged their duties adequately for FY2017.</p>

## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																		
4.5	Are there alternate Directors?	The Company currently does not have any alternate director.																		
4.6	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.	<p>The following table sets out the process for the selection and appointment of new directors:</p> <table border="1" data-bbox="595 678 1434 1485"> <tbody> <tr> <td data-bbox="595 678 655 824">1.</td> <td data-bbox="655 678 884 824">Determination of selection criteria</td> <td data-bbox="884 678 1434 824">The NC, in consultation with the Board would identify the current needs of the Board in terms of expertise and skills that are required in the context of the strengths and weaknesses of the existing Board to complement and strengthen the Board.</td> </tr> <tr> <td data-bbox="595 824 655 1106">2.</td> <td data-bbox="655 824 884 1106">Search for suitable candidates</td> <td data-bbox="884 824 1434 1106">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 data-bbox="595 1106 655 1417">3.</td> <td data-bbox="655 1106 884 1417">Assessment of shortlisted candidates</td> <td data-bbox="884 1106 1434 1417">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 Directors Competency Matrix.</td> </tr> <tr> <td data-bbox="595 1417 655 1485">4.</td> <td data-bbox="655 1417 884 1485">Appointment of director</td> <td data-bbox="884 1417 1434 1485">The NC would recommend the selected candidate to the Board for consideration and approval.</td> </tr> </tbody> </table> <p>The following table sets out the process for the re-election of directors:</p> <table border="1" data-bbox="595 1574 1434 1928"> <tbody> <tr> <td data-bbox="595 1574 655 1783">1.</td> <td data-bbox="655 1574 884 1783">Assessment of director</td> <td data-bbox="884 1574 1434 1783">(a) The NC would assess the contributions and performance of the Director in accordance with the performance criteria set by the Board; and  (b) The NC would also review the range of expertise, skills and attributes of current needs of the Board.</td> </tr> <tr> <td data-bbox="595 1783 655 1928">2.</td> <td data-bbox="655 1783 884 1928">Re-appointment of director</td> <td data-bbox="884 1783 1434 1928">Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the director to the Board for its consideration and approval.</td> </tr> </tbody> </table> <p>Each member of the NC will abstain from voting on any resolution and making any resolutions and/or participating in any deliberations of the NC in respect of the assessment of his performance or nomination for re-election as a Director.</p>	1.	Determination of selection criteria	The NC, in consultation with the Board would identify the current needs of the Board in terms of expertise and skills that are required in the context of the strengths and weaknesses of the existing Board to complement and strengthen the Board.	2.	Search for suitable candidates	The NC will consider various channels in sourcing of suitable candidate(s) either through:  (a) internal promotion by way of nominating the successor via the succession plan of the Company or recommendations from Directors/substantial shareholders; or  (b) external sources through reputable human resource consultants.	3.	Assessment of shortlisted candidates	Those short-listed candidate(s) will be required to furnish their curriculum vitae stating in detail their qualification, working experience, employment history, and to complete the following prescribed Forms:  (a) Director's Declaration on Independence;  (b) Internal Guidelines for Directors Serving on Multiple Boards; and  (c) Board of Directors Competency Matrix.	4.	Appointment of director	The NC would recommend the selected candidate to the Board for consideration and approval.	1.	Assessment of director	(a) The NC would assess the contributions and performance of the Director in accordance with the performance criteria set by the Board; and  (b) The NC would also review the range of expertise, skills and attributes of current needs of the Board.	2.	Re-appointment of director	Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the director to the Board for its consideration and approval.
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## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
4.7	<p>Please provide the following key information regarding the Directors'.</p> <ul style="list-style-type: none"> <li>• Academic and professional qualifications</li> <li>• Shareholding in the Company and its related corporation</li> <li>• Board committees served on (as a member or chairman), date of first appointment and last re-appointment as a Director;</li> <li>• Directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments;</li> <li>• Indicate which Directors are executive, non-executive or considered by the NC to be independent; and</li> <li>• 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.</li> </ul>	<p>The key information of the Directors, including their appointment dates and directorships held in the past 3 years, are set out on pages 9 to 11 of this Annual Report.</p> <p>The shareholdings of the Directors in the Company are set out on pages 44 to 45 of this Annual Report. None of the Directors hold shares in the subsidiaries of the Company.</p> <p>Directors who are seeking re-election at the forthcoming AGM to be held on 23 April 2018 are stated in the Notice of First AGM set out on pages 93 to 96 of this Annual Report.</p>

## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
<b>Board Performance</b>		
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?	<p>As the Company was listed on the Catalist of the SGX-ST on 31 January 2018, the NC did not set the performance criteria to evaluate the effectiveness of the Board as a whole and its Board Committees, and for assessing the contributions by each Director to the effectiveness of the Board in FY2017.</p> <p>Subsequent to FY2017, the NC established a process for assessing the effectiveness of the Board as a whole, and for assessing the contribution of each individual Director to the effectiveness of the Board. 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.</p> <p>Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his/her performance or re-nomination as a Director. The Board will act on the results of the performance evaluation, and in consultation with the NC, propose, where appropriate, that new members be appointed to the Board or seek the resignation of Director(s).</p> <p>Objective performance criteria used to assess the performance of the Board include both quantitative and qualitative criteria.</p> <p>The Board and the NC believe that the financial indicators are mainly used to measure the Management's performance and hence are less applicable to the Non-Executive Directors. The NC had conducted the Board's performance evaluation as a whole subsequent to FY2017. The performance criteria for the Board's evaluation, as determined by the NC, cover the following areas:</p> <ul style="list-style-type: none"> <li>(a) Composition and Size;</li> <li>(b) Conduct of Meeting;</li> <li>(c) Effectiveness and Training Communication with Shareholders;</li> <li>(d) Provision of information to the Board;</li> <li>(e) Standards of Conduct;</li> <li>(f) Financial performance; and</li> <li>(g) Board compensation.</li> </ul>
	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	As the Company was listed on the Catalist of the SGX-ST on 31 January 2018, there was no determination of the performance for the Board in FY2017. The Board has not engaged 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?	<p>As the Company was listed on the Catalist of the SGX-ST on 31 January 2018, there was no determination of the performance for the Board in FY2017.</p> <p>The NC will review the Board performance based on its performance criteria in FY2018.</p>

## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																								
<b>Access to Information</b>																										
6.1 6.2 10.3	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?	<table border="1"> <thead> <tr> <th></th> <th>Information</th> <th>Frequency</th> </tr> </thead> <tbody> <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 framework 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> </tbody> </table> <p>Key management personnel will also provide any additional material or information that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.</p>		Information	Frequency	(a)	Updates to the Group's operations and the markets in which the Group operates in	Quarterly	(b)	Quarterly and full year financial results	Quarterly	(c)	Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)	As and when relevant	(d)	Report on on-going or planned corporate activity	As and when relevant	(e)	Enterprise risk framework and internal auditors' report	As and when available	(f)	Research report(s)	As and when requested	(g)	Shareholding statistics	As and when requested
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6.3 6.4	What is the role of the Company Secretary?	<p>All Directors have separate and independent access to the Company Secretary. The Company Secretary, or her representatives, will attend all the Board and Board Committee meetings and is responsible to ensure that the Board procedures are followed. 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 Catalyst Rules. The Company Secretary is also responsible for ensuring the Board procedures are followed and complied and advise the Board on all governance matters.</p> <p>The appointment and removal of the Company Secretary are subject to the approval of the Board.</p>																								

## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
<b>REMUNERATION MATTERS</b>		
<b>Developing Remuneration Policies</b>		
7.1 7.2 7.4	What is the role of the RC?	<p>The RC comprises the Independent Directors, Mr Yeo Kian Wee Andy, Mr Lee Dah Khang and Mr Oh Seong Lye. The Chairman of the RC is Mr Yeo Kian Wee Andy.</p> <p>The terms of reference of the RC include, <i>inter alia</i>, the following:</p> <ul style="list-style-type: none"> <li>(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;</li> <li>(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;</li> <li>(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;</li> <li>(d) review and administer the award of shares to Directors and employees under the Company's performance share plan (the "<b>LY Performance Share Plan</b>" or the "<b>LYPSP</b>");</li> <li>(e) review and determine the contents of service contracts for Executive Directors and/or key management personnel; and</li> <li>(f) review the appropriateness and transparency of remuneration matters for disclosure to shareholders.</li> </ul> <p>The RC ensures that a formal and transparent procedure is in place for fixing the remuneration packages of individual Directors and key management personnel. The recommendations of the RC are submitted for endorsement by the Board. Such frameworks are reviewed periodically to ensure that they remain competitive and relevant. All aspects of remuneration frameworks, including but not limited to directors' fees, salaries, allowances, bonuses, the awards to be granted under the performance share plan as well as other benefits-in-kind are reviewed by the RC. Each member of the RC abstains from voting on any resolutions in respect of his remuneration package.</p> <p>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.</p>
7.3	Were remuneration consultants engaged in the last financial year?	<p>No remuneration consultants were engaged by the Company in FY2017.</p> <p>The RC has access to expert professional advice on human resource matters whenever there is a need to consult externally.</p>

## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
<b>Level and Mix of Remuneration</b>		
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 Company's offer document dated 18 January 2018 (" <b>Offer Document</b> "). No awards were granted under the LYPSP since the establishment of the LYPSP. Further details about the LYPSP are set out in the Offer Document.
8.3	How is the remuneration for Non-Executive Directors determined?	<p>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.</p> <p>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.</p>
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.

## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																																																											
<b>Disclosure on Remuneration</b>																																																													
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.																																																											
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?	<p>The breakdown for the remuneration of the Directors in FY2017 is as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">Name of Directors</th> <th colspan="5">Breakdown of Remuneration in Percentage (%)</th> </tr> <tr> <th>Fees<sup>(1)</sup></th> <th>Salary<sup>(2)</sup></th> <th>Benefits</th> <th>Variable Bonus<sup>(3)</sup></th> <th>Total</th> </tr> </thead> <tbody> <tr> <td colspan="6"><u>Executive Directors</u></td> </tr> <tr> <td>Tan Kwee Chai</td> <td>-</td> <td>51.1</td> <td>2.1</td> <td>46.8</td> <td>100.0</td> </tr> <tr> <td>Tan Yong Chuan</td> <td>-</td> <td>49.8</td> <td>4.3</td> <td>45.9</td> <td>100.0</td> </tr> <tr> <td>Tan Ai Luang</td> <td>-</td> <td>48.7</td> <td>6.8</td> <td>44.5</td> <td>100.0</td> </tr> <tr> <td colspan="6"><u>Independent Directors</u></td> </tr> <tr> <td>Lee Dah Khang</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Oh Seong Lye</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Yeo Kian Wee Andy</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> </tbody> </table> <p><b>Notes:</b></p> <p>(1) No Directors' Fee was recommended for FY2017. The Directors' Fees for the financial year ending 31 December 2018 will be subject to the approval of the shareholders at the AGM.</p> <p>(2) The salary amount shown is inclusive of allowances and equivalent provident fund scheme.</p> <p>(3) The variable bonus amount shown is inclusive of equivalent provident fund scheme.</p> <p>Taking into consideration the highly competitive business environment, the nature of the industry and the confidentiality of the Group's remuneration policies, the Board is of the view that providing full disclosure of the remuneration of each individual director is not in the best interests of the Group and may adversely affect talent attraction and retention.</p> <p>There are no termination, retirement, post-employment benefits that may be granted to the Directors.</p>	Name of Directors	Breakdown of Remuneration in Percentage (%)					Fees <sup>(1)</sup>	Salary <sup>(2)</sup>	Benefits	Variable Bonus <sup>(3)</sup>	Total	<u>Executive Directors</u>						Tan Kwee Chai	-	51.1	2.1	46.8	100.0	Tan Yong Chuan	-	49.8	4.3	45.9	100.0	Tan Ai Luang	-	48.7	6.8	44.5	100.0	<u>Independent Directors</u>						Lee Dah Khang	-	-	-	-	-	Oh Seong Lye	-	-	-	-	-	Yeo Kian Wee Andy	-	-	-	-	-
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## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																																
9.3	(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?	<p>During FY2017, the Group only had three (3) top key management personnel (who are not Directors of the Company).</p> <p>The breakdown for the remuneration of the Company's key management personnel (who are not Directors of the Company) during FY2017 is as follows:</p> <table border="1"> <thead> <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<sup>(1)</sup></th> <th>Benefits-in-kind</th> <th>Variable Bonus<sup>(2)</sup></th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Tan Kwee Lim</td> <td>Chief Operating Officer</td> <td>48.9</td> <td>2.5</td> <td>48.6</td> <td>100.0</td> <td>S\$300,000 – S\$350,000</td> </tr> <tr> <td>Boo Ngek Hee</td> <td>Chief Quality Officer</td> <td>45.4</td> <td>2.8</td> <td>51.8</td> <td>100.0</td> <td>&lt; S\$250,000</td> </tr> <tr> <td>Teo Gin Lian</td> <td>Chief Financial Officer ("CFO")</td> <td>61.6</td> <td>-</td> <td>38.4</td> <td>100.0</td> <td>&lt; S\$250,000</td> </tr> </tbody> </table> <p><b>Notes:</b></p> <p>(1) The salary amount shown is inclusive of allowances such as fixed transport allowance and equivalent provident fund scheme</p> <p>(2) The variable bonus amount shown is inclusive of employees' provident funds</p> <p>There are no termination, retirement, post-employment benefits that may be granted to the key management personnel.</p>	Name	Position	Breakdown of Remuneration in Percentage (%)				Total Remuneration in Compensation Bands of \$250,000	Salary <sup>(1)</sup>	Benefits-in-kind	Variable Bonus <sup>(2)</sup>	Total	Tan Kwee Lim	Chief Operating Officer	48.9	2.5	48.6	100.0	S\$300,000 – S\$350,000	Boo Ngek Hee	Chief Quality Officer	45.4	2.8	51.8	100.0	< S\$250,000	Teo Gin Lian	Chief Financial Officer ("CFO")	61.6	-	38.4	100.0	< S\$250,000
Name	Position	Breakdown of Remuneration in Percentage (%)				Total Remuneration in Compensation Bands of \$250,000																												
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Tan Kwee Lim	Chief Operating Officer	48.9	2.5	48.6	100.0	S\$300,000 – S\$350,000																												
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	(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).	The aggregate remuneration paid to the above key management personnel (who are not Directors or CEO) in FY2017 was S\$580,000.																																
9.4	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.	<p>Tan Kwee Lim and Tan Kwee Chai are brothers and his remuneration for FY2017 is disclosed in the table above (please refer to Section 9.3(a) above).</p> <p>Tan Yong Siang is the son of Tan Kwee Chai and brother of Tan Yong Chuan. His remuneration for FY2017 has exceeded S\$50,000.</p> <p>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 FY2017.</p>																																

## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
9.5	Please provide details of the employee share scheme(s).	The Company has not adopted any employee share option scheme.
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 FY2017. 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; and (e) Profitability performance of the Group.
	(c) Were all of these performance conditions met? If not, what were the reasons?	Not applicable. As the Company was listed on the Catalist on 31 January 2018, there was no determination of the performance for the Board and key management personnel. The RC will review the performance of the Board and key management personnel based on its performance conditions in FY2018.
<b>ACCOUNTABILITY AND AUDIT</b>		
<b>Accountability</b>		
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
<b>Risk Management and Internal Controls</b>		
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.	<p>The Board reviews the Group's business and operational activities to identify areas of significant business risk as well as the measures in place to control and mitigate these risks within the Group's policies and business strategies. The risk assessment exercise also includes identifying and assessing key risk areas of the Group such as financial, operational, compliance and information technology risks based on the feedback of the internal auditors and external auditors. The Board also oversees the Management in implementing the risk management and internal controls system.</p> <p>The Board is also responsible for governance of risk management, and determining the Company's levels of risk tolerance and risk policies. The Board consults with the external auditors and internal auditors to determine the risk tolerance level and corresponding risk policies.</p>
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.	<p>The risk management and internal control systems have been integrated throughout the Group and have been an essential part of its business planning and monitoring process. On quarterly basis, the Management will report to the Board on updates to the Group's risk profile, evaluation process for identified risks and mitigation process thereon as well as the results of assurance activities so as to assure that the process is operating effectively as planned.</p> <p>The responsibility of overseeing the Company's internal control system and policies are undertaken by the 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.</p>

## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
11.3	<p>(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.</p>	<p>The Board is of the view that the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective for FY2017.</p> <p>The basis for the Board's view are as follows:</p> <ul style="list-style-type: none"> <li>• Assurance has been received from the CEO and CFO (please refer to Section 11.3(b) below);</li> <li>• Discussions were held between the AC and auditors in the absence of the key management personnel to review and address any potential concerns during IPO process; and</li> <li>• Work performed by the internal and external auditors.</li> </ul> <p>The Company is in the process of establishing a formal policy as guided by the Global Reporting Initiative ("GRI") Standards: Core option, covering key areas of Sustainability Reporting ("SR") including the composition of the SR Committee, reporting structure and responsibilities, reporting processes, materiality assessment and performance tracking. Once established, the Company will compile and prepare its inaugural sustainability report which will be published on a standalone basis by 31 December 2018.</p>
	<p>(b) In respect of the past 12 months, has the Board received assurance from the CEO and the Chief Financial Officer 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?</p> <p>If not, how does the Board assure itself of points (i) and (ii) above?</p>	<p>The Board has obtained the following assurance from the CEO and CFO:</p> <p>(a) the financial records of the Group have been properly maintained and the financial statements for FY2017 give a true and fair view of the Group's operations and finances;</p> <p>(b) material information relating to the Company was disclosed on a timely basis for the purposes of preparing financial statements; and</p> <p>(c) the Company's risk management systems and internal control systems were adequate and effective as of 31 December 2017.</p> <p>The Board notes that the system of internal controls provides reasonable, but not absolute, assurance that the Group will not be affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.</p> <p>The Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems are effective and adequate to address the financial, operational, compliance and information technology risks of the Group in its current business environment as of 31 December 2017.</p>

## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		<p>The Board notes that system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.</p> <p>The AC has reviewed the Management's assessment and discussed with the External Auditors about the identified key audit matters (referred to in Pages 46 to 47 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.</p>
<p>12.1 12.3 12.4</p>	<p>What is the role of the AC?</p>	<p>The AC is guided by the following key terms of reference:</p> <ul style="list-style-type: none"> <li>(a) assist our Board in the discharge of its responsibilities on financial reporting matters;</li> <li>(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;</li> <li>(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);</li> <li>(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);</li> <li>(e) review the assistance and co-operation given by our Company's officers to the internal and external auditors;</li> <li>(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;</li> </ul>

## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		<p>(g) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our Group's operating results or financial position, and consider the adequacy of our management's response;</p> <p>(h) review and assess our Company's foreign exchange and hedging policies including whether our Company has in place adequate and appropriate hedging policies and used appropriate instruments for hedging, if applicable;</p> <p>(i) review transactions falling within the scope of Chapter 9 and Chapter 10 of the Catalist Rules (if any);</p> <p>(j) review potential conflicts of interest (if any) and set out a framework to resolve or mitigate any potential conflicts of interest;</p> <p>(k) review the effectiveness and adequacy of our administrative, operating, internal accounting and financial control procedures;</p> <p>(l) review our key financial risk areas, with a view to providing an independent oversight on our Group's financial reporting, the outcome of such review to be disclosed in the annual reports or, if the findings are material, immediately announced via SGXNET;</p> <p>(m) undertake such other reviews and projects as may be requested by our Board and report to our Board its findings from time to time on matters arising and requiring the attention of our Audit Committee;</p> <p>(n) generally undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time;</p> <p>(o) review arrangements by which our staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow-up; and</p> <p>(p) review our Group's compliance with such functions and duties as may be required under the relevant statutes or the Catalist Rules, including such amendments made thereto from time to time.</p>
12.2	Are the members of the AC appropriately qualified to discharge its responsibilities?	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.

## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation												
12.5	Has the AC met with the auditors in the absence of key management personnel?	Prior to and subsequent to the completion of the IPO, the AC has met the internal auditors and External Auditors on various occasions.												
12.6	Has the AC reviewed the independence of the external auditors?	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.												
	(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.	<p>The breakdown of the fees paid/payable to the Group's external auditors (including its associated firms) is as follows:</p> <table border="1"> <thead> <tr> <th>External Auditor Fees for FY2017</th> <th>S\$'000</th> <th>% of Total Fees</th> </tr> </thead> <tbody> <tr> <td>Audit Fees</td> <td>122</td> <td>30.4</td> </tr> <tr> <td>Non-Audit Fees</td> <td>280</td> <td>69.6</td> </tr> <tr> <td><b>Total</b></td> <td><b>402</b></td> <td><b>100.0</b></td> </tr> </tbody> </table>	External Auditor Fees for FY2017	S\$'000	% of Total Fees	Audit Fees	122	30.4	Non-Audit Fees	280	69.6	<b>Total</b>	<b>402</b>	<b>100.0</b>
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Non-Audit Fees	280	69.6												
<b>Total</b>	<b>402</b>	<b>100.0</b>												
	(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.	The AC has undertaken a review of all the non-audit services provided by the External Auditors during FY2017. Notwithstanding that the amount of non-audit fees constitute 69.6% of the total fees paid to the External Auditors for FY2017, the AC is satisfied that the non-audit services would not, in the AC's opinion, affect the independence of the of the External Auditors as the non-audit fees relate to the IPO exercise where the External Auditors rendered services as the Reporting Accountant. The AC has recommended to the Board the re-appointment of Ernst & Young LLP as the external auditors of the Company at the forthcoming AGM.												

## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
12.7	Does the Company have a whistle-blowing policy?	<p>To encourage proper work ethics and eradicate any internal improprieties, unethical acts, malpractices, fraudulent acts, corruption and/or criminal activities in the Group, the Company has a whistle blowing policy ("<b>Whistle-blowing Policy</b>") 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 ("<b>IC</b>") had been established for this purpose. In addition, a dedicated secured e-mail address at <a href="mailto:whistleblow@lyfurniture.com">whistleblow@lyfurniture.com</a> which allows whistle blowers to contact the IC and/or the AC Chairman directly.</p> <p>The Company's Whistle-blowing Policy allows not just employees but also external parties to raise concerns and offer reassurance that they will be protected from reprisals or victimization for whistle blowing in good faith.</p> <p>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.</p>
		<p><i>Investigation Committee</i></p> <p>The IC consists of an Executive Director, CFO and an external outsourced Human Resource Consultant.</p> <p>The IC is empowered to:</p> <ul style="list-style-type: none"> <li>• 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);</li> <li>• make the necessary reports and recommendations to the AC or the Board for their review and further action, if deemed required by them; and</li> <li>• access the appropriate external advice where necessary and, where appropriate or required, report to the relevant governmental authorities for further investigation/action.</li> </ul> <p>The Group takes concerns with the integrity and honesty of its employees very seriously. The Whistle-blowing Policy has been established and disseminated to all employees to encourage the report of any behaviour or action that anyone reasonably believes might be suspicious, against any rules/regulations/accounting standards as well as internal policies. Whistle blowers could also email to the AC directly and in confidence and his/her identity is protected from reprisals within the limits of the law.</p> <p>There were no whistle-blowing reports received in FY2017.</p>

## 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.
<b>Internal Audit</b>		
13.1 13.2 13.3 13.4 13.5	Please provide details of the Company's internal audit function, if any.	<p>The AC's responsibilities over the Group's internal controls and risk management are complemented by the work of the internal auditors.</p> <p>The Company has outsourced its internal audit function to Baker Tilly TFW LLP ("<b>Internal Auditors</b>"). 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.</p> <p>The Internal Auditor plans its audit work in consultation with, but independently of, the management, and its yearly plan is submitted to the AC for review and approval prior to the beginning of the financial year.</p> <p>The Internal Auditor has full access to all the Company's documents, records, properties and personnel including access to the AC. The AC is satisfied that the Internal Auditor is adequately qualified (given, <i>inter alia</i>, its adherence to Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors) and resourced, and has the appropriate standing in the Company to discharge its duties effectively.</p>

## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
<b>Shareholders' Rights</b>		
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.	<p>Shareholders are encouraged to attend shareholders' meetings to stay informed of the Company's strategy and goals. Notice of the meeting is dispatched to shareholders, together with annual report or a circular, at least 14 days, or 21 days (as the case may be), before the meeting. The Board welcomes questions from shareholders who have an opportunity to raise issues either formally or informally before or at the shareholders' meetings.</p> <p>All shareholders are entitled to vote in accordance with the established voting rules and procedures. The Company shall conduct poll voting for all resolutions tabled at the general meetings. The rules, including the voting process, shall be explained by the scrutineers at such general meetings.</p>
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.	<p>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.</p> <p>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.</p>



## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
<b>SHAREHOLDER RIGHTS AND RESPONSIBILITIES</b>		
<b>Communication with Shareholders</b>		
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.
	(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 at <a href="http://investor.lyfurniture.com/">http://investor.lyfurniture.com/</a> 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.

## CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
15.5	Does the Company have a dividend policy?	<p>The Company does not have a fixed dividend policy. The form, frequency and amount of future dividends on the shares that the Board may recommend or declare will depend on, among other factors deemed relevant by the Board, the factors outlined below:</p> <ul style="list-style-type: none"> <li>(a) cash flow and retained earnings;</li> <li>(b) actual and projected business and financial performance;</li> <li>(c) projected levels of capital expenditure and expansion plans;</li> <li>(d) results of operations;</li> <li>(e) working capital requirements and general financing condition; and</li> <li>(f) restrictions on the payment of dividends imposed on the Company (if any).</li> </ul> <p>In addition, 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 2018, 2019 and 2020.</p>
	Is the Company paying dividends for the financial year? If not, please explain why.	The Board has recommended a special one-tier tax exempt dividend of 0.78 Singapore cents per ordinary share for FY2017, which will be subject to the approval of shareholders at the forthcoming AGM.
<b>CONDUCT OF SHAREHOLDER MEETINGS</b>		
16.1 16.3 16.4 16.5	How are the general meetings of shareholders conducted?	<p>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.</p> <p>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.</p> <p>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.</p> <p>All resolutions are put to vote by poll, and their detailed results will be announced via SGXNET after the conclusion of the general meeting.</p>

## CORPORATE GOVERNANCE REPORT

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 FY2017 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	<p>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 in FY2017 based on the following:</p> <ul style="list-style-type: none"> <li>works performed by external and internal auditors;</li> <li>discussions were held between the AC and auditors in the absence of the key management personnel to review and address any potential concerns during IPO process;</li> <li>assurance from the CEO and CFO; and</li> <li>reviews done by the key management personnel.</li> </ul>														
1204(17)	Interested persons transaction	<p>Details of the interested person transactions for FY2017 as required pursuant to Rule 907 of the Catalist Rules of SGX-ST are as follows:</p> <table border="1"> <thead> <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> </thead> <tbody> <tr> <td>Lean Shern Furniture Sdn Bhd</td> <td>NA</td> <td>3,652</td> </tr> <tr> <td>LP Global Resources Sdn Bhd</td> <td>NA</td> <td>15,894</td> </tr> <tr> <td>Leatherworld Upholstery Sdn Bhd</td> <td>NA</td> <td>3,955</td> </tr> </tbody> </table> <p>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.</p>	Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	RM'000	RM'000	Lean Shern Furniture Sdn Bhd	NA	3,652	LP Global Resources Sdn Bhd	NA	15,894	Leatherworld Upholstery Sdn Bhd	NA	3,955
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## CORPORATE GOVERNANCE REPORT

<u>Catalist Rule</u>	<u>Rule Description</u>	<u>Company's Compliance or Explanation</u>																								
1204(19)	Dealing in securities	<p>The Company has adopted an internal policy which prohibits the Directors and officers from dealing in the securities of the Company while in possession of price-sensitive information.</p> <p>The Company, its Directors and officers are also discouraged from dealing in the Company's securities on short term considerations and are prohibited from dealing in the Company's securities during the period commencing 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.</p>																								
1204(21)	Non-sponsor fees	No non-sponsor fees were paid to the Company's sponsor, UOB Kay Hian Private Limited for FY2017.																								
1204(22)	Use of proceeds	<p>Pursuant to the Company's IPO, the Company received net proceeds from the IPO of approximately S\$13.0 million (the "<b>Net Proceeds</b>"). Further details can be found in the Offer Document.</p> <p>As at the date of this Corporate Governance Report, the Net Proceeds has yet to be utilised. Details are as follows:</p> <table border="1"> <thead> <tr> <th><b>Purpose</b></th> <th><b>Amount allocated (S\$'000)</b></th> <th><b>Amount utilised (S\$'000)</b></th> <th><b>Balance (S\$'000)</b></th> </tr> </thead> <tbody> <tr> <td>Expanding the sales network in the PRC</td> <td>1,000</td> <td>-</td> <td>1,000</td> </tr> <tr> <td>Upgrading the machinery and equipment and acquiring new technology</td> <td>5,000</td> <td>-</td> <td>5,000</td> </tr> <tr> <td>Construction of additional facilities</td> <td>4,000</td> <td>-</td> <td>4,000</td> </tr> <tr> <td>General working capital purposes</td> <td>3,000</td> <td>-</td> <td>3,000</td> </tr> <tr> <td><b>Total</b></td> <td><b>13,000</b></td> <td><b>-</b></td> <td><b>13,000</b></td> </tr> </tbody> </table>	<b>Purpose</b>	<b>Amount allocated (S\$'000)</b>	<b>Amount utilised (S\$'000)</b>	<b>Balance (S\$'000)</b>	Expanding the sales network in the PRC	1,000	-	1,000	Upgrading the machinery and equipment and acquiring new technology	5,000	-	5,000	Construction of additional facilities	4,000	-	4,000	General working capital purposes	3,000	-	3,000	<b>Total</b>	<b>13,000</b>	<b>-</b>	<b>13,000</b>
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## FINANCIAL CONTENTS

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## 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 2017.

### 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 2017 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	(appointed on 20 December 2017)
Tan Ai Luang	(appointed on 20 December 2017)
Lee Dah Khang	(appointed on 20 December 2017)
Oh Seong Lye	(appointed on 20 December 2017)
Yeo Kian Wee Andy	(appointed on 20 December 2017)

### 3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as disclosed in this report, 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.

### 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:

Name of director	Direct interest		Deemed interest		
	At the beginning of financial year or date of appointment	At the end of financial year	At the beginning of financial year or date of appointment	At the end of financial year	At 21 January 2018
<b>Ordinary shares of the Company</b>					
Tan Kwee Chai	-	-	34,400,000	34,400,000	366,979,200*
Tan Yong Chuan	1	-	-	-	-
<b>Ordinary shares of the ultimate holding company - Lian Yu Holdings Pte. Ltd.</b>					
Tan Kwee Chai	431,730	431,730	-	-	-
Tan Yong Chuan	1	107,336	-	-	-

## DIRECTORS' STATEMENT

### 4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

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.

\*In accordance with the continuing listing requirements of Singapore Exchange Securities Trading Limited, the Directors of the Company state that, according to the Register of Directors' Shareholdings, the Directors' interests as at 21 January 2018 in the shares of the Company have not changed from those disclosed as at 31 December 2017, except for the number of shares held by Tan Kwee Chai has changed to 366,979,200 due to sub-division of shares.

There was no change in any of the direct interest in the Company and ultimate holding company between the end of the financial year and 21 January 2018.

Except as disclosed in this report, 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 administered by the Remuneration Committee of the Company.

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

### 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

29 March 2018

# INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 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 2017, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the 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 Financial Reporting Standards in Singapore (the "FRSs") 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 2017 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 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 and finished goods*

As of 31 December 2017, the work-in-progress and finished goods amounted to RM12,647,000 and RM4,239,000 respectively. The Group manufactures custom wooden furniture according to customers' specifications. Significant management estimate is required in arriving at the cost of the inventory, which is determined based on standard costing method, 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 2017

## Key audit matters (Continued)

### *Valuation of inventories – work-in-progress and finished goods (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;
- 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 and finished goods 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 and finished goods.

The Group's disclosures relating to work-in-progress and finished goods are included in Note 15.

## 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 FRSs, 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 2017

## 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 2017

## 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  
29 March 2018

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
<b>Revenue</b>	4	<b>350,644</b>	287,379
Cost of sales		<b>(262,935)</b>	(212,503)
<b>Gross profit</b>		<b>87,709</b>	74,876
<b>Other items of income</b>			
Interest income from short-term deposits		<b>844</b>	570
Other income	5	<b>6,237</b>	5,115
<b>Other items of expense</b>			
Selling and administrative expenses		<b>(26,142)</b>	(22,443)
Finance costs	6	<b>(208)</b>	(710)
Other expense	7	<b>(4,324)</b>	(1,094)
<b>Profit before tax</b>	8	<b>64,116</b>	56,314
Income tax expense	10	<b>(13,215)</b>	(12,868)
<b>Profit for the year, representing total comprehensive income for the year</b>		<b>50,901</b>	43,446
<b>Earnings per share attributable to owners of the Company (RM per share)</b>			
Basic and diluted	11	<b>1.27</b>	1.09

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 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Non-current assets</b>					
Property, plant and equipment	12	114,074	102,961	-	-
Leasehold land	13	13,772	14,113	-	-
Investment in subsidiaries	14	-	-	20,234	-
		<b>127,846</b>	117,074	<b>20,234</b>	-
<b>Current assets</b>					
Inventories	15	41,351	40,810	-	-
Trade and other receivables	16	28,539	18,640	-	-
Prepaid operating expense		5,764	2,566	5,169	2,114
Cash and cash equivalents	17	31,103	49,468	-*	-*
		<b>106,757</b>	111,484	<b>5,169</b>	2,114
<b>Total assets</b>		<b>234,603</b>	228,558	<b>25,403</b>	2,114
<b>Current liabilities</b>					
Loans and borrowings	18	8,321	4,662	-	-
Trade and other payables	19	30,559	24,261	5,170	2,114
Other liabilities	20	4,809	6,512	270	-
Tax payable		3,328	4,432	-	-
Derivative liabilities	21	-	2,484	-	-
		<b>47,017</b>	42,351	<b>5,440</b>	2,114
<b>Net current assets/(liabilities)</b>		<b>59,740</b>	69,133	<b>(271)</b>	-
<b>Non-current liabilities</b>					
Loans and borrowings	18	977	698	-	-
Deferred tax liabilities	22	12,841	12,142	-	-
		<b>13,818</b>	12,840	-	-
<b>Total liabilities</b>		<b>60,835</b>	55,191	<b>5,440</b>	2,114
<b>Net assets</b>		<b>173,768</b>	173,367	<b>19,963</b>	-
<b>Equity attributable to owners of the Company</b>					
Share capital	23	20,234	-*	20,234	-*
Merger reserve	24	(15,234)	500	-	-
Retained earnings		168,768	172,867	(271)	-
		<b>173,768</b>	173,367	<b>19,963</b>	-
<b>Total equity and liabilities</b>		<b>234,603</b>	228,558	<b>25,403</b>	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 2017

	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
<b>Group</b>				
<b>At 1 January 2016</b>	-	500	167,421	167,921
Profit for the year, representing total comprehensive income for the year	-	-	43,446	43,446
Dividend on ordinary shares, representing total distribution to owners (Note 31)	-	-	(38,000)	(38,000)
Incorporation of the Company	-*	-	-	-*
<b>At 31 December 2016 and 1 January 2017</b>	-*	500	172,867	173,367
Issuance of new shares	4,500	-	-	4,500
Profit for the year, representing total comprehensive income for the year	-	-	50,901	50,901
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)	-	-
<b>At 31 December 2017</b>	<b>20,234</b>	<b>(15,234)</b>	<b>168,768</b>	<b>173,768</b>

\* 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 2017

### Company

At 24 October 2016, date of incorporation  
Loss for the period, representing total comprehensive income for the period

### At 31 December 2016 and 1 January 2017

Issuance of new shares  
Issue of new shares and effect of adjustments pursuant to the  
Restructuring Exercise  
Loss for the year, representing total comprehensive income for the year

### At 31 December 2017

	Share capital (Note 23) RM'000	Retained earnings RM'000	Total Equity RM'000
	-*	-	-*
	-	-	-
	-*	-	-*
	4,500	-	4,500
	15,734	-	15,734
	-	(271)	(271)
	<b>20,234</b>	<b>(271)</b>	<b>19,963</b>

\* Less than RM1,000

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 RM'000	2016 RM'000
<b>Operating activities</b>			
Profit before tax		64,116	56,314
<u>Adjustments for:</u>			
Gain on disposal of property, plant and equipment	5	(86)	(1,114)
Gain on disposal of leasehold land	5	-	(166)
Net fair value (gain)/loss on derivatives		(2,484)	472
Dividend income from short term investments		-	(59)
Interest income from short-term deposits		(844)	(570)
Interest expense	6	208	710
Staff loan written off		-	17
Write off of property, plant and equipment		7	581
Loss on disposal of short term investment		-	24
Amortisation of leasehold land	13	341	319
Depreciation of property, plant and equipment	12	6,049	4,923
Unrealised exchange loss/(gain)		532	(1,166)
<b>Operating profit before working capital changes</b>		<b>67,839</b>	<b>60,285</b>
<u>Changes in working capital:</u>			
Increase in inventories		(541)	(1,976)
Increase in trade and other receivables		(10,000)	(3,082)
Increase in prepaid operating expense		(3,198)	(2,044)
Increase in trade and other payables		6,390	4,965
(Decrease)/increase in accrued operating expense		(536)	489
<b>Cash flows from operations</b>		<b>59,954</b>	<b>58,637</b>
Interest paid		(208)	(710)
Income taxes paid		(13,620)	(14,817)
<b>Net cash flows from operating activities</b>		<b>46,126</b>	<b>43,110</b>
<b>Investing activities</b>			
Dividend received from short term investment		-	59
Interest income from short-term deposits		844	570
Proceeds from disposal of short term investments		-	1,990
Purchase of short term investments		-	(2,014)
Purchase of property, plant and equipment	A	(18,576)	(8,777)
Purchase of leasehold land		-	(4,512)
Proceeds from disposal of property, plant and equipment		1,166	8,105
Proceeds from sale of leasehold land		-	1,384
<b>Net cash flows used in investing activities</b>		<b>(16,566)</b>	<b>(3,195)</b>



# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Note	2017 RM'000	2016 RM'000
<b>Financing activities</b>		
Dividends paid on ordinary shares	31 (55,000)	(38,000)
Proceeds from loans and borrowings	61,347	52,268
Repayment of obligations under finance lease	(471)	(454)
Repayment of loans and borrowings	(57,857)	(78,261)
Proceeds from issuance of shares	4,500	-
<b>Net cash flows used in financing activities</b>	<b>(47,481)</b>	<b>(64,447)</b>
Net decrease in cash and cash equivalents	(17,921)	(24,532)
Effect of exchange rate changes on cash and cash equivalent	(444)	1,075
Cash and cash equivalents at beginning of year	49,468	72,925
<b>Cash and cash equivalents at end of year (Note 17)</b>	<b>31,103</b>	<b>49,468</b>

## Note to the consolidated statement of cash flows

### A. Property, plant and equipment

	2017 RM'000	2016 RM'000
Current year additions to property, plant and equipment	18,249	10,014
Less: Additions under finance leases	(840)	(70)
Less: Accrual for purchase of equipment	-	(1,167)
Add: Payment of previous year's accruals	1,167	-
<b>Net cash outflow from purchase of property, plant and equipment</b>	<b>18,576</b>	<b>8,777</b>

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 2017

## 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 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 LY Furniture Corporation Sdn. Bhd. (or its nominees). 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.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 1. CORPORATE INFORMATION (CONTINUED)

### 1.2 *The Restructuring Exercise (Continued)*

#### (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 ("FRS").

The consolidated 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.

#### Convergence with International Financial Reporting Standards

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International) ("SFRS(I)"), a new financial reporting framework identical to International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 January 2018.

The Group has performed an assessment of the impact of adopting SFRS(I). Other than the impact on adoption of the SFRS(I) 15, the Group expects that adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 15 will be similar to the impact on adoption of FRS 115 as disclosed in Note 2.3.

### 2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2017. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

### 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
FRS 109 <i>Financial Instruments</i>	1 January 2018
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
Amendments to FRS 115: <i>Clarifications to FRS 115 Revenue from Contracts with Customers</i>	1 January 2018
INT FRS 112 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
FRS 116 <i>Leases</i>	1 January 2019

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Except for FRS 115, 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 FRS 115 is described below:

#### FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary impact assessment of adopting FRS 115 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS 115 in 2018. The Group plans to apply the changes in accounting policies retrospectively to each reporting year presented

The Group is in the business of manufacturing wooden furniture based on standard and customised specifications. The Group currently recognises revenue upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Under FRS 115, the performance obligation for manufacturing of customised wooden furniture are satisfied over time as the Group is restricted contractually from directing the finished goods for another use as they are being fulfilled and has an enforceable right to payment for performance completed to date. The Group expects that revenue and cost of sales to be recognised over time arising from the adoption of FRS 115.

### 2.4 Basis of consolidation

#### (a) *Basis of consolidation*

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

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

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

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

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;

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 *Basis of consolidation (Continued)*

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

- 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 FRS.

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 *Basis of consolidation (Continued)*

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

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 consolidated financial statements of the Group for the financial years ended 31 December 2017 and 2016 comprising the Company and LYFSB are presented as a continuation of LYFSB. The consolidated 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 FRS 103 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 years ended 31 December 2017 and 2016. 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.5 *Functional and Foreign currency (Continued)*

#### *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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

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.

### 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. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

##### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

#### (i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group. Derivatives, including separated embedded derivatives are also classified as held for trading.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 *Financial instruments (Continued)*

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

##### Subsequent measurement (Continued)

##### (i) *Financial assets at fair value through profit or loss (Continued)*

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

##### (ii) *Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process

##### 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 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 *Financial instruments (Continued)*

#### (b) *Financial liabilities (Continued)*

##### Subsequent measurement

##### (i) *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

##### (ii) *Financial liabilities at amortised cost*

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 de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

#### (c) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 2.11 *Impairment of financial assets*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

##### *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 *Impairment of financial assets (Continued)*

#### *Financial assets carried at amortised cost (Continued)*

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of the impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

### 2.12 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank 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.
- Finished goods and 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. The cost of finished goods are then determined 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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.14 *Provisions (Continued)*

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.17 *Leases (Continued)*

#### (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(c).

### 2.18 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

#### (a) *Sale of goods*

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

#### (b) *Interest income*

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

#### (c) *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.

#### (d) *Dividend income*

Dividend income is recognised when the Group's rights to receive payment is established.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.19 *Taxes (Continued)*

#### (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.

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 realized 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.19 *Taxes (Continued)*

#### (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.

The net amount of sales tax (or Goods and Services Tax ("GST")) recoverable from, or payable to, the taxation authority is included as part of receivables or payable in the combined statement of financial position.

### 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 combined financial statements requires management to make judgments, 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 combined financial statements:

#### *Determination of functional currency*

The Group measures foreign currency translation 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 of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currency of the entities in the Group is determined based on management's assessment of the economic environment in which the entity operates and the entity process of determining sales prices. The entity's cost base is mainly denominated in its respective currency. Therefore, 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 2017

## 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:

#### *Income taxes*

Judgement is involved in determining the Group's provision for income taxes as there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matter is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The tax payable is as disclosed in the statement of financial position and the deferred tax is disclosed in Note 22.

#### *Useful lives of property, plant and equipment*

The cost of property, plant and equipment of the Group are depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be between 8 to 58 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at the reporting date is disclosed in Note 12.

#### *Valuation of inventories*

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

Sale of goods

	2017 RM'000	2016 RM'000
	<b>350,644</b>	287,379



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 5. OTHER INCOME

	2017 RM'000	2016 RM'000
Sale of materials	4,039	1,090
Gain on disposal of property, plant and equipment	86	1,114
Gain on disposal of leasehold land	-	166
Dividend income	-	59
Rental income	533	693
Net foreign exchange gain	-	169
Insurance claims	710	1,121
Others	869	703
	<b>6,237</b>	<b>5,115</b>

## 6. FINANCE COSTS

	2017 RM'000	2016 RM'000
Interest expense on:		
- Bank loans	149	650
- Obligations under finance lease	59	60
	<b>208</b>	<b>710</b>

## 7. OTHER EXPENSES

	2017 RM'000	2016 RM'000
Staff loan written off	-	17
Net foreign exchange loss	4,317	-
Net fair value loss on derivatives	-	472
Loss on disposal of short term investments	-	24
Write off of property, plant and equipment	7	581
	<b>4,324</b>	<b>1,094</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 8. PROFIT BEFORE TAX

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

	Note	2017 RM'000	2016 RM'000
Audit fees:			
- auditors of the Company*		270	-
- member firm of EY Global		65	-
Amortisation of leasehold land	13	341	319
Depreciation of property, plant and equipment	12	6,049	4,923
Operating lease expense		614	1,272
Employee benefits expense	9	39,277	31,950
Sub-contractor costs		37,297	31,426
Freight cost and handling charges		9,621	8,223
Utilities expenses		4,304	3,701
Inventories recognised as an expense in cost of sales	15	175,938	139,711

\* In addition to the fees disclosed, the Group incurred \$280,000 of non-audit fees (2016: nil) payable to the auditors of the Company relating to the Initial Public Offering exercise subsequent to the financial year ended 31 December 2017 which was capitalised as prepayment and was subsequently recognised as an expense upon the Company's listing on the 31 January 2018.

## 9. EMPLOYEE BENEFITS

	2017 RM'000	2016 RM'000
Employee benefits expense (including directors):		
Salaries and bonuses	37,288	30,488
Employees' Provident Fund	1,718	1,261
Other benefits	271	201
	<b>39,277</b>	<b>31,950</b>

## 10. INCOME TAX EXPENSE

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

The major components of income tax expense for the years ended 31 December 2017 and 2016 are:

	2017 RM'000	2016 RM'000
Current income tax		
- Current income taxation	12,728	13,541
- Over provision in respect of previous year	(153)	-
Real property gain tax		
- Current year	-	223
- Over provision in respect of previous year	(59)	-
Deferred income tax		
- Origination and reversal of temporary difference	1,148	(896)
- Over provision in respect of previous year	(449)	-
Income tax expense recognised in profit or loss	<b>13,215</b>	<b>12,868</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 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 2017 and 2016 is as follows:

	2017 RM'000	2016 RM'000
Profit before tax	64,116	56,314
Tax at the domestic rates applicable to profits in the countries where the Group operates	15,388	13,515
Adjustments:		
- Non-deductible expenses	762	279
- Income not subject to taxation	(17)	(1,064)
- Effects of tax exemption	(16)	(85)
- Effects of tax incentives (allowance for increased export)	(2,241)	-
- Tax impact on gain on disposal of leasehold land and building subject to real property gain tax	-	223
- Over provision of real property gain tax in respect of previous year	(59)	-
- Over provision in respect of previous years	(602)	-
Income tax expense recognised in profit or loss	13,215	12,868

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

#### Allowance for increased exports ("AIE")

AIE tax incentive 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 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 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 years ended 31 December 2017 and 2016.

	<b>2017</b>	<b>2016</b>
Profit of the year attributable to owners of the Company (RM'000)	<b>50,901</b>	43,446
Weighted average number of ordinary shares ('000)	<b>40,000</b>	40,000
Basic and diluted earnings per share ("EPS") (RM)	<b>1.27</b>	1.09

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 2017 and 2016.

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 of basic and diluted earnings per shares for the financial years ended 31 December 2017 and 2016 would be as follows:

	<b>2017</b>	<b>2016</b>
Profit of the year attributable to owners of the Company (RM'000)	<b>50,901</b>	43,446
Weighted average number of ordinary shares ('000)	<b>489,144</b>	489,144
Basic and diluted EPS (sen)	<b>10.41</b>	8.88

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 2017 and 2016.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 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
<b>Cost</b>								
At 1 January 2016	95	94,191	30,176	5,816	4,028	463	134,769	
Additions	-	4,771	2,941	151	158	1,993	10,014	
Disposals	-	(7,772)	(148)	-	-	-	(7,920)	
Written off	-	(467)	(3,240)	(1,043)	(10)	-	(4,760)	
Reclassification	-	14	449	-	-	(463)	-	
At 31 December 2016 and 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	<b>95</b>	<b>94,411</b>	<b>38,548</b>	<b>5,591</b>	<b>5,106</b>	<b>3,940</b>	<b>147,691</b>	
<b>Accumulated depreciation</b>								
At 1 January 2016	-	7,209	18,022	2,385	1,711	-	29,327	
Depreciation charge for the year	-	1,891	2,109	448	475	-	4,923	
Disposals	-	(827)	(102)	-	-	-	(929)	
Written off	-	(49)	(3,152)	(968)	(10)	-	(4,179)	
At 31 December 2016 and 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	-	<b>10,091</b>	<b>18,908</b>	<b>2,196</b>	<b>2,422</b>	-	<b>33,617</b>	
<b>Net carrying amount</b>								
At 31 December 2016	95	82,513	13,301	3,059	2,000	1,993	102,961	
At 31 December 2017	<b>95</b>	<b>84,320</b>	<b>19,640</b>	<b>3,395</b>	<b>2,684</b>	<b>3,940</b>	<b>114,074</b>	

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 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 RM840,000 (2016: RM70,000) by means of finance leases. The cash outflow on acquisition of property, plant and equipment amounted to of RM17,409,000 (2016: RM8,777,000).

The carrying amount of motor vehicles held under finance leases at the end of the reporting period were RM2,105,000 (2016: RM1,602,000).

### Assets pledged as security

In addition to assets held under finance leases, the Group's buildings with a carrying amount of RM20,092,000 (2016: RM20,206,000) are pledged to secure the Group's bank borrowings (Note 18).

## 13. LEASEHOLD LAND

	Group	
	2017 RM'000	2016 RM'000
<b>Cost</b>		
At 1 January	15,159	12,017
Additions	-	4,512
Disposal	-	(1,370)
At 31 December	<b>15,159</b>	15,159
<b>Accumulated amortisation</b>		
At 1 January	1,046	879
Amortisation for the year	341	319
Disposal	-	(152)
At 31 December	<b>1,387</b>	1,046
<b>Net carrying amount</b>		
At 31 December	<b>13,772</b>	14,113

The Group has leasehold land over 14 (2016: 14) plots of state-owned land in Malaysia where the Group's Malaysia manufacturing and storage facilities reside. The leasehold land are transferrable when consent is obtained from the state authority and have a remaining tenure of 36 to 52 years (2016: 37 to 53).

The right of use of the land over the lease term with an aggregate carrying value of RM4,181,000 (2016: RM5,068,000) are pledged to financial institutions for bank borrowings as disclosed to in Note 18.

## 14. INVESTMENT IN SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
Unquoted equity shares, at cost	<b>20,234</b>	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

### *Composition of the Group*

The Group has the following investments in subsidiaries as at the financial years ended 31 December:

Name of subsidiaries	Principal place of business	Principal activities	Proportion (%) of ownership interest	
			2017	2016
<i>Held by the Company:</i>				
LY Furniture Sdn. Bhd. <sup>(1) (2)</sup>	Malaysia	Manufacturing of all kinds of wooden furniture	100.00	100.00
<i>Held through LY Furniture Sdn. Bhd</i>				
LY Global Hub Sdn. Bhd. <sup>(3)</sup>	Malaysia	Trading of all kinds of furniture, related products and materials and providing management and support services	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 2017.

## 15. INVENTORIES

	Group	
	2017 RM'000	2016 RM'000
<b>Consolidated statement of financial position:</b>		
Raw materials	24,465	19,184
Work-in-progress	12,647	14,473
Finished goods	4,239	7,153
	<b>41,351</b>	<b>40,810</b>
<b>Consolidated statement of comprehensive income:</b>		
Inventories recognised as an expense in cost of sales	<b>175,938</b>	<b>139,711</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Current</b>				
Trade receivables	22,383	15,086	-	-
Amount due from related parties (trade)	203	57	-	-
Amount due from the ultimate holding company (non-trade)	19	-	-	-
Deposit	368	409	-	-
Other receivables	5,566	3,088	-	-
Total trade and other receivables	28,539	18,640	-	-
Add: Cash and cash equivalents (Note 17)	31,103	49,468	-*	-*
Less: GST receivable	(4,927)	(2,789)	-	-
Total loans and receivables	54,715	65,319	-	-

### Trade receivables

Trade receivables are non-interest bearing and are generally on 7 to 30 days (2016: 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 31 December are as follows:

	Group	
	2017 RM'000	2016 RM'000
United States Dollar	21,769	13,630

### Related party balances

Amounts due from the related parties and the ultimate holding company are unsecured, non-interest bearing, repayable upon demand and are to be settled by cash.

### Receivables that are past due but not impaired

The Group has trade receivables amounting to RM7,478,000 (2016: RM254,000) 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 end of the reporting periods are as follows:

	Group	
	2017 RM'000	2016 RM'000
Less than 30 days	7,472	254
30 to 60 days	6	-
	7,478	254



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash at banks and on hand	31,103	49,468	-*	-*

\* Less than RM1,000

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

Cash and cash equivalents denominated in currency other than functional currency of each entity as at 31 December are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
United States Dollar	22,858	31,019	-	-

## 18. LOANS AND BORROWINGS

	Group	
	2017 RM'000	2016 RM'000
<b>Current:</b>		
Bankers' acceptance	-	4,259
Obligations under finance leases (Note 26(d))	563	403
Short term trade financing	7,758	-
	<b>8,321</b>	4,662
<b>Non-current:</b>		
Obligations under finance leases (Note 26(d))	977	698
	<b>977</b>	698
Total loans and borrowings	<b>9,298</b>	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 4.80% (2016: 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	
	2017	2016
Bankers' acceptance	-	4.57
Short-term trade financing	1.93	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 18. LOANS AND BORROWINGS (CONTINUED)

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

A reconciliation of liabilities arising from financing activities is as follows:

	2016 RM'000	Cash flows RM'000	Non-cash changes			2017 RM'000
			Addition RM'000	Foreign exchange movement RM'000	Other 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	(471)	56	-	505	563
- non-current	698	-	784	-	(505)	977
Total	5,360	3,019	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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade payables	22,965	19,882	-	-
Other payables	6,097	3,964	157	-
Amount due to related parties (trade)	1,497	415	-	-
Amount due to a subsidiary (non-trade)	-	-	5,013	2,114
Total trade and other payables	30,559	24,261	5,170	2,114
Add: Accrued operating expense (Note 20)	4,768	6,512	270	-
Add: Loans and borrowings (Note 18)	9,298	5,360	-	-
Total financial liabilities carried at amortised cost	44,625	36,133	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 (2016: one month to four months).

Trade payables denominated in foreign currency as at 31 December are as follows:

	Group	
	2017 RM'000	2016 RM'000
United States Dollar	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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 20. OTHER LIABILITIES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Accrued operating expenses	4,768	5,345	270	-
Advances from customers	41	-	-	-
Accrual for purchase of equipment	-	1,167	-	-
	<b>4,809</b>	<b>6,512</b>	<b>270</b>	<b>-</b>

### 21. DERIVATIVE LIABILITIES

	Group	
	Contract/ notional amount RM'000	Liabilities RM'000
<b>31 December 2016</b>		
<b>Current</b>		
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		<u>2,484</u>

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 year ended 31 December 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.

### 22. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	Group			
	Combined statement of financial position		Combined statement of comprehensive income	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<i>Deferred tax liabilities:</i>				
Differences in depreciation for tax purposes	<b>(12,841)</b>	(12,142)	<b>(699)</b>	896

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 23. SHARE CAPITAL

	Group and Company			
	2017		2016	
	No. of shares	RM'000	No. of shares	RM'000
<b><i>Issued and fully paid ordinary shares</i></b>				
At 24 October 2016(date of incorporation)/1 January 2017	1	-*	1	-*
Issuance of new shares <sup>(1)</sup>	19,999,999	4,500	-	-
Issue of new shares and effect of adjustment pursuant to the Restructuring Exercise <sup>(2)</sup>	20,000,000	15,734		
At 31 December	40,000,000	20,234	1	-*

\* Less than RM1,000

- 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).
- 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 without restrictions. The ordinary share has no par value.

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 exercise, 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 equity of the subsidiary pursuant to the Restructuring Exercise as described in Note 1.2 of the financial statements.

## 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	
	2017 RM'000	2016 RM'000
<b>Director-related companies<sup>^</sup>:</b>		
Sale of goods <sup>@</sup>	3,337	1,390
Sale of property, plant and equipment, and leasehold land	11	9,407
Rental received	482	490
Rental paid	(156)	(150)
Purchase of goods <sup>#</sup>	(16,030)	(9,911)
Sub-contractor costs	(13,166)	(11,870)
Purchase of plant and equipment	-	(55)
<b>Related party:</b>		
Rental paid to a director of the subsidiary	(18)	(18)

<sup>^</sup> Director-related companies are companies which are controlled or jointly controlled by the directors of the Group.

<sup>@</sup> Sales of goods includes sales of indirect materials, raw materials and finished goods.

<sup>#</sup> Purchases of goods includes purchases of indirect materials and raw materials.

The directors are of the opinion that the above transactions were entered into in the normal course of business and have been established on terms and conditions which were mutually agreed between the relevant parties.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 25. RELATED PARTY DISCLOSURES (CONTINUED)

### (b) *Compensation of key management personnel*

	Group	
	2017 RM'000	2016 RM'000
Salaries and bonuses	3,741	2,300
Employee Provident Fund	358	246
	<b>4,099</b>	<b>2,546</b>
<i>Comprise amounts paid to:</i>		
Directors of the Company	2,332	1,581
Other key management personnel	1,767	965
	<b>4,099</b>	<b>2,546</b>

## 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	
	2017 RM'000	2016 RM'000
Capital commitments in respect of property, plant and equipment	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 2017 amounted to RM955,000 (2016: RM1,591,000).

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

	Group	
	2017 RM'000	2016 RM'000
Not later than one year	16	119
Later than one year but not later than two years	3	8
	<b>19</b>	<b>127</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 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	
	2017 RM'000	2016 RM'000
Not later than one year	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:

	Group	
	2017 RM'000	2016 RM'000
<b>Future minimum lease payments:</b>		
Not later than one year	621	444
Later than one year and not later than five years	1,043	730
Total minimum lease payments	1,664	1,174
Less: Amounts representing finance charges	(124)	(73)
Present value of minimum lease payments	1,540	1,101

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 27. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

### (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	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
<b>31 December 2016</b>				
<i>Liabilities measured at fair value</i>				
Derivatives liabilities (Note 21)	2,484	-	2,484	-
<b>31 December 2017</b>				
<i>Liabilities measured at fair value</i>				
Derivatives liabilities (Note 21)	-	-	-	-

### (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.

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is 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.

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 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 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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

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.

#### Exposure to credit risk

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.

#### Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country sector 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	%
<b>31 December 2016:</b>		
By country:		
United States of America	12,399	82.2
Malaysia	1,078	7.1
Others	1,609	10.7
	<b>15,086</b>	<b>100.0</b>
<b>31 December 2017:</b>		
By country:		
United States of America	<b>16,598</b>	<b>76.5</b>
Malaysia	<b>3,969</b>	<b>15.1</b>
Others	<b>1,816</b>	<b>8.4</b>
	<b>22,383</b>	<b>100.0</b>

At the end of the reporting period approximately 76.9% (2016: 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.

#### Financial assets that are either past due or impaired

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (b) *Liquidity risk*

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

To ensure continuity of funding, the Group's policy is to manage the debt maturity profile, operating cash flows and the availability of funding to support the operating cycle of the business.

#### 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.

	<b>On demand or within one year RM'000</b>	<b>One to five years RM'000</b>	<b>Total RM'000</b>
<b>31 December 2016</b>			
<b>Financial assets</b>			
Trade and other receivables (net of GST receivable)	15,851	-	15,851
Cash and cash equivalents	49,468	-	49,468
	65,319	-	65,319
<b>Financial liabilities</b>			
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
<b>31 December 2017</b>			
<b>Financial assets</b>			
Trade and other receivables (net of GST receivable)	23,612	-	23,612
Cash and cash equivalents	31,103	-	31,103
	54,715	-	54,715
<b>Financial liabilities</b>			
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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### (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 (2016: RM5,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the current observable market environment.

### (d) *Foreign currency risk*

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

The Group is exposed to transactional currency risk primarily through sales that are denominated in a currency other than the respective functional currencies of the Group entities. The currency giving rise to this risk is primarily United States Dollars ("USD"). Approximately 89.9% (2016: 99.8%) of the Group's sales are denominated in foreign currencies whilst almost 84.6% (2016: 78.5%) 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.

### (d) *Foreign currency risk*

The Group also hold cash and short-term deposits 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.

	2017 RM'000	2016 RM'000
USD/RM		
- strengthen by 9% (2016: 5%)	3,044	2,137
- weaken by 9% (2016: 5%)	<b>(3,044)</b>	<b>(2,137)</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 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 2017 and 2016.

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.

	2017 RM'000	2016 RM'000
Loans and borrowings	9,298	5,360
Equity attributable to the owners of the Company	173,768	173,367
Gearing ratio	5.3%	3.1%

## 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) Others

### Geographical information

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

	2017 RM'000	2016 RM'000
<b>Revenue</b>		
Malaysia	35,578	38,410
United States of America	284,858	221,897
Others	30,208	27,072
	<b>350,644</b>	<b>287,379</b>
<b>Non-current assets</b>		
Malaysia	127,846	117,074

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 30. SEGMENT INFORMATION (CONTINUED)

### Geographical information (Continued)

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 (2016: three) major customers amount to RM218,579,000 (2016: RM181,251,000).

## 31. DIVIDENDS

	2017 RM'000	2016 RM'000
<b>Declared and paid during the financial year</b>		
Interim single tier dividend for 2017: RM40 (2016: RM40) per share paid by LYFSB to its then existing shareholders	<b>20,000</b>	20,000
Final single tier dividend for 2016: RM70 (2015: RM36) per share paid by LYFSB to its then existing shareholders	<b>35,000</b>	18,000
<b>Proposed but not recognised as a liability as at 31 December:</b>		
<i>Dividends on ordinary shares, subject to shareholders' approval at the AGM:</i>		
- Final exempt (one-tier) dividend for 2017: 2.37 sen (2016: Nil) per share	<b>11,587</b>	-

On 5 June 2017, the Directors of LYFSB recommended a final single tier dividend of 7,000%, RM70 per share, amounting to RM35,000,000 for the financial year ended 31 December 2016. This dividend was subsequently approved by the shareholders during the Annual General Meeting held on 30 June 2017. Accordingly, it has not been recognised as a liability as at 31 December 2016 and recorded the dividend during the year.

On 14 November 2017, the Directors of LYFSB declared an interim single tier dividend for the financial year ending 31 December 2017 amounting to RM20,000,000.

## 32. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 29 March 2018.

## STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2018

### SHARE CAPITAL AND VOTING RIGHTS

Number of shares issued	:	489,144,200
Issued and fully paid-up capital	:	\$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	3	0.75	2,500	0.00
1,001 - 10,000	99	24.75	728,500	0.15
10,001 - 1,000,000	288	72.00	37,428,100	7.65
1,000,001 AND ABOVE	10	2.50	450,985,100	92.20
<b>TOTAL</b>	<b>400</b>	<b>100.00</b>	<b>489,144,200</b>	<b>100.00</b>

### TWENTY ONE LARGEST SHAREHOLDERS AS AT 15 MARCH 2018

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	20,337,000	4.16
4	DB NOMINEES (S) PTE LTD	9,224,900	1.89
5	CGS-CIMB SECURITIES (S) PTE LTD	2,665,200	0.54
6	TANG HEE SUNG	1,790,000	0.37
7	RHB SECURITIES SINGAPORE PTE LTD	1,550,300	0.32
8	DBS NOMINEES PTE LTD	1,156,000	0.24
9	CHANG CHING CHAU @ TEW KING CHANG	1,134,000	0.23
10	OCBC SECURITIES PRIVATE LTD	1,081,500	0.22
11	PHILLIP SECURITIES PTE LTD	873,900	0.18
12	TAN AI LUANG	800,000	0.16
13	LAU CHIA EN	788,462	0.16
14	TAN FIE PING	780,000	0.16
15	TAN YI ZE	780,000	0.16
16	TAN YANG SENG (CHEN YINGSHENG)	750,000	0.15
17	KHOR KENG SEAH	710,000	0.15
18	LIM POH HUNG	630,000	0.13
19	KOH PI HWEI	620,000	0.13
20	NEO PUAY KEONG	610,000	0.12
21	PHUA WEE HONG	610,000	0.12
	<b>TOTAL</b>	<b>458,937,462</b>	<b>93.82</b>

## STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2018

### Substantial Shareholders as at 15 March 2018

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Lian Yu Holdings Pte. Ltd.	352,305,400	72.03	-	
Crown Leap Limited	59,740,800	12.21	-	
Tan Kwee Chai <sup>(1)</sup>	-	-	352,305,400	72.03
Tan Kwee Lim <sup>(2)</sup>	-	-	352,305,400	72.03
Shen Min-Hui <sup>(3)</sup>	-	-	59,740,800	12.21

(1) Mr Tan Kwee Chai is deemed to be interested in the shares of the Company held by Lian Yu Holdings Pte. Ltd. through his 43.17% interest held in Lian Yu Holdings Pte. Ltd.

(2) Mr Tan Kwee Lim is deemed to be interested in the shares of the Company held by Lian Yu Holdings Pte. Ltd. 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 15.28% of the shareholding of the Company is held in the hands of the public as at 15 March 2018 and Rule 723 of the Catalist Rules is complied with.

## NOTICE OF THE FIRST ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the First 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 Monday, 23 April 2018 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 2017 together with the Independent Auditors' Report thereon. **(Resolution 1)**
2. To declare a tax-exempt (one-tier) special dividend of S\$0.0078 per ordinary share in respect of the financial year ended 31 December 2017. **(Resolution 2)**
3. To approve the proposed Directors' fees of up to S\$150,000 for the financial year ending 31 December 2018, to be paid quarterly in arrears. **(Resolution 3)**
4. To re-elect Mr Tan Yong Chuan 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 the following Directors of the Company who retired pursuant to Regulation 102 of the Constitution of the Company:-
  - (a) Mr Tan Kwee Chai *[See Explanatory Note (b)]* **(Resolution 5)**
  - (b) Ms Tan Ai Luang *[See Explanatory Note (c)]* **(Resolution 6)**
  - (c) Mr Lee Dah Khang *[See Explanatory Note (d)]* **(Resolution 7)**
  - (d) Mr Oh Seong Lye *[See Explanatory Note (e)]* **(Resolution 8)**
  - (e) Mr Yeo Kian Wee Andy *[See Explanatory Note (f)]* **(Resolution 9)**
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 10)**
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 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:

- (i) 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 FIRST 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 (g)]*

**(Resolution 11)**

### 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 (h)]*

**(Resolution 12)**

### 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 6 April 2018 (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 FIRST 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 (i)]*

**(Resolution 13)**

By Order of the Board

Ong Bee Choo  
Company Secretary

6 April 2018  
Singapore

### Explanatory Notes:

- (a) Key information on Mr Tan Yong Chuan, who is seeking re-election as a Director of the Company, is found on page 9 of the Annual Report. Mr Tan Yong Chuan is the Executive Director and Chief Executive Officer of the Company, son of Mr Tan Kwee Chai, who is the Executive Chairman of the Company and cousin of Ms Tan Ai Luang, who is an Executive Director of the Company. Mr Tan Yong Chuan will remain as the Member of Nominating Committee upon re-election as a Director of the Company.
- (b) Key information on Mr Tan Kwee Chai, who is seeking re-election as a Director of the Company, is found on page 9 of the Annual Report. Details of the share interests of Mr Tan Kwee Chai in the Company can be found on pages 44 to 45 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, Executive Director of the Company.
- (c) Key information on Ms Tan Ai Luang, who is seeking re-election as a Director of the Company, is found on page 10 of the Annual Report. Ms Tan Ai Luang holds 0.164% direct interest in the share capital of the Company and she is also the Executive Director of the Company, niece of Mr Tan Kwee Chai and cousin of Mr Tan Yong Chuan.
- (d) Key information of Mr Lee Dah Khang, who is seeking re-election as a Director of the Company, is found on page 10 of the Annual Report. Mr Lee Dah Khang will remain as the Lead Independent Director, Chairman of the Nominating Committee, as well as the Member of the Audit 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 Lee Dah Khang holds 0.016% direct interest in the share capital of the Company and has no relationships with the Company and its 10% shareholders or its Directors.
- (e) Key information of Mr Oh Seong Lye, who is seeking re-election as a Director of the Company, is found on page 11 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 holds 0.024% direct interest in the share capital of the Company and has no relationships with the Company and its 10% shareholders or its Directors.
- (f) Key information of Mr Yeo Kian Wee Andy, who is seeking re-election as a Director of the Company, is found on page 11 of the Annual Report. Mr Yeo Kian Wee Andy will remain as the Independent Director, Chairman of the Remuneration Committee and Member of the Audit Committee respectively 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 Yeo Kian Wee Andy holds 0.024% direct interest in the share capital of the Company and has no relationships with the Company and its 10% shareholders or its Directors.
- (g) The proposed ordinary resolution 11, 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.
- (h) The proposed ordinary resolution 12, 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.
- (i) The proposed ordinary resolution 13, 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.

## NOTICE OF THE FIRST ANNUAL GENERAL MEETING

### Notes:

- (1) A member of the Company (other than a "Relevant Intermediary") entitled to attend and vote at the First 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 Act.  
  
"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.
- (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 First 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.

# LY CORPORATION LIMITED

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

## PROXY FORM

### 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 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 First Annual General Meeting dated 6 April 2018.**

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 First 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 Monday, 23 April 2018 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 First 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 First AGM and at any adjournment thereof. If no person is named in the above boxes, the Chairman of the First AGM shall be \*my/our proxy to vote, for or against the Resolutions to be proposed at the First AGM as indicated hereunder, for \*me/us and on \*my/our behalf at the First AGM and at any adjournment thereof.

No.	Resolutions	**For	**Against
<b>ORDINARY BUSINESS</b>			
1.	Adoption of the Directors' Statement, Audited Financial Statements and the Independent Auditors' Report thereon.		
2.	Declaration of special dividend.		
3.	Approval for payment of Directors' fees for the financial year ending 31 December 2018, payable quarterly in arrears.		
4.	Re-election of Mr Tan Yong Chuan as a Director of the Company.		
5.	Re-election of Mr Tan Kwee Chai as a Director of the Company.		
6.	Re-election of Mr Tan Ai Luang as a Director of the Company.		
7.	Re-election of Mr Lee Dah Khang as a Director of the Company.		
8.	Re-election of Mr Oh Seong Lye as a Director of the Company.		
9.	Re-election of Mr Yeo Kian Wee Andy as a Director of the Company.		
10.	Re-appointment of Messrs Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.		
<b>SPECIAL BUSINESS</b>			
11.	Authority to allot and issue shares.		
12.	Authority to allot and issue shares under the LY Performance Share Plan.		
13.	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 \_\_\_\_\_, 2018

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.
  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.

AFFIX  
POSTAGE  
STAMP

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

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.

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# 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://www.lyfurniture.com>

Company registration number 201629154K

## COMPANY SECRETARIES

Ong Bee Choo, ACIS  
Pan Mi Keay, ACIS

## CONTINUING SPONSOR

UOB Kay Hian Pte. Ltd.  
8 Anthony Road #01-01  
Singapore 229957

## PRINCIPAL BANKER

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

## AmBank (M) Berhad

Bangunan AmBank Group  
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50200 Kuala Lumpur, Malaysia

## OCBC Bank (Malaysia) Berhad

Menara OCBC  
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50050 Kuala Lumpur, Malaysia

## INDEPENDENT AUDITORS

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(Appointed since financial year ended 31 December 2016)

## SHARE REGISTRAR

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## **LY CORPORATION LIMITED**

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

(Company Registration Number: 201629154K)

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