LY CORPORATION LIMITED

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

OFFER DOCUMENT DATED 18 JANUARY 2018
(Registered by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), acting as agent on behalf of the Monetary Authority of Singapore (the "**Authority**") on 18 January 2018)

PLACEMENT IN RESPECT OF 75,848,000 PLACEMENT SHARES COMPRISING 61,174,200 NEW SHARES AND 14,673,800 VENDOR SHARES, AT S$0.26 FOR EACH PLACEMENT SHARE, PAYABLE IN FULL ON APPLICATION.

This document is important. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax or other professional adviser(s).

UOB Kay Hian Private Limited (the "**Sponsor, Issue Manager and Placement Agent**"), on behalf of LY Corporation Limited (our "**Company**"), has made an application to the SGX-ST for permission to deal in, and for the listing and quotation of, all the ordinary shares (the "**Shares**") in the capital of our Company already issued (including the Vendor Shares (as defined herein)) and the new shares (the "**New Shares**") which are the subject of this Placement (as defined herein), the Consultant Shares (as defined herein), the Introducer Shares (as defined herein) and the new Shares which may be issued pursuant to the awards (the "**Awards**") to be granted under the Performance Share Plan (as defined herein) (the "**Award Shares**") on Catalist (as defined herein). Acceptance of applications will be conditional upon, *inter alia*, permission being granted by the SGX-ST for the listing and quotation of all our existing issued Shares, the New Shares, the Consultant Shares, the Introducer Shares and the Award Shares on Catalist. Monies paid in respect of any application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom, if the admission and listing do not proceed, and you will not have any claim against the Sponsor, Issue Manager and Placement Agent. The dealing in and quotation of the Shares will be in Singapore dollars.

Companies listed on Catalist may carry higher investment risk when compared with larger or more established companies listed on the Main Board of the SGX-ST. In particular, companies may list on Catalist without a track record of profitability and there is no assurance that there will be a liquid market in the shares or units of shares traded on Catalist. You should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with your professional adviser(s).

This Placement is made in or accompanied by this Offer Document that has been registered by the SGX-ST acting as agent on behalf of the Authority. We have not lodged or registered this Offer Document in any other jurisdiction.

Neither the Authority nor the SGX-ST has examined or approved the contents of this Offer Document. Neither the Authority nor the SGX-ST assumes any responsibility for the contents of this Offer Document, including the correctness of any of the statements or opinions made or reports contained in this Offer Document. The SGX-ST does not normally review the application for admission but relies on the Sponsor confirming that our Company is suitable to be listed and complies with the Catalist Rules (as defined herein). Neither the Authority nor the SGX-ST has in any way considered the merits of our Shares or units of Shares being offered for investment. The registration of this Offer Document by the SGX-ST, acting as agent on behalf of the Authority, does not imply that the Securities and Futures Act (Chapter 289) of Singapore, or any other legal or regulatory requirements, or requirements under the SGX-ST's listing rules, have been complied with.

Investing in our Shares involves risks which are described in the section entitled "Risk Factors" of this Offer Document.

After the expiration of six (6) months from the date of registration of this Offer Document, no person shall make an offer of securities, or allot, issue or sell any securities, on the basis of this Offer Document; and no officer or equivalent person or promoter of our Company will authorise or permit the offer of any securities or the allotment, issue or sale of any securities, on the basis of this Offer Document.

Sponsor, Issue Manager and Placement Agent

UOB KayHian

UOB KAY HIAN PRIVATE LIMITED
(Company Registration Number: 197000447W)
(Incorporated in the Republic of Singapore)

CORPORATE PROFILE

LY Corporation Limited and its subsidiaries (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 manufacture of custom wooden bedroom furniture, and the manufacture of wooden bedroom furniture which may be tailored to customers' specifications and requirements on an original equipment manufacturer ("OEM") basis.

As at 15 December 2017 ("Latest Practicable Date"), the Group operates from 15 factories and warehouses, occupying a combined built-up area of approximately 1.4 million sq ft. Its products are sold mainly to overseas dealers such as furniture wholesalers and retailers who (i) generally resell the products to end-users through their respective retail networks, and (ii) domestic customers who are primarily third party agents who typically export and resell its products outside Malaysia, such as to the U.S.

INDUSTRY RANKING

We are ranked among the major Malaysian wooden furniture manufacturing companies:

1st

Net Profit Margin
(FY2015–FY2016)

2nd

CAGR of After-Tax Profit
(FY2014–FY2016)

3rd

CAGR of Revenue
(FY2014–FY2016)

Source: Industry Report "Wood Furniture Manufacturing for Export in Malaysia", 19 October 2017, Converging Knowledge Pte Ltd, pp. 10–12

COMPETITIVE STRENGTHS

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

- Track record of approximately 40 years in the furniture industry
- Long-standing relationships with customers and agents
- Repeat business accounted for >80% of revenue for FY2016
- Core competencies in customisation, design and manufacture of wooden furniture

2 Strong in-house design and development capabilities

- In-house design team recruited based on stringent criteria, including market and industry knowledge and design skills
- Aim to continually introduce unique and innovative designs that appeal to consumers, and to keep up with trends in the market and stay competitive

3 Established subcontractor network

- Reduces manpower reliance and costs
- Supports various production processes
- Bulk purchases of raw materials required by us and our subcontractors allows us to enjoy cost efficiencies and able to control quality of raw materials used
- Close proximity with subcontractors shorten transportation time and allow close monitoring of product quality & work progress
- As at the Latest Practicable Date, we work with 19 subcontractors, some of which have worked with us for more than 10 years

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

- Maintaining sufficient raw material inventories
- Incorporating automation into production processes
- Implementing an integrated process management system (LY-6M system)

5 Experienced and committed management team

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

INVESTMENT HIGHLIGHTS

1 One of the leading Malaysian wooden furniture manufacturers. Among the major Malaysian wooden bedroom furniture manufacturing companies:[1]

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

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

2 Developed an integrated real-time monitoring and management system ("LY-6M system") with a software company

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

3 Tax incentives from the Malaysian Investment Development Authority

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

(i) Full income tax exemption on value-added income for five (5) years on Services and Trading income commencing on the 2018 year of assessment, and

(ii) 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

SPECIAL DIVIDEND OF 3% OF THE PLACEMENT PRICE

4 Intend to recommend and distribute a special dividend for FY2017, representing a payout per share equivalent to 3.0% of the Placement Price, to be approved at a general meeting to be held within 3 months after Listing*

DISTRIBUTION OF 40% OF NET PROFIT AFTER TAX

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*

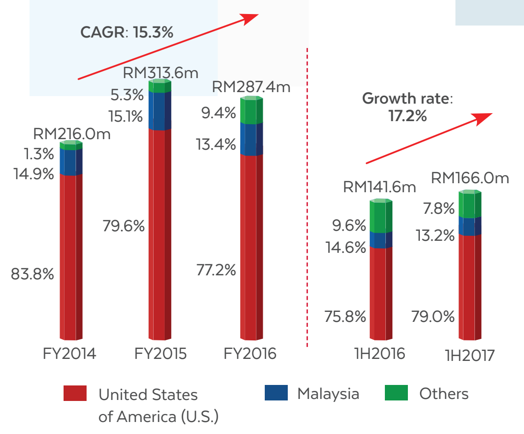
Note 1: According to the Industry Report "Wood Furniture Manufacturing for Export in Malaysia", 19 October 2017, Converging Knowledge Pte Ltd

*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. Please refer to the section entitled "Dividend Policy" of the Offer Document for further details. Average dividend payout ratio between FY2014 and FY2016 was 43.8%.

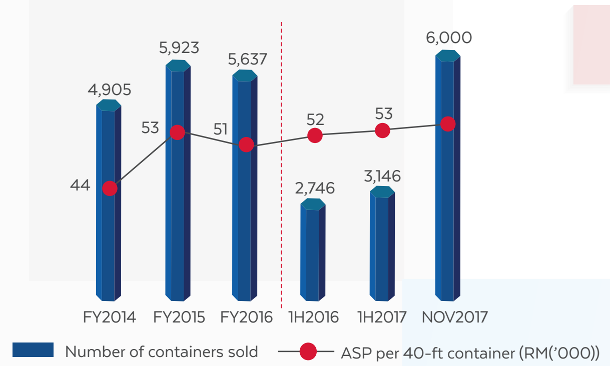
FINANCIAL HIGHLIGHTS

(RM'000)	FY2014	FY2015	FY2016	1H2016	1H2017
Revenue	216,036	313,569	287,379	141,597	166,007
Gross profit	35,731	88,085	74,876	37,902	39,582
Gross profit margin	16.5%	28.1%	26.1%	26.8%	23.8%
Profit before tax	22,327	67,464	56,314	23,620	28,477
Profit attributable to owners of the Company	17,336	52,656	43,446	17,749	21,588

Revenue by Geography



Number of 40-ft containers Sold (RM'000)



Note 2: As at 30 November 2017, we have sold approximately 6,000 40-ft containers with an average selling price of approximately RM53,000 per 40-ft container. Barring unforeseen circumstances, we expect our revenue for FY2017 to be higher than that of FY2016.

KEY FINANCIAL RATIOS

(RM'000)		FY2014	FY2015	FY2016	1H2017
Liquidity Ratios	Current Ratio	2.3	3.0	2.6	1.8
	Quick Ratio	1.3	2.1	1.7	1.2
Leverage Ratios	Interest Coverage	16.6	50.0	79.5	236.9
	Debt-to-Equity	0.3	0.2	0.03	0.05
Management Efficiency Ratio	Average Trade Receivables' Turnover Days	14.8	12.3	17.8	16.2
	Average Trade Payables' Turnover Days	39.6	35.9	43.4	42.0
	Average Inventory Turnover Days	66.5	61.9	68.4	56.6
	Cash Conversion Cycle	41.7	38.3	42.8	30.8

BUSINESS STRATEGIES & FUTURE PLANS

1 Expand sales network in the PRC
- The Group believes there is high demand for our products in the PRC, due to the quality of our products and the competitive prices we offer

2 Upgrade machinery and equipment and acquire new technology
- To increase productivity and achieve cost efficiency, as well as increase existing capability
- To replace aging machinery with new machinery including advanced and automated woodworking machinery and robotic spraying arms

3 Construction of additional facilities
- To enhance manufacturing and service capacity and capability by possibly acquiring new premises
- A new hostel to house all our foreign workers which will be built upon approximately 1.9 acres of land (within walking distance from our factories)

4 Explore investments, mergers and acquisitions, joint ventures and/or strategic collaborations
- Strengthen competitive advantage by enhancing our core capabilities and giving us access to new markets, customers and businesses.

PROSPECTS[3]

1 Malaysia is a dominant player in the world's furniture market
- Demand for wooden furniture manufactured in Malaysia is expected to grow at a CAGR of 5.0% annually from 2017 to 2021

2 Strong demand from the U.S.
- U.S. wooden household furniture imports are expected to grow at a CAGR of 3.7% from 2017 to 2020, reaching US$13.2 billion by 2020

3 Potential demand growth from PRC
- PRC's import of wooden furniture increased by 79.8% from 2011 to US$563.6 million in 2016

4 Weakening of the Malaysian Ringgit against the US Dollar has made Malaysian furniture imports more attractive to the U.S.
- The Ringgit has depreciated approximately 33% against the USD from 2013 to 2016

5 Support and incentives from the government and industry associations for Malaysian furniture manufacturers to boost their productivity
- The Malaysian government and relevant government-related bodies, as well as associations, are helping Malaysian wooden furniture manufacturers to streamline their production and develop high value products

6 Malaysia is being recognised as a producer of quality furniture
- With more than three decades of track record in furniture manufacturing, the furniture manufacturing industry in Malaysia is well-perceived as a producer of quality furniture

7 Improving manufacturing processes further elevates industry capabilities

Note 3: According to the Industry Report "Wood Furniture Manufacturing for Export in Malaysia", 19 October 2017, Converging Knowledge Pte Ltd

AWARDS & ACCREDITATIONS

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

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

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

2006
- Best Performing Company Award 2005

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

2009
- Asian Furniture Leadership Award
- Corporate Social Responsibility Award

2013
- Award of Industrial Excellence in the category of Furniture Factory

2015
- Eminent Eagle Award (no placement)

2016
- Eminent Eagle Award (2nd place)

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CORPORATE INFORMATION

BOARD OF DIRECTORS	:	Tan Kwee Chai (Executive Chairman) Tan Yong Chuan (Executive Director and CEO) Tan Ai Luang (Executive Director) Lee Dah Khang (Lead Independent Director) Oh Seong Lye (Independent Director) Yeo Kian Wee Andy (Independent Director)
JOINT COMPANY SECRETARIES	:	Ong Bee Choo (ACIS) and Pan Mi Keay (ACIS)
REGISTERED OFFICE	:	80 Robinson Road #02-00 Singapore 068898
SHARE REGISTRAR AND SHARE TRANSFER AGENT	:	**Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.)** 80 Robinson Road #02-00 Singapore 068898
SPONSOR, ISSUE MANAGER AND PLACEMENT AGENT	:	**UOB Kay Hian Private Limited** 8 Anthony Road #01-01 Singapore 229957
SOLICITORS TO THE PLACEMENT AND LEGAL ADVISER TO OUR COMPANY AS TO SINGAPORE LAW	:	**Dentons Rodyk & Davidson LLP** 80 Raffles Place #33-00, UOB Plaza 1 Singapore 048624
SOLICITORS TO THE SPONSOR, ISSUE MANAGER AND PLACEMENT AGENT AS TO SINGAPORE LAW	:	**Equity Law LLC** 7 Temasek Boulevard #43-03 Suntec Tower One Singapore 038987
LEGAL ADVISER TO OUR COMPANY ON MALAYSIA LAW	:	**Jeff Leong, Poon & Wong** B-11-8, Level 11, Megan Avenue II Jalan Yap Kwan Seng 50450 Kuala Lumpur, Malaysia
INDEPENDENT AUDITOR AND REPORTING ACCOUNTANT	:	**Ernst & Young LLP** One Raffles Quay Level 18 North Tower Singapore 048583 Partner-in-charge: Low Bek Teng (Chartered Accountant, a member of the Institute of Singapore Chartered Accountants)

CORPORATE INFORMATION

INDEPENDENT FINANCIAL ADVISER	:	**Xandar Capital Pte. Ltd.** 3 Shenton House #24-02 Shenton House Singapore 068805
INDEPENDENT MARKET RESEARCHER	:	**Converging Knowledge Pte Ltd** 20 Maxwell Road #09-16, Maxwell House Singapore 069113
PRINCIPAL BANKERS	:	**AmBank (M) Berhad** Bangunan AmBank Group No. 55, Jalan Raja Chulan 50200 Kuala Lumpur, Malaysia **OCBC Bank (Malaysia) Berhad** Menara OCBC 18, Jalan Tun Perak 50050 Kuala Lumpur, Malaysia
RECEIVING BANK	:	**The Bank of East Asia, Limited** Singapore Branch 60 Robinson Road BEA Building Singapore 068892
VENDOR	:	**Lian Yu Holdings Pte. Ltd.** 80 Robinson Road #02-00 Singapore 068898

In this Offer Document and the accompanying Application Forms, the following definitions apply where the context so admits:

Companies within our Group

"Company"	:	LY Corporation Limited
"Group"	:	Our Company and its subsidiaries pursuant to the Restructuring Exercise
"Group Company"	:	Any of (i) our Company or (ii) any subsidiary of our Company as of the date of this Offer Document
"LYFSB"	:	LY Furniture Sdn. Bhd.
"LYGH"	:	LY Global Hub Sdn. Bhd.

Other Corporations and Agencies

"Authority"	:	The Monetary Authority of Singapore
"CDP"	:	The Central Depository (Pte) Limited
"CPF"	:	The Central Provident Fund
"Independent Auditor and Reporting Accountant"	:	Ernst & Young LLP
"Independent Market Researcher"	:	Converging Knowledge Pte Ltd
"Lian Yu"	:	Lian Yu Furniture Co.
"MIDA"	:	Malaysian Investment Development Authority
"MITI"	:	Ministry of International Trade and Industry of Malaysia
"SC"	:	Securities Commission of Malaysia
"SCCS"	:	Securities Clearing and Computer Services (Pte) Limited
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Share Registrar and Share Transfer Agent"	:	Tricor Barbinder Share Registration Services
"UOBKH", "Sponsor", "Issue Manager" or "Placement Agent"	:	UOB Kay Hian Private Limited

"Vendor"	:	Lian Yu Holdings Pte. Ltd.

General

"1H"	:	Six-month financial period ended 30 June
"Application Forms"	:	The printed application forms to be used for the purpose of the Placement which form part of this Offer Document
"Application List"	:	The list of applications for subscription and/or purchase of the Placement Shares
"Associate"	:	(a) In relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual), means: (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; or (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and (b) In relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
"associated company"	:	A company in which at least 20% but not more than 50% of its shares are held by the listed company or group
"Audit Committee"	:	The audit committee of our Company as at the date of this Offer Document, unless otherwise stated
"Award Shares"	:	The Shares which are the subject of the Awards under the Performance Share Plan
"Awards"	:	The contingent awards of Shares granted or which may be granted pursuant to the Performance Share Plan
"Board" or "Board of Directors"	:	The board of Directors of our Company as at the date of this Offer Document, unless otherwise stated

"business trust"	:	Has the same meaning as in section 2 of the Business Trusts Act (Chapter 31A) of Singapore
"Catalist"	:	The sponsor-supervised listing platform of the SGX-ST
"Catalist Rules"	:	Any or all of the rules in Section B of the Listing Manual: Rules of Catalist, as amended, supplemented or modified from time to time
"CEO"	:	Chief executive officer
"CFO"	:	Chief financial officer
"Code of Corporate Governance"	:	Code of Corporate Governance issued by the Authority on 2 May 2012, as amended, supplemented or modified from time to time
"Companies Act"	:	Companies Act (Chapter 50) of Singapore, as amended, supplemented or modified from time to time
"Constitution"	:	The constitution of our Company
"Consultant"	:	Mr Lau Chia En
"Consultant Shares"	:	The 788,462 new Shares to be allotted and issued to the Consultant pursuant to a service contract entered into between the Consultant and our Company dated 1 November 2016 in connection with the Listing
"Controlling Shareholder"	:	A person who: (a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in the company (unless otherwise determined by the SGX-ST); or (b) in fact exercises control over a company
"Director"	:	A director of our Company as at the date of this Offer Document, unless otherwise stated
"EPS"	:	Earnings per Share
"Executive Directors"	:	The executive Directors of our Company as at the date of this Offer Document, unless otherwise stated
"Executive Officers"	:	The executive officers of our Group as at the date of this Offer Document, unless otherwise stated

"Founding Shareholders"	:	Mr Tan Kwee Chai, Mr Tan Yong Chuan, Mr Tan Kwee Lim, Mr Boo Ngek Hee, Mdm Cha Geek Ngo and Mr Tan Yong Siang
"FY"	:	Financial year ended or ending 31 December, as the case may be
"GST"	:	Goods and services tax
"Independent Directors"	:	The non-executive independent Directors of our Company as at the date of this Offer Document, unless otherwise stated
"Industry Report"	:	The industry report dated 19 October 2017 prepared by the Independent Market Researcher and set out in Appendix C of this Offer Document
"Introducer"	:	Ms Tan Suat Lin
"Introducer Shares"	:	The 461,538 new Shares to be allotted and issued to the Introducer for, *inter alia*, facilitating and providing coordination assistance within our Group in relation to the Listing
"IPT Mandate"	:	The general mandate for certain recurring interested person transactions obtained from Shareholders pursuant to Rule 920(2) of the Catalist Rules, details of which are set out in the section entitled "Interested Person Transactions – Mandate for Recurring Interested Person Transactions" of this Offer Document
"IPT Register"	:	The register of interested person transactions maintained by our Company
"Latest Practicable Date"	:	15 December 2017, being the latest practicable date before the lodgement of this Offer Document with the SGX-ST, acting as agent on behalf of the Authority
"Listing"	:	The listing of our Company and the quotation of our Shares on Catalist
"Listing Manual"	:	The listing manual of the SGX-ST as amended, supplemented or modified from time to time
"LY-6M system"	:	An integrated real-time monitoring and management system which monitors our entire production process. For further details, please refer to the section entitled "General Information on Our Group – Enhancement of Productivity and Efficiency" of this Offer Document

"Market Day"	:	A day on which the SGX-ST is open for trading in securities
"NAV"	:	Net asset value
"New Shares"	:	The 61,174,200 new Shares for which we invite applications to subscribe, pursuant to the Placement, on the terms and subject to the conditions set out in this Offer Document
"NLC"	:	The Malaysian National Land Code 1965
"Nominating Committee"	:	The nominating committee of our Company as at the date of this Offer Document, unless otherwise stated
"NTA"	:	Net tangible assets
"Offer Document"	:	This Offer Document dated 18 January 2018 issued by our Company in respect of the Placement
"PBT"	:	Profit before tax
"PER"	:	Price earnings ratio
"Performance Share Plan"	:	The share plan of our Company known as "LY Performance Share Plan" which was approved on 21 December 2017, particulars of which are set out in the section entitled "LY Performance Share Plan" of this Offer Document
"Period Under Review"	:	The financial period comprising FY2014, FY2015, FY2016 and 1H2017
"Placement"	:	The placement of the Placement Shares by the Placement Agent on behalf of our Company and the Vendor for subscription and/or purchase at the Placement Price, subject to the terms and conditions set out in this Offer Document
"Placement Agreement"	:	The placement agreement dated 18 January 2018 entered into between our Company, the Vendor and UOBKH, details of which are set out in the section entitled "Sponsorship, Management and Placement Arrangements" of this Offer Document
"Placement Price"	:	S$0.26 for each Placement Share

"Placement Shares"	:	The 75,848,000 Shares which are the subject of the Placement comprising 61,174,200 New Shares and 14,673,800 Vendor Shares
"PRC"	:	People's Republic of China
"Remuneration Committee"	:	The remuneration committee of our Company as at the date of this Offer Document, unless otherwise stated
"Restructuring Exercise"	:	The corporate restructuring exercise undertaken in connection with the Placement, more fully described in the section entitled "Restructuring Exercise" of this Offer Document
"Securities Account"	:	The securities account maintained by a Depositor with CDP but does not include a securities sub-account
"Service Agreements"	:	The service agreements dated 21 December 2017 entered into between our Company and each of our Executive Chairman, Mr Tan Kwee Chai, our Executive Director and CEO, Mr Tan Yong Chuan, and our Executive Director, Ms Tan Ai Luang, as set out in the section entitled "Directors, Management and Staff – Service Agreements" of this Offer Document
"SFA"	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended, supplemented or modified from time to time
"SFR"	:	Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore, as amended, supplemented or modified from time to time
"SGXNET"	:	Singapore Exchange Network, the corporate announcement system maintained by the SGX-ST for the submission of announcements by listed companies
"Share(s)"	:	Ordinary share(s) in the capital of our Company
"Share Split"	:	The sub-division of 1,000 Shares in the issued share capital of our Company into 10,668 Shares
"Shareholder(s)"	:	Registered holder(s) of Share(s), except where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares, mean the Depositors whose Securities Accounts are credited with Shares

"Sponsorship and Management Agreement"	:	The full sponsorship and management agreement dated 18 January 2018 entered into between our Company, the Vendor and UOBKH, details of which are set out in the section entitled "Sponsorship, Management and Placement Arrangements" of this Offer Document
"Substantial Shareholder"	:	A person who has an interest in the Shares, the total votes attached to which is not less than 5% of the total votes attached to all the voting shares of our Company
"U.S."	:	United States of America
"Vendor Shares"	:	The 14,673,800 existing Shares owned by the Vendor for which the Vendor invites applications to purchase, pursuant to the Placement, on the terms and subject to the conditions set out in this Offer Document

Locations

"Batu 6"	:	T/L JK 187/18/14, Batu 6, Jalan Kluang, Kg. Panchor, 83300 Batu Pahat, Johor, Malaysia
"Blocks B1 and B4"	:	JK/A 88/21-5 Jalan Kluang (Block B1, B4), Kg. Pancor, 83300 Batu Pahat, Johor, Malaysia
"Blocks B2 and B5"	:	No. 2A, JK/A 88/21-6 Jalan Kluang (Block B2, B5), Kg Pancor, 83300 Batu Pahat, Johor, Malaysia
"Blocks B3 and B6"	:	No. 2B, JK/A 88/21-6 Jalan Kluang (Block B3, B6), Kg Pancor, 83300 Batu Pahat, Johor, Malaysia
"Jalan Melor Condominium"	:	M1-11-102, Condominium Hillview Loft, Jalan Melor, 83000 Batu Pahat, Johor, Malaysia
"Lot 1436 (Portion B)"	:	Portion B of Lot 1436, Mukim Simpang Kanan, 83300 Batu Pahat, Johor, Malaysia
"Lot 1436 (Portion C)"	:	Portion C of Lot 1436, Mukim Simpang Kanan, 83300 Batu Pahat, Johor, Malaysia
"Lot 52912"	:	H.S.(M) 7442, PTD 52912, Mukim Simpang Kanan, Daerah Batu Pahat, Negeri Johor, Malaysia
"LY1"	:	No. 6, Jalan Wawasan 7, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia
"LY2"	:	No. 2A, Jalan Wawasan 7, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia

"LY3"	:	No. 5, Jalan Wawasan 6, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia
"LY4"	:	No. 2, Jalan Wawasan 6, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia
"LY5"	:	No. 2A, Jalan Wawasan 6, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia
"LY6"	:	No. 4, Jalan Wawasan 6, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia
"LY7"	:	No. 4-1, Jalan Wawasan 6, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia
"LY8"	:	No. 8, Jalan Wawasan Utama, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia
"LY9"	:	No. 15, Jalan Wawasan Utama, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia
"LY10"	:	No. 1-1, Jalan Wawasan 12, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia
"LY11"	:	No. 23, Jalan Wawasan Utama, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia
"LY12"	:	No. 3, Jalan Wawasan 4, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia
"LY13"	:	No. 5, Jalan Wawasan 16, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia
"LY14"	:	No. 4, Jalan Wawasan 16, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia
"LY15"	:	No. 17, Jalan Wawasan Utama, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia
"LY16"	:	No. 3, Jalan Wawasan 8, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia
"LY21"	:	No. 19, Jalan Wawasan 8, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia

Currencies, Units and Others

"cbm"	:	Cubic metre

"ft"	:	Foot
"m"	:	Metre
"mm"	:	Millimetre
"N.A."	:	Not applicable
"RM" and "sen"	:	Malaysian Ringgit and sen respectively, the lawful currency of Malaysia
"S$" and "cents"	:	Singapore dollars and cents respectively, the lawful currency of Singapore
"sq ft"	:	Square foot
"sq m"	:	Square metre
"USD" or "US$"	:	United States dollars, the lawful currency of the U.S.
"%" or "per cent."	:	Percentage or per centum

The expression "subsidiary" shall have the meaning ascribed to it in the SFR and the Companies Act.

The expressions "Depositor", "Depository Agent" and "Depository Register" shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Offer Document and/or the Application Forms to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the SFA or any statutory modification thereof and used in this Offer Document, and the Application Forms shall, where applicable, have the meaning ascribed to it under the Companies Act, the SFA or any statutory modification thereof, as the case may be.

Any reference in this Offer Document and/or the Application Forms to Shares being allotted and/or allocated to an applicant includes allotment and/or allocation to CDP for the account of that applicant.

Any reference to a time or date in this Offer Document and/or the Application Forms shall be a reference to Singapore time and date, unless otherwise stated.

Any reference in this Offer Document to "we", "our", "us", or other grammatical variations thereof refer to our Company, our Group or any member of our Group, as the context requires.

Our customers, suppliers and competitors named in this Offer Document are generally referred to in this Offer Document by their trade names. Each of our contracts with each customer, supplier or competitor is typically with an entity or entities in that customer's, supplier's or competitor's group of companies.

Any information on our website or any website directly or indirectly linked to such website does not form part of this Offer Document and should not be relied on.

Any discrepancies in the tables included herein between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them. Figures and percentages disclosed in this Offer Document may be rounded off.

GLOSSARY OF TECHNICAL TERMS

To facilitate a better understanding of the business of our Group, the following glossary provides a description of some of the technical terms and abbreviations used in this Offer Document. The meanings assigned to the terms and abbreviations should not be treated as definitive, and may not correspond to standard industry meanings or usage of these terms.

"40-ft containers"	:	40-ft high cube shipping containers with interior dimensions of approximately 12.0m x 2.4m x 2.7m and a cubic capacity of approximately 76.0cbm
"bill of material"	:	A list which specifies the quantity and type of raw materials, components and parts required to manufacture a product
"CNC"	:	Computer Numerical Control or control of equipment through the use of computer-controlled programming
"finishing"	:	The final coating on a piece of furniture which can be oil-alkyl-solvent or water-based for refining, protecting and/or decorating the surface
"indirect materials"	:	Materials used in the production process, but which are not in the bill of material, such as sanding paper, nails, glue, cleaning supplies, etc.
"ISO"	:	International Organisation for Standardisation, a world-wide federation of national standards bodies
"ISO 9001"	:	A constituent part of the ISO 9000 series which specifies the requirements for a quality management system for companies and organisations that seek to ensure that their products and services consistently meet customers' requirements and that quality is consistently improved
"medium-density fibreboard"	:	A type of engineered wood product made by breaking down hardwood or softwood residuals into wood fibres, combining it with wax and a resin binder and forming panels by applying high temperature and pressure
"ODM"	:	Original design manufacturer
"OEM"	:	Original equipment manufacturer

"particle board"	:	A type of engineered wood product made by mixing wood particles or flakes together with resin and compressing it under heat to form a board
"plywood"	:	A type of wooden board consisting multiple sheets of wood glued and pressed together with the grains of adjacent layers arranged at right angles
"rubberwood"	:	A light-coloured medium-density tropical hardwood obtained from the Pará rubber tree (hevea brasiliensis)
"subcontractor"	:	Any entity which contracts with another entity to perform part of or all the work the latter has already contracted to do
"Third Industrial Master Plan"	:	The Third Industrial Master Plan as implemented by MITI from 2006 to 2020 for the development of the manufacturing and services sectors in Malaysia, which focuses on achieving long-term global competitiveness through transformation and innovation of the manufacturing and services sectors
"veneer"	:	Thin slices of wood, which are usually thinner than 1 mm that are typically glued onto core panels as a decorative layer for drawers and parts of furniture
"veneer lamination"	:	A process of applying a thin layer of veneer to boards (such as medium-density fibreboards)

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this Offer Document, statements made in press releases and oral statements that may be made by us, our Directors, Executive Officers or employees acting on our behalf or the Vendor's behalf, that are not statements of historical fact, constitute "forward-looking statements". You can identify some of these forward-looking statements by terms such as "expects", "believes", "plans", "intends", "predicts", "estimates", "anticipates", "may", "will", "would" and "could" or similar expressions. However, you should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, business strategies, plans and prospects are forward-looking statements.

These forward-looking statements, including without limitation, statements as to:

(a) our revenue and profitability;

(b) our expected growth in demand;

(c) our expected growth in our production capacity;

(d) expected industry trends and development;

(e) anticipated expansion plans; and

(f) other matters discussed in this Offer Document regarding matters that are not historical facts,

are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, among others:

(a) changes in political, social and economic conditions and the regulatory environment, laws and regulations and interpretation thereof in Singapore, Malaysia and the countries in which we conduct business or expect to conduct business;

(b) changes or volatility in inflation, interest rates and foreign exchange rates;

(c) the price of our raw materials, including factors influencing the price of raw materials, such as regional and global supply and demand;

(d) effects of, and changes in, the regulatory policies of the government of the jurisdictions that we operate in or sell to, such as the U.S. and Malaysia;

(e) effects of changes in laws, regulations, taxation or accounting standards or practices;

(f) our ability to maintain or increase our market share for our products while controlling expenses;

(g) reduction of purchases by our major customers;

(h) our ability to attract and retain new customers;

(i) acquisitions, divestments and various business opportunities that we may pursue;

(j) technological changes that affect the manufacture of our products;

(k) effects of changes in international political, social and economic events on our business;

(l) inability to realise our anticipated growth strategies and expected internal growth;

(m) changes in the availability of raw materials we need to operate our business;

(n) changes in consumer preferences;

(o) changes in competitive conditions and our ability to compete under such conditions;

(p) changes in our future capital needs and the availability of financing and capital to fund such needs;

(q) any other matters not yet known to us;

(r) other factors beyond our control; and

(s) the factors described in the section entitled "Risk Factors" of this Offer Document.

The list of important factors is not exhaustive. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in the sections entitled "Risk Factors", "Management's Discussion and Analysis of Results of Operations and Financial Position" and "Prospects, Trends, Business Strategies and Future Plans" of this Offer Document. All forward-looking statements made by or attributable to us, our Directors, Executive Officers, employees or other persons acting on our behalf or the Vendor's behalf contained in this Offer Document are expressly qualified in their entirety by such factors. These forward-looking statements are applicable only as at the date of this Offer Document.

Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Offer Document, we advise you not to place undue reliance on these statements. None of us, the Vendor, the Sponsor, Issue Manager and Placement Agent, our advisers or any other person represents or warrants that our actual future results, performance or achievements will be as discussed in those statements.

The section entitled "Prospects, Trends, Business Strategies and Future Plans" of this Offer Document as well as other parts of this Offer Document may (to the extent applicable) contain data, information, financial analysis, forecasts, figures and statements (including marketing and industry data and forecasts that have been obtained from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications) which are forward-looking and based on certain assumptions and projections. Industry publications, surveys and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of such information. Similarly, while we believe these industry forecasts and market research to be reliable, neither we, the Vendor, the Sponsor, Issue Manager and Placement Agent, nor person(s) acting on our behalf have conducted an independent review or verified the accuracy or veracity of such data, information, financial analysis, forecasts, figures and statements, assumptions and projections ("**Experts' Data**"). Where any of the Experts' Data or any information in this Offer Document has been extracted from published or otherwise publicly available sources or obtained from a named source, we have taken reasonable action to ensure that such Experts' Data or information has been accurately and correctly extracted from these sources and/or reproduced in this Offer Document in its proper form and context. No representation is made by us, the Vendor, the Sponsor, Issue Manager and Placement Agent or any person(s) acting on our behalf in respect of any of the Experts' Data and neither we, the Vendor, the Sponsor, Issue Manager and Placement Agent nor any person(s) acting on our behalf take any responsibility for any of the Experts' Data.

Our actual future results may differ materially from those anticipated in these forward-looking statements as a result of the risks faced by us. We, the Vendor, the Sponsor, Issue Manager and Placement Agent and our advisers, disclaim any responsibility to update any of these forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances for any reason, even if new information becomes available or other events occur in future.

SELLING RESTRICTIONS

SINGAPORE

This Offer Document does not constitute an offer, solicitation or invitation to subscribe for and/or purchase the Placement Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been or will be taken under the requirements of the legislation or regulations, or of the legal or regulatory requirements, of any jurisdiction, except for the lodgement and/or registration of this Offer Document in Singapore in order to permit a public offering of the Placement Shares and the public distribution of this Offer Document in Singapore. The distribution of this Offer Document and the offering of the Placement Shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who may come into possession of this Offer Document are required by us, the Vendor and the Sponsor, Issue Manager and Placement Agent to inform themselves about, and to observe and comply with, any such restrictions at their own expense and without liability to us, the Vendor and the Sponsor, Issue Manager and Placement Agent.

Persons to whom a copy of this Offer Document has been issued shall not circulate to any other person, reproduce or otherwise distribute this Offer Document or any information herein for any purpose whatsoever nor permit or cause the same to occur.

MALAYSIA

This Offer Document has not been reviewed and approved by the Securities Commission of Malaysia ("**SC**") and will not be registered as a prospectus with the SC and a copy of this Offer Document will not be deposited with the SC.

Accordingly, this Offer Document or any amendment or supplement to it may not be distributed in Malaysia directly or indirectly for the purpose of making available, offering or subscription or purchase, or issuing an invitation to subscribe for or purchase, the Placement Shares in Malaysia.

LISTING ON CATALIST

The Sponsor has, on our behalf, made an application to the SGX-ST for permission to deal in, and for the listing and quotation of, all our Shares that are already issued (including the Vendor Shares), the New Shares, the Consultant Shares, the Introducer Shares and the Award Shares on Catalist. Such permission will be granted when we have been admitted to Catalist. Acceptances of applications, and the allotment and allocation of the Placement Shares will be conditional upon, *inter alia*, permission being granted by the SGX-ST for the listing and quotation of, all of our Shares that are already issued (including the Vendor Shares), the New Shares, the Consultant Shares, the Introducer Shares and the Award Shares. Monies paid in respect of any application accepted will be returned, subject to applicable laws, without interest or any share of revenue or other benefit arising therefrom and at the applicant's own risk, if the completion of the Placement does not occur because the said permission is not granted or for any other reason and the applicant will not have any claim whatsoever against us, the Vendor, the Sponsor, Issue Manager and Placement Agent or our advisers or agents.

Companies listed on Catalist may carry higher investment risk when compared with larger or more established companies listed on the Main Board of the SGX-ST. In particular, companies may list on Catalist without a track record of profitability and there is no assurance that there will be a liquid market in the shares or units of shares traded on Catalist. You should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with your professional advisers.

Neither the Authority nor the SGX-ST has examined or approved the contents of this Offer Document. Neither the Authority nor the SGX-ST assumes any responsibility for the contents of this Offer Document, including the correctness of any of the statements or opinions made or reports contained in this Offer Document. The SGX-ST does not normally review the application for admission but relies on the Sponsor confirming that our Company is suitable to be listed and complies with the Catalist Rules. Neither the Authority nor the SGX-ST has in any way considered the merits of the Shares being offered for investment.

Admission to Catalist is not to be taken as an indication of the merits of the Placement, our Company, our subsidiaries, our existing issued Shares (including the Vendor Shares), the New Shares, the Consultant Shares, the Introducer Shares or the Award Shares.

A copy of this Offer Document has been lodged with and registered by the SGX-ST, acting as agent on behalf of the Authority. Registration of the Offer Document by the SGX-ST, acting as agent on behalf of the Authority, does not imply that the SFA, or any other legal or regulatory requirements, or requirements under the SGX-ST's listing rules, have been complied with. We have not lodged and/or registered this Offer Document in any other jurisdiction.

After the expiration of six (6) months from the date of registration of this Offer Document, no person shall make an offer of Shares, or allot, issue or sell any of our Shares, on the basis of this Offer Document; and no officer or equivalent person or promoter of our Company will authorise or permit the offer of any of our Shares or the allotment, issue or sale of any of our Shares, on the basis of this Offer Document.

We and the Vendor are subject to the provisions of the SFA, the SFR and the Catalist Rules regarding corporate disclosure. In particular, pursuant to Section 241 of the SFA, if after the registration of this Offer Document but before the close of the Placement, we or the Vendor become aware of:

(a) a false or misleading statement in this Offer Document;

(b) an omission from this Offer Document of any information that should have been included in it under Section 243 of the SFA; or

(c) a new circumstance that has arisen since this Offer Document was lodged with the SGX-ST and which would have been required by Section 243 of the SFA to be included in this Offer Document, if it had arisen before this Offer Document was lodged,

and that is materially adverse from the point of view of an investor, we (and on behalf of the Vendor) may lodge a supplementary or replacement offer document with the SGX-ST, acting as agent on behalf of the Authority.

In the event that a supplementary or replacement offer document is lodged with the SGX-ST, acting as agent on behalf of the Authority, the Placement shall be kept open for at least 14 days after the lodgement of such supplementary or replacement offer document.

Where, prior to the lodgement of the supplementary or replacement offer document, applications have been made under this Offer Document to subscribe for and/or purchase the Placement Shares, and:

(a) where the Placement Shares have not been issued and/or transferred to the applicants, we (and on behalf of the Vendor) shall either:

    (i) within two (2) days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary or replacement offer document, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to withdraw their applications; and take all reasonable steps to make available within a reasonable period the supplementary or replacement offer document, as the case may be, to the applicants who have indicated that they wish to obtain, or who have arranged to receive, a copy of the supplementary or replacement offer document;

    (ii) within seven (7) days from the date of lodgement of the supplementary or replacement offer document, give the applicants the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to withdraw their applications; or

    (iii) treat the applications as withdrawn and cancelled, in which case the applications shall be deemed to have been withdrawn and cancelled; and within seven (7) days from the date of lodgement of the supplementary or replacement offer document, pay to the applicants all monies the applicants have paid on account of their applications for the Placement Shares; or

(b) where the Placement Shares have been issued and/or transferred to the applicants, we (and on behalf of the Vendor) shall either:

(i) within two (2) days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary or replacement offer document, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to return to us and/or the Vendor the Placement Shares which they do not wish to retain title in; and take all reasonable steps to make available within a reasonable period the supplementary or replacement offer document, as the case may be, to the applicants who have indicated they wish to obtain, or who have arranged to receive, a copy of the supplementary or replacement offer document;

(ii) within seven (7) days from the date of lodgement of the supplementary or replacement offer document, give the applicants the supplementary or replacement offer document, as the case may be, and provide the applicants with an option to return to us and/or the Vendor the Placement Shares which they do not wish to retain title in; or

(iii) treat the issue and/or transfer of the Placement Shares as void, in which case the issue and/or transfer shall be deemed void; and within seven (7) days from the date of lodgement of the supplementary or replacement offer document, pay the applicants all monies paid by them for the Placement Shares.

An applicant who wishes to exercise his option under paragraph (a)(i) or (a)(ii) to withdraw his application shall, within 14 days from the date of lodgement of the supplementary or replacement offer document, notify us of this, whereupon we (and on behalf of the Vendor) shall, within seven (7) days from the receipt of such notification, pay to the applicant all monies paid by the applicant on account of his application for the Placement Shares, without interest or any share of revenue or other benefit arising therefrom and at his own risk, and the applicant shall not have any claim against us, the Vendor or the Sponsor, Issue Manager and Placement Agent.

An applicant who wishes to exercise his option under paragraph (b)(i) or (b)(ii) to return the Placement Shares issued and/or transferred to him shall, within 14 days from the date of lodgement of the supplementary or replacement offer document, notify us of this and return all documents, if any, purporting to be evidence of title to those Placement Shares, to us, whereupon we (and on behalf of the Vendor) shall within seven (7) days from the receipt of such notification and documents, if any, pay to the applicant all monies paid by the applicant for the Placement Shares, without interest or any share or revenue or other benefit arising therefrom and at his own risk, and the issue and/or transfer of those Placement Shares shall be deemed to be void, and he will not have any claim against us, the Vendor or the Sponsor, Issue Manager and Placement Agent.

Pursuant to Section 242 of the SFA, the Authority may, in certain circumstances, issue a stop order ("**Stop Order**") to our Company directing that no Shares or no further Shares to which this Offer Document relates, be allotted or issued or sold. Such circumstances will include a situation:

(a) where this Offer Document contains any statement or matter which, in the Authority's opinion, is false or misleading;

(b) where this Offer Document omits any information that should have been included in it under the SFA;

(c) where this Offer Document does not, in the Authority's opinion, comply with the requirements of the SFA; or

(d) where the Authority is of the opinion that it is in the public interest to do so.

In the event that the Authority or SGX-ST, acting as agent on behalf of the Authority, issues a Stop Order and applications to subscribe for and/or purchase the Placement Shares have been made prior to the Stop Order, then:

(a) where the Placement Shares have not been issued and/or transferred to the applicants, the applications for the Placement Shares shall be deemed to have been withdrawn and cancelled; and we (and on behalf of the Vendor) shall, within 14 days from the date of the Stop Order, pay to the applicants all monies the applicants have paid on account of their applications for the Placement Shares; or

(b) where the Placement Shares have been issued and/or transferred to the applicants, the issue and/or transfer of the Placement Shares shall be deemed to be void, and we (and on behalf of the Vendor) shall:

 (i) if documents purporting to evidence title to the Placement Shares have been issued to the applicants, within seven (7) days from the date of the Stop Order, inform the applicants to return such documents to us within 14 days from that date; and within seven (7) days from the date of the receipt of those documents or the date of the Stop Order, whichever is the later, pay to the applicants all monies paid by them for the Placement Shares; or

 (ii) if no such documents have been issued to the applicants, within seven (7) days from the date of the Stop Order, pay to the applicants all monies paid by them for the Placement Shares.

Where monies are to be returned in respect of any application for the Placement Shares, they shall be returned to the applicants at their own risk, without interest or any share of revenue or benefit arising therefrom, and the applicants shall not have any claim against us, the Vendor or the Sponsor, Issue Manager and Placement Agent.

This Offer Document has been read and approved by our Directors and the Vendor and they collectively and individually accept full responsibility for the accuracy of the information given in this Offer Document and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Offer Document constitutes full and true disclosure of all material facts about the Placement, our Company and its subsidiaries, and our Directors and the Vendor are not aware of any facts the omission of which would make any statement in this Offer Document misleading. Where information in this Offer Document has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of our Directors and the Vendor has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Offer Document in its proper form and context. In this regard, we and the Sponsor, Issue Manager and Placement Agent have appointed the Independent Auditor and Reporting Accountant to perform agreed-upon procedures to ensure that certain information has been accurately and correctly extracted from those sources and/or reproduced in this Offer Document in its proper form and context.

DETAILS OF THE PLACEMENT

None of us, the Vendor, the Sponsor, Issue Manager and Placement Agent or any other parties involved in the Placement is making any representation to any person regarding the legality of an investment in our Shares by such person under any investment or other laws or regulations. No information in this Offer Document should be considered as being business, legal or tax advice regarding an investment in our Shares. Each prospective investor should consult his own legal, financial, tax or other professional adviser regarding an investment in our Shares.

No person has been or is authorised to give any information or to make any representation not contained in this Offer Document in connection with the Placement and, if given or made, such information or representation must not be relied upon as having been authorised by us, the Vendor or the Sponsor, Issue Manager and Placement Agent. Neither the delivery of this Offer Document, the Application Forms nor any documents relating to the Placement, nor the Placement, shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change or development reasonably likely to create any change in our affairs, conditions or prospects, or Shares, or in any statement of fact or information contained in this Offer Document since the date of this Offer Document. Where such changes occur and are material or are required to be disclosed by law, the SGX-ST and/or any other regulatory or supervisory body or agency, we will comply with the relevant provisions and, if required, make an announcement of the same to the SGX-ST and the public, and/or lodge a supplementary or replacement offer document with the SGX-ST, acting as agent on behalf of the Authority, and will comply with the requirements of the SFA and/or any other requirements of the SGX-ST. All applicants should take note of any such announcement and/or supplementary or replacement offer document and, upon the release of such announcement and/or supplementary or replacement offer document, shall be deemed to have notice of such changes.

Save as expressly stated in this Offer Document, nothing herein is, or may be relied upon as, a promise or representation as to our future performance or policies. The Placement Shares are offered for subscription and/or purchase solely on the basis of the information contained and representations made in this Offer Document.

This Offer Document has been prepared solely for the purpose of the Placement and may not be relied upon by any persons other than the applicants in connection with their application for the Placement Shares or for any other purpose.

This Offer Document does not constitute an offer, solicitation or invitation to subscribe for and/or purchase the Placement Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or unauthorised nor does it constitute an offer, solicitation or invitation to any person to whom it is unlawful to make such offer, solicitation or invitation.

Copies of this Offer Document and the Application Forms may be obtained on request, subject to availability, during office hours from:

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

An electronic copy of this Offer Document is also available on the SGX-ST website at http://www.sgx.com.

DETAILS OF THE PLACEMENT

The Placement will open from 18 January 2018 (immediately upon the registration of this Offer Document by the SGX-ST, acting as an agent on behalf of the Authority) and will be open until 12.00 noon on 29 January 2018 or for such further period or periods as our Directors and the Vendor may, in consultation with the Sponsor, Issue Manager and Placement Agent, in their absolute discretion decide, subject to any limitation under all applicable laws. In the event a supplementary or replacement offer document is lodged with the SGX-ST, acting as agent on behalf of the Authority, the Application List will remain open for at least 14 days after the lodgement of the supplementary or replacement offer document.

Details of the procedures for applications to subscribe for and/or purchase the Placement Shares are set out in Appendix J of this Offer Document.

INDICATIVE TIMETABLE FOR LISTING

An indicative timetable for the Placement and trading in our Shares is set out below:

Indicative date/time	Event
18 January 2018 (immediately upon registration of this Offer Document)	Commencement of Placement
29 January 2018 at 12.00 noon	Close of Application List
31 January 2018 at 9.00 a.m.	Commence trading on a "ready" basis
5 February 2018	Settlement date for all trades done on a "ready" basis

The above timetable is only indicative as it assumes that the date of closing of the Application List will be on 29 January 2018, the date of admission of our Company to Catalist will be on 31 January 2018, the SGX-ST's shareholding spread requirement will be complied with and the New Shares will be issued and fully paid-up prior to 31 January 2018. The actual date on which our Shares will commence trading on a "ready" basis will be announced when it is confirmed by the SGX-ST.

The Placement will be open from 18 January 2018 to 29 January 2018.

The above timetable and procedures may be subject to such modification as the SGX-ST may, in its absolute discretion, decide, including the decision to permit trading on a "ready" basis and the commencement of trading on a "ready" basis.

In the event of any changes in the closure of the Application List or the time period during which the Placement is open, we will publicly announce the same:

(a) through an SGXNET announcement to be posted on the internet at the SGX-ST's website at http://www.sgx.com; and

(b) in a major English newspaper in Singapore.

We will publicly announce details of the results of the Placement (including the level of subscription for and/or purchase of the Placement Shares and the basis of allocation of the Placement Shares pursuant to this Placement) as soon as practicable after the closure of the Application List through the channels described in (a) and (b) above.

We reserve the right to reject or accept, in whole or in part, or to scale down or ballot any application for the Placement Shares, without assigning any reason, and no enquiry and/or correspondence on our decision will be entertained. In deciding the basis of allocation, due consideration will be given to the desirability of allocating our Shares to a reasonable number of applicants with a view to establishing an adequate market for our Shares.

Investors should consult the SGX-ST's announcement of the "ready" trading date on the internet (at the SGX-ST's website http://www.sgx.com), or the newspapers or check with their brokers on the date on which trading on a "ready" basis will commence.

The Placement

The Placement is for 75,848,000 Placement Shares offered in Singapore and the Listing is managed and sponsored by UOBKH.

Prior to the Placement, there has been no public market for our Shares. The Placement Price is determined by us and the Vendor in consultation with the Sponsor, Issue Manager and Placement Agent, taking into consideration, *inter alia*, the prevailing market conditions and the estimated market demand for the Placement Shares, determined through a book-building process. The Placement Price is the same for all Placement Shares and is payable in full on application.

Placement Shares

Applications for the Placement Shares may be made by way of the printed Application Forms or such manner as the Sponsor, Issue Manager and Placement Agent deem fit. The terms, conditions and procedures for application and acceptance are set out in Appendix J of this Offer Document.

Pursuant to the terms and conditions contained in the Placement Agreement as disclosed in the section entitled "Sponsorship, Management and Placement Arrangements" of this Offer Document, we and the Vendor have appointed UOBKH to subscribe for and/or purchase or procure the subscriptions for and/or purchases of the Placement Shares at the Placement Price for a placement commission of 3.5% of the aggregate Placement Price (and the prevailing GST thereon, if applicable) for the total number of Placement Shares successfully subscribed and/or purchased, payable by our Company and the Vendor. The Placement Agent may, at its absolute discretion, appoint one (1) or more sub-placement agents for the Placement Shares.

The Placement Agreement is conditional upon, among others, the Sponsorship and Management Agreement not being terminated or rescinded pursuant to the provisions of the Sponsorship and Management Agreement.

Subscribers and/or purchasers of the Placement Shares may be required to pay brokerage of up to 1.0% of the Placement Price (and the prevailing GST thereon, if applicable) to the Placement Agent or any sub-placement agent(s) as may be appointed by the Placement Agent as well as stamp duties and other charges.

Subscription for and/or Purchase of the Placement Shares

As at the date of this Offer Document, our Directors, Ms Tan Ai Luang, Mr Lee Dah Khang, Mr Oh Seong Lye and Mr Yeo Kian Wee Andy, have indicated interest to subscribe for and/or purchase 800,000, 77,000, 115,000 and 115,000 Placement Shares respectively. In the event that any Placement Shares are subscribed for and/or purchased by our Directors, Substantial Shareholders and/or their respective Associates, such subscriptions and/or purchases will be disclosed in an announcement in accordance with Rule 428 of the Catalist Rules.

Save as disclosed above, to the best of our knowledge and belief, none of our Directors or Substantial Shareholders intends to subscribe for and/or purchase the Placement Shares in the Placement.

To the best of our knowledge and belief, as of the date of this Offer Document, we are not aware of any of our Executive Officers or employees who intends to subscribe for and/or purchase more than five per cent. (5.0%) of the Placement Shares in the Placement.

PLAN OF DISTRIBUTION

To the best of our knowledge and belief, as at the date of this Offer Document, we are not aware of any person who intends to subscribe for and/or purchase more than five per cent. (5.0%) of the Placement Shares. However, through a book-building process to assess market demand for our Shares, there may be person(s) who may indicate an interest to subscribe for and/or purchase more than five per cent. (5.0%) of the Placement Shares, and such person(s) may be associates of our Directors, Executive Officers or Substantial Shareholders. If such person(s) were to make an application for more than five per cent. (5.0%) of the Placement Shares and are subsequently allotted and/or allocated such number of Shares, we will make the necessary announcements at an appropriate time. The final allotment and/or allocation of Placement Shares will be in accordance with the shareholding spread and distribution guidelines as set out in Rule 406(1) of the Catalist Rules.

No Shares shall be allotted and/or allocated on the basis of this Offer Document later than six (6) months after the date of registration of this Offer Document by the SGX-ST, acting as agent on behalf of the Authority.

OFFER DOCUMENT SUMMARY

The information contained in this summary is derived from, and should be read in conjunction with the full text of this Offer Document. As it is a summary, it does not contain all of the information that prospective investors should consider before investing in our Shares. Prospective investors should read the entire Offer Document carefully, in particular the matters set out in the section entitled "Risk Factors" of this Offer Document and our financial statements and related notes in this Offer Document, before deciding whether to invest in our Shares.

OVERVIEW OF OUR GROUP

Our Company

Our Company was incorporated in Singapore on 24 October 2016 under the Companies Act as a private company limited by shares under the name of "LY Corporation Pte. Ltd.". We subsequently changed our name to "LY Corporation Limited" on 21 December 2017 in connection with our conversion to a public company limited by shares.

Pursuant to the Restructuring Exercise as described in the section entitled "Restructuring Exercise" of this Offer Document, our Company became the holding company of our Group.

Our Business

We are one of Malaysia's leading manufacturers and exporters of wooden bedroom furniture.

We are an established original design manufacturer ("**ODM**") principally engaged in the design and manufacture of wooden bedroom furniture and the manufacture of custom wooden bedroom furniture which may be tailored to our customers' specifications on an original equipment manufacturer ("**OEM**") basis. The furniture manufactured by us is typically rebranded by our customers for sale. As at the Latest Practicable Date, we operate from 15 factories and warehouses, which we own or lease, occupying a combined built-up area of approximately 1.4 million sq ft.

We specialise in the manufacture of wooden bedroom furniture for the residential furniture industry. Our typical bedroom set consists of a bed which can be supplied in various sizes, nightstand, dresser, drawer chest, media chest, wardrobe, and vanity and television armoire, which are available in various design, colour and material options.

Our wooden bedroom furniture are manufactured based on standard specifications and customised specifications. Standard specification furniture are manufactured based on designs generated by our design and product development team in standard sizes and dimensions. Customised specification furniture are manufactured with adjustments and alterations in dimensions are made according to customers' requirements.

Our products are sold mainly to (i) overseas dealers such as furniture wholesalers and retailers who generally resell our products to end-users through their respective retail networks, and (ii) domestic customers who are primarily third party agents, who typically export and resell our products outside Malaysia, such as to the U.S.

Please refer to the section entitled "General Information on our Group – Business Overview" of this Offer Document for further details.

Our Competitive Strengths

We believe our key competitive strengths are as follows:

(a) We have an established track record in the furniture industry and are well recognised for the quality of our furniture products

(b) We have strong in-house design and development capabilities to cater to the requirements of our customers

(c) We have an established subcontractor network

(d) We consistently strive to be cost-competitive, efficient and to turn around products quickly

(e) We have an experienced and committed management team

Please refer to the section entitled "General Information on our Group – Competitive Strengths" of this Offer Document for further details.

Our Business Strategies and Future Plans

Our business strategies and future plans are as follows:

(a) Expanding our sales network in the PRC

(b) Upgrading our machinery and equipment and acquiring new technology

(c) Construction of additional facilities

(d) Explore investments, mergers and acquisitions, joint ventures and/or strategic collaborations

Please refer to the section entitled "Prospects, Trends, Business Strategies and Future Plans – Business Strategies and Future Plans" of this Offer Document for further details.

Our Contact Details

Our registered office is at 80 Robinson Road, #02-00, Singapore 068898. Our telephone and facsimile numbers are +607 4558 828 and +607 4554 383 respectively. Our principal place of business is located at No. 15, Jalan Wawasan Utama, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia. Our company registration number is 201629154K. Our internet address is www.lyfurniture.com. **Information contained in our website does not constitute part of this Offer Document.**

FINANCIAL HIGHLIGHTS

The following summary of the financial highlights of our Group should be read in conjunction with the full text of this Offer Document, including the "Audited Combined Financial Statements of LY Corporation Limited and its Subsidiary for the Financial Years Ended 31 December 2014, 2015 and 2016" and "Unaudited Interim Combined Financial Statements of LY Corporation Limited and its Subsidiary for the Six-Month Period Ended 30 June 2017" set out in Appendices A and B of this Offer Document respectively, and the section entitled "Management's Discussion and Analysis of Results of Operations and Financial Position" of this Offer Document.

Selected items from the combined statements of comprehensive income of our Group

	Audited			Unaudited	
(RM'000)	**FY2014**	**FY2015**	**FY2016**	**1H2016**	**1H2017**
Revenue	216,036	313,569	287,379	141,597	166,007
Gross profit	35,731	88,085	74,876	37,902	39,582
Profit before tax	22,327	67,464	56,314	23,620	28,477
Profit net of tax	17,336	52,656	43,446	17,749	21,588
Pre-Placement EPS (sen)(1)	4.1	12.3	10.2	4.2	5.1
Post-Placement EPS (sen)(2)	3.5	10.8	8.9	3.6	4.4

Notes:

(1) For comparative purposes, the pre-Placement EPS for the Period Under Review has been computed based on the net profit for the year/period and our pre-Placement share capital of 426,720,000 Shares.

(2) For comparative purposes, the post-Placement EPS for the Period Under Review has been computed based on the net profit for the year/period and our post-Placement share capital of 489,144,200 Shares.

Selected items from the combined statements of financial position of our Group

(RM'000)	**Audited as at 31 December 2016**	**Unaudited as at 30 June 2017**
Non-current assets	117,074	117,918
Current assets	111,484	128,073
Total assets	228,558	245,991
Non-current liabilities	12,840	13,310
Current liabilities	42,351	72,726
Total liabilities	55,191	86,036
Total equity	173,367	159,955
NAV per Share (sen)(1)	40.6	37.5

Note:

(1) The NAV per Share has been computed based on our net assets as at 31 December 2016 and 30 June 2017 and our pre-Placement share capital of 426,720,000 Shares.

THE PLACEMENT

Placement Size	:	75,848,000 Placement Shares comprising 61,174,200 New Shares and 14,673,800 Vendor Shares. The New Shares, which form part of the Placement, will upon allotment and issuance, rank *pari passu* in all respects with the existing issued Shares, including the Vendor Shares.
Placement Price	:	S$0.26 for each Placement Share, payable in full on application.
The Placement	:	The Placement comprises a placement of 75,848,000 Placement Shares at the Placement Price, subject to the terms and conditions of this Offer Document.
Purpose of the Placement	:	Our Directors believe that the listing of our Company and the listing and quotation of our Shares on Catalist will enhance our public image locally and overseas and enable our Company to tap the capital markets to fund the expansion of our business. The listing of our Company would also allow us to raise funds in Singapore Dollars, which will act as a hedge against fluctuation in the Malaysian Ringgit, which is the main operating currency of our subsidiary, LYFSB. The Placement will also provide members of the public, our employees, our business associates and others who have contributed to the success of our Group with an opportunity to participate in the equity of our Company.
Listing Status	:	Prior to the Placement, there has been no public market for our Shares. Our Shares will be quoted on Catalist in Singapore dollars, subject to the admission of our Company to Catalist and permission for dealing in, and for the listing and quotation of, our existing issued Shares, the New Shares, the Consultant Shares, the Introducer Shares and the Award Shares being granted by the SGX-ST, and the Authority not issuing a Stop Order.
Risk Factors	:	Investing in our Shares involves risks which are described in the section entitled “Risk Factors” of this Offer Document.
Use of Proceeds	:	Please refer to the section entitled “Use of Proceeds from the Placement and Expenses Incurred” of this Offer Document for more details.

USE OF PROCEEDS FROM THE PLACEMENT AND EXPENSES INCURRED

The gross proceeds from the Placement (comprising the New Shares and the Vendor Shares) will be approximately S$19.7 million. The net proceeds to be raised from the Placement, after deducting the aggregate estimated listing expenses of approximately S$3.0 million, is approximately S$16.7 million. We will not receive any of the proceeds from the Vendor Shares sold by the Vendor in the Placement.

The net proceeds attributable to us from the issue of New Shares, after deducting our share of the estimated expenses in relation to the Placement of approximately S$2.9 million, is approximately S$13.0 million.

The net proceeds attributable to the Vendor from the sale of the Vendor Shares, after deducting the Vendor's share of the estimated expenses in relation to the Placement of approximately S$0.1 million, is approximately S$3.7 million.

We intend to utilise the gross proceeds from the issue of the New Shares in the following manner:

Use of proceeds from the issue of New Shares	**Amount (S$'000)**	**Amount allocated for each dollar of the proceeds raised by our Company from issuance of the New Shares (cents)**
Expanding our sales network in the PRC	1,000	6.3
Upgrading our machinery and equipment and acquiring new technology	5,000	31.4
Construction of additional facilities	4,000	25.1
General working capital purposes	3,000	18.9
Net proceeds from the issue of New Shares	13,000	81.7
Listing Expenses to be borne by our Company(1)		
Listing fees	63	0.4
Professional fees	2,200	13.9
Placement commission(2)	557	3.5
Miscellaneous expenses	85	0.5
	2,905	18.3
Gross proceeds from the issue of New Shares	15,905	100.0

Notes:

(1) Of the total estimated listing expenses, approximately S$0.8 million will be capitalised against share capital and the balance of approximately S$2.1 million will be charged to the profit and loss statement.

(2) Please refer to the section entitled "Sponsorship, Management and Placement Arrangements" of this Offer Document for further details.

The foregoing represents our best estimate of our allocation of the net proceeds from the issue of the New Shares based on our current plans and reasonable estimates regarding our anticipated expenditures. Actual expenditures may vary from these estimates and we may find it necessary or advisable to re-allocate the net proceeds within the categories described above or to use portions of the net proceeds for other purposes. In the event that any part of our proposed uses of the net proceeds from the issue of the New Shares does not materialise or proceed as planned, our Directors will evaluate the situation and may re-allocate our net proceeds for other purposes, and/or hold such funds on short-term deposits for so long as our Directors deem it to be in the interest of our Company and Shareholders, taken as a whole. Any change in the use of the net proceeds will be subject to the Catalist Rules and appropriate announcements will be made by our Company on SGXNET at the SGX-ST's website at http://www.sgx.com.

Save for the listing and processing fees which will be borne by our Company, all other listing expenses will be borne by our Company and the Vendor in proportion to the number of Placement Shares offered by each of them against the total number of Placement Shares.

Please refer to the section entitled "Prospects, Trends, Business Strategies and Future Plans – Business Strategies and Future Plans" of this Offer Document for more details on our future plans. In particular, our future plans may be funded, apart from the net proceeds from the issue of the New Shares, either through internally generated funds and/or external borrowings. None of the proceeds raised from the issue of the New Shares will be used to discharge, reduce or retire any indebtedness of our Group. None of the net proceeds from the issue of the New Shares will be used (i) directly or indirectly, to acquire or refinance the acquisition of assets other than in the ordinary course of business; or (ii) to finance or refinance the acquisition of another business.

Pending the deployment of the net proceeds as aforesaid, the funds may be placed in short-term deposits, money market instruments and/or used for our Group's working capital requirements, as our Directors may, in their absolute discretion, deem appropriate.

We will make periodic announcements on the use of the net proceeds from the issue of the New Shares as and when the funds are materially disbursed, and provide a status report on the use of such proceeds in our annual report.

In the reasonable opinion of our Directors, there is no minimum amount which must be raised from the Placement.

Pursuant to the Sponsorship and Management Agreement dated 18 January 2018 entered into between our Company, the Vendor and UOBKH as the Sponsor, our Company and the Vendor appointed UOBKH to manage the Placement on our behalf and to provide full sponsorship services in relation to the Placement, subject to the terms and conditions of the Sponsorship and Management Agreement. UOBKH will receive a management fee for such services rendered in connection with the Placement.

Subject to the consent of the SGX-ST being obtained, the Sponsorship and Management Agreement may be terminated by the Sponsor at any time before the close of the Application List on the occurrence of certain events including the following:

(a) UOBKH becomes aware of any material breach by our Company or the Vendor and/or their agents of any of the warranties, representations, covenants or undertakings given by our Company and the Vendor to UOBKH in the Sponsorship and Management Agreement;

(b) there has been, since the date of the Sponsorship and Management Agreement, any change or prospective change in or any introduction or prospective introduction of any legislation, regulation, policy, directive, guideline, rule or byelaw by any relevant government or regulatory body, whether or not having the force of law, or any other occurrence of similar nature that would materially change the scope of work, responsibility or liability required of UOBKH; or

(c) there is a conflict of interest for UOBKH which cannot be reasonably resolved, or any dispute, conflict or disagreement with our Company or the Vendor, or our Company or the Vendor wilfully fails to comply with any advice from or recommendation of UOBKH.

Pursuant to the Placement Agreement dated 18 January 2018 entered into between our Company, the Vendor and UOBKH, our Company and the Vendor appointed UOBKH as the Placement Agent. UOBKH has agreed to subscribe and/or purchase, and/or procure subscriptions for and/or purchases of the Placement Shares, subject to the terms and conditions of the Placement Agreement. The Placement Agent will receive from our Company a commission of 3.5% of the aggregate Placement Price for the total number of Placement Shares successfully subscribed and/or purchased. UOBKH shall be at liberty at its own expense to sub-place its placement obligations under the Placement Agreement and/or appoint such sub-placement agents upon such terms and conditions as it may deem fit.

Subscribers of the Placement Shares may be required to pay brokerage or selling commission of up to 1.0% of the Placement Price (and the prevailing GST thereon, if applicable) to the Placement Agent or any sub-placement agent(s) that may be appointed by the Placement Agent.

The Placement Agreement is conditional upon the Sponsorship and Management Agreement not being terminated or rescinded pursuant to the provisions of the Sponsorship and Management Agreement.

In the event that the Sponsorship and Management Agreement and/or the Placement Agreement is terminated, our Company and the Vendor reserve the right, at our absolute discretion, to cancel the Placement.

Prospective investors should carefully consider and evaluate each of the following considerations and all other information contained in this Offer Document before deciding to invest in our Shares. The following section describes some of the significant risks known to us now that could directly or indirectly affect us and the value or trading price of our Shares. The following section does not state risks unknown to us now but which could occur in the future and risks which we currently believe to be immaterial, which could turn out to be material. Should these risks occur and/or turn out to be material, they could materially and adversely affect our business, financial condition, results of operations and prospects. To the best of our Directors' and the Vendor's knowledge and belief, the risk factors that are material to investors in making an informed judgement have been set out below. If any of the following considerations, uncertainties or material risks develops into actual events, our business, financial condition, results of operations and/or prospects may be materially and adversely affected. In such cases, the trading price of our Shares could decline due to any of these considerations, uncertainties or material risks, and investors may lose all or part of their investment in our Shares.

This Offer Document also contains forward-looking statements having direct and/or indirect implications on our future performance. Our actual results may differ materially from those anticipated by these forward-looking statements due to certain factors, including the risks and uncertainties faced by our Group, as described below and elsewhere in this Offer Document.

RISKS RELATING TO OUR INDUSTRY AND BUSINESS

We are subject to foreign exchange risks

Our revenue is predominantly denominated in USD. On the other hand, our Group's purchases are predominantly denominated in RM. To the extent that our revenue and purchases are not sufficiently matched in the same currency and to the extent that there are timing differences between receipt and payment, we will be exposed to any adverse fluctuation in exchange rates. Any restrictions over the conversion or timing of conversion of foreign currencies may also expose us to adverse fluctuations in exchange rates. As a result, our earnings may be adversely affected.

At present, we do not have any formal policy for hedging against our foreign exchange exposure, although we may from time to time utilise currency hedging instruments. We have used forward currency contracts and cross currency interest rate swaps for hedging purposes as and when it is appropriate and cost efficient during the Period Under Review and from 1 July 2017 to the Latest Practicable Date. However, we will continue to monitor our foreign exchange exposure and may employ a formal policy to manage our foreign exchange exposure should the need arise. We generally have reduced exposure to foreign currency movements as our outstanding trade receivables are usually collected within 14 days from the date of shipping to our customers. Notwithstanding that we have the above measures in place to minimise our foreign currency exposure, any significant and/or sudden foreign currency fluctuations may materially and adversely impact our business and financial performance. Please refer to the section entitled "Management's Discussion and Analysis of Results of Operations and Financial Position" of this Offer Document for further information.

Our business is dependent on the U.S. market

More than 90.0% of our annual revenue for the Period Under Review is derived from customers based in the U.S. and our domestic customers who export and resell our products to the U.S., and we intend to continue expanding our sales in the U.S. Accordingly, our revenue may be affected by changing economic, political, social or regulatory requirements and the demand for wooden bedroom furniture in the U.S. Further, there can be no assurance that the laws and the regulatory, fiscal, monetary or governmental policies in the U.S. will not change such that it would adversely affect our business. For example, the policies implemented or varied by the incumbent administration from time to time may materially and adversely affect our expansion plans in the U.S. market. In addition, social and/or political instability in the U.S. may also adversely affect the economic and social conditions in the U.S., and accordingly, our business and future plans.

In particular, as our revenue is generated predominantly from the residential furniture industry in the U.S., a slowdown in the growth and development of the U.S. economy may result in fewer new residential development projects in these industries which may lead to a decline in the demand for our products and in turn have a material and adverse impact on our business and financial performance.

We require various licences, permits, approvals and certificates to operate our business

We are subject to various laws and regulations governing the wooden furniture manufacturing industry in Malaysia and the U.S. Such laws and regulations include but are not limited to those relating to fire safety, maintenance of our manufacturing facilities and manufacturing licences.

Any failure by us to comply with the various laws and regulations could result in penalties such as fines and/or not being able to continue or expand our business. In such an event, our ability to compete and expand into new regions may be affected, which may adversely impact the growth of our business.

In addition, under these laws and regulations, we are also required to obtain various licences, permits, approvals and certificates to operate our business. The licences and permits are generally subject to conditions stipulated in the licences and permits and/or relevant laws or regulations under which such licences and permits are issued, and such relevant laws or regulations could be varied from time to time. Failure to comply with the stipulated conditions could result in non-renewal or revocation of the relevant licence or permit. As such, we have to constantly monitor and ensure our compliance with such conditions. Should we lose any of our licences or permits, we may not be able to carry out our operations. This may in turn have an adverse effect on our financial position, operating cash flow, business and financial performance. As at the Latest Practicable Date, none of our licences, permits and approvals required to operate our business has been suspended, revoked or cancelled during the Period Under Review.

Our subsidiary, LYFSB was late in laying the audited accounts for the financial year ended 31 December 1995 before its shareholders. While LYFSB is not subject to any penalties in respect of the foregoing, the then-directors of LYFSB comprising our Executive Chairman, Mr Tan Kwee Chai, and our Executive Officers, Mr Tan Kwee Lim and Mr Boo Ngek Hee, may be liable to imprisonment for five (5) years or a fine of RM30,000. As at the Latest Practicable Date, no such penalties have been imposed on the then-directors of LYFSB.

Any change in existing regulations or introduction of new government legislations, regulations and policies that require our compliance may increase our cost of operations and compliance costs. Such changes may also require us to obtain additional licences and approvals. Any difficulties or failure in obtaining such licences and approvals could require us to cease manufacturing until such licences and approvals are obtained. This would affect our ability to meet our contractual deadlines and maintain a good business relationship with our customers.

Please refer to the section entitled "General Information on our Group – Licences, Permits and Approvals" and "Summary of Relevant Laws and Regulations" set out in Appendix D of this Offer Document for more details on the material licences, permits and approvals required for our business operations.

We may be affected by loss of business from our major customers

Our major customers listed under the section entitled "General Information on our Group – Major Customers" contributed 91.7%, 94.4%, 92.5% and 89.3% of our revenue in FY2014, FY2015, FY2016 and 1H2017 respectively. There is no assurance that we will continue to retain our major customers and that they will maintain or increase their current level of business with us. In addition, as a significant portion of our products is sold directly to our customers who are mainly overseas dealers such as furniture wholesalers and retailers who generally resell our products to end-users through their respective retail networks, we are also dependent on the distribution channels of these customers to expand the growth of our products.

In the event these customers significantly decrease their volume of orders with us or do not continue to place orders with us due to disruption of their distribution channels or for any other reason, and we are unable to increase the volume of our sales to other customers, our business and financial performance may be materially and adversely affected. As at the Latest Practicable Date, we have not been affected by the loss of business from any of our major customers that has had a material adverse impact on our Group during the Period Under Review.

We may be affected by disruptions to the supply of raw materials

Our manufacturing activities depend heavily on the steady supply of raw materials including rubberwood, yellow poplar, tropical hardwood, medium-density fibreboard, particle board and plywood. We generally maintain sufficient raw material inventories to meet our production requirements, depending on the purchase orders we receive from customers and our sales forecast. Nonetheless, we are dependent on our suppliers for timely delivery of raw materials and there is no assurance that our suppliers will be able to deliver the necessary raw materials on time. As we do not enter into any long-term supply agreements with our suppliers, we run the risk of not being able to purchase sufficient quantities of raw materials to meet our production requirements. While we have not been affected by any disruptions to our supply of raw materials that have had a material adverse impact on our Group during the Period Under Review, in the event our suppliers default on their contractual obligations or in the event of a delay or disruption to the supply of our raw materials, we may be unable to source raw materials from alternative suppliers in a timely manner and at competitive prices, or at all. This may in turn disrupt our manufacturing activities and our contractual obligations to our customers may be affected, which may in turn affect our customers' confidence in us or expose us to potential liability. In such an event, our business, profitability and results of operations may be adversely affected.

Our leases for LY6 and LY16 are subject to renewal

We lease LY6 and LY16 for our production process. As such, the stability of our business operations is dependent on the continuity of such leases. Our lease for LY6 has a tenure of three (3) years and an option to renew for a further term of two (2) years and the lease for LY16, which expires on 14 May 2018, does not contain any option to renew. If the leases are terminated prematurely due to various reasons or we are unable to renew these leases at similar or more favourable terms upon expiry and we are unable to find alternative premises, our performance may be adversely affected. Even if we are able to find and lease suitable alternative premises on similar or no less favourable terms, relocation is time consuming and may result in potential lost sales in the interim. We do not consider LY16, which is currently used as a warehouse, a key production facility, as we own other warehouses which we can use for storage purposes. Please refer to the section entitled "General Information on our Group – Properties and Fixed Assets" of this Offer Document for more details on our leased properties.

We may be affected by breaches in land conditions of the properties we own or lease

The land title for LY15, which currently houses part of our spray painting facilities, initially contained an express condition requiring the property to be used for the manufacture of depot containers, and built in accordance with the plans approved by the local authority. We made an application to vary the express condition for LY15 to be used as a medium industrial area, for the purposes of manufacturing furniture and other related purposes in May 2016. In June 2017, a new land title with the varied express condition was issued for LY15.

The Malaysian National Land Code 1965 ("**NLC 1965**") provides that the relevant land authority may impose a fine on the land owner or require forfeiture of the land due to a breach of land conditions. In respect of the fine, the relevant land authority may make an order for payment of a fine amounting to no less than RM500 and in the case of a continuing breach, a further fine of no less than RM100 for each day that the breach is not remedied if the land owner fails to show cause to the satisfaction of the relevant land authority. As at the Latest Practicable Date, the Batu Pahat Land Administrator, being the relevant land authority in respect of LY15, could impose a fine of at least RM235,000 for past breaches of the express condition in the land title, prior to the issuance of the new land title with the varied express condition, as renovations for LY15 were completed in December 2010. In the event that the Batu Pahat Land Administrator imposes a fine on us or requires forfeiture of LY15 due to past breaches of the express condition, our business operations, financial performance and reputation may be adversely affected.

We currently lease Blocks B1 and B4, Blocks B2 and B5, Blocks B3 and B6, Batu 6 and Lot 52912 and license Lot 1436 (Portion B) to house some of our foreign workers. We understand that these plots of land are categorised as agriculture land, and our current use of these properties is not compliant with such category of land use.

In addition to the relevant land authority being able to impose a fine on the land owner or require forfeiture of the land, the relevant lease agreement or licence agreement between the land owner and LYFSB may be held to be void. In the event of enforcement action by the authorities against the owner of the said properties which we use to house our workers, we will have to relocate our workers to alternative premises and our operations may be disrupted.

We have begun constructing a new hostel at LY12, which is owned by LYFSB, to house all our foreign workers, and we expect construction to be completed by the first quarter of 2018. The use of LY12 is compliant with the relevant laws and regulations of Malaysia.

Please refer to the section entitled "General Information on our Group – Properties and Fixed Assets" for more details.

We may face uncertainties associated with the growth and expansion of our business

Our growth strategies include, *inter alia*, the expansion of our sales network in the PRC, upgrading our machinery and equipment and acquiring new technology and the construction of additional facilities. These expansion plans will require substantial capital expenditure, and financial and management resources. The success of our expansion plans depends on many factors, some of which are not within our control. In the event that we are not able to achieve a sufficient level of revenue or manage our costs effectively or the commencement of these planned expansions is delayed, our business and financial performance may be materially and adversely affected.

In addition, we may explore investments, mergers and acquisitions, joint ventures and/or strategic collaborations that are complementary to our business. Participation in suitable investments, mergers and acquisitions, joint ventures and/or strategic collaborations involves numerous risks, including but not limited to difficulties in the assimilation of our management, operations, products and personnel and the possible diversion of management attention from our business concerns. The successful implementation of our growth strategies depends on our ability to identify suitable partners and the successful integration of their operations with ours. There can be no assurance that we will be able to execute such growth strategies successfully and as such, the performance of any investments, mergers and acquisitions, joint ventures and/or strategic collaborations could fall short of expectations.

Please refer to the section entitled "Prospects, Trends, Business Strategies and Future Plans – Business Strategies and Future Plans" of this Offer Document for more details.

We may be affected by fluctuations in the costs of ancillary products, raw materials, components and parts sold to us and used in the manufacture of our products

We purchase our ancillary products, raw materials, components and parts from a pool of local suppliers (some or all of whom may in turn import these from overseas suppliers) and overseas suppliers who have an established track record and are able to provide a constant supply at competitive prices promptly. The costs of ancillary products, raw materials, components and parts may fluctuate due to factors such as changes in market supply and demand, fuel and transportation costs, currency and taxes and duties. In the event that prices of ancillary products, raw materials, components and parts increase and we are unable to pass on such cost increases to our customers, or are unable to find alternative sources of such ancillary products, raw materials, components and parts at competitive prices, our profitability, business and financial performance may be adversely affected. As at the Latest Practicable Date, we have not been materially affected by fluctuations in the costs of ancillary products, raw materials, components and parts sold to us and used in the manufacture of our products during the Period Under Review.

We do not have long-term contracts with our customers

While we have established long-term business relationships with our customers, our customers generally do not commit to definite and long-term purchase contracts for the products we provide. Therefore, there can be no assurance that they will not significantly reduce their orders or stop making purchases from us in the future. There also can be no assurance that business relationships with these customers will remain cordial or that they would continue to be satisfied with our products. If our major customers or a significant number of our other customers were to make purchases from sources other than our Group and if we are unable to secure alternative orders of comparable size, whether from new or existing customers, our business, financial condition, results of operations and/or prospects could be materially and adversely affected.

We may be affected by major or sustained disruptions to our operations

As we manufacture all of the wooden furniture we sell, we need to ensure that our production process operates efficiently such that we can fulfil our orders in a timely fashion. Major or sustained disruptions to our operations will result in a longer lead time for the production of wooden furniture and consequently, this may lead to a delay in delivery to our customers. Failure to meet delivery deadlines may result in the loss of business or claims against us and such incidences may affect our business, profitability and reputation.

While we have not been affected by any major or sustained disruptions to our operations that have had a material adverse impact on our Group during the Period Under Review, in the event that we are unable to utilise or otherwise suffer major or sustained disruptions to any of our factories for any reason whatsoever (for instance, sustained disruptions in the supply of utilities such as electricity or water, an outbreak of fire or flood or incidents of arson) which result in significant damage to our factories or labour disputes or shortages, we may incur additional expenses and our business operations and financial performance may be materially and adversely affected.

Our business requires the extensive use of flammable materials such as wood and other flammable chemicals. Consequently, we are subject to a higher risk of fire as compared to other businesses. In the early 2000s, two of our factories located on land which we leased from third parties were burned down on two separate occasions. In June 2017, a small fire broke out in LY15, which houses two production lines, each comprising 15 booths. Our fire prevention system was activated and limited the fire damage to a single booth in one of the production lines and did not materially affect our overall operations in LY15. Certain inventories were also damaged by the water released by the fire prevention system. Although we are insured against the risk of fire, a massive fire may severely disrupt our business operations, resulting in an inability to manufacture our products and meet our contractual commitments. This may have an adverse effect on our productivity and competitiveness and may have a material adverse effect on our business and results of operations.

In addition, our key plant, equipment and machinery may suffer damage, mechanical failure or operational difficulties during the course of our operations. In the event any significant damage, machine failure or operational difficulties occur and we are not able to carry out the necessary rectifications, repairs or replacements in a timely manner or at all due to any reasons whatsoever, such as lack of adequate funds or lack of supply, such significant damage, machine failure or operational difficulties could have a material and adverse effect on our business, financial performance, financial condition, results of operations and prospects.

In addition, as most of our products for the export market are transported by ships, our Group is also subject to shipping disruptions for various reasons such as weather conditions, political turmoil, pirate attacks, social unrest, oil spills and port strikes which may lead to delayed or lost shipments and may have an adverse impact on our Group’s export sales.

We operate in a competitive environment and may not be able to maintain our competitiveness

The furniture industry is highly competitive, and we face competition from both existing and potential local and international competitors. We generally compete with our competitors on a variety of factors, such as reputation, innovative product designs, price, delivery times, product range and quality, customer service and relationships with suppliers, customers and key industry participants such as selling agents. Please refer to the section entitled “General Information on our Group – Competition” of this Offer Document for more details.

We cannot ensure that we will always be able to compete effectively with our existing competitors and new market entrants. Our competitors or potential competitors may possess longer operating histories, more entrenched expertise, stronger relationships with suppliers and customers, greater financial, marketing and other resources, and better technical and marketing know-how in the markets we sell to or intend to venture into. Some of our competitors may also be more aggressive in their pricing to capture or retain market share, or may have lower operating and production costs, overhead expenditure or procurement costs. As such, they may be willing to sell their products at lower prices. This may lead to an increased pressure on us to maintain competitiveness by lowering the prices of our products. Increased competition may result in lower demand for our products, lower profit margins and/or loss of market share.

If we fail to compete effectively, adapt quickly to changing market conditions and trends and maintain or grow our market share, our business and results of operations may be adversely affected.

We are dependent on our key management and skilled personnel for our continued success and growth

The continued success and growth of our business is dependent on our ability to retain our key management personnel, in particular, our Executive Chairman, Mr Tan Kwee Chai, our Executive Director and CEO, Mr Tan Yong Chuan, and our Executive Director, Ms Tan Ai Luang, who each have valuable and extensive experience and knowledge of our industry and have been instrumental in formulating our business strategies and spearheading the growth of our business and operations to-date. They are supported by a team of qualified and experienced Executive Officers who are responsible for implementing the overall business strategy of our Group and managing our operations.

However, there is no assurance that we will be able to continue to retain the services of our key management personnel. The loss of service of our Executive Directors, Executive Officers or other key personnel without suitable replacements or the inability to attract and retain qualified management personnel, will materially and adversely affect our business operations, profitability and prospects.

Our continued success and growth is also dependent upon our ability to recruit and retain skilled and qualified personnel such as design and technical personnel. Skilled personnel with the appropriate experience in our industries are limited and competition for the employment of such personnel is intense. Even though we intend to continue to devote significant resources to recruit, train and retain such personnel, there is no assurance that we will be able to attract the necessary skilled personnel to work for us or that we will be able to retain the skilled personnel or that suitable and timely replacements can be found for skilled personnel who leave us. If we are unable to attract and retain skilled employees, this will adversely affect our business and prospects.

Further, in the event that we need to increase employee compensation levels substantially to attract and/or retain any key management personnel or skilled personnel, our costs may increase and our financial performance may be materially and adversely affected.

We are exposed to the risk of litigation

In general, our Group is exposed to the risk of litigation by customers, suppliers, employees or other persons, including the risk of being joined as third parties to litigation actions or involvement in frivolous claims. These litigation actions and claims may be costly and time consuming, and could result in significant liabilities and reputational harm. We may need to incur significant legal, settlement and other costs in defending actions against us. If such legal or other proceedings are not concluded in our favour and we are found liable in such disputes for any claims and/or damages and incur legal and other costs, or if we accept settlement terms that are unfavourable to us, our business, results of operations, financial position and prospects as well as our reputation may be adversely affected. As at the Latest Practicable Date, we have not faced any litigation actions and claims against us that have had a material adverse impact on our Group during the Period Under Review.

We may be affected by any adverse impact on our reputation and goodwill

We have built a reputation as one of Malaysia's leading manufacturers and exporters of wooden bedroom furniture. Any negative publicity about us, our Directors or our Executive Officers, whether founded or unfounded, may tarnish our reputation and goodwill with our customers and suppliers. Such negative publicity may include, *inter alia*, unsuccessful attempts in joint ventures, acquisitions or take-overs, or involvement in litigation, insolvency proceedings or investigations by government authorities.

Under these circumstances, our customers and suppliers may lose confidence in our business, our Directors or our Executive Officers, and this could affect our business relationships with them and their referral of new business opportunities to us. This may have a material and adverse impact on our business, results of operations and prospects.

Our business is subject to environmental concerns

Our business operations at our factories are subject to the applicable laws and regulations on environmental protection. Further, in view of the increasing concerns about the environmental damage caused by deforestation and air pollution resulting from manufacturing activities, an increasing number of governments all over the world are seeking to impose more stringent standards and requirements dealing with the sourcing, use and treatment of wood, which may affect our business and operations.

In February 2016, we were fined for non-compliance with the Environmental Quality (Scheduled Wastes) Regulations 2005 of Malaysia in respect of our factories at LY9, LY13 and LY15. As at the Latest Practicable Date, the fines have been fully paid and the non-compliances have been rectified. Save for the foregoing, we have not been fined for any non-compliance with any applicable environmental laws and regulations for the Period Under Review and from 1 July 2017 up to the Latest Practicable Date. Nonetheless, should we fail to comply with any applicable environmental laws and regulations, we could be subject to substantial fines or penalties and to civil and criminal liabilities. Please refer to the section entitled "Summary of Relevant Laws and Regulations" set out in Appendix D of this Offer Document for more details.

Additionally, in the event environmental standards are raised significantly or new environmental protection regulations are promulgated in the future, or if environmental specifications are requested for by our customers, we may incur additional costs to comply with the new regulatory standards or environmental specifications, or face an increase in our operating costs. Any of the foregoing events may result in an adverse effect on our business and financial performance.

We may be affected by product obsolescence

In the event that our customers cancel or vary their orders for and/or reject our products, our sales will be adversely affected and product obsolescence may result. In the event of such obsolescence, we may either sell such products at a lower value or perform write-offs and our financial performance may be materially and adversely affected.

We may experience industrial-related accidents which may expose us to liability claims

We are involved in the manufacturing business and many of our employees work in our factories in which manufacturing activities take place. Due to the nature of their work, accidents or mishaps may occur resulting in personal injury, death or losses or damage to property. In the event we are found guilty of any lapses or inadequacy in safety standards which result in such accidents, we may be subject to regulatory sanctions, civil law suits or liability claims. In addition, the occurrence of traffic accidents encountered by our staff during the course of transportation may disrupt our operations, lead to delays in the delivery of semi-finished goods, ancillary products, raw materials, components and parts between our factories and finished goods to our customers, result in liabilities incurred by us and adversely affect our business and financial performance. As at the Latest Practicable Date, we have not experienced any industrial-related accidents resulting in liability claims that have had a material adverse impact on our Group during the Period Under Review.

While we maintain insurance policies, we cannot assure you that our insurance coverage will be sufficient to cover all our potential losses arising from accidents in our premises. In the event our insurance coverage is not sufficient to cover our liabilities from such accidents, our results of operations and financial performance may be materially and adversely affected.

We may be exposed to potential product liability

We are exposed to potential product liability if our products are found to be unfit for use, contain defects or if there are any alleged injuries to our customers from the use of our products. As at the Latest Practicable Date, we have only taken up product liability insurance for one of our customers at its request.

As at the Latest Practicable Date, although our Group has not been involved in legal proceedings or subject to claims or complaints that our products are unsafe or hazardous, there can be no assurance that our Group will not be involved in such legal proceedings or subject to such claims or complaints. Any successful claim for product liability against our Group will create an adverse impact on our reputation. In the event that legal proceedings are commenced against our Group, there can be no assurance that we will be successful in our defence or counterclaims against the other parties. Any such legal proceedings may create a material and adverse impact on our business and financial performance.

We may be subject to claims for infringement of third parties' intellectual property rights or may not be able to protect our intellectual property rights

We believe that our intellectual property rights, in particular our trademarks, have significant value and are important to our brand-building efforts and the marketing of our products. We have registered trademarks in Singapore and Malaysia. We are not aware of any violations or infringements of our trademarks as at the Latest Practicable Date. However, there is no assurance that third parties will not infringe our trademarks in ways that will have negative repercussions on our reputation, business, results of operations and prospects or that measures taken by us will be effective in protecting our trademarks. In the event third parties unlawfully infringe on our trademarks, we may face considerable difficulties and costly litigation in order to fully protect our trademarks, which may in turn adversely affect our reputation, business, results of operations and prospects. Further, as we have not registered our trademarks in all jurisdictions, if any third party uses our trademarks, or registers identical or similar trademarks in jurisdictions other than

Singapore and Malaysia, this may create barriers to entry for us in the future in such jurisdictions, which in turn would affect our business prospects. Please refer to the section entitled "General Information on our Group – Intellectual Property" of this Offer Document for more details.

We may also receive allegations from third parties asserting that we have infringed their intellectual property rights. While we have not received such allegations during the Period Under Review, any claim or litigation against us in respect of the infringement of intellectual property rights of third parties, whether with or without merit, could divert a significant amount of our management, financial and other resources, and could also affect our reputation with our customers and suppliers which may in turn, have a material and adverse effect on our business, results of operations and prospects. In addition, any successful claim against us arising out of such proceedings may result in substantial monetary liability and/or materially affect the continued sales of the affected products and our revenue and profitability.

We are exposed to the credit risks of our customers

We typically grant credit terms of 14 days commencing from the date of shipping to our customers though our credit terms may vary from customer to customer, depending on factors such as their payment track record, financial background and the length of our business relationship. We face uncertainties over the timeliness of our customers' payments and their ability to pay, which may be affected by events or circumstances that are difficult to foresee or anticipate, such as a decline in their business or an economic downturn. As such, there is no assurance that we will always be able to collect our trade debts fully or within a reasonable period of time. In such circumstances, we may be required to make provisions for doubtful debts or incur write-offs, which may have a material and adverse effect on our financial condition and results of operations. Please refer to the section entitled "Management's Discussion and Analysis of Results of Operations and Financial Position – Credit Management" of this Offer Document for further details.

We cannot assure you that risks of default by our customers will not increase in the future. Further, any disputes that may arise due to defaults in payment by customers will also incur time and costs in claiming for such payments and thus affect our business and results of operations.

We may face risks of disputes with and claims by our customers and/or suppliers

We may, from time to time, be involved in disagreements or disputes with our customers or suppliers. If we are unable to resolve such disagreements or disputes in an amicable manner and such disagreements or disputes lead to legal proceedings against our Group, our business and operations may be adversely affected. Our management would also have to allocate time and other resources to handle the disagreements, disputes or legal proceedings. We have not encountered any disputes with and claims by our customers and/or suppliers that have had a material adverse impact on our Group during the Period Under Review.

In addition, in the event that legal proceedings are commenced against our Group, there can be no assurance that we will be successful in our defence or counterclaims against the other parties. Any such legal proceedings may also generate negative publicity and have a material and adverse impact on our business and financial performance.

Further, as most of our customers are located overseas, in the event of any disagreements or disputes, it may take a longer time for us to commence legal proceedings or enforce judgements obtained in Malaysia against these customers.

We require adequate working capital for our operations

We require adequate funding either from internal resources, credit from our suppliers or bank borrowings to fund the working capital of our business. The availability of credit and the credit terms extended to us by our suppliers could depend on factors such as the length of our business relationship with them, their evaluation of our creditworthiness, the size of the orders placed with them and our payment track record. Our ability to obtain adequate financing on terms which are acceptable to us depends on a number of factors such as our financial strength, our creditworthiness and our prospects, and other factors that are beyond our control, including general economic, liquidity and political conditions, the terms on which financial institutions are willing to extend credit to us, and the availability of other sources of debt financing or equity financing. If we are unable to secure adequate financing, our business, results of operations, financial position and prospects may be adversely affected.

In particular, we utilise credit facilities to fund our operations. Although we have sufficient credit facilities at present, we cannot be assured that the financial institutions that extend these facilities to us will increase, renew or will not recall our facilities. In the event that these financial institutions do not increase or renew our facilities, recall our facilities or accelerate our payment obligations due to changes in our gearing or changes in our business circumstances or prospects or due to a breach in our loan covenants or a default of any of our payment obligations at any time in the future or demand repayment in accordance with any applicable repayment on demand clauses, our cash flow may be adversely affected.

We may require additional funding for our future growth

In view of the fast-changing business requirements and market conditions, certain business opportunities that may increase our revenue may arise from time to time and we may be required to expand our capabilities and business through acquisitions, joint ventures, strategic partnerships or alliances with parties who can add value to our business. Funding for expansion, if raised through the issuance of equity or securities convertible into equity, may result in a dilution of our Shareholders' equity, particularly if issued at a discount to the then prevailing market price of our Shares. If we fail to use the new equity to generate a commensurate increase in earnings, our EPS may be diluted, and this could lead to a decrease in our share price.

Alternatively, if our funding requirements are met by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may, *inter alia*:

(a) limit our ability to pay dividends or require us to seek consent for the payment of dividends;

(b) increase our vulnerability to general adverse economic and industry conditions;

(c) limit our ability to pursue our growth plans;

(d) require us to dedicate a substantial portion of our cash flow from our operations to payment of our debt, thereby reducing the availability of our cash flow to fund other capital expenditure, working capital requirements and other general corporate purposes; and/or

(e) limit our flexibility in planning for, or reacting to, changes in our business and our industry.

We are subject to subcontracting risks

We leverage on our subcontractors for parts of our production process, and are therefore dependent on them to a certain extent. These subcontractors are selected based on, among other factors, their competitiveness in terms of the quality of their processes, delivery time, our past working experience with them and their past track record. There can be no assurance that the processes performed by the subcontractors will always be satisfactory or that they will always meet our requirements relating to delivery timings.

In the event of any loss or damage which arises from the default of the subcontractors engaged by us, we may nevertheless be liable for our subcontractors' default. Furthermore, these subcontractors may experience financial or other difficulties which may affect their ability to carry out the processes for which they were contracted, thereby causing delays to the fulfilment of orders and delivery of furniture products by us. These factors may have a material and/or adverse effect on our business, results of operations and financial performance. As at the Latest Practicable Date, we have not faced such circumstances that have had a material adverse impact on our Group during the Period Under Review.

Our insurance coverage may not be adequate

We maintain different insurance policies for our business, covering damages or loss to our properties and machinery, as well as compensation for our employees if they suffer any work injury. Please refer to the section entitled "General Information on our Group – Insurance" of this Offer Document for further details of our insurance coverage. Although we believe that we have sufficient insurance coverage in accordance with industry standards and business practices, there can be no assurance that our existing and future insurance coverage will be sufficient to indemnify us under all circumstances and against all liabilities to which we may be subject, or that our insurers will pay all of our claims. In the event that any claims falling outside the scope of coverage of the insurance policies arise or our existing insurance coverage is insufficient, we may be exposed to losses which may materially and adversely affect our profitability and financial performance. As at the Latest Practicable Date, we have not encountered such circumstances that have had a material adverse impact on our Group during the Period Under Review.

We are exposed to risks in respect of outbreaks of communicable diseases

An outbreak of various communicable diseases such as severe acute respiratory syndrome, influenza A, the Middle East respiratory syndrome, avian influenza, hand, foot and mouth disease and/or other communicable diseases in the region or around the world could materially and adversely affect our business. Countries in the Asia-Pacific region have been adversely affected by outbreaks of infectious diseases over the past decade. More recently, in 2016, there was a global outbreak of Zika virus infections caused by the Zika virus, which is transmitted primarily through the bite of certain infected Aedes species mosquitoes. First emerging in South America in 2015, outbreaks have been reported as well in Central America, the Caribbean, tropical Africa, Southeast Asia and the Pacific Islands. In February 2016, the World Health Organisation declared the Zika virus a global health emergency.

In the event that any of our employees are infected with any communicable disease, we may be required to temporarily suspend operations or shut down our offices or factories, or quarantine the relevant workers to prevent the spread of the disease. This may result in delays in our fulfilment of orders or delivery of our products, thereby creating a material and adverse impact on our business and financial performance.

We may face a lack of design innovations which appeal to customers

The marketability of our ODM products depends significantly on the design innovations. Whether a product design appeals to customers is subjective as a design which appeals to one customer may not appeal to another customer. It is therefore important for us to produce designs with sufficient market appeal to a wide consumer base.

In the event that our design and product development team is unable to produce innovative and commercially viable designs which appeal to a wide consumer base, loss of consumer demand and market share in the markets we operate in may result, thereby creating a material and adverse impact on our business and financial performance.

RISKS RELATING TO MALAYSIA

We are dependent on foreign labour and may face labour shortages or increased costs of labour for our Malaysia operations

As a result of the shortage of local workers in our industry in Malaysia, we are dependent on workers from Nepal, Vietnam, Indonesia, Myanmar and Bangladesh. As at the Latest Practicable Date, approximately 65.9% of our employees are foreigners. We are therefore vulnerable to changes in the availability and costs of employing foreign workers. Any unfavourable changes in labour policies and visa restrictions of these countries as well as those of Malaysia may affect the supply and/or costs of employing foreign workers, thereby causing disruptions to our manufacturing activities and operations.

In view of the increasing demand for foreign workers in Southeast Asian countries, there can be no assurance that we will be able to continue attracting foreign workers at the current level of wages or that our present foreign workers will continue to be employed by our Group. Any increase in competition for foreign workers, in particular skilled workers from other countries, may result in higher labour costs. In the event that we are unable to pass on the increase in labour costs to our customers, our business and financial performance may be materially and adversely affected.

In addition, Malaysia's strict immigration policies and rules limit the inflow of foreign labour into the country. For instance, the availability of foreign employees in Malaysia is regulated through policy instruments such as the imposition of levies and quotas. We are susceptible to any increase in such levies or imposition of minimum wage policies, and changes in the quota of foreign employees that we are permitted to hire. As a result, we may not be able to employ a sufficient number of workers to meet the needs of our manufacturing activities and operations. Such disruptions to our operations or increase in labour costs may have a material adverse impact on our results of operations. Please see the section entitled "Summary of Relevant Laws and Regulations" set out in Appendix D of this Offer Document for further details on the relevant laws on the employment of foreign workers.

In the event of a shortage of foreign workers to meet our operational requirements, we may not be able to fulfil orders placed by our customers in a timely manner or our costs of labour may increase. This is likely to result in a material and adverse impact on our business and financial performance.

We may be adversely affected by unfavourable political, social, economic, legal and regulatory developments in Malaysia

Our assets are substantially located or registered in our favour in Malaysia. As a result, we are susceptible to political, social, economic, legal and regulatory developments in Malaysia.

We may be affected by changes in the political leadership, government policies and/or relevant laws and regulations in Malaysia. Any political or regulatory changes include, without limitation, the introduction of new laws and regulations or any modification to the existing laws and regulations which impose and/or increase restrictions on exports or the conduct of business, the repatriation of profits, the imposition of capital controls, changes in interest rates and the taxation of goods and services. Other political uncertainties include the risks of wars, terrorism, nationalisation and expropriation. We have no control over such conditions and developments and there is no assurance that such conditions and developments will not have a material and/or adverse effect on our business and financial performance.

Also, the economic conditions in Malaysia may have an effect on our business and operations, as well as our future prospects. Any future deterioration of the Malaysian economy could affect the costs of our production and operations and in turn adversely affect our business and financial performance. In times of economic uncertainty, recession or inflation, our suppliers may face extensive budgetary pressures, which may affect their supply and selling price of ancillary products, raw materials, components and parts to us. Our customers may also reduce their volume of purchases from us and the amount they are willing to pay for our products. Upon the occurrence of such events, our results of operation, business and financial condition may be materially and adversely affected.

The Malaysian government has identified the wood-based industry (which includes the manufacturing of wooden furniture) as a major contributor to value-added, export earnings and employment in the manufacturing sector under the Third Industrial Master Plan. Under the policies implemented pursuant to this plan, the Malaysian government grants incentives in the areas of taxation, research and development, licences to manufacturers of furniture, provides support to furniture manufacturers through skills training and technical advice and promotion of Malaysian furniture as well as carries out programmes to ensure the sustainable supply of raw materials in the furniture industry. However, there can be no assurance regarding future changes to the plans and policies of the Malaysian government. In the event that the incentives currently granted to us are discontinued or withdrawn as a result of changes to the plans and policies of the Malaysian government, our business and financial performance may be materially and adversely affected.

We are subject to foreign exchange controls in Malaysia

Since 21 July 2005, the RM pegged to the USD has been removed and RM has been allowed to operate on a managed float basis to ensure that the exchange rate remains close to its fair value. There are also no current restrictions on the repatriation of proceeds, profits, dividends or any income arising from investments in Malaysia, subject to withholding taxes (if any) and provided that repatriation is made in foreign currency other than the currency of the State of Israel and in accordance with the Malaysian Financial Services Act, 2013 and Bank Negara Malaysia's notices. Accordingly, the repatriation of these items by our Malaysian subsidiaries to our Company is free of restrictions.

In the event that the Malaysian government implements any change to the relevant regulations on exchange controls, such changes may affect repatriation from our Malaysian subsidiaries and the financial performance of our Group.

Please refer to the section entitled "Exchange Controls" of this Offer Document for further details.

RISKS RELATING TO INVESTMENT IN OUR SHARES

Our Controlling Shareholder will retain significant control over our Company after the Placement, which will allow them to influence the outcome of matters submitted to Shareholders for approval

Upon the completion of the Placement, our Controlling Shareholder, Lian Yu Holdings Pte. Ltd., will own an aggregate of approximately 72.0% of our post-Placement share capital. As a result, it will be able to exercise significant influence over matters requiring Shareholders' approval, including the election of directors and the approval of significant corporate transactions. It will also effectively have veto power with respect to any Shareholders' action or approval requiring a majority vote except where it is required by the Catalist Rules or other applicable regulations to abstain from voting. Such concentration of ownership may also have the effect of delaying, preventing or deterring a take-over or change in control of our Group even if it may benefit the Shareholders.

Investment in securities quoted on Catalist involves a higher degree of risk and can be less liquid than shares quoted on the Main Board of the SGX-ST

An application has been made for our Shares to be listed for quotation on Catalist, a listing platform designed primarily for fast-growing and emerging or smaller companies to which a higher investment risk tends to be attached as compared to larger or more established companies listed on the Main Board of the SGX-ST. As such, an investment in shares quoted on Catalist may carry a higher risk than an investment in shares quoted on the Main Board of the SGX-ST. There is no assurance that an active or liquid trading market for our Shares will develop or be sustained after the Placement.

Pursuant to the Catalist Rules, we are required to, among others, retain a sponsor at all times after our admission to Catalist. In particular, unless approved by the SGX-ST, the Sponsor must act as our continuing sponsor for at least three (3) years after the admission of our Company to Catalist. Following the expiration of the three-year period, there is no assurance that the Sponsor will continue to act as our sponsor or that we will be able to find a new sponsor. In the event that we do not have a sponsor for more than three (3) continuous months, we may be removed from the Official List of the SGX-ST.

There has been no prior market for our Shares, and the Placement may not result in an active or liquid market for our Shares

Prior to the Placement, there has been no public market for our Shares. Although we have made an application to the SGX-ST for the listing and quotation of our Shares on Catalist, there is no assurance that a liquid market for our Shares will develop or be sustained after the Placement. If an active market for our Shares does not develop after the Placement, the market price and liquidity of our Shares may be adversely affected. The Placement Price may not necessarily be indicative of the market price of the Shares after the Placement and investors may not be able to sell their Shares at or above the Placement Price.

Our Share price may be volatile in the future which could result in substantial losses for investors purchasing Shares pursuant to the Placement

The market price of our Shares may fluctuate significantly and rapidly as a result of, among others, the following factors, some of which are beyond our control:

(a) variations in our financial or operating results;

(b) fluctuations in stock market prices and volume;

(c) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;

(d) changes in conditions affecting the industry, the general economic conditions or stock market sentiments;

(e) announcements by our competitors or ourselves about significant contracts, acquisitions, strategic alliances or joint ventures or capital commitments;

(f) appointments or departures of key personnel;

(g) involvement in litigation proceedings; and

(h) material changes or uncertainty in the political, economic and regulatory environment in Singapore, Malaysia or elsewhere.

For these reasons, among others, our Shares may trade at prices that are higher or lower than the NAV per Share. In addition, our Shares are not capital-safe products and there is no guarantee that investors of our Shares can realise a higher amount or even the principal amount of their investments.

Future sales or issuance of our Shares may adversely affect the price of our Shares

Any future sale or issuance or availability of a large number of our Shares in the public market may have a downward pressure on our Share price. The sale of a significant amount of our Shares in the public market after the Placement, or the perception that such sales may occur, may materially and adversely affect the market price of our Shares. These factors also affect our ability to sell additional equity securities. Save as disclosed under the section entitled "Shareholders – Moratorium" of this Offer Document and subject to all applicable laws and regulations, there will be no restriction on the ability of our Shareholders to sell their Shares either on the SGX-ST or otherwise. In addition, our Share price may come under downward pressure if certain Shareholders sell their Shares upon the expiry of their moratorium periods.

Investors may not be able to participate in future issues of our Shares

In the event that we issue new Shares, we may elect not to offer those Shares to our existing Shareholders at the time of issue, except where we choose to conduct a rights issue. However, in electing to conduct a rights issue or certain other equity issues, we may be subject to regulations as to the procedures to be followed in making such rights offering available to our Shareholders or in disposing of such rights for the benefit of such Shareholders and making the net proceeds available to them. In addition, we may choose not to offer rights issues or other equity issues to our Shareholders having an address outside Singapore. Accordingly, certain Shareholders may be unable to participate in future offerings of our Shares and may experience dilution of their shareholdings as a result.

Investors in our Shares will face immediate and substantial dilution in NAV per Share and may experience further dilution

Our Placement Price of S$0.26 per Share is substantially higher than our NAV per Share of S$0.13 based on the post-Placement issued and paid-up share capital adjusted for the net proceeds from the issue of the New Shares. If we were liquidated immediately following the Placement, each investor subscribing for the Placement Shares would receive less than the price he paid for the Shares. Please refer to the section entitled "Dilution" of this Offer Document for further details.

In addition, we may issue Awards under the Performance Share Plan. To the extent that such Awards are ultimately granted and Award Shares are issued pursuant to such grants, there may be further dilution to investors participating in the Placement. Further details of the Performance Share Plan can be found in the section entitled "LY Performance Share Plan" of this Offer Document and "Rules of the LY Performance Share Plan" set out in Appendix H of this Offer Document.

Negative publicity which includes those involving our Group, any of our Directors, Executive Officers or Controlling Shareholders may adversely affect our Share price

Negative publicity or announcements involving our Group, any of our Directors, Executive Officers or Controlling Shareholders may adversely affect the market perception of our Group or the performance of our Shares, whether or not they are justified. Some examples include unsuccessful attempts in joint ventures, acquisitions or take-overs, or involvement in litigation or insolvency proceedings.

We may not be able to pay dividends in the future

Our ability to declare dividends to our Shareholders will depend on, among others, our future financial performance, distributable reserves and cash flows. This is in turn dependent on our ability to implement our future plans and on financial, competitive, regulatory, technical and other factors, general economic conditions, demand for and selling prices of our products and services and other factors specific to our industry, many of which are beyond our control. As such, there is no assurance that we will be able to pay dividends to our Shareholders.

The receipt of dividends from our subsidiaries may also be affected by the passage of new laws, adoption of new regulations and other events outside our control, and our subsidiaries may not continue to meet the applicable legal and regulatory requirements for the payment of dividends in the future. Source withholding tax may also apply to dividends and distributions from our subsidiaries to us. If our subsidiaries stop paying dividends or reduce the amount of the dividends they pay to our Company, or dividends become subject to increased tax because of changes in the ownership of our subsidiaries or changes in tax laws or treaties, there will be an adverse effect on our ability to pay dividends on our Shares.

For a description of our dividend policy, please refer to the section entitled "Dividend Policy" of this Offer Document.

PLACEMENT PRICE	26.0 cents (approximately 78.9 sens)(1)
NAV	
NAV per Share based on the unaudited combined balance sheet of our Group as at 30 June 2017:	
(a) before adjusting for the estimated net proceeds from the Placement and based on the pre-Placement share capital of 426,720,000 Shares	37.5 sens
(b) after adjusting for the estimated net proceeds from the issue of the New Shares and based on the post-Placement share capital of 489,144,200 Shares	40.8 sens
Premium of Placement Price over the NAV per Share based on the unaudited combined balance sheet of our Group as at 30 June 2017:	
(a) before adjusting for the estimated net proceeds from the issue of the New Shares and based on the pre-Placement share capital of 426,720,000 Shares	110.4%
(b) after adjusting for the estimated net proceeds from the Placement and based on the post-Placement share capital of 489,144,200 Shares	93.4%
EPS	
Historical EPS based on the audited combined statement of comprehensive income of our Group for FY2016 and the pre-Placement share capital of 426,720,000 Shares	10.2 sens
Historical EPS based on the audited combined statement of comprehensive income of our Group for FY2016 and the pre-Placement share capital of 426,720,000 Shares, assuming that the Service Agreements had been in place from the beginning of FY2016	9.7 sens
PER	
Historical PER based on the Placement Price and the historical EPS for FY2016	7.7 times
Historical PER based on the Placement Price and the historical EPS for FY2016, assuming that the Service Agreements had been in place since the beginning of FY2016	8.1 times
Net operating cash flow(2)	
Historical net operating cash flow per Share for FY2016 based on the audited combined financial information of our Group and the pre-Placement share capital of 426,720,000 Shares	10.1 sens
Historical net operating cash flow per Share for FY2016 based on the audited combined financial information of our Group and the pre-Placement share capital of 426,720,000 Shares, assuming that the Service Agreements had been in place since the beginning of FY2016	9.6 sens

Price to net cash flow from operations ratio

Ratio of Placement Price to historical net operating cash flow per Share for FY2016 based on the pre-Placement share capital of 426,720,000 Shares	7.8 times
Ratio of Placement Price to historical net operating cash flow per Share for FY2016 based on the pre-Placement share capital of 426,720,000 Shares, assuming that the Service Agreements had been in place since the beginning of FY2016	8.2 times

Market capitalisation

Market capitalisation based on the Placement Price and the post-Placement share capital of 489,144,200 Shares	S$127.2 million

Notes:

(1) The Placement Price was translated based on the exchange rate of S$1.00: RM3.0349 as at the Latest Practicable Date.

(2) Net operating cash flow refers to the net cash flows from operating activities.

EXCHANGE RATES

Singapore Dollars

The exchange rate between RM and S$ as at the Latest Practicable Date is S$1.00 to RM3.0349.

The table below sets out the highest and lowest exchange rates between RM and S$ in each of the preceding six (6) months and for the period from 1 December 2017 to the Latest Practicable Date. The table below indicates how much RM may be bought with S$1.00 in each period.

	RM: S$1.00	
	Highest(1)	**Lowest**(1)
June 2017	3.1197	3.0776
July 2017	3.1597	3.0995
August 2017	3.1586	3.1383
September 2017	3.1515	3.1010
October 2017	3.1248	3.0958
November 2017	3.1145	3.0287
Period from 1 December 2017 to the Latest Practicable Date	3.0388	3.0054

The table below sets out, for each of the financial years and period included, the average and closing exchange rates between RM and S$. The average exchange rate is calculated by using the average of the exchange rates on the last day of each month during each financial year/period. Where applicable, the exchange rates in this table are used for the translation of our Group's financial statements disclosed elsewhere in this Offer Document.

	RM: S$1.00	
	Average(1)	**Closing**(1)
FY2014	2.5835	2.6477
FY2015	2.8514	3.0401
FY2016	2.9968	3.1008
1H2017	3.1287	3.1188

Note:

(1) The above exchange rates have been quoted or calculated with reference to exchange rates quoted from Bloomberg L.P. Bloomberg L.P. has not provided its consent, for the purposes of Section 249 of the SFA, to the inclusion of the information extracted from the relevant reports and is therefore not liable for such information under Sections 253 and 254 of the SFA. While we have taken reasonable actions to ensure that the information is extracted accurately and fairly from such reports, and has been included in this Offer Document in its proper form and context, neither we nor any party has conducted an independent review of the information contained in such reports nor verified the accuracy of the contents of the relevant information.

The above exchange rates should not be construed as representations that the RM amounts actually represent such S$ amounts or could be converted into S$, at the rates indicated, at any other rate or at all.

EXCHANGE RATES

United States Dollars

The exchange rate between RM and US$ as at the Latest Practicable Date is US$1.00 to RM4.0795.

The table below sets out the highest and lowest exchange rates between RM and US$ in each of the preceding six (6) months and for the period from 1 December 2017 to the Latest Practicable Date. The table below indicates how much RM may be bought with US$1.00 in each period.

	RM: US$1.00	
	Highest(1)	**Lowest**(1)
June 2017	4.3022	4.2505
July 2017	4.3043	4.2733
August 2017	4.2990	4.2640
September 2017	4.2695	4.1825
October 2017	4.2440	4.2095
November 2017	4.2437	4.0815
Period from 1 December 2017 to the Latest Practicable Date	4.0920	4.0465

The table below sets out, for each of the financial years and period included, the average and closing exchange rates between RM and US$. The average exchange rate is calculated by using the average of the exchange rates on the last day of each month during each financial year/period. Where applicable, the exchange rates in this table are used for the translation of our Group's financial statements disclosed elsewhere in this Offer Document.

	RM: US$1.00	
	Average(1)	**Closing**(1)
FY2014	3.2810	3.4973
FY2015	3.9346	4.2943
FY2016	4.1443	4.4862
1H2017	4.3683	4.2928

Note:

(1) The above exchange rates have been quoted or calculated with reference to exchange rates quoted from Bloomberg L.P. Bloomberg L.P. has not provided its consent, for the purposes of Section 249 of the SFA, to the inclusion of the information extracted from the relevant reports and is therefore not liable for such information under Sections 253 and 254 of the SFA. While we have taken reasonable actions to ensure that the information is extracted accurately and fairly from such reports, and has been included in this Offer Document in its proper form and context, neither we nor any party has conducted an independent review of the information contained in such reports nor verified the accuracy of the contents of the relevant information.

The above exchange rates should not be construed as representations that the RM amounts actually represent such US$ amounts or could be converted into US$, at the rates indicated, at any other rate or at all.

DIVIDEND POLICY

Our Company was incorporated on 24 October 2016 and has not declared or paid any dividends since incorporation. Our subsidiary, LYFSB, has declared and paid dividends of RM5.0 million, RM26.0 million, and RM55.0 million for FY2014, FY2015 and FY2016 respectively.

We do not have a fixed dividend policy. The form, frequency and amount of future dividends on our Shares that our Directors may recommend or declare will depend on, among other factors deemed relevant by our Directors, the factors outlined below:

(a) our cash flow and retained earnings;

(b) our actual and projected business and financial performance;

(c) our projected levels of capital expenditure and expansion plans;

(d) our results of operations;

(e) our working capital requirements and general financing condition; and

(f) restrictions on the payment of dividends imposed on our Company (if any).

In addition, our Company is a holding company and depends upon the receipt of dividends and other distributions from our subsidiaries to pay the dividends on our Shares.

Subject to our Constitution and in accordance with the Companies Act, our Company may declare an annual dividend subject to the approval of our Shareholders in a general meeting, but no dividend or distribution shall be declared in excess of the amount recommended by our Directors. Subject to our Constitution and in accordance with the Companies Act, our Directors may also from time to time declare an interim dividend without the approval of our Shareholders. Our Company must pay all dividends out of our profits.

Subject to the above, our Directors intend to recommend and distribute a special dividend of S$0.0078 per Share for FY2017, representing a payout per Share equivalent to 3.0% of the Placement Price, to be approved in a general meeting to be held within three (3) months after Listing. 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 ("**Proposed Dividends**").

However, investors should note that all the foregoing statements, including the statements on the Proposed Dividends, 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.

For information relating to taxes payable on dividends, please refer to the section entitled "Taxation" set out in Appendix I of this Offer Document.

All dividends are paid *pro rata* among the Shareholders in proportion to the amount paid up on each Shareholder's Shares, unless the rights attaching to an issue of any Share provide otherwise. Notwithstanding the foregoing, the payment by our Company to CDP of any dividend payable to a Shareholder whose name is entered in the Depository Register shall, to the extent of payment made to CDP, discharge our Company from any liability to that Shareholder in respect of that payment.

The amount of dividends declared and paid by our Company should not be taken as an indication of the dividends payable in the future. No inference shall or can be made from any of the foregoing statements as to our actual future profitability or ability to pay dividends in any of the periods discussed. We cannot provide any assurance that dividends will be paid in the future or of the amount or timing of any dividends that will be paid in the future.

SHARE CAPITAL

Our Company (Company Registration Number: 201629154K) was incorporated in Singapore on 24 October 2016 under the Companies Act as a private company limited by shares under the name of "LY Corporation Pte. Ltd.". Our Company was converted into a public limited company on 21 December 2017 and the name of our Company was changed to LY Corporation Limited in connection therewith.

As at the date of incorporation, our issued and paid-up share capital was S$1 comprising one (1) Share. Immediately after the completion of the Restructuring Exercise, our issued and paid-up share capital was S$6,754,607 comprising 40,000,000 Shares.

On 21 December 2017, our Shareholders approved, among others, the following:

(a) the conversion of our Company into a public limited company and the change of our name to LY Corporation Limited;

(b) the adoption of a new Constitution;

(c) the allotment and issue of the New Shares pursuant to the Placement, which when allotted, issued and fully paid-up, will rank *pari passu* in all respects with the existing issued and fully paid-up Shares;

(d) the allotment and issue of the Consultant Shares and the Introducer Shares;

(e) the approval of the listing and quotation of all the issued Shares (including the Vendor Shares), the New Shares, the Consultant Shares, the Introducer Shares and the Award Shares on Catalist;

(f) the adoption of the IPT Mandate, details of which are set out in the section entitled "Interested Person Transactions – Mandate for Recurring Interested Person Transactions" of this Offer Document;

(g) the adoption of the Performance Share Plan, and the authorisation of our Directors, to allot and issue Shares upon the grant of Awards granted under the Performance Share Plan; and

(h) the authorisation for our Directors, pursuant to section 161 of the Companies Act and by way of ordinary resolution in a general meeting, to:

    (A) issue Shares whether by way of rights, bonus or otherwise; and/or

    (B) 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 our Directors shall in their absolute discretion deem fit; and

    (C) issue Shares in pursuance of any Instrument made or granted by our Directors while this authority is in force (notwithstanding that such issue of Shares pursuant to the Instrument may occur after the expiration of the authority contained in this resolution), provided that:

        (i) the aggregate number of Shares to be issued pursuant to such authority (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this authority) does not exceed 100.0% of the total number of issued Shares (excluding treasury shares) in the capital of our Company (as calculated in accordance with subparagraph (ii) below), of which the aggregate number of Shares to be issued other than on a *pro rata* basis to the then existing Shareholders (including Shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 50.0% of the total number of issued Shares (excluding treasury shares) in the capital of our Company (as calculated in accordance with sub-paragraph (ii) below);

(ii) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the total number of the issued Shares shall be based on the total number of issued Shares of our Company (excluding treasury shares) immediately after the Placement, after adjusting for:

(aa) new Shares arising from the conversion or exercise of any convertible securities;

(bb) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time this authority is passed, provided the options or awards were granted in compliance with the Catalist Rules; and

(cc) any subsequent bonus issue, consolidation or sub-division of Shares;

(iii) in exercising the authority conferred by this resolution, our Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of our Company; and

(iv) (unless revoked or varied by our Company in general meeting) the authority conferred by this resolution shall take effect from the date of admission of our Company to Catalist and continue in force until the conclusion of the next annual general meeting of our Company or the date by which the next annual general meeting of our Company is required by law to be held, whichever is earlier.

As at the date of this Offer Document, our Company only has one (1) class of shares, being ordinary shares. There is no restriction on the transfer of fully paid Shares except where required by law or the Catalist Rules or the rules or by-laws of any stock exchange on which our Company is listed. A summary of the Constitution of our Company relating to, among others, the voting rights of our Shareholders, is set out in the section entitled "Summary of the Constitution of our Company" in Appendix F of this Offer Document.

As at the date of this Offer Document, the issued and paid-up share capital of our Company is S$6.8 million comprising 426,720,000 Shares. Upon the allotment and issue of the New Shares, the resultant issued and paid-up share capital of our Company will be increased to S$23.0 million comprising 489,144,200 Shares.

There are no founder, management, deferred or unissued Shares reserved for issuance for any purpose. The Placement Shares shall have the same interest and voting rights as our existing Shares that were issued prior to the Placement.

No person has, or has the right to be given, an option to subscribe for or purchase any securities of our Company or its subsidiaries. As at the Latest Practicable Date, no option to subscribe for and/or purchase any Shares in our Company has been granted to, or was exercised by, any of our Directors or Executive Officers.

Details of changes in our Company's issued and paid-up capital since our incorporation and the resultant issued and paid-up share capital immediately after the Placement are as follows:

	Number of new Shares issued	Resultant number of Shares	Issued and paid-up share capital (S$)
Issued and paid-up Shares as at the incorporation of our Company	1	1	1
Issue of new Shares pursuant to the Restructuring Exercise(1)	39,999,999	40,000,000	6,754,607
Share Split	386,720,000	426,720,000	6,754,607
Issue of Consultant Shares and Introducer Shares	1,250,000	427,970,000	7,079,607
Issue of New Shares	61,174,200	489,144,200	22,984,899
Post-Placement issued and paid-up share capital	–	489,144,200	22,984,899

Notes:

(1) Please refer to the section entitled "Restructuring Exercise" of this Offer Document for further details.

(2) This does not take into account the capitalisation of estimated expenses of approximately S$0.8 million incurred in connection with the Placement.

The shareholders' equity of our Company as at (a) incorporation; (b) immediately before the Placement; and (c) immediately after the Placement, are set out below.

	As at incorporation	Immediately before the Placement	Immediately after the Placement
Issued and paid-up shares (number of shares)	1	426,720,000	489,144,200
Issued and paid-up capital (S$)	1	6,754,607	22,184,899(1)
Merger reserve (S$)(3)	–	164,750	164,750
Accumulated profits (S$)(3)	–	52,540,446	50,140,446(2)
Total shareholders' equity (S$)	1	59,459,803	72,490,095

Notes:

(1) This takes into account the capitalisation of estimated expenses of approximately S$0.8 million incurred in connection with the Placement.

(2) This takes into account listing expenses of approximately S$2.1 million incurred in connection with the Placement and the expenses of approximately S$0.3 million for the allotment and issuance of the Consultant Shares and Introducer Shares.

(3) Translated based on the exchange rate of S$1.00: RM3.0349 as at the Latest Practicable Date.

The shareholdings of our Directors and Substantial Shareholders immediately before and after the Placement are set out below:

	Immediately before the Placement				Immediately after the Placement			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Directors								
Tan Kwee Chai(1)	–	–	366,979,200	86.00	–	–	352,305,400	72.03
Tan Yong Chuan	–	–	–	–	–	–	–	–
Tan Ai Luang(2)	–	–	–	–	800,000	0.16	–	–
Lee Dah Khang(2)	–	–	–	–	77,000	0.02	–	–
Oh Seong Lye(2)	–	–	–	–	115,000	0.02	–	–
Yeo Kian Wee Andy(2)	–	–	–	–	115,000	0.02	–	–
Substantial Shareholders (other than Directors)								
Lian Yu Holdings Pte. Ltd.(3)	366,979,200	86.00	–	–	352,305,400	72.03	–	–
Crown Leap Limited(4)	59,740,800	14.00	–	–	59,740,800	12.21	–	–
Tan Kwee Lim(1)	–	–	366,979,200	86.00	–	–	352,305,400	72.03
Shen Min-Hui(5)	–	–	59,740,800	14.00	–	–	59,740,800	12.21
Other Shareholders								
Lau Chia En(6)	–	–	–	–	788,462	0.16	–	–
Tan Suat Lin(7)	–	–	–	–	461,538	0.09	–	–
Public	–	–	–	–	74,741,000	15.29	–	–
Total	**426,720,000**	**100.00**			**489,144,200**	**100.00**		

Notes:

(1) Mr Tan Kwee Chai and Mr Tan Kwee Lim hold 43.17% and 22.37% of the issued and paid-up share capital of Lian Yu Holdings Pte. Ltd. respectively, which in turn holds 352,305,400 Shares. Accordingly, each of Mr Tan Kwee Chai and Mr Tan Kwee Lim are deemed to be interested in the 352,305,400 Shares held by Lian Yu Holdings Pte. Ltd. pursuant to Section 4 of the SFA.

(2) As at the date of this Offer Document, Ms Tan Ai Luang, Mr Lee Dah Khang, Mr Oh Seong Lye and Mr Yeo Kian Wee Andy have indicated interest to subscribe for and/or purchase 800,000, 77,000, 115,000 and 115,000 Placement Shares respectively.

(3) Lian Yu Holdings Pte. Ltd. is a company incorporated in Singapore. The shareholders of Lian Yu Holdings Pte. Ltd. are Mr Tan Kwee Chai (43.17%), Mr Tan Yong Chuan (10.73%), Mr Tan Kwee Lim (22.37%), Mr Boo Ngek Hee (11.64%), Mdm Cha Geek Ngo (5.11%) and Mr Tan Yong Siang (6.98%). Mr Tan Kwee Chai is the spouse of Mdm Cha Geek Ngo. Mr Tan Yong Chuan and Mr Tan Yong Siang are the sons of Mr Tan Kwee Chai and Mdm Cha Geek Ngo. Mr Tan Kwee Lim is the brother of Mr Tan Kwee Chai. Mr Tan Kwee Chai, Mr Tan Kwee Lim and Mr Boo Ngek Hee are the uncles of Ms Tan Ai Luang.

(4) Crown Leap Limited is a company incorporated in Samoa. The sole shareholder of Crown Leap Limited is Mr Shen Min-Hui.

(5) Mr Shen Min-Hui holds 100% of the issued and paid-up share capital of Crown Leap Limited, which in turn holds 59,740,800 Shares. Accordingly, Mr Shen Min-Hui is deemed to be interested in the 59,740,800 Shares held by Crown Leap Limited pursuant to Section 4 of the SFA. Mr Shen Min-Hui is not involved in the management and operations of our Group, and he is not related to any of our Directors, Executive Officers or Controlling Shareholders.

(6) Pursuant to a service contract entered into between our Company and Mr Lau Chia En dated 1 November 2016 in connection with the Listing, our Company allotted and issued 788,462 Shares to Mr Lau Chia En at the Placement Price for each Share.

(7) Pursuant to a letter issued by our Company to Ms Tan Suat Lin dated 1 November 2016, our Company allotted and issued 461,538 Shares to Ms Tan Suat Lin at the Placement Price for each Share, for, *inter alia*, facilitating and providing coordination assistance within our Group in relation to the Listing.

The Shares held by our Directors and Substantial Shareholders do not carry different voting rights from the Placement Shares which are the subject of the Placement.

Save as disclosed above, our Company is not directly or indirectly owned or controlled, whether severally or jointly, by any other corporation, any government or other natural or legal person.

Our Directors are not aware of any arrangement the operation of which may, at a subsequent date, result in a change in control of our Company.

There has not been any public take-over by a third party in respect of our Company's shares or by our Company in respect of shares of another corporation or units of a business trust which has occurred between the date of incorporation of our Company and the Latest Practicable Date.

SIGNIFICANT CHANGES IN PERCENTAGE OF OWNERSHIP

Save as disclosed above and under the sections entitled "Share Capital" and "Restructuring Exercise" of this Offer Document, there have been no significant changes in the percentage of ownership of our Shares from the incorporation of our Company to the Latest Practicable Date.

VENDOR

The name of the Vendor and the number of the Vendor Shares which the Vendor will offer pursuant to the Placement are set out below:

	Shares held immediately before the Placement		Vendor Shares offered pursuant to the Placement			Shares held immediately after the Placement	
	Number of Shares	% of pre-Placement share capital	Number of Shares	% of pre-Placement share capital	% of post-Placement share capital	Number of Shares	% of post-Placement share capital
Lian Yu Holdings Pte. Ltd.	366,979,200	86.0	14,673,800	3.4%	3.0%	352,305,400	72.0

MORATORIUM

Each of the following Shareholders has given an undertaking to our Company and the Sponsor, Issue Manager and Placement Agent to observe a moratorium over our Shares as set out below:

Lian Yu Holdings Pte. Ltd., which will have a direct interest in 352,305,400 Shares representing an aggregate of approximately 72.0% of our post-Placement share capital, has undertaken not to, directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase or right to acquire, grant any security over, encumber or otherwise dispose of, any part of its interest in the share capital of our Company immediately after the Placement (adjusted for any bonus issue or sub-division of Shares), for a period of two (2) years from the date of admission of our Company to Catalist, and for a period of two (2) years thereafter, not to, directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase or right to acquire, grant any security over, encumber or otherwise dispose of, more than 50.0% of its original shareholdings in our Company (adjusted for any bonus issue or sub-division of Shares).

Crown Leap Limited which will have a direct interest in 59,740,800 Shares representing an aggregate of approximately 12.2% of our post-Placement share capital, has undertaken not to, directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase or right to acquire, grant any security over, encumber or otherwise dispose of, any part of its interest in the share capital of our Company immediately after the Placement (adjusted for any bonus issue or sub-division of Shares), for a period of six (6) months from the date of admission of our Company to Catalist, and for a period of six (6) months thereafter, not to, directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase or right to acquire, grant any security over, encumber or otherwise dispose of, more than 50.0% of its original shareholdings in our Company (adjusted for any bonus issue or sub-division of Shares).

The Consultant who will have a direct interest in 788,462 Shares representing an aggregate of approximately 0.2% of our post-Placement share capital, has undertaken not to, directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase or right to acquire, grant any security over, encumber or otherwise dispose of, any part of his interest in the share capital of our Company immediately after the Placement (adjusted for any bonus issue or sub-division of Shares), for a period of two (2) years from the date of admission of our Company to Catalist.

The Introducer who will have a direct interest in 461,538 Shares representing an aggregate of approximately 0.1% of our post-Placement share capital, has undertaken not to, directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase or right to acquire, grant any security over, encumber or otherwise dispose of, any part of her interest in the share capital of our Company immediately after the Placement (adjusted for any bonus issue or sub-division of Shares), for a period of two (2) years from the date of admission of our Company to Catalist.

SHAREHOLDERS

The shareholders of Lian Yu Holdings Pte. Ltd., namely Mr Tan Kwee Chai, Mr Tan Yong Chuan, Mr Tan Kwee Lim, Mr Boo Ngek Hee, Mdm Cha Geek Ngo and Mr Tan Yong Siang, have each undertaken:

(a) not to directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase or right to acquire, grant any security over, encumber or otherwise dispose of, any part of their interest in Lian Yu Holdings Pte. Ltd., for a period of four (4) years from the date of admission of our Company to Catalist; and

(b) to jointly and severally procure Lian Yu Holdings Pte. Ltd. not to directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase or right to acquire, grant any security over, encumber or otherwise dispose of, any part of its interest in the share capital of our Company immediately after the Placement (adjusted for any bonus issue or sub-division of Shares), for a period of two (2) years from the date of admission of our Company to Catalist, and for a period of two (2) years thereafter, not to, directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase or right to acquire, grant any security over, encumber or otherwise dispose of, more than 50.0% of its original shareholdings in our Company (adjusted for any bonus issue or subdivision of Shares).

The sole shareholder of Crown Leap Limited, Mr Shen Min-Hui, has undertaken:

(a) not to directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase or right to acquire, grant any security over, encumber or otherwise dispose of, any part of his interest in Crown Leap Limited, for a period of 12 months from the date of admission of our Company to Catalist; and

(b) to procure Crown Leap Limited not to directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase or right to acquire, grant any security over, encumber or otherwise dispose of, any part of its interest in the share capital of our Company immediately after the Placement (adjusted for any bonus issue or sub-division of Shares), for a period of six (6) months from the date of admission of our Company to Catalist, and for a period of six (6) months thereafter, not to, directly or indirectly, sell, contract to sell, offer, realise, transfer, assign, pledge, grant any option to purchase or right to acquire, grant any security over, encumber or otherwise dispose of, more than 50.0% of its original shareholdings in our Company (adjusted for any bonus issue or subdivision of Shares).

DILUTION

Dilution is the amount by which the Placement Price to be paid by subscribers and/or purchasers of the Placement Shares ("**New Investors**") exceeds the NAV per Share immediately after the Placement.

Our unaudited NAV per Share as at 30 June 2017 before adjusting for the estimated net proceeds from the issue of the New Shares and based on the pre-Placement share capital of 426,720,000 Shares, was 12.4 cents.

Pursuant to the issue of 61,174,200 New Shares at the Placement Price, our NAV per Share after adjusting for the estimated net proceeds from the issue of the New Shares and based on our post-Placement share capital of 489,144,200 Shares, would have been 13.4 cents. This represents an immediate increase in NAV per Share of 1.0 cents to our existing Shareholders and an immediate dilution in NAV per Share of 12.6 cents to our New Investors.

The following table illustrates the dilution on a per Share basis:

	Cents
Placement Price	26.0
Unaudited NAV per Share as at 30 June 2017 before adjusting for the net proceeds from the Placement based on the pre-Placement share capital of 426,720,000 Shares(1)	12.4
Increase in NAV per Share attributable to existing Shareholders	1.0
NAV per Share after the Placement(2)	13.4
Dilution in NAV per Share to New Investors pursuant to the Placement	12.6
Dilution in NAV per Share to New Investors as a percentage of the Placement Price pursuant to the Placement	48.5%

Notes:

(1) The NAV was translated based on the exchange rate of S$1.00: RM3.0349 as at the Latest Practicable Date.

(2) The computed NAV per Share does not take into account our actual financial performance from 1 July 2017 to the Latest Practicable Date. Depending on our actual financial results, our NAV per Share after the Placement may be higher or lower than the above computed NAV.

DILUTION

The following table summarises the total number of Shares acquired by our existing Shareholders since the date of our incorporation (after adjusting for the Restructuring Exercise), the total consideration paid by them and the average effective cash cost to them and the New Investors pursuant to the Placement:

	Number of Shares acquired	Total consideration (S$)	Average effective cost per Share (cents)
Directors			
Tan Kwee Chai	–	–	–
Tan Yong Chuan	–	–	–
Tan Ai Luang(1)	800,000	208,000	26.0
Lee Dah Khang(1)	77,000	20,020	26.0
Oh Seong Lye(1)	115,000	29,900	26.0
Yeo Kian Wee Andy(1)	115,000	29,900	26.0
Substantial Shareholders (other than Directors)			
Lian Yu Holdings Pte. Ltd.(2)	366,979,200	1,277,608	0.3
Crown Leap Limited(2)	59,740,800	207,893	0.3
Tan Kwee Lim	–	–	–
Shen Min-Hui	–	–	–
Other Shareholders			
Lau Chia En(3)	788,462	205,000	26.0
Tan Suat Lin(4)	461,538	120,000	26.0
New Investors	75,848,000	19,720,480	26.0

Notes:

(1) As at the date of this Offer Document, Ms Tan Ai Luang, Mr Lee Dah Khang, Mr Oh Seong Lye and Mr Yeo Kian Wee Andy have indicated interest to subscribe for and/or purchase 800,000, 77,000, 115,000 and 115,000 Placement Shares respectively.

(2) This includes the 17,200,000 and 2,800,000 Shares issued to Lian Yu Holdings Pte. Ltd. and Crown Leap Limited respectively pursuant to the Restructuring Exercise. Please refer to the section entitled "Restructuring Exercise" of this Offer Document for further details.

(3) Pursuant to a service contract entered into between our Company and Mr Lau Chia En dated 1 November 2016 in connection with the Listing, our Company allotted and issued 788,462 Shares to Mr Lau Chia En at the Placement Price for each Share.

(4) Pursuant to a letter issued by our Company to Ms Tan Suat Lin dated 1 November 2016, our Company allotted and issued 461,538 Shares to Ms Tan Suat Lin at the Placement Price for each Share, for, *inter alia*, facilitating and providing coordination assistance within our Group in relation to the Listing.

Save as disclosed above and in the sections entitled "Restructuring Exercise" and "General and Statutory Information – Share Capital" of this Offer Document, none of our Directors or Substantial Shareholders or their respective Associates has acquired any Shares during the period of three (3) years prior to the date of lodgement of this Offer Document.

In connection with the Placement, we undertook the Restructuring Exercise to rationalise and streamline our Group's corporate structure.

Our Restructuring Exercise was completed on 18 December 2017.

The following steps were taken during the Restructuring Exercise:

1. Incorporation of our Company

Our Company was incorporated on 24 October 2016 in Singapore under the Companies Act as a private company limited by shares. At incorporation, our Company had an issued and paid-up share capital of S$1 comprising one (1) Share, which was held by Mr Tan Yong Chuan. On 28 June 2017, Mr Tan Yong Chuan transferred one (1) Share to Lian Yu Holdings Pte. Ltd. for a consideration of S$1.00.

On 18 December 2017, Lian Yu Holdings Pte. Ltd. and Crown Leap Limited subscribed for an aggregate of 19,999,999 Shares for a consideration of RM4.5 million in the following proportions:

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

With the Restructuring Exercise being an internal reorganisation of shareholdings of the ultimate shareholders of LYFSB, the consideration was determined by consensus of such ultimate shareholders with reference to the amount of funds that they were prepared to contribute as additional capital to the Company for the Company's onward capital contribution into LYFSB.

2. Acquisition of shares in LYFSB

On 18 December 2017, our Company subscribed for 4,500,000 shares in LYFSB, amounting to 90.0% of the enlarged issued and paid-up share capital of LYFSB, for a consideration of RM4.5 million which was based on RM1 for each share in LYFSB.

On 18 December 2017, our Company entered into a sale and purchase agreement to acquire 10.0% of the issued and paid-up share capital in LYFSB from LY Furniture Corporation Sdn. Bhd. for a consideration of approximately RM16.0 million. The consideration was based on the unaudited NAV 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 our Company.

The Legal Adviser to our Company on Malaysia Law has informed that upon completion of the Restructuring Exercise, our Company will need to submit the transfer instrument for transfers of shares pursuant to the Restructuring Exercise to the Inland Revenue Board of Malaysia for adjudication of stamp duty, which will typically take between two (2) weeks to a month. Upon completion of the adjudication process, the Inland Revenue Board of Malaysia will issue an adjudication notice indicating the stamp duty payable on the transfer instruments, as well as the time period for such payment of stamp duty to be made, which will typically be between 14 to 30 days from the date of the adjudication notice. Hence, the stamp duty payable for the transfer of shares of LYFSB pursuant to the Restructuring Exercise may not be paid prior to the registration of this Offer Document. For the avoidance of doubt, completion of the Restructuring Exercise will take place on the date of the transfer instrument, and not on the date where stamp duties are paid.

As the payment of stamp duty is procedural in nature, our Company is of the view that there would not be any material adverse implications to our Company in the event stamp duty payable on the transfer instruments is paid after registration of this Offer Document.

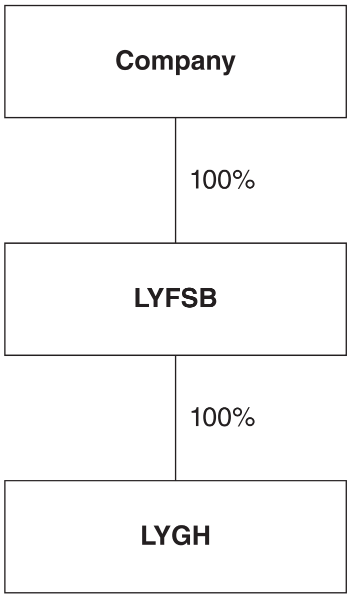
The Legal Adviser to our Company on Malaysia Law is of the opinion that the Restructuring Exercise is in compliance with all applicable laws and regulations in Malaysia save for the steps to be taken upon completion of the Restructuring Exercise as set out above, for which there are no legal restrictions for our Company to comply with. The Legal Adviser to our Company on Malaysia Law is also of the opinion that save as already disclosed in this Offer Document, the Restructuring Exercise would not otherwise require the consent or approval of, or notification to, any governmental or regulatory authority in Malaysia.

3. Incorporation of LYGH

LYGH was incorporated on 3 October 2017 in Malaysia as a private company limited by shares with an issued and paid-up share capital of RM1 comprising one (1) share, which was held by our wholly-owned subsidiary, LYFSB.

GROUP STRUCTURE

Our Group structure as at the date of this Offer Document is as follows:



The details of our subsidiaries as at the date of this Offer Document are as follows:

Subsidiary	**Date / Country of incorporation**	**Principal place of business**	**Principal activities**	**Issued and paid-up share capital**	**Effective equity interest held by our Group**
LYFSB	29 July 1991 / Malaysia	Malaysia	Manufacture of all kinds of wooden furniture	RM5,000,000	100%
LYGH	3 October 2017 / Malaysia	Malaysia	Trading of all kinds of furniture, related products and materials and providing management and support services	RM100,000	100%

The following selected Group financial information should be read in conjunction with the full text of this Offer Document, including the sections entitled "Audited Combined Financial Statements of LY Corporation Limited and its Subsidiary for the Financial Years Ended 31 December 2014, 2015 and 2016" and "Unaudited Interim Combined Financial Statements of LY Corporation Limited and its Subsidiary for the Six-Month Period Ended 30 June 2017" as set out in Appendices A and B of this Offer Document respectively, from which the selected Group financial information has been derived.

OPERATING RESULTS OF OUR GROUP

	← Audited		→	← Unaudited	→
RM'000	**FY2014**	**FY2015**	**FY2016**	**1H2016**	**1H2017**
Revenue	216,036	313,569	287,379	141,597	166,007
Cost of sales	(180,305)	(225,484)	(212,503)	(103,695)	(126,425)
Gross profit	**35,731**	**88,085**	**74,876**	**37,902**	**39,582**
Interest Income	407	827	570	322	402
Other income	4,401	3,248	5,115	2,265	4,299
Selling and administrative expenses	(16,685)	(20,972)	(22,443)	(12,079)	(11,972)
Finance costs	(1,402)	(1,361)	(710)	(486)	(119)
Other expense	(125)	(2,363)	(1,094)	(4,304)	(3,715)
Profit before tax	**22,327**	**67,464**	**56,314**	**23,620**	**28,477**
Income tax expense	(4,991)	(14,808)	(12,868)	(5,871)	(6,889)
Profit net of tax, representing total comprehensive income for the year/period	**17,336**	**52,656**	**43,446**	**17,749**	**21,588**
Profit attributable to:					
Owners of our Company	**17,336**	**52,656**	**43,446**	**17,749**	**21,588**
EPS (based on pre-Placement share capital) (sen)[(1)]	4.1	12.3	10.2	4.2	5.1
EPS (based on post-Placement share capital) (sen)[(2)]	3.5	10.8	8.9	3.6	4.4

Notes:

(1) For comparative purposes, EPS (based on the pre-Placement share capital) for the Period Under Review is computed based on the net profit attributable to Shareholders and the pre-Placement share capital of 426,720,000 Shares. Please refer to the sections entitled "Audited Combined Financial Statements of LY Corporation Limited and its Subsidiary for the Financial Years Ended 31 December 2014, 2015, and 2016" and "Unaudited Interim Combined Financial Statements of LY Corporation Limited and its Subsidiary for the Six-Month Period Ended 30 June 2017" as set out in Appendices A and B of this Offer Document respectively, for more information on EPS computation.

(2) For comparative purposes, EPS (based on the post-Placement share capital) for the Period Under Review is computed based on the net profit attributable to Shareholders and the post-Placement share capital of 489,144,200 Shares.

FINANCIAL POSITION OF OUR GROUP

	Audited			Unaudited
RM'000	As at 31 December 2014	As at 31 December 2015	As at 31 December 2016	As at 30 June 2017
Non-current assets				
Property, plant and equipment	98,943	105,442	102,961	103,976
Leasehold land	11,390	11,138	14,113	13,942
Total non-current assets	**110,333**	**116,580**	**117,074**	**117,918**
Current assets				
Inventories	37,672	38,834	40,810	38,750
Trade and other receivables	12,261	15,476	18,640	17,751
Prepaid operating expense	748	522	2,566	4,906
Cash and short-term deposits	37,138	72,925	49,468	66,666
Total current assets	**87,819**	**127,757**	**111,484**	**128,073**
TOTAL ASSETS	**198,152**	**244,337**	**228,558**	**245,991**
Current liabilities				
Loans and borrowings	11,328	10,758	4,662	7,778
Trade and other payables	19,267	19,288	24,261	24,016
Accrued operating expense	3,996	4,856	6,512	4,084
Dividend payable	–	–	–	30,000
Tax payable	1,711	5,485	4,432	6,046
Derivatives liabilities	2,349	2,012	2,484	802
Total current liabilities	**38,651**	**42,399**	**42,351**	**72,726**
NET CURRENT ASSETS	**49,168**	**85,358**	**69,133**	**55,347**
Non-current liabilities				
Loans and borrowings	23,796	20,979	698	799
Deferred tax liabilities	12,440	13,038	12,142	12,511
Total non-current liabilities	**36,236**	**34,017**	**12,840**	**13,310**
TOTAL LIABILITIES	**74,887**	**76,416**	**55,191**	**86,036**
NET ASSETS	**123,265**	**167,921**	**173,367**	**159,955**
Equity attributable to owners of our Company				
Share capital	–	–	–[(1)]	–[(1)]
Merger reserve	500	500	500	500
Retained earnings	122,765	167,421	172,867	159,455
TOTAL EQUITY	**123,265**	**167,921**	**173,367**	**159,955**
TOTAL EQUITY AND LIABILITIES	**198,152**	**244,337**	**228,558**	**245,991**

Note:

(1) Less than RM1,000.

The following selected Group financial information should be read in conjunction with the full text of this Offer Document, including the sections entitled "Audited Combined Financial Statements of LY Corporation Limited and its Subsidiary for the Financial Years Ended 31 December 2014, 2015 and 2016" and "Unaudited Interim Combined Financial Statements of LY Corporation Limited and its Subsidiary for the Six-Month Period Ended 30 June 2017" as set out in Appendices A and B of this Offer Document respectively, where the selected Group financial information has been derived from.

This discussion contains forward-looking statements that involve risks and uncertainties faced by us. Our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause our results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Offer Document, particularly in the section entitled "Risk Factors" of this Offer Document. Investors are cautioned not to place undue reliance on these forward-looking statements which apply only as at the date hereof. Please refer to the section entitled "Cautionary Note Regarding Forward-Looking Statements" of this Offer Document for further details.

OVERVIEW

We are one of Malaysia's leading manufacturers and exporters of wooden bedroom furniture.

We are an established ODM principally engaged in the design and manufacture of wooden bedroom furniture and the manufacture of custom wooden bedroom furniture which may be tailored to our customers' specifications and requirements on an OEM basis. The furniture manufactured by us is typically rebranded by our customers for sale. As at the Latest Practicable Date, we operate from 15 factories and warehouses, which we own or lease, occupying a combined built-up area of approximately 1.4 million sq ft.

We specialise in the manufacture of wooden bedroom furniture for the residential furniture industry. Our typical bedroom set consists of a bed which can be supplied in various sizes, nightstand, dresser, drawer chest, media chest, wardrobe, and vanity and television armoire, which are available in various design, colour and material options.

Our wooden bedroom furniture are manufactured based on standard specifications and customised specifications. Standard specification furniture are manufactured based on designs generated by our design and product development team in standard sizes and dimensions. Customised specification furniture are manufactured with adjustments and alterations in dimensions are made according to customers' requirements.

Please refer to the section entitled "General Information on our Group – Business Overview" of this Offer Document for further information.

Revenue

Our revenue is derived principally from the manufacturing and sale of wooden bedroom furniture to the U.S., Malaysia and other regions.

We set out below the breakdown of our revenue by geographical segments (based on the domicile of our customers) for FY2014, FY2015, FY2016, 1H2016 and 1H2017:

	Audited						Unaudited			
	FY2014		**FY2015**		**FY2016**		**1H2016**		**1H2017**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Malaysia	32,099	14.9	47,255	15.1	38,410	13.4	20,695	14.6	21,886	13.2
United States of America	181,104	83.8	249,743	79.6	221,897	77.2	107,279	75.8	131,095	79.0
Others	2,833	1.3	16,571	5.3	27,072	9.4	13,623	9.6	13,026	7.8
Total	**216,036**	**100.0**	**313,569**	**100.0**	**287,379**	**100.0**	**141,597**	**100.0**	**166,007**	**100.0**

We set out below the number of 40-ft containers sold and the average selling price per 40-ft container for FY2014, FY2015, FY2016, 1H2016 and 1H2017:

	FY2014	**FY2015**	**FY2016**	**1H2016**	**1H2017**
Number of 40-ft containers sold	**4,905**	**5,923**	**5,637**	**2,746**	**3,146**
Average selling price per 40-ft container (RM'000)	**44**	**53**	**51**	**52**	**53**

Our revenue may be affected by, *inter alia*, the following factors:

(i) **Market demand for our bedroom furniture in countries we sell our products to**

Market demand for our bedroom furniture products is subject to constantly evolving product designs, consumer tastes and preferences. Our success depends largely on our sensitivity to changes in consumer trends as well as our ability to respond promptly and to continually introduce, develop and/or produce new designs and products with commercially viable designs, functionality and quality to meet our customers' changing tastes and preferences.

(ii) **Competition**

The furniture industry is a competitive industry, and we face competition from both existing and potential local and international competitors. We generally compete with our competitors on a variety of factors, such as reputation, innovative product designs, price, delivery times, product range and quality, customer service and relationships with suppliers, customers and key industry participants such as selling agents.

(iii) **The exchange rate between US$ and RM**

Most of the selling prices of our products are denominated in US$. The appreciation of the US$ against the RM may increase our revenue and vice versa.

(iv) **Availability of subcontracting services for our products which are of a good standard of quality and reliability**

Our subcontractors provide services and products at different stages of our bedroom furniture production. To ensure that we continue to secure orders from existing or new customers, we have to check and ensure that our subcontractors are reliable in delivering their services and products which are of the standard required.

Please refer to the section entitled "Risk Factors" of this Offer Document for a more comprehensive discussion of the above and on other factors which may affect our business operations, revenue and overall financial performance.

Cost of Sales

For the Period Under Review, the trends for our cost of sales for our business segments were generally in line with our corresponding revenue. Our cost of sales mainly consisted of raw materials purchased, direct labour, subcontractor costs and factory overheads.

Please see below for further discussion on the trends and breakdowns of our cost of sales by raw materials purchased, direct labour, subcontractor costs and factory overheads.

Breakdown of cost of sales by nature

We set out below the breakdown of our cost of sales by nature for FY2014, FY2015, FY2016, 1H2016 and 1H2017:

Cost of sales by nature	**Audited**						**Unaudited**			
	FY2014		**FY2015**		**FY2016**		**1H2016**		**1H2017**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Opening inventories	28,027	15.6	37,672	16.7	38,834	18.3	38,834	37.5	40,810	32.3
Raw materials purchased	121,960	67.6	144,345	64.0	144,824	68.1	63,668	61.4	83,515	66.1
Direct labour	21,714	12.0	24,399	10.8	24,693	11.6	11,749	11.3	14,056	11.1
Subcontractor	33,814	18.8	41,077	18.2	27,809	13.1	15,530	15.0	18,164	14.4
Factory overheads	12,462	6.9	16,825	7.5	17,153	8.1	8,707	8.4	8,630	6.8
Closing inventories	(37,672)	(20.9)	(38,834)	(17.2)	(40,810)	(19.2)	(34,793)	(33.6)	(38,750)	(30.7)
Total	**180,305**	**100.0**	**225,484**	**100.0**	**212,503**	**100.0**	**103,695**	**100.0**	**126,425**	**100.0**

(i) Raw materials purchased

Our raw material costs comprise wood/timber raw materials products as well as packaging materials (includes cartons, pads, polyform, etc.) and furniture hardware.

For the Period Under Review, our raw material costs accounted for 67.6%, 64.0%, 68.1%, 61.4% and 66.1% of the total cost of sales in FY2014, FY2015, FY2016, 1H2016 and 1H2017 respectively.

(ii) Direct labour

Our direct labour costs comprise employee benefits expenses for both local and foreign employees involved in the production department, including skilled and unskilled workers.

For the Period Under Review, our direct labour costs accounted for 12.0%, 10.8%, 11.6%, 11.3% and 11.1% of the total cost of sales in FY2014, FY2015, FY2016, 1H2016 and 1H2017 respectively.

(iii) Subcontractor

Our subcontractor costs comprise mainly of subcontractors' fees.

For the Period Under Review, our subcontractor costs accounted for 18.8%, 18.2%, 13.1%, 15.0% and 14.4% of the total cost of sales in FY2014, FY2015, FY2016, 1H2016 and 1H2017 respectively.

(iv) Factory overheads

Our factory overhead costs comprise mainly of factory rental expenses, consumable expenses, utilities, insurance, depreciation of property, plant and equipment and upkeep of machineries, tools and equipment.

For the Period Under Review, our factory overhead costs accounted for 6.9%, 7.5%, 8.1%, 8.4% and 6.8% of the total cost of sales in FY2014, FY2015, FY2016, 1H2016 and 1H2017 respectively.

We adopted a periodic inventory system in view of the extensive inventory list arising from our extensive collection of wooden bedroom furniture which comes in various sizes, designs, colours and materials. Under the periodic inventory system, purchases of raw materials, direct labour costs, subcontractor costs and factory overheads are first recorded into our cost of sales, and adjusted subsequently at the end of the relevant recording period by subtracting the value of our closing inventories which include the component costs (comprising mainly raw materials, direct labour, subcontractor costs and factory overheads). We perform physical inventory counts on a periodic basis to update our records of the value of our inventories and correspondingly reduce it from the cost of goods sold.

Our cost of sales amounted to 83.5%, 71.9%, 73.9%, 73.2% and 76.2% of our revenue for FY2014, FY2015, FY2016, 1H2016 and 1H2017 respectively.

Factors affecting our cost of sales

Our cost of sales may be affected by, *inter alia*, the following factors:

(i) fluctuations in the cost of raw materials which comprise mainly medium density fibreboard, paint, timber, veneer, furniture hardware, furniture parts, chipboard, mirror and glass, mirror frame, packaging materials, etc.; and

(ii) increase in costs of direct labour due to changes in government policies and regulations (such as workers' levy, minimum wages, quota, etc.).

Gross Profit and Gross Profit Margin

The following table provides a breakdown of our gross profit and gross profit margin for FY2014, FY2015, FY2016, 1H2016 and 1H2017:

	← Audited		→	← Unaudited	→
	FY2014	**FY2015**	**FY2016**	**1H2016**	**1H2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Gross profit	35,731	88,085	74,876	37,902	39,582

	← Audited		→	← Unaudited	→
	FY2014	**FY2015**	**FY2016**	**1H2016**	**1H2017**
Gross profit margin	16.5%	28.1%	26.1%	26.8%	23.8%

Our overall gross profit margins were approximately 16.5%, 28.1%, 26.1%, 26.8% and 23.8% in FY2014, FY2015, FY2016, 1H2016 and 1H2017 respectively.

Interest Income

Interest income relates to interest income from cash at banks and short term deposits.

For the Period Under Review, interest income amounted to approximately RM0.41 million, RM0.83 million, RM0.57 million, RM0.32 million and RM0.40 million and accounted for approximately 0.2%, 0.3%, 0.2%, 0.2% and 0.2% of our total revenue for FY2014, FY2015, FY2016, 1H2016 and 1H2017 respectively.

Other Income

Other income comprises mainly (i) sales of scrap materials; (ii) gains on the disposal of short term investments; (iii) gains on the disposal of property, plant and equipment; (iv) dividend income; (v) rental income; (vi) net foreign exchange gains; and (vii) net fair value gains on derivatives.

For the Period Under Review, other income amounted to approximately RM4.40 million, RM3.25 million, RM5.12 million, RM2.27 million and RM4.30 million and accounted for approximately 2.0%, 1.0%, 1.8%, 1.6% and 2.6% of our total revenue for FY2014, FY2015, FY2016, 1H2016 and 1H2017 respectively.

Selling and Administrative Expenses

Our selling and administrative expenses comprise mainly freight cost and handling charges, salaries and staff-related expenses (comprising directors' remuneration, salaries, bonuses and contributions to employees' provident fund ("**EPF**") for the administrative and general operations functions, excluding direct and indirect labour costs captured under cost of sales, and other employee benefits), depreciation of property, plant and equipment, amortisation of leasehold land, maintenance costs (including building, motor vehicle, office equipment and furniture), export credit insurance, insurance expenses, legal and professional fees, travelling expenses, printing, stationery and postage expenses, subscription and donation and office utilities.

For the Period Under Review, selling and administrative expenses amounted to approximately RM16.69 million, RM20.97 million, RM22.44 million, RM12.08 million and RM11.97 million and accounted for approximately 7.7%, 6.7%, 7.8%, 8.5% and 7.2% of our total revenue for FY2014, FY2015, FY2016, 1H2016 and 1H2017 respectively.

Finance Costs

Finance costs relate mainly to interest expense on bank loans and obligations under finance leases.

For the Period Under Review, our finance costs amounted to approximately RM1.40 million, RM1.36 million, RM0.71 million, RM0.49 million and RM0.12 million and accounted for approximately 0.6%, 0.4%, 0.2%, 0.3% and 0.1% of our total revenue for FY2014, FY2015, FY2016, 1H2016 and 1H2017 respectively.

Other expenses

Other expenses relate to mainly prepaid operating expense written off, staff loans written off, net foreign exchange loss, net fair value loss on derivatives, loss on disposal of short term investments and write-off of property, plant and equipment.

Changes to the fair value on derivatives are recognised immediately in the profit and loss as a net fair value gain or loss on derivatives. Our derivatives include cross currency interest rate swaps which are used to reduce exposure from adverse fluctuations in foreign currency and interest rates arising from our USD denominated term loans and short term borrowings such as onshore foreign currency loans, and forward contracts to hedge foreign currency risk arising from the Group's sales and purchases denominated in USD for which firm commitments existed at the end of each reporting period. These hedging were based on actual requirements and no speculation was involved.

For the Period Under Review, other expenses amounted to approximately RM0.13 million, RM2.36 million, RM1.09 million, RM4.30 million and RM3.72 million and accounted for approximately 0.1%, 0.8%, 0.4%, 3.0% and 2.2% of our total revenue for FY2014, FY2015, FY2016, 1H2016 and 1H2017 respectively.

Income Tax Expense

Income tax expense includes current tax expense and deferred tax expense. Current tax expense is the expected tax payable on the chargeable income. Deferred tax is a result of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and tax purposes.

We are subject to the prevailing tax regulations of Malaysia, in which the applicable corporate income tax rate was 25.0% for FY2014 and FY2015, and 24.0% for FY2016 and 1H2017.

Our Group's effective and statutory tax rates for the Period Under Review are as follows:

	← Audited →			← Unaudited →	
	FY2014	**FY2015**	**FY2016**	**1H2016**	**1H2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Current tax expense	3,877	14,210	13,764	5,449	6,520
Deferred tax expense	1,114	598	(896)	422	369
Income tax expense	4,991	14,808	12,868	5,871	6,889
Malaysia's statutory tax rate	25.0%	25.0%	24.0%	24.0%	24.0%
Effective tax rate	22.4%	21.9%	22.9%	24.9%	24.2%

The deferred tax expenses were mainly due to origination and reversal of temporary differences.

The effective tax rate was 22.4%, 21.9%, 22.9%, 24.9% and 24.2% in FY2014, FY2015, FY2016, 1H2016 and 1H2017 respectively.

Our effective income tax rates were lower than the statutory income tax rates for FY2014, FY2015 and FY2016 due to tax incentives such as deduction for promotion of exports (samples to buyer), deduction of premiums for export credit insurance, deduction of insurance premium for importation of cargo and deduction for participation at an approved international trade fair.

Our effective income tax rates were higher than the statutory income tax rates for 1H2016 and 1H2017 due to lesser tax incentives being claimed.

Inflation

Our financial performance during the Period Under Review was not materially affected by inflation.

REVIEW OF PAST PERFORMANCE

FY2015 VS FY2014

Revenue

Our revenue increased by approximately RM97.53 million, or 45.1%, from approximately RM216.04 million in FY2014 to approximately RM313.57 million in FY2015. This was mainly attributable to:

(i) higher sales volume of approximately 20.8% from 4,905 40-ft containers in FY2014 to 5,923 40-ft containers in FY2015 mainly due to maintaining and strengthening customer relationships through regular contacts and updates, resulting in a net increase of sales to existing customers of approximately RM110.89 million; and

(ii) an increase in the average selling price per 40-ft container from RM44,000 in FY2014 to RM53,000 in FY2015 due mainly to the appreciation of the USD against the RM. The average US$/RM during FY2015 (US$1: RM3.9346) was approximately 19.9% more than the average US$/RM during FY2014 (US$1: RM3.2810).

Cost of Sales

Our cost of sales increased by approximately RM45.17 million, or 25.1%, from approximately RM180.31 million in FY2014 to approximately RM225.48 million in FY2015. This was mainly due to the increase in raw materials purchased by approximately RM22.39 million, or 18.4%, from approximately RM121.96 million in FY2014 to approximately RM144.35 million in FY2015, which is in line with the increase in revenue. Direct labour cost increased by approximately RM2.69 million, or 12.4%, from approximately RM21.71 million in FY2014 to approximately RM24.40 million in FY2015. Subcontractor costs increased by approximately RM7.27 million, or 21.5%, from approximately RM33.81 million in FY2014 to approximately RM41.08 million in FY2015. Factory overheads increased by approximately RM4.37 million, or 35.1%, from approximately RM12.46 million in FY2014 to approximately RM16.83 million in FY2015. 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 FY2015.

The increase in cost of sales was being offset by the increase in closing inventories where those costs incurred in manufacturing the work-in-progress and finished goods were being capitalised as cost of inventories. The increase in closing inventories was mainly due to our Group stocking up its inventories to fulfil sales orders due for delivery in FY2016.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by approximately RM52.36 million, or 146.5%, from RM35.73 million in FY2014 to RM88.09 million in FY2015.

Our overall gross profit margin increased from approximately 16.5% in FY2014 to approximately 28.1% in FY2015. The increase in gross profit margin is largely due to the appreciation of the USD against the RM. As cost of sales is mainly denominated in RM (compared to our revenue which is mainly denominated in USD), the appreciation of the USD against the RM does not have the same impact on our cost of sales as compared to our revenue, resulting in a higher gross profit margin for FY2015.

Interest Income

Interest income increased by approximately RM0.42 million, or 102.4%, from approximately RM0.41 million in FY2014 to approximately RM0.83 million in FY2015 mainly due to more cash being placed under fixed deposits and overnight deposits.

Other Income

Other income decreased by approximately RM1.15 million, or 26.1%, from approximately RM4.40 million in FY2014 to approximately RM3.25 million in FY2015. The decrease in other income was mainly due to the net foreign exchange gain of RM0.73 million in FY2014 where in FY2015, our Group recorded a net foreign exchange loss of RM2.29 million, and a decrease in the gain on disposal of short term investments from RM0.39 million in FY2014 to RM5,000 in FY2015. Despite the increase in production, our sale of scrap materials decreased as there was no sale of timber that cannot be used in our production in FY2015 as compared to FY2014 where we had to dispose timber that was not suitable for our production.

Selling and Administrative Expenses

Our selling and administrative expenses increased by approximately RM4.28 million, or 25.6%, from approximately RM16.69 million in FY2014 to approximately RM20.97 million in FY2015. The increase in selling and administrative expenses was mainly due to the increase in depreciation as a result of the purchase of computer equipment to cater for our new integrated real-time monitoring and management system, LY-6M system, motor vehicles as well as increased freight costs and handling charges as a result of the increase in production. The increase in selling and administrative expenses was also due to an increase in the directors' remuneration and bonus in FY2015.

Finance Costs

Our finance costs decreased by approximately RM41,000, or 2.9%, from approximately RM1.40 million in FY2014 to approximately RM1.36 million in FY2015 mainly due to the decrease in interest expenses.

Other Expenses

Other expenses increased by approximately RM2.23 million, or 1,715.4% from approximately RM0.13 million in FY2014 to approximately RM2.36 million in FY2015. This was mainly due to the net foreign exchange loss recorded in our books in FY2015 as compared to FY2014 due to the depreciation of RM against US$ as our term loans were denominated in US$. We have written off prepaid operating expenses of approximately RM73,000 made to an Indonesian timber supplier that failed to honour full delivery after advance payments were made. We no longer transact with the said supplier.

Profit before tax

As a result of the foregoing, profit before tax for the year increased by approximately RM45.13 million, or 202.2% from approximately RM22.33 million in FY2014 to approximately RM67.46 million in FY2015.

FY2016 VS FY2015

Revenue

Our revenue decreased by approximately RM26.19 million, or 8.4%, from approximately RM313.57 million in FY2015 to approximately RM287.38 million in FY2016. This was mainly attributable to:

(i) lower sales volume of approximately 4.8% from 5,923 40-ft containers in FY2015 to 5,637 40-ft containers in FY2016 mainly due to lower export sales as there was lower market demand from our Group's customers in the U.S. region. We have generally observed a trend of lower furniture demand during previous U.S. election years; and

(ii) 3.8% decrease in the average selling price per 40-ft container from RM53,000 in FY2015 to RM51,000 in FY2016 mainly due to the discounts given to customers, offset by the appreciation of the USD against the RM. The average US$/RM during FY2016 (US$1: RM4.1443) was approximately 5.3% more than the average US$/RM during FY2015 (US$1: RM3.9346).

Cost of Sales

Our cost of sales decreased by approximately RM12.98 million, or 5.8%, from RM225.48 million in FY2015 to RM212.50 million in FY2016. This was mainly due to the decrease in subcontractor costs by approximately RM13.27 million or 32.3% from approximately RM41.08 million in FY2015 to approximately RM27.81 million in FY2016 as a result of lesser production activities during FY2016 as compared to FY2015. The decrease in cost of sales was also due to the increase in closing inventories where those costs incurred in manufacturing the work-in-progress and finished goods were capitalised as cost of inventories. Closing inventories was higher in FY2016 partially due to slowdown of customers' orders while production continued to take place to stock up the inventories in order to fulfil sales orders due for delivery after the end of the year.

This was partially offset by the slight increase in raw materials by approximately RM0.47 million or 0.3% from approximately RM144.35 million in FY2015 to RM144.82 million in FY2016, largely due to lower discounts received from our suppliers in view that the amount of purchases of wood/timber raw materials products and packaging materials had decreased as a result of lower production. The increase in direct labour costs by approximately RM0.29 million or 1.2% from approximately RM24.40 million in FY2015 to approximately RM24.69 million in FY2016 was mainly due to the increase in the minimum wage to RM1,000 in Malaysia. Factory overhead costs increased by approximately RM0.32 million or 1.9% from approximately RM16.83 million in FY2015 to approximately RM17.15 million in FY2016 mainly due to our decision to bear part of the workers' levy costs whereby the levy per foreign worker has increased by RM600 effective from April 2016.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by approximately RM13.21 million, or 15.0%, from approximately RM88.09 million in FY2015 to approximately RM74.88 million in FY2016.

Our overall gross profit margin decreased from approximately 28.1% in FY2015 to approximately 26.1% in FY2016. This was mainly due to the decrease in the selling price of some of our models as a result of the weaker market demand from our customers.

Interest Income

Interest income decreased by approximately RM0.26 million, or 31.3%, from approximately RM0.83 million in FY2015 to approximately RM0.57 million in FY2016. The decrease in interest income was mainly due to less cash being placed under fixed deposits and overnight deposits.

Other Income

Other income increased by approximately RM1.87 million, or 57.5%, from approximately RM3.25 million in FY2015 to approximately RM5.12 million in FY2016. The increase in other income was mainly due to a gain on disposal of property, plant and equipment from RM0.14 million in FY2015 to RM1.11 million in FY2016 mainly due to the disposal of two (2) factory buildings, LY8 and LY21. The disposal of LY8 and LY21 was to rationalise the number of properties held by our Group. LY21 has not been used since its acquisition in June 2011 while LY8 has not been used as our Group's production site since December 2014. We also recognised a gain on disposal of leasehold land of RM0.17 million in FY2016. A one-time insurance claim of RM1.12 million was also recognised in FY2016 relating to the pay-out received from the insurance company for a fire which broke out at LY9 during the year as a result of a spark in the spray painting booth exhaust chimney. The increase was partially offset by the decrease in fair value gain on derivatives as there was a net fair value loss on derivatives recorded in FY2016. Rental income decreased by RM0.07 million from RM0.76 million in FY2015 to RM0.69 million in FY2016 due to the disposal of two (2) factory buildings that our Group rented to third parties.

Selling and Administrative Expenses

Our selling and administrative expenses increased by approximately RM1.47 million, or 7.0%, from approximately RM20.97 million in FY2015 to approximately RM22.44 million in FY2016. The increase in selling and administrative expenses was mainly due to the increase in the staff costs (including, but not limited to salary, EPF, social security contribution, staff welfare and training), upkeep of buildings, donations contributed to schools and associations as well as expenses incurred in the disposal of waste (such as sludge of paints and unusable rags).

Finance Costs

Our finance costs decreased by approximately RM0.65 million, or 47.8%, from approximately RM1.36 million in FY2015 to approximately RM0.71 million in FY2016. The decrease in finance costs was mainly due to the settlement of majority of our term loans in the first quarter of 2016.

Other Expenses

Other expenses decreased by approximately RM1.27 million, or 53.8%, from approximately RM2.36 million in FY2015 to approximately RM1.09 million in FY2016. This was mainly due to our Group having recognised a net foreign exchange gain of approximately RM0.17 million in FY2016 as compared to a net foreign exchange loss of RM2.29 million in FY2015. The decrease was partially set off by the recognition of staff loans written off, losses on disposal of short term investments, net fair value losses on derivatives and write off of property, plant and equipment.

Profit before Tax

As a result of the foregoing, our profit before tax decreased by approximately RM11.15 million, or 16.5%, from approximately RM67.46 million in FY2015 to approximately RM56.31 million in FY2016.

1H2017 VS 1H2016

Revenue

Our revenue increased by approximately RM24.41 million, or 17.2%, from approximately RM141.60 million in 1H2016 to approximately RM166.01 million in 1H2017. This was mainly attributable to:

(i) higher sales volume of approximately 14.6% from 2,746 40-ft containers in 1H2016 to 3,146 40-ft containers in 1H2017 mainly due to the increase in sales to existing and new customers; and

(ii) an increase in the average selling price per 40-ft container from RM52,000 in 1H2016 to RM53,000 in 1H2017 mainly due to the discounts given to customers in 1H2016 and the appreciation of the USD against the RM. The average US$/RM during 1H2017 (US$1: RM4.3683) was approximately 6.6% more than the average US$/RM during 1H2016 (US$1: RM4.0986).

Cost of Sales

Our cost of sales increased by approximately RM22.73 million, or 21.9%, from RM103.70 million in 1H2016 to RM126.43 million in 1H2017. This was mainly due to the increase in raw materials purchased by approximately RM19.85 million, or 31.2%, from approximately RM63.67 million in 1H2016 to approximately RM83.52 million in 1H2017, which is in line with the increase in revenue coupled with the average increase in the purchase price of raw materials by approximately 5.0%. Direct labour costs increased by approximately RM2.31 million, or 19.7%, from approximately RM11.75 million in 1H2016 to approximately RM14.06 million in 1H2017. Subcontractor costs increased by approximately RM2.63 million, or 16.9%, from approximately RM15.53 million in 1H2016 to approximately RM18.16 million in 1H2017. The increase in these costs was mainly due to the higher level of production during the period to cater for the production to meet the demand in 1H2017.

Our cost of sales was partially offset by a marginal decrease in factory overheads by approximately RM77,000, or 0.8%, from approximately RM8.71 million in 1H2016 to approximately RM8.63 million in 1H2017. The increase in cost of sales was also being offset by the increase in closing inventories where those costs incurred in manufacturing the work-in-progress and finished goods were being capitalised as cost of inventories. The increase in closing inventories was mainly due to our Group stocking up its inventories to fulfil sales orders due for delivery in the second half of FY2017.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by approximately RM1.68 million, or 4.4%, from approximately RM37.90 million in 1H2016 to approximately RM39.58 million in 1H2017.

Our overall gross profit margin decreased from approximately 26.8% in 1H2016 to approximately 23.8% in 1H2017. This was mainly due to the increase in the purchase price of most of the raw materials.

Interest Income

Interest income increased by approximately RM80,000 or 24.8%, from approximately RM0.32 million in 1H2016 to approximately RM0.40 million in 1H2017. The increase in interest income was mainly due to more cash being placed under overnight deposits.

Other Income

Other income increased by approximately RM2.03 million, or 89.4%, from approximately RM2.27 million in 1H2016 to approximately RM4.30 million in 1H2017. The increase in other income was mainly due to the increase in the sale of scrap materials of RM1.60 million as a result of us selling more boards to LP Global Resources Sdn. Bhd. ("**LP Global**") to manufacture front drawers for most of our models (including veneer lamination services) as compared to previously whereby LP Global only provided veneer lamination services. We also recognised a higher net fair value gain on derivatives of RM0.55 million in 1H2017. The increase was partially offset by the decrease in rental income by RM0.15 million due to the disposal of two (2) factory buildings that our Group rented to third parties.

Selling and Administrative Expenses

Our selling and administrative expenses decreased by approximately RM0.11 million, or 0.9%, from approximately RM12.08 million in 1H2016 to approximately RM11.97 million in 1H2017. The decrease in selling and administrative expenses was mainly due to the decrease in the staff welfare, subscription and donation as well as commissions paid.

Finance Costs

Our finance costs decreased by approximately RM0.37 million, or 75.5%, from approximately RM0.49 million in 1H2016 to approximately RM0.12 million in 1H2017. The decrease in finance costs was mainly due to settlement of our term loans in the first half of 2016.

Other Expenses

Other expenses decreased by approximately RM0.58 million, or 13.5%, from approximately RM4.30 million in 1H2016 to approximately RM3.72 million in 1H2017. This was mainly due to the recognition of net foreign exchange loss in 1H2017 being lower than 1H2016. There was no property, plant and equipment being written-off in 1H2017 as compared to 1H2016.

Profit before Tax

As a result of the foregoing, our profit before tax for 1H2017 increased by approximately RM4.86 million, or 20.6%, from approximately RM23.62 million in 1H2016 to approximately RM28.48 million in 1H2017.

REVIEW OF PAST FINANCIAL POSITION

Non-current assets

As at 31 December 2016

Our non-current assets comprised (i) property, plant and equipment and (ii) leasehold land. As at 31 December 2016, our non-current assets amounted to approximately RM117.07 million or 51.2% of our total assets.

Property, plant and equipment

Property, plant and equipment comprising (i) freehold land; (ii) buildings; (iii) machinery and equipment; (iv) office equipment, furniture and fittings; and (v) motor vehicles, amounted to RM102.96 million, accounting for approximately 87.9% of our total non-current assets as at 31 December 2016.

Leasehold land

The leasehold land have an aggregate carrying value of approximately RM14.11 million as at 31 December 2016. Some of the said leasehold land are pledged to financial institutions for bank borrowings. Leasehold land amounted to approximately 12.1% of our total non-current assets as at 31 December 2016.

As at 30 June 2017

Our non-current assets comprised (i) property, plant and equipment and (ii) leasehold land. As at 30 June 2017, our non-current assets amounted to approximately RM117.92 million or 47.9% of our total assets.

Property, plant and equipment

Property, plant and equipment comprising (i) freehold land; (ii) buildings; (iii) machinery and equipment; (iv) office equipment, furniture and fittings; and (v) motor vehicles, amounted to RM103.98 million, accounting for approximately 88.2% of our total non-current assets as at 30 June 2017.

Leasehold land

The leasehold land have an aggregate carrying value of approximately RM13.94 million as at 30 June 2017. Some of the said leasehold land are pledged to financial institutions for bank borrowings. Leasehold land amounted to approximately 11.8% of our total non-current assets as at 30 June 2017.

Current assets

As at 31 December 2016

Our current assets comprised (i) inventories; (ii) trade and other receivables; (iii) prepaid operating expenses; and (iv) cash and short-term deposits. Our current assets amounted to approximately RM111.48 million, accounting for approximately 48.8% of our total assets as at 31 December 2016.

Inventories

Inventories comprising mainly raw materials, work-in-progress and finished products, amounted to approximately RM40.81 million, accounting for approximately 36.6% of our total current assets as at 31 December 2016.

Trade and other receivables

Trade and other receivables which consist of trade receivables, receivables from related parties, deposit and other receivables, amounted to approximately RM18.64 million, accounting for approximately 16.7% of our total current assets as at 31 December 2016.

Prepaid operating expense

Prepaid operating expense amounted to approximately RM2.57 million, accounting for approximately 2.3% of our total current assets as at 31 December 2016.

Cash and short-term deposits

Cash and short-term deposits which consist of cash on hand and at banks, amounted to approximately RM49.47 million, accounting for approximately 44.4% of our total current assets as at 31 December 2016.

As at 30 June 2017

Our current assets comprised (i) inventories; (ii) trade and other receivables; (iii) prepaid operating expenses; and (iv) cash and short-term deposits. Our current assets amounted to approximately RM128.07 million, accounting for approximately 52.1% of our total assets as at 30 June 2017.

Inventories

Inventories comprising mainly raw materials, work-in-progress and finished products, amounted to approximately RM38.75 million, accounting for approximately 30.3% of our total current assets as at 30 June 2017.

Trade and other receivables

Trade and other receivables which consist of trade receivables, receivables from related parties, deposit and other receivables, amounted to approximately RM17.75 million, accounting for approximately 13.9% of our total current assets as at 30 June 2017.

Prepaid operating expense

Prepaid operating expense amounted to approximately RM4.91 million, accounting for approximately 3.8% of our total current assets as at 30 June 2017.

Cash and short-term deposits

Cash and short-term deposits which consist of cash on hand and at banks, and amounted to approximately RM66.67 million, accounting for approximately 52.0% of our total current assets as at 30 June 2017.

Current liabilities

As at 31 December 2016

Our current liabilities comprised (i) loans and borrowings; (ii) trade and other payables; (iii) accrued operating expense; (iv) tax payable; and (v) derivative liabilities. Our current liabilities amounted to approximately RM42.35 million and accounted for approximately 76.7% of our total liabilities as at 31 December 2016.

Loans and borrowings

Loans and borrowings which consist of bankers' acceptance, term loans and obligations under finance leases, amounted to approximately RM4.66 million, accounting for approximately 11.0% of our total current liabilities as at 31 December 2016.

Trade and other payables

Trade and other payables which consist of trade payables, amount due to related parties and sundry payables, amounted to approximately RM24.26 million, accounting for approximately 57.3% of our total current liabilities as at 31 December 2016. The amount due to related parties of RM415,000 as at 31 December 2016 has been fully settled as at the Latest Practicable Date.

Accrued operating expense

Accrued operating expense which consist of accruals for audit fees, bonuses and staff salaries, amounted to approximately RM6.51 million, accounting for approximately 15.4% of our total current liabilities as at 31 December 2016.

Tax payable

Income tax payable amounted to approximately RM4.43 million, accounting for approximately 10.5% of our total current liabilities as at 31 December 2016.

Derivative liabilities

Derivative liabilities which consist of forward currency contracts and cross currency interest rate swaps, amounted to approximately RM2.48 million, accounting for approximately 5.9% of our total current liabilities as at 31 December 2016.

As at 30 June 2017

Our current liabilities comprised (i) loans and borrowings; (ii) trade and other payables; (iii) dividend payable; (iv) accrued operating expense; (v) tax payable; and (vi) derivative liabilities. Our current liabilities amounted to approximately RM72.73 million and accounted for approximately 84.5% of our total liabilities as at 30 June 2017.

Loans and borrowings

Loans and borrowings which consist of obligations under finance leases and onshore foreign currency loan, amounted to approximately RM7.78 million, accounting for approximately 10.7% of our total current liabilities as at 30 June 2017.

Trade and other payables

Trade and other payables which consist of trade payables, amount due to related parties and sundry payables, amounted to approximately RM24.02 million, accounting for approximately 33.0% of our total current liabilities as at 30 June 2017. The amount due to related parties of RM1.19 million as at 30 June 2017 has been fully settled as at the Latest Practicable Date.

Dividend payable

Dividend payable which consist of dividend declared but yet to be paid amounted to RM30.00 million, accounting for approximately 41.3% of our total current liabilities as at 30 June 2017.

Accrued operating expense

Accrued operating expense which consist of accruals for audit fees, bonuses and staff salaries, amounted to approximately RM4.08 million, accounting for approximately 5.6% of our total current liabilities as at 30 June 2017.

Tax payable

Income tax payable amounted to approximately RM6.05 million, accounting for approximately 8.3% of our total current liabilities as at 30 June 2017.

Derivative liabilities

Derivative liabilities which consist of forward currency contracts and cross currency interest rate swaps, amounted to approximately RM0.80 million, accounting for approximately 1.1% of our total current liabilities as at 30 June 2017.

Non-current liabilities

As at 31 December 2016

Our non-current liabilities comprised (i) loans and borrowings; and (ii) deferred tax liabilities. Our non-current liabilities amounted to approximately RM12.84 million, accounting for approximately 23.3% of our total liabilities as at 31 December 2016.

Loans and borrowings

Loans and borrowings which consist of obligations under finance leases, amounted to approximately RM0.70 million, accounting for approximately 5.5% of our total non-current liabilities as at 31 December 2016.

Deferred tax liabilities

Deferred tax liabilities amounted to approximately RM12.14 million, accounting for approximately 94.5% of our total non-current liabilities as at 31 December 2016.

As at 30 June 2017

Our non-current liabilities comprised (i) loans and borrowings; and (ii) deferred tax liabilities. Our non-current liabilities amounted to approximately RM13.31 million, accounting for approximately 15.5% of our total liabilities as at 30 June 2017.

Loans and borrowings

Loans and borrowings which consist of obligations under finance leases, amounted to approximately RM0.80 million, accounting for approximately 6.0% of our total non-current liabilities as at 30 June 2017.

Deferred tax liabilities

Deferred tax liabilities amounted to approximately RM12.51 million, accounting for approximately 94.0% of our total non-current liabilities as at 30 June 2017.

Equity attributable to owners of our Company

As at 31 December 2016

As at 31 December 2016, equity attributable to the owners of our Company amounted to approximately RM173.37 million and comprised (i) merger reserves of approximately RM0.50 million; and (ii) retained earnings of approximately RM172.87 million.

As at 30 June 2017

As at 30 June 2017, equity attributable to the owners of our Company amounted to approximately RM159.96 million and comprised (i) merger reserves of approximately RM0.50 million; and (ii) retained earnings of approximately RM159.46 million.

LIQUIDITY AND CAPITAL RESOURCES

For the Period Under Review, our growth and operations have been funded by a combination of internal and external sources of funds. Internal sources of funds comprise mainly cash generated from our operations and our cash and cash equivalents while external sources comprise mainly bank borrowings.

The principal uses of these funds are mainly to finance working capital requirements, capital expenditures, repayment of credit facilities as well as the expansion of our Group's business operations.

We generated cash flow from operating activities of approximately RM43.11 million and RM21.80 million in FY2016 and 1H2017 respectively. As at 31 December 2016 and 30 June 2017, our Group's cash and bank balances amounted to approximately RM49.47 million and RM66.67 million respectively and its working capital amounted to approximately RM69.13 million and RM55.35 million respectively. Our Group's gearing ratio (defined as total indebtedness over total equity) was 0.03 times and 0.05 times as at 31 December 2016 and 30 June 2017 respectively.

Please refer to the section entitled "Capitalisation and Indebtedness" of this Offer Document for details of our latest available credit facilities, cash and cash equivalents and level of borrowings.

To the best of our Directors' knowledge, as at the Latest Practicable Date, we are not in breach of any of the terms and conditions or covenants associated with any bank borrowing or our financial arrangements which could materially affect our financial position and results of business operations, or the investment of our Shareholders.

Our Directors are of the opinion that, after having made due and careful enquiries and after taking into account the cash flow generated from our operations, our credit facilities and our existing cash and cash equivalents, the working capital available to our Group as at the date of lodgement of this Offer Document is sufficient to meet our present working capital requirements and for at least 12 months after the admission of our Company to Catalist.

The Sponsor is of the opinion, that after having made due and careful enquiries and after taking into account the cash flow generated from our Group's operations, our Group's credit facilities and our Group's existing cash and cash equivalents, the working capital available to our Group as at the date of lodgement of this Offer Document is sufficient to meet present working capital requirements and for at least 12 months after the admission of our Company to Catalist.

SUMMARY OF COMBINED STATEMENTS OF CASH FLOWS

We set out below a summary of our net cash flows for FY2014, FY2015, FY2016 and 1H2017:

	Audited			Unaudited
RM'000	**FY2014**	**FY2015**	**FY2016**	**1H2017**
Net cash generated from operating activities	18,533	61,195	43,110	21,795
Net cash used in investing activities	(13,491)	(9,991)	(3,195)	(2,670)
Net cash used in financing activities	(12,168)	(15,656)	(64,447)	(2,103)
Net (decrease)/increase in cash and cash equivalents	**(7,126)**	**35,548**	**(24,532)**	**17,022**
Effect of exchange rate changes on cash and cash equivalents	527	239	1,075	176
Cash and cash equivalents at beginning of year/period	43,737	37,138	72,925	49,468
Cash and cash equivalents at end of year/period	**37,138**	**72,925**	**49,468**	**66,666**

FY2014

Net cash generated from operating activities

In FY2014, we recorded net cash inflow from operating activities of approximately RM18.53 million, which comprised operating profit before changes in working capital of approximately RM28.13 million, adjusted for net working capital outflow of approximately RM5.86 million, interest paid of approximately RM1.40 million and tax paid of approximately RM2.34 million. The net working capital outflow was mainly due to (i) an increase in inventories of approximately RM9.65 million in anticipation of a higher sales volume in FY2015; and (ii) an increase in prepaid operating expense of approximately RM0.31 million mainly due to payment in advance for flight tickets. This was partially offset by (i) an increase in trade and other payables of approximately RM2.47 million mainly due to the increase in purchases from both trade and non-trade suppliers towards the end of FY2014; (ii) a decrease in trade and other receivables of approximately RM0.65 million mainly due to the lower trade receivables in FY2014 as a result of earlier payment by our Group's customers; and (iii) an increase in accrued operating expenses of approximately RM0.98 million mainly due to the increase in the accrued staff costs for the month of December in FY2014 as compared to the month of December in FY2013.

Net cash used in investing activities

In FY2014, we recorded a net cash outflow from investing activities of approximately RM13.49 million. This was mainly due to (i) the purchase of new and additional better featured machineries of approximately RM13.69 million; and (ii) the purchase of leasehold land of approximately RM2.43 million. This was partially offset by (i) the proceeds from the disposal of short term investments of approximately RM1.83 million; (ii) proceeds from the disposal of property, plant and equipment of approximately RM0.38 million; (iii) interest received of approximately RM0.41 million and (iv) dividend received from short term investment of approximately RM0.01 million.

Net cash used in financing activities

In FY2014, we recorded a net cash outflow from financing activities of approximately RM12.17 million. This was mainly due to (i) the repayment of loans and borrowings of approximately RM77.49 million; (ii) payment of dividends of RM5.00 million; and (iii) the repayment of obligations under finance leases of RM0.48 million. This was partially offset by the proceeds from loans and borrowings of approximately RM70.80 million.

As at 31 December 2014, our cash and cash equivalents amounted to approximately RM37.14 million.

FY2015

Net cash generated from operating activities

In FY2015, we recorded net cash inflow from operating activities of approximately RM61.20 million, which comprised operating profit before changes in working capital of approximately RM76.15 million, adjusted for net working capital outflow of approximately RM3.16 million, interest paid of approximately RM1.36 million and tax paid of approximately RM10.44 million. The net working capital outflow was due to (i) an increase in trade and other receivables of approximately RM0.54 million mainly as a result of higher sales towards the end of FY2015 as compared to FY2014; (ii) a decrease in trade and other payables of approximately RM2.54 million mainly due to the payment made to both trade and non-trade suppliers towards the year end; and (iii) an increase in inventories of approximately RM1.16 million mainly due to our Group stocking up its inventories to fulfil sales orders due for delivery in FY2016. This was partially offset by (i) an increase in accrued operating expenses of approximately RM0.86 million mainly due to the increase in accrued staff costs for the month of December in FY2015 as compared to the month of December in FY2014; and (ii) a decrease in prepaid operating expenses of approximately RM0.22 million mainly due to the reversal of the payment in advance for flight tickets purchased in FY2014.

Net cash used in investing activities

In FY2015, we recorded a net cash outflow from investing activities of approximately RM9.99 million. This was mainly due to the purchase of property, plant and equipment of approximately RM11.35 million attributable to the construction of our newly extended building structure in one of our existing factories as well as to modify our existing production line from one (1) to two (2) lines in the same building. This was partially offset by (i) the proceeds from the disposal of property, plant and equipment of approximately RM0.46 million; (ii) dividend income from short-term investments of approximately RM0.07 million; and (iii) interest received of approximately RM0.83 million.

Net cash used in financing activities

In FY2015, we recorded a net cash outflow from financing activities of approximately RM15.66 million. This was mainly due to (i) the repayment of loans and borrowings of approximately RM78.03 million; (ii) dividends paid of RM8.00 million; and (iii) the repayment of obligations under finance leases of approximately RM0.34 million. This was partially offset by the proceeds from loans and borrowings of approximately RM70.71 million.

As at 31 December 2015, our cash and cash equivalents amounted to approximately RM72.93 million.

FY2016

Net cash from operating activities

In FY2016, we recorded net cash inflow from operating activities of approximately RM43.11 million, which comprised operating profit before changes in working capital of approximately RM60.29 million, adjusted for net working capital outflow of approximately RM1.65 million, and interest paid of approximately RM0.71 million and tax paid of approximately RM14.82 million. The net working capital outflow was mainly due to (i) an increase in trade and other receivables of approximately RM3.08 million mainly as a result of more goods being shipped to our customers towards the year end; (ii) an increase in inventories of approximately RM1.98 million mainly due to the stocking up of inventories towards the end of FY2016 in order to fulfil sales orders due for delivery after the year end; and (iii) an increase in prepaid operating expenses of RM2.04 million mainly due to the prepayment of professional fees relating to the listing which will be either capitalised or expensed off upon the completion of the listing exercise. This was partially offset by (i) an increase in trade and other payables of approximately RM4.96 million mainly due to the increase in purchases from both trade and non-trade suppliers towards the end of FY2016; and (ii) an increase in accrued operating expenses of approximately RM0.49 million mainly due to an increase in accrued staff costs for the month of December in FY2016 as compared to the month of December in FY2015.

Net cash used in investing activities

In FY2016, we recorded a net cash outflow from investing activities of approximately RM3.20 million. This was mainly due to (i) the purchase of property, plant and equipment of approximately RM8.78 million attributable to the purchase of an industrial building and machineries; (ii) the purchase of a piece of leasehold land of approximately RM4.51 million; and (iii) the purchase of short term investments of RM2.01 million. This was partially offset by (i) dividend income of RM0.06 million from short term investments; (ii) proceeds from the disposal of property, plant and equipment of RM8.11 million; (iii) proceeds from the sale of leasehold land of RM1.38 million; (iv) interest received of approximately RM0.57 million; and (v) proceeds from the disposal of short term investments of RM1.99 million.

Net cash used in financing activities

In FY2016, we recorded a net cash outflow from financing activities of approximately RM64.45 million. This was mainly due to (i) dividends paid of RM38.00 million; (ii) the repayment of loans and borrowings of RM78.26 million; and (iii) the repayment of obligations under finance leases of RM0.45 million. This was partially offset by proceeds from loans and borrowings of approximately RM52.27 million.

As at 31 December 2016, our cash and cash equivalents amounted to approximately RM49.47 million.

1H2017

Net cash from operating activities

In 1H2017, we recorded net cash inflow from operating activities of approximately RM21.80 million, which comprised operating profit before changes in working capital of approximately RM28.83 million, adjusted for net working capital outflow of approximately RM2.01 million, and interest paid of approximately RM0.12 million and tax paid of approximately RM4.91 million. The net working capital outflow was mainly due to (i) a decrease in trade and other payables of approximately RM0.24 million mainly due to the decrease in purchases from both trade and non-trade suppliers towards the end of 1H2017; (ii) a decrease in accrued operating expenses of approximately RM2.43 million mainly due to a decrease in accrued staff costs for the month of June 2017 as compared to the month of June 2016; and (iii) an increase in prepaid operating expenses of RM2.34 million mainly due to the prepayment of professional fees relating to the Listing which will be either capitalised or expensed off upon the completion of the Listing. This was partially offset by (i) a decrease in trade and other receivables of approximately RM0.94 million mainly due to the prompt refund of goods and services tax from the authority; and (ii) a decrease in inventories of approximately RM2.06 million mainly due to lesser work in progress and finished products being stocked up towards the end of 1H2017.

Net cash used in investing activities

In 1H2017, we recorded a net cash outflow from investing activities of approximately RM2.67 million. This was mainly due to the purchase of new and additional better featured machineries and refurbishment of LY3 of approximately RM3.22 million. This was partially offset by (i) the proceeds from the disposal of property, plant and equipment of approximately RM0.15 million; and (iii) interest received of approximately RM0.40 million.

Net cash used in financing activities

In 1H2017, we recorded a net cash outflow from financing activities of approximately RM2.10 million. This was mainly due to (i) the repayment of loans and borrowings of approximately RM4.26 million; (ii) payment of dividends of RM5.00 million; and (iii) the repayment of obligations under finance leases of approximately RM0.14 million. This was partially offset by the proceeds from loans and borrowings of approximately RM7.30 million.

As at 30 June 2017, our cash and cash equivalents amounted to approximately RM66.67 million.

CAPITAL EXPENDITURES AND DIVESTMENTS

The capital expenditures made by our Group for FY2014, FY2015, FY2016, 1H2017 and for the period from 1 July 2017 up to the Latest Practicable Date were as follows:

RM'000	Audited			Unaudited	
	FY2014	FY2015	FY2016	1H2017	From 1 July 2017 to the Latest Practicable Date
Leasehold land(1)	3,625	–	4,512	–	–
Buildings(2)	8,717	2,171	4,771	–	401
Machinery and equipment(3)	4,145	5,888	2,941	1,251	4,016
Capital in progress(4)	–	463	1,993	1,808	6,936
Office equipment, furniture and fittings(5)	332	2,740	151	64	288
Motor vehicles	1,533	564	158	420	526
Total	**18,352**	**11,826**	**14,526**	**3,543**	**12,167**

The divestments made by our Group for FY2014, FY2015, FY2016 and 1H2017 and for the period from 1 July 2017 up to the Latest Practicable Date were as follows:

RM'000	Audited			Unaudited	
	FY2014	FY2015	FY2016	1H2017	From 1 July 2017 to the Latest Practicable Date
Leasehold land(1)	–	–	1,370	–	–
Buildings(2)	–	–	8,239	–	–
Machinery(3) **and equipment**	425	1,642	3,388	75	1,804
Capital in progress	–	–	–	–	–
Office equipment, furniture and fittings(5)	–	–	1,043	37	317
Motor vehicles	511	473	10	395	–
Total	**936**	**2,115**	**14,050**	**507**	**2,121**

Notes:

(1) This refers to the acquisition of leasehold land with LY3 erected thereon in FY2014 and the acquisition of leasehold land with LY12 erected thereon in FY2016. There are also disposals of leasehold land with LY8 and LY21 erected thereon in FY2016 which relate to factories previously rented out.

(2) This refers to the acquisition of LY3 in FY2014, acquisition of LY12 in FY2016, refurbishment of LY13 in FY2015 to increase its capacity, as well as renovations being carried out at the factory buildings of LY9 and LY15. There are also disposals of LY8 and LY21 in FY2016 which relate to factories previously rented out.

(3) This refers to the machinery and equipment used in our factories as well as replacements used in our other production facilities.

(4) This refers to the prepayment for LY13's renovations, construction of the new manufacturing facility at LY3 and machineries.

(5) This refers to new office equipment, furniture and fittings as well as replacements used in our offices.

The above capital expenditures were funded by internally generated funds and hire purchase financing.

COMMITMENTS

(a) CAPITAL COMMITMENTS

As at the Latest Practicable Date, our Group has capital commitments in respect of property, plant and equipment of approximately RM10,268,000.

(b) OPERATING LEASE COMMITMENTS

As at the Latest Practicable Date, our Group has operating lease commitments for the use or rent of land and buildings. These leases have an average tenure of between one (1) and two (2) years with no renewal or purchase option included in the contracts. There are no restrictions placed upon us by entering into these leases. The operating lease commitments are as follows:

Operating lease commitments – as lessee

RM'000	Audited as at 31 December 2016	Unaudited as at 30 June 2017	As at the Latest Practicable Date
Not later than 1 year	119	28	17
Later than 1 year but not later than 2 years	8	7	3
Total	127	35	20

Save as disclosed above and in the section entitled "Prospects, Trends, Business Strategies and Future Plans" of this Offer Document, we do not have other material plans on capital expenditures, divestments and commitments as at the Latest Practicable Date.

Operating lease commitments – as lessor

RM'000	Audited as at 31 December 2016	Unaudited as at 30 June 2017	As at the Latest Practicable Date
Not later than 1 year	35	5	–

We intend to finance the above commitments through internally generated funds and/or bank borrowings.

FOREIGN EXCHANGE EXPOSURE

Our business operations are mostly carried out in Malaysia and our reporting currency is in RM. During the Period Under Review, the majority of our sales and some of our purchases were denominated in USD. Our books and records are maintained in RM.

The proportions of our revenue, cost of sales and other expenses denominated in various foreign currencies, presented in RM equivalent to derive the percentage for FY2014, FY2015, FY2016, 1H2016 and 1H2017 are as follows:

Percentage of revenue denominated in	← **Audited**		→	← **Unaudited**	→
	FY2014	**FY2015**	**FY2016**	**1H2016**	**1H2017**
US$	99.7	99.8	99.8	99.8	99.9
RM	0.3	0.2	0.2	0.2	0.1
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Percentage of cost of sales denominated in	← **Audited**		→	← **Unaudited**	→
	FY2014	**FY2015**	**FY2016**	**1H2016**	**1H2017**
US$	15.6	15.8	21.5	13.0	16.0
RM	84.4	84.2	78.5	87.0	84.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Percentage of other expenses denominated in	← **Audited**		→	← **Unaudited**	→
	FY2014	**FY2015**	**FY2016**	**1H2016**	**1H2017**
RM	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

To the extent that our revenue, cost of sales and expenses are not naturally matched in the same currency and to the extent that there are timing differences between invoicing and collection/payment, we may be exposed to foreign exchange fluctuations which may adversely affect our financial results. Please refer to the section entitled "Risk Factors – We are subject to foreign exchange risks" of this Offer Document for more details.

The net foreign exchange loss was due to transactional foreign currency exposures arising from the Group's sales and purchases which are denominated in USD. At present, we do not have any formal policy for hedging against foreign exchange exposure. We have used forward currency contracts and cross currency interest rate swaps for hedging purposes as and when it is appropriate, cost-efficient and based on actual requirements during the Period Under Review and from 1 July 2017 up to the Latest Practicable Date. We will continue to monitor our foreign exchange exposure and may employ hedging instruments to manage our foreign exchange exposure should the need arise. We are in the process of formulating a formal hedging policy and will seek the approval of our Board on the policy and put in place adequate procedures which shall be reviewed and approved by our Audit Committee. Thereafter, all hedging transactions entered into by our Group will be in accordance with the set policies and procedures. We expect to adopt such hedging policy within six (6) months after our listing on Catalist.

Our net foreign exchange exposure for FY2014, FY2015, FY2016, 1H2016 and 1H2017 are as follows:

RM'000	← **Audited**		→	← **Unaudited**	→
	FY2014	**FY2015**	**FY2016**	**1H2016**	**1H2017**
Net foreign exchange gain/(loss)	730	(2,288)	169	(4,194)	(3,715)
As a percentage of revenue	0.3	(0.7)	0.1	(3.0)	(2.2)
As a percentage of profit before tax	3.3	(3.4)	0.3	(17.8)	(13.0)

CHANGES IN ACCOUNTING POLICIES

The accounting policies have been consistently applied by our Group during the Period Under Review. There has been no significant change in the accounting policies for our Group during the Period Under Review. Please refer to the sections entitled "Audited Combined Financial Statements of LY Corporation Limited and its Subsidiary for the Financial Years Ended 31 December 2014, 2015 and 2016" and "Unaudited Interim Combined Financial Statements of LY Corporation Limited and its Subsidiary for the Six-Month Period Ended 30 June 2017" as set out in Appendices A and B to this Offer Document respectively, and the related notes elsewhere in this Offer Document for more details on our accounting policies.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, our Group does not have any contingent liabilities.

CREDIT MANAGEMENT

For the Period Under Review, we typically grant credit terms of 14 days commencing from the date of shipping to our customers. However, the credit period for each customer may vary from customer to customer, depending on factors such as their payment track record, financial background and the length of our business relationship. The credit terms and changes to the credit terms are approved by our management and are subject to annual review.

Our average trade receivables' turnover days during the Period Under Review were as follows:

	FY2014(1)	FY2015(1)	FY2016(1)	1H2017(2)
Average trade receivables' turnover days	14.8	12.3	17.8	16.2

Notes:

(1) Trade receivables turnover = (Average trade receivables/revenue) X 365 days, where "Average trade receivables" is defined as the average of the opening and closing trade receivables of the relevant financial year.

(2) Trade receivables turnover = (Average trade receivables/revenue) X 180 days, where "Average trade receivables" is defined as the average of the opening and closing trade receivables of the relevant financial period.

We invoice our customers when the products are being delivered to the port from our factories. However, our customers typically make payment for such invoices within 14 days from the shipping date.

Trade receivables' turnover days decreased from 14.8 days in FY2014 to 12.3 days in FY2015 as a result of better collection from our customers. Trade receivables' turnover days increased from 12.3 days in FY2015 to 17.8 days in FY2016 as a result of more goods being shipped to our customers towards the year end. Trade receivable' turnover days decreased from 17.8 days in FY2016 to 16.2 days in 1H2017 as a result of better collection from our customers.

We did not have any bad debts by our customers during the Period Under Review. Nevertheless, we have a policy whereby provision for impairment of trade receivables for customers with payments outstanding for more than 180 days will usually be made on a case-by-case basis, depending on the creditworthiness of the customer at the relevant time.

There were no bad debts written off or allowance for doubtful receivables during the Period Under Review.

Aging Analysis

The aging schedule for the net trade receivables as at 30 June 2017 is as follows:

	As at 30 June 2017	
	RM'000	%
Current and not past due	10,933	74.3
Within 30 days	3,763	25.6
31 to 90 days	14	0.1
91 to 120 days	–	–
More than 120 days	3	0.0
Net trade receivables	14,713	100.0
Amount collected as at the Latest Practicable Date	14,713	100.0

Credit Terms from Suppliers

Generally, our suppliers grant credit terms of 30 to 120 days from the date of invoice.

Our average trade payables' turnover days during the Period Under Review were as follows:

	FY2014[(1)]	FY2015[(1)]	FY2016[(1)]	1H2017[(2)]
Average trade payables' turnover days	39.6	35.9	43.4	42.0

Notes:

(1) Trade payables turnover = (Average trade payables/purchases) X 365 days, where "Average trade payables" is defined as the average of the opening and closing amount of trade payables of the relevant financial year.

(2) Trade payables turnover = (Average trade payables/purchases) X 180 days, where "Average trade payables" is defined as the average of the opening and closing trade payables of the relevant financial period.

We typically process payment to our suppliers based on their credit terms.

Average trade payables' turnover days decreased from 39.6 days in FY2014 to 35.9 days in FY2015 due to prompt payment by us to our suppliers. Average trade payables' turnover days increased from 35.9 days in FY2015 to 43.4 days in FY2016 due to the increase in the purchases towards the end of FY2016 which were not due as at the end of the year. Average trade payables' turnover days decreased from 43.4 days in FY2016 to 42.0 days in 1H2017 due to prompt payment by us to our suppliers.

INVENTORY MANAGEMENT

Our inventories consist of raw materials, work-in-progress and finished goods. We maintain an inventory of commonly used raw materials such as furniture hardware (such as handles, drawer glides, screws, etc.) medium density fibreboard, paint, plywood, timber and carton. Given the nature of our inventories which have a relatively long useful life, reviews on stock obsolescence and stock take are conducted on a yearly basis, as part of the inventory control and monitoring practice observed by the warehouse department as well as the respective heads of factories to ensure it has sufficient stock to meet all sales orders.

Our inventory levels were approximately RM37.67 million, RM38.83 million, RM40.81 million and 38.75 million as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 respectively.

Our average inventory turnover days for the Period Under Review were as follows:

	FY2014[(1)]	FY2015[(1)]	FY2016[(1)]	1H2017[(2)]
Average inventory turnover days	66.5	61.9	68.4	56.6

Notes:

(1) Inventory turnover = (Average inventory/cost of sales) X 365 days,where "Average inventory" is defined as the average of the opening and closing amount of inventory of the relevant financial year.

(2) Trade payables turnover = (Average inventory/cost of sales) X 180 days, where "Average inventory" is defined as the average of the opening and closing amount of inventory of the relevant financial period.

Average inventory turnover days decreased from 66.5 days in FY2014 to 61.9 days in FY2015 due to an improvement in tracking our inventories in order not to hold inventories excessively. Average inventory turnover days increased from 61.9 days in FY2015 to 68.4 days in FY2016 due to higher purchases made towards the end of the year in anticipation of the increasing demand from our customers. Average inventory turnover days decreased from 68.4 days in FY2016 to 56.6 days in 1H2017 due to fewer work-in-progress and finished products being stocked up towards the end of 1H2017.

SEASONALITY

Generally, our business is not subject to any significant seasonal fluctuations that will affect our business and operations. However, our revenue is generally higher in the second half of the year due to festive seasons in the U.S.

CAPITALISATION AND INDEBTEDNESS

The following table shows the cash and cash equivalents as well as the capitalisation and indebtedness of our Group as at 30 November 2017, being a date no earlier than 60 days before the date of lodgement of this Offer Document, (a) based on the management accounts of our Group as at 30 November 2017; and (b) as adjusted for the net proceeds from the issue of the New Shares.

You should read this table in conjunction with the sections entitled "Audited Combined Financial Statements of LY Corporation Limited and its Subsidiary for the Financial Years Ended 31 December 2014, 2015 and 2016" and "Unaudited Interim Combined Financial Statements of LY Corporation Limited and its Subsidiary for the Six-Month Period Ended 30 June 2017" as set out in Appendices A and B of this Offer Document respectively, and the section entitled "Management's Discussion and Analysis of Results of Operations and Financial Position" of this Offer Document.

(RM'000)	**As at 30 June 2017**	**As at 30 November 2017**	**As adjusted for the net proceeds from the issue of the New Shares**
Cash and cash equivalents	66,666	50,351	89,851[(1)]
Indebtedness			
Current			
Secured and guaranteed	7,778	6,859	6,859
Secured and non-guaranteed	–	–	–
Unsecured and guaranteed	–	–	–
Unsecured and non-guaranteed	–	–	–
Non-current			
Secured and guaranteed	799	1,013	1,013
Secured and non-guaranteed	–	–	–
Unsecured and guaranteed	–	–	–
Unsecured and non-guaranteed	–	–	–
Total indebtedness	8,577	7,872	7,872
Total shareholders' equity	159,955	190,996	230,496[(2)]
Total capitalisation and indebtedness	168,532	198,868	238,368[(2)]

Notes:

(1) Adjusted to include the net proceeds from the Placement of approximately S$13.0 million, based on the exchange rate of S$1.00: RM3.0349 as at the Latest Practicable Date of RM39.5 million.

(2) This does not take into account the capitalisation of estimated expenses incurred in connection with the Placement of approximately S$0.8 million.

Save as disclosed above, there has been no material change in our Group's capitalisation and indebtedness from 30 November 2017 up to Latest Practicable Date.

Bank Borrowings

As at the Latest Practicable Date, our bank borrowings (utilised and unutilised) were as follows:

Financial institution	Type of facilities	Amount of facilities granted (RM'000)	Amount utilised (RM'000)	Amount unutilised (RM'000)	Interest rates per annum	Maturity profile
OCBC Bank (Malaysia) Berhad	Letters of Credit ("**LC**"), Trust Receipts ("**TR**"), Bankers' Acceptance ("**BA**"), Export Credit Refinancing ("**ECR**"), Shipping Guarantees "(**SG**"), Letters Of Guarantee ("**LG**"), Local Bill Purchased, Onshore Foreign Currency Loan ("**OFCL**")	14,350	4,477 (LG)	9,873	0.1% (LG)	9 December 2017 to 16 November 2018 (LG)
	FOREX Line	73,000	–	73,000	–	–
AmBank (M) Berhad	LC, TR, BA, ECR, Outward Bill Purchased, Credits Bill Negotiation, SG, Bank Guarantee ("**BG**"), OFCL	10,000	7,758 (OFCL)	2,242	2.00% (OFCL)	2 January 2018 to 8 January 2018 (OFCL)
	FOREX Line	33,000	–	33,000	–	–

To the best of our Directors' knowledge, as at the Latest Practicable Date, we are not in breach of any of the terms and conditions or covenants associated with any bank borrowing or our financial arrangements which could materially affect our financial position and results or business operations, or the investments of our Shareholders.

HISTORY

Our Company was incorporated in Singapore on 24 October 2016 under the Companies Act as a private company limited by shares, under the name of LY Corporation Pte. Ltd. In preparation for our listing, we undertook the Restructuring Exercise under which our Company became the holding company of our Group. On 21 December 2017, our Company was converted into a public company limited by shares and our name was changed to LY Corporation Limited.

The origins of our Group can be traced back to 1976 when our founder and Executive Chairman, Mr Tan Kwee Chai, set up Lian Yu Furniture Co. ("**Lian Yu**") with four other partners and started our furniture manufacturing business by selling customised wooden home furniture in Johor, Malaysia. The business initially operated out of a factory located at Sri Gading in Batu Pahat, Johor with only eight (8) employees. Subsequently, Mr Tan Kwee Chai took over the entire business in the early 1980s.

Through commitment and diligence, Mr Tan Kwee Chai, with the assistance of our Executive Officers, Mr Tan Kwee Lim and Mr Boo Ngek Hee, gradually grew the business and we started selling furniture to other states of Malaysia outside of Johor. In 1983, Lian Yu moved to a larger factory located at Sri Gading in Batu Pahat, Johor.

In 1985, Lian Yu identified potential in the bedroom furniture market in Malaysia, and began designing bedroom furniture sets for mass production. Lian Yu purchased more equipment and machinery, and increased its staff strength, to cater to the increasing orders that they had received.

In 1987, Lian Yu clinched its first order for export to the Singapore market via a wholesaler in Singapore, which was its first foray into the export market. Gradually, its orders from wholesalers and retailers in Singapore increased.

In view of the increasing demand from international markets and the rising appeal of wooden bedroom furniture exported from Malaysia, LYFSB was set up in 1991 to corporatise the business of Lian Yu.

In 1992, we participated in the Johor Furniture Fair in Muar, Johor, where we were awarded the first prize for the innovative design of our bedroom furniture exhibit.

In 1994, we began our foray into other international markets with our participation in our first international furniture fair in Putra World Trade Centre, Kuala Lumpur, where we were exposed to international buyers, including those from the Middle East, Korea, Australia and Japan.

In 1994, we commenced construction of a larger factory with a built-up area of approximately 45,000 sq ft in Kawasan Perindustrian Sri Gading in Batu Pahat, Johor, to accommodate our manufacturing operations and additional purchases of more machinery and equipment to increase our operating capacity and meet the increasing orders received from international customers.

In 1998, we identified an opportunity to enter into the U.S. market due to the favourable exchange rate during the financial crisis. Our first order for export to the U.S. was placed through one of our agents. In the same year, we attended an exhibition, the High Point Market in North Carolina, U.S., where our bedroom furniture sets were displayed by some of our customers. This enabled us to market our products to U.S. wholesalers and at the same time, generate new sales. As we identified growth potential in the bedroom furniture market in the U.S., we seized the opportunity to switch our focus to cater to this market in the late 1990s.

Since 1999, we began building our subcontractor network to support our various production processes, so as to better cater to the increasing volume of orders we were receiving. This enabled us to reduce our manpower costs, and enhance our production lead time. To cater to the increased volume of orders in 1999 and 2000, we acquired machinery with more advanced features such as an automated conveyor spray painting line and CNC cutting machineries to improve our efficiency and productivity.

By 2003, to cope with the rising demand of our products, we constructed six (6) new factories which were equipped with board processing, timber processing, woodworking, whitewood processing and spray painting facilities, one of which included a design and product development centre for the creation of product prototypes.

Between 2002 and 2003, as a testament to our achievement and performance in Malaysia, we were conferred the Enterprise 50 Award for both years and the Golden Bull Award (2^{nd}) for Malaysia's 100 Outstanding SMEs in 2003.

As a testament to our commitment to quality, we were recognised with ISO 9001:2000 by the United Kingdom Accreditation Service Quality Management in 2004, and ISO 9001:2008 by UKAS Management Systems and ISO 9001:2008 by ANAB Accredited Management Systems Certification Body since 2008.

In 2006, we began the construction of the factory at LY13 equipped with additional spray painting facilities. In the same year, we were awarded with the Best Performing Company Award 2005 among companies in the manufacture and trade of timber products in Malaysia by the Malaysian Timber Council.

In 2010, we set up a new factory at LY15 with a built-up area of approximately 228,476 sq ft complete with two (2) automated finishing line facilities spanning three (3) storeys. This enabled us to streamline our efficiency and increase our production capacity by approximately 60.0%. As a result, our sales increased from approximately 3,800 40-ft containers in 2010 to approximately 4,500 40-ft containers in 2012. Given the successful increase of our production capacity and efficiency, we redesigned an existing finishing line in another factory at LY13 in the third quarter of 2015. The redesigned finishing line was similarly able to improve the production process and efficiency, and we saw an increase in sales to more than 5,000 40-ft containers in 2015.

In 2013, we were honoured with the Award of Industrial Excellence in the furniture factory category by the Malaysian Timber Industry Board, which recognises wood-based industry leaders and players who have significantly contributed to the development of the timber sector in Malaysia.

In 2014, we collaborated with a software company to set up an integrated real-time monitoring and management system, the LY-6M system, which monitors the entire production process. In 2015, we started implementation of the LY-6M system in phases. For further information, please refer to the section entitled "General Information on our Group – Enhancement of Productivity and Efficiency" of this Offer Document.

In 2015 and 2016, we were conferred the Eminent Eagle award (for companies from various industries with annual sales turnover of more than RM75 million for the last three (3) financial years), an award which recognises exemplary businesses in Malaysia.

In 2016, we completed an acquisition of a piece of leasehold industrial land at LY12 covering an approximate area of 5.9 acres. We are in the process of constructing a centralised hostel for all our workers on the same plot of land which is a short distance from our factories, with the capacity to accommodate more workers. Please refer to the section entitled "General Information on our Group – Properties and Fixed Assets" of this Offer Document for further details.

In 2017, LYGH was set up for the purposes of meeting the requirements to obtain tax incentives from the Malaysian Investment Development Authority ("**MIDA**"), and will also be used as a headquarters to accommodate our corporate functions such as finance, human resources and administration and business functions such as sales and marketing and business development. We have received approval from the Malaysian government for our application to receive (i) full income tax exemption on value-added income for five (5) years on services income for eligible services carried out and trading income for undertaking principal hub activities (collectively, "**Services and Trading Income**") commencing on the 2018 year of assessment, and (ii) extended income tax exemption on value-added income for five (5) years on the Services and Trading Income commencing on the 2023 year of assessment, subject to the terms of the letter issued by the MIDA on 25 August 2017.

BUSINESS OVERVIEW

We are one of Malaysia's leading manufacturers and exporters of wooden bedroom furniture.

We are an established ODM principally engaged in the design and manufacture of wooden bedroom furniture and the manufacture of custom wooden bedroom furniture which may be tailored to our customers' specifications and requirements on an OEM basis. The furniture manufactured by us is typically rebranded by our customers for sale. As at the Latest Practicable Date, we operate from 15 factories and warehouses, which we own or lease, occupying a combined built-up area of approximately 1.4 million sq ft.

We specialise in the manufacture of wooden bedroom furniture for the residential furniture industry. Our typical bedroom set consists of a bed which can be supplied in various sizes, nightstand, dresser, drawer chest, media chest, wardrobe, and vanity and television armoire, which are available in various design, colour and material options.

Our wooden bedroom furniture is manufactured based on standard specifications and customised specifications. Standard specification furniture is manufactured based on designs generated by our design and product development team in standard sizes and dimensions. Customised specification furniture is manufactured with adjustments and alterations in dimensions are made according to customers' requirements.

Our customers are broadly defined in the following two (2) categories:

(a) Export sales customers

We export most of the furniture we manufacture. Our export market is mainly the U.S., as well as the Middle East and the Asia Pacific regions, and 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.

We mainly secure new overseas customers by participating in international furniture trade fairs or directly marketing our products to wholesalers, retailers, importers, regional procurement centres and dealers of wooden furniture, or by way of referrals from our customers in the overseas markets.

Customers from the direct export sales channel accounted for approximately 85.1%, 84.9%, 86.6% and 86.8% of our revenue for FY2014, FY2015, FY2016 and 1H2017 respectively.

(b) Domestic sales customers

Our domestic sales are made primarily to third party agents, who typically export and resell our products outside Malaysia, such as to the U.S.

Customers from the domestic sales channel accounted for approximately 14.9%, 15.1%, 13.4% and 13.2% of our revenue for FY2014, FY2015, FY2016 and 1H2017 respectively.

COMPETITIVE STRENGTHS

We believe the following to be our competitive strengths:

We have an established track record in the furniture industry and are well recognised for the quality of our furniture products

We believe we are one of Malaysia's leading manufacturers and exporters of wooden bedroom furniture. We have an established track record of approximately 40 years in the furniture industry, and have long-standing relationships with customers which are furniture wholesalers, and retailers in the U.S. and our agents, who typically export and resell our products to the U.S. We believe that our strong track record has enabled us to procure a high level of repeat business from our customers. Our repeat business from our existing customers accounted for more than 80.0% of our revenue for FY2016.

As at the Latest Practicable Date, we have been servicing some of our customers for more than 10 years. Our Directors believe that our ability to retain our customers serves as a testament to our ability to meet the product needs of our customers. Please refer to the section entitled "General Information on our Group – Major Customers" of this Offer Document for further details on our major customers.

In particular, we believe that our products are recognised by our customers for their quality and reliability due to our core competencies in the customisation, design and manufacture of wooden furniture and our strict adherence to our in-house quality control standards. In the event that there is any claim for defects of our goods, our Group will provide credit to customers as compensation for the defective goods. For the Period Under Review, the total credit granted to our customers for defective goods accounted for less than 0.1% of our revenue.

As a testimony to the quality of our products, we have received ISO 9001 certification since 2004. Please refer to the sections entitled "General Information on our Group – Quality Control and Assurance" and "General Information on our Group – Awards, Accreditations and Certifications" of this Offer Document for further information.

We have strong in-house design and development capabilities to cater to the requirements of our customers

We aim to continually introduce unique and innovative designs which appeal to consumers. We constantly strive to improve our products, product range and production processes to keep up with the trends and developments in the market. To this end, we have an in-house design and product development team, enabling our Company to deliver a wide range of products to our target consumer groups. The personnel comprising our in-house design team are recruited based on stringent criteria, including market and industry knowledge and design skills. They attend various trade fairs and exhibitions and undergo in-house product and design training, to upgrade their skills and keep abreast of new developments in the industry. As a result, we are able to provide our customers with cutting-edge designs, stay competitive and adapt to the trends and developments in the bedroom furniture industry.

We have an established subcontractor network

In addition to our in-house production capacity, we have developed strong and long-standing business relationships with our subcontractors over the years, and have an established subcontractor network to support our various production processes. This enables us to reduce our manpower reliance and costs. As at the Latest Practicable Date, we work with 19 subcontractors, some of which have worked with us for more than 10 years.

We make bulk purchases of the raw materials required by both ourselves and our subcontractors for the manufacture of our products. As such, we are able to enjoy cost efficiencies and to control the quality of the raw materials used by our subcontractors.

We and our subcontractors are located within close proximity to one another, which allows us to shorten the transportation time of our semi-finished goods to and from our subcontractors and ourselves. We are also able to closely monitor the quality of our products and their work progress by being able to inspect our subcontractors' premises regularly.

We consistently strive to be cost-competitive, efficient and to turn around products quickly

We generally maintain sufficient raw material inventories to meet production requirements based on the purchase orders we receive from customers and our sales forecast, which allows us to take on and meet our orders within short deadlines. We have established relationships with a wide range of suppliers that enable us to plan efficiently to reduce our production lead time. As such, we are able to maintain an optimal inventory level to meet our requirements.

We incorporate automation into our production processes, to increase our efficiency in traditionally labour intensive processes, such as woodworking and spray painting. Therefore, we are able to improve our production efficiency and reduce the lead times between the receipt of orders from our customers to delivery. We are thus able to meet large volumes of orders and are able to deliver our products quickly and efficiently.

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 the following areas:

(a) raw material optimisation;

(b) inventory optimisation;

(c) monitoring and tracking;

(d) data collection and analysis; and

(e) performance measurement and appraisal.

Please refer to the section entitled "General Information on our Group – Enhancement of Productivity and Efficiency" of this Offer Document for further information relating to the LY-6M system.

In addition, as at the Latest Practicable Date, with our 15 factories and warehouses which we own or lease, occupying a combined built-up area of approximately 1.4 million sq ft which are well equipped with advanced plant and equipment, we are able to secure and manage large production orders from our customers due to our capacity to cater for the high volume of production. Please refer to the section entitled "General Information on our Group – Properties and Fixed Assets" of this Offer Document for more details.

We have an experienced and committed management team

Our Group is led by a capable and experienced management team, helmed by our Executive Chairman, Mr Tan Kwee Chai, who has more than 40 years of experience and in-depth knowledge of the furniture manufacturing and design industry. He is supported by Mr Tan Kwee Lim and Mr Boo Ngek Hee, our co-founders and Executive Officers, who each have more than 30 years of experience in the furniture industry. Together, they have grown our Group from a modest customised home furniture manufacturing business to one of Malaysia's leading manufacturers and exporters of wooden bedroom furniture.

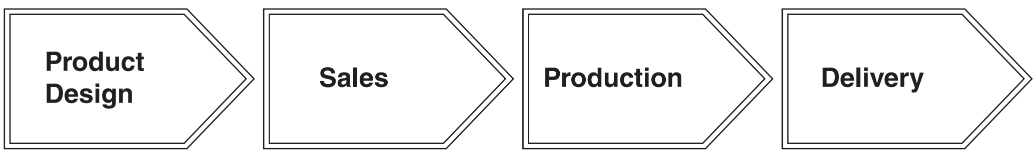
Mr Tan Kwee Chai, together with our Executive Director and CEO, Mr Tan Yong Chuan, and our Executive Director, Ms Tan Ai Luang, have been instrumental in promoting the growth of our Group and formulating business strategies, and will continue to spearhead our business operations and future plans to ensure the continued success of our Group.

We believe that we are well-positioned to leverage on the experience and capabilities of our management team to identify new opportunities to expand our business, grow our reputation in the furniture industry and deliver quality furniture products.

Please refer to the section entitled "Directors, Management and Staff" of this Offer Document for further details on the experience and expertise of our management team.

BUSINESS PROCESS

The following flowchart illustrates our typical business process:



(a) *Product design*

Upon receiving a request for a quotation, our sales and marketing team will evaluate the customer's requirements to work out a proposal based on the customer's requirements, internal costing and budgetary estimates. The proposal is then reviewed and approved by our management before our formal submission to our customer for their evaluation.

This phase involves identifying designs which we believe to have commercial and aesthetic appeal, based on market trends and feedback from our customers. Our design and product development team which is headed by our Executive Director, Ms Tan Ai Luang, will produce design proposals for new products which will be reviewed by our management. Our sales and marketing team will then assess its commercial and production viability. Alternatively, in respect of our OEM business, our customers will provide the design required.

Once a design is approved, our design and product development team will produce a prototype to be sent to customers for their consideration.

(b) *Sales*

Upon confirmation of an order by our customers, we will manufacture pre-production samples, which are subject to quality control and testing by us at our premises and by accredited certification bodies, before they are given to customers for their evaluation. This step is important for customised products which entail volume production, and allows customers to clarify issues such as pricing and technical details.

(c) *Production*

When raw materials comprising sawn timber and panels are delivered to our warehouses, we will first inspect their condition, quality and specifications, after which they are sent to our woodworking factories or our subcontractors for moulding, cutting and shaping into the required design profile. This is followed by further refinement of the sawn timber and panels which will be joined into the required compositions of furniture parts. After sending the moulded furniture parts through a sanding process, we have an initial assembly stage which involves the initial construction of the basic components and fabrication of the furniture frames. These furniture parts are sent for spray painting and finishing processes, and finally assembled together with the hardware parts to form the final product.

After the final assembly of the furniture, a final quality control check is performed to identify any defective products and ensure conformity with the requested specifications.

(d) *Delivery*

After doing a final quality check on the furniture items, our logistics department will arrange for packing and delivery to our customers.

ENHANCEMENT OF PRODUCTIVITY AND EFFICIENCY

The furniture industry in Malaysia is a labour-intensive industry. We believe that enhancing our productivity and efficiency in our production process with a systematic approach is crucial in providing us with a competitive edge, and enabling us to cater to the increasing demands of our customers.

To this end, together with a software company, we have developed the LY-6M system, an integrated real-time monitoring and management system, which is able to monitor our entire production process.

The LY-6M system is able to integrate the entire manufacturing workflow from the beginning stage of procuring raw materials to the end stage of shipment. It is expected that the LY-6M system will significantly enhance our productivity and efficiency through improvements in the following areas of our production processes:

(a) Raw material optimisation

Our Company has devised a system for categorising raw materials by their material and attributes, such as their dimensions and thickness, for production. These raw materials are associated with standardised codes for clear identification throughout the production process.

After our customers' purchase orders are keyed into the LY-6M system, the quantity and type of raw materials required are automatically identified and allocated for each furniture model, to optimise the number and type of raw materials used for production and reduce unnecessary wastage. By being able to group these raw materials with similar attributes, we are able to achieve better economies of scale for production.

With the LY-6M system, we will only need to prepare the bill of material for various different models to be produced and thereafter the LY-6M system will automatically carry out the following production planning processes:

(i) the determination of the ideal way to optimise the number or type of raw materials used for the production of various types of furniture models (i.e. to reduce the number or type of raw materials); and

(ii) the calculation of the minimum total amount or volume of raw materials required based on the various types of furniture models to be produced and the minimum required for each furniture model.

(b) Inventory optimisation

The LY-6M system also enables us to track our inventory, and will prompt us if our inventory level falls below a minimum pre-set level. With this, our purchasing department is able to ensure healthy levels of inventory to meet our customers' demands.

Our inventory costs will also be lower since our inventory is kept to a minimum at all times. Our inventory turnover is expected to improve over time after the implementation of the LY-6M system. Please refer to the section entitled "General Information on our Group – Inventory Management" of this Offer Document for more details.

(c) Monitoring and tracking

The LY-6M system monitors and tracks the entire production process, as well as all the raw materials, components and parts which are used for each furniture item by their respective identification codes. It also promotes accountability of our employees in respect of their role in the production process.

Employees will conduct quality checks at each stage of the production process, to ensure that the semi-finished goods meet our customers' requirements and our quality benchmarks. The close monitoring of each production stage allows us to promptly identify the specific production issue and take early remedial actions.

(d) Data collection and analysis

The LY-6M system also enables us to collect large amounts of production-related data and statistics to better analyse our operations to improve our efficiency. These improvements cover various business areas such as sales and marketing, inventory management and production.

(e) Performance measurement and appraisal

The LY-6M system aids us in improving our productivity amongst our employees without compromising on the quality of our products.

By being able to measure the performance of each employee and/or each department with objective standards backed by the data gathered via the LY-6M system, we believe that we will be better able to appraise, reward and motivate our employees.

As we have started the implementation of the LY-6M system, we envisage that there will be an increase in productivity and efficiency to meet our customers' orders in a shorter time, better production planning and inventory management, reduced costs in terms of production and manpower, and reduced human error. Barring unforeseen circumstances, we expect to implement the LY-6M system by June 2018. We will be engaging an auditor (to be appointed by our Audit Committee), to conduct a review on the LY-6M system post-implementation and produce a report to the Audit Committee to ensure that the LY-6M system is working effectively.

DESIGN AND PRODUCT DEVELOPMENT

We recognise the importance of design and product development in providing our Group with a competitive edge and in increasing our operating efficiency. As at the Latest Practicable Date, we have a dedicated design and product development team of 29 personnel, all of whom have extensive experience in product design and prototyping. The team is headed by our Executive Director, Ms Tan Ai Luang.

Our Group's design and product development objectives include:

(a) creation of new designs for manufacture and sale on an ODM basis;

(b) improvement in product quality in terms of the functionality and reliability;

(c) design or creation of production-friendly products; and

(d) identification of and experimentation on alternative types of wood and raw materials to reduce the unit cost of our products.

Our design and product development team is also responsible for conducting trial production runs for new product models prior to mass production to ensure that the required production processes are appropriate and to reduce the likelihood of high costs and wastage attributable to errors in mass production. In addition, the team also works on product samples, experimenting with different types of materials to achieve the design and product development objectives set out above.

Our main expenditure for design and product development was for payroll expenses of our design and product development team, which amounted to approximately RM706,000, RM699,000, RM889,000 and RM412,000 representing approximately 0.3%, 0.2%, 0.3% and 0.3% of our revenue of FY2014, FY2015, FY2016 and 1H2017 respectively.

SALES AND MARKETING

Our overall sales and marketing activities are spearheaded by our Executive Director, Ms Tan Ai Luang, who is assisted by a team of 17 personnel as at the Latest Practicable Date.

Our marketing and sales approach is based on fostering long-term and strong relationships with our customers with a focus on customer retention. We maintain our existing customer relationships through regular contact, including providing customers with regular updates on the new products that we carry and visiting our customers in the U.S. about three (3) to four (4) times every year. The relationships which we have built with our customers also acts as a source of market intelligence, allowing us to keep abreast of industry trends and developments and enabling us to adapt to market demands more quickly. As our products are mainly distributed through furniture wholesalers, importers, retailers and regional procurement centres with established distribution networks, we are able to rely on their existing networks for distribution and promotion of our products in the markets in which the wholesalers are based.

We have been attending and/or participating in local and international trade and exhibition fairs, together with some of our customers, to increase the awareness of our Group and products in our current and potential new markets, as well as to keep abreast of new products and designs in the market, market trends and other industry developments. We have regularly attended the following trade and exhibition fairs:

- High Point Market in the U.S. annually since 1998
- Las Vegas Market in the U.S. annually since 2005
- Malaysia International Furniture Fair from 2005 to 2014

QUALITY CONTROL AND ASSURANCE

We are committed to achieving customer satisfaction by delivering high quality products. In particular, as an export-oriented furniture manufacturer, we place great emphasis on quality control measures to ensure consistent quality standards that meet the requirements of our overseas customers. We have received ISO 9001 certification since 2004.

We have implemented the following quality control and assurance measures to maintain the high quality of the products we supply, ensure that our products meet the specifications and minimise incidents of rejects, reworks, defects and wastage arising from the various production processes:

(a) incoming raw materials and components from suppliers are subject to inspection for, among others, moisture content, colour consistency and wood defect checks before they are despatched for production;

(b) the quality of work in progress is monitored and examined at each stage of the production process to ensure consistency in the standards of quality of the final output; and

(c) finished goods are inspected for defects and inconsistency in quality standards before final packaging. Defective products or furniture parts identified during the production process are separated for remedial works to meet the required level of surface smoothness or colour intensity.

As at the Latest Practicable Date, we have a quality control team of 24 personnel, who are led by our Executive Officer and Chief Quality Controller, Mr Boo Ngek Hee. The quality control team works closely with our production personnel to ensure that the existing production flow and method achieves the required standards of quality, and that innovation and improvement are continually introduced to our business process to improve quality standards.

Further, some of our major overseas customers send their own quality control personnel to our factories to inspect and conduct sample checks on the final products at the assembly line prior to the stage for packaging and shipment.

AWARDS, ACCREDITATIONS AND CERTIFICATIONS

Our commitment to excellence and quality is evidenced by the awards, accreditations and certifications which we have received over the years, some of which are set out as follows:

Year of award	**Award accreditation or certification**	**Awarding organisation/corporation**
2002	Enterprise 50 Award (3rd place)	Small and Medium Industries Development Corporation; and Accenture
2002	Asia Pacific International Honesty Enterprise – Keris Award 2002	Asia Pacific International Honesty Enterprise Keris Award
2003	Global Top Enterprise Golden Rim Award	Global Top Enterprise Golden Rim Award
2003	Golden Bull Award for Malaysia's 100 Outstanding SMEs (2nd place)	SME International
2003	Enterprise 50 Award (2nd place)	Small and Medium Industries Development Corporation; and Accenture
2004	ISO 9001:2000 for quality system related to manufacturing and trading of wooden made furniture	United Kingdom Accreditation Service Quality Management
2006	Best Performing Company Award 2005	Malaysian Timber Council
2008	ISO 9001:2008 for the quality management system related to the manufacture of wooden furniture	UKAS Management Systems
2008	ISO 9001:2008 for the quality management system applicable to the manufacture of wooden furniture	ANAB Accredited Management Systems Certification Body

Year of award	Award accreditation or certification	Awarding organisation/corporation
2009	Asian Furniture Leadership Award	Furniture Leadership Award (FLA) 2009
2009	Corporate Social Responsibility Award	Malaysian Furniture Leadership Award (MFLA) 2009
2013	Award of Industrial Excellence in the category of Furniture Factory	Malaysian Timber Industry Board
2015	Eminent Eagle Award (no placement)	Golden Eagle Award 2015 Malaysia 100 Excellent Enterprises
2016	Eminent Eagle Award (2nd place)	Golden Eagle Award 2016 Malaysia 100 Excellent Enterprises

LICENCES, PERMITS AND APPROVALS

To the best of our Directors' knowledge, save as disclosed below, our Company has obtained all the necessary permits, approvals and licences which are material to our business and operations.

The following are the main licences, permits and approvals (apart from those pertaining to general business requirements) issued to our Group which are essential for the business operations of our Group:

Licence, permit or approval	Issuing Authority	Expiry Date
Manufacturing licence for LY1, LY2, LY4, LY5, LY9, LY10, LY11, LY13, LY14, LY15 and LY16	MITI	None
Written approval, written notification and/or written declarations for installation of chimneys, bag filters, spray booths, fuel burning equipment, air pollution control system, cyclone system	Department of Environment of Malaysia	None
Certificate of Registration as Exporter and Supplier	Malaysian Timber Industry Board	30 June 2018
Permit of Scheduled Controlled Goods (Diesel)	Ministry of Domestic Trade, Cooperative and Consumerism	5 December 2018
Fire Certificate for LY1, LY2, LY9, LY10 and LY13[(1)]	Fire & Rescue Department of Malaysia	19 March 2018
Fire Certificate for LY3[(1)]	Fire & Rescue Department of Malaysia	12 September 2018
Fire Certificate for LY4, LY5, LY11 and LY14[(1)]	Fire & Rescue Department of Malaysia	24 April 2018
Fire Certificate for LY15[(1)]	Fire & Rescue Department of Malaysia	1 January 2018[(2)]

Licence, permit or approval	Issuing Authority	Expiry Date
Forestry licence for LY1, LY4, LY5, LY9, LY10 and LY11	Johor State Forestry Department	31 December 2017[(2)]
Business Licence for LY1, LY2, LY4, LY5, LY6, LY9, LY10, LY11, LY12, LY13, LY14, LY15 and LY16	Batu Pahat Municipal Council	31 December 2017[(2)]
Temporary Business Licence for LY3	Batu Pahat Municipal Council	31 December 2017[(2)]

Notes:

(1) As part of the Fire & Rescue Department of Malaysia's certification process of our Group, the Fire & Rescue Department conducts a thorough review and inspection of the compliance with the life safety, fire prevention, fire protection and fire fighting equipment of our Group. The Fire Certificate is a certification of the Fire & Rescue Department of Malaysia's satisfaction with the foregoing. The standard operating procedure of our Group's emergency response includes the following steps to prevent a re-occurrence of similar fire-related incidents:

(a) setting up an emergency response team in LYFSB, who is responsible for the following:

(i) assessing the risks of a possible fire breakout;

(ii) preparing an analysis of a possible fire breakout;

(iii) taking reasonable steps to reduce the risk of fire; and

(iv) planning the emergency evacuation floor plan in the event of fire; and

(b) performing fire drills at all of our factories twice a year. Reports are prepared for each factory after each fire drill. Such reports will be shown to Fire & Rescue Department upon request.

(2) We have applied to renew these licences, and we do not foresee any difficulties in obtaining a renewal of these licences.

As at the Latest Practicable Date, none of the aforesaid permits, approvals and licences has been suspended, revoked or cancelled, and to the best of our Directors' knowledge, they are not aware of any facts or circumstances which would cause such permits, approvals and licences to be suspended, revoked, or cancelled as the case may be, or cause any applications for, or renewal of, any of these permits, approvals and licences to be rejected by the relevant authorities.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we have registered the following trademarks in Singapore and Malaysia:

Trademark	Country of registration	Class	Trademark number	Application date	Expiry Date
	Malaysia	16[1] 35[2]	2012054358 2012054359	14 June 2012	14 June 2022
	Malaysia	20[3]	03014558	28 October 2003	28 October 2023
LY ly	Malaysia	16[1] 20[4] 35[2]	09000687 09000685 09000688	16 January 2009	16 January 2019
	Singapore	16[5] 20[6] 35[7]	40201615952V 40201615945X 40201615951X	26 September 2016	26 September 2026
LY ly	Singapore	16[8] 20[9] 35[10]	40201615927Y 40201615922R 40201615918Y	26 September 2016	26 September 2026

Notes:

(1) Class 16 refers to advertisement boards of card; advertisement boards of cardboard; advertising leaflets; advertising posters; advertising publications; books; bookends; boxes of cardboard or paper; calendars; cards; catalogues; charts; duplicators; graphic prints; greeting cards; hand labelling appliances; holders for cheque book; magazines; note book; periodicals; photo-engravings; photographs; postcards; posters; printed matter; printed publication; stationery; tracing paper; wrapping paper.

(2) Class 35 refers to advertising; business management; sales promotion; and retailing services connected to furniture product, import-export agencies.

(3) Class 20 refers to armchairs; bedding (except linen); beds; bedsteads (wood); benches (furniture); bolsters; carts for computers; chairs (seats); chests for toys; chests of drawers; chests, not of metal; coat hangers; coat stands; computer tables; counters (tables); cupboards; deck chairs; desks; desks (furniture); dinner wagons; divans; doors for furniture; dressing tables; easy chairs; filing cabinets; flower-stands (furniture); footstools; furniture; furniture casters, not of metal; furniture fittings, not of metal; furniture of metal; furniture of partitions of wood; furniture shelves; head-rests (furniture); high chairs for babies; index cabinets; letter boxes, not of metal or masonry; lockers; magazine racks; mattresses; mirrors (looking glasses); newspaper display stands; office furniture; plate racks; racks (furniture); rattan; school furniture; screens (furniture); seats; settees; showcases (furniture); sideboards; sofas; spring mattresses; stools; straw mattresses; table tops; tables; tables of metal; tea carts; tea trolleys; trolleys (furniture); trolleys for computers; typing desk; umbrella stands; washstands (furniture); wickerwork; writing desks.

(4) Class 20 refers to advertising display boards; articles of furniture adapted for use by children; assemblies for display purposes; babies'; chairs; bed bases; bed chairs; bedroom furniture; beds; boxes made of paper coated wood; boxes of wood or plastic; cabinet doors; cabinets for display purposes; chairs; chairs being furniture; chairs being office furniture; chairs for offices; desks; display boards for advertising; display furniture; furniture; furniture adapted for use outdoors; furniture being convertible into beds; furniture cabinets; furniture casings; furniture casters, not of metal; furniture fittings, not of metal; furniture for babies; furniture for bathrooms; furniture for campers; furniture for camping; furniture for caravans; furniture for children; furniture for computers; furniture for offices; furniture for the bedroom; handling pallets, not of metal; packaging containers made of wood; wood fibre mats for moulded furniture parts.

(5) Class 16 refers to printed matter; printed publications; books; company magazines; brochures; pamphlets; handbooks (manuals); periodical publications featuring investment information; posters; photographs; address labels; printed labels; greeting cards; gift cards; business cards; card indexes; invitation cards; writing instruments; stationery.

(6) Class 20 refers to furniture; beds; tables; dressers (furniture); mirror frames; wardrobes; chests of drawers; mattresses; pillows; office furniture; display units (furniture); sideboards; cabinets; consoles (furniture); armchairs; sofas; counters (tables); chairs; stools; cushions; racks (furniture); coat hangers; decorative wall plaques (furniture) not of textile; works of art made of wood; furniture parts; non-metallic furniture fittings.

(7) Class 35 refers to the bringing together, for the benefit of others, of a variety of goods (excluding the transport thereof), enabling customers to conveniently view and purchase those goods from a general merchandise web site in the global communications network; retail services; wholesale services; export-import agency services; online advertising via a computer communications network; organization of trade fairs for commercial or advertising purposes; sales promotion services; advertising; business management; business advice; business planning.

(8) Class 16 refers to printed matter; printed publications; books; company magazines; brochures; pamphlets; manuals (handbooks); periodical publications featuring investment information; posters; photographs; address labels; printed labels; greeting cards; gift cards; business cards; card indexes; invitation cards; writing instruments; stationery.

(9) Class 20 refers to furniture; beds; tables; dressers (furniture); mirror frames; wardrobes; chests of drawers; mattresses; pillows; office furniture; display units (furniture); sideboards; cabinets; consoles (furniture); armchairs; sofas; counters (furniture); chairs; stools; cushions; racks (furniture); coat hangers; decorative wall plaques (furniture) not of textile; works of art made of wood; furniture parts; non-metallic furniture fittings.

(10) Class 35 refers to the bringing together, for the benefit of others, of a variety of goods (excluding the transport thereof), enabling customers to conveniently view and purchase those goods from a general merchandise web site in the global communications network; export-import agency services; retail services; wholesale services; online advertising on a computer network; organization of trade fairs for commercial or advertising purposes; sales promotion services; advertising; business management; business advice; business planning.

Save as disclosed above, our business and profitability is not materially dependent on any other intellectual property.

PROPERTIES AND FIXED ASSETS

As at the Latest Practicable Date, our Group owns the following properties:

Location	Approximate land area (sq m)	Tenure	Use of property	Encumbrances	Owner
No. 6, Jalan Wawasan 7, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia ("**LY1**")	5,428	Leasehold of 60 years expiring on 4 February 2058	Whitewood processing	–	LYFSB
No. 2A, Jalan Wawasan 7, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia ("**LY2**")	4,041	Leasehold of 60 years expiring on 4 February 2058	Whitewood processing	–	LYFSB
No. 5, Jalan Wawasan 6, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia ("**LY3**")	21,370	Leasehold of 60 years expiring on 4 February 2058	Warehouse	–[(2)]	LYFSB
No. 2, Jalan Wawasan 6, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia ("**LY4**")	5,989	Leasehold of 60 years expiring on 22 May 2057	Board processing and warehouse	–	LYFSB
No. 2A, Jalan Wawasan 6, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia ("**LY5**")	4,047	Leasehold of 60 years expiring on 23 February 2066	Board processing	–	LYFSB
No. 15, Jalan Wawasan Utama, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia ("**LY9**")	16,237	Leasehold of 60 years expiring on 4 February 2058	Headquarters and spray painting processes	–	LYFSB
No. 1-1, Jalan Wawasan 12, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia ("**LY10**")	4,798	Leasehold of 60 years expiring on 11 April 2066	Warehouse and design and product development centre	–	LYFSB

Location	Approximate land area (sq m)	Tenure	Use of property	Encumbrances	Owner
No. 23, Jalan Wawasan Utama, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia ("**LY11**")	15,940	Leasehold of 60 years expiring on 31 May 2069	Timber processing and warehouse	–	LYFSB
No. 3, Jalan Wawasan 4, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia ("**LY12**")	23,792	Leasehold of 60 years expiring on 20 March 2053	Warehouse	–	LYFSB
No. 5, Jalan Wawasan 16, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia ("**LY13**")	10,280	Leasehold of 60 years expiring on 28 August 2067	Spray painting processes	–	LYFSB
No. 4, Jalan Wawasan 16, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia ("**LY14**")	6,880	Leasehold of 60 years expiring on 31 May 2069	Warehouse	–	LYFSB
No. 17, Jalan Wawasan Utama, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia ("**LY15**")	12,140	Leasehold of 60 years expiring on 8 October 2066	Spray painting processes	Charge in favour of OCBC Bank (Malaysia) Berhad	LYFSB
No. 7, Jalan Ria 2, Taman Ria Jaya, Sri Gading, 83300 Batu Pahat, Johor, Malaysia	143	Freehold	Staff hostel	–	LYFSB

As at the Latest Practicable Date, our Group leases or licenses the following properties:

Location	Tenure[(3)]	Rent	Approximate built-up area (sq ft)	Use of property	Lessor/ Landlord
H.S.(M) 7442 PTD 52912, Mukim Simpang Kanan, Daerah Batu Pahat, Negeri Johor, Malaysia ("**Lot 52912**")	3 years commencing 1 May 2015, with an option to renew for an additional 7 years	RM2,000 per month	79,328	Staff hostel	Lim Kee Bok
M1-11-102, Condominium Hillview Loft, Jalan Melor, 83000 Batu Pahat, Johor, Malaysia ("**Jalan Melor Condominium**")	3 years commencing 1 December 2017, with an option to renew for an additional 1 year	RM1,500 per month	1,000	Staff hostel	Tan Kwee Chai
No. 4, Jalan Wawasan 6, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia ("**LY6**")	3 years commencing 1 July 2016, with an option to renew for an additional 2 years	RM13,000 per month	21,768	Board processing and warehouse	LY Asset Management Sdn. Bhd.
No. 3, Jalan Wawasan 8, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia ("**LY16**")	3 years commencing 15 May 2015	RM22,000 per month from 15 May 2015 to 14 May 2017, and RM23,000 per month from 15 May 2017 to 14 May 2018	44,800	Warehouse	Inmost Tech Sdn. Bhd.
JK/A 88/21-5 Jalan Kluang (Block B1, B4), Kg. Pancor, 83300 Batu Pahat, Johor, Malaysia ("**Blocks B1 and B4**")	1 year commencing 1 October 2017	Block B1 – RM600 per month Block B4 – RM600 per month	Block B1 – 1,000 Block B4 – 1,000	Staff hostel	Tan Haw Ching

Location	Tenure[3]	Rent	Approximate built-up area (sq ft)	Use of property	Lessor/ Landlord
No. 2A, JK/A 88/21-6 Jalan Kluang (Block B2, B5), Kg. Pancor, 83300 Batu Pahat, Johor, Malaysia ("**Blocks B2 and B5**")	1 year commencing 1 October 2017	Block B2 – RM600 per month Block B5 – RM600 per month	Block B2 – 1,000 Block B5 – 1,000	Staff hostel	Tan Haw Ching
No. 2B, JK/A 88/21-6 Jalan Kluang (Block B3, B6), Kg. Pancor, 83300 Batu Pahat, Johor, Malaysia ("**Blocks B3 and B6**")	1 year commencing 1 October 2017	Block B3 – RM600 per month Block B6 – RM600 per month	Block B3 – 1,000 Block B6 – 1,000	Staff hostel	Tan Haw Ching
No. 22A, Jalan Susur Mutiara, Taman Mutiara, 83300 Batu Pahat, Johor, Malaysia	2 years commencing 1 January 2017, with an option to renew for an additional 1 year	RM1,300 per month	2,654	Staff hostel	Aneka Awal Sdn. Bhd.
First Floor of No. 15A, Jalan Susur Mutiara, Taman Mutiara, 83300 Batu Pahat, Johor, Malaysia	2 years commencing 1 May 2017, with an option to renew for an additional 1 year	RM700 per month	1,587	Staff hostel	Jim Huey Lee
Portion B of Lot 1436, Mukim Simpang Kanan, 83300 Batu Pahat, Johor, Malaysia ("**Lot 1436 (Portion B)**")	1 year commencing 1 August 2017	RM2,500 per month	87,120[4]	Staff hostel	Kah See Yee
No. 6A, Jalan Ria 1, Taman Ria Jaya, 83300 Batu Pahat, Johor, Malaysia	2 years commencing 1 February 2017, with an option to renew for an additional 1 year	RM600 per month	1,540	Staff hostel	Loh Ban Seng Sdn Bhd

Location	Tenure(3)	Rent	Approximate built-up area (sq ft)	Use of property	Lessor/ Landlord
No. 4. Jalan Mutiara 4, Taman Mutiara, 83300 Batu Pahat, Johor, Malaysia	2 years commencing 1 January 2017	RM700 per month	1,233	Staff hostel	Wong Kau
T/L JK 187/18/14, Batu 6, Jalan Kluang, Kg. Panchor, 83300 Batu Pahat, Johor, Malaysia ("**Batu 6**")	2 years commencing 1 January 2017	RM1,000 per month	1,964	Staff hostel	Tan Boon Heem and Boo Mui Guek

Notes:

(1) Based on the opinion of our Executive Directors, none of the properties owned or leased by our Group set out in the tables above, in and of itself, are material to the business of our Group, for the following reasons:

(a) save for design and product development and timber processing facilities, our Group utilises more than one property for each of its other furniture manufacturing processes or storage purposes (e.g. whitewood processing, warehouse, spray painting, etc.);

(b) while timber processing is operated solely at LY11, our Group is of the view that processed timber can be easily purchased from our existing suppliers or other third-party suppliers. As such, LY11 is also not material to the business of our Group; and

(c) while design and product development facilities are housed solely in LY10, these processes can be easily relocated and do not require a large floor area or machinery. As such, LY10 is also not material to the business of our Group.

(2) LYFSB is currently in the process of creating a charge over LY3 in favour of AmBank (M) Berhad.

(3) For the leases which will expire within the 12 months following the Latest Practicable Date, our Directors are of the reasonable opinion that the non-renewal of such leases will not have a material adverse impact on our Group.

(4) This refers to the land area (sq ft).

The land title for LY15, which currently houses part of our spray painting facilities, initially contained an express condition requiring the property to be used for the manufacture of depot containers, and built in accordance with the plans approved by the local authority. We made an application to vary the express condition for LY15 to be used as a medium industrial area, for the purposes of manufacturing of furniture and other related purposes in May 2016. Although we have received the new land title with the varied express condition for LY15 ("**New Land Title**") in June 2017, we were in breach of the land conditions from December 2010, when the renovations for LY15 were completed, up to June 2017.

The NLC 1965 provides that the relevant land authority may impose a fine on the land owner or require forfeiture of the land due to a breach of land conditions. In respect of the fine, the relevant land authority may make an order for payment of a fine amounting to no less than RM500 and in the case of a continuing breach, a further fine of no less than RM100 for each day that the breach is not remedied if the land owner fails to show cause to the satisfaction of the relevant land authority. As at the Latest Practicable Date, the Batu Pahat Land Administrator, being the relevant land authority in respect of LY15, could impose a fine of at least RM235,000 for past breaches of the express condition in the land title, prior to the issuance of the New Land Title.

The Founding Shareholders have jointly and severally provided an indemnity to our Company and LYFSB on 20 December 2017, to be effective upon Listing, to indemnify our Group from any and all losses, liabilities, obligations, damages, costs, expenses, claims, proceedings, actions or demands incurred or suffered by our Group, whether directly or indirectly, based upon, resulting from or relating to any breach of the NLC 1965 in relation to the use of LY15 in contravention of the express conditions, up to an amount equivalent to RM235,000. The Founding Shareholders shall not be liable in respect of any claim unless such claim is made in the period commencing from the date of the letter of indemnity to the date falling 36 months after the New Land Title is issued, and no claim shall be made against the Founding Shareholders until after the Listing. As the New Land Title was issued by the relevant land authority without imposing any fines and/or penalties, we (in consultation with the Legal Adviser to our Company on Malaysia Law) are of the view that it is unlikely for the relevant land authority to subsequently retrospectively impose any fines and/or penalties on our Group. Accordingly, if no claim is made in the period commencing from the date of the letter of indemnity to the date falling 36 months after the date the New Land Title is issued by the relevant land authority, we are of the view that the risk of any claim being made is low.

We currently lease Blocks B1 and B4, Blocks B2 and B5, Blocks B3 and B6, Batu 6 and Lot 52912 and license Lot 1436 (Portion B) to house our foreign workers. As Blocks B1 and B4, Blocks B2 and B5, Blocks B3 and B6, Batu 6, Lot 52912 and Lot 1436 (Portion B) (collectively, the "**Land Parcels**") are categorised as agriculture land, and our current use of the Land Parcels are not compliant with such category of land use, the relevant land authority may impose a fine on the land owners or require forfeiture of the land under the NLC 1965. The Legal Adviser to our Company on Malaysia Law has advised that under the NLC 1965, the penalty for a breach of the category of land use under the land title is imposed on the land owner and not on LYFSB, as a lessee or licensee of the land. Under the Malaysian Contracts Act, where the object of an agreement is forbidden by law, the agreement will be deemed as void and unenforceable. The Legal Adviser to our Company on Malaysia Law is of the view that (i) as the object of the agreements entered into by LYFSB for the lease or licence of the Land Parcels are in contravention of the category of land use endorsed on the land titles of the Land Parcels, such agreements are considered as illegal in relation to the use of the land and (ii) Malaysian case law has shown that the court will not be a party to the enforcement of an illegal contract and as a result, the court will not grant damages to parties suffering losses in an illegal contract and claims for breach of the NLC 1965 will not be enforceable. The Legal Adviser to our Company on Malaysia Law is also of the view that our Company is also not in breach of any employment laws in entering into such tenancy agreements.

We are in the process of constructing a new hostel at LY12 to house all our foreign workers, and construction is expected to be completed by the first quarter of 2018.

The Founding Shareholders have jointly and severally provided an indemnity to our Company and LYFSB on 20 December 2017, to be effective upon Listing, from any and all losses, liabilities, obligations, damages, costs, expenses, claims, proceedings, actions or demands incurred or suffered by our Company and LYFSB, whether directly or indirectly, resulting from or relating to any breach, contravention and/or non-compliance of any terms, conditions, warranties, restrictions, obligations, guarantees, undertakings, applicable law, regulations or rules as a result of the lease, licence and/or use of any of the Land Parcels by our Company and/or LYFSB pursuant to or in connection with the relevant lease agreement or licence agreement. The indemnity shall include but is not limited to, any losses arising from (i) the termination of the lease or licence agreements, (ii) the eviction, relocation or housing of the foreign workers residing from time to time on the Land Parcels and any premises thereon, or (iii) the breach of the obligations of LYFSB in relation to the relevant lease agreement or licence agreement. The Founding Shareholders shall not be liable in respect of any claim in respect of any ordinary costs and/or expenses incurred by LYFSB for the relocation of the foreign workers from the Land Parcels to the new hostel at LY12 upon the completion of the construction of the hostel, and no claim shall be made against the Founding Shareholders until after the Listing.

To prevent a re-occurrence of such breach of land conditions for our owned and leased properties, our corporate affairs department will be instituting an internal checklist, which will comprise the following:

(a) a list of approvals required from the relevant authorities for the setting up of new factories/hostels (including any construction/building of such factories/hostels); and

(b) a half yearly check on the terms and conditions imposed by the authorities to ensure compliance as well as the expiration of any such approvals.

The management will present a summary report showing compliance with the relevant terms and conditions during the board meeting on an annual basis.

Save as disclosed above, the Legal Adviser to our Company on Malaysia Law did not find any other non-compliance by LYFSB with the relevant laws and regulations in Malaysia relating to the use of all the properties owned, leased or licensed by LYFSB.

Factories and Utilisation

As at the Latest Practicable Date, we have 15 factories and warehouses which we own or lease, occupying a combined built-up area of approximately 1.4 million sq ft.

The table below sets out certain information with respect to our total annual production capacity and utilisation rate, which includes the contribution of our subcontractors in respect of our production:

FY2014		**FY2015**		**FY2016**		**1H2017**	
Annual production capacity[(1)] (40-ft container)	**Utilisation rate[(4)] (%)**	**Annual production capacity[(2)] (40-ft container)**	**Utilisation rate[(4)] (%)**	**Annual production capacity[(3)] (40-ft container)**	**Utilisation rate[(4)] (%)**	**Annual production capacity[(5)] (40-ft container)**	**Utilisation rate[(6)] (%)**
7,200	68.1	7,300	81.8	8,400	67.1	4,200	74.7

Notes:

(1) Our annual production capacity for FY2014 is calculated based on the following assumptions:

(a) a monthly production throughout to fill 600 40-ft containers each; and

(b) our manufacturing facilities operating for 12 hours per day, 6 days per week, and 52 weeks per year.

(2) Our annual production capacity for FY2015 is calculated based on the following assumptions:

(a) a monthly production throughout to fill 608 40-ft containers each; and

(b) our manufacturing facilities operating for 12 hours per day, 6 days per week, and 52 weeks per year.

(3) Our annual production capacity for FY2016 is calculated based on the following assumptions:

(a) a monthly production throughout to fill 700 40-ft containers each; and

(b) our manufacturing facilities operating for 12 hours per day, 6 days per week, and 52 weeks per year.

(4) Approximate utilisation rate is calculated based on actual annual production output divided by annual production capacity.

(5) Our six months production capacity for 1H2017 is calculated based on the following assumptions:

(a) a monthly production throughout to fill 700 40-ft containers each; and

(b) our manufacturing facilities operating for 12 hours per day, 6 days per week, and 26 weeks per year.

(6) Approximate utilisation rate is calculated based on actual production output divided by six months production capacity.

We are in the process of increasing our woodworking production capacity by using the newly-constructed manufacturing facility at LY3. As our production capacity depends on other production processes, the effective increase in our annual production capacity will be subject to our ability to simultaneously increase the production capacity for other processes, either through the enhancement of our factories' productivity and/or engaging our subcontractors.

Other Fixed Assets

We own other material fixed assets comprising mainly machinery and equipment, office equipment, furniture and fittings, and motor vehicles. As at 30 June 2017, our fixed assets (excluding our properties) had a net book value of approximately RM22,280,000.

Save as disclosed above and in the sections entitled "Risk Factors" and "Summary of Relevant Laws and Regulations" set out in Appendix D of this Offer Document, as at the Latest Practicable Date, to the best of our Directors' knowledge, there are no regulatory requirements or environmental issues that may materially affect our Group's utilisation of the above properties and fixed assets.

INSURANCE

As at the Latest Practicable Date, we maintain the following insurance policies:

(a) fire insurance;

(b) work injury compensation insurance for our employees, including our foreign workers;

(c) product liability insurance;

(d) public liability insurance;

(e) trade credit insurance; and

(f) directors and officers' liability insurance.

Our Group has a corporate affairs department which is responsible for, among others, the risk assessment of our Group. It assists in reviewing and monitoring the breadth and adequacy of our insurance policies from time to time, and makes recommendations to our Directors accordingly. Our Directors are of the view that the present insurance coverage maintained is adequate for our existing operations. However, significant damage to our operations may still have a material adverse effect on the results of our operations or financial condition. If such events were to occur, our business may be materially or adversely affected. Please refer to the section entitled "Risk Factors" of this Offer Document for more details. We have not experienced any difficulties obtaining or renewing our insurance policies, or on realising claims under any of our insurance policies.

In addition to reviewing the recommendations from the corporate affairs department of our Group, our Directors will perform annual reviews on our insurance policies to ensure that the insurance coverage is satisfactory in our view.

MAJOR CUSTOMERS

Our wooden bedroom furniture are sold mainly to overseas dealers such as furniture wholesalers and retailers who generally resell our products to end-users through their respective retail networks and domestic customers who are primarily third party agents, who typically export and resell our products outside Malaysia, such as to the U.S. Please refer to the section entitled "General Information on our Group – Business Overview" of this Offer Document for more details. Some of our customers have in the past purchased products from our other existing customers and may continue to do so in the future. Such products may include products purchased from our Group. Whilst we are aware that some of our customers may purchase from other customers, we are not privy to the actual details of such transactions.

The table below sets out the list of customers who accounted for 5.0% or more of our Group's total revenue for the Period Under Review:

	Percentage of revenue during Period Under Review (%)			
Customer(1)	**FY2014**	**FY2015**	**FY2016**	**1H2017**
American Signature, Inc.(2)	10.5	9.3	7.3	4.4
Coaster Co. of America(3)	13.5	9.0	9.6	13.1
Corporate Specialists Sdn. Bhd.(4)	14.0	19.0	21.5	18.5
Crown Mark, Inc.(5)	29.1	22.2	23.5	26.3
Rooms To Go Furniture Corp(6)	14.9	23.0	27.2	25.0
S V International Corporation(7)	9.6	1.4	–	–
United Furniture Industries, Inc(8)	0.1	10.5	3.4	2.0

Notes:

(1) For the purposes of this table, we have aggregated sales to our customers whom, to the best of our knowledge, are affiliated as we consider them to be from the same customer relationship. Our Company had considered customers to be "affiliated" if the customer, vis-à-vis another customer, has either:

(a) a common director;

(b) a common shareholder;

(c) a director or shareholder of a customer having an immediate family relationship with a director or shareholder of another customer; or

(d) a holding company and subsidiary company relationship.

(2) American Signature, Inc. has been a customer of our Group since December 2004. Our sales to American Signature, Inc. as a percentage of revenue decreased between FY2014 to FY2015 due to the growth of our revenue from the increased orders we received from our customers, and decreased between FY2015 to 1H2017 due to less orders received from American Signature, Inc.

(3) Coaster Co. of America has been a customer of our Group since August 2008. Our sales to Coaster Co. of America as a percentage of revenue decreased between FY2014 to FY2015 due to the growth of our revenue from the increased orders we received from our customers. Our sales to Coaster Co. of America as a percentage of revenue increased between FY2015 to 1H2017 due to the increase in orders we received from them.

(4) Corporate Specialists Sdn. Bhd. has been a customer of our Group since May 2002. Our sales to Corporate Specialists Sdn. Bhd. as a percentage of revenue increased between FY2014 to FY2016 due to the increase in orders we received from them. Our sales to Corporate Specialists Sdn. Bhd. as a percentage of revenue decreased between FY2016 to 1H2017 due to less orders received from them.

(5) Crown Mark, Inc. has been a customer of our Group since January 2001. Our sales to Crown Mark, Inc. as a percentage of revenue decreased between FY2014 to FY2015 due to the growth of our revenue from the increased orders we received from our customers, and increased between FY2015 to FY2016 due to the decrease in our revenue as a result of the decreased orders we received from our other customers. Our sales to Crown Mark, Inc. as a percentage of revenue increased between FY2016 to 1H2017 due to the increase in orders we received from them.

(6) Rooms To Go Furniture Corp has been a customer of our Group since June 2013. Our sales to Rooms To Go Furniture Corp increased between FY2014 to FY2016 due to the increase in orders we received from them. Our sales to Rooms To Go Furniture Corp as a percentage of revenue decreased between FY2016 to 1H2017 due to less orders received from them.

(7) S V International Corporation has been a customer of our Group since July 2012. Our sales to S V International Corporation and its affiliated companies ceased in FY2015 as the parties mutually agreed to discontinue the business relationships.

(8) United Furniture Industries, Inc has been a customer of our Group since December 2014. In FY2015, United Furniture Industries, Inc increased their orders with us significantly as they were launching their casegoods product lines. Following the build-up of inventories for their new product lines, they normalised their orders with us in FY2016. Our sales to United Furniture Industries, Inc as a percentage of revenue decreased between FY2015 to 1H2017 due to less orders received from them.

For more information on the revenue generated by our Group, please refer to the section entitled "Management's Discussion and Analysis of Results of Operations and Financial Position – Overview – Revenue" of this Offer Document.

To the best of our knowledge, our Directors are not aware of any information or arrangement which would lead to a cessation or termination of our present relationship with our major customers.

As at the Latest Practicable Date, none of our Directors, Substantial Shareholders or to the best of their knowledge, their respective Associates, has any interest in shares, direct or indirect, in the above major customers.

MAJOR SUPPLIERS AND SUBCONTRACTORS

Our suppliers and subcontractors are carefully selected based on a variety of factors, including their reliability, quality and pricing of their products, timely delivery of their products, and the length of their business relationship with our Group. We generally do not enter into long-term or exclusive contracts with our major suppliers or subcontractors, as this allows us the flexibility to source for quality products and services at economical prices.

As at the Latest Practicable Date, our Group has not encountered any significant production disruption due to a shortage of supplies and/or services from our suppliers and subcontractors to meet our production requirements.

The table below sets out the list of suppliers or subcontractors who accounted for 5.0% or more of our Group's total purchases for the Period Under Review:

Supplier/Subcontractor(1)	Products/services supplied	Percentage of purchases during Period Under Review (%)			
		FY2014	FY2015	FY2016	1H2017
Anhui Xinsen Import & Export Co., Ltd(2)	Plywood	7.3	2.1	2.2	1.9
Ornapaper Industry (Batu Pahat) Sdn Bhd	Carton	5.4	5.9	6.2	5.8
Robin Resources (Malaysia) Sdn Bhd(3)	Medium-density fibreboard	7.5	6.5	6.8	7.0

Supplier/Subcontractor[(1)]	Products/services supplied	Percentage of purchases during Period Under Review (%) FY2014	FY2015	FY2016	1H2017
LP Global Resources Sdn. Bhd.[(4)]	Veneer and veneer lamination services	3.6	4.1	5.5	6.9
Digital Furniture Sdn Bhd[(5)]	Furniture components, and assembly services	7.2	6.6	6.4	5.3
Band Wood Sdn Bhd[(6)]	Furniture components, and assembly services	0.2	4.1	6.5	6.9
Dongming Sanxin Wood Industry Co., Ltd[(7)]	Plywood and drawer panel	2.5	3.1	5.5	4.5

Notes:

(1) For the purposes of this table, we have aggregated purchases from our suppliers whom, to the best of our knowledge, are affiliated as we consider them to be from the same supplier relationship. Our Company had considered suppliers to be "affiliated" if the supplier, vis-à-vis another supplier, has either:

(a) a common director; or

(b) a common shareholder.

(2) Our purchases from Anhui Xinsen Import & Export Co., Ltd during the Period Under Review decreased as we diversified our sources of plywood.

(3) Our purchases from Robin Resources (Malaysia) Sdn Bhd as a percentage of our total purchases decreased between FY2014 and FY2015 due to our increased purchases from our other suppliers. Our purchases from Robin Resources (Malaysia) Sdn Bhd as a percentage of our total purchases increased between FY2015 to 1H2017 due to increase in our purchases of medium-density fibreboards from them.

(4) Our purchases from LP Global Resources Sdn Bhd increased during the Period Under Review as the demand for our veneer-laminated products within our product offerings increased.

(5) Our purchases from Digital Furniture Sdn. Bhd. as a percentage of our total purchases decreased during the Period Under Review due to our increased purchases from our other suppliers.

(6) We started purchasing from Band Wood Sdn Bhd in December 2014. Our purchases from Band Wood Sdn Bhd increased during the Period Under Review due to the increase in our purchases from them.

(7) Our purchases from Dongming Sanxin Wood Industry Co., Ltd increased between FY2014 and FY2016 due to the increase in our purchases of mainly plywood from them. Our purchases from Dongming Sanxin Wood Industry Co., Ltd between FY2016 to 1H2017 decreased due to the decrease in our purchases of plywood and drawer panel from them.

For more information on our cost of sales, please refer to the section entitled "Management's Discussion and Analysis of Results of Operations and Financial Position – Overview – Cost of Sales" of this Offer Document.

Our Directors are of the opinion that our business and profitability are currently not dependent on any single supplier or subcontractor.

To the best of our knowledge, our Directors are not aware of any information or arrangement which would lead to a cessation or termination of our present relationship with our major suppliers and subcontractors.

Save as disclosed in the section entitled "Interested Person Transactions" of this Offer Document, as at the Latest Practicable Date, none of our Directors, Substantial Shareholders or to the best of their knowledge, their respective Associates has any interest in shares, direct or indirect, in the above major suppliers and subcontractors.

COMPETITION

We operate in a competitive environment and face competition from new and existing competitors based in Malaysia and elsewhere.

To the best of our knowledge, we consider Lii Hen Industries Berhad and Latitude Tree Holdings Berhad to be our key competitors.

Our Directors and Substantial Shareholders do not have any material interest in shares, direct or indirect, in any of the above competitors.

STAFF TRAINING AND DEVELOPMENT

We believe that technical competence, product knowledge and execution skills of our employees are instrumental in supporting the future growth of our business and maintaining our competitive position in the industry. We organise various training and development programmes for our employees according to their job requirements and functions to equip them with the requisite skills and knowledge so that they will be able to perform their jobs competently and efficiently.

As we believe that furniture design and quality is essential for us to retain our competitive edge in the industry, we have adopted various initiatives such as sending our employees to various trade fairs and exhibitions and providing in-house product and design training. We also send our employees for external training, or engage external providers to conduct training workshops at our factories, depending on the needs identified by our management, to upgrade their skills and keep abreast of new developments in the industry.

Some of the other training and development programmes attended by our employees depending on their job functions include production and quality improvement courses, workplace safety and health courses, purchasing and inventory management courses, managerial and supervisory skills courses, computing courses, human resources courses, taxation, accounting and financial management courses. This allows our employees to improve their work performance in their respective business units.

Our employees periodically undergo on-the-job training under the guidance of senior and more experienced personnel. Our employees are equipped with the necessary working knowledge and practical skills for their job functions through the in-house training and demonstrations that we conduct and by working on projects.

Our staff training expenses for the Period Under Review were not significant.

CORPORATE SOCIAL RESPONSIBILITY

We view our corporate social responsibility initiatives as both a responsibility and a competitive advantage. We recognise our obligations 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.

Some of our 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 on 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 the heat required for our production process. For example, the 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 addition, we shall be required to disclose our corporate social responsibility policies with reference to the SGX-ST's Guide to Sustainability Reporting for Listed Companies.

PROSPECTS

Set out below is an executive summary extracted from the Industry Report which is set out in Appendix C of this Offer Document. The Independent Market Researcher was commissioned by our Group for the purposes of providing information for incorporation into this Offer Document.

While our Directors have taken reasonable care and due diligence to ensure that the statements from the Industry Report have been extracted in their proper form and context, and that such statements have been extracted accurately and fairly from the Industry Report, the information in the Industry Report has not been independently verified by our Group, the Sponsor, Issue Manager and Placement Agent or any of their respective affiliates or advisers and they make no representation regarding the accuracy and completeness of this information. The Industry Report contains forward-looking statements that involve risks and uncertainties faced by us. No forward-looking statements contained herein should be relied upon as predictions of future events. Please refer to the section entitled "Cautionary Note Regarding Forward-Looking Statements" of this Offer Document for more details.

Malaysia's Position in the Global Furniture Market

Malaysia is a dominant player in the world's furniture market. With its strong manufacturing foundation and proven capabilities in producing quality furniture for the global market, Malaysia is Asia's third-largest furniture exporter. Globally, it is ranked 8th, exporting 7.5 billion Malaysian Ringgit ("RM") worth of furniture to 169 countries in 2016, with the United States ("US"), Japan, Singapore, Australia and United Kingdom being amongst the top buyers.

From 2011 to 2016, Malaysia's furniture exports grew by a compound annual growth rate ("CAGR") of approximately 5.0%, reaching RM7.5billion in 2016.

In addition to its strong know-how, Malaysia's thriving furniture industry can also be attributed to its access to rubberwood as well as tropical hardwoods such as Ramin, Nyatoh and Meranti. Furniture is a resource-intensive product, and rubberwood is a sustainable raw material that is abundant in the country and has since received great acceptance.

Competitive Landscape in the Malaysian Furniture Industry

Research indicates that there are approximately 500 to 600 furniture manufacturers in Malaysia, most of which are operating on an Original Equipment Manufacturing ("OEM") basis. In recent years, Malaysia's export furniture industry has gradually moved from pure OEM to Original Design Manufacturing ("ODM") with designing capabilities. However, this is limited to some larger players. Larger players are moving up the value chain by exploring higher value products, which is made possible because of their rich experience and financial resources. This report focuses on wooden furniture, which is the mainstay of Malaysia's furniture production.

Comparisons of the key financial data of eight major wooden household furniture manufacturers that engage in bedroom sets manufacturing, and that target the low-end and/or mid-range segments, are tabled below.

Table 1: Financial Performance Comparison of the Top Eight Wooden Bedroom Furniture Manufacturing Companies

Rank	Company	CAGR of Revenue (FY2014 to FY2016)
1	Lii Hen Industries Berhad	25.2%
2	Poh Huat Resources Holdings Berhad	19.1%
3	**LY Furniture Sdn Bhd**	**15.3%**
4	Jaycorp Berhad	10.7%
5	Latitude Tree Holdings Berhad	8.8%
6	SYF Resources Berhad^	3.1%
7	SHH Resources Holdings Berhad	3.0%
8	Tafi Industries Berhad	-3.3%

Based on the CAGR of revenue for the past three years, LY Furniture Sdn Bhd ("LYFSB") is ranked third among the major Malaysian wooden bedroom furniture manufacturing companies.

Rank	Company	CAGR of After-tax Profit (FY2014 to FY2016)
1	Lii Hen Industries Berhad	61.3%
2	**LY Furniture Sdn Bhd**	**58.3%**
3	Jaycorp Berhad	41.6%
4	Poh Huat Resources Holdings Berhad	41.2%
5	SYF Resources Berhad	32.7%
6	SHH Resources Holdings Berhad	19.7%
7	Latitude Tree Holdings Berhad	6.5%
N.A.	Tafi Industries Berhad	–

Note: Ranking and CAGR of after-tax profit for Tafi Industries Berhad are not available due to negative profitability in FY2015 and FY2016.

Based on CAGR of after-tax profit for the past three years, LYFSB is ranked second among the major Malaysian wooden bedroom furniture manufacturing companies.

Ranking (Based on FY2016 Profit Margin)	Company	FY2016 Net Profit Margin	FY2015 Net Profit Margin	FY2014 Net Profit Margin
1	**LY Furniture Sdn Bhd**	**15.12%**	**16.79%**	**8.02%**
2	Lii Hen Industries Berhad	11.73%	10.4%	7.07%
3	SHH Resources Holdings Berhad	10.55%	6.28%	7.81%

Ranking (Based on FY2016 Profit Margin)	Company	FY2016 Net Profit Margin	FY2015 Net Profit Margin	FY2014 Net Profit Margin
4	Latitude Tree Holdings Berhad	9.46%	11.02%	9.88%
5	Poh Huat Resources Holdings Berhad	8.74%	8.50%	6.22%
6	SYF Resources Berhad	8.43%	7.77%	7.83%
7	Jaycorp Berhad	7.29%	3.92%	4.46%
8	Tafi Industries Berhad	-24.03%	-1.98%	3.97%

LYFSB is ranked first in net profit margin among the major Malaysian wooden bedroom furniture manufacturing companies in FY2016, which is consistent in FY2015, and an improvement from its second place ranking in FY2014.

Source: Annual Reports, Audited Financial Statements, and Tabulations Compiled by Converging Knowledge

Market Share of LYFSB

In 2016, Malaysia exported USD1.1 billion (RM4.7 billion[1]) worth of wooden home furniture[2], of which USD669.1 million (RM2.8 billion[3]) constitutes wooden bedroom furniture. LYFSB exported RM249.0 million worth of wooden bedroom furniture in the same year.

Based on Malaysia's export statistics of wooden home furniture and wooden bedroom furniture, LYFSB accounted for 5.3% of the wooden home furniture export market in 2016, and commands a market share of 9.0% in the wooden bedroom furniture export segment. A comparative analysis based on its financial performance against its major peers indicates that LYFSB is one of the leading Malaysian wooden bedroom furniture manufacturers (see Table 1).

Prospects of Malaysia's Wooden Furniture

Prospects of wooden furniture manufactured in Malaysia are expected to remain optimistic, with demand projected to grow at a rate of 5.0% annually.

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1 Converted from USD to RM, USD/RM: 4.1909

2 Trade Map, International Trade Centre, www.intracen.org/marketanalysis. Based on HS Codes:

940161 Upholstered seats, with wooden frames (excluding convertible into beds)

940169 Seats, with wooden frames (excluding upholstered)

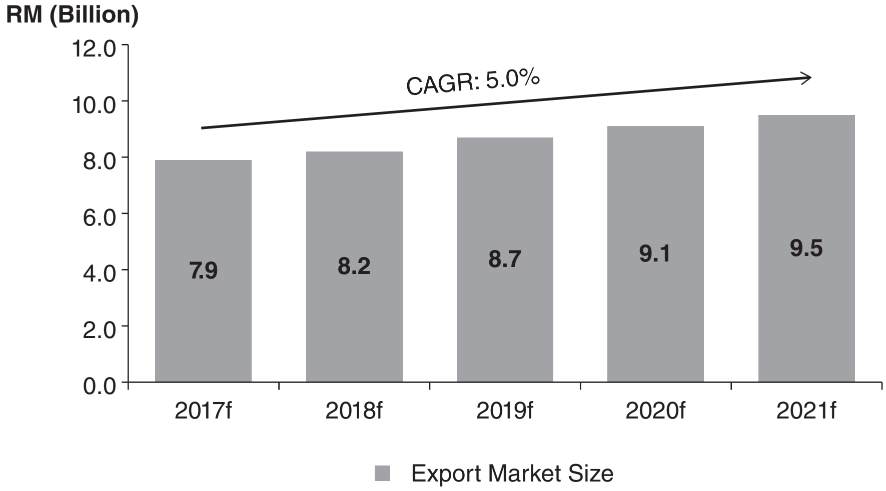
940340 Wooden furniture for kitchens (excluding seats)

– Excluding 9403406000 Wooden furniture for use in the kitchen, designed for motor vehicle use 940350 – Wooden furniture for bedrooms (excl. seats)

– Excluding 9403506000 Wooden furniture for use in the bedroom, designed for motor vehicle use

3 Converted from USD to RM, USD/RM: 4.1909

Table 2: Forecast Estimates of Malaysia's Furniture Exports from 2017 to 2021



Notes:

- Based on HS Code: 9403 – Furniture and parts thereof, not elsewhere specified (excluding seats and medical, surgical, dental or veterinary).
- "f" – forecast. Forecast figures do not take into account of the volatility in the exchange rates.

Source: Converging Knowledge

The factors driving Malaysian wooden furniture exports are:

- **Strong Demand from the US**

  Demand for import furniture in the US is expected to continue growing, as the US economy maintains its recovery. Research shows that growth in the US market for wooden household furniture is expected to remain robust, underpinned by broader economic recovery, improving labour markets, consumer confidence and new home sales. Demand for furniture is also expected to be boosted, as part of rebuilding efforts due to the damages caused by the natural disasters that befell the country in 2017. Imports to the US are expected to grow at a CAGR of 3.7% from 2017 to 2020, reaching USD13.2 billion by 2020.

- **Potential Demand Growth from the People's Republic of China**

  Expanding demand from the People's Republic of China ("PRC") will also drive export growth further, as the PRC economy continues to expand, and disposable income levels of consumers in the PRC rise. From 2011 to 2016, the Chinese economy grew by 42.4%. In the same period, exports of furniture from Malaysia to the PRC grew more than proportionately at 297.7%. Average disposable income per capita in urban households in the PRC grew at a CAGR of 9.0% from 2011 to 2016. Demand for mid-range to high-end furniture is set to increase further, as the PRC economy continues to grow.

  In addition, the increasing cost of manufacturing furniture in the PRC due to higher wages and implementation of the Volatile Organic Compounds ("VOC") tax, amongst others, has caused domestic wooden furniture to lose its price competitiveness to imported furniture with lower production costs.

- **Weakening of the RM against the USD**

  The weakening of the RM against the USD has made Malaysian furniture exports become more attractive to the US. From 2013 to 2016, the RM depreciated approximately 33.0%, while the sales value of Malaysia's furniture exports increased 33.6%. In November 2016, the RM weakened against the USD, partly due to the outcome of the 2016 US elections. As at 30 November 2016, Bank Negara Malaysia reported the middle exchange rate as USD1.00/RM4.46, up from the RM3.87 – RM4.41 range experienced in the first 10 months of the year. The USD continued to appreciate in the first three months of 2017, on the back of an interest rate hike in March.

- **Support and Incentives from the Government and Industry Associations**

  The Malaysian government and relevant government-related bodies, as well as associations, are helping Malaysian wooden furniture manufacturers to streamline their production and develop high value products, so as to transform the industry towards ODM, and even Original Brand Manufacturing.

  These organisations are also exploring new overseas markets aggressively, in a bid to diversify the country's current export outreach. Marketing endeavours put forth will help in promoting Malaysia's brand to the international audience.

- **Recognition as a Producer of Quality Furniture**

  With more than three decades of accumulated experience in furniture manufacturing, the furniture manufacturing industry in Malaysia has already established a strong foundation in its trade, and is well-perceived as a producer of quality furniture. Having earned international recognition as being amongst the major furniture producers for the world market, coupled with its proximity to raw materials, Malaysia is well-positioned as a "go-to" source for buyers of furniture items.

- **Improving Manufacturing Processes Further Elevate Industry Capabilities**

  Malaysian furniture manufacturers, particularly the bigger players, have invested in automation to increase productivity. With improved technologies, growing investments into high-tech production processes may enable manufacturers to mass produce quality furniture more efficiently, and thus, drive the demand for Malaysian export furniture.

TRENDS AND ORDER BOOK

Trends

Based on the revenue and operations of our Group as at the Latest Practicable Date, our Directors have made the following observations for FY2017 and FY2018:

1. We expect higher labour costs as a result of a tight labour market and an increase in headcount in line with the expansion of our business activities.

2. We expect our depreciation cost to increase as a result of our investments in facilities and equipment for business expansion.

3. We expect higher raw material costs as a result of shortages in supplies from Malaysia. Further, we expect to have to rely more on imported raw materials which will also result in higher raw material costs.

4. We expect our profitability for FY2018 to be affected by the expected increase in administrative expenses. The increase in administrative expenses is mainly due to:

   (a) incremental annual costs associated with our listing such as directors' and audit fees;

   (b) one-off listing expenses which are expected to be expensed off in FY2018; and

   (c) compliance costs as a listed company.

5. As at 30 November 2017, we have sold approximately 6,000 40-ft containers with an average selling price of approximately RM53,000 per 40-ft container. Barring unforeseen circumstances, we expect our revenue for FY2017 to be higher than that of FY2016.

We plan to further expand our sales network in the PRC. We intend to attend trade exhibitions and fairs in the PRC to increase the awareness of our brand and products and to better understand the market trends and developments in the PRC, and promote our products through established e-commerce websites through which customers in the PRC can order our products online. Should demand for our products in the PRC increase, we may consider setting up a sales office and/or warehouse in the PRC to cater to a larger group of customers, such as furniture importers, distributors and retailers located in the PRC and secure larger orders.

Save as disclosed above and in the sections entitled "Risks Factors", "Management's Discussion and Analysis of Results of Operations and Financial Position" and "Prospects, Trends, Business Strategies and Future Plans – Prospects" of this Offer Document, and barring any unforeseen circumstances, our Directors believe that there are no other known recent trends in production, sales, inventory, costs and selling prices of our products and services or other known trends, uncertainties, demands, commitments, or events that are reasonably likely to have a material and adverse effect on our revenue, profitability, liquidity or capital resources, or that would cause financial information disclosed in this Offer Document to be not necessarily indicative of our future operating results or financial condition. Please also refer to the section entitled "Cautionary Note Regarding Forward-Looking Statements" of this Offer Document.

Order Book

We generally do not enter into long-term or exclusive contracts with our customers for the supply of products and our delivery time normally ranges from two (2) to three (3) months from the receipt of the purchase orders, depending on stock availability, complexity of products requirements and etc.

Accordingly, our order book as at any particular date may not be indicative of our sales of any succeeding period.

BUSINESS STRATEGIES AND FUTURE PLANS

Our business strategies and future plans are as follows:

Expanding our sales network in the PRC

We plan to further expand our sales network in the PRC, as we believe that there are significant prospects in the furniture market in the PRC. We believe that there is a high demand for our products in the PRC, due to the quality of our products and the competitive prices we offer, and that our expansion in the PRC market would be one of the key drivers of our future growth.

To achieve this, we intend to:

- Attend trade exhibitions and fairs in the PRC to increase the awareness of our brand and products and to better understand the market trends and developments in the PRC. In September 2016, we attended the China International Furniture Fair exhibition in Shanghai, and we intend to attend and/or participate in such trade and industry fairs on a more regular basis.

- Promote our products through established e-commerce websites through which customers in the PRC can order our products online.

While we have commenced sales of our wooden furniture products to the PRC in FY2014 and continued to expand our sales network in the PRC, should demand for our products in the PRC increase, we may consider setting up a sales office and/or warehouse in the PRC to cater to a larger group of customers, such as furniture importers, distributors and retailers located in the PRC and secure larger orders.

We intend to use approximately S$1.0 million of the net proceeds from the issue of New Shares for the expansion of our sales network in the PRC.

Upgrading our machinery and equipment and acquiring new technology

To cater for our future growth and development, we intend to invest in new technologies to increase our productivity and achieve cost efficiency as well as increase our existing capability. We also intend to upgrade our machinery and equipment and to replace aging machinery with new machinery including advanced and automated woodworking machinery and robotic spraying arms.

We intend to use approximately S$5.0 million of the net proceeds from the issue of New Shares for this purpose.

Construction of additional facilities

We plan to enhance our manufacturing and service capacity and capability by possibly acquiring new premises, in particular those located near our factories and warehouses. We believe this will enable us to scale up our business and cater to the future growth in the industry we operate in.

In addition, we have allocated approximately 1.9 acres of land at LY12, which is within walking distance from our factories, for the purpose of constructing a new hostel to house all our foreign workers. By constructing a hostel to house all of our foreign workers, we are able to monitor the well-being of our foreign workers and provide a safe and secure environment for them. We have begun the construction in June 2017 and we expect the construction to be completed by the first quarter of 2018. Our expenditure for the construction of the hostel is approximately RM8.5 million, which is intended to be funded from the net proceeds from the issue of New Shares and our internal resources. As at the Latest Practicable Date, we have paid approximately RM2.3 million for such construction.

We intend to use approximately S$4.0 million of our net proceeds from the issue of New Shares for this purpose.

Explore investments, mergers and acquisitions, joint ventures and/or strategic collaborations

We intend to expand and diversify our operations either through our own investments or through potential mergers and acquisitions, joint ventures and/or strategic collaborations with parties who can provide synergistic value to our business, which we believe will complement our current and future businesses and be aligned with our long-term interests. We believe that such investments, acquisitions, strategic alliances and/or joint ventures will strengthen our competitive advantage by enhancing our core capabilities and giving us access to new markets, customers and businesses.

As at the Latest Practicable Date, we have not entered into definitive agreements with any potential party to acquire potential businesses or to form joint ventures and/or strategic alliances. We will carefully consider any such opportunities and undertake reviews and evaluations to determine whether such transactions will benefit our business. Key factors our Group will consider when assessing such opportunities include return on investments, market trends and commercial viability.

DIRECTORS

Our Board of Directors is entrusted with the responsibility for the overall management of our Group. The particulars of our Directors as at the date of this Offer Document are set out below:

Name	Age	Designation	Address
Tan Kwee Chai	61	Executive Chairman	No. 15, Jalan Wawasan Utama, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia
Tan Yong Chuan	31	Executive Director and CEO	No. 15, Jalan Wawasan Utama, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia
Tan Ai Luang	44	Executive Director	No. 15, Jalan Wawasan Utama, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia
Lee Dah Khang	46	Lead Independent Director	No. 15, Jalan Wawasan Utama, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia
Oh Seong Lye	69	Independent Director	No. 15, Jalan Wawasan Utama, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia
Yeo Kian Wee Andy	46	Independent Director	No. 15, Jalan Wawasan Utama, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia

The working and business experience and general areas of responsibility of our Directors within our Group are set out below:

Mr Tan Kwee Chai is one of our founders and is currently our 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 LYFSB was incorporated to take over the business of Lian Yu in July 1991. Mr Tan has been a director of LYFSB since its incorporation. He is responsible for our Group's overall management and operations, including formulating our Group's strategic directions and expansion plans. He has been instrumental in our Group's growth, leading to the expansion of our business and operations.

Mr Tan is presently the honorary advisor to the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCIM) (马来西亚中华总商会名誉顾问), advisor to the Federation of Johor Furniture Manufacturers and Traders Association (柔佛州家具联合会会务顾问), honorary president of the Batu Pahat Chinese Chamber of Commerce (峇株巴辖中华总商会名誉会长) and honorary president of the Batu Pahat Furniture Association (峇株巴辖家具同业公会名誉会长). He was awarded with the 海外华人创业楷模奖 (Model of Entrepreneurs award) in 2006, an international award which commends entrepreneurship and contribution to economic development.

Mr Tan Yong Chuan joined our Group in January 2011 and is currently our Executive Director and Chief Executive Officer. 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 member of the Association of Chartered Certified Accountants and a Chartered Accountant with the Malaysian Institute of Accountants.

Ms Tan Ai Luang joined our Group in February 1999 and is currently our Executive Director. 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.

Mr Lee Dah Khang is our Lead Independent Director and was appointed to our Board on 20 December 2017. Mr Lee has more than 20 years' experience in providing external, 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 PRC, 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.

Mr Oh Seong Lye is our Independent Director and was appointed to our Board on 20 December 2017. Mr Oh is presently the senior partner of Terence Oh & Associates, an accounting practice which he started in 1978. Mr Oh 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.

Mr Yeo Kian Wee Andy is our Independent Director and was appointed to our Board on 20 December 2017. Mr Yeo is presently a Partner at Allen & Gledhill LLP. Mr Yeo 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.

The list of present and past directorships of each Director over the last five (5) years excluding those held in our Company is set out below:

Name	**Present Directorships**	**Past Directorships**
Tan Kwee Chai	_Group Companies_ LYFSB _Other Companies_ Amgel Designs Sdn. Bhd. Dinamik Brastagi Sdn. Bhd. Lian Yu Holdings Pte. Ltd. LP Global Resources Sdn. Bhd. LY Agriculture Sdn. Bhd.(1) LY Asset Management Sdn. Bhd.(1) LY Furniture Corporation Sdn. Bhd.(1) LY Furniture Industries Sdn. Bhd.(1) LY Furniture International Sdn. Bhd.(1) LY Property Development Sdn. Bhd.(1) Meng Choon Aquaculture Sdn. Bhd. Oriental Coast Sdn. Bhd.	_Group Companies_ Nil _Other Companies_ As Eyecare & Contact Lens Sdn. Bhd. Leatherworld Upholstery Sdn. Bhd. LY Chemical Industries (M) Sdn. Bhd. (dissolved) LY Construction Sdn. Bhd.

Name	Present Directorships	Past Directorships
Tan Yong Chuan	*Group Companies* LYFSB LYGH *Other Companies* Amgel Designs Sdn. Bhd. Lian Yu Holdings Pte. Ltd. LY Furniture Corporation Sdn. Bhd.[(1)] LY Furniture Industries Sdn. Bhd.[(1)] LY Property Development Sdn. Bhd.[(1)] Meng Choon Aquaculture Sdn. Bhd. Oriental Coast Sdn. Bhd. Viwood Industries Sdn. Bhd.	*Group Companies* Nil *Other Companies* Leatherworld Upholstery Sdn. Bhd. LY Agriculture Sdn. Bhd
Tan Ai Luang	*Group Companies* LYFSB LYGH *Other Companies* Viwood Industries Sdn. Bhd.	*Group Companies* Nil *Other Companies* Mixpro Resources Sdn. Bhd. (dissolved)
Lee Dah Khang	*Group Companies* Nil *Other Companies* Acumen Consultants Pte. Ltd. GS Holdings Limited Orion BPO Pte. Ltd. Orion Information Systems Pte. Ltd. Orion Management Consulting Pte. Ltd. Yang Lee Consulting Pte. Ltd.	*Group Companies* Nil *Other Companies* Pteris Global Limited Shinvest Holding Ltd.
Oh Seong Lye	*Group Companies* Nil *Other Companies* Inari Amertron Berhad Insas Berhad Mutiara Hati Sdn. Bhd.	*Group Companies* Nil *Other Companies* Tech-Know (Malaysia) Sdn Bhd (dissolved)
Yeo Kian Wee Andy	*Group Companies* Nil *Other Companies* The Necessary Stage Ltd	*Group Companies* Nil *Other Companies* Nil

Note:

(1) The relevant Directors will procure that the names of these companies will be changed to not contain the words "LY" or "LY Furniture" within three (3) months of the Listing.

Save for Mr Lee Dah Khang, our Directors do not have prior experiences as directors of public listed companies in Singapore but have received relevant training to familiarise themselves with the roles and responsibilities of a director of a public listed company in Singapore.

EXECUTIVE OFFICERS

The day-to-day operations are entrusted to our Executive Directors who are assisted by a team of Executive Officers. The particulars of our Executive Officers are set out below:

Name	Age	Designation	Address
Tan Kwee Lim	58	Chief Operating Officer	No. 15, Jalan Wawasan Utama, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia
Boo Ngek Hee	56	Chief Quality Controller	No. 15, Jalan Wawasan Utama, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia
Teo Gin Lian	39	CFO	No. 15, Jalan Wawasan Utama, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia

The working and business experience and general areas of responsibility of our Executive Officers within our Group are set out below:

Mr Tan Kwee Lim is one of our founders and is currently our Chief Operating Officer. 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 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 is one of our founders and is currently our Chief Quality Controller. 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 joined our Group in May 2016 and is currently our CFO. 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 a senior manager in 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.

The list of present and past directorships of each Executive Officer over the last five (5) years is set out below:

Name	Present Directorships	Past Directorships
Tan Kwee Lim	*Group Companies* LYFSB *Other Companies* Dinamik Brastagi Sdn. Bhd. LP Global Resources Sdn. Bhd. LY Asset Management Sdn. Bhd.(1) LY Furniture Corporation Sdn. Bhd.(1) LY Furniture International Sdn. Bhd.(1)	*Group Companies* Nil *Other Companies* LY Agriculture Sdn Bhd. LY Chemical Industries (M) Sdn. Bhd. (dissolved)
Boo Ngek Hee	*Group Companies* LYFSB *Other Companies* AGIG Enterprise Sdn. Bhd. LY Furniture Corporation Sdn. Bhd.(1)	*Group Companies* Nil *Other Companies* LY Chemical Industries (M) Sdn. Bhd. (dissolved) LY Furniture International Sdn. Bhd. LY Furnishing Supplies Sdn. Bhd. (dissolved)
Teo Gin Lian	*Group Companies* Nil *Other Companies* Nil	*Group Companies* Nil *Other Companies* Nil

Note:

(1) The relevant Executive Officers will procure that the names of these companies will be changed to not contain the words "LY" or "LY Furniture" within three (3) months of the Listing.

Save as disclosed below, none of our Directors and Executive Officers has any familial relationship with any of our Directors, Executive Officers or Substantial Shareholders:

(a) Mr Tan Kwee Chai is the father of Mr Tan Yong Chuan, uncle of Ms Tan Ai Luang and brother of Mr Tan Kwee Lim;

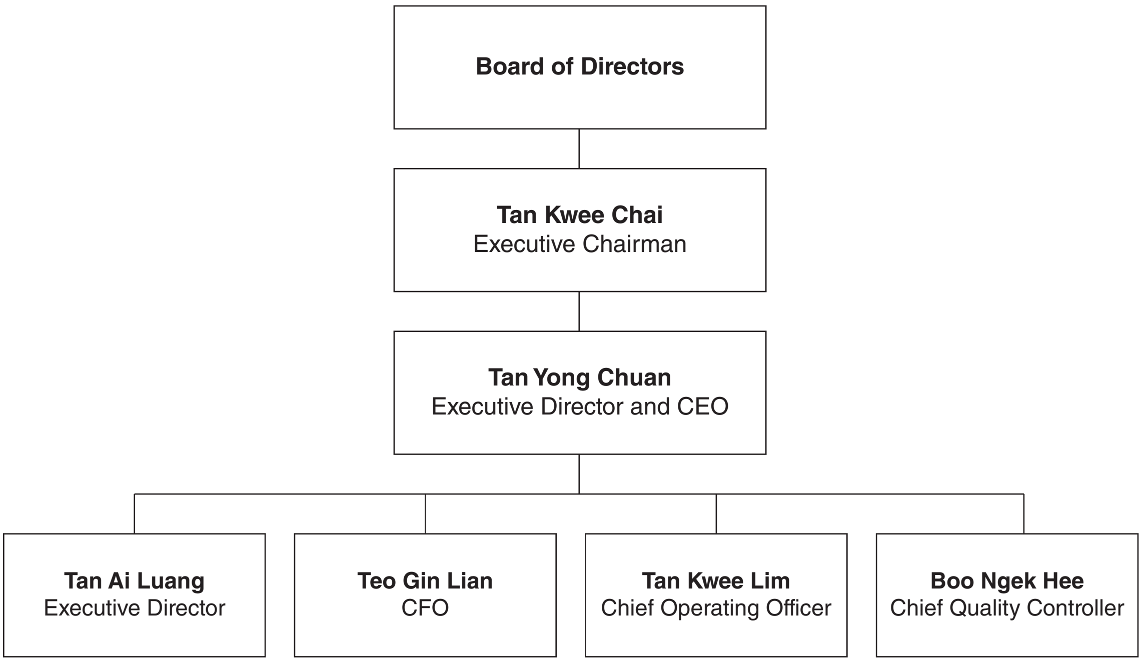
(b) Mr Tan Yong Chuan is the nephew of Mr Tan Kwee Lim and cousin of Ms Tan Ai Luang; and

(c) Ms Tan Ai Luang is the niece of Mr Tan Kwee Lim and Mr Boo Ngek Hee.

None of our Directors or Executive Officers has any arrangement or understanding with any of our Substantial Shareholders, customers or suppliers pursuant to which such person was appointed as our Director or Executive Officer.

MANAGEMENT REPORTING STRUCTURE

The following chart shows our management reporting structure as at the Latest Practicable Date:



REMUNERATION OF DIRECTORS, EXECUTIVE OFFICERS AND RELATED EMPLOYEES

Directors and Executive Officers

The remuneration paid to our Directors and Executive Officers (including benefits-in-kind and bonuses) for services rendered to us in all capacities and in remuneration bands[1] for FY2015 and FY2016, being the two (2) most recent completed financial years, and as estimated for FY2017 (excluding any bonus or profit-sharing plan or any other profit-linked agreements), are as follows:

	FY2015	FY2016	FY2017[4] (estimated)
Directors			
Tan Kwee Chai	Band B	Band B	Band B
Tan Yong Chuan	Band A	Band A	Band A
Tan Ai Luang	Band A	Band A	Band A
Lee Dah Khang	–[2]	–[2]	–[2]
Oh Seong Lye	–[2]	–[2]	–[2]
Yeo Kian Wee Andy	–[2]	–[2]	–[2]
Executive Officers			
Tan Kwee Lim	Band A	Band A	Band A
Boo Ngek Hee	Band A	Band A	Band A
Teo Gin Lian	–[3]	Band A	Band A

Notes:

(1) Remuneration bands:
"Band A" refers to remuneration of up to S$250,000 per annum.
"Band B" refers to remuneration from S$250,001 to S$500,000 per annum.

(2) These persons were only appointed as independent directors of our Group on 20 December 2017.

(3) Teo Gin Lian was only employed by our Group in FY2016.

(4) In respect of FY2017, the remuneration of our Executive Chairman, Mr Tan Kwee Chai, our Executive Director and CEO, Mr Tan Yong Chuan, and our Executive Director, Ms Tan Ai Luang, are estimated assuming that (i) their Service Agreements take effect from 1 January 2017; and (ii) any profit sharing incentive bonus payable under the Service Agreements is excluded. Please refer to the section entitled "Directors, Management and Staff – Service Agreements" of this Offer Document for further details. In respect of FY2017, the estimated remuneration of our Executive Officers also excludes bonuses.

Related Employees

As at the Latest Practicable Date, other than our Directors, Executive Officers and Substantial Shareholders whose relationships with one another are disclosed in the sections entitled "Shareholders" and "Directors, Management and Staff" of this Offer Document, there are four (4) other employees who are related to our Directors, CEO, Executive Officers or Substantial Shareholders, and their particulars are set out below:

Name	Designation	Family Relationship with our Directors, CEO, Executive Officers or Substantial Shareholders
Mr Tan Yong Siang	Director of LYFSB	Son of Mr Tan Kwee Chai, brother of Mr Tan Yong Chuan, cousin of Ms Tan Ai Luang and nephew of Mr Tan Kwee Lim
Ms Tan Su Yi	Quality Control Officer	Daughter of Mr Tan Kwee Chai, sister of Mr Tan Yong Chuan, cousin of Ms Tan Ai Luang and niece of Mr Tan Kwee Lim
Mr Boo Ngak Hui	Assistant Production Manager	Brother of Mr Boo Ngek Hee and uncle of Ms Tan Ai Luang
Ms Tan Ai Leng	Production Planning Control Officer	Sister of Ms Tan Ai Luang, niece of Mr Tan Kwee Chai, Mr Tan Kwee Lim and Mr Boo Ngek Hee, and cousin of Mr Tan Yong Chuan

For FY2015, FY2016 and FY2017 (estimated), the abovementioned related employees received from our Group an aggregate remuneration (including benefits-in-kind) for services rendered in all capacities, of approximately RM78,000, RM130,000 and RM137,000 respectively. The basis of determining their remuneration is the same as the basis of determining the remuneration of other unrelated employees.

The remuneration of employees who are related to our Directors, CEO, Executive Officers or Substantial Shareholders will be reviewed annually by our Remuneration Committee to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility. In line with the Code of Corporate Governance, our Company shall disclose in our annual report details of the remuneration of any employee who is an immediate family member (as defined in the Catalist Rules) of our Directors, and whose remuneration exceeds S$50,000 during the relevant financial year. Any bonuses, pay increases and/or promotions for these related employees will also be subject to the review and approval of our Remuneration Committee. In addition, any employment of related employees and the proposed terms of their employment will also be subject to the review and approval of our Nominating Committee. In the event that a member of our Remuneration Committee or Nominating Committee is related to the employee under review, he will abstain from voting on any resolutions in respect of the remuneration or employment of such employee.

Pension, retirement or similar benefits

As at the Latest Practicable Date, save as required for compliance with the applicable laws of Singapore and Malaysia, our Group has not set aside or accrued any amounts to provide for pension, retirement or similar benefits for our employees.

EMPLOYEES

As at the Latest Practicable Date, we have 1,409 full-time employees. During the Period under Review and as at the Latest Practicable Date, all our employees were based in Malaysia.

The number of full-time employees of our Group segmented by job functions as at the end of FY2014, FY2015, FY2016 and 1H2017, and as at the Latest Practicable Date, is as follows:

	Number of Employees				
Function	**As at 31 December 2014**	**As at 31 December 2015**	**As at the 31 December 2016**	**As at 30 June 2017**	**As at the Latest Practicable Date**
Management	13	15	16	16	17
Production	1,109	1,143	1,079	1,187	1,331
Sales and marketing	13	16	14	18	17
Accounts and finance	12	10	12	15	14
Human resources and administration	25	27	28	31	30
Total	1,172	1,211	1,149	1,267	1,409

We do not employ a significant number of temporary workers on a regular basis. As at the Latest Practicable Date, save for 20 interns, we do not employ any temporary workers.

None of our employees are unionised. While we may encounter disputes with our employees from time to time, there has not been any incidence of work stoppages or labour disputes that have materially affected our operations.

SERVICE AGREEMENTS

On 21 December 2017, our Company entered into separate service agreements (collectively, the "**Service Agreements**" and individually, the "**Service Agreement**") with Mr Tan Kwee Chai, Mr Tan Yong Chuan and Ms Tan Ai Luang (collectively, the "**Executives**" and individually, the "**Executive**").

Each Service Agreement is for an initial period of three (3) years ("**Initial Term**") commencing with effect from the date of the admission of our Company to Catalist. Upon the expiry of the Initial Term, the employment of each Executive may be renewed on such terms as may be agreed between our Company and the Executive. During the Initial Term, either party may terminate the Service Agreement by giving the other party not less than six (6) months' written notice, provided that during the Initial Term, the Executive shall not be entitled to terminate the Service Agreement without the prior consent of our Board.

Notwithstanding the other provisions of the Service Agreement, our Company shall be entitled to terminate the appointment, but without prejudice to the rights and remedies of our Company for any breach of the Service Agreement and to the Executive's continuing obligations under the Service Agreement, in any of the following cases:

(a) if the Executive becomes bankrupt or makes any arrangement or composition with his or her creditors generally;

(b) if the Executive is convicted of any criminal offence (save for an offence under any road traffic legislation for which he or she is not sentenced to any term of immediate or suspended imprisonment) and sentenced to any term of immediate or suspended imprisonment or has any judgement, including findings, in relation to fraud, misrepresentation or dishonesty, given against him or her, whether or not in connection with or referable to the employment;

(c) if the Executive is or may be suffering from a mental disorder;

(d) if the Executive becomes prohibited by law or any order from any regulatory body or governmental authority from being, or ceases to be, an employee or director of our Company for any reason whatsoever;

(e) if the Executive ceases to hold the office of director pursuant to our Company's Constitution or is disqualified from holding the office of or acting as, a director of any company pursuant to any applicable law, for whatever reason, or our Company is required or requested by any authority (whether governmental or statutory) to terminate the services of the Executive;

(f) if the Executive commits any act of criminal breach of trust or dishonesty;

(g) if the Executive, in the reasonable opinion of the Board, becomes guilty of any wilful misconduct in the discharge of his or her duties; or

(h) if the Executive, in the reasonable opinion of the Board, breaches any material provision under the Service Agreement.

The Service Agreements provide for, *inter alia*, the salary payable to the Executives, annual leave, medical benefits, grounds of termination and certain restrictive covenants (including non-compete obligations).

Pursuant to the terms of the respective Service Agreements, the monthly salary of the respective Executives will be as set out below.

Executive	**Monthly Salary (RM)**
Mr Tan Kwee Chai	80,000
Mr Tan Yong Chuan	40,000
Ms Tan Ai Luang	30,000

In addition, under the Service Agreements, each Executive is entitled to an annual incentive bonus ("**Incentive Bonus**") based on the audited consolidated profit of our Group before tax and exceptional items ("**PBT**") for any financial year, provided always that if their employment is for less than a full financial year of our Group, the Incentive Bonus for that financial year shall be apportioned in respect of the actual number of days of employment on the basis of a 365-day financial year. The Incentive Bonus is calculated as follows:

PBT		**Rate of Incentive Bonus payable as a percentage of PBT**		
		Mr Tan Kwee Chai	**Mr Tan Yong Chuan**	**Ms Tan Ai Luang**
(i)	Where PBT exceeds RM10.0 million but does not exceed RM20.0 million	0.625% of the PBT above RM10.0 million	0.5625% of the PBT above RM10.0 million	0.1875% of the PBT above RM10.0 million
(ii)	Where PBT exceeds RM20.0 million but does not exceed RM30.0 million	RM62,500 plus 1.25% of the PBT above RM20.0 million	RM56,250 plus 1.125% of the PBT above RM20.0 million	RM18,750 plus 0.375% of the PBT above RM20.0 million
(iii)	Where PBT exceeds RM30.0 million but does not exceed RM40.0 million	RM187,500 plus 1.875% of the PBT above RM30.0 million	RM168,750 plus 1.6875% of the PBT above RM30.0 million	RM56,250 plus 0.5625% of the PBT above RM30.0 million
(iv)	Where PBT exceeds RM40.0 million	RM375,000 plus 2.5% of the PBT above RM40.0 million	RM337,500 plus 2.25% of the PBT above RM40.0 million	RM112,500 plus 0.75% of the PBT above RM40.0 million

Under the terms of their respective Service Agreements, each Executive is subject to certain restrictive covenants as described below during their term of employment with our Company as an Executive and for a period of 12 months from the date of termination of his or her employment with our Company:

(a) he or she will not, in any capacity either alone or jointly with, through or on behalf of any person or entity, either directly or indirectly, carry on or be employed, engaged, concerned, provide expertise or be interested in, any business that is similar to or in competition with the business of our Group ("**Similar or Competing Business**"), whether as a shareholder of such Similar or Competing Business or otherwise;

(b) he or she will not, either on his or her own account or in conjunction with or on behalf of any other person, firm or company, either directly or indirectly, solicit or entice away or attempt to solicit, interfere with or endeavour to entice away from any Group Company, the custom of any person or entity who at any time before the cessation date of the employment of the Executive under their respective Service Agreements, has been a supplier, customer, client, agent, trader, distributor or correspondent of our Group or in the habit of dealing with our Group;

(c) he or she will not, either on his or her own account or in conjunction with or on behalf of any other person, firm or company, either directly or indirectly, solicit or entice away or attempt to solicit, interfere with or endeavour to entice away from any Group Company any person who is an officer, manager or employee of our Group whether or not such person would commit a breach of his contract of employment by reason of leaving such employment;

(d) he or she will not, either directly or indirectly, make use of or disclose or divulge to any third party any trade secrets or confidential information concerning the business, accounts or finances of any Group Company or any of its suppliers and customers' transactions or affairs to any person whatsoever, other than any information properly available to the public or disclosed or divulged pursuant to an order of a court of competent jurisdiction;

(e) he or she shall not, directly or indirectly, share resources (including but not limited to information on employees, customers and suppliers), marketing campaigns, trade secrets, operational premises and facilities with any person, company or entity engaged in any Similar or Competing Business;

(f) he or she shall not, directly or indirectly, either alone or jointly with, through or on behalf of any person, company or entity, assist any person, company or entity engaged in any Similar or Competing Business in any way, including but not limited to managing, providing technical or other advice, financial assistance or otherwise;

(g) in relation to any trade, business or company, he or she will not, either directly or indirectly, use any trade name, logo, trademark or symbol used by our Group at present or in the future (whether registered or not, including but not limited to such words and graphs as "LY Corporation" or "LY Furniture") in such a way as to be capable of being or likely to be confused with the name of our Company or any Group Company, and shall use all reasonable endeavours to procure that no such name shall be used by any person, firm or company with which he or she is connected; and

(h) he or she shall inform our Company immediately should he or she be aware that any breach of the above paragraphs (a) to (g) is imminent, likely or has taken place.

Save as disclosed above, there are no other existing or proposed service contracts entered into or to be entered into between our Company and our subsidiaries with any of our Directors or Executive Officers. There are no existing or proposed service agreements entered or to be entered into by our Directors with our Company or our subsidiaries which provide for benefits upon termination of employment.

Save as disclosed in this Offer Document, there are no bonus or profit-sharing plans or any other profit-linked agreements or arrangements between our Company and any of our Directors, Executive Officers or employees.

In addition, commencing from 1 January 2018, Mr Tan Kwee Lim and Mr Boo Ngek Hee are also entitled to an Incentive Bonus based on the PBT for any financial year, calculated as follows:

PBT		Rate of Incentive Bonus payable as a percentage of PBT	
		Mr Tan Kwee Lim	**Mr Boo Ngek Hee**
(i)	Where PBT exceeds RM10.0 million but does not exceed RM20.0 million	0.4375% of the PBT above RM10.0 million	0.1875% of the PBT above RM10.0 million
(ii)	Where PBT exceeds RM20.0 million but does not exceed RM30.0 million	RM43,750 plus 0.875% of the PBT above RM20.0 million	RM18,750 plus 0.375% of the PBT above RM20.0 million
(iii)	Where PBT exceeds RM30.0 million but does not exceed RM40.0 million	RM131,250 plus 1.3125% of the PBT above RM30.0 million	RM56,250 plus 0.5625% of the PBT above RM30.0 million
(iv)	Where PBT exceeds RM40.0 million	RM262,500 plus 1.75% of the PBT above RM40.0 million	RM112,500 plus 0.75% of the PBT above RM40.0 million

CORPORATE GOVERNANCE

Our Directors recognise the importance of corporate governance and offering high standards of accountability to our Shareholders, and will follow closely the good practices outlined in the Code of Corporate Governance.

Our Board has formed three (3) committees: (i) the Nominating Committee; (ii) the Remuneration Committee; and (iii) the Audit Committee. We have six (6) Directors on our Board of Directors, of which three (3) are Independent Directors.

We have appointed Mr Lee Dah Khang as our Lead Independent Director. As the Lead Independent Director, he is the contact person for Shareholders in situations where they have concerns or issues for which communication with our Executive Chairman, Executive Directors and/or CFO has failed to resolve or for which such communication is inappropriate.

Our Independent Directors do not have any existing business or professional relationship of a material nature with our Group, our other Directors or Substantial Shareholders. Our Independent Directors are also not related to our other Directors and/or Substantial Shareholders.

Nominating Committee

Our Nominating Committee comprises Mr Lee Dah Khang, Mr Oh Seong Lye and Mr Tan Yong Chuan. The Chairman of our Nominating Committee is Mr Lee Dah Khang.

Our Nominating Committee will be responsible for, *inter alia*:

(a) reviewing and recommending the nomination or re-nomination of our Directors having regard to our Director's contribution and performance;

(b) determining on an annual basis, and as and when circumstances require, whether or not a Director is independent;

(c) deciding whether or not a Director is able to, and has been, adequately carrying out his duties as a director;

(d) reviewing and approving any new employment of related persons and the proposed terms of their employment;

(e) developing a process for the evaluation of the performance of our Board, its committees and our Directors and proposing objective performance criteria, as approved by our Board that allows comparison with its industry peers, and addressing how our Board has enhanced long-term Shareholders' value;

(f) reviewing succession plans for Directors and key executives; and

(g) reviewing training and professional development programmes for our Board.

Our Nominating Committee will decide how our Board's performance is to be evaluated and propose objective performance criteria, subject to the approval of our Board, which address how our Board has enhanced long-term Shareholders' value. Our Board will also implement a process to be carried out by our Nominating Committee for assessing the effectiveness of our Board as a whole and for assessing the contribution of each individual Director to the effectiveness of our

Board. Each member of our Nominating Committee shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director. In the event that any member of our Nominating Committee has an interest in a matter being deliberated upon by our Nominating Committee, he will abstain from participating in the review and approval process relating to that matter.

Our Nominating Committee, after having considered the following:

(a) the principal occupation and commitments of our Independent Directors, including the number of listed company board representations each of them has;

(b) the attendance to-date at board meetings of the listed companies that each of our Independent Directors serves as independent directors;

(c) the confirmations by our Independent Directors that they are able to devote sufficient time and attention to the matters of our Group;

(d) the professional experience and expertise of our Independent Directors; and

(e) the composition of our Board,

is of the opinion that Mr Lee Dah Khang, Mr Oh Seong Lye and Mr Yeo Kian Wee Andy are able to commit sufficient time and resources to discharge their respective duties, and are suitable and possess the relevant experience to serve as Independent Directors of our Company.

Remuneration Committee

Our Remuneration Committee comprises Mr Yeo Kian Wee Andy, Mr Lee Dah Khang and Mr Oh Seong Lye. The Chairman of our Remuneration Committee is Mr Yeo Kian Wee Andy.

Our Remuneration Committee will, *inter alia*, recommend to our Board a framework of remuneration for our Directors and Executive Officers, and determine specific remuneration packages for each Executive Director. The recommendations of our Remuneration Committee should be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses and other benefits-in-kind shall be covered by our Remuneration Committee. Each member of the Remuneration Committee shall abstain from voting on any resolutions in respect of his remuneration package.

The remuneration of related employees will be reviewed annually by our Remuneration Committee to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increases and/or promotions for these related employees will also be subject to the review and approval of our Remuneration Committee. In the event that a member of our Remuneration Committee is related to the employee under review, he will abstain from participating in the review. If necessary, our Remuneration Committee shall seek expert advice inside and/or outside our Company on remuneration matters. Our Remuneration Committee shall ensure that existing relationships, if any, between our Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.

Audit Committee

Our Audit Committee comprises Mr Oh Seong Lye, Mr Lee Dah Khang and Mr Yeo Kian Wee Andy. The Chairman of our Audit Committee is Mr Oh Seong Lye. At least two (2) members, including the Audit Committee Chairman, should have recent and relevant accounting or related financial management expertise or experience.

Our Audit Committee does not have any existing business or professional relationship of a material nature with our Group, our Directors, Controlling Shareholders or Substantial Shareholders.

Our Audit Committee will assist our Board in discharging their responsibility to safeguard our assets, maintain adequate accounting records and develop and maintain effective systems of internal control, with the overall objective of ensuring that our management creates and maintains an effective control environment in our Group.

Our Audit Committee will provide a channel for communication between our Board, our management, our internal auditors and our external auditors on matters relating to audit. Our CFO will also be reporting directly to our Audit Committee on our Group's financial matters.

Our Audit Committee shall meet periodically to perform, *inter alia*, the following functions:

(a) assist our Board in the discharge of its responsibilities on financial reporting matters;

(b) consider the appointment or re-appointment of the external auditors, the level of their remuneration and matters relating to the resignation or dismissal of the external auditors, and review with the external auditors the audit plans, their evaluation of the system of internal accounting controls, their audit reports, their management letter and our management's response before submitting the results of such review to our Board for approval;

(c) consider the appointment or re-appointment of the internal auditors, the level of their remuneration and matters relating to the resignation or dismissal of the internal auditors, and review with the internal auditors the internal audit plans and their evaluation of the adequacy of our system internal accounting controls and accounting system before submitting the results of such review to our Board for approval prior to the incorporation of such results in our annual report (where necessary);

(d) review the system of internal accounting controls and procedures established by the management and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of our management where necessary);

(e) review the assistance and co-operation given by our Company's officers to the internal and external auditors;

(f) review the half yearly and annual, and quarterly if applicable, financial statements and results announcements before submission to our Board for approval, focusing in particular, on changes in accounting policies and practices, major areas of judgement, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;

(g) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our Group's operating results or financial position, and consider the adequacy of our management's response;

(h) review and assess our Company's foreign exchange and hedging policies including whether our Company has in place adequate and appropriate hedging policies and used appropriate instruments for hedging, if applicable;

(i) review transactions falling within the scope of Chapter 9 and Chapter 10 of the Catalist Rules (if any);

(j) review potential conflicts of interest (if any) and set out a framework to resolve or mitigate any potential conflicts of interest;

(k) review the effectiveness and adequacy of our administrative, operating, internal accounting and financial control procedures;

(l) review our key financial risk areas, with a view to providing an independent oversight on our Group's financial reporting, the outcome of such review to be disclosed in the annual reports or, if the findings are material, immediately announced via SGXNET;

(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;

(n) generally undertake such other functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time;

(o) review arrangements by which our staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow-up; and

(p) review our Group's compliance with such functions and duties as may be required under the relevant statutes or the Catalist Rules, including such amendments made thereto from time to time.

Apart from the duties listed above, our Audit Committee shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or suspected infringement of any law, rule or regulation of the jurisdictions in which our Group operates, which has or is likely to have a material impact on our Company's operating results and/or financial position. In the event that a member of our Audit Committee is interested in any matter being considered by our Audit Committee, he will abstain from reviewing and deliberating on that particular transaction or voting on that particular resolution.

Our Audit Committee, after having (i) conducted interviews with Ms Teo Gin Lian; (ii) considered the qualifications and past working experience of Ms Teo Gin Lian (as described in the section entitled “Directors, Management and Staff – Executive Officers” of this Offer Document); (iii) observed Ms Teo Gin Lian’s abilities, familiarity and diligence in relation to the financial matters and information of our Group; (iv) noted the absence of negative feedback on Ms Teo Gin Lian from Ernst & Young LLP, our Independent Auditor and Reporting Accountant; and (v) made all reasonable enquiries, is of the view that Ms Teo Gin Lian is suitable for the position of CFO of our Group. Further, after making all reasonable enquiries, nothing has come to the attention of our Audit Committee to cause them to believe that Ms Teo Gin Lian does not have the competence, character or integrity expected of a CFO of a listed issuer.

Our Audit Committee shall also commission an annual internal control audit to review and report to our Board on the adequacy and effectiveness of our Group’s risk management and internal control systems, including financial, operational, compliance and information technology controls. Our Audit Committee will be appointing an auditor to conduct a review on the LY-6M system post-implementation, and review the auditor’s report to ensure that the LY-6M system is working as effectively as envisaged. Please refer to the section entitled “General Information on our Group – Enhancement of Productivity and Efficiency” of this Offer Document for more details. Prior to the commissioning of such an annual audit, our Board is required to report to the SGX-ST and the Sponsor on how the key internal control weaknesses have been rectified, and the basis for the decision to commission the annual internal control audit. Thereafter, such audits may be initiated by our Audit Committee as and when it deems fit to satisfy itself that our Group’s internal controls remain robust and effective. Upon completion of the internal control audit, appropriate disclosure must be made via SGXNET on any material, price-sensitive internal control weaknesses and any follow-up actions to be taken by our Board.

Based on the foregoing, our Board, to the best of its knowledge and belief, with the concurrence of our Audit Committee, based on the internal controls established and maintained by our Group, work performed by the external and internal auditors, and reviews by our Board and our Audit Committee, is of the opinion that our internal controls including financial, operational, compliance and information technology controls, and risk management systems, are adequate and effective.

BOARD PRACTICES

Our Directors are to be appointed by our Shareholders at a general meeting and an election of Directors is to be held annually. One third (or the number nearest to one third) of our Directors, are required to retire from office at each annual general meeting. Further, all our Directors are required to retire from office at least once in every three (3) years. However, a retiring Director is eligible for re-election at the meeting at which he retires. Further details on the appointment and retirement of Directors can be found in the section entitled “Summary of the Constitution of our Company” set out in Appendix F of this Offer Document.

INTERESTED PERSON TRANSACTIONS

In general, transactions between our Group and any of our interested persons (i.e. our Directors, CEO, Controlling Shareholders and their Associates) ("**Interested Persons**", and each, an "**Interested Person**") constitute **Interested Person Transactions**. Details of Interested Person Transactions of our Group for the Period Under Review and the period from 1 July 2017 to the Latest Practicable Date (the "**Relevant Period**") are set out below.

Save as disclosed below and in the section entitled "Restructuring Exercise" of this Offer Document, none of our Directors or CEO or Controlling Shareholders or their Associates was or is interested in any transactions with our Group during the Relevant Period.

INTERESTED PERSONS

Interested Persons	Relationship
Mr Tan Kwee Chai	Mr Tan Kwee Chai is our Executive Chairman. He is also our Controlling Shareholder.
Mr Tan Yong Chuan	Mr Tan Yong Chuan is our Executive Director and CEO.
Ms Tan Ai Luang	Ms Tan Ai Luang is our Executive Director.
Mr Tan Kwee Lim	Mr Tan Kwee Lim is our Chief Operating Officer. He is also our Controlling Shareholder.
Mr Tan Haw Ching	Mr Tan Haw Ching is the brother of Ms Tan Ai Luang.
Amgel Designs Sdn. Bhd. ("**Amgel Designs**")	Amgel Designs was incorporated in Malaysia on 23 August 2011. As at the Latest Practicable Date, LYFC wholly owns the issued and paid-up share capital of Amgel Designs and the directors of Amgel Designs are Mr Tan Kwee Chai and Mr Tan Yong Chuan. Amgel Designs was formerly engaged in the business of trading kitchen cabinets in Malaysia, but as at the Latest Practicable Date, Amgel Designs is dormant.
Lean Shern Furniture Sdn. Bhd. ("**Lean Shern**")	Lean Shern was incorporated in Malaysia on 8 August 2002. As at the Latest Practicable Date, Mr Tan Khwee Ming and Mr Tan Kwee Song, who are both brothers of Mr Tan Kwee Chai and Mr Tan Kwee Lim, each owns 50% of the issued and paid-up capital of Lean Shern and the directors of Lean Shern are Mr Tan Khwee Ming and Mr Tan Kwee Song. Lean Shern is principally engaged in the business of assembling casegoods in Malaysia.

Leatherworld Upholstery Sdn. Bhd. ("**Leatherworld**")	Leatherworld was incorporated in Malaysia on 23 March 2015. As at the Latest Practicable Date, LYFC owns 51.0% of the issued and paid-up share capital of Leatherworld, and the remaining 49.0% shareholding interest in Leatherworld is owned by Ms Tan Pei Wah. The directors of Leatherworld are Mr Eu Choon Sian and Ms Tan Pei Wah, who are both not related to any of our Directors, CEO, Controlling Shareholders or their Associates. None of our Directors, CEO, Executive Officers or Controlling Shareholders has an executive role in Leatherworld. Leatherworld is principally engaged in the business of manufacturing upholstery products in Malaysia.
Lian E Furniture Sdn. Bhd. ("**Lian E**")	Lian E was incorporated in Malaysia on 11 December 2009. Immediately prior to 1 April 2016, Mr Tan Kwee Heng, the brother of Mr Tan Kwee Chai and Mr Tan Kwee Lim, and his spouse owned 60.0% and 40.0% of the issued and paid-up share capital of Lian E respectively. They were also the sole directors of Lian E. On 1 April 2016, Mr Tan Kwee Heng and his spouse, Mdm Chong Ah Chin, have disposed of their shares to third parties who are not related to any of our Directors, CEO, Executive Officers or Controlling Shareholders, and resigned as directors. Prior to the disposal, Lian E was engaged in the business of assembling the frames of casegoods in Malaysia.
LP Global Resources Sdn. Bhd. ("**LP Global**")	LP Global was incorporated in Malaysia on 5 January 2004. As at the Latest Practicable Date, LYFC wholly owns the issued and paid-up share capital of LP Global and the directors of LP Global are Mr Tan Kwee Chai and Mr Tan Kwee Lim. The management of LP Global are not Associates of our Directors, CEO, Executive Officers or Controlling Shareholders. LP Global is principally engaged in the business of veneer lamination on boards in Malaysia. Our Group is a major but not the only customer of LP Global.
LY Asset Management Sdn. Bhd. ("**LYAM**")	LYAM was incorporated in Malaysia on 24 April 2004. As at the Latest Practicable Date, LYFC, Mr Tan Kwee Chai and Mr Tan Kwee Lim own 60.0%, 20.0% and 20.0% of the issued and paid-up share capital of LYAM respectively. The directors of LYAM are Mr Tan Kwee Chai and Mr Tan Kwee Lim. LYAM is principally engaged in the business of property investment in Malaysia.

LY Furniture Corporation Sdn. Bhd. ("**LYFC**")	LYFC was incorporated in Malaysia on 28 June 2003. As at the Latest Practicable Date, Mr Tan Kwee Chai, Mr Tan Yong Chuan, Mr Tan Kwee Lim, Mr Boo Ngek Hee, Mdm Cha Geek Ngo, Mr Tan Yong Siang and Good Champion Ltd own 37.13%, 9.23%, 19.24%, 10.01%, 4.39%, 6.00% and 14.00% of the issued and paid-up share capital of LYFC respectively. Good Champion Ltd is wholly-owned by Mr Shen Min-Hui. The directors of LYFC are Mr Tan Kwee Chai, Mr Tan Yong Chuan, Mr Tan Kwee Lim and Mr Boo Ngek Hee. LYFC is an investment holding company. As at the Latest Practicable Date, LYFC has eight (8) subsidiaries, namely LP Global, LYAM, LYFI, LY Furniture International Sdn. Bhd., LY Property Development Sdn. Bhd., Dinamik Brastagi Sdn. Bhd., Amgel Designs and Leatherworld. As at the Latest Practicable Date, LY Furniture International Sdn. Bhd., LY Property Development Sdn. Bhd., Dinamik Brastagi Sdn. Bhd., and Amgel Designs are dormant.
LY Furniture Industries Sdn. Bhd. ("**LYFI**")	LYFI was incorporated in Malaysia on 9 January 2009. As at the Latest Practicable Date, LYFC wholly owns the issued and paid-up share capital of LYFI and the directors of LYFI are Mr Tan Kwee Chai and Mr Tan Yong Chuan. LYFI was formerly engaged in the business of timber trading in Malaysia but ceased such business activities in August 2015. Since September 2016, LYFI has been an investment holding company and apart from holding two (2) industrial properties located in Malaysia as investment properties and for generating rental income, LYFI has no other business activities as at the Latest Practicable Date.
Viwood Industries Sdn. Bhd. ("**Viwood**")	Viwood was incorporated in Malaysia on 21 July 2003. As at the Latest Practicable Date, Mr Tan Yong Chuan and Ms Tan Ai Luang own 55.0% and 45.0% of the issued and paid-up share capital of Viwood respectively and the directors of Viwood are Mr Tan Yong Chuan and Ms Tan Ai Luang. Viwood was formerly engaged in the business of trading furniture in Malaysia, but as at the Latest Practicable Date, Viwood is dormant. The shareholders of Viwood intend to use Viwood for other private businesses, which may or may not materialise in the future.

PAST INTERESTED PERSON TRANSACTIONS

Transactions with Amgel Designs

(a) Sales of raw materials and kitchen cabinets

In FY2014, our Group sold raw materials such as boards and furniture hardware to Amgel Designs. The sales of raw materials were not entered into on an arm's length basis and not on normal commercial terms but were not prejudicial to the interests of our Group and our minority Shareholders as the prices paid by Amgel Designs were comparable to informal quotes sourced from other third party suppliers of raw materials from time to time.

In FY2014, our Group was engaged by Amgel Designs to manufacture the kitchen cabinets for their customers. The cost of manufacturing the kitchen cabinets was agreed between Amgel Designs and our Group, having regard to the retail price of kitchen cabinets to be sold to Amgel Design's customers. As this was a one-off transaction, our Group did not separately carry out any comparison against the market rate for manufacturing such kitchen cabinets, and accordingly, this transaction was not conducted on an arm's length basis and not on normal commercial terms. However, our Directors are of the view that this transaction was not prejudicial to the interests of our Group and our minority Shareholders as the agent commission paid to Amgel Designs was comparable to commissions paid by our Group to our other agents.

The total sales of raw materials and kitchen cabinets by our Group to Amgel Designs during the Relevant Period were as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)	1H2017 (RM'000)	From 1 July 2017 to the Latest Practicable Date (RM'000)
Sales of raw materials to Amgel Designs	18	–	–	–	–
Sales of kitchen cabinets to Amgel Designs	179	–	–	–	–

In FY2015, our Group ceased its sale of raw materials and kitchen cabinets to Amgel Designs. Thereafter, Amgel Designs ceased to carry on its business of trading kitchen cabinets in Malaysia and became dormant.

(b) Purchases of raw materials and plant and equipment

In FY2014, our Group purchased raw materials such as boards and furniture hardware from Amgel Designs. Our purchases from Amgel Designs were not on an arm's length basis and not on normal commercial terms as the prices paid by our Group to Amgel Designs were based on informal quotes sourced from other third party suppliers of raw materials from time to time. However, as the prices for the raw materials supplied to us were not less favourable to us than if we had sourced for the raw materials from a third party supplier, our Directors believe that the terms of the transactions were not prejudicial to the interests of our Group and our minority Shareholders.

In FY2015, when Amgel Designs ceased its business of trading kitchen cabinets in Malaysia, it sold all of its plant and equipment to our Group as a one-off transaction. The purchases were not carried out on an arm's length basis and on normal commercial terms as the plant and equipment were sold at a price lower than the net book value stated in the audited accounts for FY2014, being the latest available audited accounts, at the point of sale. As such, our Directors are of the view that the transactions were not prejudicial to the interests of our Group and our minority Shareholders.

The total purchases of raw materials and plant and equipment by our Group from Amgel Designs during the Relevant Period were as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)	1H2017 (RM'000)	From 1 July 2017 to the Latest Practicable Date (RM'000)
Purchase of raw materials from Amgel Designs	3	–	–	–	–
Purchase of plant and equipment from Amgel Designs	–	148	–	–	–

In FY2015, our Group ceased its purchases from Amgel Designs. Thereafter, Amgel Designs ceased to carry on its business of trading kitchen cabinets in Malaysia and became dormant.

As at the Latest Practicable Date, all transactions between our Group and Amgel Designs have ceased and been fully settled and we do not expect such transactions to recur after the Listing.

Transactions with LYFI

(a) Purchases of timber and plant and equipment

In FY2014 and FY2015, our Group purchased timber from LYFI. These purchases were made on an arm's length basis and were on normal commercial terms as our Group would source for alternative quotes from third parties before making purchases from LYFI. As the prices charged by LYFI were comparable to those charged by other third parties to us, these purchases were not prejudicial to the interests of our Group and our minority Shareholders.

In FY2015, when LYFI ceased its business of timber trading in Malaysia, it sold all of its plant and equipment to our Group as a one-off transaction. The purchases were not carried out on an arm's length basis and on normal commercial terms as the plant and equipment were sold at a price lower than the net book value stated in the audited accounts for FY2014, being the latest available audited accounts, at the point of sale. As such, our Directors are of the view that the transactions were not prejudicial to the interests of our Group and our minority Shareholders.

The total purchases of timber and plant and equipment by our Group from LYFI during the Relevant Period were as follows:

	FY2014 (RM'000)	**FY2015 (RM'000)**	**FY2016 (RM'000)**	**1H2017 (RM'000)**	**From 1 July 2017 to the Latest Practicable Date (RM'000)**
Purchase of timber from LYFI	787	1,633	–	–	–
Purchase of plant and equipment from LYFI	–	30	–	–	–

In FY2015, our Group ceased purchases of timber from LYFI. Thereafter, LYFI ceased to carry on its business of timber trading in Malaysia and became an investment holding company.

(b) Lease of LY7

Pursuant to the lease agreement dated 1 July 2014 entered into between LYFSB and LYFI, LYFSB leased the property at LY7 (which has now been amalgamated with other properties of LYFSB to form LY3) to LYFI to house their kiln drying facilities, for a period of 12 months from 1 July 2014 to 30 June 2015. We subsequently extended the lease for another two (2) months up to 31 August 2015. The monthly rent for the period from 1 July 2014 to 30 September 2014 was waived by LYFSB due to expenses incurred by LYFI for repair and replacement of defective and damaged fittings within LY7. The monthly rent was RM15,000. However, effective from 1 April 2015, the monthly rent was reduced to RM7,000 as LYFI reduced the rented floor area leased from LYFSB.

The lease of LY7 was entered into on an arm's length basis and on normal commercial terms and was not prejudicial to the interests of our Group and our minority Shareholders as the monthly rent was charged with reference to the price per sq ft of properties leased to and from third parties within the same industrial area at the point of signing the lease agreement.

The rent paid by LYFI to our Group during the Relevant Period were as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)	1H2017 (RM'000)	From 1 July 2017 to the Latest Practicable Date (RM'000)
Rent paid by LYFI	45	80	–	–	–

In FY2015, LYFI ceased its business of timber trading in Malaysia and as such, our Group ended our lease arrangement with LYFI on 31 August 2015.

(c) Sale of LY8 and LY21

Pursuant to the sale and purchase agreements dated 28 July 2016 entered into between LYFSB and LYFI, LYFSB disposed of LY8 and LY21 for a consideration of RM6.5 million and RM2.9 million respectively. The disposals of LY8 and LY21 were completed on 29 August 2016. The sales were made on an arm's length basis and on normal commercial terms and was not prejudicial to the interests of our Group and our minority Shareholders as the consideration was derived from an independent valuation conducted by a third party licensed valuer. These transactions were one-off transactions.

As at the Latest Practicable Date, all transactions between our Group and LYFI have been fully settled and we do not expect such transactions to recur after the Listing.

Transactions with Lian E

(a) Subcontracting transactions

Our Group engages Lian E as a subcontractor to provide casegoods assembly services. These subcontracting transactions were made on an arm's length basis and were on normal commercial terms and was not prejudicial to the interests of our Group and our minority Shareholders as the transactions with Lian E were transacted on terms comparable to those offered to other subcontractors we engage for assembling casegoods.

On 1 April 2016, Mr Tan Kwee Heng, the brother of Mr Tan Kwee Chai and Mr Tan Kwee Lim, and his spouse disposed of all their shares in Lian E. Both Mr Tan Kwee Heng and his spouse resigned as directors of Lian E effective from 1 April 2016. However, our Group continues to engage Lian E for subcontracting services.

The subcontracting fees paid by our Group to Lian E from 1 January 2014 to 31 March 2016 were as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	From 1 January 2016 to 31 March 2016 (RM'000)
Subcontracting fees paid to Lian E	1,038	1,172	442

(b) Sub-licence of Lot 1436 (Portion C)

LYFSB sub-licenced a portion of Lot 1436 (Portion C) to Lian E for a monthly rent of RM5,000. The sub-licence of Lot 1436 (Portion C) was entered into on an arm's length basis and on normal commercial terms and was not prejudicial to the interests of our Group and our minority Shareholders as the monthly rent was charged with reference to the price per sq ft of properties leased to and from third parties within the same industrial area at the point of signing the sub-licence agreement.

As our Group does not utilise the remaining portion of Lot 1436 (Portion C), LYFSB decided to terminate the licence agreement with Tang Kok Lian and Kah See Yee for the whole of Lot 1436 (Portion C). Accordingly, it was mutually agreed between LYFSB and Lian E that the sub-licence agreement between LYFSB and Lian E for a portion of Lot 1436 (Portion C) be terminated with effect from 31 July 2017.

To the best of our knowledge, Lian E's production facility continues to be at the same location that it was licensing previously from LYFSB. As the annual rent paid by Lian E to LYFSB was only RM60,000, the termination of the sub-licence agreement between LYFSB and Lian E did not have a material impact on our Group's operations or financial position.

The rent paid by Lian E to our Group from 1 January 2014 to 31 March 2016 were as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	From 1 January 2016 to 31 March 2016 (RM'000)
Rent paid by Lian E	60	60	15

As at the Latest Practicable Date, all transactions between our Group and Lian E have been fully settled and we do not expect such transactions to recur after the Listing.

Transactions with Lean Shern

(a) Lease of LY8 to Lean Shern

LYFSB was leasing LY8 to Lean Shern to house their whitewood processing facilities, for a monthly rent of RM12,000, and this lease has been assigned to LYFI in connection with the sale of LY8 to LYFI, which was completed on 29 August 2016.

The lease of LY8 was entered into on an arm's length basis and on normal commercial terms and was not prejudicial to the interests of our Group and our minority Shareholders as the monthly rent was charged with reference to the price per sq ft of properties leased to and from third parties within the same industrial area at the point of signing the lease agreement.

The rent paid by Lean Shern to our Group during the Relevant Period were as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)	1H2017 (RM'000)	From 1 July 2017 to the Latest Practicable Date (RM'000)
Rent paid by Lean Shern	12	144	96	–	–

(b) Lease of No. 10 from Lean Shern

We sub-leased No. 10, Jalan Wawasan 4, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia ("**No. 10**") from Lean Shern to house our whitewood processing facilities, which was leased by Lean Shern from L.T.G. Enterprise (B.P.) Sdn Bhd ("**LTG**"), an unrelated third party, for the month of December 2014 for RM22,000. Subsequently, Lean Shern terminated its lease with LTG and our Group entered into a lease agreement directly with LTG, in relation to the same property, commencing 1 January 2015. The lease agreement with LTG was terminated on 30 April 2017.

The lease of No. 10 was entered into on an arm's length basis and on normal commercial terms and was not prejudicial to the interests of our Group and our minority Shareholders as the monthly rent charged by Lean Shern to our Group was the same as the monthly rent charged by LTG to Lean Shern.

The rent paid by our Group to Lean Shern during the Period Under Review was as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)	1H2017 (RM'000)	From 1 July 2017 to the Latest Practicable Date (RM'000)
Rent paid to Lean Shern	22	–	–	–	–

(c) Sales of equipment

In FY2015, we sold equipment, namely, a power feeder machine to Lean Shern as a one-off transaction. The sale of equipment was made on an arm's length basis and were on normal commercial terms and was not prejudicial to the interests of our Group and our minority Shareholders as the price we paid for the equipment was comparable to the alternative quotes we sourced from third parties before making the sale.

The total sales of equipment by our Group to Lean Shern during the Relevant Period were as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)	1H2017 (RM'000)	From 1 July 2017 to the Latest Practicable Date (RM'000)
Sales of equipment to Lean Shern	–	1	–	–	–

As at the Latest Practicable Date, the above transactions between our Group and Lean Shern have been fully settled and we do not expect such transactions to recur after the Listing.

Transactions with LP Global

(a) Lease of Lot 3 from LP Global

Our Group leased a property at No. 3, Jalan Wawasan 12, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor, Malaysia ("**Lot 3**"), which was used as a warehouse, from LP Global for a monthly rent of RM7,400 from 1 March 2012 to 30 April 2014.

The lease of Lot 3 was entered into on an arm's length basis and on normal commercial terms and was not prejudicial to the interests of our Group and our minority Shareholders as the monthly rent was charged with reference to the price per sq ft of properties leased to and from third parties for the same industrial area at the point of signing the lease agreement.

The rent paid by our Group to LP Global during the Relevant Period were as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)	1H2017 (RM'000)	From 1 July 2017 to the Latest Practicable Date (RM'000)
Rent paid to LP Global	30	–	–	–	–

(b) Purchases of equipment, indirect materials and a motor vehicle

In FY2014, we purchased equipment, namely, a veneer edging banding machine from LP Global as a one-off transaction. The purchase was not carried out on an arm's length basis and on normal commercial terms as the veneer edging banding machine was sold at a price lower than the net book value as stated in the audited accounts for FY2014, being the latest available audited accounts, at the point of sale. As such, our Directors are of the view that the transaction was not prejudicial to the interests of our Group and our minority Shareholders.

In FY2014, our Group purchased indirect materials from LP Global as a one-off transaction. The purchases of indirect materials were not entered into on an arm's length basis and not on normal commercial terms as the prices charged to our Group were based on informal quotes sourced from other third party suppliers of such indirect materials. However, as the prices of these indirect materials supplied to us were not less favourable to us than if we had sourced for the indirect materials from a third party supplier, our Directors believe that the terms of the transactions were not prejudicial to the interests of our Group and our minority Shareholders.

In FY2016, our Group purchased a used motor vehicle from LP Global for RM55,000 as a one-off transaction. The transaction was entered into on an arm's length basis and on normal commercial terms and was not prejudicial to the interests of our Group and our minority Shareholders as the price we paid for the used motor vehicle was comparable to the third party quotes we sourced from other third parties willing to purchase the vehicle prior to purchasing the motor vehicle from LP Global.

The total purchases of equipment, indirect materials and the motor vehicle by our Group from LP Global during the Relevant Period were as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)	1H2017 (RM'000)	From 1 July 2017 to the Latest Practicable Date (RM'000)
Purchase of equipment from LP Global	39	–	–	–	–
Purchase of indirect materials from LP Global	7	–	–	–	–
Purchase of motor vehicle from LP Global	–	–	55	–	–

(c) Sales of equipment

In FY2016, we sold equipment, namely two (2) sanding machines, to LP Global. The sales were not carried out on an arm's length basis and not on normal commercial terms as our Group did not seek alternative quotes before selling the equipment to LP Global. However, these sales were not prejudicial to the interests of our Group and our minority Shareholders as they were sold at a price not lower than the net book value as stated in the audited accounts for FY2015, being the latest available audited accounts, at the point of sale.

The total sales of equipment by our Group to LP Global during the Relevant Period were as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)	1H2017 (RM'000)	From 1 July 2017 to the Latest Practicable Date (RM'000)
Sales of equipment to LP Global	–	–	7	–	–

(d) Utilisation of the LP Global Facility

On 29 July 2015, we agreed to allow LP Global to utilise a letter of guarantee facility offered by OCBC Bank (Malaysia) Berhad to us, for the performance and payment of guarantee bonds favouring government agencies and utility companies with a sub-limit of RM100,000, against LYFSB's existing tradeline facility with OCBC Bank (Malaysia) Berhad which had a sub-limit of RM1 million ("**LP Global Facility**"). The LP Global Facility was secured under an existing fixed charge over LY15, which was created in favour of OCBC Bank (Malaysia) Berhad on 20 April 2010 for our existing tradeline facility. The interest rate for the LP Global Facility was 0.1% per month on the outstanding amount. The largest amount outstanding for the LP Global Facility during the Relevant Period, based on year-end balances, was RM85,000. The LP Global Facility was terminated on 14 October 2016.

The above transaction was not made on an arm's length basis and not on normal commercial terms as LYFSB did not charge any interest to LP Global for LP Global's utilisation of the LP Global Facility. However, our Directors believe that the transaction was not prejudicial to the interest of our Group or our minority Shareholders as LP Global paid interest to OCBC Bank (Malaysia) Berhad for such part of the LP Global Facility which it utilised.

As at the Latest Practicable Date, the above transactions between our Group and LP Global have been fully settled and we do not expect such transactions to recur after the Listing.

Transactions with Leatherworld

(a) Lease of Lot 432 to Leatherworld

LYFSB sub-leased a property at PLO 432, Jalan Wawasan Utama, Kawasan Perindustrian Sri Gading, 83300 Batu Pahat, Johor Darul Takzim, Malaysia ("**Lot 432**") to Leatherworld for a monthly rent of RM13,000. Leatherworld used Lot 432 as its manufacturing facility for upholstery products. The sub-lease was terminated on 30 June 2016.

The lease of Lot 432 to Leatherworld was entered into on an arm's length basis and on normal commercial terms and was not prejudicial to the interests of our Group and our minority Shareholders as the monthly rent payable by Leatherworld to our Group was based on a *pro-rated* amount of the total rent amount paid by LYFSB to the third party landlord based on the space occupied by Leatherworld.

The rent paid by Leatherworld to our Group during the Relevant Period was as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)	1H2017 (RM'000)	From 1 July 2017 to the Latest Practicable Date (RM'000)
Rent paid by Leatherworld	–	65	78	–	–

(b) Sale of equipment

In FY2015, we sold an equipment, namely a fork lift, to Leatherworld. This sale was carried out on an arm's length basis and on normal commercial terms and was not prejudicial to the interests of our Group and our minority Shareholders as the sale price was based on a third party quote from another third party willing to purchase the equipment before the sale of the equipment to Leatherworld.

The total sales of equipment by our Group to Leatherworld during the Relevant Period were as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)	1H2017 (RM'000)	From 1 July 2017 to the Latest Practicable Date (RM'000)
Sales of equipment to Leatherworld	–	15	–	–	–

(c) Purchases of indirect materials

In FY2016, our Group purchased indirect materials from Leatherworld as a one-off transaction. The purchases of indirect materials were not entered into on an arm's length basis and not on normal commercial terms as our Group did not seek alternative quotes before purchasing from Leatherworld. However, as Leatherworld was able to obtain a bulk discount from their supplier for purchasing indirect materials and we purchased such indirect materials at the same price from Leatherworld, the prices for the indirect materials supplied to us were more favourable to us than if we had sourced for the indirect materials from a third party supplier. Accordingly, our Directors believe that the terms of the transactions were not prejudicial to the interests of our Group and our minority Shareholders.

The total purchases of indirect materials by our Group from Leatherworld during the Relevant Period were as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)	1H2017 (RM'000)	From 1 July 2017 to the Latest Practicable Date (RM'000)
Purchases of indirect materials from Leatherworld	–	–	2	–	–

As at the Latest Practicable Date, the above transactions between our Group and Leatherworld have been fully settled and we do not expect such transactions to recur after the Listing.

Sales to Viwood

In line with our production and after-sales policy, we typically manufacture wooden bedroom furniture marginally in excess of the quantity ordered by our customers, to buffer for instances such as product damage in transit necessitating replacement or increased orders by our customers to meet end customers' demand. We may also hold excess inventory of wooden bedroom furniture in the event our customers cancel their orders after we commence production.

During the Relevant Period, our Group sold such excess wooden bedroom furniture to Viwood. These sales were not conducted on an arm's length basis and were not on normal commercial terms but was not prejudicial to the interests of our Group and our minority Shareholders as the Group sold the excess wooden furniture to Viwood at price equivalent to the agreed price to be paid by third party purchasers ("**Agreed Price**") less the imputed administrative fee, ranging from 3.0% to 5.0% of the Agreed Price, as charged by Viwood.

The total sales by our Group to Viwood during the Relevant Period were as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)	1H2017 (RM'000)	From 1 July 2017 to the Latest Practicable Date (RM'000)
Sales of excess wooden bedroom furniture to Viwood	1,453	553	429	–	–

In September 2016, Viwood ceased its purchases from our Group and Viwood ceased to carry on its business of selling wooden bedroom furniture in Malaysia and became dormant.

As at the Latest Practicable Date, all transactions between our Group and Viwood have been fully settled and we do not expect any future transactions with Viwood after the Listing.

Charge created for the benefit of LYAM

On 17 July 2014, a charge ("**Charge**") was created by our subsidiary, LYFSB, in favour of AmIslamic Bank Berhad, for the benefit of LYAM, pursuant to a banking facility with a maximum principal amount of RM10.0 million ("**Facility**") taken up by LYAM with AmIslamic Bank Berhad. The Charge is a third party first legal charge over LY3. The Charge was initially created for LYAM, a property investment company, to acquire a property to be leased to LYFSB, but the acquisition was not completed. The largest amount outstanding for the Facility during the Relevant Period, based on year-end balances, was RM9,950,000. The interest rate for the Facility was based on the bank's base financing rate of 6.6% per annum. On 28 September 2016, the Charge was released and discharged.

The Charge was not made on an arm's length basis and not on normal commercial terms as LYFSB did not charge any interest to LYAM but was not prejudicial to the interests of our Group or our minority Shareholders as LYAM paid interest to AmIslamic Bank Berhad for such part of the Facility which it utilised. We do not intend to enter into any future transactions of the above nature.

Leases with Mr Tan Haw Ching

During the Relevant Period, 17 properties leased by our Group ("**Past Leases**") from Mr Tan Haw Ching for our Group's staff hostels, have been terminated as at the Latest Practicable Date. The monthly rent is RM500 for 11 of the properties, RM550 for two (2) of the properties, RM1,000 for three (3) of the properties and RM3,600 for one (1) of the properties.

The Past Leases were entered into on an arm's length basis and on normal commercial terms and were not prejudicial to the interests of our Group and our minority Shareholders as the monthly rent was charged with reference to the price per sq ft of properties leased to and from third parties for the same area at the point of entering into the lease arrangements.

The aggregate rent paid by our Group to Mr Tan Haw Ching for the Past Leases during the Relevant Period was as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)	1H2017 (RM'000)	From 1 July 2017 to the Latest Practicable Date (RM'000)
Rent paid to Mr Tan Haw Ching for the Past Leases	78	8[(1)]	24	5	–

Note:

(1) There were deductions amounting to RM5,000 in FY2015, as our Group was refunded for the rent paid to Mr Tan Haw Ching for two (2) of the properties after the lease arrangements were terminated between the parties in FY2014.

As at the Latest Practicable Date, the Past Leases have been fully settled.

Guarantees provided by our Directors, CEO and/or Controlling Shareholders

We had from time to time between FY2014 and FY2016, entered into certain facility agreements with financial institutions for the purposes of our day-to-day operations. Details of the guarantees provided by our Directors, CEO and Controlling Shareholders in respect of the facilities for our Group during the Relevant Period were as follows:

Guarantees provided to	Total amount of facilities granted (RM'000)	Amount guaranteed	Guarantees provided by	Largest amount outstanding during the Relevant Period (based on year-end balances) (RM'000)
RHB Bank Berhad	17,125	5,500	Joint and several guarantee by Tan Kwee Chai, Tan Kwee Lim and Boo Ngek Hee (the "**RHB Guarantee**")	2,777
Hong Leong Bank Berhad	18,200	15,500	Joint and several guarantee by Tan Kwee Chai, Tan Kwee Lim and Boo Ngek Hee	7,818
Malayan Banking Berhad	8,050	8,000	Joint and several guarantee by Tan Kwee Chai, Tan Kwee Lim and Boo Ngek Hee	627

As at the Latest Practicable Date, all amounts outstanding under the above facility have been fully repaid and the personal guarantees set out above have been discharged, save for the RHB Guarantee.

As at the Latest Practicable Date, the RHB Guarantee continues to subsist to secure obligations of LYFSB under a credit card facility granted by RHB Bank Berhad. For further details, please refer to the section entitled "Interested Person Transactions – Present and On-Going Interested Person Transactions – Guarantees provided by our Directors, CEO and/or Controlling Shareholders" of this Offer Document.

As Mr Tan Kwee Chai, Mr Tan Kwee Lim and Mr Boo Ngek Hee did not receive any benefit in kind, commission or interest from our Group for providing the above guarantees, the provision of such guarantees was not made on an arm's length basis and not on normal commercial terms but was nonetheless not prejudicial to the interests of our Group and our minority Shareholders.

PRESENT AND ON-GOING INTERESTED PERSON TRANSACTIONS

Guarantees provided by our Directors, CEO and/or Controlling Shareholders

As at the Latest Practicable Date, some of our Directors, CEO and Controlling Shareholders have provided the following guarantees as set out below:

Guarantees provided to	Total amount of facilities granted (RM'000)	Amount guaranteed (RM'000)	Guarantees provided by	Largest amount outstanding during the Relevant Period (based on year-end balances) (RM'000)	Amount outstanding as at the Latest Practicable Date (RM'000)
AmBank (M) Berhad	43,000	43,000	Joint and several guarantee by Tan Kwee Chai, Tan Kwee Lim, Boo Ngek Hee, Tan Yong Chuan and Tan Ai Luang	12,084	7,758
OCBC Bank (Malaysia) Berhad	87,350	73,000	Joint and several guarantee by Tan Kwee Chai, Tan Kwee Lim and Boo Ngek Hee	30,077	–
RHB Bank Berhad	800	5,500	Joint and several guarantee by Tan Kwee Chai, Tan Kwee Lim and Boo Ngek Hee	–	286[(1)]

Note:

(1) Based on the credit card statement dated 12 December 2017, being the latest statement available as at the Latest Practicable Date.

None of the above guarantees imposes any restriction or conditions on such Directors, CEO and/or Controlling Shareholders' shareholdings or directorships in our Group.

The abovementioned Directors and Controlling Shareholders have not received any benefit in kind, commission or interest from our Group for providing the above guarantees. Accordingly, the provision of such guarantees was not made on an arm's length basis and not on normal commercial terms but was nonetheless not prejudicial to the interests of our Group and our minority Shareholders.

Following the Listing, the abovementioned Directors and Controlling Shareholders intend to obtain a release and discharge of the above guarantees and replace them with corporate guarantees provided by our Group. Our Directors do not expect any material change in the terms and conditions of the relevant agreements arising from the release and discharge of the above guarantees. Should any of the financial institutions be unwilling to release and discharge the above guarantees and we fail to secure alternative facilities on terms similar to those applicable to the relevant agreements, Mr Tan Kwee Chai, Mr Tan Yong Chuan, Ms Tan Ai Luang, Mr Tan Kwee Lim and Mr Boo Ngek Hee, have irrevocably and unconditionally undertaken that they will continue to provide the guarantees for the benefit of our Group.

Lease of Jalan Melor Condominium from Mr Tan Kwee Chai

Our Group leases Jalan Melor Condominium from Mr Tan Kwee Chai as a staff hostel, for a monthly rent of RM1,500. The current lease agreement dated 1 December 2017 will expire on 30 November 2020.

The lease of Jalan Melor Condominium was entered into on an arm's length basis and on normal commercial terms as the monthly rent was derived from a quote obtained from a property agent for units of a similar size in that condominium, and is not prejudicial to the interests of our Group and our minority Shareholders. Chapter 9 of the Catalist Rules will apply if the terms of the lease agreement are amended or renewed.

The rent paid by our Group to Mr Tan Kwee Chai during the Relevant Period was as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)	1H2017 (RM'000)	From 1 July 2017 to the Latest Practicable Date (RM'000)
Rent paid to Mr Tan Kwee Chai	18	18	18	9	9

Lease of LY6 from LYAM

Our Group leases a property at LY6 from LYAM, which it uses as a warehouse and to house its board processing facilities. The monthly rent was RM12,000 prior to 1 July 2016, and was subsequently increased to RM13,000 commencing from 1 July 2016. The current lease agreement dated 27 June 2016 will expire on 30 June 2019.

The lease of LY6 was entered into on an arm's length basis and on normal commercial terms as the monthly rent was charged with reference to the price per sq ft of properties leased to and from third parties for the same industrial area at the point of signing the lease agreement and is not prejudicial to the interests of our Group and our minority Shareholders. Chapter 9 of the Catalist Rules will apply if the terms of the lease agreement are amended or renewed.

The rent paid by our Group to LYAM during the Relevant Period was as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)	1H2017 (RM'000)	From 1 July 2017 to the Latest Practicable Date (RM'000)
Rent paid to LYAM	144	144	150	78	78

Leases with Mr Tan Haw Ching

Our Group leases properties from Mr Tan Haw Ching for its staff hostels from time to time. Such leases range from three (3) months to two (2) years. As at the Latest Practicable Date, our Group leases six (6) properties from Mr Tan Haw Ching ("**Existing Leases**"). The Existing Leases will expire on 30 September 2018 and the monthly rent for each of the Existing Leases is RM600.

The leases for the properties were entered into on an arm's length basis and on normal commercial terms and was not prejudicial to the interests of our Group and our minority Shareholders as the monthly rent was charged with reference to the price per sq ft of properties leased to and from third parties for the same area at the point of entering into the lease arrangements. Chapter 9 of the Catalist Rules will apply if any new leases are entered into or if the terms of any of the Existing Leases are amended or renewed.

The aggregate rent paid by our Group to Mr Tan Haw Ching for the Existing Leases during the Relevant Period were as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)	1H2017 (RM'000)	From 1 July 2017 to the Latest Practicable Date (RM'000)
Rent paid to Mr Tan Haw Ching for the Existing Leases	–	43	43	22	22

Subcontracting transactions with Lean Shern

Our Group engages Lean Shern as a subcontractor to provide assembly services for casegoods and side rails. These subcontracting transactions were made on an arm's length basis and were on normal commercial terms and was not prejudicial to the interests of our Group and our minority Shareholders as the transactions with Lean Shern were transacted on terms comparable to those offered to other subcontractors we engage for assembling casegoods and/or side rails.

The transactions between our Group and Lean Shern during the Relevant Period were as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)	1H2017 (RM'000)	From 1 July 2017 to the Latest Practicable Date (RM'000)
Subcontracting fees charged by Lean Shern	2,557	2,899	2,906	2,119	1,649

We intend to continue to enter into similar transactions with Lean Shern under our IPT Mandate following the Listing. Such arrangements will be subject to the review procedures under our IPT Mandate.

Transactions with LP Global

(a) Purchases of raw materials and provision of veneer lamination services from LP Global

Our Group purchases raw materials, namely veneer, from LP Global, which also provides veneer lamination services to our Group. The prices for the raw materials and veneer lamination services were independently determined by the management of LP Global (which excludes Mr Tan Kwee Chai and Mr Tan Kwee Lim), and the prices paid were comparable to those charged by other suppliers to us. Hence, these transactions were entered into on an arm's length basis and on normal commercial terms and were not prejudicial to the interests of our Group and our minority Shareholders.

The amount paid by our Group to LP Global for such raw materials and veneer lamination services during the Relevant Period were as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)	1H2017 (RM'000)	From 1 July 2017 to the Latest Practicable Date (RM'000)
Purchases of raw materials and veneer lamination services from LP Global	4,307	5,936	7,783	5,740	6,382

We intend to continue to enter into similar transactions with LP Global under our IPT Mandate following the Listing. Such arrangements will be subject to the review procedures under our IPT Mandate.

(b) Lease of equipment to LP Global

LYFSB leases two (2) units of sanding machine together with four (4) units of roller conveyor ("**Machines A**") to LP Global for a monthly rent of RM20,000 from 1 August 2015 to 31 July 2018.

LYFSB leases one (1) unit of crossfeed veneer splicer machine, one (1) unit of calibrating sanding machine, one (1) unit of wire drawing machine, one (1) unit of roller table with aluminium plate and two (2) units of sander wide belt conveyor ("**Machines B**") to LP Global for a monthly rent of RM20,200 from 1 October 2016 to 30 September 2019.

These leases of equipment were entered into on an arm's length basis and on normal commercial terms as the monthly rent was charged based on a third party quote provided for a machine of similar specification as Machines A and Machines B.

The rent paid for the equipment by LP Global to our Group during the Relevant Period was as follows:

	FY2014 (RM'000)	**FY2015 (RM'000)**	**FY2016 (RM'000)**	**1H2017 (RM'000)**	**From 1 July 2017 to the Latest Practicable Date (RM'000)**
Rent paid by LP Global	–	80	301	241	201

We intend to renew the abovementioned leases upon expiry, and Chapter 9 of the Catalist Rules will apply if the lease terms are amended or renewed.

(c) Sales of raw materials and indirect materials

Our Group sold raw materials such as boards and indirect materials to LP Global. The sales of raw materials and indirect materials were entered into on an arm's length basis and on normal commercial terms and was not prejudicial to the interests of our Group and our minority Shareholders as the prices charged by our Group were comparable to those charged by us to other third parties.

The total sales of raw materials and indirect materials by our Group to LP Global during the Relevant Period were as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)	1H2017 (RM'000)	From 1 July 2017 to the Latest Practicable Date (RM'000)
Sales of raw materials and indirect materials to LP Global	9	82	396	1,298	1,357

We intend to continue to enter into similar transactions with LP Global under our IPT Mandate following the Listing. Such arrangements will be subject to the review procedures under our IPT Mandate.

Transactions with Leatherworld

(a) Purchases of upholstery products from Leatherworld

Our Group purchases upholstery products only from Leatherworld, which also provides upholstery services to our Group. The purchases were made on an arm's length basis and were on normal commercial terms and were not prejudicial to the interests of our Group and our minority Shareholders as our Group had previously sourced for alternative quotes before selecting Leatherworld as a subcontractor. The prices paid to Leatherworld were comparable to those charged by other suppliers to us.

The total purchases by our Group from Leatherworld during the Relevant Period were as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)	1H2017 (RM'000)	From 1 July 2017 to the Latest Practicable Date (RM'000)
Purchases of upholstery products from Leatherworld	–	47	–	–	–

We intend to continue to enter into similar transactions with Leatherworld under our IPT Mandate following the Listing. Such arrangements will be subject to the review procedures under our IPT Mandate.

(b) Sales of raw materials

Our Group sold raw materials such as boards to Leatherworld. The sales of raw materials were entered into on an arm's length basis and on normal commercial terms and were not prejudicial to the interests of our Group and our minority Shareholders as the prices charged by our Group were comparable to those charged by us to other third parties.

The total sales of raw materials by our Group to Leatherworld during the Relevant Period were as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)	1H2017 (RM'000)	From 1 July 2017 to the Latest Practicable Date (RM'000)
Sales of raw materials to Leatherworld	–	98	564	284	242

We intend to continue to enter into similar transactions with Leatherworld under our IPT Mandate following the Listing. Such arrangements will be subject to the review procedures under our IPT Mandate.

(c) Purchases of semi-finished goods

Our Group purchased semi-finished goods such as cushions for headboards and footboards from Leatherworld. The purchases were made on an arm's length basis and on normal commercial terms and were not prejudicial to the interests of our Group and our minority Shareholders as our Group had previously sourced for alternative quotes before selecting Leatherworld as a supplier.

The total purchases of semi-finished goods by our Group from Leatherworld during the Relevant Period were as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)	1H2017 (RM'000)	From 1 July 2017 to the Latest Practicable Date (RM'000)
Purchase of semi-finished goods from Leatherworld	–	319	2,126	1,468	1,657

We intend to continue to enter into similar transactions with Leatherworld under our IPT Mandate following the Listing. Such arrangements will be subject to the review procedures under our IPT Mandate.

MANDATE FOR RECURRING INTERESTED PERSON TRANSACTIONS

We anticipate that our Group will, in the ordinary course of business, continue to enter into certain transactions with our Interested Persons (as defined in the Catalist Rules). In view of the time-sensitive nature of such business transactions, we believe that it would be advantageous for our Company to adopt a general mandate to enter into certain recurring Interested Person Transactions in the ordinary course of business of our Group (the "**IPT Mandate**"), provided that all such transactions are carried out on normal commercial terms and are not prejudicial to the interests of our Company and our minority Shareholders.

Pursuant to Rule 920(2) of the Catalist Rules, our Company may treat the IPT Mandate as having been given, if the information required under Rule 920(1)(b) of the Catalist Rules is included in this Offer Document. The information required under Rule 920(1)(b) is set out below:

(i) the class of Interested Persons with which the Entity At Risk (as defined below) will be transacting;

(ii) the nature of the transactions contemplated under the mandate;

(iii) the rationale for, and benefit to, the Entity At Risk;

(iv) the methods or procedures for determining transaction prices;

(v) the independent financial adviser's opinion on whether the methods or procedures in paragraph (iv) above are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of our Company and our minority Shareholders;

(vi) an opinion from our Audit Committee if it takes a different view to the independent financial adviser;

(vii) a statement from our Company that our Company will obtain a fresh mandate from our Shareholders if the methods or procedures in paragraph (iv) above become inappropriate; and

(viii) a statement that the Interested Person will abstain, and has undertaken to ensure that its Associates will abstain, from voting on the resolution approving the transaction.

By subscribing for and/or purchasing the Placement Shares, new Shareholders are deemed to have approved the adoption of the IPT Mandate. The IPT Mandate will be effective until the earlier of: (i) the first annual general meeting of our Company following the Listing or (ii) the first anniversary of the date of Listing. We will be seeking the approval of the independent Shareholders for the renewal of the IPT Mandate at each annual general meeting of our Company following the Listing. The Interested Persons will abstain, and will undertake to ensure their Associates will abstain, from voting on such resolutions for the renewal of the IPT Mandate. Such Interested Persons and/or their Associates shall not accept appointments as proxies in respect of the foregoing, unless specific instructions as to voting are given.

Entities At Risk

For the purposes of the IPT Mandate, an "**Entity At Risk**" means:

(i) our Company;

(ii) a subsidiary of our Company that is not listed on the SGX-ST or an approved exchange; or

(iii) an associated company of our Company that is not listed on the SGX-ST or an approved exchange, provided that our Group or our Group and Interested Persons, has control over the associated company.

Classes of Mandated Interested Persons

The IPT Mandate will apply to our Group's transactions with the corporate associates of Mr Tan Kwee Chai, including Lean Shern as well as LYFC and its subsidiaries (which, as at the Latest Practicable Date, includes Leatherworld and LP Global) (collectively, the "**Mandated Interested Persons**", and each a "**Mandated Interested Person**"). Corporate associates refer to any company in which Mr Tan Kwee Chai and/or his immediate family together (directly or indirectly) have an interest of 30.0% or more.

Mandated Transactions

Our Group envisages that the following transactions with the Mandated Interested Persons, which are of a revenue or trading nature or for those necessary for the day-to-day operations of our Group ("**Mandated Transactions**"), are likely to occur from time to time:

(i) purchase of raw materials and/or semi-finished goods from the Mandated Interested Person(s);

(ii) sale of raw materials, indirect materials and/or semi-finished goods to the Mandated Interested Person(s) for further processing by the Mandated Interested Person(s) and purchase of such processed semi-finished goods from the Mandated Interested Person(s); and

(iii) obtaining of subcontracting services and/or services incidental or connected to the purchase of raw materials and/or semi-finished goods from the Mandated Interested Person(s).

Transactions with Interested Persons (including Mandated Interested Persons) which do not fall within the categories of the Mandated Transactions as set out above shall be subject to the relevant provisions of Chapter 9 of the Catalist Rules. The Mandated Transactions do not include the purchase or sale of assets, undertakings or businesses.

Rationale for and benefits of the IPT Mandate

The Mandated Transactions are recurring transactions that are likely to occur with some degree of frequency and may arise at any time and from time to time during the ordinary course of business of our Group. We believe that it will be beneficial to our Group to transact or continue to transact with the Mandated Interested Persons for the following reasons:

(i) The factories of the Mandated Interested Persons are located within close proximity to our Group's factories. This helps to shorten the time required for the transportation of goods between factories and allows faster turnaround of orders. Our Group can also closely monitor the quality of the products and services.

(ii) Our Group has been transacting with the Mandated Interested Persons since 2003 and has developed a good working relationship with the Mandated Interested Persons, which helps in fulfilling our objective of delivering high quality products within a short time frame to our customers.

(iii) Our Group will enjoy cost efficiencies arising from discounts on bulk purchases and shipments when we aggregate the quantities required by our Group and our subcontractors (including the Mandated Interested Persons), and place larger orders with our suppliers (in particular, raw material suppliers). This will also enable our Group to control the quality of the raw materials used by our subcontractors.

(iv) The procurement of raw materials and/or semi-finished goods and/or services from the Mandated Interested Persons pursuant to the IPT Mandate would enable our Group to benefit from having access to Mandated Interested Persons in addition to transacting with non-Interested Persons.

(v) The sale of raw materials, indirect materials and/or semi-finished goods to the Mandated Interested Persons is necessary to facilitate the provision of subcontracting services and/or services incidental or connected to the purchase of raw materials and/or semi-finished goods (including but not limited to veneer lamination services, upholstery products and assembly services for casegoods and side rails) by Mandated Interested Persons.

The IPT Mandate (and the subsequent annual renewal at the annual general meeting of our Company) will eliminate the need to convene separate general meetings to seek our Shareholders' approval to enter into the Mandated Transactions when the aggregate value of the relevant Mandated Transactions exceeds 5.0% of the latest audited NTA of our Group. This will substantially reduce the administrative time and expenses associated with the convening of general meetings, and allow our Group to channel the resources towards achieving other corporate and business objectives.

Our Shareholders will still be informed of the aggregate value of such Mandated Transactions through our Company's interim and full-year financial results announcements and in our annual reports. Disclosure will be made in the format required by the Catalist Rules during the current financial year and for the subsequent financial years during which the IPT Mandate is in force.

Methods and Procedures for the IPT Mandate

Having regard to the nature of the Mandated Transactions and the objectives of the IPT Mandate which is to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of our Company and our minority Shareholders, our Group proposes to implement the following methods and procedures for the Mandated Transactions:

(a) Methods and Procedures for entering into the Mandated Transactions

(i) all Mandated Transactions shall be conducted in accordance with our usual business practices and standard operating procedures, including the receipt of approvals from the relevant departments such as the marketing department's approval on the need for such raw materials, semi-finished goods or services and warehouse department's approval on the lack of the relevant raw materials and/or semi-finished goods;

(ii) all Mandated Transactions shall be entered into, on usual margins or prices or rates extended to or received by our Group for the same or substantially similar type of products or services between our Group and unrelated third parties, and the terms are not less favourable to our Group as compared to those extended to or received from unrelated third parties;

(iii) the sale and/or purchase of raw materials, indirect materials, semi-finished goods and/or services shall be conducted in the following manners:

(I) for generic raw materials, indirect materials and/or semi-finished goods, our industrial engineering department shall set out the price lists for the sale of such raw materials and/or semi-finished goods to our suppliers (including the Mandated Interested Persons). Similarly, our purchasing department shall set out the price lists for the procurement of raw materials and/or indirect materials from our suppliers (including the Mandated Interested Persons). Such price lists shall be determined in accordance with the price range for the raw materials, indirect materials and/or semi-finished goods transacted in the last 12 months preceding the price lists. The price lists will also provide for foreign currency fluctuations (in particular, between US$ and RM) and for raw material price fluctuations. The price lists (together with the basis) shall be updated annually and when our Group launches new product models. All sale and purchase of such raw materials, indirect materials and/or semi-finished goods, whether to or from the Mandated Interested Persons or otherwise, for the relevant year shall be based on the price lists as determined by the respective departments of our Group. Notwithstanding the foregoing, prior approval of the Audit Committee will be required for each Mandated Transaction above RM100,000 and where the pricing for the transaction deviates more than 20.0% from the prices stated in the price lists; and

(II) for raw materials, indirect materials and/or semi-finished goods which we sell to the Mandated Interested Persons to facilitate the provision of subcontracting services and/or services incidental or connected to the purchase of raw materials and/or semi-finished goods, all sales to the Mandated Interested Persons will be undertaken based on the price lists as mentioned above. When purchasing the processed semi-finished goods from the Mandated Interested Persons, our outsource purchasing department will (A) cross reference the purchase order with the corresponding sale order to ensure that purchase price for the materials matches; and (B) ensure that the price proposed by Mandated Interested Persons for the services to be rendered is within the range estimated by our industrial engineering department after taking into account, the complexity of the services (for example, the skill sets and the labour hours required), the quantity and the delivery time frame required for the order.

(b) Approval Thresholds

Mandated Transactions which involve direct purchase of raw materials and/or semi-finished goods will be reviewed and approved by the respective heads of departments (such as industrial engineering, production planning and purchasing departments) prior to the placement of the orders with the Mandated Interested Persons. Mandated Transactions which involve sale to the Mandated Interested Persons to facilitate the provision of subcontracting services and/or services incidental or connected to the purchase of raw materials and/or semi-finished goods will be reviewed and approved by the head of outsource purchasing department prior to the placement of the orders with the Mandated Interested Persons.

For Mandated Transactions above RM100,000 each, in the event that the pricing for such transaction deviates by more than 20.0% from the prices stated in the price lists, we shall seek our Audit Committee's approval prior to placement of the orders with the Mandated Interested Persons.

If any of the approval personnel has an interest in the transaction, he or she shall abstain from any decision making in respect of that transaction. Any senior executive(s) of our Group, who has no interest in the transaction, as designated by our Audit Committee, may review and approve the transaction in his/her stead.

The approval thresholds set out above are adopted by our Group taking into account, *inter alia*, the nature, volume, recurrent frequency and size of the transactions as well as our Group's day-to-day operations, administration and businesses. The threshold limits are arrived at as a result of the balancing exercise after considering the operational efficiency for the day-to-day business operations of our Group and the internal control procedures of our Group. The threshold limits act as an additional safeguard to supplement the methods and procedures which will be implemented for Mandated Transactions.

In determining the threshold for the percentage deviation, we have taken into consideration the following:

(a) a 20.0% increase to the single largest transaction with the Mandated Interested Persons during the Period Under Review will result in less than 0.1% decrease to our Group's gross profit and profit before tax for FY2016 respectively; and

(b) a 20.0% increase to the aggregate value of all Mandated Transactions will result in less than 5.0% decrease to our Group's gross profit and profit before tax for FY2016 respectively, with a decrease of less than one (1) percentage point to our Group's gross profit margin and profit before tax margin for FY2016.

Our Audit Committee has considered the approval thresholds set out above to be reasonable.

(c) *Register of Interested Person Transactions*

Our Company will maintain a register of all Interested Person Transactions (the "**IPT Register**"), including the Mandated Transactions carried out with Mandated Interested Person(s) pursuant to the IPT Mandate, and the register shall include all information pertinent to all the Interested Person Transactions, such as, but not limited to, the nature of the Interested Person Transactions, the amount of the Interested Person Transactions, the price lists, the basis and rationale for determining the transaction prices, material terms and conditions, and the relevant supporting documentations. For the avoidance of doubt, all Interested Person Transactions, regardless of the transacted amount, shall be recorded in the IPT Register.

The IPT Register shall be prepared, maintained and monitored by a senior officer of the finance department, who shall not be interested in any of the Interested Person Transactions and who is duly delegated to do so by our Audit Committee.

(d) *Periodic Internal Reviews*

On a quarterly basis, the accounts and finance department shall submit a quarterly report to our Audit Committee, setting out (i) the aggregate amount of Mandated Transactions with the respective Mandated Interested Persons; (ii) the highest and lowest amount of Mandated Transactions with the respective Mandated Interested Persons; and (iii) the total number of Mandated Transactions.

On a quarterly basis, our Audit Committee shall review the IPT Register and any accompanying documents (or such other documents as may be required or as our Audit Committee may deem necessary) to ascertain that the established methods and procedures for the Mandated Transactions have been complied with.

If during these reviews by our Audit Committee, our Audit Committee is of the view that the established methods and procedures for the Mandated Transactions have become inappropriate or insufficient in view of changes to the nature of, or the manner in which, the business activities of our Company are conducted, it will take such actions as it deems appropriate and/or institute additional methods and procedures as necessary (and where relevant, obtain a fresh mandate for Mandated Transactions from our Shareholders) to ensure that the Mandated Transactions will be conducted based on normal commercial terms and will not be prejudicial to the interests of our Company and our minority Shareholders.

If a member of our Audit Committee has an interest in an Interested Person Transaction to be reviewed by our Audit Committee, he will abstain from voting on any resolution, and/or any decision and/or any review of the established review procedures in respect of that Interested Person Transaction. Approval of that Interested Person Transaction will be undertaken by the remaining members of our Audit Committee.

(e) *Annual review by Internal Auditors*

The internal auditors of our Company shall on an annual basis, review the IPT Register to ascertain that the methods and procedures for Interested Person Transactions (including the methods and procedures for the Mandated Transactions) have been complied with.

(f) Disclosure in Financial Results Announcements and Annual Reports

Our Board will ensure that all disclosure, approvals and other requirements on Interested Person Transactions, including those required by prevailing legislation, the Catalist Rules and relevant accounting standards, are complied with.

Our Company will announce the aggregate value of transactions conducted with the Mandated Interested Person(s) pursuant to the IPT Mandate for the relevant financial periods which our Company is required to report on pursuant to the Catalist Rules and within the time required for the announcement of such reports.

Disclosure will also be made in our Company's annual report of the aggregate value of transactions conducted with the Mandated Interested Person(s) pursuant to the IPT Mandate during the financial year, and in the annual reports for subsequent financial years that the IPT Mandate continues in force, in accordance with the requirements of Chapter 9 of the Catalist Rules.

The name of the Interested Person and the corresponding aggregate value of the Interested Person Transactions will be presented in the following format:

Name of Interested Person	Aggregate value of all Interested Person Transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under Shareholders' general mandate pursuant to Rule 920 of the Catalist Rules)	Aggregate value of all Interested Person Transactions conducted under Shareholders' general mandate pursuant to Rule 920 of the Catalist Rules (excluding transactions less than S$100,000)

Opinion of the Independent Financial Adviser

Xandar Capital Pte. Ltd. has been appointed as the independent financial adviser pursuant to Rule 920(1)(b)(v) of the Catalist Rules, to opine on whether the methods and procedures, as set out above, are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of our Company and our minority Shareholders.

After reviewing the scope of the IPT Mandate, Xandar Capital Pte. Ltd. is of the opinion that the methods and procedures for determining the transaction prices of the Mandated Transactions, if adhered to strictly, are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms, and will not be prejudicial to the interests of our Company and our minority Shareholders. Please refer to Appendix E of this Offer Document for the letter from Xandar Capital Pte. Ltd. to our Independent Directors.

Audit Committee's Statement

Our Audit Committee is of the view that the methods and procedures for determining the transaction prices of the Mandated Transactions, if adhered strictly, are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms, and will not be prejudicial to the interests of our Company and our minority Shareholders.

RELEVANT PERSON TRANSACTIONS

Apart from Interested Person Transactions, this section also sets out material transactions ("**Relevant Person Transactions**") between our Group and the following company (the "**Relevant Person**") which do not fall within the ambit of Chapter 9 of the Catalist Rules.

Relevant Person	Relationship
AGIG Enterprise Sdn. Bhd. ("**AGIG**")	AGIG was incorporated in Malaysia on 23 August 2002. As at the Latest Practicable Date, Mr Boo Ngek Hee and another individual who is not related to any of our Directors, CEO, Executive Officers or Controlling Shareholders, Mr Toh Goe San, each owns 50.0% of the issued and paid-up capital of AGIG. The directors of AGIG are Mr Boo Ngek Hee and Mr Toh Goe San. Mr Boo Ngek Hee is not involved in the day-to-day running and management of AGIG and is a non-executive director. AGIG is principally engaged in the business of spraying of furniture and woodworking, and assembling casegoods. None of the Directors is a nominee of Mr Boo Ngek Hee. Notwithstanding Mr Boo Ngek Hee's role in our Company as Chief Quality Controller, Mr Boo Ngek Hee is not involved in our Company's process of selecting subcontractors.
Tan Boon Heem and Boo Mui Guek	Mdm Boo Mui Guek is the niece of Mr Boo Ngek Hee, our Chief Quality Controller. Mr Tan Boon Heem is the spouse of Mdm Boo Mui Guek.

Lease of Batu 6 from Tan Boon Heem and Boo Mui Guek

Our Group leased a property at Batu 6 as a staff hostel for RM1,000 per month from Mdm Boo Mui Guek and her spouse, Mr Tan Boon Heem. Mdm Boo Mui Guek is the niece of Mr Boo Ngek Hee. There is currently a lease agreement entered for the lease of Batu 6 for the period from 1 January 2017 to 31 December 2018.

The lease of Batu 6 was entered into on an arm's length basis and on normal commercial terms and was not prejudicial to the interests of our Group and our minority Shareholders as the monthly rent was charged with reference to the price per sq ft of properties leased to and from third parties for the same area at the point of signing the lease agreement.

The rent paid by our Group to Mr Tan Boon Heem and Mdm Boo Mui Guek during the Relevant Period were as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)	1H2017 (RM'000)	From 1 July 2017 to the Latest Practicable Date (RM'000)
Rent paid to Mr Tan Boon Heem and Mdm Boo Mui Guek	12	12	12	6	6

Transactions with AGIG

(a) Subcontracting transactions with AGIG

Our Group engages AGIG as a subcontractor for providing spray painting and casegoods assembly services. These subcontracting transactions were made on an arm's length basis and on normal commercial terms and were not prejudicial to the interests of our Group and our minority Shareholders as the transactions with AGIG were transacted on terms comparable to those offered to other subcontractors we engage for spray painting and/or casegoods assembly.

The total subcontracting transactions between our Group and AGIG during the Relevant Period were as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)	1H2017 (RM'000)	From 1 July 2017 to the Latest Practicable Date (RM'000)
Subcontracting fees charged by AGIG	7,392	9,467	8,538	5,023	3,811

(b) Purchases and sales of indirect materials

Our Group purchased and sold indirect materials from and to AGIG. The prices for the purchases of indirect materials were independently determined by the management of AGIG, and hence these transactions were entered into on an arm's length basis and on normal commercial terms. The sale of indirect materials were entered into on an arm's length basis and on normal commercial terms as the prices charged by our Group were comparable to those charged by us to other third parties. Accordingly, our Directors are of the view that these purchases and sales of indirect materials were not prejudicial to the interests of our Group and our minority Shareholders.

The total purchases and sales of indirect materials by our Group from and to AGIG during the Relevant Period were as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)	1H2017 (RM'000)	From 1 July 2017 to the Latest Practicable Date (RM'000)
Purchase of indirect materials from AGIG	2	–	–	–	–
Sales of indirect materials to AGIG	–	–	15	–	–

(c) Sales of plant and equipment

In FY2014, FY2015 and 1H2017, our Group sold some plant and equipment such as panel saws, double ended saws, air compressors, air dryers, overhead routers, single boring, vertical receiver tanks and working tables to AGIG and each of these were one-off transactions. The sales to AGIG in FY2014 and FY2015 were not carried out on an arm's length basis and not on normal commercial terms as our Group did not seek alternative quotes before selling the plant and equipment to AGIG. However, these sales were not prejudicial to the interests of our Group and our minority Shareholders as the plant and equipment were sold to AGIG at a price higher than the net book value stated in the audited accounts for FY2014 and FY2015 respectively, each being the latest available audited accounts, at the point of the respective sale. The sale of plant and equipment to AGIG in 1H2017 were on an arm's length basis and were on normal commercial terms as our Group had sourced for an alternative quote from a third party before the sale to AGIG. As the prices charged by AGIG were comparable to the quote by the third party to us, the sale of plant and equipment to AGIG was not prejudicial to the interests of our Group and our minority Shareholders.

The total sales of plant and equipment by our Group to AGIG during the Relevant Period were as follows:

	FY2014 (RM'000)	FY2015 (RM'000)	FY2016 (RM'000)	1H2017 (RM'000)	From 1 July 2017 to the Latest Practicable Date (RM'000)
Sales of plant and equipment to AGIG	49	1	–	11	–

GUIDELINES AND REVIEW PROCEDURES FOR FUTURE INTERESTED PERSON TRANSACTIONS

To ensure that future transactions with Interested Persons are undertaken on normal commercial terms and are consistent with our Group's usual business practices, which are generally no more favourable than those extended to unrelated third parties, the following procedures will be implemented by our Group:

(a) when purchasing items from or engaging the services of Interested Persons, the prices and terms of at least two (2) other comparative offers (where appropriate) from unrelated third parties will be used as comparison wherever possible. The purchase price or fee for services shall not be higher than the most competitive price or fee of the two (2) comparative offers (where appropriate) from unrelated third parties. In determining the most competitive price or fee, all pertinent factors, including but not limited to quantity, quality, delivery time and track record will be taken into consideration;

(b) when selling items or providing services to Interested Persons, the prices and terms of at least two (2) other completed transactions of similar nature and size to unrelated third parties are to be used as comparison wherever possible. The sale price or fee for the supply of services shall not be lower than the lowest sale price or fee of the other two (2) completed transactions to unrelated third parties;

(c) when leasing property from or to Interested Persons, our Directors shall take appropriate steps to ensure that the amount of rent for such lease is commensurate with the prevailing market rates, including adopting measures such as making relevant enquiries with landlords of properties of similar location and size, or obtaining necessary reports or reviews published by property agents (including an independent valuation report by a property valuer, where appropriate). The rent payable shall be based on the most competitive market rate of similar properties in terms of size and location, based on the results of the relevant enquiries; and

(d) where it is not possible to compare against the terms of other transactions with unrelated third parties and given that the products and/or services may be purchased only from an Interested Person, the Interested Person Transaction will be approved by our Audit Committee, in accordance with our Group's usual business practices and policies. In determining the transaction price payable to the Interested Person for such products and/or services, factors such as, but not limited to, quantity, requirements and specifications will be taken into account.

Notwithstanding that Mr Boo Ngek Hee is not considered an Interested Person under Chapter 9 of the Catalist Rules and transactions with Mr Boo Ngek Hee and his Associates will not be subject to the relevant rules under Chapter 9 of the Catalist Rules, the above procedures shall also be adopted in respect of all transactions with Mr Boo Ngek Hee and his Associates (in particular, AGIG), and our internal audit plan will also include a review of the transactions with AGIG on a sampling basis. Our Audit Committee is of the view that such procedures adopted in respect of all transactions with AGIG are sufficient to ensure that the transactions with AGIG will be carried out on normal commercial terms. The Independent Financial Adviser is of the opinion that such procedures adopted in respect of all transactions with Mr Boo Ngek Hee and his Associates (in particular, AGIG) are sufficient to ensure that the transactions with Mr Boo Ngek Hee and his Associates (in particular, AGIG) will be carried out on normal commercial terms and will not be prejudicial to the interests of our Company and our minority Shareholders. Please refer to Appendix E of this Offer Document for the letter from Xandar Capital Pte. Ltd. to our Independent Directors.

All Interested Person Transactions above S$100,000 are to be approved by a Director who shall not be an Interested Person in respect of the particular transaction. Any contract to be made with an Interested Person shall not be approved unless the pricing is determined in accordance with our usual business practices and policies, consistent with the usual margin given or price received by our Company for the same or substantially similar type of transactions between our Company and unrelated parties and the terms are not more favourable to the Interested Person than those extended to or received from unrelated parties. For the purposes above, where applicable, contracts for the same or substantially similar type of transactions entered into between our Company and unrelated third parties will be used as a basis for comparison to determine whether the price and terms offered to or received from the Interested Person are not more favourable than those extended to unrelated third parties.

In addition, we shall monitor all Interested Person Transactions entered into by our Company by categorising the transactions as follows:

(a) a "Category 1" Interested Person Transaction (either individually or if aggregated with other transactions involving the same Interested Person during the same financial year) is one where the value or aggregate value thereof is equal to or more than 3.0% of the latest audited NTA of our Group; and

(b) a "Category 2" Interested Person Transaction (either individually or if aggregated with other transactions involving the same Interested Person during the same financial year) is one where the value or aggregate value thereof is below 3.0% of the latest audited NTA of our Group.

"Category 1" Interested Person Transactions must be reviewed and approved by our Audit Committee prior to entry. "Category 2" Interested Person Transaction need not be approved by our Audit Committee prior to entry but must be approved by the CFO prior to entry and must be reviewed on a half-yearly basis by our Audit Committee. In its review, our Audit Committee will ensure that all future Interested Person Transactions are conducted on normal commercial terms and are not prejudicial to the interests of our Company and our minority Shareholders.

In respect of all Interested Person Transactions, we shall adopt the following policies:

(a) Our Audit Committee will review all Interested Person Transactions to ensure that the prevailing rules and regulations of the SGX-ST (in particular, Chapter 9 of the Catalist Rules) are complied with.

(b) In the event that a member of our Audit Committee is interested in any Interested Person Transaction, he will abstain from deliberating, reviewing and/or approving that particular transaction.

(c) We shall maintain the IPT Register to record all Interested Person Transactions which are entered into by our Group, including any quotations obtained from unrelated parties to support the terms of the Interested Person Transactions.

(d) We shall incorporate into our internal audit plan a review of all Interested Person Transactions entered into by our Group.

(e) Our Audit Committee shall review the internal audit reports at least on an annual basis to ensure that all Interested Person Transactions are carried out on an arm's length basis and in accordance with the procedures outlined above. Furthermore, if during these periodic reviews, our Audit Committee believes that the guidelines and procedures as stated above are not sufficient to ensure that the interests of our Company and our minority Shareholders are not prejudiced, we will adopt new guidelines and procedures. Our Audit Committee may request for an independent financial adviser's opinion as it deems fit.

In addition, we are subject to the rules prescribed in the Catalist Rules. As such, we will also comply with the provisions in Chapter 9 of the Catalist Rules in respect of all Interested Person Transactions, and if required under the Catalist Rules, we will seek independent Shareholders' approval (where necessary) for such transactions.

POTENTIAL CONFLICTS OF INTEREST

Generally, a conflict of interest arises when any of our Directors, CEO, Controlling Shareholders or their Associates is carrying on the same business or dealing in similar products as our Group. None of our Directors, CEO, Controlling Shareholders or their Associates is carrying on the same business or dealing in similar products as our Group.

Our Board believes that the interest of our Directors, CEO, Controlling Shareholders and their Associates in the following companies and/or their relationship with these companies do not pose any conflict for the reasons set out below:

(i) Lean Shern

Lean Shern, a company incorporated in Malaysia and wholly-owned by Mr Tan Khwee Ming and Mr Tan Kwee Song, who are both brothers of Mr Tan Kwee Chai and Mr Tan Kwee Lim, is engaged in the business of assembling casegoods in Malaysia.

Our Board is of the view that there are no potential conflicts of interest arising from Mr Tan Khwee Ming and Mr Tan Kwee Song being shareholders and directors of Lean Shern as: (i) Mr Tan Kwee Chai and Mr Tan Kwee Lim do not have any executive role in the management of Lean Shern; (ii) Lean Shern principally engages in assembling casegoods which consists one of our Group's production process for its bedroom furniture; (iii) Lean Shern does not have the capability to manufacture finished goods; and (iv) the shareholders of Lean Shern have provided the Lean Shern Non-Competition Deed (as defined below).

(ii) LP Global

LP Global, a company incorporated in Malaysia and wholly-owned by LYFC, is engaged in the business of veneer lamination on boards in Malaysia.

Our Board is of the view that there are no potential conflicts of interest arising from the interests of Mr Tan Kwee Chai, Mr Tan Yong Chuan, Mr Tan Kwee Lim, Mr Tan Yong Siang and Mdm Cha Geek Ngo in LP Global as while the products LP Global produces are used as raw materials by our Group, LP Global does not have the capability to manufacture finished goods.

(iii) Leatherworld

Leatherworld, a company incorporated in Malaysia and 51.0%-owned by LYFC, is engaged in the business of manufacturing upholstery products in Malaysia.

Our Board is of the view that there are no potential conflicts of interest arising from the interests of Mr Tan Kwee Chai, Mr Tan Yong Chuan, Mr Tan Kwee Lim, Mr Tan Yong Siang and Mdm Cha Geek Ngo in Leatherworld as while the upholstery Leatherworld manufactures is used by our Group for attachment to its bedroom furniture, Mr Tan Kwee Chai and Mr Tan Yong Chuan do not have any executive role in the management of Leatherworld.

(iv) Viwood

Viwood, a company incorporated in Malaysia and wholly-owned by Mr Tan Yong Chuan and Ms Tan Ai Luang, was previously engaged in the business of selling bedroom furniture in Malaysia. Since September 2016, Viwood has ceased to sell bedroom furniture and has been dormant.

Our Board is of the view that there are no potential conflicts of interest arising from the interests of Mr Tan Yong Chuan and Ms Tan Ai Luang in Viwood as Viwood is a dormant company as at the Latest Practicable Date.

Save as disclosed in the sections entitled "Interested Person Transactions" and "Restructuring Exercise" of this Offer Document, none of our Directors, CEO, Controlling Shareholders or any of their Associates has any material interest, direct or indirect, in the following:

(a) any transactions to which our Company or our subsidiaries was or is to be a party;

(b) any company carrying on the same business or dealing in similar products and services as our Group; and

(c) any company that is our customer, principal or other supplier of goods or services.

Mitigation of Potential Conflicts of Interest

To mitigate any potential conflicts of interest arising from competition (perceived or otherwise) between the businesses of Lean Shern, LP Global, Leatherworld and Viwood respectively and our Group, our Company has entered into the following agreements:

(a) a non-competition deed with Mr Tan Khwee Ming and Mr Tan Kwee Song on 20 December 2017 ("**Lean Shern Non-Competition Deed**");

(b) a non-competition deed with Mr Tan Kwee Chai on 20 December 2017 ("**TKC Non-Competition Deed**");

(c) a non-competition deed with Mr Tan Kwee Lim on 20 December 2017 ("**TKL Non-Competition Deed**");

(d) a non-competition deed with Mr Tan Yong Chuan on 20 December 2017 ("**TYC Non-Competition Deed**"); and

(e) a call option and right of first refusal agreement with LYFC on 21 December 2017 ("**Call Option and ROFR Agreement**").

Lean Shern Non-Competition Deed

Under the Lean Shern Non-Competition Deed, each of Mr Tan Khwee Ming and Mr Tan Kwee Song, subject to the terms of the Lean Shern Non-Competition Deed, irrevocably and unconditionally agrees and undertakes that, other than the provision of subcontracting services, by either Mr Tan Khwee Ming and Mr Tan Kwee Song or their respective Associates to any person, company or entity engaged in any Similar or Competing Business, during the Lean Shern Non-Compete Term (as defined below):

(a) he will not, and shall procure that his Associates (whether present or future) shall not, in any capacity either alone or jointly with, through or on behalf of any person or entity, either directly or indirectly, carry on or be employed, engaged, concerned, provide expertise or be interested in any Similar or Competing Business, whether as a shareholder of such Similar or Competing Business or otherwise;

(b) he will not, and shall procure that his Associates (whether present or future) shall not, either on his own account or in conjunction with or on behalf of any other person, firm or company, either directly or indirectly solicit or entice away or attempt to solicit, interfere with or endeavour to entice away from any Group Company, the custom of any person or entity who at any time in the one (1) year before the date of commencement of the Lean Shern Non-Compete Term (as defined below) and/or during the Lean Shern Non-Compete Term is a supplier, customer, client, agent, trader, distributor or correspondent of our Group or in the habit of dealing with our Group;

(c) he will not, and shall procure that his Associates (whether present or future) shall not, either on his own account or in conjunction with or on behalf of any other person, firm or company, either directly or indirectly solicit or entice away or attempt to solicit, interfere with or endeavour to entice away from any Group Company any person who at any time during the Lean Shern Non-Compete Term is an officer, manager or employee of our Group whether or not such person would commit a breach of his contract of employment by reason of leaving such employment;

(d) he will not, and shall procure that his Associates (whether present or future) shall not, either directly or indirectly make use of or disclose or divulge to any third party any trade secrets or confidential information concerning the business, accounts or finances of any Group Company or any of its suppliers and customers' transactions or affairs to any person whatsoever, other than any information properly available to the public or disclosed or divulged pursuant to an order of a court of competent jurisdiction;

(e) he shall not, and shall procure that his Associates shall not, directly or indirectly, share resources (including but not limited to information on employees, customers and suppliers), marketing campaigns, trade secrets, operational premises and facilities with any person, company or entity engaged in any Similar or Competing Business;

(f) he shall not, and shall procure that his Associates shall not, directly or indirectly, either alone or jointly with, through or on behalf of any person, company or entity, assist any person, company or entity engaged in any Similar or Competing Business in any way, including but not limited to managing, providing technical or other advice, financial assistance or otherwise;

(g) in relation to any trade, business or company, he will not, and will procure that his Associates (whether present or future) either directly or indirectly will not use any trade name, logo, trademark or symbol used by our Group at present or in the future (whether registered or not, including but not limited to such words and graphs as "LY Corporation" or "LY Furniture") in such a way as to be capable of being or likely to be confused with the name of our Company or any Group Company, and shall use all reasonable endeavours to procure that no such name shall be used by any person, firm or company with which he is connected; and

(h) he shall inform our Company immediately should he be aware that any breach of any terms as set out in paragraphs (a) – (g) above is imminent, likely or has taken place.

These non-competition obligations shall not apply to the direct or indirect holding of any securities of an issuer listed on a stock exchange, provided that (a) such securities do not exceed 5.0% of the total voting rights of the issuer at any time; and (b) he is not involved in the management and operations of such issuer.

The non-competition obligations under the Lean Shern Non-Competition Deed shall take effect on the date on which our Shares commence trading on Catalist and shall terminate upon the happening of any of the following events:

(a) Mr Tan Kwee Chai and Mr Tan Kwee Lim ceasing to be the following:

    (i) a Director of our Company;

    (ii) a Controlling Shareholder of our Company; and

    (iii) a CEO of our Company,

    provided that Mr Tan Khwee Ming, Mr Tan Kwee Song and their Associates are not Directors, CEO or Controlling Shareholders of our Company; or

(b) subsequent to the Listing, our Shares ceasing to be listed and traded on the SGX-ST; or

(c) Mr Tan Khwee Ming and Mr Tan Kwee Song ceasing to be Controlling Shareholders of Lean Shern,

whichever is the earliest ("**Lean Shern Non-Compete Term**").

TKC Non-Competition Deed and TKL Non-Competition Deed

Under the TKC Non-Competition Deed and TKL Non-Competition Deed, each of Mr Tan Kwee Chai and Mr Tan Kwee Lim, subject to the terms of their respective non-competition deeds, irrevocably and unconditionally agrees and undertakes that, other than the provision of subcontracting services, by either Mr Tan Khwee Ming and Mr Tan Kwee Song or their respective Associates to any person, company or entity engaged in any Similar or Competing Business, during the Non-Compete Term (as defined below):

(a) he will not, and will procure that his Associates (whether present or future) shall not, in any capacity either alone or jointly with, through or on behalf of any person or entity, either directly or indirectly, carry on or be employed, engaged, concerned, provide expertise or be interested in a Similar or Competing Business, whether as a shareholder of such Similar or Competing Business or otherwise;

(b) he will not, and shall procure that his Associates (whether present or future) shall not, either on his own account or in conjunction with or on behalf of any other person, firm or company, either directly or indirectly solicit or entice away or attempt to solicit, interfere with or endeavour to entice away from any Group Company, the custom of any person or entity who at any time in the one (1) year before the date of commencement of the Non-Compete Term (as defined below) and/or during the Non-Compete Term is a supplier, customer, client, agent, trader, distributor or correspondent of our Group or in the habit of dealing with our Group;

(c) he will not, and shall procure that his Associates (whether present or future) shall not, either on his own account or in conjunction with or on behalf of any other person, firm or company, either directly or indirectly solicit or entice away or attempt to solicit, interfere with or endeavour to entice away from any Group Company any person who at any time during the Non-Compete Term is an officer, manager or employee of our Group whether or not such person would commit a breach of his contract of employment by reason of leaving such employment;

(d) he will not, and shall procure that his Associates (whether present or future) shall not, either directly or indirectly make use of or disclose or divulge to any third party any trade secrets or confidential information concerning the business, accounts or finances of any Group Company or any of its suppliers and customers' transactions or affairs to any person whatsoever, other than any information properly available to the public or disclosed or divulged pursuant to an order of a court of competent jurisdiction;

(e) he shall not, and shall procure that his Associates shall not, directly or indirectly, share resources (including but not limited to information on employees, customers and suppliers), marketing campaigns, trade secrets, operational premises and facilities with any person, company or entity engaged in any Similar or Competing Business;

(f) he shall not, and shall procure that his Associates shall not, directly or indirectly, either alone or jointly with, through or on behalf of any person, company or entity, assist any person, company or entity engaged in any Similar or Competing Business in any way, including but not limited to managing, providing technical or other advice, financial assistance or otherwise;

(g) in relation to any trade, business or company, he will not, and will procure that his Associates (whether present or future) either directly or indirectly will not either directly or indirectly use any trade name, logo, trademark or symbol used by our Group at present or in the future (whether registered or not, including but not limited to such words and graphs as "LY Corporation" or "LY Furniture") in such a way as to be capable of being or likely to be confused with the name of our Company or any Group Company, and shall use all reasonable endeavours to procure that no such name shall be used by any person, firm or company with which it is connected; and

(h) he shall inform our Company immediately should he be aware that any breach of any terms as set out in paragraphs (a) – (g) above is imminent, likely or has taken place.

These non-competition obligations shall not apply to the direct or indirect holding of any securities of an issuer listed on a stock exchange, provided that (a) such securities do not exceed 5.0% of the total voting rights of the issuer at any time; and (b) he is not involved in the management and operations of such issuer.

The non-competition obligations under the TKC Non-Competition Deed and TKL Non-Competition Deed shall take effect on the date on which our Shares commence trading on Catalist and shall:

(a) in the case of the TKC Non-Competition Deed, terminate upon the happening of the following events:

    (i) Mr Tan Kwee Chai and his Associates ceasing to be the following: (A) a Director of our Company; (B) a Controlling Shareholder of our Company; and (C) a CEO of our Company; or

    (ii) subsequent to the Listing, our Shares ceasing to be listed and traded on the SGX-ST,

    whichever is the earliest; and

(b) in the case of the TKL Non-Competition Deed, terminate upon the happening of the following events:

    (i) Mr Tan Kwee Lim and his Associates ceasing to be the following: (A) a Director of our Company; (B) a Controlling Shareholder of our Company; and (C) a CEO of our Company; or

    (ii) subsequent to the Listing, our Shares ceasing to be listed and traded on the SGX-ST,

    whichever is the earliest,

(the "**Non-Compete Term**").

<u>TYC Non-Competition Deed</u>

Under the TYC Non-Competition Deed, Mr Tan Yong Chuan, subject to the terms of the TYC Non-Competition Deed, irrevocably and unconditionally agrees and undertakes that, during the TYC Non-Compete Term (as defined below):

(a) he will not, and will procure that his Associates (whether present or future) shall not, in any capacity either alone or jointly with, through or on behalf of any person or entity, either directly or indirectly, carry on or be employed, engaged, concerned, provide expertise or be interested in a Similar or Competing Business, whether as a shareholder of such Similar or Competing Business or otherwise;

(b) he will not, and shall procure that his Associates (whether present or future) shall not, either on his own account or in conjunction with or on behalf of any other person, firm or company, either directly or indirectly solicit or entice away or attempt to solicit, interfere with or endeavour to entice away from any Group Company, the custom of any person or entity who at any time in the one (1) year before the date of commencement of the TYC Non-Compete Term (as defined below) and/or during the TYC Non-Compete Term is a supplier, customer, client, agent, trader, distributor or correspondent of our Group or in the habit of dealing with our Group;

(c) he will not, and shall procure that his Associates (whether present or future) shall not, either on his own account or in conjunction with or on behalf of any other person, firm or company, either directly or indirectly solicit or entice away or attempt to solicit, interfere with or endeavour to entice away from any Group Company any person who shall at any time during the TYC Non-Compete Term is an officer, manager or employee of our Group whether or not such person would commit a breach of his contract of employment by reason of leaving such employment;

(d) he will not, and shall procure that his Associates (whether present or future) shall not, either directly or indirectly make use of or disclose or divulge to any third party any trade secrets or confidential information concerning the business, accounts or finances of any Group Company or any of its suppliers and customers' transactions or affairs to any person whatsoever, other than any information properly available to the public or disclosed or divulged pursuant to an order of a court of competent jurisdiction;

(e) he shall not, and shall procure that his Associates shall not, directly or indirectly, share resources (including but not limited to information on employees, customers and suppliers), marketing campaigns, trade secrets, operational premises and facilities with any person, company or entity engaged in any Similar or Competing Business;

(f) he shall not, and shall procure that his Associates shall not, directly or indirectly, either alone or jointly with, through or on behalf of any person, company or entity, assist any person, company or entity engaged in any Similar or Competing Business in any way, including but not limited to managing, providing technical or other advice, financial assistance or otherwise;

(g) in relation to any trade, business or company, he will not, and will procure that his Associates (whether present or future) either directly or indirectly will not either directly or indirectly use any trade name, logo, trademark or symbol used by our Group at present or in the future (whether registered or not, including but not limited to such words and graphs as "LY Corporation" or "LY Furniture") in such a way as to be capable of being or likely to be confused with the name of our Company or any Group Company, and shall use all reasonable endeavours to procure that no such name shall be used by any person, firm or company with which it is connected; and

(h) he shall inform our Company immediately should he be aware that any breach of any terms as set out in paragraphs (a) – (g) above is imminent, likely or has taken place.

These non-competition obligations shall not apply to the direct or indirect holding of any securities of an issuer listed on a stock exchange, provided that (a) such securities do not exceed 5.0% of the total voting rights of the issuer at any time; and (b) he is not involved in the management and operations of such issuer.

The non-competition obligations under the TYC Non-Competition Deed shall take effect on the date on which our Shares commence trading on Catalist and shall terminate upon the happening of the following events:

(a) Mr Tan Yong Chuan and his Associates ceasing to be the following:

  (i) a Director of our Company;

  (ii) a Controlling Shareholder of our Company; and

  (iii) a CEO of our Company; or

(b) subsequent to the Listing, our Shares ceasing to be listed and traded on the SGX-ST,

whichever is the earliest ("**TYC Non-Compete Term**").

Call Option and ROFR Agreement

Under the Call Option and ROFR Agreement, LYFC has agreed to grant to our Company a call option ("**Call Option**") to acquire from LYFC all the shares that it may from time to time hold in LP Global ("**Option Shares**") or to require that LYFC procures that LP Global sells all its assets ("**Option Assets**") to our Company, and a right of first refusal ("**ROFR**") in respect of the sale or transfer of the Option Shares and Option Assets by LYFC and LP Global respectively, subject to the terms of the Call Option and ROFR Agreement.

The exercise price of the Call Option (a) for the Option Shares shall be the fair market value of the Option Shares as determined by an independent appraiser ("**Appraiser**"); and (b) for the Option Assets shall be the fair market value of the Option Assets as determined by an Appraiser. The Appraiser shall be jointly appointed by our Company and LYFC, and shall be approved by our Audit Committee.

In relation to the ROFR, in the event LYFC desires to sell or transfer any of the Option Shares or LP Global desires to sell or transfer any part of the Option Assets to a third party after Listing, LYFC shall give our Company notice in writing of such desire. Our Company shall then be entitled to purchase such Option Shares or Option Assets within 14 days from the date of notice, and LYFC shall sell such Option Shares or procure that LP Global sells such Option Assets (as the case may be) on the same terms and price. In the event our Company does not apply to purchase the Option Shares or Option Assets (as the case may be) or fails to or does not complete the purchase of the Option Shares or Option Assets (as the case may be) or our Company does not exercise the Call Option, within a specified period, LYFC shall be entitled to sell the Option Shares or Option Assets at a price and on terms no more favourable than as had been offered to our Company.

The Call Option and ROFR Agreement shall terminate upon the happening of any of the following events:

(a) Mr Tan Kwee Chai, Mr Tan Kwee Lim or Mr Tan Yong Chuan:

(i) and their Associates ceases to have in aggregate an interest (direct or indirect) in 15.0% or more of the shares in LP Global; and

(ii) ceases to be a Director, CEO or Controlling Shareholder of our Company;

(b) subsequent to the Listing, the shares of our Company ceasing to be listed and traded on the SGX-ST; or

(c) LYFC ceases to hold any shares in LP Global,

whichever is the earliest ("**Call Option and ROFR Agreement**").

We also believe that any potential conflicts of interest, whether with our Directors, CEO, Controlling Shareholders and their respective Associates, are mitigated as follows:

(a) our Directors have a duty to disclose their interests in respect of any contract, proposal, transaction or any other matter whatsoever in which they have any personal material interest, directly or indirectly, or any actual or potential conflicts of interest (including conflicts of interest that arise from any of their directorships or executive positions or personal investments in any other corporations) that may involve them. Upon such disclosure, such Directors shall not participate in any proceedings of our Board, and shall in any event abstain from voting in respect of any such contract, proposal, transaction or any other matter whatsoever in which the conflict of interest arises, unless and until our Audit Committee has determined that no such conflict of interest exists;

(b) our Audit Committee is required to examine the internal control procedures and review procedures put in place by our Company to determine if such procedures put in place are sufficient to ensure that interested person transactions are conducted on normal commercial terms and will not be prejudicial to our Company and our minority Shareholders;

(c) our Audit Committee will review any actual or potential conflicts of interest that may involve our Directors as disclosed by them to our Board. Upon such disclosure of an actual or potential conflict of interest by a Director, our Audit Committee will consider whether a conflict of interest does in fact exist. A Director who is a member of our Audit Committee will not participate in any proceedings of our Audit Committee in relation to the review of a conflict of interest relating to him. The review will include an examination of the nature of the conflict and such relevant supporting data, as our Audit Committee may deem reasonably necessary;

(d) our Audit Committee will also monitor the investments in our customers, suppliers and competitors made by our Directors, CEO, Controlling Shareholders and their respective Associates who are involved in the management of or have shareholding interests in a similar or related business of our Group (to the extent disclosed by them to our Board) and make assessments on whether there are any potential conflicts of interest; and

(e) our Audit Committee will, following the Listing of our Company on the SGX-ST, undertake the following additional responsibilities:

  (i) review on a periodic basis the framework and processes established above for the implementation of the terms of reference in order to ensure that such framework and processes remain appropriate;

  (ii) review and assess from time to time whether additional processes are required to be put in place to manage any conflicts of interest with our Directors, CEO, Controlling Shareholders and their respective Associates and propose, where appropriate, the relevant measures for the management of such conflicts; and

  (iii) review and propose, where appropriate, the relevant measures for the management of all conflicts of interest matters referred to it.

INTERESTS OF EXPERTS

None of the experts, if any, named in this Offer Document:

(a) is employed on a contingent basis by our Company or our subsidiaries;

(b) has a material interest, whether direct or indirect, in our Shares or in the shares of our subsidiaries; or

(c) has a material economic interest, whether direct or indirect, in our Company, including an interest in the success of the Placement.

INTERESTS OF THE SPONSOR, ISSUE MANAGER AND PLACEMENT AGENT

In the reasonable opinion of our Directors, save as disclosed below and in the section entitled "Sponsorship, Management and Placement Arrangements" of this Offer Document, our Company does not have any material relationship with UOBKH:

(a) UOBKH is the Sponsor, Issue Manager and Placement Agent in relation to the Placement and Listing; and

(b) UOBKH will be the continuing Sponsor of our Company for a period of three (3) years from the date our Company is admitted and listed on Catalist.

LY PERFORMANCE SHARE PLAN

In conjunction with our listing on Catalist we have adopted a performance share plan known as the "LY Performance Share Plan" (the "**Performance Share Plan**"), which was approved by our Shareholders by way of written resolutions of our Shareholders passed on 21 December 2017. The Rules of our Performance Share Plan are set out in Appendix H of this Offer Document.

Rationale

The Performance Share Plan will provide eligible participants (each a "**Participant**" and collectively, the "**Participants**") with an opportunity to participate in the equity of our Company and to motivate them towards better performance through increased dedication and loyalty. The Performance Share Plan forms an integral component of our compensation plan and is designed primarily to reward and retain employees whose services are vital to the growth and performance of our Company and/or our Group.

The Performance Share Plan allows our Group to provide an incentive for Participants to achieve certain specific performance targets by awarding fully paid Shares to Participants after these targets have been met. The assessment criteria for granting the Awards (as described below) under the Performance Share Plan will be based on specific performance targets or to impose time-based service conditions, or a combination of both.

As at the date of this Offer Document, no Awards have been granted under the Performance Share Plan.

1. Objectives of the Performance Share Plan

The main objectives of the Performance Share Plan are as follows:

(a) to attract potential employees with relevant skills to contribute to our Group and to create value for Shareholders;

(b) to instil loyalty to, and a stronger identification by the Participants with the long-term prosperity of, our Group;

(c) to motivate the Participants to optimise their performance standards and efficiency and to maintain a high level of contribution to our Group;

(d) to give recognition to the contributions made by the Participants to the success of our Group; and

(e) to retain key employees of our Group whose contributions are essential to the long-term prosperity of our Group.

2. Summary Of Rules Of the Performance Share Plan

The following is a summary of the rules of the Performance Share Plan. Any capitalised term as used throughout this section, unless otherwise defined, shall bear the meanings as defined in Appendix H of this Offer Document. In the event any capitalised term is defined in the section entitled "Definitions" and Appendix H of this Offer Document, the meaning as defined in Appendix H shall prevail.

2.1 *Eligibility*

The Performance Share Plan allows for participation by confirmed employees of our Group (including Group Executive Directors) and Non-Executive Directors (including Independent Directors) who have attained the age of 21 years on or before the date of grant of the Award provided that none shall be an undischarged bankrupt at the relevant time, and who, in the absolute discretion of our Remuneration Committee will be eligible to participate in the Performance Share Plan.

Controlling Shareholders or their Associates who meet the above eligibility criteria are eligible to participate in the Performance Share Plan provided that (a) the participation of, and (b) the terms of each grant and the actual number of Awards granted under the Performance Share Plan to, a Participant who is a Controlling Shareholder or an Associate of a Controlling Shareholder shall be approved by our independent Shareholders in separate resolutions for each such person.

There shall be no restriction on the eligibility of any Participant to participate in any other share incentive schemes or share plans implemented or to be implemented by our Company or any other company within our Group.

Subject to the Companies Act and any requirement of the SGX-ST, the terms of eligibility for participation in the Performance Share Plan may be amended from time to time at the absolute discretion of our Remuneration Committee.

2.2 *Awards*

Awards represent the right of a Participant to receive fully paid Shares free of charge, upon the Participant achieving the prescribed performance targets.

The selection of the Participants and the number of Shares which are the subject of each Award to be granted to a Participant in accordance with the Performance Share Plan shall be determined at the absolute discretion of our Remuneration Committee, which shall take into account criteria such as, *inter alia*, the rank, scope of responsibilities, performance, years of service and potential for future development and contribution to the success of our Group.

In the case of a performance-related Award, the performance targets will be set by our Remuneration Committee depending on each individual Participant's job scope and responsibilities. The performance targets to be set shall take into account both the medium and long-term corporate objectives of our Group and the individual performance of the Participant and will be aimed at sustaining long-term growth. The corporate objectives shall cover market competitiveness, business growth and productivity growth. The performance targets could be based on criteria such as sales growth, growth in earnings and returns on investment. In addition, the Participant's length of service with our Group, achievements of past performance targets, ability to value-add to our Group's performance and development and overall enhancement to Shareholder value, among others, will be taken into account.

Awards may be granted at any time in the course of a financial year, provided that in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, Awards may only be vested and hence any Shares comprised in such Awards may only be delivered on or after the second Market Day from the date on which the aforesaid announcement is made.

An Award letter confirming the Award will be sent to each Participant as soon as reasonably practicable after the Award is finalised, specifying, *inter alia*, in relation to the Award:

(a) (in relation to a performance-related Award), the performance targets and the performance period during which the prescribed performance targets are to be met;

(b) the number of Shares to be vested on the Participant; and

(c) the date by which the Award shall be vested.

Our Remuneration Committee will take into account various factors when determining the method to arrive at the exact number of Shares comprised in an Award. Such factors include, but are not limited to, the current price of the Shares, the total issued share capital of our Company and the pre-determined Singapore dollar amount which our Remuneration Committee decides that a Participant deserves for meeting his performance targets. For example, Shares may be awarded based on predetermined Singapore dollar amounts such that the quantum of Shares comprised in the Award is dependent on the closing price of the Shares transacted on the Market Day that such Award is vested. Alternatively, our Remuneration Committee may decide for absolute numbers of Shares to be awarded to Participants irrespective of the price of the Shares. Our Remuneration Committee shall monitor the grant of Awards carefully to ensure that the size of the Performance Share Plan will comply with the relevant Catalist Rules.

2.3 *Size and duration of the Performance Share Plan*

The total number of Shares which may be delivered pursuant to the vesting of Awards on any date, when added to the aggregate number of Shares issued and/or issuable in respect of (i) all Awards granted under the Performance Share Plan; and (ii) all other Shares issued and/or issuable under any other share-based incentive schemes or share plans of our Company, shall not exceed 15.0% of the total number of issued Shares (excluding treasury shares) of our Company from time to time.

Our Directors believe that the size of the Performance Share Plan will give our Company sufficient flexibility to decide the number of Shares to be offered under the Performance Share Plan. However, it does not indicate that our Remuneration Committee will definitely issue Shares up to the prescribed limit. Our Remuneration Committee will exercise its discretion in deciding the number of Shares to be granted to each Participant under the Performance Share Plan. This, in turn, will depend on, and be commensurate with, the performance and value of the Participant to our Group.

The aggregate number of Shares that are available to the Controlling Shareholders and their Associates under the Performance Share Plan shall not exceed 25.0% of the total number of Shares available under the Performance Share Plan. The number of Shares that are available to each Controlling Shareholder or each of their Associates under the Performance Share Plan shall not exceed 10.0% of the Shares available under the Performance Share Plan.

The Performance Share Plan shall continue in force at the discretion of our Remuneration Committee, subject to a maximum period of ten (10) years commencing on the date on which the Performance Share Plan is adopted by our Company by way of written resolutions, provided always that the Performance Share Plan may continue beyond the above stipulated period with the approval of our Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

Notwithstanding the expiry or termination of the Performance Share Plan, any Awards made to Participants prior to such expiry or termination will continue to remain valid.

2.4 *Operation of the Performance Share Plan*

Our Remuneration Committee shall have the discretion to determine whether performance targets have been met (whether fully or partially) or exceeded and/or whether the Participant's performance and/or contribution to our Company and/or any of our subsidiaries justifies the vesting of an Award. In making any such determination, our Remuneration Committee shall have the right to make reference to the audited results of our Company or our Group, as the case may be, to take into account such factors as our Remuneration Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend the performance targets if our Remuneration Committee decides that it would be a fairer measure of performance.

Awards may only be vested and consequently any Shares comprised in such Awards shall only be delivered upon our Remuneration Committee being satisfied that the Participant has achieved the performance targets.

Subject to the prevailing legislation and the provisions of the Catalist Rules, our Company will be delivering Shares to Participants upon vesting of their Awards by way of an issue of New Shares or the transfer of existing Shares held as treasury shares to the Participants. In determining whether to issue New Shares or to purchase existing Shares for delivery to Participants upon the vesting of their Awards, our Company will take into account factors such as the number of Shares to be delivered, the prevailing market price of the Shares and the financial effect on our Company of either issuing New Shares or purchasing existing Shares.

New Shares allotted and issued on the release of an Award shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or after the date of issue of the New Shares or the date of transfer of treasury shares pursuant to the vesting of the Award, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

2.5 *Adjustments and alterations under the Performance Share Plan*

(i) Variation of Capital

If a variation in the issued ordinary share capital of our Company whether by way of a capitalisation issue or other circumstances (for example, rights issue, capital reduction, subdivision, consolidation of shares or distribution) shall take place, then:

(A) the class and/or number of Shares which are the subject of an Award to the extent not yet vested; and/or

(B) the class and/or number of Shares over which future Awards may be granted under the Performance Share Plan,

shall be adjusted by our Remuneration Committee to give each Participant the same proportion of the equity capital of our Company as that to which he was previously entitled and, in doing so, our Remuneration Committee shall determine, at its own discretion, the manner in which such adjustment shall be made.

Unless our Remuneration Committee considers an adjustment to be appropriate, the following events shall not normally be regarded as a circumstance requiring adjustment:

(aa) the issue of securities as consideration for an acquisition or a private placement of securities;

(bb) the cancellation of issued Shares purchased or acquired by our Company by way of a market purchase of such Shares undertaken by our Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force;

(cc) the issue of Shares or other securities convertible into or with rights to acquire or subscribe for Shares to its employees pursuant to any share option scheme or share plan approved by Shareholders in general meeting, including the Performance Share Plan; and

(dd) any issue of Shares arising from the exercise of any warrants or the conversion of any convertible securities issued by our Company.

Notwithstanding the provisions of the rules of the Performance Share Plan:

(1) the adjustment must be made in such a way that a Participant will not receive a benefit that a Shareholder does not receive; and

(2) any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

(ii) Modifications to the Performance Share Plan

Any or all the provisions of the Performance Share Plan may be modified and/or altered at any time and from time to time by resolution of our Remuneration Committee, provided that:

(A) any modification or alteration which would be to the advantage of the Participants under the Performance Share Plan shall be subject to the prior approval of Shareholders in a general meeting; and

(B) no modification or alteration shall be made without due compliance with the Catalist Rules and such other regulatory authorities as may be necessary.

2.6 ***Reporting requirements***

Under the Catalist Rules, an immediate announcement must be made on the date of the grant of an Award and provide details of the grant, including the following:

(i) date of grant;

(ii) market price of the Shares on the date of grant of the Award;

(iii) number of Shares granted under the Award;

(iv) number of Shares granted to Directors and Controlling Shareholders (and each of their Associates) under the Award, if any; and

(v) the vesting period in relation to the Award.

The following disclosures (as applicable) will be made by our Company in our annual report for so long as the Performance Share Plan continues in operation:

(A) the names of the members of our Remuneration Committee administering the Performance Share Plan;

(B) in respect of the following Participants:

(1) Directors of our Company;

(2) Participants who are Controlling Shareholders and their Associates; and

(3) Participants (other than those in paragraphs (B)(1) and (B)(2) above) who have received Shares pursuant to the vesting of Awards granted under the Performance Share Plan which, in aggregate, represent 5.0% or more of the total number of Shares available under the Performance Share Plan,

the following information will be required:

(AA) the name of the Participant;

(BB) the aggregate number of Shares comprised in Awards which have been granted to such Participant during the financial year under review;

(CC) the aggregate number of Shares comprised in Awards which have been granted to such Participant since the commencement of the Performance Share Plan to the end of the financial year under review;

(DD) the aggregate number of Shares comprised in Awards which have been issued and/or transferred to such Participants pursuant to the vesting of Awards under the Performance Share Plan since the commencement of the Performance Share Plan to the end of the financial year under review; and

(EE) the aggregate number of Shares comprised in Awards which have not been vested as at the end of the financial year under review; and

(C) such other information as may be required by the Catalist Rules or the Companies Act.

2.7 *Role and composition of our Remuneration Committee*

Our Remuneration Committee shall be responsible for the administration of the Performance Share Plan and shall consist of our Directors.

Our Remuneration Committee shall have the power, from time to time, to make and vary such rules (not being inconsistent with the Performance Share Plan) for the implementation and administration of the Performance Share Plan as they think fit including, but not limited to:

(i) imposing restrictions on the number of Awards that may be vested within each financial year; and

(ii) amending performance targets, if by so doing it would be a fairer measure of performance for a Participant or for the Performance Share Plan as a whole.

In compliance with the requirements of the Catalist Rules, any Participant of the Performance Share Plan who is a member of our Remuneration Committee shall not be involved in the deliberation or decision in respect of Awards granted to or to be granted to him.

2.8 *Rationale for participation by the Controlling Shareholders and their Associates in the Performance Share Plan*

Our Company acknowledges that the services and contributions of employees who are Controlling Shareholders or Associates of our Controlling Shareholders are important to the development and success of our Group. The extension of the Performance Share Plan to confirmed full-time employees who are Controlling Shareholders and Associates of our Controlling Shareholders allows our Group to have a fair and equitable system to reward employees who have actively contributed to the progress and success of our Group. The participation of the Controlling Shareholders and their Associates in the Performance Share Plan will serve both as a reward to them for their dedicated services to our Group and a motivation for them to take a long-term view of our Group.

Although Participants who are Controlling Shareholders or Associates of our Controlling Shareholders may already have shareholding interests in our Company, the extension of the Performance Share Plan to include them ensures that they are equally entitled, with the other employees of our Group, who are not Controlling Shareholders or Associates of our Controlling Shareholders, to take part and benefit from this system of remuneration. We are of the view that a person who would otherwise be eligible should not be excluded from participating in the Performance Share Plan solely by reason that he/she is a Controlling Shareholder or an Associate of our Controlling Shareholders.

The specific approval of our independent Shareholders is required for the participation of such persons as well as the actual number of and terms of such Awards. A separate resolution must be passed for each such Participant. In seeking such approval from our independent Shareholders, clear justification as to the participation of our Controlling Shareholders and their Associates, the number of and terms of the Awards to be granted to the Controlling Shareholders and their Associates shall be provided. Accordingly, we are of the view that there are sufficient safeguards against any abuse of the Performance Share Plan resulting from the participation of employees who are Associates of our Controlling Shareholders.

2.9 ***Rationale for participation by Non-Executive Directors (including Independent Directors)***

While the Performance Share Plan caters principally to Group Employees, it is recognised that there are other persons who make significant contributions to our Group through their close working relationships with our Group, even though they are not employed within our Group. Such persons include our Non-Executive Directors.

Our Non-Executive Directors are persons from different professions and working backgrounds, bringing to our Group their wealth of knowledge, experience, business expertise and contacts in the business community. They play an important role in helping our Group shape its business strategy by allowing our Group to draw on their diverse backgrounds and working experience. It is crucial for our Group to attract, retain and incentivise Non-Executive Directors. By aligning the interests of our Non-Executive Directors with the interests of our Shareholders, our Company aims to instil a sense of commitment on the part of our Non-Executive Directors towards serving the short and long-term objectives of our Group.

Our Directors are of the view that including Non-Executive Directors in the Performance Share Plan will show our Company's appreciation for them and further motivate them in their contribution towards the success of our Group. However, as their services and contributions cannot be measured in the same way as the full-time employees of our Group, while it is desired that participation in the Performance Share Plan be made open to our Non-Executive Directors, any Awards that may be granted to any such Non-Executive Director would be intended only as a token of our Company's appreciation.

For the purpose of assessing the contributions of our Non-Executive Directors, our Remuneration Committee will propose a performance framework comprising mainly non-financial performance measurement criteria, such as the extent of involvement and responsibilities shouldered by our Non-Executive Directors. In addition, our Remuneration Committee will also consider the scope of advice given, the number of contacts and size of deals which our Group is able to procure from those contacts and recommendations made by such Non-Executive Directors. Our Remuneration Committee may also decide that no Awards shall be made in any financial year or no grant and/or Award may be made at all.

It is envisaged that the vesting of Awards, and hence the number of Shares to be delivered to our Non-Executive Directors based on the criteria set out above will be relatively small, in terms of the frequency and numbers. Based on this, our Directors are of the view that the participation by our Non-Executive Directors in the Performance Share Plan will not compromise the independent status of those who are Independent Directors.

2.10 ***Financial Effects of the Performance Share Plan***

Cost of Awards

Financial Reporting Standard 102 (*Share-based Payment*) ("**FRS 102**") is effective for all companies for the financial year beginning 1 January 2005. The Performance Share Plan if settled by way of issuance of new Shares or purchasing of existing shares, would be accounted for as equity-settled share-based transactions, as described in the following paragraphs.

The fair value of employee services received in exchange for the grant of the Awards will be recognised as a charge to profit or loss over the period between the grant date and the vesting date of an Award. The total amount of the charge over the vesting period is determined by reference to the fair value of each Award granted at the grant date and the number of Shares vested at the vesting date, with a corresponding increase in equity.

Before the end of the vesting period, at each accounting year end, the estimate of the number of Awards that are expected to vest by the vesting date is subject to revision, and the impact of the revised estimate will be recognised in profit or loss with a corresponding adjustment to the reserve account. After the vesting date, no adjustment to the charge to profit or loss is made.

The amount charged to profit or loss would be the same whether our Company settles the Awards by issuing new Shares or by purchasing existing Shares. The amount of the charge to profit or loss also depends on whether or not the performance target attached to an Award is measured by reference to the market price of the Shares. This is known as a market condition. If the performance target is a market condition, the probability of the performance target being met is taken into account in estimating the fair value of the Award granted at the grant date, and no adjustments to amounts charged to profit or loss are made if the market condition is not met. However, if the performance target is not a market condition, the fair value per Share of the Awards granted at the grant date is used to compute the amount to be charged to profit or loss at each accounting date, based on an assessment at that date of whether the non-market conditions would be met to enable the Awards to vest. Thus, where the vesting conditions do not include a market condition, there would be no charge to profit or loss if the Awards do not ultimately vest.

In the event that the Participants receive cash, our Company shall measure the fair value of the liability at the grant date. Until the liability is settled, our Company shall re-measure the fair value of the liability at each accounting date and at the date of settlement, with changes in the fair value recognised in profit or loss.

Share capital

The Performance Share Plan will result in an increase in our Company's issued share capital where new Shares are issued to Participants. The number of new Shares issued will depend on, among others, the size of the Awards granted under the Performance Share Plan. In any case, the number of shares to be issued under the Performance Share Plan will be subject to a maximum limit of 15.0% of our total issued Shares (excluding treasury shares). The aggregate number of Shares available under the Performance Share Plan shall not exceed 15.0% of the total issued share capital of our Company (excluding treasury shares) post-Placement and from time to time. If instead of issuing New Shares to the Participants, treasury shares are transferred to Participants or our Company pays the equivalent cash value, the Performance Share Plan would have no impact on our Company's total number of issued Shares.

NTA

The Performance Share Plan will result in a charge to our Company's profit or loss over the period from the grant date to the vesting date of the Awards. The amount of the charge will be computed in accordance with FRS 102. When the new Shares are issued under the Performance Share Plan, there would be no effect on the NTA. However, if instead of issuing new Shares to Participants, existing Shares are purchased for delivery to Participants, or our Company pays the equivalent cash value, the NTA would be impacted by the cost of the Shares purchased or the cash payment, respectively.

EPS

The Performance Share Plan will result in a charge to earnings equivalent over the period from the grant date to the vesting date of the Awards. The amount of the charge will be computed in accordance with FRS 102. It should be noted that the delivery of Shares to Participants of the Performance Share Plan will generally be contingent upon the Participants meeting the prescribed performance targets and conditions.

EXCHANGE CONTROLS

Singapore

There are currently no exchange control restrictions in Singapore.

Malaysia

Pursuant to the Malaysian Financial Services Act, 2013 ("**FSA**") and the notices issued by Bank Negara Malaysia which set out transactions that are prohibited under the FSA but may be allowed with prior approval of Bank Negara Malaysia, a non-resident is allowed to repatriate funds from Malaysia, including any income earned or proceeds from divestments of ringgit assets, provided that the repatriation is made in a foreign currency other than the currency of the State of Israel and in accordance with the FSA and Bank Negara Malaysia notices.

Upon listing and quotation on SGX-ST, our Shares will be traded under the book-entry settlement system of the CDP, and all dealings in and transactions of our Shares through SGX-ST will be effected in accordance with the terms and conditions for the operation of securities accounts with the CDP, as amended, modified or supplemented from time to time.

Our Shares will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through depository agents, Securities Accounts with CDP. Persons named as direct Securities Account holders and Depository Agents in the Depository Register maintained by the CDP, rather than CDP itself, will be treated, under our Constitution and the Companies Act, as members of our Company in respect of the number of Shares credited to their respective Securities Accounts.

Persons holding our Shares in Securities Accounts with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificates. Such share certificates will, however, not be valid for delivery pursuant to trades transacted on the SGX-ST, although they will be *prima facie* evidence of title and may be transferred in accordance with our Constitution. A fee of S$10.00 (excluding GST) for each withdrawal of 1,000 Shares or less and a fee of S$25.00 (excluding GST) for each withdrawal of more than 1,000 Shares is payable upon withdrawing the Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of S$2.00 or such other amount as our Directors may decide, is payable to the share registrar for each share certificate issued and a stamp duty of S$10.00 is also payable where our Shares are withdrawn in the name of the person withdrawing our Shares or S$0.20 per S$100.00 or part thereof of the last-transacted price where it is withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on the SGX-ST must deposit with CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of CDP, and have their respective Securities Accounts credited with the number of Shares deposited before they can effect the desired trades. A deposit fee of S$10.00 (excluding GST) is payable upon the deposit of each instrument of transfer with CDP.

The above fees may be subject to such charges as may be in accordance with CDP's prevailing policies or the current tax policies that may be in force in Singapore from time to time.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's Securities Account being debited with the number of Shares sold and the buyer's Securities Account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for the Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in our Shares on the SGX-ST is payable at the rate of 0.0325% of the transaction value. The clearing fee, instrument of transfer deposit fee and share withdrawal fee may be subject to Singapore GST at the prevailing rate of 7.0% (or such other rate prevailing from time to time).

Dealings in our Shares will be carried out in Singapore dollars and will be effected for settlement through CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the following business day. CDP holds securities on behalf of investors in Securities Accounts. An investor may open a direct account with CDP or a sub-account with a CDP Depository Agent. The CDP Depository Agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

INFORMATION ON DIRECTORS AND EXECUTIVE OFFICERS

1. Save as disclosed below, none of our Directors, Executive Officers or Controlling Shareholders:

   (a) has, at any time during the last ten (10) years, had an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within two (2) years from the date he ceased to be a partner;

   (b) has, at any time during the last ten (10) years, had an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within two (2) years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;

   (c) has any unsatisfied judgement against him;

   (d) has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose;

   (e) has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach;

   (f) has, at any time during the last ten (10) years, had judgement entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, nor has he been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;

   (g) has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;

   (h) has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;

   (i) has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity;

(j) has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of affairs of:

(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;

(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;

(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or

(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; or

(k) has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Authority or any other regulatory authority, exchange, professional body or governmental agency, whether in Singapore or elsewhere.

2. Mr Tan Kwee Chai, Mr Tan Kwee Lim and Mr Boo Ngek Hee ("**Founders**") were executive directors of LYFSB in 2007, when the SC issued a show cause notice ("**Show Cause Letter**") on 17 September 2007 to the then-holding company of LYFSB ("**Holdco**"), with allegations that the Holdco had submitted misleading information and failed to disclose a material fact, both in relation to a former customer of LYFSB, in the prospectus submitted to the SC on 6 February 2007 for the listing of the Holdco on the Main Board of Bursa Malaysia Securities Berhad ("**2006 Bursa Listing Application**"). The allegations stated that the misleading disclosures may amount to a breach of section 55 of the Securities Commission Act 1993 of Malaysia, which was the relevant legislation in force at that time. The Holdco responded to the SC on 28 September 2007 to refute the allegations made against the Holdco, including providing information that a confirmation was provided by an authorised officer of Lifestyle Enterprise (USA) Inc ("**LEI**") ("**LEI individual**"), the former customer of LYFSB ("**Response to SC**"). The 2006 Bursa Listing Application was withdrawn voluntarily by the Holdco on 29 December 2007, with the key reason being that LYFSB's exports to the U.S. then was affected by the U.S. sub-prime mortgage financial crisis which had a negative impact on LYFSB's revenue. The SC has not taken any further action since.

The Founders each made a statutory declaration under both the Oaths and Declarations Act (Chapter 211) of Singapore and Statutory Declarations Act 1960 of Malaysia on 27 October 2017 (collectively, "**Statutory Declarations**"), which provides, *inter alia*, the summary of events relating to the Show Cause Letter and confirmations that:

(a) to the best of his knowledge and belief, he did not submit any false or misleading information to the SC in relation to the 2006 Bursa Listing Application and Show Cause Letter;

(b) subject to the fulfilment of the conditions imposed by the SC in its letter of approval given by the SC for the 2006 Bursa Listing Application on 28 November 2006 ("**Conditional Approval**"), and the SC's satisfaction with the Response to SC, to the best of his knowledge and belief, he is not aware of any reason why the SC would not approve the application submitted by the principal adviser of the 2006 Bursa Listing Application to the SC on 6 February 2007 to seek approval to register the prospectus for the 2006 Bursa Listing Application if the Holdco had continued to pursue the same;

(c) based on his knowledge of the listing requirements of the SGX-ST, he is not aware of any reason why the Company cannot be listed on the SGX-ST;

(d) LYFSB is seeking a listing on SGX-ST as it would, amongst others, enhance its public image and allow LYFSB to raise funds in Singapore Dollars, which will act as a hedge against fluctuation in the Malaysian Ringgit, which is the main operating currency of LYFSB;

(e) he is not aware nor has he been informed (verbally or otherwise) of any letter of termination or rejection from the SC in respect of the 2006 Bursa Listing Application or any intention by the SC to terminate or reject the 2006 Bursa Listing Application, subsequent to the Conditional Approval;

(f) the abortion of the 2006 Bursa Listing Application was made voluntarily by the then-holding company of LYFSB without any request or requirement by the SC or any other authority or third party; and

(g) save for the Listing and 2006 Bursa Listing Application, LYFSB has not applied for a listing or sought a pre-consultation for listing on any other exchange.

The Founders have severally provided an indemnity ("**Deed of Indemnity**") to, among others, the Company and LYFSB, on 27 October 2017, subject to lodgement of this Offer Document with the SGX-ST, acting as agent on behalf of the Authority, to indemnify, among others, any and all losses, liabilities, obligations, damages, costs, expenses, claims, proceedings, actions or demands incurred or suffered by the Company and LYFSB, whether directly or indirectly, based upon, resulting from or relating to any misrepresentations, misstatements or omissions (where such omission renders any statement in his respective Statutory Declarations a misrepresentation or misstatement) made in his respective Statutory Declaration. The Founders shall be completely absolved and released from all covenants and/or undertakings hereunder together with any obligations accruing under the Deed of Indemnity, whether before, on or after the date hereof (i) in the event that Listing does not occur within 12 months from the date the Offer Document is lodged with the SGX-ST, acting as agent on behalf of the Authority; or (ii) on the date falling 10 years from the date of the Deed of Indemnity, whichever is the earlier.

Each of Mr Tan Yong Chuan and Ms Tan Ai Luang had made a statutory declaration under both the Oaths and Declarations Act (Chapter 211) of Singapore and Statutory Declarations Act 1960 of Malaysia on 27 October 2017 and 3 October 2017 respectively, which provides, *inter alia*, confirmations that:

(a) based on his or her knowledge of the listing requirements of the SGX-ST, he or she is not aware of any reason why the Company cannot be listed on the SGX-ST;

(b) LYFSB is seeking a listing on SGX-ST as it would, amongst others, enhance its public image and allow LYFSB to raise funds in Singapore Dollars, which will act as a hedge against fluctuation in the Malaysian Ringgit, which is the main operating currency of LYFSB; and

(c) save for the Listing and 2006 Bursa Listing Application, LYFSB has not applied for a listing or sought a pre-consultation for listing on any other exchange.

3. In 28 October 2011, LEI and the LEI individual commenced legal proceedings against, among others, Mr Tan Kwee Chai for misrepresentation and/or breach of contract. Mr Tan Kwee Chai defended that this was a false claim as the LEI individual had previously provided evidence in the Response to SC that contradicted the claim. On 25 March 2014, LEI and the LEI individual withdrew the claim.

4. Mr Oh Seong Lye, together with another individual (collectively, the "**Trustees**"), was nominated to hold the shares of Kuasa Etika Sdn Bhd on trust for four individuals. On 25 April 1997, three of the four individuals, Haji Jaya J.B. Tan, Kamal Y.P. Tan, Tajuddin J.H. Tan (collectively, the "**Plaintiffs**") commenced a suit against, among others, the fourth individual and the Trustees. The claims made by the Plaintiffs against Mr Oh Seong Lye as a Trustee, included a claim for conspiracy and fraud. All claims against Mr Oh Seong Lye were dismissed at the Kuala Lumpur High Court on 15 May 2009, because it was held that (i) the Plaintiffs failed to adduce any evidence to discharge their burden of proof and to support their claims; and (ii) notwithstanding the foregoing, Mr Oh Seong Lye had adduced sufficient evidence in the course of the trial to rebut certain allegations made against him. As at the Latest Practicable Date, there has been no appeal by the Plaintiffs against Mr Oh Seong Lye.

5. Based on the due diligence conducted by the Sponsor, Issue Manager and Placement Agent, the Sponsor, Issue Manager and Placement Agent is of the opinion that our Company is suitable for listing on SGX-ST. Further, based on, among others, declarations and disclosures made by our Directors and Executive Officers, the Sponsor, Issue Manager and Placement Agent confirms that Rule 406(3)(b) of the Catalist Rules has been complied with.

SHARE CAPITAL

6. As at the Latest Practicable Date, there is one (1) class of shares in the capital of our Company, being ordinary shares. There are no founder, management or deferred shares. Our existing Shares do not carry voting rights which are different from the Placement Shares. The rights and privileges attached to our Shares are stated in the Constitution of our Company.

7. Save as disclosed in the sections entitled "Share Capital" and "Restructuring Exercise" of this Offer Document and below, there were no changes in the issued and paid-up share capital of our Company and our subsidiaries within the last three (3) years preceding the Latest Practicable Date:

Name of Group Company	Date of issue	Number of shares issued	Purpose of issue	Consideration per share	Resultant issued share capital
Company	24 October 2016	1	Incorporation	S$1	S$1

Name of Group Company	Date of issue	Number of shares issued	Purpose of issue	Consideration per share	Resultant issued share capital
LYGH	3 October 2017	1	Incorporation	RM1	RM1
	22 December 2017	99,999	Working capital	RM1	RM100,000

8. Save as disclosed above and in the sections entitled "Share Capital" and "Restructuring Exercise" of this Offer Document, no shares in, or debentures of, our Company or our subsidiaries have been issued, or are proposed to be issued, as fully or partly paid for cash or for a consideration other than cash, during the last three (3) years preceding the date of lodgement of this Offer Document.

MATERIAL CONTRACTS

9. The following contracts, not being contracts entered into in the ordinary course of business of our Company and our subsidiaries (as the case may be), have been entered into by our Company and our subsidiaries (as the case may be) within two (2) years preceding the date of lodgement of this Offer Document and are material:

   (a) the sale and purchase agreement between LYFSB and Itami Plastic Corporation (M) Sdn. Bhd. dated 13 October 2015 for the acquisition of LY12 for RM7.75 million;

   (b) the sale and purchase agreement between LYFSB and LY Furniture Industries Sdn Bhd dated 28 July 2016 for the disposal of LY8 for RM6.5 million;

   (c) the sale and purchase agreement between LYFSB and LY Furniture Industries Sdn Bhd dated 28 July 2016 for the disposal of LY21 for RM2.9 million;

   (d) a letter of award issued by SH Mok Architect on behalf of LYFSB on 23 May 2017 to award Tan Mor Hua Construction Sdn Bhd with a contract to carry out the construction of the new hostel at LY12, at a contract sum of RM7,898,549, and a letter issued by LYFSB to SH Mok Architect on 23 May 2017 instructing SH Mok Architect to issue such letter of award;

   (e) the subscription letter issued by Lian Yu Holdings Pte. Ltd. and Crown Leap Limited to our Company dated 18 December 2017, in relation to their subscription of an aggregate of 19,999,999 Shares, as described in the section entitled "Restructuring Exercise" of this Offer Document;

   (f) the subscription letter issued by our Company to LYFSB dated 18 December 2017, in relation to its subscription of 4,500,000 shares in LYFSB, as described in the section entitled "Restructuring Exercise" of this Offer Document;

   (g) the sale and purchase agreement between our Company and LY Furniture Corporation Sdn. Bhd. dated 18 December 2017, in relation to the acquisition of 10.0% of the issued and paid-up share capital of LYFSB by our Company from LY Furniture Corporation Sdn. Bhd., as described in the section entitled "Restructuring Exercise" of this Offer Document; and

(h) the Call Option and ROFR Agreement.

Contracts of contract value less than S$1.0 million are not considered material for the purposes of this section of this Offer Document and have been excluded from the above list of material contracts.

LITIGATION

10. As at the Latest Practicable Date, neither us nor our subsidiaries is engaged in any legal or arbitration proceedings, including those which are pending or known to be contemplated, which may have, or which have had in the 12 months immediately preceding the date of lodgement of this Offer Document, a material effect on our financial position or profitability and/or the financial position or profitability of our Group.

MISCELLANEOUS

11. Save as disclosed in the sections entitled "Share Capital", "Restructuring Exercise" and "General and Statutory Information – Share Capital" of this Offer Document, there has been no previous issue of Shares by our Company or offer for sale of our Shares to the public since its incorporation.

12. There has not been any public take-over by a third party in respect of our Company's Shares or by our Company in respect of shares of another corporation or units of a business trusts which has occurred between the date of incorporation of our Company to the Latest Practicable Date.

13. Save as disclosed in the section entitled "Sponsorship, Management and Placement Arrangements" of this Offer Document, no commission, discount or brokerage has been paid or other special terms granted within the two (2) years preceding the Latest Practicable Date or is payable to any Director, promoter, expert, proposed director or any other person for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in, or debentures of, our Company or our subsidiaries.

14. Save as disclosed in this Offer Document, the financial condition and operations of our Group are not likely to be affected by any of the following:

    (a) known trends or demands, commitments, events or uncertainties that will result in or are reasonably likely to result in our Group's liquidity increasing or decreasing in any material way;

    (b) material commitments for capital expenditure;

    (c) unusual or infrequent events or transactions or any significant economic changes that may materially affect the amount of reported income from operations; and

    (d) the business and financial prospects and any significant recent trends in production, sales and inventory, and in the costs and selling prices of products and services and known trends or uncertainties that have had or that we reasonably expect will have a material favourable or unfavourable impact on revenues, profitability, liquidity, capital resources or operating income or that would cause financial information disclosed to be not necessarily indicative of the future operating results or financial condition of our Company.

15. Save as disclosed in this Offer Document, our Directors are not aware of any event which has occurred since 1 July 2017 to the Latest Practicable Date which may have a material effect on the financial position and results of our Group or the financial information provided in this Offer Document.

16. Ernst & Young LLP has been our auditor since incorporation. We currently have no intention of changing our auditors after the admission to, and listing of, our Company on Catalist.

CONSENTS

17. The Sponsor, Issue Manager and Placement Agent has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of its names and references thereto in the form and context in which it appears in this Offer Document and to act in such capacity in relation to this Offer Document.

18. The Independent Auditor and Reporting Accountant has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of the "Audited Combined Financial Statements of LY Corporation Limited and its Subsidiary for the Financial Years Ended 31 December 2014, 2015 and 2016" and "Unaudited Interim Combined Financial Statements of LY Corporation Limited and its Subsidiary for the Six-Month Period Ended 30 June 2017" as set out in Appendices A and B of this Offer Document respectively, in the form and context in which it is included and references to its name in the form and context in which it appears in this Offer Document and to act in such capacity in relation to this Offer Document.

19. The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of the letter dated from Xandar Capital Pte. Ltd. to our Independent Directors set out in Appendix E of this Offer Document, and the statements made by the Independent Financial Adviser which can be found in the section entitled "Interested Person Transactions" of this Offer Document, in the form and context in which it is included and references to its name in the form and context in which it appears in this Offer Document and to act in such capacity in relation to this Offer Document.

20. The Legal Adviser to our Company on Malaysia Law has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of its names and references thereto and the statements made by the Legal Adviser to our Company on Malaysia Law which can be found in the sections entitled "Restructuring Exercise", "General Information on our Group – Properties and Fixed Assets" of this Offer Document and "Summary of the Relevant Laws and Regulations" set out in Appendix D of this Offer Document in the form and context in which it is included and to act in such capacity in relation to this Offer Document.

21. The Independent Market Researcher has given and has not withdrawn its written consent to the issue of this Offer Document with the inclusion herein of the Industry Report as set out in Appendix C of this Offer Document, and the executive summary extracted from the Industry Report set out in the section entitled "Prospects, Trends, Business Strategies and Future Plans – Prospects" of this Offer Document, in the form and context in which it is included and references to its name in the form and context in which it appears in this Offer Document and to act in such capacity in relation to this Offer Document.

22. Each of the Solicitors to the Placement and Legal Adviser to our Company as to Singapore Law, Solicitors to the Sponsor, Issue Manager and Placement Agent as to Singapore Law, the Share Registrar and Share Transfer Agent, the Principal Banker and the Receiving Bank, do not make, or purport to make, any statement in this Offer Document or any statement upon which a statement in this Offer Document is based and, to the maximum extent permitted by law, expressly disclaim and take no responsibility for any liability to any persons which is based on, or arises out of, the statements, information or opinions in this Offer Document.

RESPONSIBILITY STATEMENTS

23. This Offer Document has been seen and approved by our Directors and the Vendor and they collectively and individually accept full responsibility for the accuracy of the information given in this Offer Document and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Offer Document constitutes full and true disclosure of all material facts about the Placement, our Company and its subsidiaries, and our Directors and the Vendor are not aware of any facts the omission of which would make any statement in this Offer Document misleading. Where information in this Offer Document has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of our Directors and the Vendor has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Offer Document in its proper form and context.

24. The Introducer accepts full responsibility for the accuracy of the information given in this Offer Document and confirm after making all reasonable enquiries, that to the best of her knowledge and belief, this Offer Document constitutes full and true disclosure of all material facts about the Placement, our Company and its subsidiaries, and the Introducer is not aware of any facts the omission of which would make any statement in this Offer Document misleading. Where information in this Offer Document has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Introducer has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Offer Document in its proper form and context.

25. The Consultant accepts full responsibility for the accuracy of the information given in this Offer Document and confirm after making all reasonable enquiries, that to the best of his knowledge and belief, this Offer Document constitutes full and true disclosure of all material facts about the Placement, our Company and its subsidiaries, and the Consultant is not aware of any facts the omission of which would make any statement in this Offer Document misleading. Where information in this Offer Document has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Consultant has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Offer Document in its proper form and context.

DOCUMENTS AVAILABLE FOR INSPECTION

26. The following documents or copies thereof may be inspected at our registered office during normal business hours for a period of six (6) months from the date of registration of this Offer Document by the SGX-ST, acting as agent on behalf of the Authority:

    (a) the Constitution of our Company;

    (b) the "Audited Combined Financial Statements of LY Corporation Limited and its Subsidiary for the Financial Years Ended 31 December 2014, 2015 and 2016" set out in Appendix A of this Offer Document;

    (c) the "Unaudited Interim Combined Financial Statements of LY Corporation Limited and its Subsidiary for the Six-Month Period Ended 30 June 2017" set out in Appendix B of this Offer Document;

    (d) the Industry Report set out in Appendix C of this Offer Document;

    (e) the letter from Xandar Capital Pte. Ltd. to the Independent Directors set out in Appendix E of this Offer Document;

    (f) the material contracts referred to in the section entitled "General and Statutory Information – Material Contracts" of this Offer Document;

    (g) the letters of consent referred to in the section entitled "General and Statutory Information – Consents" of this Offer Document; and

    (h) the Service Agreements referred to in this Offer Document.

LY Corporation Limited and its subsidiary

Audited Combined Financial Statements
For the financial years ended 31 December 2014, 2015 and 2016

APPENDIX A – AUDITED COMBINED FINANCIAL STATEMENTS OF LY CORPORATION LIMITED AND ITS SUBSIDIARY FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014, 2015 AND 2016

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LY Corporation Limited and its subsidiary

Directors' Statement

In the opinion of the directors,

(a) the accompanying combined financial statements of LY Corporation Limited (the "Company") and its subsidiary (collectively the "Group") are drawn up so as to give a true and fair view of the financial positions of the Group as at 31 December 2014, 2015 and 2016 and the financial performance, changes in equity and cash flows of the Group for the financial years ended 31 December 2014, 2015 and 2016; 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.

On behalf of the Board of Directors;

Tan Kwee Chai
Director

Tan Yong Chuan
Director

18 January 2018

LY Corporation Limited and its subsidiary

Independent Auditor's Report on audited combined financial statements of LY Corporation Limited and its subsidiary
For the financial years ended 31 December 2014, 2015 and 2016

The Board of Directors
LY Corporation Limited
80 Robinsons Road
#02-00
Singapore 068898

Opinion

We have audited the accompanying combined financial statements of LY Corporation Limited (the "Company") and its subsidiary (collectively, the "Group"), which comprise the combined statement of financial position as at 31 December 2014, 2015 and 2016, and the combined statement of comprehensive income, combined statement of changes in equity and combined statement of cash flows for each of the financial years ended 31 December 2014, 2015 and 2016, and notes to the combined financial statements, including a summary of significant accounting policies.

In our opinion, the combined financial statements are properly drawn up in accordance with the Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the combined financial position of the Group as at 31 December 2014, 2015 and 2016, and of the combined financial performance, combined changes in equity and combined cash flows of the Group for each of the financial years ended 31 December 2014, 2015 and 2016.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

LY Corporation Limited and its subsidiary

Independent Auditor's Report on audited combined financial statements of LY Corporation Limited and its subsidiary
For the financial years ended 31 December 2014, 2015 and 2016

Responsibilities of Management and Directors for the Combined Financial Statements

Management is responsible for the preparation of combined financial statements that give a true and fair view in accordance with 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 combined financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Combined Financial Statements

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

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

- Identify and assess the risks of material misstatement of the combined 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.

LY Corporation Limited and its subsidiary

Independent Auditor's Report on audited combined financial statements of LY Corporation Limited and its subsidiary
For the financial years ended 31 December 2014, 2015 and 2016

Auditor's Responsibilities for the Audit of the Combined Financial Statements (cont'd)

- 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 combined 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 combined financial statements, including the disclosures, and whether the combined 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 combined 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 those charged with governance 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.

Restriction on Distribution and Use

This report is made solely to you as a body and for the inclusion in the Offer Document issued in relation to the proposed offering of the shares of the Company in connection with the Company's listing on the Singapore Exchange Securities Trading Limited.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

Partner-in-charge: Low Bek Teng
18 January 2018

LY Corporation Limited and its subsidiary

Combined Statement of Comprehensive Income
For the financial years ended 31 December 2014, 2015 and 2016

	Note	2014 RM'000	2015 RM'000	2016 RM'000
Revenue	4	216,036	313,569	287,379
Cost of sales		(180,305)	(225,484)	(212,503)
Gross profit		35,731	88,085	74,876
Other items of income				
Interest income	5	407	827	570
Other income	6	4,401	3,248	5,115
Other items of expense				
Selling and administrative expenses		(16,685)	(20,972)	(22,443)
Finance costs	7	(1,402)	(1,361)	(710)
Other expense	8	(125)	(2,363)	(1,094)
Profit before tax	9	22,327	67,464	56,314
Income tax expense	11	(4,991)	(14,808)	(12,868)
Profit for the year, representing total comprehensive income for the year attributable to owners of the Company		17,336	52,656	43,446
Earnings per share attributable to owners of the Company (RM per share)				
Basic and diluted	12	35	105	87

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

LY Corporation Limited and its subsidiary

Combined Statement of Financial Position
For the financial years ended 31 December 2014, 2015 and 2016

	Note	2014 RM'000	2015 RM'000	2016 RM'000
Non-current assets				
Property, plant and equipment	13	98,943	105,442	102,961
Leasehold land	14	11,390	11,138	14,113
Investment in associates	16	–	–	–
		110,333	116,580	117,074
Current assets				
Inventories	17	37,672	38,834	40,810
Trade and other receivables	18	12,261	15,476	18,640
Prepaid operating expense		748	522	2,566
Cash and short-term deposits	19	37,138	72,925	49,468
		87,819	127,757	111,484
Total assets		198,152	244,337	228,558
Current liabilities				
Loans and borrowings	20	11,328	10,758	4,662
Trade and other payables	21	19,267	19,288	24,261
Accrued operating expense		3,996	4,856	6,512
Tax payable		1,711	5,485	4,432
Derivative liabilities	22	2,349	2,012	2,484
		38,651	42,399	42,351
Net current assets		49,168	85,358	69,133
Non-current liabilities				
Loans and borrowings	20	23,796	20,979	698
Deferred tax liabilities	23	12,440	13,038	12,142
		36,236	34,017	12,840
Total liabilities		74,887	76,416	55,191
Net assets		123,265	167,921	173,367
Equity attributable to owners of the Company				
Share capital	24	–	–	–*
Merger reserve	25	500	500	500
Retained earnings		122,765	167,421	172,867
		123,265	167,921	173,367
Total equity and liabilities		198,152	244,337	228,558

* Less than RM1,000

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

LY Corporation Limited and its subsidiary

Combined Statement of Changes in Equity
For the financial years ended 31 December 2014, 2015 and 2016

	Attributable to owners of the Company			
	Share capital (Note 24) RM'000	**Merger reserve (Note 25) RM'000**	**Retained earnings RM'000**	**Equity, total RM'000**
At 1 January 2014	–	500	110,429	110,929
Profit for the year, representing total comprehensive income for the year	–	–	17,336	17,336
Dividend on ordinary shares, representing total distribution to owners (Note 32)	–	–	(5,000)	(5,000)
At 31 December 2014 and 1 January 2015	–	500	122,765	123,265
Profit for the year, representing total comprehensive income for the year	–	–	52,656	52,656
Dividend on ordinary shares, representing total distribution to owners (Note 32)	–	–	(8,000)	(8,000)
At 31 December 2015 and 1 January 2016	–	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 32)	–	–	(38,000)	(38,000)
Incorporation of the Company	–*	–	–	–*
At 31 December 2016	–*	500	172,867	173,367

* Less than RM1,000

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

LY Corporation Limited and its subsidiary

Combined Statement of Cash Flows
For the financial years ended 31 December 2014, 2015 and 2016

	2014 RM'000	2015 RM'000	2016 RM'000
Operating activities			
Profit before tax	22,327	67,464	56,314
Adjustments for:			
Gain on disposal of property, plant and equipment	(145)	(140)	(1,114)
Gain on disposal of leasehold land	–	–	(166)
Net fair value loss/(gain) on derivatives	125	(337)	472
Dividend income from short term investments	(14)	(71)	(59)
Interest income	(407)	(827)	(570)
Interest expense	1,402	1,361	710
Prepaid operating expense written off	–	73	–
Staff loan written off	–	–	17
Write off of property, plant and equipment	–	2	581
(Gain)/loss on disposal of short term investment	(387)	(5)	24
Amortisation of leasehold land	252	252	319
Depreciation of property, plant and equipment	4,227	5,008	4,923
Unrealised exchange loss/(gain)	749	3,374	(1,166)
Operating profit before working capital changes	28,129	76,154	60,285
Changes in working capital:			
Increase in inventories	(9,645)	(1,162)	(1,976)
(Increase)/decrease in trade and other receivables	654	(544)	(3,082)
Decrease/(increase) in prepaid operating expense	(311)	226	(2,044)
(Decrease)/increase in trade and other payables	2,474	(2,542)	4,965
Increase in accrued operating expense	977	860	489
Cash flows from operations	22,278	72,992	58,637
Interest paid	(1,402)	(1,361)	(710)
Income taxes paid	(2,343)	(10,436)	(14,817)
Net cash flows from operating activities	18,533	61,195	43,110
Investing activities			
Dividend received from short term investment	14	71	59
Interest received	407	827	570
Proceeds from disposal of short term investments	1,829	5	1,990
Purchase of short term investments	–	–	(2,014)
Purchase of property, plant and equipment (Note A)	(13,692)	(11,351)	(8,777)
Purchase of leasehold land (Note B)	(2,425)	–	(4,512)
Proceeds from disposal of property, plant and equipment	376	457	8,105
Proceeds from sale of leasehold land	–	–	1,384
Net cash flows used in investing activities	(13,491)	(9,991)	(3,195)

LY Corporation Limited and its subsidiary

Combined Statement of Cash Flows
For the financial years ended 31 December 2014, 2015 and 2016

	2014 RM'000	2015 RM'000	2016 RM'000
Financing activities			
Dividends paid on ordinary shares	(5,000)	(8,000)	(38,000)
Proceeds from loans and borrowings	70,797	70,713	52,268
Repayment of obligations under finance lease	(480)	(339)	(454)
Repayment of loans and borrowings	(77,485)	(78,030)	(78,261)
Net cash flows used in financing activities	(12,168)	(15,656)	(64,447)
Net increase/(decrease) in cash and cash equivalents	(7,126)	35,548	(24,532)
Effect of exchange rate changes on cash and cash equivalent	527	239	1,075
Cash and cash equivalents at beginning of year	43,737	37,138	72,925
Cash and cash equivalents at end of year (Note 19)	37,138	72,925	49,468

Note to the combined statement of cash flows

A. Property, plant and equipment

	2014 RM'000	2015 RM'000	2016 RM'000
Current year additions to property, plant and equipment	14,727	11,826	10,014
Less: Additions under finance leases	(1,035)	(475)	(70)
Less: Accrued operating expense	–	–	(1,167)
Net cash outflow from purchase of property, plant and equipment	13,692	11,351	8,777

B. Leasehold land

	2014 RM'000	2015 RM'000	2016 RM'000
Current year additions to leasehold land	3,625	–	4,512
Net decrease in prepayments made for leasehold land	(1,200)	–	–
Net cash outflow from purchase of property, plant and equipment	2,425	–	4,512

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

LY Corporation Limited and its subsidiary

Notes to the Combined Financial Statements
For the financial years ended 31 December 2014, 2015 and 2016

1. Corporate information

1.1 *The Company*

LY Corporation Pte. Ltd. (the "Company") was incorporated as a private limited company domiciled in Singapore on 24 October 2016. On 21 December 2017, the Company was converted into a public company limited by shares and changed its name to LY Corporation Limited.

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 the subsidiary is disclosed in Note 15.

1.2 *The Restructuring Exercise*

A restructuring exercise was carried out in connection with the proposed placement (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 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

1. Corporate information (cont'd)

1.2 *The Restructuring Exercise (cont'd)*

(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.

On 18 December 2017, 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 RM15,955,500. 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.

(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 10,688 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 combined financial statements of the Group have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

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

The combined financial statements are presented in Ringgit Malaysia ("RM") and all values in the tables are rounded to the nearest thousand (RM'000), except when otherwise indicated.

2.2 *Changes in accounting policies*

The accounting policies have been consistently applied by the Group during the financial years ended 31 December 2014, 2015 and 2016 except that during the financial years ended 31 December 2014, 2015 and 2016, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2016. The adoption of these standards did not have any effect on the financial performance or financial position of the Group.

LY Corporation Limited and its subsidiary

Notes to the Combined Financial Statements
For the financial years ended 31 December 2014, 2015 and 2016

2. Summary of significant accounting policies (cont'd)

2.3 ***Standards issued but not yet effective***

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

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 7 *Disclosure Initiative*	1 January 2017
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
INT FRS 112 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
FRS 116 *Leases*	1 January 2019

Except for FRS 109, the directors expect that the adoption of the other standards above will have no material impact on the combined financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109 is described below:

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Company to make changes to its current systems and processes.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

2. Summary of significant accounting policies (cont'd)

2.4 *Basis of consolidation*

The combined financial statements comprise the financial statements of the Company and its subsidiary as at the end of the reporting periods. The financial statements of the subsidiary are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

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

The combined financial statements of the Group for the financial years ended 31 December 2014, 2015 and 2016 comprising the Company and LY Furniture Sdn. Bhd. ("LYFSB") are presented as a continuation of LYFSB. The combined 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 combined 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 2014, 2015 and 2016.

Pursuant to this:

– The assets and liabilities of the combining 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 combination, or recognise any new assets or liabilities.

– No additional goodwill is recognised as a result of the combination.

– 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 combining entities for the full year, irrespective of when the combination took place.

2. Summary of significant accounting policies (cont'd)

2.5 *Foreign currency*

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

Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary 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.

2. Summary of significant accounting policies (cont'd)

2.6 ***Property, plant and equipment (cont'd)***

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.

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.

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, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.9 ***Associate***

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investment in associate using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The profit or loss reflects the share of results of the operations of the associate. Distributions received from associate reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associate, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associate.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associate are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2. Summary of significant accounting policies (cont'd)

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.

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.

LY Corporation Limited and its subsidiary

Notes to the Combined Financial Statements
For the financial years ended 31 December 2014, 2015 and 2016

2. Summary of significant accounting policies (cont'd)

2.10 *Financial instruments (cont'd)*

(a) ***Financial assets*** *(cont'd)*

Subsequent measurement (cont'd)

(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.

LY Corporation Limited and its subsidiary

Notes to the Combined Financial Statements
For the financial years ended 31 December 2014, 2015 and 2016

2. Summary of significant accounting policies (cont'd)

2.10 ***Financial instruments (cont'd)***

(b) ***Financial liabilities*** *(cont'd)*

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 balance sheet, 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. Summary of significant accounting policies (cont'd)

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.

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. Summary of significant accounting policies (cont'd)

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.

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 ***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. Summary of significant accounting policies (cont'd)

2.15 ***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 subsidiary 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.

2.16 ***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.

(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 2.17(c).

LY Corporation Limited and its subsidiary

Notes to the Combined Financial Statements
For the financial years ended 31 December 2014, 2015 and 2016

2. Summary of significant accounting policies (cont'd)

2.17 ***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 is recognised 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.

2.18 ***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.

2. Summary of significant accounting policies (cont'd)

2.18 ***Taxes (cont'd)***

(a) ***Current income tax*** *(cont'd)*

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

(b) ***Deferred tax***

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

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

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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.

2. Summary of significant accounting policies (cont'd)

2.18 ***Taxes (cont'd)***

(b) ***Deferred tax*** *(cont'd)*

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.

(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.

2.19 ***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. Summary of significant accounting policies (cont'd)

2.20 ***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 31.

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 subsidiary. In determining the functional currencies of the entity 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 entity 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. Management has assessed that prices are mainly denominated and settled in the local currency of the entity of the Group. In addition, the entity's cost base is mainly denominated in its respective currency. Therefore, management concluded that the functional currency of the Company and its subsidiary is RM.

3. Significant accounting judgements and estimates (cont'd)

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.

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 13.

4. Revenue

	2014 RM'000	2015 RM'000	2016 RM'000
Sale of goods	216,036	313,569	287,379

5. Interest income

	2014 RM'000	2015 RM'000	2016 RM'000
Interest income from:			
– Cash and short term deposits	407	827	570

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6. Other income

	2014 RM'000	2015 RM'000	2016 RM'000
Sale of scrap materials	2,330	1,204	1,090
Gain on disposal of short term investments	387	5	–
Gain on disposal of property, plant and equipment	145	140	1,114
Gain on disposal of leasehold land	–	–	166
Dividend income	14	71	59
Rental income	407	764	693
Net foreign exchange gain	730	–	169
Net fair value gain on derivatives	–	337	–
Insurance claims	–	–	1,121
Others	388	727	703
	4,401	3,248	5,115

7. Finance costs

	2014 RM'000	2015 RM'000	2016 RM'000
Interest expense on:			
– Bank loans	1,352	1,300	650
– Obligations under finance lease	50	61	60
	1,402	1,361	710

8. Other expenses

	2014 RM'000	2015 RM'000	2016 RM'000
Prepaid operating expense written off	–	73	–
Staff loan written off	–	–	17
Net foreign exchange loss	–	2,288	–
Net fair value loss on derivatives	125	–	472
Loss on disposal of short term investments	–	–	24
Write off of property, plant and equipment	–	2	581
	125	2,363	1,094

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9. Profit before tax

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

	2014 RM'000	2015 RM'000	2016 RM'000
Amortisation of leasehold land (Note 14)	252	252	319
Depreciation of property, plant and equipment (Note 13)	4,227	5,008	4,923
Operating lease expense	821	1,480	1,272
Employee benefits expense (Note 10)	24,846	30,877	31,950
Sub-contractor costs	33,254	36,755	31,426
Freight cost and handling charges	7,045	8,640	8,223
Utilities expenses	3,110	3,548	3,701
Inventories recognised as an expense in cost of goods sold (Note 17)	113,952	152,048	139,711

10. Employee benefits expense

	2014 RM'000	2015 RM'000	2016 RM'000
Salaries and bonuses	23,712	29,559	30,488
Employees' Provident Fund	998	1,153	1,261
Social Security Organisation	81	97	121
Other benefits	55	68	80
	24,846	30,877	31,950

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11. Income tax expense

Major component of income tax expense

The major component of income tax expense for the years ended 31 December 2014, 31 December 2015 and 31 December 2016 are:

	2014 RM'000	2015 RM'000	2016 RM'000
Combined statement of comprehensive income			
– Current income taxation	3,877	14,210	13,541
– Real property gain tax	–	–	223
Deferred income tax (Note 23):			
– Origination and reversal of temporary difference	1,114	598	(896)
Income tax expense recognised in profit or loss	4,991	14,808	12,868

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 2014, 31 December 2015 and 31 December 2016 are as follows:

	2014 RM'000	2015 RM'000	2016 RM'000
Profit before tax	22,327	67,464	56,314
At Malaysia's statutory income tax rate of 24% (2015: 25%; 2014: 25%)	5,582	16,866	13,515
Adjustments:			
Non-deductible expenses	174	382	279
Effect of tax incentives	(765)	(2,440)	(85)
Tax impact on gain on disposal of leasehold land and building subject to real property gain tax	–	–	(841)
Income tax expense recognised in profit or loss	4,991	14,808	12,868

The subsidiary of the Group is subjected to income tax at Malaysia's domestic tax rate of 24% (2015: 25%; 2014: 25%).

12. Earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares existing during the respective financial periods.

	2014	2015	2016
Profit of the year attributable to owners of the Company (RM'000)	17,336	52,656	43,446
Weighted average number of ordinary shares* ('000)	500	500	500
Basic and diluted earnings per share (RM)	35	105	87

* The weighted average number of ordinary shares reflects the weighted average number of ordinary shares of LYFSB as the combined financial statements of the Group are presented as a continuation of LYFSB.

Pursuant to the Restructuring Exercise, basic earnings per share are calculated by dividing profit for the year attributable to owners of the Company by the Company's number of ordinary shares immediately after the Restructuring Exercise as disclosed in Note 1.2 was 426,720,000 which has been used in the calculation of basic and diluted earnings per share for all periods presented in accordance with FRS 33. Diluted earnings per share are the same as basic earnings per share as there were no potential dilutive ordinary shares existing during the respective years.

	2014	2015	2016
Weighted average number of ordinary shares as adjusted for the Share Split ('000)	426,720	426,720	426,720
Basic and diluted earnings per share based on share capital after the Restructuring Exercise (sens)	4.1	12.3	10.2

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13. Property, plant and equipment

	Freehold land	Building	Machinery and equipment	Office equipment, furniture and fittings	Motor vehicles	Capital in progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost							
At 1 January 2014	95	83,303	22,210	2,744	2,915	–	111,267
Additions	–	8,717	4,145	332	1,533	–	14,727
Disposals	–	–	(425)	–	(511)	–	(936)
At 31 December 2014 and 1 January 2015	95	92,020	25,930	3,076	3,937	–	125,058
Additions	–	2,171	5,888	2,740	564	463	11,826
Disposals	–	–	(434)	–	(473)	–	(907)
Written off	–	–	(1,208)	–	–	–	(1,208)
At 31 December 2015 and 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)
Transfer	–	14	449	–	–	(463)	–
At 31 December 2016	95	90,737	30,178	4,924	4,176	1,993	132,103

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13. Property, plant and equipment (cont'd)

	Freehold land	Building	Machinery and equipment	Office equipment, furniture and fittings	Motor vehicles	Capital in progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accumulated depreciation							
At 1 January 2014	–	3,500	16,008	1,701	1,384	–	22,593
Depreciation charge for the year	–	1,850	1,666	212	499	–	4,227
Disposals	–	–	(404)	–	(301)	–	(705)
At 31 December 2014 and 1 January 2015	–	5,350	17,270	1,913	1,582	–	26,115
Depreciation charge for the year	–	1,859	2,175	472	502	–	5,008
Disposals	–	–	(217)	–	(373)	–	(590)
Written off	–	–	(1,206)	–	–	–	(1,206)
At 31 December 2015 and 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	–	8,224	16,877	1,865	2,176	–	29,142
Net carrying amount							
At 31 December 2014	95	86,670	8,660	1,163	2,355	–	98,943
At 31 December 2015	95	86,982	12,154	3,431	2,317	463	105,442
At 31 December 2016	95	82,513	13,301	3,059	2,000	1,993	102,961

13. Property, plant and equipment (cont'd)

Assets held under finance lease

During the financial year, the Group acquired motor vehicles with an aggregate cost of RM70,000 (2015: RM475,000; 2014: RM1,035,000) by means of finance leases. The cash outflow on acquisition of property, plant and equipment amounted to of RM9,944,000 (2015: RM11,351,000; 2014: RM13,692,000).

The carrying amount of motor vehicles held under finance leases at the end of the reporting period were RM1,602,000 (2015: RM1,976,000; 2014: RM1,975,000).

Assets pledged as security

In addition to assets held under finance leases, the Group's buildings with a carrying amount of RM20,206,000 (2015: RM56,672,000; 2014: RM51,292,000) are pledged to secure the Group's bank borrowings (Note 20).

14. Leasehold land

	2014 RM'000	2015 RM'000	2016 RM'000
Cost			
At 1 January	8,392	12,017	12,017
Additions	3,625	–	4,512
Disposal	–	–	(1,370)
At 31 December	12,017	12,017	15,159
Accumulated amortisation			
At 1 January	375	627	879
Amortisation for the year	252	252	319
Disposal	–	–	(152)
At 31 December	627	879	1,046
Net carrying amount			
At 31 December	11,390	11,138	14,113

The Group has leasehold land over 14 (2015: 15; 2014: 15) 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 37 to 53 years (2015: 43 to 48 years; 2014: 44 to 49 years). During the year ended 31 December 2016, the Group disposed two pieces of land at a consideration of RM1,384,000 after obtaining consent from the state authority.

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14. Leasehold land (cont'd)

During the financial year ended 31 December 2014, the Group acquired three plots of leasehold land at a consideration of RM3,625,000. During the financial year ended 31 December 2016, the Group acquired one plot of leasehold land at a consideration of RM4,512,000.

The right of use of the land over the lease term with an aggregate carrying value of RM5,068,000 (2015: RM8,361,000; 2014: RM8,550,000) are pledged to financial institutions for bank borrowings as disclosed to in Note 20.

15. Subsidiary

The Group has the following subsidiary:

Name and principal place of business	Principal activity	Proportion (%) of ownership interest		
		2014	**2015**	**2016**
LY Furniture Sdn. Bhd. (Malaysia)[1]	Manufacturing of all kinds of wooden furniture	100	100	100

1 Audited by a member firm of EY Global in the principal place of business

16. Investment in associates

The Group's material investment in associates are summarised below:

	2014 RM'000	**2015 RM'000**	**2016 RM'000**
Unquoted shares, at cost	47	47	–
Share of results of associates	(47)	(47)	–
	–	–	–

Name of company	Principal activity	Proportion (%) of ownership interest		
		2014	**2015**	**2016**
LY Chemical Industries (M) Sdn. Bhd.[(1)]	Processing of paints, thinner and related products. Currently dormant	30	–	–

(1) Audited by Messrs. Lee & Tan Associates

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16. Investment in associates (cont'd)

The Group has not recognised losses relating to LY Chemical Industries (M) Sdn. Bhd. where its share of losses exceeds the Group's interest in this associate. The Group's cumulative share of unrecognised losses at the end of 31 December 2014 was RM 179,000. The Group has no obligation in respect of these losses.

LY Chemical Industries (M) Sdn. Bhd. was liquidated on 7 July 2015.

17. Inventories

	2014 RM'000	2015 RM'000	2016 RM'000
Combined statement of financial position:			
Raw materials	17,030	15,139	19,184
Work-in-progress	16,175	15,083	14,473
Finished goods	4,467	8,612	7,153
	37,672	38,834	40,810
Combined statement of comprehensive income:			
Inventories recognised as an expense in cost of sales	113,952	152,048	139,711

18. Trade and other receivables

	2014 RM'000	2015 RM'000	2016 RM'000
Current			
Trade receivables	8,262	12,925	15,086
Amount due from related parties (trade)	–	–	57
Amount due from related parties (non-trade)	767	–	–
Deposit	411	1,339	409
Other receivables	2,821	1,212	3,088
Total trade and other receivables	12,261	15,476	18,640
Add: Cash and short term deposits (Note 19)	37,138	72,925	49,468
Less: GST receivable	–	(654)	(2,789)
Total loans and receivables	49,399	87,747	65,319

18. Trade and other receivables (cont'd)

Trade receivables

Trade receivables are non-interest bearing and are generally on 7 to 30 days (2015: 7 to 30 days; 2014: 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:

	2014 RM'000	2015 RM'000	2016 RM'000
United States Dollar	7,507	10,265	13,630

Related party balances

These balances 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 RM254,000 (2015: RM2,000,000; 2014: RM3,704,000) 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:

	2014 RM'000	2015 RM'000	2016 RM'000
Less than 30 days	3,704	2,000	254

Receivables that are impaired

There are no trade receivables that are impaired at the reporting period.

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19. Cash and short-term deposits

	2014 RM'000	2015 RM'000	2016 RM'000
Cash on hand and at banks	14,844	61,740	49,468
Short-term deposits	22,294	11,185	–
Cash and short-term deposits	37,138	72,925	49,468

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

Short-term deposits are made for varying periods of between one day and two months, depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2015 and 2014 for the Group were 3.56% p.a. and 3.24% p.a. respectively.

Cash and short-term deposits denominated in foreign currency as at 31 December are as follows:

	2014 RM'000	2015 RM'000	2016 RM'000
United States Dollar	12,718	47,071	31,019

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20. Loans and borrowings

	2014 RM'000	2015 RM'000	2016 RM'000
Current:			
Bankers' acceptance	–	4,201	4,259
Term loans:			
– RM loan at 5.00% p.a.[1]	365	384	–
– RM loan at 5.60% p.a.[2]	431	455	–
– RM loan at 4.90% p.a.[3]	247	260	–
– USD loan at 2.50% p.a. + ECOF[4]	718	893	–
– USD loan at 1.25% p.a. + COF[5]	401	508	–
– USD loan at 4.35% p.a.[6]	511	664	–
– USD loan at 4.30% p.a.[7]	2,467	3,009	–
Obligations under finance leases (Note 27(d))	315	384	403
Onshore foreign currency loan	5,873	–	–
	11,328	10,758	4,662
Non-current:			
Term loans			
– RM loan at 5.00% p.a.[1]	2,031	1,647	–
– RM loan at 5.60% p.a.[2]	2,756	2,301	–
– RM loan at 4.90% p.a.[3]	3,599	3,339	–
– USD loan at 2.50% p.a. + ECOF[4]	3,890	3,945	–
– USD loan at 1.25% p.a. + COF[5]	1,451	1,254	–
– USD loan at 4.35% p.a.[6]	1,840	1,625	–
– USD loan at 4.30% p.a.[7]	7,195	5,767	–
Obligations under finance leases (Note 27(d))	1,034	1,101	698
	23,796	20,979	698
Total loans and borrowings	35,124	31,737	5,360

20. Loans and borrowings (cont'd)

(1) This facility is repayable over 10 years in 120 equal monthly instalments with the last instalment due in December 2020. The securities provided for this loan comprise of mortgage over certain buildings and leasehold land. During the financial year ended 31 December 2016, the Group made full repayment on the remaining loan amount.

(2) This facility is repayable over 10 years in 120 equal monthly instalments with the last instalment due in June 2021. The securities provided for this loan comprise of mortgage over certain buildings and leasehold land. During the financial year ended 31 December 2016, the Group made full repayment on the remaining loan amount.

(3) This facility is repayable over 15 years in 180 equal monthly instalments with the last instalment due in December 2024.The securities provided for this loan comprise of:

- Mortgage over certain buildings and leasehold land.
- Joint and several guarantee provided by the directors of the subsidiary.

During the financial year ended 31 December 2016, the Group made full repayment on the remaining loan amount.

(4) This facility is repayable over 10 years in 120 equal monthly instalments with the last instalment due in May 2021. The securities provided for this loan comprise of mortgage over certain buildings and leasehold land. During the financial year ended 31 December 2016, the Group made full repayment on the remaining loan amount.

(5) This facility is repayable over 8 years in 96 equal monthly instalments with the last instalment due in January 2019. The securities provided for this loan comprise of:

- Mortgage over certain buildings and leasehold land.
- Joint and several guarantee provided by the directors of the subsidiary.
- The loan includes financial covenants which requires the subsidiary to maintain a gearing ratio not exceeding 150% and to maintain debt service coverage ratio exceeding 100% at all times.

During the financial year ended 31 December 2016, the Group made full repayment on the remaining loan amount.

(6) This facility is repayable over 8 years in 96 equal monthly instalments with the last instalment due in January 2019. The securities provided for this loan comprise of:

- Mortgage over certain buildings and leasehold land.
- Joint and several guarantee provided by the directors of the subsidiary.
- The loan includes financial covenants which requires the subsidiary to maintain a gearing ratio not exceeding 150% and to maintain debt service coverage ratio exceeding 100% at all times.

During the financial year ended 31 December 2016, the Group made full repayment on the remaining loan amount.

(7) This facility is repayable over 5 years in 60 equal monthly instalments with the last instalment due in December 2018. The securities provided for this loan comprise of:

- Mortgage over certain buildings and leasehold land.
- Joint and several guarantee provided by the directors of the subsidiary.
- The loan includes financial covenants which requires the subsidiary to maintain a gearing ratio not exceeding 150% and to maintain debt service coverage ratio exceeding 100% at all times.

During the financial year ended 31 December 2016, the Group made full repayment on the remaining loan amount.

20. Loans and borrowings (cont'd)

Obligations under finance leases

These obligations are secured by a charge over the leased asset (Note 13). The average discount rate implicit in the leases is between 4.57% (2015: 4.57%; 2014: 4.56%) per annum.

Onshore foreign currency loan and bankers' acceptance

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

	2014	2015	2016
Bankers' acceptance	–	4.57	4.05
Onshore foreign currency loan	1.25	–	–

The bankers' acceptance and onshore foreign currency loan are secured by mortgage over certain buildings and leasehold land and joint and several guarantee provided by the directors of the subsidiary.

21. Trade and other payables

	2014 RM'000	2015 RM'000	2016 RM'000
Trade payables	13,875	14,544	19,882
Other payables	4,628	4,434	3,964
Amount due to related parties (trade)	764	310	415
Total trade and other payables	19,267	19,288	24,261
Add: Accrued operating expense	3,996	4,856	6,512
Add: Loans and borrowings (Note 20)	35,124	31,737	5,360
Total financial liabilities carried at amortised cost	58,387	55,881	36,133

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 (2015: one month to four months; 2014: one month to four months).

21. Trade and other payables (cont'd)

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

	2014 RM'000	2015 RM'000	2016 RM'000
United States Dollar	53	786	1,913

Related parties balances

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

22. Derivative liabilities

	Contract/ notional amount RM'000	Liabilities RM'000
31 December 2014		
Current		
Forward currency contracts	20,819	1,420
Cross currency interest rate swaps	7,025	929
Total financial liabilities at fair value through profit or loss		2,349
31 December 2015		
Current		
Forward currency contracts	30,078	53
Cross currency interest rate swaps	5,018	1,959
Total financial liabilities at fair value through profit or loss		2,012
31 December 2016		
Current		
Forward currency contracts	17,711	1,159
Cross currency interest rate swaps	3,000	1,325
Total financial liabilities at fair value through profit or loss		2,484

22. Derivative liabilities (cont'd)

Forward currency contracts are used to hedge foreign currency risk arising from the Group's sales and purchases denominated in USD for which firm commitments existed at the end of the reporting period, extending to March 2017 (2015: February 2016; 2014: April 2015).

Cross currency interest rate swaps are 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, extending to June 2018 (2015: June 2018; 2014: June 2018).

23. Deferred tax

Deferred tax as at 31 December relates to the following:

	Combined statement of financial position			Combined statement of comprehensive income		
	2014	2015	2016	2014	2015	2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Deferred tax liabilities:						
Differences in depreciation for tax purposes	(12,898)	(13,038)	(12,142)	147	(140)	896
Deferred tax assets:						
Provisions	458	–	–	(59)	(458)	–
Unutilised tax losses	–	–	–	(1,202)	–	–
	458	–	–			
Net deferred tax liabilities	(12,440)	(13,038)	(12,142)			
Deferred tax expense				(1,114)	(598)	896

24. Share capital

	2014		2015		2016	
	No. of shares	RM'000	No. of shares	RM'000	No. of shares	RM'000
Issued and fully paid ordinary shares						
At 1 January	–	–	–	–	–	–
Incorporation of the Company	–	–	–	–	1	–*
At 31 December	–	–	–	–	1	–*

* Less than RM1,000

24. Share capital (cont'd)

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

25. Merger reserve

Merger reserve of the combined statements of financial position as at 31 December 2014, 2015 and 2016 comprise the share capital of its subsidiary, LYFSB, when it is accounted for by applying the pooling of interest method, as described in Note 2.4 to the combined financial statements.

26. Related party disclosures

(a) ***Sale and purchase of goods and services***

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

	2014 RM'000	2015 RM'000	2016 RM'000
Director-related companies^:			
Sale of goods@	1,659	734	1,390
Sale of property, plant and equipment	49	16	9,407
Rental received	117	429	490
Rental paid	(195)	(144)	(150)
Purchase of goods#	(5,106)	(7,888)	(9,911)
Sub-contractor costs	(10,988)	(13,585)	(11,870)
Purchase of plant and equipment	(39)	(178)	(55)
Related party:			
Rental paid to a director of the subsidiary	(18)	(18)	(18)

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

@ Sales of goods includes sales of indirect materials, raw materials and finished goods.

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.

LY Corporation Limited and its subsidiary

Notes to the Combined Financial Statements
For the financial years ended 31 December 2014, 2015 and 2016

26. Related party disclosures (cont'd)

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

	2014 RM'000	2015 RM'000	2016 RM'000
Salaries and bonuses	1,073	2,145	2,300
Employee Provident Fund	126	256	246
Other benefits	59	112	–
	1,258	2,513	2,546
Comprise amounts paid to:			
Directors of the Company	657	1,581	1,581
Other key management personnel	601	932	965
	1,258	2,513	2,546

27. 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:

	2014 RM'000	2015 RM'000	2016 RM'000
Capital commitments in respect of property, plant and equipment	–	–	3,030

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

In addition to the leasehold land disclosed in Note 14, 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 2016 amounted to RM1,591,000 (2015: RM1,732,000; 2014: RM1,073,000).

27. Commitments (cont'd)

(b) ***Operating lease arrangements – as lessee (cont'd)***

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

	2014 RM'000	2015 RM'000	2016 RM'000
Not later than one year	251	711	119
Later than one year but not later than two years	72	547	8
	323	1,258	127

(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:

	2014 RM'000	2015 RM'000	2016 RM'000
Not later than one year	347	672	35
Later than one year but not later than two years	472	663	–
	819	1,335	35

27. Commitments (cont'd)

(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:

	2014 RM'000	2015 RM'000	2016 RM'000
Future minimum lease payments:			
Not later than one year	370	444	444
Later than one year and not later than five years	1,115	1,174	730
	1,485	1,618	1,174
Less: Amounts representing finance charges	(136)	(133)	(73)
Present value of minimum lease payments	1,349	1,485	1,101
Analysis of present value of finance lease liabilities:			
Not later than one year	315	384	403
Later than one year and not later than five years	1,034	1,101	698
Present value of minimum lease payments	1,349	1,485	1,101

28. 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.

28. Fair value of assets and liabilities (cont'd)

(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.

	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
31 December 2014				
Liabilities measured at fair value				
Derivatives liabilities (Note 22)	2,349	–	2,349	–
31 December 2015				
Liabilities measured at fair value				
Derivatives liabilities (Note 22)	2,012	–	2,012	–
31 December 2016				
Liabilities measured at fair value				
Derivatives liabilities (Note 22)	2,484	–	2,484	–

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

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

Derivatives

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

29. 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 minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising 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 combined statement of financial position.

29. Financial risk management objectives and policies (cont'd)

(a) ***Credit risk (cont'd)***

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	**%**
31 December 2014:		
By country:		
United States of America	6,868	83.1
Malaysia	1,394	16.9
	8,262	100
31 December 2015:		
By country:		
United States of America	10,073	77.9
Malaysia	1,953	15.1
Others	899	7.0
	12,925	100
31 December 2016:		
By country:		
United States of America	12,399	82.2
Malaysia	1,078	7.1
Others	1,609	10.7
	15,086	100

At the end of the reporting period approximately 69.0% (2015: 54.1%; 2014: 70.1%) of the Group's trade receivables were due from the 5 major customers located in United States of America and Malaysia.

29. Financial risk management objectives and policies (cont'd)

(a) ***Credit risk (cont'd)***

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due not 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 18.

(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.

LY Corporation Limited and its subsidiary

Notes to the Combined Financial Statements
For the financial years ended 31 December 2014, 2015 and 2016

29. Financial risk management objectives and policies (cont'd)

(b) ***Liquidity risk (cont'd)***

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.

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
31 December 2014				
Financial assets				
Trade and other receivables	12,261	–	–	12,261
Cash and short-term deposits	37,138	–	–	37,138
	49,399	–	–	49,399
Financial liabilities				
Trade and other payables	19,267	–	–	19,267
Accrued operating expense	3,996	–	–	3,996
Loans and borrowings	12,514	21,538	5,158	39,210
	35,777	21,538	5,158	62,473
Total undiscounted financial assets/(liabilities)	13,622	(21,538)	(5,158)	(13,074)

29. Financial risk management objectives and policies (cont'd)

(b) ***Liquidity risk (cont'd)***

Analysis of financial instruments by remaining contractual maturities (cont'd)

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
31 December 2015				
Financial assets				
Trade and other receivables (net of GST receivable)	14,822	–	–	14,822
Cash and short-term deposits	72,925	–	–	72,925
	87,747	–	–	87,747
Financial liabilities				
Trade and other payables	19,288	–	–	19,288
Accrued operating expense	4,856	–	–	4,856
Loans and borrowings	11,843	20,017	3,132	34,992
	35,987	20,017	3,132	59,136
Total undiscounted financial assets/(liabilities)	51,760	(20,017)	(3,132)	28,611
31 December 2016				
Financial assets				
Trade and other receivables (net of GST receivable)	15,851	–	–	15,851
Cash and short-term deposits	49,468	–	–	49,468
	65,319	–	–	65,319
Financial liabilities				
Trade and other payables	24,261	–	–	24,261
Accrued operating expense	6,512	–	–	6,512
Loans and borrowings	4,703	730	–	5,433
	35,476	730	–	36,206
Total undiscounted financial assets/(liabilities)	29,843	(730)	–	29,113

29. Financial risk management objectives and policies (cont'd)

(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 RM5,000 (2015: RM21,000; 2014: RM13,000) 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 99.8% (2015: 99.8%; 2014: 99.7%) of the Group's sales are denominated in foreign currencies whilst almost 78.5% (2015: 84.2%; 2014: 84.4%) of the costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivables and trade payables at the end of the reporting period have similar exposure.

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.

	2014	2015	2016
	RM'000	RM'000	RM'000
USD/RM			
– strengthen by 5% (2015: 5%; 2014: 5%)	(208)	1,944	2,137
– weaken by 5% (2015: 5%; 2014: 5%)	208	(1,944)	(2,137)

30. 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 2014, 31 December 2015 and 31 December 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.

	2014 RM'000	2015 RM'000	2016 RM'000
Loans and borrowings	35,124	31,737	5,360
Equity attributable to the owners of the Company representing total capital	123,265	167,921	173,367
Gearing ratio	28.5%	18.9%	3.1%

31. 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

LY Corporation Limited and its subsidiary

Notes to the Combined Financial Statements
For the financial years ended 31 December 2014, 2015 and 2016

31. Segment information (cont'd)

Geographical information

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

	2014 RM'000	2015 RM'000	2016 RM'000
Revenue			
Malaysia	32,099	47,255	38,410
United States of America	181,104	249,743	221,897
Others	2,833	16,571	27,072
	216,036	313,569	287,379
Non-current assets			
Malaysia	110,333	116,580	117,074

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

Information about major customers

Revenue from three (2015: three; 2014: five) major customers amount to RM181,251,000 (2015: RM186,083,000; 2014: RM175,703,000).

32. Dividends

	2014 RM'000	2015 RM'000	2016 RM'000
Declared and paid during the financial year			
Interim single tier dividend for 2016: RM40 (2015: RM16; 2014:RM10) per share paid by LYFSB to its then existing shareholders	5,000	8,000	20,000
Final single tier dividend for 2015: RM36 per share paid by LYFSB to its then existing shareholders	–	–	18,000

LY Corporation Limited and its subsidiary

Notes to the Combined Financial Statements
For the financial years ended 31 December 2014, 2015 and 2016

32. Dividends (cont'd)

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.

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.

33. Events occurring after the reporting period

(a) On 21 December 2017, the Company entered into a call options and right of first refusal agreement (the "Agreement") with LY Furniture Corporation Sdn. Bhd. ("LYFC"). Under the Agreement, LYFC has agreed to grant the Company a call option ("Call Option") to acquire from LYFC all shares that it may from time to time hold in LP Global Resources Sdn. Bhd. ("LP Global") (the "Option Shares") or to require that LYFC procures that LP Global sells all its assets (the "Option Assets") to the Company, and a right of first refusal in respect of the sale or transfer of Option Shares or Option Assets by LYFC and LP Global respectively (the "ROFR"), subject to the terms of the Agreement.

The exercise price of the Call Option (a) for the Option Shares shall be the fair market value of the Option Shares as determined by an independent appraiser ("Appraiser"); and (b) for the Option Assets shall be the fair market value of the Option Assets as determined by an Appraiser. The Appraiser shall be jointly appointed by the Company and LYFC, and shall be approved by the Audit Committee of the Company.

In relation to the ROFR, in the event LFC desires to sell or transfer any of the Option Shares or LP Global desires to sell or transfer any part of the Option Assets to a third party after the Company's listing on the Singapore Exchange Securities Trading Limited, LYFC shall give the Company notice in writing of such desire. The Company shall then be entitled to purchase such Option Shares or Option Assets within 14 days from the date of notice, and LYFC shall sell such Option Shares or procure that LP Global sells such Option Assets (as the case may be) on the same terms and price. In the event the Company does not apply to purchase the Option Shares or Option Assets (as the case may be) or fails to or does not complete the purchase of the Option Shares or Option Assets (as the case may be) or the Company does not exercise the Call Option, within a specified period, LYFC shall be entitled to sell the Option Shares or Option Assets at a price and on terms no more favourable than as had been offered to the Company.

33. Events occurring after the reporting period (cont'd)

The Call Option and ROFR shall terminate upon the happening of any of the following events:

(a) Mr Tan Kwee Chai, Mr Tan Kwee Lim and Mr Tan Yong Chuan:

(i) and their Associates ceases to have in aggregate an interest (direct and indirect) in 15% or more of the shares in LP Global; and

(ii) ceases to be a Director, CEO or Controlling Shareholder of the Company;

(b) subsequent to the Company's listing on the Singapore Exchange Securities Trading Limited ("SGX-ST"), the shares of the Company ceasing to be listed and traded on the SGX-ST;

(c) LYFC ceases to hold any shares in LP Global.

whichever is the earliest.

(b) LY Global Hub Sdn. Bhd. ("LYGH") was incorporated on 3 October 2017 in Malaysia as a private company limited by shares with an issued and paid-up share capital of RM1 comprising one share, which was held by LYFSB, a wholly-owned subsidiary of the Company.

34. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 18 January 2018.

LY Corporation Limited and its subsidiary

Unaudited Interim Combined Financial Statements
For the six-month period ended 30 June 2017

APPENDIX B – UNAUDITED INTERIM COMBINED FINANCIAL STATEMENTS OF LY CORPORATION LIMITED AND ITS SUBSIDIARY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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LY Corporation Limited and its subsidiary

Directors' Statement

In the opinion of the directors,

(i) the accompanying unaudited interim combined financial statements of LY Corporation Limited (the "Company") and its subsidiary (collectively the "Group") are drawn up so as to give a true and fair view of the financial position of the Group as at 30 June 2017 and the financial performance, changes in equity and cash flows of the Group for the six-month period ended 30 June 2017; and

(ii) 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.

On behalf of the Board of Directors;

Tan Kwee Chai
Director

Tan Yong Chuan
Director

18 January 2018

LY Corporation Limited and its subsidiary

Independent Auditor's Report on review of unaudited interim combined financial statements of LY Corporation Limited and its subsidiary
For the six-month period ended 30 June 2017

The Board of Directors
LY Corporation Limited
80 Robinsons Road
#02-00
Singapore 068898

Dear Sirs:

Introduction

We have reviewed the unaudited interim combined statement of financial position of LY Corporation Limited (the "Company") and its subsidiary (the "Group") as at 30 June 2017 and the related unaudited interim combined statement of comprehensive income, combined statement of changes in the equity and combined statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim financial information"). The Company's management is responsible for the preparation and presentation of the interim financial information in accordance with Singapore Financial Reporting Standard 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on the interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Singapore Financial Reporting Standard 34 *Interim Financial Reporting*.

LY Corporation Limited and its subsidiary

Independent Auditor's Report on review of unaudited interim combined financial statements of LY Corporation Limited and its subsidiary
For the six-month period ended 30 June 2017

Restriction on Distribution and Use

This report is made solely to you as a body and for the inclusion in the Offer Document to be issued in relation to the proposed offering of the shares of the Company in connection with the Company's listing on the Singapore Exchange Securities Trading Limited.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

Partner-in-charge: Low Bek Teng
18 January 2018

LY Corporation Limited and its subsidiary

Unaudited Interim Combined Statement of Comprehensive Income
For the six-month period ended 30 June 2017

	Note	For the six-month period ended 2017 RM'000 (Unaudited)	2016 RM'000 (Unaudited)
Revenue	4	166,007	141,597
Cost of sales		(126,425)	(103,695)
Gross profit		39,582	37,902
Other items of income			
Interest income	5	402	322
Other income	6	4,299	2,265
Other items of expense			
Selling and administrative expenses		(11,972)	(12,079)
Finance costs	7	(119)	(486)
Other expense	8	(3,715)	(4,304)
Profit before tax	9	28,477	23,620
Income tax expense	11	(6,889)	(5,871)
Profit for the period, representing total comprehensive income for the period attributable to owners of the Company		21,588	17,749
Earnings per share attributable to owners of the Company (RM per share)			
Basic and diluted	12	43	35

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

LY Corporation Limited and its subsidiary

Unaudited Interim Combined Statement of Financial Position
For the six-month period ended 30 June 2017

	Note	30.6.2017 RM'000 (Unaudited)	31.12.2016 RM'000 (Audited)
Non-current assets			
Property, plant and equipment	13	103,976	102,961
Leasehold land	14	13,942	14,113
		117,918	117,074
Current assets			
Inventories	16	38,750	40,810
Trade and other receivables	17	17,751	18,640
Prepaid operating expense		4,906	2,566
Cash and bank balances	18	66,666	49,468
		128,073	111,484
Total assets		245,991	228,558
Current liabilities			
Loans and borrowings	19	7,778	4,662
Trade and other payables	20	24,016	24,261
Accrued operating expense		4,084	6,512
Dividends payable	31	30,000	–
Tax payable		6,046	4,432
Derivative liabilities	21	802	2,484
		72,726	42,351
Net current assets		55,347	69,133
Non-current liabilities			
Loans and borrowings	19	799	698
Deferred tax liabilities	22	12,511	12,142
		13,310	12,840
Total liabilities		86,036	55,191
Net assets		159,955	173,367
Equity attributable to owners of the Company			
Share capital	23	–*	–*
Merger reserve	24	500	500
Retained earnings		159,455	172,867
		159,955	173,367
Total equity and liabilities		245,991	228,558

* Less than RM1,000

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

LY Corporation Limited and its subsidiary

Unaudited Interim Combined Statement of Changes in Equity
For the six-month period ended 30 June 2017

	Attributable to owners of the Company			
	Share capital (Note 23) RM'000	Merger reserve (Note 24) RM'000	Retained earnings RM'000	Equity, total RM'000
Unaudited				
At 1 January 2017	–*	500	172,867	173,367
Profit for the period, representing total comprehensive income for the period	–	–	21,588	21,588
Dividend on ordinary shares, representing total distribution to owners (Note 31)	–	–	(35,000)	(35,000)
At 30 June 2017	–*	500	159,455	159,955
At 1 January 2016	–*	500	167,421	167,921
Profit for the period, representing total comprehensive income for the period	–	–	17,749	17,749
Dividend on ordinary shares, representing total distribution to owners (Note 31)	–	–	(18,000)	(18,000)
At 30 June 2016	–*	500	167,170	167,670

* Less than RM1,000

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

LY Corporation Limited and its subsidiary

Unaudited Interim Combined Statement of Cash Flows
For the six-month period ended 30 June 2017

	30.6.2017 RM'000 (Unaudited)	30.6.2016 RM'000 (Unaudited)
Operating activities		
Profit before tax	28,477	23,620
Adjustments for:		
Gain on disposal of property, plant and equipment	(50)	(26)
Net fair value loss/(gain) on derivatives	(1,682)	(1,135)
Dividend income from short term investments	–	(47)
Interest income	(402)	(322)
Interest expense	119	486
Write off of property, plant and equipment	–	110
Amortisation of leasehold land	171	146
Depreciation of property, plant and equipment	2,427	2,378
Unrealised exchange loss/(gain)	(225)	1,410
Operating profit before working capital changes	28,835	26,620
Changes in working capital:		
Decrease in inventories	2,060	4,041
Decrease in trade and other receivables	935	792
Increase in prepaid operating expense	(2,340)	(207)
Decrease in trade and other payables	(242)	(3,340)
Decrease in accrued operating expense	(2,428)	(2,297)
Cash flows from operations	26,820	25,609
Interest paid	(119)	(486)
Income taxes paid	(4,906)	(4,250)
Net cash flows from operating activities	21,795	20,873
Investing activities		
Interest received	402	322
Dividend received from short term investments	–	47
Purchase of property, plant and equipment (Note A)	(3,223)	(4,430)
Purchase of leasehold land	–	(4,512)
Purchase of short term investments	–	(4,047)
Proceeds from disposal of property, plant and equipment	151	37
Net cash flows used in investing activities	(2,670)	(12,583)

LY Corporation Limited and its subsidiary

Unaudited Interim Combined Statement of Cash Flows
For the six-month period ended 30 June 2017

	30.6.2017 RM'000 (Unaudited)	30.6.2016 RM'000 (Unaudited)
Financing activities		
Dividends paid on ordinary shares	(5,000)	–
Proceeds from loans and borrowings	7,295	5,543
Repayment of obligations under finance lease	(139)	(190)
Repayment of loans and borrowings	(4,259)	(22,408)
Net cash flows used in financing activities	(2,103)	(17,055)
Net (decrease)/increase in cash and cash equivalents	17,022	(8,765)
Effect of exchange rate changes on cash and cash equivalent	176	(1,153)
Cash and cash equivalents at beginning of period	49,468	72,925
Cash and cash equivalents at end of period	66,666	63,007

Note to the unaudited interim combined statement of cash flows

A. Property, plant and equipment

	30.6.2017 RM'000 (Unaudited)	30.6.2016 RM'000 (Unaudited)
Current period additions to property, plant and equipment	3,543	5,597
Less: Additions under finance leases	(320)	–
Less: Accrued operating expense	–	(1,167)
Net cash outflow from purchase of property, plant and equipment	3,223	4,430

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

LY Corporation Limited and its subsidiary

Notes to the Unaudited Interim Combined Financial Statements
For the six-month period ended 30 June 2017

1. Corporate information

1.1 *The Company*

LY Corporation Pte. Ltd. (the "Company") was incorporated as a private limited company domiciled in Singapore on 24 October 2016. On 21 December 2017, the Company was converted into a public company limited by shares and changed its name to LY Corporation Limited.

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 the subsidiary is disclosed in Note 15.

1.2 *The Restructuring Exercise*

A restructuring exercise was carried out in connection with the proposed placement (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 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.

LY Corporation Limited and its subsidiary

Notes to the Unaudited Interim Combined Financial Statements
For the six-month period ended 30 June 2017

1. Corporate information (cont'd)

1.2 *The Restructuring Exercise (cont'd)*

(b) ***Acquisition of shares in LY Furniture Sdn Bhd ("LYFSB") (cont'd)***

On 18 December 2017, 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 RM15,955,500. 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.

(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 10,688 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 interim combined financial statements have been prepared for the financial period from 1 January 2017 to 30 June 2017 in accordance with Singapore Financial Reporting Standards 34 Interim Financial Reporting.

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

The interim combined financial statements are presented in Ringgit Malaysia ("RM") and all values in the tables are rounded to the nearest thousand (RM'000), except when otherwise indicated.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial period, 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 financial position of the Group.

LY Corporation Limited and its subsidiary

Notes to the Unaudited Interim Combined Financial Statements
For the six-month period ended 30 June 2017

2. Summary of significant accounting policies (cont'd)

2.3 ***Standards issued but not yet effective***

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

Description	**Effective for annual periods beginning on or after**
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
INT FRS 112 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
FRS 116 *Leases*	1 January 2019

Except for FRS 109, the directors expect that the adoption of the other standards above will have no material impact on the combined financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109 is described below:

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Company to make changes to its current systems and processes.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

2.4 ***Basis of consolidation***

The interim combined financial statements comprise the financial statements of the Company and its subsidiary as at the end of the reporting periods. The financial statements of the subsidiary are prepared for the same reporting date as the Company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

LY Corporation Limited and its subsidiary

Notes to the Unaudited Interim Combined Financial Statements
For the six-month period ended 30 June 2017

2. Summary of significant accounting policies (cont'd)

2.4 *Basis of consolidation (cont'd)*

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

The interim combined financial statements of the Group for the six-month period ended 30 June 2017 and 2016 comprising the Company and LY Furniture Sdn. Bhd. ("LYFSB") are presented as a continuation of LYFSB. The unaudited interim combined 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 unaudited interim combined financial statements of the Group are a combination or aggregation of the financial statements of the Company and LYFSB as at and for the six-month period ended 30 June 2017 and 2016.

Pursuant to this:

– The assets and liabilities of the combining 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 combination, or recognise any new assets or liabilities.

– No additional goodwill is recognised as a result of the combination.

– 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 combining entities for the full year, irrespective of when the combination took place.

2.5 *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.

LY Corporation Limited and its subsidiary

Notes to the Unaudited Interim Combined Financial Statements
For the six-month period ended 30 June 2017

2. Summary of significant accounting policies (cont'd)

2.5 *Foreign currency (cont'd)*

Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiary 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.

LY Corporation Limited and its subsidiary

Notes to the Unaudited Interim Combined Financial Statements
For the six-month period ended 30 June 2017

2. Summary of significant accounting policies (cont'd)

2.7 *Leasehold land*

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

2.8 *Impairment of non-financial assets*

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

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

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, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.9 *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.

LY Corporation Limited and its subsidiary

Notes to the Unaudited Interim Combined Financial Statements
For the six-month period ended 30 June 2017

2. Summary of significant accounting policies (cont'd)

2.9 ***Financial instruments (cont'd)***

(a) ***Financial assets*** *(cont'd)*

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.

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.

LY Corporation Limited and its subsidiary

Notes to the Unaudited Interim Combined Financial Statements
For the six-month period ended 30 June 2017

2. Summary of significant accounting policies (cont'd)

2.9 *Financial instruments (cont'd)*

(a) ***Financial assets*** *(cont'd)*

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.

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.

2. Summary of significant accounting policies (cont'd)

2.9 ***Financial instruments (cont'd)***

(b) ***Financial liabilities*** *(cont'd)*

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 balance sheet, 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.

2.10 ***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.

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.

LY Corporation Limited and its subsidiary

Notes to the Unaudited Interim Combined Financial Statements
For the six-month period ended 30 June 2017

2. Summary of significant accounting policies (cont'd)

2.10 ***Impairment of financial assets (cont'd)***

Financial assets carried at amortised cost (cont'd)

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.

2.11 ***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.

2.12 ***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.

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.

LY Corporation Limited and its subsidiary

Notes to the Unaudited Interim Combined Financial Statements
For the six-month period ended 30 June 2017

2. Summary of significant accounting policies (cont'd)

2.13 ***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.

2.14 ***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 subsidiary 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.

2.15 ***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.

2. Summary of significant accounting policies (cont'd)

2.15 *Leases (cont'd)*

(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 2.16(c).

2.16 *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 is recognised 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. Summary of significant accounting policies (cont'd)

2.17 *Taxes*

(a) *Current income tax*

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

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

(b) *Deferred tax*

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

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

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

LY Corporation Limited and its subsidiary

Notes to the Unaudited Interim Combined Financial Statements
For the six-month period ended 30 June 2017

2. Summary of significant accounting policies (cont'd)

2.17 *Taxes (cont'd)*

(b) ***Deferred tax (cont'd)***

– 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.

(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.

LY Corporation Limited and its subsidiary

Notes to the Unaudited Interim Combined Financial Statements
For the six-month period ended 30 June 2017

2. Summary of significant accounting policies (cont'd)

2.18 *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.

2.19 *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 subsidiary. In determining the functional currencies of the entity 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 entity 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. Management has assessed that prices are mainly denominated and settled in the local currency of the entity of the Group. In addition, the entity's cost base is mainly denominated in its respective currency. Therefore, management concluded that the functional currency of the Company and its subsidiary is RM.

LY Corporation Limited and its subsidiary

Notes to the Unaudited Interim Combined Financial Statements
For the six-month period ended 30 June 2017

3. Significant accounting judgements and estimates (cont'd)

3.1 *Judgements made in applying accounting policies (cont'd)*

Determination of functional currency (cont'd)

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.

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 13.

LY Corporation Limited and its subsidiary

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4. Revenue

	For the six-month period ended	
	2017	2016
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Sale of goods	166,007	141,597

5. Interest income

	For the six-month period ended	
	2017	2016
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Interest income from:		
– Cash and short term deposits	402	322

6. Other income

	For the six-month period ended	
	2017	2016
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Sale of scrap materials	1,914	319
Gain on disposal of property, plant and equipment	50	26
Dividend income	–	47
Rental income	273	420
Net fair value gain on derivatives	1,682	1,135
Others	380	318
	4,299	2,265

LY Corporation Limited and its subsidiary

Notes to the Unaudited Interim Combined Financial Statements
For the six-month period ended 30 June 2017

7. Finance costs

	For the six-month period ended	
	2017	**2016**
	RM'000	**RM'000**
	(Unaudited)	**(Unaudited)**
Interest expense on:		
– Bank loans	93	32
– Obligations under finance lease	26	454
	119	486

8. Other expenses

	For the six-month period ended	
	2017	**2016**
	RM'000	**RM'000**
	(Unaudited)	**(Unaudited)**
Net foreign exchange loss	3,715	4,194
Write off of property, plant and equipment	–	110
	3,715	4,304

9. Profit before tax

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

	For the six-month period ended	
	2017	**2016**
	RM'000	**RM'000**
	(Unaudited)	**(Unaudited)**
Amortisation of leasehold land (Note 14)	171	146
Depreciation of property, plant and equipment (Note 13)	2,427	2,378
Operating lease expense	338	703
Employee benefits expense (Note 10)	17,862	15,359
Sub-contractor costs	20,468	15,530
Freight cost and handling charges	4,540	3,885
Utilities expenses	2,033	1,801
Inventories recognised as an expense in cost of goods sold (Note 16)	85,817	67,968

LY Corporation Limited and its subsidiary

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10. Employee benefits expense

	For the six-month period ended	
	2017 RM'000 (Unaudited)	2016 RM'000 (Unaudited)
Salaries and bonuses	17,140	14,753
Employees' Provident Fund	594	490
Social Security Organisation	80	55
Other benefits	48	61
	17,862	15,359

11. Income tax expense

Major component of income tax expense

The major component of income tax expense for the period ended 30 June 2017 and 30 June 2016 are:

	For the six-month period ended	
	2017 RM'000 (Unaudited)	2016 RM'000 (Unaudited)
Combined statement of comprehensive income		
– Current income taxation	6,520	5,449
Deferred income tax (Note 22):		
– Origination and reversal of temporary difference	369	422
Income tax expense recognised in profit or loss	6,889	5,871

LY Corporation Limited and its subsidiary

Notes to the Unaudited Interim Combined Financial Statements
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11. Income tax expense (cont'd)

Major component of income tax expense *(cont'd)*

The reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the period/year ended 30 June 2017 and 30 June 2016 are as follows:

	For the six-month period ended	
	2017 RM'000 (Unaudited)	2016 RM'000 (Unaudited)
Profit before tax	28,477	23,620
At Malaysia's statutory income tax rate of 24% (30.6.2016: 24%)	6,834	5,669
Adjustments:		
Non-deductible expenses	83	244
Effect of tax incentives	(28)	(42)
Income tax expense recognised in profit or loss	6,889	5,871

The subsidiary of the Group is subjected to income tax at Malaysia's domestic tax rate of 24% (2016: 24%).

12. Earnings per share

Basic earnings per share are calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares existing during the respective periods.

	For the six-month period ended	
	2017 (Unaudited)	2016 (Unaudited)
Profit of the period attributable to owners of the Company (RM'000)	21,588	17,749
Weighted average number of ordinary shares* ('000)	500	500
Basic and diluted earnings per share (RM)	43	35

* The weighted average number of ordinary shares reflects the weighted average number of ordinary shares of LYFSB as the combined financial statements of the Group are presented as a continuation of LYFSB.

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12. Earnings per share (cont'd)

Pursuant to the Restructuring Exercise, basic earnings per share are calculated by dividing profit for the year attributable to owners of the Company by the Company's number of ordinary shares immediately after the Restructuring Exercise as disclosed in Note 1.2 was 426,720,000 which has been used in the calculation of basic and diluted earnings per share for all periods presented in accordance with FRS 33. Diluted earnings per share are the same as basic earnings per share as there were no potential dilutive ordinary shares existing during the respective years.

	For the six-month period ended	
	2017 (Unaudited)	2016 (Unaudited)
Weighted average number of ordinary shares as adjusted for the Share Split ('000)	426,720	426,720
Basic and diluted earnings per share based on share capital after the Restructuring Exercise(sens)	5.1	4.2

13. Property, plant and equipment

	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
Unaudited							
Cost:							
At 1 January 2017	95	90,737	30,178	4,924	4,176	1,993	132,103
Additions	–	–	1,251	64	420	1,808	3,543
Disposals	–	–	(75)	(37)	(395)	–	(507)
At 30 June 2017	95	90,737	31,354	4,951	4,201	3,801	135,139
Accumulated depreciation:							
At 1 January 2017	–	8,224	16,877	1,865	2,176	–	29,142
Depreciation charge for the period	–	912	1,054	218	243	–	2,427
Disposals	–	–	(37)	(7)	(362)	–	(406)
At 30 June 2017	–	9,136	17,894	2,076	2,057	–	31,163
Net carrying amount:							
At 30 June 2017	95	81,601	13,460	2,875	2,144	3,801	103,976

LY Corporation Limited and its subsidiary

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13. Property, plant and equipment (cont'd)

	Freehold land	Building	Machinery and equipment	Office equipment, furniture and fittings	Motor vehicles	Capital in progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Audited							
Cost:							
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)
Transfer	–	14	449	–	–	(463)	–
At 31 December 2016	95	90,737	30,178	4,924	4,176	1,993	132,103
Accumulated depreciation							
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	–	8,224	16,877	1,865	2,176	–	29,142
Net carrying amount:							
At 31 December 2016	95	82,513	13,301	3,059	2,000	1,993	102,961

Assets held under finance lease

During the financial period, the Group acquired motor vehicles with an aggregate cost of RM320,000 (31.12.2016: RM70,000) by means of finance leases. The cash outflow on acquisition of property, plant and equipment amounted to RM3,223,000 (31.12.2016: RM9,944,000).

The carrying amount of motor vehicles held under finance leases at the end of the reporting period were RM1,841,000 (31.12.2016: RM1,602,000).

Assets pledged as security

In addition to assets held under finance leases, the Group's buildings with a carrying amount of RM19,986,000 (31.12.2016: RM20,206,000) are pledged to secure the Group's bank borrowings (Note 19).

LY Corporation Limited and its subsidiary

Notes to the Unaudited Interim Combined Financial Statements
For the six-month period ended 30 June 2017

14. Leasehold land

	30.6.2017 RM'000 (Unaudited)	31.12.2016 RM'000 (Audited)
Cost		
At beginning of year/period	15,159	12,017
Additions	–	4,512
Disposal	–	(1,370)
At end of year/period	15,159	15,159
Accumulated amortisation		
At beginning of year/period	1,046	879
Amortisation for the year/period	171	319
Disposal	–	(152)
At end of year/period	1,217	1,046
Net carrying amount		
At end of year/period	13,942	14,113

The Group has leasehold land over 14 (31.12.2016: 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 37 to 53 years (31.12.2016: 37 to 53 years).

During the year ended 31 December 2016, the Group disposed two pieces of land at a consideration of RM1,384,000 after obtaining consent from the state authority and acquired one plot of leasehold land at a consideration of RM4,512,000.

The right of use of the land over the lease term with an aggregate carrying value of RM4,231,000 (31.12.2016: RM5,068,000) are pledged to financial institutions for bank borrowings as disclosed to in Note 19.

LY Corporation Limited and its subsidiary

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15. Subsidiary

The Group has the following subsidiary:

Name and principal place of business	Principal activity	Proportion (%) of ownership interest 30.6.2017	31.12.2016
LY Furniture Sdn. Bhd. (Malaysia)[1]	Manufacturing of all kinds of wooden furniture	100	100

1 Audited by a member firm of EY Global in the principal place of business

16. Inventories

	30.6.2017 RM'000 (Unaudited)	31.12.2016 RM'000 (Audited)
Combined statement of financial position:		
Raw materials	21,937	19,184
Work-in-progress	11,374	14,473
Finished goods	5,439	7,153
	38,750	40,810

	For the six-month period ended 2017 RM'000 (Unaudited)	2016 RM'000 (Unaudited)
Combined statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	85,817	67,968

LY Corporation Limited and its subsidiary

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17. Trade and other receivables

	30.6.2017 RM'000 (Unaudited)	31.12.2016 RM'000 (Audited)
Current		
Trade receivables	14,713	15,086
Amount due from related parties (trade)	681	57
Deposit	368	409
Other receivables	1,989	3,088
Total trade and other receivables	17,751	18,640
Add: Cash and bank balances (Note 18)	66,666	49,468
Less: GST receivable	(1,702)	(2,789)
Total loans and receivables	82,715	65,319

Trade receivables

Trade receivables are non-interest bearing and are generally on 7 to 30 days (31.12.2016: 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 the end of the reporting period are as follows:

	30.6.2017 RM'000 (Unaudited)	31.12.2016 RM'000 (Audited)
United States Dollar	13,910	13,630

Related party balances

These balances are unsecured, non-interest bearing, repayable upon demand and are to be settled by cash. Related party balances are denominated in RM.

LY Corporation Limited and its subsidiary

Notes to the Unaudited Interim Combined Financial Statements
For the six-month period ended 30 June 2017

17. Trade and other receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM3,780,000 (31.12.2016: 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 period are as follows:

	30.6.2017 RM'000 (Unaudited)	**31.12.2016 RM'000 (Audited)**
Less than 30 days	3,763	254
31 to 90 days	14	–
More than 90 days	3	–
	3,780	254

Receivables that are impaired

There are no trade receivables that are impaired at the reporting period.

18. Cash and bank balances

	30.6.2017 RM'000 (Unaudited)	**31.12.2016 RM'000 (Audited)**
Cash on hand and at banks	66,666	49,468

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

Cash and bank balances denominated in foreign currency at the end of the reporting period are as follows:

	30.6.2017 RM'000 (Unaudited)	**31.12.2016 RM'000 (Audited)**
United States Dollar	45,203	31,019

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19. Loans and borrowings

	30.6.2017 RM'000 (Unaudited)	31.12.2016 RM'000 (Audited)
Current:		
Bankers' acceptance	–	4,259
Obligations under finance leases (Note 26(d))	483	403
Onshore foreign currency loan	7,295	–
	7,778	4,662
Non-current:		
Obligations under finance leases (Note 26(d))	799	698
Total loans and borrowings	8,577	5,360

<u>Obligations under finance leases</u>

These obligations are secured by a charge over the leased asset (Note 13). The average discount rate implicit in the leases is between 4.57% (31.12.2016: 4.57%) per annum.

<u>Onshore foreign currency loan and bankers' acceptance</u>

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

	30.6.2017 (Unaudited)	31.12.2016 (Audited)
Bankers' acceptance	–	4.05
Onshore foreign currency loan	4.30	–

The bankers' acceptance and onshore foreign currency loan are secured by mortgage over certain buildings and leasehold land and joint and several guarantee provided by the directors of the subsidiary.

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20. Trade and other payables

	30.6.2017 RM'000 (Unaudited)	31.12.2016 RM'000 (Audited)
Trade payables	19,044	19,882
Other payables	3,785	3,964
Amount due to related parties (trade)	1,187	415
Total trade and other payables	24,016	24,261
Add: Accrued operating expense	4,084	6,512
Add: Loans and borrowings (Note 19)	8,577	5,360
Total financial liabilities carried at amortised cost	36,677	36,133

Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from one month to four months (31.12.2016: one month to four months).

Trade payables denominated in foreign currency at the end of the reporting period are as follows:

	30.6.2017 RM'000 (Unaudited)	31.12.2016 RM'000 (Audited)
United States Dollar	1,505	1,913

Related parties balances

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

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21. Derivative liabilities

	Contract/ notional amount RM'000	Liabilities RM'000
Unaudited		
30 June 2017		
Current		
Forward currency contracts	35,290	51
Cross currency interest rate swaps	2,000	751
Total financial liabilities at fair value through profit or loss		802
Audited		
31 December 2016		
Current		
Forward currency contracts	17,711	1,159
Cross currency interest rate swaps	3,000	1,325
Total financial liabilities at fair value through profit or loss		2,484

Forward currency contracts are used to hedge foreign currency risk arising from the Group's sales and purchases denominated in USD for which firm commitments existed at the end of the reporting period, extending to November 2017 (31.12.2016: March 2017).

Cross currency interest rate swaps are 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, extending to June 2018 (31.12.2016: June 2018).

22. Deferred tax

Deferred tax as at 31 December 2016 and 30 June 2017 relates to the following:

	Combined statement of financial position		Combined statement of comprehensive income	
	30.6.2017 RM'000 (Unaudited)	31.12.2016 RM'000 (Audited)	30.6.2017 RM'000 (Unaudited)	31.12.2016 RM'000 (Audited)
Deferred tax liabilities:				
Differences in depreciation for tax purposes	(12,511)	(12,142)	369	896

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23. Share capital

	30.6.2017		31.12.2016	
	No. of shares	RM'000	No. of shares	RM'000
Issued and fully paid ordinary shares				
At beginning of the year/period	1	–*	–	–
Incorporation of the Company	–	–	1	–*
At end of the year/period	1	–*	1	–*

* Less than RM1,000

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

24. Merger reserve

Merger reserve of the unaudited interim combined statements of financial position as at 30 June 2017 comprise the share capital of its subsidiary, LYFSB, when it is accounted for by applying the pooling of interest method, as described in Note 2.4 to the combined 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 period:

	For the six-month period ended	
	2017 RM'000 (Unaudited)	2016 RM'000 (Unaudited)
Director-related companies^:		
Sale of goods@	1,582	596
Sale of property, plant and equipment	11	–
Rental received	241	285
Rental paid	(78)	(72)
Purchase of goods#	(7,209)	(4,260)
Sub-contractor costs	(7,142)	(6,001)
Purchase of plant and equipment	–	(55)
Related party:		
Rental paid to a director of the subsidiary	(9)	(9)

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25. Related party disclosures (cont'd)

(a) *Sale and purchase of goods and services (cont'd)*

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

@ Sales of goods includes sales of indirect materials, raw materials and finished goods.

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.

(b) *Compensation of key management personnel*

	For the six-month period ended	
	2017	**2016**
	RM'000	**RM'000**
	(Unaudited)	**(Unaudited)**
Salaries and bonuses	834	834
Employee Provident Fund	81	100
Other benefits	2	2
	917	936
Comprise amounts paid to:		
Directors of the Company	567	586
Other key management personnel	350	350
	917	936

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:

	30.6.2017	**31.12.2016**
	RM'000	**RM'000**
	(Unaudited)	**(Audited)**
Capital commitments in respect of property, plant and equipment	7,808	3,030

26. Commitments (cont'd)

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

In addition to the leasehold land disclosed in Note 14, 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 six-month period ended 30 June 2017 amounted to RM509,000 (31.12.2016: 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:

	30.6.2017 RM'000 (Unaudited)	**31.12.2016 RM'000 (Audited)**
Not later than one year	28	119
Later than one year but not later than two years	7	8
	35	127

(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:

	30.6.2017 RM'000 (Unaudited)	**31.12.2016 RM'000 (Audited)**
Not later than one year	5	35

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26. Commitments (cont'd)

(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:

	30.6.2017 RM'000 (Unaudited)	31.12.2016 RM'000 (Audited)
Future minimum lease payments:		
Not later than one year	532	444
Later than one year and not later than five years	847	730
	1,379	1,174
Less: Amounts representing finance charges	(97)	(73)
Present value of minimum lease payments	1,282	1,101
Analysis of present value of finance lease liabilities:		
Not later than one year	483	403
Later than one year and not later than five years	799	698
Present value of minimum lease payments	1,282	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.

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27. Fair value of assets and liabilities (cont'd)

(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.

	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Unaudited				
30 June 2017				
Liabilities measured at fair value				
Derivatives liabilities (Note 21)	802	–	802	–
Audited				
31 December 2016				
Liabilities measured at fair value				
Derivatives liabilities (Note 21)	2,484	–	2,484	–

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

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

Derivatives

Forward currency contracts and cross currency interest rate 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.

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28. Financial risk management objectives and policies (cont'd)

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 minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising 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 combined 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	**%**
Unaudited		
30 June 2017:		
By country:		
United States of America	10,433	70.9
Malaysia	2,215	15.1
Others	2,065	14.0
	14,713	100.0

LY Corporation Limited and its subsidiary

Notes to the Unaudited Interim Combined Financial Statements
For the six-month period ended 30 June 2017

28. Financial risk management objectives and policies (cont'd)

(a) *Credit risk (cont'd)*

Credit risk concentration profile (cont'd)

	RM'000	%
Audited		
31 December 2016:		
By country:		
United States of America	12,399	82.2
Malaysia	1,078	7.1
Others	1,609	10.7
	15,086	100.0

At the end of the reporting period approximately 78.7% (31.12.2016: 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 not 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 17.

(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.

LY Corporation Limited and its subsidiary

Notes to the Unaudited Interim Combined Financial Statements
For the six-month period ended 30 June 2017

28. Financial risk management objectives and policies (cont'd)

(b) ***Liquidity risk (cont'd)***

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.

	On demand or within one year RM'000	**One to five years RM'000**	**Over five years RM'000**	**Total RM'000**
Unaudited				
30 June 2017				
Financial assets				
Trade and other receivables (net of GST receivable)	16,049	–	–	16,049
Cash and short-term deposits	66,666	–	–	66,666
	82,715	–	–	82,715
Financial liabilities				
Trade and other payables	24,016	–	–	24,016
Accrued operating expense	4,084	–	–	4,084
Loans and borrowings	7,827	847	–	8,674
	35,927	847	–	36,774
Total undiscounted financial assets/(liabilities)	46,788	(847)	–	45,941

LY Corporation Limited and its subsidiary

Notes to the Unaudited Interim Combined Financial Statements
For the six-month period ended 30 June 2017

28. Financial risk management objectives and policies (cont'd)

(b) ***Liquidity risk (cont'd)***

Analysis of financial instruments by remaining contractual maturities (cont'd)

	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
Audited				
31 December 2016				
Financial assets				
Trade and other receivables (net of GST receivable)	15,851	–	–	15,851
Cash and short-term deposits	49,468	–	–	49,468
	65,319	–	–	65,319
Financial liabilities				
Trade and other payables	24,261	–	–	24,261
Accrued operating expense	6,512	–	–	6,512
Loans and borrowings	4,703	730	–	5,433
	35,476	730	–	36,206
Total undiscounted financial assets/(liabilities)	29,843	(730)	–	29,113

(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/period, if interest rates had been 10 (31.12.2016: 10) basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM9,000 (31.12.2016: 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.

LY Corporation Limited and its subsidiary

Notes to the Unaudited Interim Combined Financial Statements
For the six-month period ended 30 June 2017

28. Financial risk management objectives and policies (cont'd)

(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 99.9% (31.12.2016: 99.8%) of the Group's sales are denominated in foreign currencies whilst almost 84.0% (31.12.2016: 78.5%) of the costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivables and trade payables at the end of the reporting period have similar exposure.

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.

	1.1.2017 to 30.6.2017 RM'000 (Unaudited)	1.1.2016 to 31.12.2016 RM'000 (Audited)
USD/RM		
– strengthen by 5% (31.12.2016: 5%)	2,880	2,137
– weaken by 5% (31.12.2016: 5%)	(2,880)	(2,137)

LY Corporation Limited and its subsidiary

Notes to the Unaudited Interim Combined Financial Statements
For the six-month period ended 30 June 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 year ended 31 December 2016 and period ended 30 June 2017.

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

	30.6.2017 RM'000 (Unaudited)	**31.12.2016 RM'000 (Audited)**
Loans and borrowings	8,577	5,360
Equity attributable to owners of the Company, representing total capital	159,955	173,367
Gearing ratio	5.4%	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

LY Corporation Limited and its subsidiary

Notes to the Unaudited Interim Combined Financial Statements
For the six-month period ended 30 June 2017

30. Segment information (cont'd)

Geographical information

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

	For the six-month period ended	
	2017	**2016**
	RM'000	**RM'000**
	(Unaudited)	**(Unaudited)**
Revenue		
Malaysia	21,886	20,695
United States of America	131,095	107,279
Others	13,026	13,623
	166,007	141,597

	30.6.2017	**31.12.2016**
	RM'000	**RM'000**
	(Unaudited)	**(Audited)**
Non-current assets		
Malaysia	117,918	117,074

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

Information about major customers

Revenue from four (31.12.2016: four) major customers amount to RM127,397,000 (31.12.2016: RM 208,770,000).

LY Corporation Limited and its subsidiary

Notes to the Unaudited Interim Combined Financial Statements
For the six-month period ended 30 June 2017

31. Dividends

	For the six-month period ended	
	30.6.2017	30.6.2016
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Declared during the period		
Final single tier dividend for 2016: RM70 (2015: RM36) per share paid by LYFSB to its then existing shareholders	35,000	18,000

On 30 June 2017, the then existing shareholders of LYFSB approved a final single tier dividend of 7,000%, RM70 per share, amounting to RM35,000,000 for the financial year ended 31 December 2016.

On 25 June 2016, the then existing shareholders of LYFSB approved a final single tier dividend of 3,600%, RM36 per share, amounting to RM18,000,000 for the financial year ended 31 December 2015.

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. Events occurring after the reporting period

(a) On 21 December 2017, the Company entered into a call options and right of first refusal agreement (the "Agreement") with LY Furniture Corporation Sdn. Bhd. ("LYFC"). Under the Agreement, LYFC has agreed to grant the Company a call option ("Call Option") to acquire from LYFC all shares that it may from time to time hold in LP Global Resources Sdn. Bhd. ("LP Global") (the "Option Shares") or to require that LYFC procures that LP Global sells all its assets (the "Option Assets") to the Company, and a right of first refusal in respect of the sale or transfer of Option Shares or Option Assets by LYFC and LP Global respectively (the "ROFR"), subject to the terms of the Agreement.

The exercise price of the Call Option (a) for the Option Shares shall be the fair market value of the Option Shares as determined by an independent appraiser ("Appraiser"); and (b) for the Option Assets shall be the fair market value of the Option Assets as determined by an Appraiser. The Appraiser shall be jointly appointed by the Company and LYFC, and shall be approved by the Audit Committee of the Company.

LY Corporation Limited and its subsidiary

Notes to the Unaudited Interim Combined Financial Statements
For the six-month period ended 30 June 2017

32. Events occurring after the reporting period (cont'd)

In relation to the ROFR, in the event LFC desires to sell or transfer any of the Option Shares or LP Global desires to sell or transfer any part of the Option Assets to a third party after the Company's listing on the Singapore Exchange Securities Trading Limited, LYFC shall give the Company notice in writing of such desire. The Company shall then be entitled to purchase such Option Shares or Option Assets within 14 days from the date of notice, and LYFC shall sell such Option Shares or procure that LP Global sells such Option Assets (as the case may be) on the same terms and price. In the event the Company does not apply to purchase the Option Shares or Option Assets (as the case may be) or fails to or does not complete the purchase of the Option Shares or Option Assets (as the case may be) or the Company does not exercise the Call Option, within a specified period, LYFC shall be entitled to sell the Option Shares or Option Assets at a price and on terms no more favourable than as had been offered to the Company.

The Call Option and ROFR shall terminate upon the happening of any of the following events:

(a) Mr. Tan Kwee Chai, Mr Tan Kwee Lim and Mr Tan Yong Chuan:

    (i) and their Associates ceases to have in aggregate an interest (direct and indirect) in 15% or more of the shares in LP Global; and

    (ii) ceases to be a Director, CEO or Controlling Shareholder of the Company;

(b) subsequent to the Company's listing on the Singapore Exchange Securities Trading Limited ("SGX-ST"), the shares of the Company ceasing to be listed and traded on the SGX-ST;

(c) LYFC ceases to hold any shares in LP Global.

whichever is the earliest.

(b) LY Global Hub Sdn. Bhd. ("LYGH") was incorporated on 3 October 2017 in Malaysia as a private company limited by shares with an issued and paid-up share capital of RM1 comprising one share, which was held by LYFSB, a wholly-owned subsidiary of the Company.

33. Authorisation of financial statements for issue

The financial statements for the six-month period ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 18 January 2018.

The Industry Report has been prepared by the Independent Market Researcher for the inclusion in this Offer Document. While our Directors have taken reasonable action to ensure that the Industry Report has been extracted and reproduced in its proper form and context, none of our Company, the Sponsor, Issue Manager and Placement Agent or their respective officers, agents, employees and advisers have conducted an independent review of the contents or independently verified the accuracy thereof.

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Information. Insights. Integrity.

Wood Furniture Manufacturing for Export in Malaysia (Updated)

This report is prepared for

LY Furniture Sdn Bhd

19 October 2017

Singapore | Malaysia | Hong Kong

DISCLAIMER

Converging Knowledge has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report represents a true and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. We note that the opinions expressed are opinions of human sources and caution as to the subjective nature of such information.

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RESEARCH SCOPE

The Client wishes to conduct a research on Wood Furniture Manufacturing for Export in Malaysia for the purpose of an Initial Public Offering ("IPO"). Our objective is to assist the Client in conducting a fully substantiated primary and secondary research to gain insights into the above focus areas and sector.

The report will include the following:

1. Overview Of the Export Furniture Industry in Malaysia
    a. Brief overview of the furniture industry in Malaysia
    b. Introduction to the export furniture market in Malaysia
        i. Definitions
        ii. Description of differing segments in the industry
        iii. Description of the Company (Client) within the industry sector
    c. Overview of the macroeconomic indicators for Malaysia
        i. The focus will be on statistics that affects exports in Malaysia
        ii. Statistics will be based on latest reported figures from government and industry associations
    d. Industry trends and developments in Malaysia
    e. Government and regulatory matters linked to the industry
    f. Key market drivers in Malaysia
    g. Challenges and issues in the industry
    h. Export market size estimation, in USD (2010 – 2015E)
    i. Forecast export market size estimation (2016F – 2020F)
    j. Prospect of Malaysia furniture export markets

2. Competitive Landscape
    a. Nature of competition
    b. Number of players
    c. Major players in the industry
        i. Comparison table of the client versus other listed furniture companies in Singapore and Malaysia
        ii. Comparison table of the client versus major wood furniture export manufacturing companies in Malaysia
    d. Market ranking or market share of the company based on export market (Client)
        i. Converging Knowledge reserves the right to decide the use of market ranking or market share subject to availability of data/ financial statements
        ii. Market ranking requires the purchase of financials from both Singapore and Malaysia for this project

3. Overview of Wooden Furniture Market in the US – A Demand Perspective (Desk Research only)
    a. Macroeconomic indicators in the US
    b. Historical development and recent furniture industry trends
    c. Import market size estimation (2010 – 2015E)

i. To include the segmentation of import by major countries where applicable, and to highlight the import from Malaysia
ii. Discussion of furniture export trends into the US and key source countries

d. Forecast of import market size estimation (2016F – 2020F)
e. Key market drivers
f. Market outlook

4. Brief Overview of the PRC Market For Wooden Furniture (Desk Research only)
   a. Limited to 1-2 pages, in view of the Client's interest to export to this country

Executive Summary

We will prepare an Executive Summary (maximum of two pages) for inclusion in the Prospectus. The Executive Summary will contain:

1. Brief Overview of
   a. Industry
   b. Competitive landscape and trends
   c. Market size (where applicable)

2. Prospects
   a. Percentage growth forecast
   b. Industry outlook

RESEARCH APPROACH

The research will be conducted on a best effort basis through a combination of primary and desktop (published resources) research, to address the scope of research.

Primary research involves discreet interviews tapping on the knowledge, experience and opinions of relevant companies, industry associations, technical institutions, government bodies and academic institutions.

Desktop research includes, but is not limited to, a review of the following:

- Local newspapers and news wires/agencies;
- Leading industry and trade publications;
- Websites of regulatory authority as well as relevant government agencies; and
- Websites of companies.

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1. EXECUTIVE SUMMARY

Malaysia's Position in the Global Furniture Market

Malaysia is a dominant player in the world's furniture market. With its strong manufacturing foundation and proven capabilities in producing quality furniture for the global market, Malaysia is Asia's third-largest furniture exporter. Globally, it is ranked 8^{th}, exporting 7.5 billion Malaysian Ringgit ("RM") worth of furniture to 169 countries in 2016, with the United States ("US"), Japan, Singapore, Australia and United Kingdom being amongst the top buyers.

From 2011 to 2016, Malaysia's furniture exports grew by a compound annual growth rate ("CAGR") of approximately 5.0%, reaching RM7.5billion in 2016.

In addition to its strong know-how, Malaysia's thriving furniture industry can also be attributed to its access to rubberwood as well as tropical hardwoods such as Ramin, Nyatoh and Meranti. Furniture is a resource-intensive product, and rubberwood is a sustainable raw material that is abundant in the country and has since received great acceptance.

Competitive Landscape in the Malaysian Furniture Industry

Research indicates that there are approximately 500 to 600 furniture manufacturers in Malaysia, most of which are operating on an Original Equipment Manufacturing ("OEM") basis. In recent years, Malaysia's export furniture industry has gradually moved from pure OEM to Original Design Manufacturing ("ODM") with designing capabilities. However, this is limited to some larger players. Larger players are moving up the value chain by exploring higher value products, which is made possible because of their rich experience and financial resources. This report focuses on wooden furniture, which is the mainstay of Malaysia's furniture production.

Comparisons of the key financial data of eight major wooden household furniture manufacturers that engage in bedroom sets manufacturing, and that target the low-end and/ or mid-range segments, are tabled below.

Table 1: Financial Performance Comparison of the Top Eight Wooden Bedroom Furniture Manufacturing Companies

Rank	Company	CAGR of Revenue (FY 2014 to FY 2016)
1	Lii Hen Industries Berhad	25.2%
2	Poh Huat Resources Holdings Berhad	19.1%
3	**LY Furniture Sdn Bhd**	**15.3%**
4	Jaycorp Berhad	10.7%
5	Latitude Tree Holdings Berhad	8.8%
6	SYF Resources Berhad^	3.1%
7	SHH Resources Holdings Berhad	3.0%
8	Tafi Industries Berhad	-3.3%

Based on the CAGR of revenue for the past three years, LY Furniture Sdn Bhd ("LYFSB") is ranked third among the major Malaysian wooden bedroom furniture manufacturing companies.

Rank	Company	CAGR of After-tax Profit (FY 2014 to FY 2016)
1	Lii Hen Industries Berhad	61.3%
2	**LY Furniture Sdn Bhd**	**58.3%**
3	Jaycorp Berhad	41.6%
4	Poh Huat Resources Holdings Berhad	41.2%
5	SYF Resources Berhad	32.7%
6	SHH Resources Holdings Berhad	19.7%
7	Latitude Tree Holdings Berhad	6.5%
N.A.	Tafi Industries Berhad	-

Note: Ranking and CAGR of after-tax profit for Tafi Industries Berhad are not available due to negative profitability in FY2015 and FY2016.

Based on CAGR of after-tax profit for the past three years, LYFSB is ranked second among the major Malaysian wooden bedroom furniture manufacturing companies.

Ranking (Based on FY 2016 Profit Margin)	Company	FY 2016 Net Profit Margin	FY 2015 Net Profit Margin	FY 2014 Net Profit Margin
1	**LY Furniture Sdn Bhd**	**15.12%**	**16.79%**	**8.02%**
2	Lii Hen Industries Berhad	11.73%	10.4%	7.07%
3	SHH Resources Holdings Berhad	10.55%	6.28%	7.81%
4	Latitude Tree Holdings Berhad	9.46%	11.02%	9.88%
5	Poh Huat Resources Holdings Berhad	8.74%	8.50%	6.22%
6	SYF Resources Berhad	8.43%	7.77%	7.83%
7	Jaycorp Berhad	7.29%	3.92%	4.46%
8	Tafi Industries Berhad	-24.03%	-1.98%	3.97%

LYFSB is ranked first in net profit margin among the major Malaysian wooden bedroom furniture manufacturing companies in FY2016, which is consistent in FY2015, and an improvement from its second place ranking in FY2014.

Source: Annual Reports, Audited Financial Statements, and Tabulations Compiled by Converging Knowledge

Market Share of LYFSB

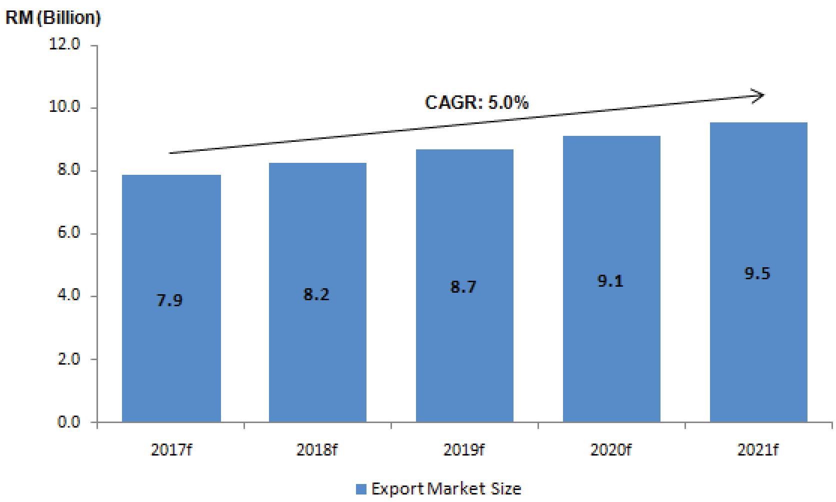
In 2016, Malaysia exported USD1.1 billion (RM4.7 billion[1]) worth of wooden home furniture[2], of which USD669.1 million (RM2.8 billion[3]) constitutes wooden bedroom furniture. LYFSB exported RM249.0 million worth of wooden bedroom furniture in the same year.

Based on Malaysia's export statistics of wooden home furniture and wooden bedroom furniture, LYFSB accounted for 5.3% of the wooden home furniture export market in 2016, and commands a market share of 9.0% in the wooden bedroom furniture export segment. A comparative analysis based on its financial performance against its major peers indicates that LYFSB is one of the leading Malaysian wooden bedroom furniture manufacturers (see Table 1).

Prospects of Malaysia's Wooden Furniture

Prospects of wooden furniture manufactured in Malaysia are expected to remain optimistic, with demand projected to grow at a rate of 5.0% annually.

Table 2: Forecast Estimates of Malaysia's Furniture Exports from 2017 to 2021



[1] Converted from USD to RM, USD/ RM: 4.1909
[2] Trade Map, International Trade Centre, www.intracen.org/marketanalysis. Based on HS Codes:
940161 Upholstered seats, with wooden frames (excluding convertible into beds)
940169 Seats, with wooden frames (excluding upholstered)
940340 Wooden furniture for kitchens (excluding seats)
- Excluding 9403406000 Wooden furniture for use in the kitchen, designed for motor vehicle use
940350 - Wooden furniture for bedrooms (excl. seats)
- Excluding 9403506000 Wooden furniture for use in the bedroom, designed for motor vehicle use
[3] Converted from USD to RM, USD/ RM: 4.1909

Notes:

- Based on HS Code: 9403 – Furniture and parts thereof, not elsewhere specified (excluding seats and medical, surgical, dental or veterinary).
- "f" – forecast. Forecast figures do not take into account of the volatility in the exchange rates.

Source: Converging Knowledge

The factors driving Malaysian wooden furniture exports are:

- **Strong Demand from the US**
  Demand for import furniture in the US is expected to continue growing, as the US economy maintains its recovery. Research shows that growth in the US market for wooden household furniture is expected to remain robust, underpinned by broader economic recovery, improving labour markets, consumer confidence and new home sales. Demand for furniture is also expected to be boosted, as part of rebuilding efforts due to the damages caused by the natural disasters that befell the country in 2017. Imports to the US are expected to grow at a CAGR of 3.7% from 2017 to 2020, reaching USD13.2 billion by 2020.

- **Potential Demand Growth from the People's Republic of China**
  Expanding demand from the People's Republic of China ("PRC") will also drive export growth further, as the PRC economy continues to expand, and disposable income levels of consumers in the PRC rise. From 2011 to 2016, the Chinese economy grew by 42.4%. In the same period, exports of furniture from Malaysia to the PRC grew more than proportionately at 297.7%. Average disposable income per capita in urban households in the PRC grew at a CAGR of 9.0% from 2011 to 2016. Demand for mid-range to high-end furniture is set to increase further, as the PRC economy continues to grow.

  In addition, the increasing cost of manufacturing furniture in the PRC due to higher wages and implementation of the Volatile Organic Compounds ("VOC") tax, amongst others, has caused domestic wooden furniture to lose its price competitiveness to imported furniture with lower production costs.

- **Weakening of the RM against the USD**
  The weakening of the RM against the USD has made Malaysian furniture exports become more attractive to the US. From 2013 to 2016, the RM depreciated approximately 33.0%, while the sales value of Malaysia's furniture exports increased

33.6%. In November 2016, the RM weakened against the USD, partly due to the outcome of the 2016 US elections. As at 30 November 2016, Bank Negara Malaysia reported the middle exchange rate as USD1.00/RM4.46, up from the RM3.87 – RM4.41 range experienced in the first 10 months of the year. The USD continued to appreciate in the first three months of 2017, on the back of an interest rate hike in March.

- **Support and Incentives from the Government and Industry Associations**
  The Malaysian government and relevant government-related bodies, as well as associations, are helping Malaysian wooden furniture manufacturers to streamline their production and develop high value products, so as to transform the industry towards ODM, and even Original Brand Manufacturing.

  These organisations are also exploring new overseas markets aggressively, in a bid to diversify the country's current export outreach. Marketing endeavours put forth will help in promoting Malaysia's brand to the international audience.

- **Recognition as a Producer of Quality Furniture**
  With more than three decades of accumulated experience in furniture manufacturing, the furniture manufacturing industry in Malaysia has already established a strong foundation in its trade, and is well-perceived as a producer of quality furniture. Having earned international recognition as being amongst the major furniture producers for the world market, coupled with its proximity to raw materials, Malaysia is well-positioned as a "go-to" source for buyers of furniture items.

- **Improving Manufacturing Processes Further Elevate Industry Capabilities**
  Malaysian furniture manufacturers, particularly the bigger players, have invested in automation to increase productivity. With improved technologies, growing investments into high-tech production processes may enable manufacturers to mass produce quality furniture more efficiently, and thus, drive the demand for Malaysian export furniture.

2. OVERVIEW OF THE EXPORT FURNITURE INDUSTRY IN MALAYSIA

2.1 Brief Overview of the Furniture Industry in Malaysia

Malaysia is Asia's third-largest furniture exporter and 8th globally[4], exporting 7.5 billion Malaysian Ringgit ("RM")[5] worth of furniture to 169 countries in 2016, with the United States ("US"), Japan, Singapore, Australia and United Kingdom being amongst the top buyers[6]. Although much of Malaysia's products for export are predominantly on an Original Equipment Manufacturing ("OEM") basis, its Original Design Manufacturing ("ODM") capabilities have been growing steadily over the years[7].

Malaysia's furniture industry has a strong manufacturing foundation, with capabilities to produce quality furniture for the global market. Majority of the furniture manufactured domestically are for export. Please refer to Section 2.2 for more insights into the country's export furniture market.

In addition to its strong know-how, Malaysia's thriving furniture industry can also be attributed to its access to rubberwood as well as tropical hardwoods such as Ramin, Nyatoh and Meranti. Furniture is a resource-intensive product, and rubberwood is a sustainable raw material that is abundant in the country. In the mid-1980s, Malaysia's wooden furniture industry experienced a remarkable change, following the successful utilisation of rubberwood as a "newly discovered" resource. Rubberwood has since received great acceptance due to its better texture, grain and light cream colour. It is also easily cultivated and replanted, thus, assuring continuous supply. Rubberwood furniture has become recognised as an environment friendly product.[8]

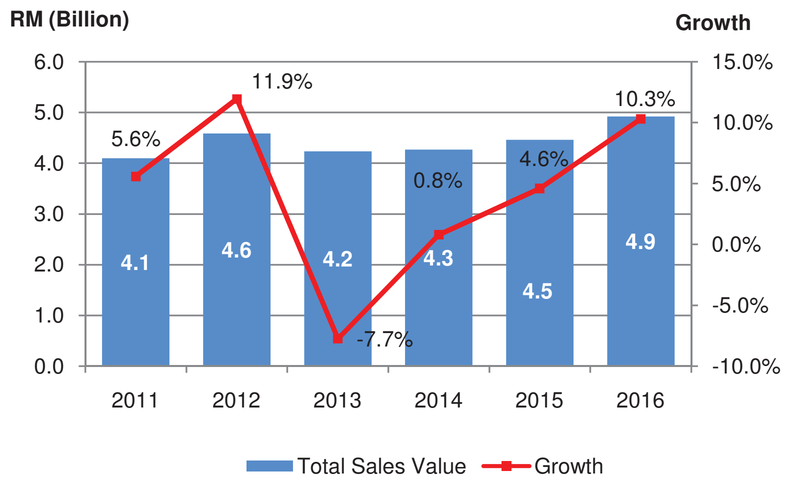
[4] Trade Map, International Trade Centre, www.intracen.org/marketanalysis
[5] Department of Statistics Malaysia, Malaysia External Trade Statistics Online. http://trade.stats.gov.my/tradeV2/. Retrieved 11 May 2016
[6] Trade Map, International Trade Centre, www.intracen.org/marketanalysis
[7] Interviews with industry players
[8] Interviews with industry players

Total Sales Value of Wooden and Cane Furniture Manufactured in Malaysia[9]

From 2011 to 2016, the total sales value of wooden and cane furniture manufactured in Malaysia recorded a compound annual growth rate ("CAGR") of approximately 3.7%, reaching RM4.9 billion in 2016[10]. Malaysia's total sales value of wooden and cane furniture increased in the six-year period, with the exception of 2013, when sales was affected by the recession in the eurozone[11].

Nonetheless, it is observed that overall manufacturing output for furniture follows the movement of furniture exports, indicating that local furniture production is strongly influenced by export demand. Please refer to Figure 2 in Section 2.2 for the movement of Malaysia's furniture exports.

Figure 1: Total Sales Value of Malaysia Manufactured Wooden and Cane Furniture from 2011 to 2016



Notes:

- Manufacture of wooden and cane furniture (Malaysia Standard Industrial Classification 2000, Item 36101), excludes manufacture of medical, surgical, dental or veterinary furniture.
- Sales value is obtained from companies with employee size of 100 and above.

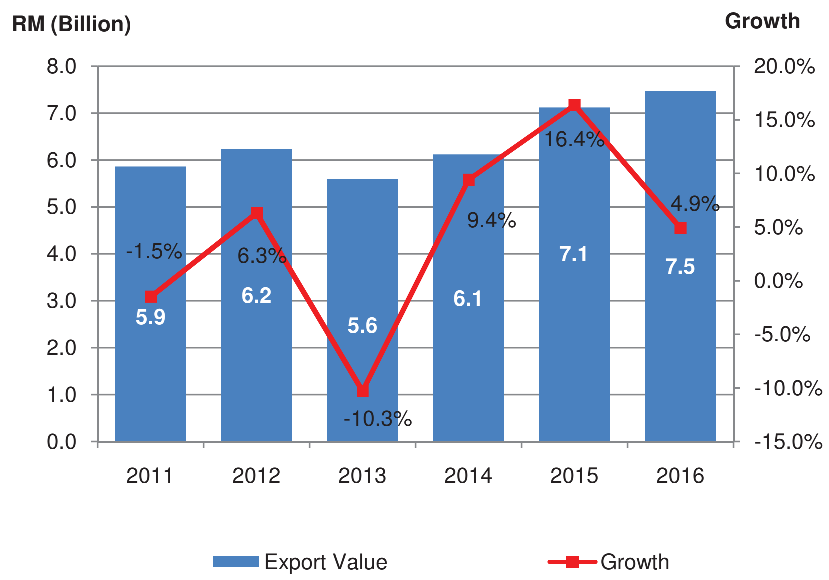
Source: Department of Statistics, Malaysia

[9] The focus of this research is on wooden household furniture. Note that data for wooden and cane furniture is the only category available for furniture from the Department of Statistics of Malaysia. There is also no further breakdown specifically for wooden furniture.
[10] Department of Statistics, Malaysia – This value refers to the total amount of furniture produced in 2016, based on their ex-factory sales price. Ex-factory sales price is the selling price of the furniture by factories to their direct clients, and excludes discounts or rebates, transportation charges, commissions, margins of third-party agents, and any tax or duties paid to the government.
[11] Interviews with industry players

2.2 Introduction to the Export Furniture Market in Malaysia

Malaysia's furniture industry is predominantly export oriented. From 2011 to 2016, the country's furniture exports grew by a CAGR of approximately 5.0%, reaching RM7.5 billion in 2016. The country's furniture exports grew positively year-on-year ("y-o-y") during the six-year period, with the exception of 2013, which saw exports drop by 10.3% as a result of sluggish global demand for furniture, in response to the recession in the eurozone. Please refer to Figure 2 below.

Figure 2: Malaysia's Furniture Exports from 2011 to 2016, in RM



Notes:

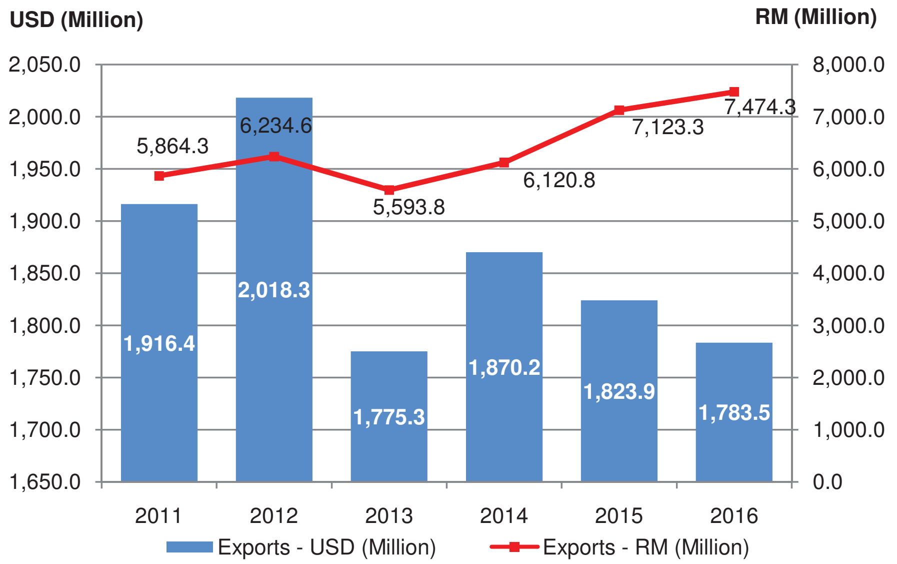
- Based on HS Code: 9403 – Furniture and parts thereof, not elsewhere specified (excluding seats and medical, surgical, dental or veterinary).
- Figures in RM, shown in the chart above, were converted from USD at the following average exchange rates:
  2011 – USD/ RM: 3.0600
  2012 – USD/ RM: 3.0890
  2013 – USD/ RM: 3.1510
  2014 – USD/ RM: 3.2729
  2015 – USD/ RM: 3.9055
  2016 – USD/ RM: 4.1909

Source: Trade Map, International Trade Centre, www.intracen.org/marketanalysis and Malaysian Authorities

Malaysia's Furniture Export Market Size Estimation, in USD (2011 – 2016)

In terms of the US dollar ("USD"), Malaysia's furniture exports depict a different picture, showing a downward trend from 2014 to 2016. Since August 2014, the RM has depreciated against the USD significantly. This has contributed to the decline in the USD value of furniture exports from Malaysia by 4.6% - from USD1,870.2 million in 2014 to USD1,783.5 million in 2016. Overall, furniture exports from Malaysia declined by a CAGR of approximately 1.4% from 2011 to 2016.

Figure 3: Malaysia's Furniture Exports from 2011 to 2016, in USD and RM



Notes:

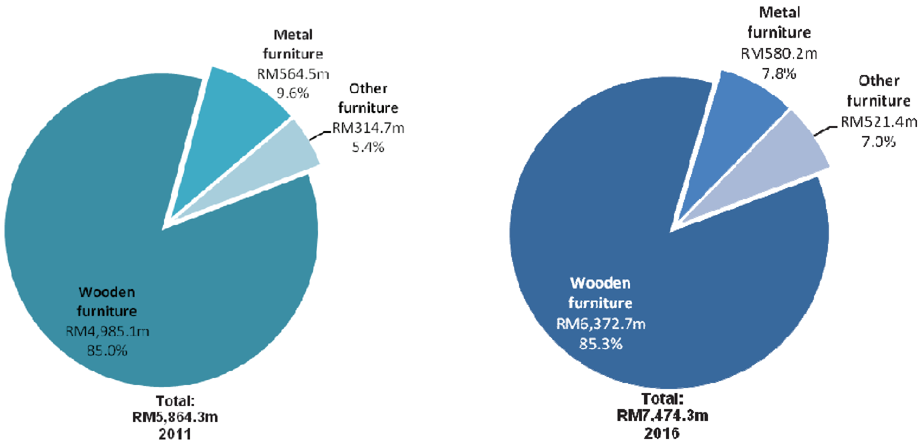
- Based on HS Code: 9403 – Furniture and parts thereof, not elsewhere specified (excluding seats and medical, surgical, dental or veterinary)
- Figures in RM, shown in the chart above, were converted from USD at the following average exchange rates:
  2011 – USD/ RM: 3.0600
  2012 – USD/ RM: 3.0890
  2013 – USD/ RM: 3.1510
  2014 – USD/ RM: 3.2729
  2015 – USD/ RM: 3.9055
  2016 – USD/ RM: 4.1909

Source: Trade Map, International Trade Centre, www.intracen.org/marketanalysis and Malaysian Authorities

Wooden Furniture is Main Export Furniture Type

Wooden furniture formed majority of Malaysia's furniture exports from 2011 to 2016, followed by metal furniture, and other furniture. This indicates that wooden furniture has consistently been Malaysia's export mainstay. Please refer to Figure 4.

Figure 4: Malaysia's Furniture Exports by Types in 2011 and 2016, in RM



Notes:

- Based on HS Code: 9403 – Furniture and parts thereof, not elsewhere specified (excluding seats and medical, surgical, dental or veterinary).
- Other furniture includes plastics, cane, bamboo, rattan furniture and parts.
- Figures in RM, shown in the chart above, were converted from USD at the following average exchange rates:
  2011 – USD/ RM: 3.0600
  2016 – USD/ RM: 4.1909

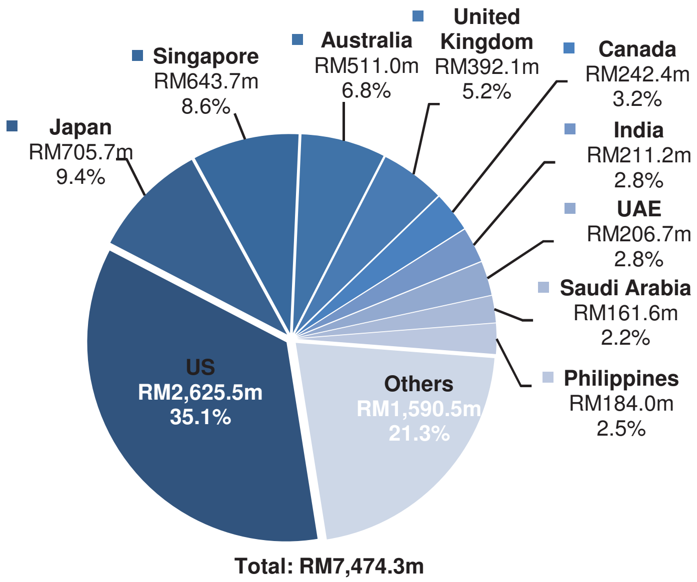
Source: Trade Map, International Trade Centre, www.intracen.org/marketanalysis and Malaysian Authorities

Major Export Markets

The US is a major market for Malaysia's furniture. In 2016, exports of furniture from Malaysia to the US amounted to RM2.6billion (35.1%). This is followed by Japan (RM705.7 million, 9.4%), Singapore (RM643.7 million, 8.6%), Australia (RM511.0 million, 6.8%), and the United Kingdom (RM392.1 million, 5.2%)[12]. Please refer to Figure 5.

[12] Trade Map, International Trade Centre, www.intracen.org/marketanalysis. Based on the average exchange rate in 2016 at USD/ RM: 4.1909

Figure 5: Top 10 Export Destinations of Malaysia's Furniture in 2016



Notes:

- Major contributors under "Others" include Algeria, Republic of Korea, Chile and the People's Republic of China ("PRC"), amongst others.
- Based on HS Code: 9403 – Furniture and parts thereof, not elsewhere specified (excluding seats and medical, surgical, dental or veterinary).
- Figures shown here are converted from USD to RM at the average exchange rate in 2016 at USD/ RM: 4.1909.
- May not add up to 100% due to rounding.

Source: Trade Map, International Trade Centre, www.intracen.org/marketanalysis and Malaysian Authorities

In recent years, Malaysia has diversified into emerging markets such as the Philippines and the PRC. Exports to these markets have increased 153.9% and 297.7%, respectively, from 2011 to 2016.

2.2.1 Defining Malaysia's Furniture Industry

Malaysia's furniture industry may be categorised based on three main furniture segments – household furniture, outdoor furniture and office furniture. Domestic furniture manufacturers may choose to be a niche player by specialising in a single segment, or otherwise, focus their production and marketing efforts on two or more furniture segments.

A brief definition of each furniture segment is provided in the table below.

Table 1: Definitions of Furniture Types

Furniture Type		Definitions
1	Household Furniture	Furniture pieces or sets that are commonly used in the home. These include dining tables, kitchen cabinets, beds and TV consoles, amongst others.
2	Outdoor Furniture	Specifically designed for outdoor use. They include garden furniture, poolside furniture, patio furniture, deck furniture, and all other furniture catering to outdoor living spaces. As they are designed for outdoor use, they are typically made of weather-resistant materials, which can withstand extreme temperatures and fluctuations in humidity.
3	Office Furniture	Furniture used in the office. Common pieces found in the office include the office desk, which provides the main workspace for many to carry out the functions required by them for work. Some desks have flat work surfaces made to hold the computer and for the user to carry out tasks. Others have built-in storage compartments for the purpose of holding files and office supplies. For office systems furniture, desks, compartments and partition systems are integrated to form a complete functional workstation.

Source: Converging Knowledge

In this study, the focus of this research is on wooden household furniture.

2.2.2 Description of Differing Segments in the Industry

In addition to furniture segments, furniture players in Malaysia may differentiate themselves further through the operational roles that they take in supporting their clients. They may be an OEM, ODM or Original Brand Manufacturer ("OBM").

OEM

OEM refers to the function of manufacturing furniture products for other companies. The products are usually low to medium cost, with design requirements stipulated by their clients. In this segment, production costs need to be kept low (and maintained), in order to stay competitive.

ODM

ODMs are essentially OEMs, but with in-house capabilities to design their own furniture. Mass production takes place once the design is approved by the client. ODMs are limited to some of the larger furniture manufacturers in Malaysia.

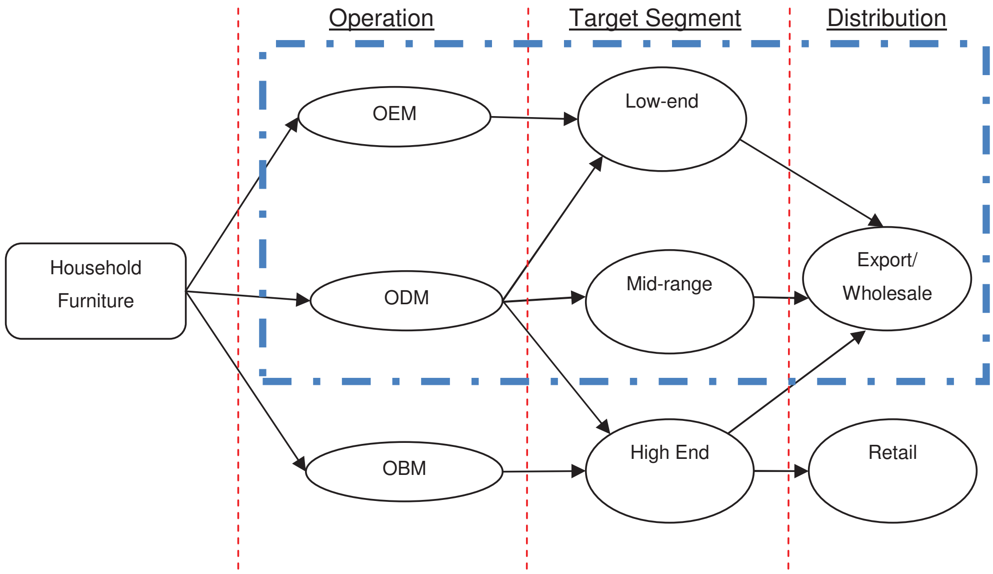
OBM

This is the final and third level of sophistication. The manufacturer will design, produce and sell its products under its own brand. OBMs require significant investments into branding, and thus, offer the highest value-add. The manufacturers are also required to have the expertise to market and manage their own brands. These players often have their own showrooms, which not only showcase their finished products, but also retails to walk-in customers.

2.2.3 Description of LY Furniture Sdn Bhd ("LYFSB") within the Industry Sector

The figure below shows the structure of the furniture industry in Malaysia, and depicts where LYFSB stands within this structure.

Figure 6: Structure of Malaysia's Household Furniture Industry



Note:

- The sections enclosed in blue depict LYFSB's position in the industry.

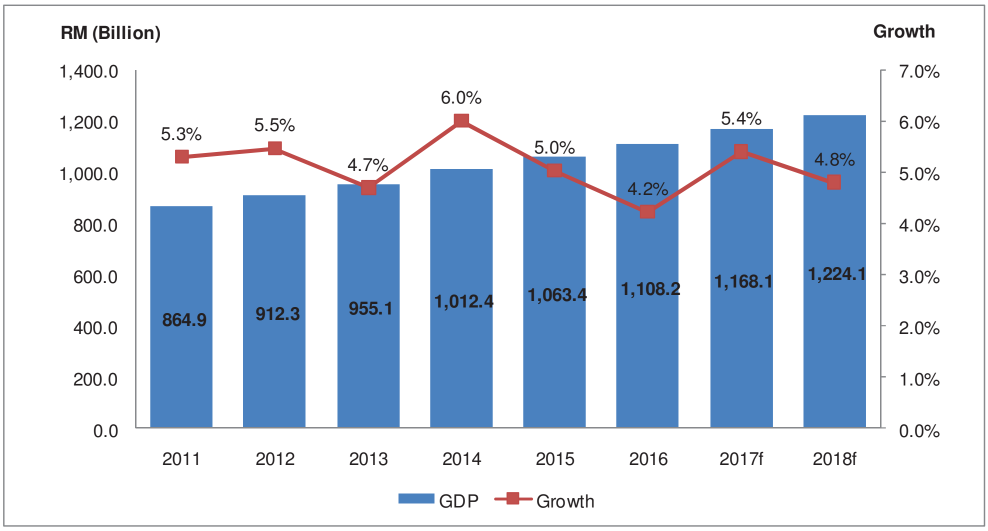
Source: Converging Knowledge

2.3 Overview of the Macroeconomic Indicators for Malaysia

2.3.1 Gross Domestic Product

Malaysia's real gross domestic product ("GDP") grew at a CAGR of 5.1% from 2011 to 2016. Despite showing signs of moderation from 2014, the economy is forecast to grow at 5.4% in 2017, and 4.8% in 2018. Please refer to Figure 7 for the country's real GDP performance from 2011 to 2018.

Figure 7: Overview of Malaysia's Real GDP Performance from 2011 to 2018



Notes:

- "f" - forecast. Based on projection figures from the International Monetary Fund.
- GDP at constant 2010 prices.

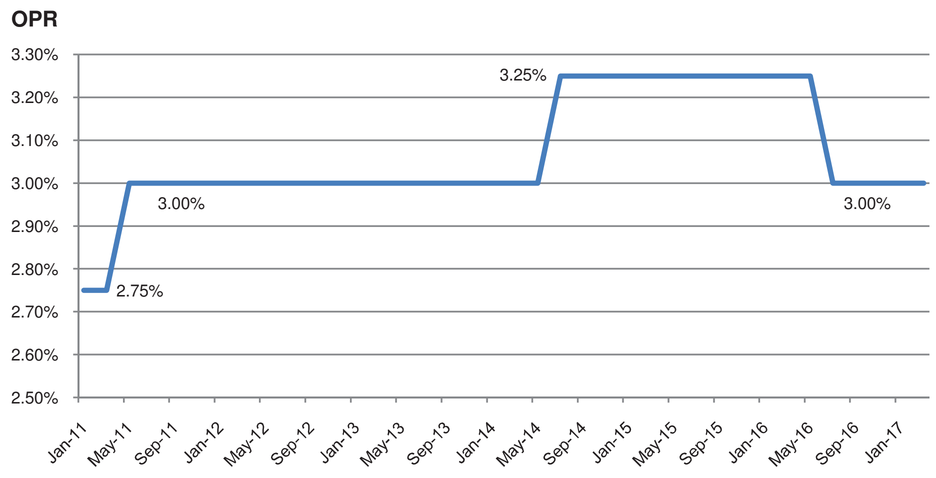
Source: Department of Statistics, Malaysia and International Monetary Fund

2.3.2 Key Interest Rates

In July 2016, the Central Bank of Malaysia: Bank Negara Malaysia ("BNM") reduced Malaysia's Overnight Policy Rate ("OPR") by 25 basis points to 3.00% to stimulate its economy, citing moderating growth momentum in the major economies[13]. Prior to this, BNM had increased the rate in May 2011 and July 2014[14], due to the recovering global economies. Please refer to Figure 8.

[13] 16 July 2016, BNM, Monetary Policy Statement - http://www.bnm.gov.my/index.php?ch=en_press&pg=en_press&ac=4213&lang=en. Retrieved 11 May 2017
[14] 14 July 2015, BNM, Monetary Policy Statement - http://www.bnm.gov.my/index.php?ch=en_press&pg=en_press&ac=1441&lang=en. Retrieved 11 May 2017

Figure 8: Malaysia's Quarterly Overnight Policy Rates from 2011 to 2016



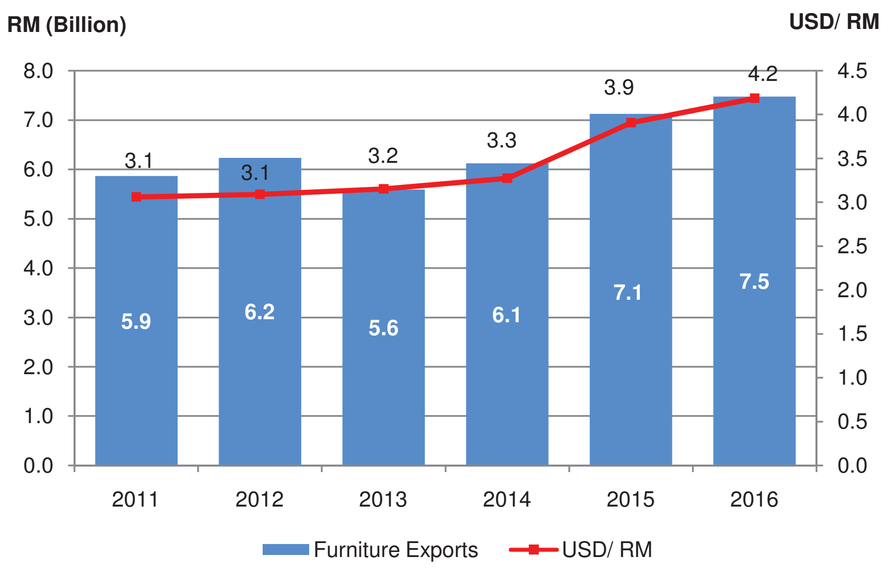
Source: Compiled by Converging Knowledge

2.3.3 Ringgit Foreign Exchange Rates

As an oil producing country, Malaysia's currency is significantly correlated with global oil prices. Since August 2014, the RM has depreciated against the USD, following a sharp decline in global oil prices. This depreciation has benefited the export-oriented furniture industry in Malaysia, as the price of Malaysian products become more affordable. We note that the sales value of Malaysia's furniture exports increased 33.6% from 2013 to 2016, following a 33.0% appreciation of the USD against the RM[15].

[15] Trade Map, International Trade Centre, www.intracen.org/marketanalysis and Malaysian Authorities

Figure 9: Estimated USD/ RM Exchange Rates versus the Sales Value of Malaysia's Furniture Exports from 2011 to 2016



Notes:

- Furniture data is based on HS Code: 9403 – Furniture and parts thereof, not elsewhere specified (excluding seats and medical, surgical, dental or veterinary).
- Figures in RM, shown in the chart above, were converted from USD at the following average exchange rates:
  2011 – USD/ RM: 3.0600
  2012 – USD/ RM: 3.0890
  2013 – USD/ RM: 3.1510
  2014 – USD/ RM: 3.2729
  2015 – USD/ RM: 3.9055
  2016 – USD/ RM: 4.1909

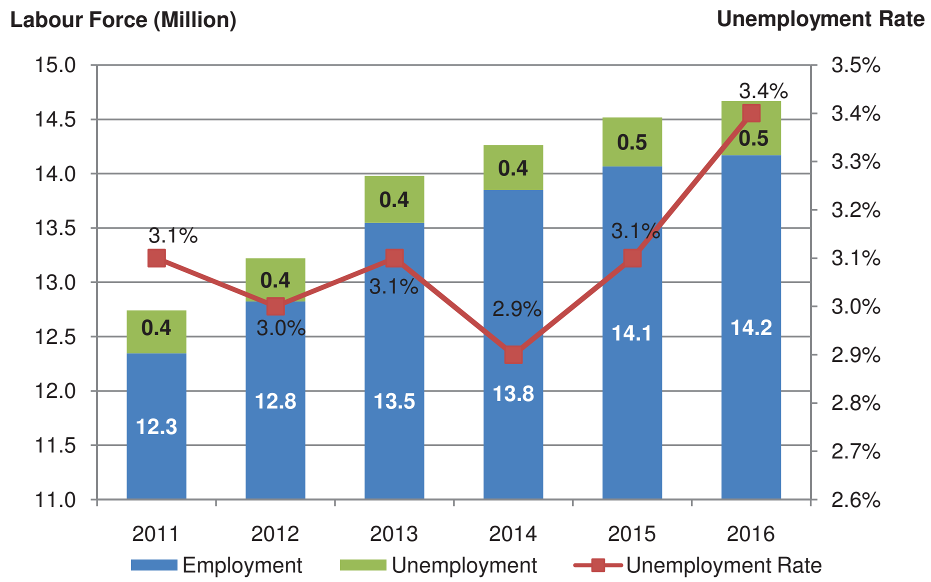
Source: Trade Map, International Trade Centre, www.intracen.org/marketanalysis, Malaysian Authorities and Converging Knowledge

In November 2016, the RM weakened against the USD, partly due to the outcome of the 2016 US elections. As at 30 November 2016, BNM reported the middle exchange rate as USD1.00/ RM4.46, up from the RM3.87 – RM4.41 range experienced in the first 10 months of the year.

2.3.4 Labour Force and Unemployment

Malaysia's labour workforce is expected to grow from 12.7 million people in 2011 to 14.7 million people in 2016, albeit at a moderated pace. Correspondingly, the unemployment rate rose from 3.1% in 2011 to 3.4% in 2016, indicating worsening employment levels.[16] Rising unemployment amongst locals in Malaysia may lead to further tightening of the foreign labour policy, and worsen the manpower shortage in labour-intensive industries such as furniture manufacturing. For more discussion on labour shortage, please refer to Section 2.7.

Figure 10: Malaysia's Labour Force and Unemployment Rate from 2011 to 2016



Source: Department of Statistics, Malaysia

2.4 Industry Trends and Developments in Malaysia

Since the discovery of rubberwood as a raw material for wooden furniture in the 1980s, Malaysia has evolved from being a supplier of raw materials to a furniture manufacturer/ exporter, with developing design capabilities[17]. Currently, majority of Malaysia's furniture industry players are OEMs, largely producing similar products. As such, achieving economies

[16] Department of Statistics, Malaysia
[17] Interviews with industry players

of scale is critical for them to stay competitive. Realising a need to encourage the industry to move up the value chain, some efforts have been made by the Malaysian government to promote a shift from mass market production, to one with capabilities to produce higher value-added furniture products[18].

Some of the key trends and developments of Malaysia's furniture industry are discussed in the sections below.

Promotion of Design Capabilities

Traditionally, furniture is a functional product, manufactured to meet storage needs and support basic human activities such as sitting and sleeping. However, it has since taken on a higher level of sophistication, with better considerations for current lifestyle needs, aesthetics, ergonomics and materials. Well-designed furniture can command much higher value than generic ones. To encourage the domestic furniture industry to move up the value chain, the Malaysian government has been collaborating with various organisations to promote the designing capabilities of domestic furniture manufacturers.

The Professional Designers Programme ("PDP") was introduced by the Malaysian Timber Industry Board ("MTIB") and the Malaysian Furniture Promotion Council ("MFPC") in 2015. The PDP aims to increase the value of Malaysian-made furniture by promoting ODM activities amongst local manufacturers[19]. In addition, various exhibitions and competitions organised by United Business Media (M) Sdn Bhd, such as the Malaysian International Furniture Fair ("MIFF") and the MIFF Furniture Design Competition, have been held to promote the furniture industry. These exhibitions and competitions showcase designers' ideas for innovation, with the MIFF Furniture Excellence Award presented to furniture designers.[20]

Furniture associations such as the Kuala Lumpur & Selangor Furniture Industry Association ("KLSFIA") and the Muar Furniture Association ("MFA") actively organise overseas trips to encourage participation of their members in international trade fairs and exhibitions, to explore new ideas and designs[21].

[18] Interviews with industry players
[19] September 2016. Malaysian Furniture Council, Malaysian Furniture News Issue 4 – http://www.mfc.my/images/stories/pdf/4th-issue.pdf. Retrieved 16 May 2017
[20] Malaysian International Furniture Fair 2017, Furniture Excellence Award – http://2017.miff.com.my/highlights/furniture-excellence-award/. Retrieved 16 May 2017
[21] Interviews with industry players

Exploring Other Export Markets

Although the US is a major furniture export destination for Malaysia, furniture manufacturers are looking to diversify their outreach, including emerging markets such as the PRC and India. The large population size, increasing domestic consumption levels, and fast economic growth in the PRC and India are seen to offer potential attractive opportunities to furniture makers.[22]

Use of Innovation and Technology to Improve Efficiency

Throughout the years, Malaysia's furniture manufacturing industry has built up expertise in modern manufacturing processes. With growing investments into high-tech production processes, the domestic industry is equipping itself with the ability to keep up with increased future demands and challenges.

Investments in manufacturing equipment may help reduce dependence on manual labour, a major production constraint in the industry. Introduction and integration of business management software with machinery may further improve operational effectiveness, allowing manufacturers to forecast, plan, monitor, and control their production. Furniture manufacturing is tedious, as it involves many processes such as cutting and shaping the wood, sanding, assembly, spray painting and packaging. As such, task-specified stations are established to streamline the manufacturing process. Digitisation of these processes will help in capturing valuable data, and make real-time decisions to enhance their current competencies.

Outsourcing

Malaysian furniture manufacturers are increasingly using subcontractors to perform non-core production processes such as veneer lamination and spray painting. This allows manufacturers to focus on important tasks and their core competencies, for example, wood-cutting/ shaping and assembly. In addition, outsourcing labour-intensive activities may also alleviate manpower shortage amongst manufacturers.[23]

Government Incentives

The Malaysian government has also put in place initiatives and incentives to help furniture manufacturers in automation. For example, the Mechanisation and Automation Programme 2016 is offered by MFC to its members. This programme provides free consultation services to identify existing production areas that can be automated to boost productivity[24]. Whilst not

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[22] Interviews with industry players
[23] Interviews with industry players
[24] 30 May 2016, Malaysia Furniture Council, MTC's Merchanisation and Automation Programme 2016 – http://www.mfc.my/media-center/2015-01-29-03-53-10.html?layout=edit&id=248. Retrieved 16 May 2017

furniture industry-centric, furniture manufacturers wishing to upgrade their capabilities may tap on the Soft Loan Scheme for Automation & Modernisation for the purchase of automation related machinery, productivity improvement or export enhancement, amongst others[25]. In addition, the Malaysian Investment Development Authority also provides capital allowance of up to 200% on the first RM4.0 million spent on automation[26]. Despite the availability of such government incentives and programmes, research shows that awareness and their utilisation by furniture industry players are not high, due to reasons such as requirement of extensive documentation and long processing time[27].

Government Intervention in Rubberwood Shortage

The Malaysian government has reportedly stepped in to address the issue on the shortage of rubberwood by banning its exports with effect from 1 July 2017. This decision was made following complaints by the domestic furniture industry and exporters on the shortage of this raw material. Such measures are expected to have a profound effect on Malaysia's furniture industry – with the availability of more rubberwood, domestic furniture manufacturers can step up their production of value-added furniture to meet both local and overseas demand.

2.5 Government and Regulatory Matters Linked to the Industry

This section presents some of the government and regulatory matters that are linked to the furniture industry in Malaysia.

National Timber Industry Policy[28]

In 2009, the Ministry of Plantation Industries and Commodities ("MPIC") launched a blueprint for the systematic long-term growth of the Malaysian timber industry for the period 2009 to 2020 called the National Timber Industry Policy ("NATIP"). The NATIP envisions vibrant wood-based industry that can contribute to Malaysia's development, with furniture and panel products as the main contributors of this growth. The policy outlines the development plans for the industry, and determines the appropriate policy directions for critical aspects of the timber and furniture industry.

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[25] Malaysian Industrial Development Finance Berhad, MIDF to assist entrepreneurs with estimated RM625 million soft loan financing approvals in 2017 – http://www.midf.com.my/index.php/en/press-release-304. Retrieved 16 May 2017
[26] Malaysia Investment Development Authority, Guidelines On Application For Automation Capital Allowance Expenditure (Automation Ca) – http://www.mida.gov.my/home/administrator/system_files/modules/photo/uploads/20151101075209_Guidelines.pdf. Subject to eligibility. Retrieved 16 May 2017
[27] Interviews with industry players
[28] Malaysia Timber Industry Board, National Timber Industry Policy 2009 - 2020 – http://www.mtib.gov.my/natip/Natip3.pdf. Retrieved 16May 2017

NATIP sets the path for sustainable development of the timber industry, aimed at achieving the target of RM53.0 billion (USD13.2 billion[29]) in export earnings by 2020. The policy also targets furniture exports to achieve RM16.0 billion (USD4.5 billion[30]) by 2020. In order to support the development of the furniture industry, the government has implemented various programmes, like the forest plantation programme, to ensure sustainable supply of raw materials.[31]

Malaysian Timber Certification Scheme

The Malaysian Timber Certification Scheme ("MTCS") is a national certification system operated by the Malaysian Timber Certification Council ("MTCC"). The MTCS provides independent assessments of forest management practices, and audits of timber product manufacturers and exporters to ascertain that the timber products manufactured or exported are sourced from sustainably managed forests.[32] This certification is important, as furniture manufacturers in Malaysia are under pressure to supply furniture made from certified timber due to both environmental and legal issues. In the international market, buyers have become more conscious of the availability of timber and timber products made from sustainable sources.

Promotion of Investment Act 1986

The Promotion of Investment Act, 1986 ("PIA, 1986") provides tax incentives for the development of the manufacturing, agricultural, and tourist sectors in Malaysia. These include the Pioneer Status, Investment Tax Allowance ("ITA"), Abatement of Adjusted Income, Export Allowance, Double Deduction for Promotion of Exports, and Industrial Building Allowance for Hotels. From 2 March 2012, the Malaysian government produced a revised list of promoted products under the PIA, 1986, in which the design, development and production of wooden furniture are listed as promoted products that are eligible for consideration of Pioneer Status and ITA.

Companies that are producing or are engaged in promoted products or activities are eligible to apply for Pioneer Status, allowing them to enjoy a tax exemption on 70.0% of the statutory income for five years. They pay tax on 30.0% of their statutory income, with the exemption period commencing from its production day. Those located in Sabah, Sarawak, the Federal Territory of Labuan, and the designated Eastern Corridor of Peninsular Malaysia (i.e.

[29] Based on the average exchange rate in 2009 at USD/ RM: 3.5246
[30] Based on the average exchange rate in 2009 at USD/ RM: 3.5246
[31] Malaysia Timber Industry Board, National Timber Industry Policy 2009 – 2020 – http://www.mtib.gov.my/natip/Natip3.pdf. Retrieved 16 May 2017
[32] Malaysian Timber Certification Council – http://www.mtcc.com.my/. Retrieved 16 May 2017

Kelantan, Terengganu, Pahang, and the district of Mersing in Johor) will be granted 85.0% of tax exemption on statutory income for five years.[33]

The ITA is another incentive that is designed to cater for projects that have large capital investments with long gestation periods. Under the ITA, companies that are producing or engaged in promoted products or activities will be granted an allowance of 60.0%, in respect of qualifying capital expenditure incurred within five years from the date of the incurrence of the first capital expenditure. The allowance can be utilised to offset (exempt) up to 70.0% of the statutory income in the assessment year.[34]

Third Industrial Master Plan

In 2006, the Malaysian government launched the Third Industrial Master Plan ("IMP3") that contained a 15-year economic blueprint mapping out Malaysia's growth strategy from 2006 to 2020. Under the IMP3, the furniture industry was identified as a target to be developed into a hub that provides quality and innovative designs to the global markets. Several measures were implemented, for example, transforming the furniture industry from an OEM base to an ODM, and subsequently, to an OBM centre for furniture products.

2.5.1 Other Regulations Affecting the Furniture Industry

In this section, we analyse other regulations that may impact the furniture industry in Malaysia.

European Union's Forest Law Enforcement, Governance and Trade Voluntary Partnership Agreement

The European Union ("EU") implemented a law on the legality of timber being exported to the EU countries. Starting from 1 March 2013, timber used for products to be exported to the EU is required to be certified as obtained from legal sources. Under the Forest Law Enforcement, Governance and Trade ("FLEGT") Voluntary Partnership Agreement ("VPA"), the legality of the timber is certified through the establishment of a Timber Legality Assurance System ("MYTLAS") on a regional basis, namely Peninsular Malaysia, Sabah, and Sarawak. The MTIB is the authority responsible for issuing the MYTLAS.[35] The recently introduced MYTLAS

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[33] The Malaysian Institute of Certified Public Accountants - http://www.micpa.com.my/v2/formembers/budget2011/B17.pdf. Retrieved 31 May 2017

[34] Inland Revenue Board of Malaysia – http://www.hasil.gov.my/bt_goindex.php?bt_kump=5&bt_skum=5&bt_posi=6&bt_unit=1&bt_sequ=3. Retrieved 18 May 2017

[35] Malaysia Timber Industry Board. http://www.mtib.gov.my/repository/MYTLAS/mytlas.pdf. Retrieved 31 May 2017

seeks to enhance the due diligence process for European importers, and works to supplement the existing accreditation scheme. The credibility of MYTLAS is ensured under the governance of representatives from non-governmental organizations, industry, forest experts and key implementing agencies, for timber products exported to European countries[36].

Furniture manufacturers are urged to closely monitor the EU's FLEGT law, and prepare accordingly to take advantage of the "green entry" for exports into the EU countries. According to MTIB, furniture exports from Malaysia are benefiting from the FLEGT VPA initiative, as timber used in Malaysia's furniture products are certified to be from legal sources, and can thus, be accepted by EU under the EU Timber Regulations.[37] As of September 2016, MTIB is still in discussion with the EU on recognising MYTLAS as FLEGT VPA-compliant. This discussion is expected to conclude by 2018. Currently, MYTLAS is a voluntary certification and it is not compulsory for exports to the EU. As such, manufacturers without this certification are not facing any restrictions in exporting their products to the EU.[38]

The US's Formaldehyde Standards for Composite Wood Products Act

The Formaldehyde Standards for Composite Wood Products Act establishes limits for formaldehyde emissions from composite wood products such as hardwood plywood, Medium Density Fibreboards ("MDF"), and particleboard.[39] Under the Act, producers of composite wood products must be certified by third parties recognised by the United States Environmental Protection Agency.[40] This Act mirrors the standards established by the California Air Resources Board ("CARB"). Composite wood products must be verified by a third party certifier approved by the CARB, under the airborne toxic control measures ("ATCM"). Furniture manufacturers from Malaysia have to ensure that their composite wood raw materials from their suppliers meet CARB's standards[41].

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[36] https://www.mtcc.com.my/wp-content/uploads/2013/01/MTCC-AR2012_ls_final.pdf. Retrieved 30 May 2017
[37] Malaysia Timber Industry Board, National Timber Industry Policy 2009 - 2020 – http://www.mtib.gov.my/natip/Natip3.pdf. Retrieved 31 May2017
[38] Interviews with Industry Players
[39] 1 April 2013, Congressional Research Service, The Toxic Substances Control Act: A Summary of the Act and Its Major Requirements – https://fas.org/sgp/crs/misc/RL31905.pdf. Retrieved 31 May 2017
[40] U.S Environmental Protection Agency. Recognized Third Party Certifiers under the Formaldehyde Emission Standards for Composite wood Products Rule. https://www.epa.gov/formaldehyde/recognized-third-party-certifiers-under-formaldehyde-emission-standards-composite-wood. Retrieved 31 May 2017
[41] December 2007, California Environmental Protection Agency, California Air Resources Board, Airborne Toxic Control Measure (ATCM) to Reduce Formaldehyde Emissions from Composite Wood Product – https://www.arb.ca.gov/toxics/compwood/factsheet.pdf. Retrieved 31 May 2017

2.6 Key Market Drivers in Malaysia

This section highlights some of the key drivers that influence the furniture manufacturing industry in Malaysia.

Recognition as a Producer of Quality Furniture

With more than three decades of accumulated experience in furniture manufacturing, the furniture manufacturing industry in Malaysia has already established a strong foundation in its trade, and is well-perceived as a producer of quality furniture. Having earned international recognition as being amongst the major furniture producers for the world market, coupled with its proximity to raw materials, Malaysia is well-positioned as a "go-to" source for buyers of furniture items.

Improving Manufacturing Processes Further Elevate Industry Capabilities

Malaysian furniture manufacturers, particularly the bigger players, have invested in automation to increase productivity. With improved technologies, growing investments into high-tech production processes may enable manufacturers to mass produce quality furniture more efficiently, and thus, drive the demand for Malaysian export furniture.

Government and Association Promotion

Acknowledging the potential of the furniture manufacturing industry, the Malaysian government has worked out incentives and grants to help industry players to boost their productivity. For more information on these perks, please refer to Section 2.4.

Weakening of the RM against the USD

The weakening of the RM against the USD has made Malaysian furniture exports become more attractive to the US[42]. Research shows that there is a negative correlation between the RM and furniture exports. From 2013 to 2016, the RM depreciated approximately 33.0%, while the sales value of Malaysia's furniture exports increased 33.6%.

The US continued to appreciate in the first three months of 2017, on the back of an interest rate hike in March[43].

[42] Interviews with industry players
[43] 15 March 2017. Press Release. Board of Governors of the Federal Reserve System – https://www.federalreserve.gov/newsevents/pressreleases/monetary20170315a.htm. Retrieved 31 May 2017

Strong Demand from US and Emerging Countries

Demand for import furniture in the US is expected to continue growing, as the US economy maintains its recovery. Please refer to Section 4 for more information.

In addition, expanding demand from emerging markets such as the PRC and India will also drive export growth further, as the PRC and India economies continue to expand, and income levels of consumers in these countries rise.

From 2011 to 2016, the Chinese and Indian economies grew by 42.4% and 38.9%, respectively[44]. In the same period, exports of furniture from Malaysia to these two countries grew by 297.7% and 13.0%, respectively[45]. Demand for mid-range to high-end furniture is set to increase further, as their and India economies continue to grow. Recognising the potential of emerging markets, MTC and MFC regularly organise trips to the PRC and India to promote furniture made in Malaysia[46].

2.7 Challenges and Issues in the Industry

In this section, we analyse the challenges and issues that may impact the furniture industry in Malaysia.

Challenges in Hiring Manufacturing Workers

Furniture manufacturing is labour-intensive and requires a large number of workers. However, research indicates that there is a shortage of labour in Malaysia, and many furniture exporters have reportedly turned down orders due to production constraints[47]. Labour issues in Malaysia are not confined to the furniture manufacturing industry. It was reported that 84.0% of manufacturers in the country are also facing labour shortages[48], thus, indicating that manpower is a prevalent challenge.

Shortage in domestic manpower has brought about increased reliance on foreign workers for the manufacturing industry. The high dependency on foreign workers creates challenges, as labour policies such as an increase in levy for foreign workers and quota restrictions will

[44] Real GDP in Local Currency Unit, provided by International Monetary Fund
[45] Trade Map, International Trade Centre, www.intracen.org/marketanalysis, Malaysia Export, based on HS Code: 9403 – Furniture and parts thereof, not elsewhere specified (excluding seats and medical, surgical, dental or veterinary)
[46] Interviews with industry players
[47] Interviews with industry players
[48] 20 April 2016, The Star, FMM: 84% of manufacturers face manpower shortage

increase difficulties in employing sufficient labour[49]. The Malaysian government has tightened the foreign labour quota in recent years, in order to curb unemployment amongst domestic workers. However, local workers tend to shun from working in factories due to the tough working conditions. As a result, furniture manufacturers are facing problems in getting sufficient manpower to expand their production. It was reported that the industry is in urgent need of over 30,000 foreign labour, and this number will double in 2020.[50] Whilst furniture associations and industry players have been communicating with the government to solve this issue, improvements are still a work-in-progress[51].

In 2015, MFC collaborated with VTAR Institute, a vocational education institution, in introducing a fully-subsidised furniture technology certification course. The course is offered to Malaysians - students aged 16 and above, with the purpose of reducing the reliance on foreign workers. It involves 80.0% practical training and 20.0% class training, conducted by industry experts, all 46 who are MFC members, as well as VTAR Institute. This programme is recognised by the Department of Skills Development, an agency under the Ministry of Human Resources.[52]

Nonetheless, manufacturers will inevitably have to leverage new technologies to increase their productivity, and reduce their reliance on labourers. Some manufacturers have invested in digitisation. For example, by integrating business-management software and advanced machineries, manufacturers can streamline their production processes and eliminate inefficiencies.

Lack of Designing Talent

Local educational institutions have offered various industrial design courses to support the government's effort in moving towards a knowledge-based economy. However, we note that there is a mismatch of skills offered by local graduates and the industry requirements, as these skill-sets are not furniture industry specific. As such, furniture manufacturers in Malaysia continue to face challenges in hiring local talent and building their in-house design capabilities, which, in turn, may hamper the government's effort to transform the industry.

Shortage of Raw Materials

The furniture industry in Malaysia is generally not subject to major shortage of raw materials, even though supply of selected ranges may pose some challenge to those who are heavily

[49] Interviews with industry players
[50] http://welcome.muarfurniture.org/en/information/140815. Retrieved 18 May 2017
[51] Interviews with industry players
[52] Malaysian Furniture Council, MFC-VTAR Furniture Course March Intake Begin – http://www.mfc.my/mfc-vtar-furniture-course/introduction.html. Retrieved 16 May 2017

reliant on them. Although Malaysia is a leading producer of timber, much of the higher-grade timber is exported overseas. Domestic furniture manufacturers must, therefore, vie for the remaining stocks of better quality timber, which will ensure that their final products meet quality standards. Currently, most of Malaysia's export of wooden furniture is made of rubberwood. As Malaysia is one of the world's largest producers of rubber, the access to rubberwood is addressed. Shortages of rubberwood due to exports have been reported, and authorities have alleviated this shortage by banning rubberwood export on 1 July 2017. Other raw materials like laminated plywood, fibreboards, chipboards and MDF are available locally, or otherwise, may be easily obtained from overseas sources.[53]

MTIB is also encouraging the import of raw materials from Indonesia and Thailand to increase operational capacity of timber mills for sawmills and plywood, which are underutilised at 40.0% and 33.0%, respectively[54].

Branding and Differentiation

As Malaysia moves towards high value furniture manufacturing, its branding and design efficacies must be improved. Currently, majority of the domestic furniture manufacturers are OEM, with capabilities to provide basic design services to their customers. More importantly, the designing competencies are still lagging behind other major eminent exporters such as Italy and Denmark[55].

To further enhance the attractiveness of Malaysia–made furniture, MTIB and MFPC have initiated a PDP in June 2015.

Despite the initiatives introduced to push the industry up the value chain, it will take time to reach fruition. Most industry players are satisfied with their current business model, with little intention to move from OEM to ODM. This could be resulted from a lack of expertise and awareness in innovation. Furthermore, there is insufficient supply of local designers. Industry players commented that there is a mismatch in skill set offered by local graduates, and the industry's requirements. Currently, only the more established manufacturers have in-house designing capabilities.

[53] Converging Knowledge (2015) - The Office Furniture Industry in Malaysia
[54] Interviews with Industry Players
[55] International Trade Centre UNCTAD/WTO and International Tropical Timber Organization 2005, International Wooden Furniture Markets, A Review – http://www.fao.org/forestry/23523-0f14bba18f78fa30aed5fcceaa0f41f69.pdf. Retrieved 16 May 2017

Malaysian Timber Legality Assurance Scheme ("MYTLAS")

Currently, MYTLAS certification is voluntary, but furniture exporters are encouraged to use MYTLAS certified products to appeal to environmental conscious customers. FLEGT – VPA requires this licence, which can be obtained from MTIB.

2.8 Prospects of Malaysia's Furniture Export Markets

The prospects of wooden furniture manufactured in Malaysia are expected to remain optimistic, contributed by a combination of several internal and external factors.

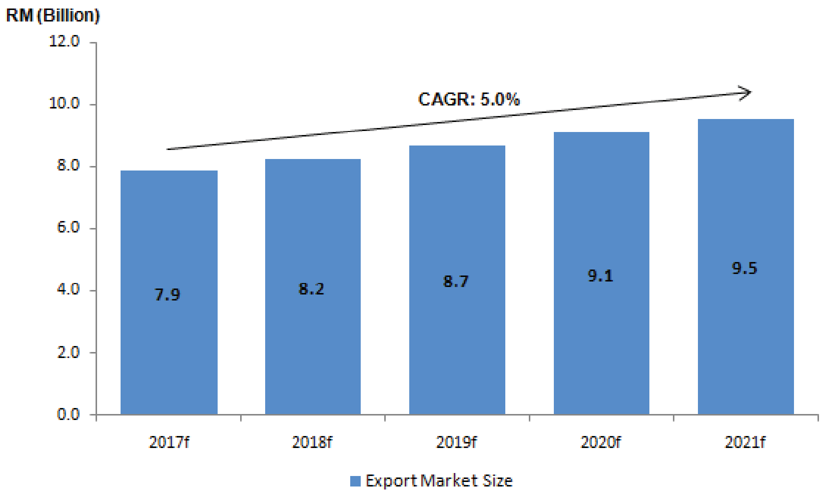
Internal factors include the support of the Malaysian government and relevant government related bodies as well as associations, in helping Malaysian wooden furniture manufacturers to streamline their production and develop high value products, which will transform the industry towards ODM, and even OBM[56]. In addition, these organisations are also exploring new overseas markets aggressively, in a bid to diversify their current export markets. Marketing endeavours put forth will help in promoting Malaysia's brand in the international market. However, we note that growth might be moderated by the restriction of foreign labour in the country.

External factors include the strong demand from the US, which accounts for more than one third of Malaysia's total furniture exports. In addition, emerging markets such as the Philippines and the PRC have posted impressive growth for the past six years, recording 153.9% and 297.7%, respectively, from 2011 to 2016.

As such, the demand for Malaysian wooden furniture is expected to maintain its momentum to grow at a rate of 5.0% annually[57].

[56] Malaysia Timber Industry Board, National Timber Industry Policy 2009 - 2020 – http://www.mtib.gov.my/natip/Natip3.pdf. Retrieved 16 May 2017
[57] Converging Knowledge

Figure 11: Forecast Estimates of Malaysia's Furniture Exports from 2017 to 2021



Notes:

- Based on HS Code: 9403 – Furniture and parts thereof, not elsewhere specified (excluding seats and medical, surgical, dental or veterinary).
- "f" – forecast. Forecast figures do not take into account of the volatility in the exchange rates.

Source: Converging Knowledge

3. COMPETITIVE LANDSCAPE IN MALAYSIA

3.1 Nature of Competition

Competition within the Malaysia furniture industry is intense, with most of the industry players operating on an OEM basis. As such, furniture produced by local players is often similar, since in-house designing services are currently provided by only a small and selected group. Achieving stringent quality controls and production efficiencies are critical for furniture players in Malaysia to stay ahead of the competition. Established players with a track record of timely delivery and consistent quality are well favoured over other players.

In recent years, Malaysia's export furniture industry has gradually moved from pure OEM to ODM with designing capabilities. However, this is limited to some larger players. Larger players are moving up the value chain by exploring higher value products, which is made possible because of their rich experience and financial resources. ODMs can value add by proposing enhanced designing services to their customers, and, at the same time, introduce their own designs or products. Smaller and OEM players, on the other hand, are still focusing on their manufacturing capabilities to support their customers.

New technologies are also being adopted by industry players to improve their companies' capabilities and production efficiency. These implemented technologies will be able to streamline various production and supply chain processes. This would, in turn, provide the manufacturers with the better abilities to produce and distribute their products effectively, improve warehousing and logistics, and strengthen marketing and distribution.

Capital Requirements

Furniture manufacturing is capital intensive. New players are required to invest heavily in furniture manufacturing equipment such as precision milling machines, woodworking machines and assembly lines. Manufacturing equipment also needs to be upgraded regularly, for the industry players to remain competitive and move towards a more efficient production cycle. Upgrades may include the addition of research facilities to develop new materials or better designed products.

Manufacturers are also required to produce and sell large quantities of furniture to realise economies of scale, which can be only achieved by investing in innovation and digitisation such as the employment of advanced manufacturing equipment integrated with business management software.

Credibility with Suppliers and Customers

Well-established furniture manufacturers will be able to leverage existing sales and distribution networks to gain a competitive edge against new players. Existing manufacturers build their reputation after many years of business relationships with customers. Hence, customers are less likely to buy from a new player who does not have a track record.

Similarly, these furniture manufacturers are also able to negotiate effectively with their supplier networks to reduce their cost of raw materials.

Therefore, a new entrant is faced with high barriers to entry, as they are unable to tap on the existing market to achieve production at economies of scale, as well as accessing supplies at lower cost, which are already available to existing manufacturers with their supplier networks.

Market Position and Branding

Existing players are able to adopt different marketing strategies such as positioning their furniture as low-cost mass market products, while others may choose to sell their products based on their quality, reliability and durability. Manufacturers can further solidify their position by providing timely delivery and good after-sales customer service. With a reliable and trusted brand, as well as proven track record, furniture manufacturers are able to secure higher market share, thus, preventing new players from penetrating the market.

Furniture manufacturers may also specialise in serving niche segments such as bedroom, living/ dining room or kitchen furniture. Such manufacturers are able to leverage their specialisation to mass produce standardised products to keep production costs low, whereas other manufacturers that produce a broad range of furniture may be able to diversify their portfolio of products.

Certifications and Awards

Certifications such as the ISO 9001 and ISO 9002 serve as testament to the quality of LYFSB's products, thus, lending an edge to its branding. To be certified, companies are required to commit resources and investments in supply chain management, manufacturing processes and research to comply with the general best practices and quality standards.

Awards, such as the MIFF awards, recognise the designing capabilities of outstanding industry players, and will help to enhance branding, especially exposure to the international market.[58]

3.2 Number of Players

There are no official statistics on the number of furniture manufacturers in Malaysia. Research indicates that there are over 500 furniture manufacturers registered as members of MFPC, of which approximately 64 are wooden bedroom furniture manufacturers. Interviews with industry players further indicate that there are approximately 500 to 600 furniture manufacturers in Malaysia.

3.3 Major Players in the Industry

This section identifies and examines the major wooden household manufacturers in Malaysia.

3.3.1 Peer Comparison

The figure below draws a comparison of selected major players in Malaysia's household furniture industry as at May 2017. Majority of the industry players profiled are export-oriented and specialise in more than one type of household furniture, except ChuanHeng Furniture Products Sdn Bhd, DPS Resources Berhad, LYFSB and SWS Capital Berhad. In addition, these selected major industry players target all segments of the wooden household furniture market, with most of them providing mid-priced products.

[58] UBM Malaysia, MIFF - http://2017.miff.com.my/highlights/best-presentation-award/. Retrieved 31 May 2017

Table 2: Comparison of Public-Listed (Bursa Malaysia or Singapore Exchange) and Major Private Household Furniture Manufacturers against that of LYFSB, based on Furniture Type and Target Segments

Company	Target Segment^	Exchange	Home Furniture Type		
			Living Room	Kitchen / Dining	Bedroom
DPS Resources Berhad	Low to mid-range	Bursa Malaysia		✓	
Eurospan Holdings Berhad	Low to mid-range	Bursa Malaysia	✓	✓	
Homeritz Corporation Berhad	All	Bursa Malaysia	✓		✓
Hume Industries Berhad	Mid to high-end	Bursa Malaysia	✓	✓	
Jaycorp Berhad	Low end	Bursa Malaysia		✓	✓
Latitude Tree Holdings Berhad	Mid to high-end	Bursa Malaysia	✓	✓	✓
Lii Hen Industries Berhad	Low to mid-range	Bursa Malaysia	✓	✓	✓
Poh Huat Resources Holdings Berhad	Low to mid-range	Bursa Malaysia	✓	✓	✓
Sand Nisko Capital Berhad[#]	Low to mid-range	Bursa Malaysia	✓	✓	✓
Sern Kou Resources Berhad	Mid-range	Bursa Malaysia	✓	✓	
SHH Resources Holdings Berhad	Low to mid-range	Bursa Malaysia	✓	✓	✓
SWS Capital Berhad	Mid to high-end	Bursa Malaysia	✓		
Tafi Industries Berhad	Mid-range	Bursa Malaysia	✓		✓
Koda Ltd	High-end	Singapore Exchange	✓	✓	✓
ChuanHeng Furniture Products Sdn Bhd	Mid-range	Private			✓
Hommax Furniture Sdn Bhd	Mid-range	Private	✓	✓	✓
Kuek Brothers Furniture Sdn Bhd	Mid-range	Private	✓		✓
LY Furniture Sdn Bhd	**Low to mid-range**	**Private**			✓
SYF Resources Berhad	Mid-range	Private		✓	✓

Company	Target Segment^	Exchange	Home Furniture Type		
			Living Room	Kitchen / Dining	Bedroom
Techcential Sdn Bhd	Low to mid-range	Private		✓	✓

Notes:

- Comparables are arranged based on their alphabetical order, with public-listed comparables being listed first.
- Home furniture types include single pieces and sets.

Sand Nisko Capital Berhad was formerly known as Len Cheong Holding Berhad.

Source: Annual Reports, Audited Financial Statements and Interviews compiled by Converging Knowledge

In the following section, we compare the key financial data of eight major wooden household furniture manufacturers. Like LYFSB, these comparable companies are engaged in bedroom sets manufacturing and target the low-end and/ or mid-range segments.

Table 3: Financial Performance Comparison of the Top Eight Wooden Bedroom Furniture Manufacturing Companies

Company	Revenue (RM '000)			CAGR	Ranking
	FY 2014	**FY 2015**	**FY 2016**	**(FY 2014 to FY 2016)**	**(Based on CAGR)**
Lii Hen Industries Berhad	397,928	546,866	623,460	25.2%	1
Poh Huat Resources Holdings Berhad	377,174	453,932	535,219	19.1%	2
LY Furniture Sdn Bhd	**216,036**	**313,569**	**287,379**	15.3%	**3**
Jaycorp Berhad	236,327	247,907	289,457	10.7%	4
Latitude Tree Holdings Berhad	651,025	710,000	770,596	8.8%	5
SYF Resources Berhad^	220,436	224,672	234,144	3.1%	6
SHH Resources Holdings Berhad	105,392	104,789	111,828	3.0%	7
Tafi Industries Berhad	27,942	28,917	26,106	-3.3%	8

Company	Profit After Tax (RM '000)			CAGR	Ranking
	FY 2014	**FY 2015**	**FY 2016**	**(FY 2014 to FY 2016)**	**(Based on CAGR)**
Lii Hen Industries Berhad	28,125	57,207	73,130	61.3%	1
LY Furniture Sdn Bhd	**17,336**	**52,656**	**43,446**	**58.3%**	**2**
Jaycorp Berhad	10,537	9,714	21,113	41.6%	3
Poh Huat Holdings Berhad	23,472	38,579	46,763	41.2%	4
SYF Resources Berhad	21,698	24,585	38,217	32.7%	5
SHH Resources Holdings Berhad	8,233	6,584	11,793	19.7%	6
Latitude Tree Holdings Berhad	64,333	78,253	72,924	6.5%	7
Tafi Industries Berhad	1,109	-573	-6,273	-	-

Company	FY 2014		FY 2015		FY 2016	
	Net Profit Margin	Ranking	Net Profit Margin	Ranking	Net Profit Margin	Ranking
LY Furniture Sdn Bhd	**8.02%**	**2**	**16.79%**	**1**	**15.12%**	**1**
Lii Hen Industries Berhad	7.07%	5	10.46%	3	11.73%	2
SHH Resources Holdings Berhad	7.81%	4	6.28%	6	10.55%	3
Latitude Tree Holdings Berhad	9.88%	1	11.02%	2	9.46%	4
Poh Huat Resources Holdings Berhad	6.22%	6	8.50%	4	8.74%	5
SYF Resources Berhad	7.83%	3	7.77%	5	8.43%	6
Jaycorp Berhad	4.46%	7	3.92%	7	7.29%	7
Tafi Industries Berhad	3.97%	8	-1.98%	8	-24.03%	8

Notes:

- Financial data presented in the table are on Group basis.
- ^ Constitutes revenue from furniture business only.
- Comparisons are made for companies involved in the manufacture of low to mid-range bedroom furniture in Malaysia, and are profitable for at least one financial year.
- Exclusions in the comparison include:
  Homeritz Corporation Berhad – Major business focus is on upholstery.
  ChuanHeng Furniture Products Sdn Bhd, Hommax Furniture Sdn Bhd, Kuek Brothers Furniture Sdn Bhd, Techcential Sdn Bhd – Do not have audited financial statements for all three financial years used in the comparison.
  Sand Nisko Capital Berhad, formerly known as Len Cheong Holding Berhad – Does not fulfil the profitability criteria.
- Ranking and CAGR for Tafi Industries Berhad, based on profit after-tax, are not available due to negative profitability in FY2015 and FY2016.

Source: Annual Reports, Audited Financial Statements, and Tabulations Compiled by Converging Knowledge

The tables above show that LYFSB is ranked second and third, respectively, based on its CAGR for after-tax profit and revenue, from FY2014 to FY2016. Whilst not the biggest profit and revenue generator among the eight comparable companies, LYFSB has demonstrated significant improvements in its profitability and sales. In terms of its net profit margin, LYFSB took first spot for FY2016 and FY2015, which is an improvement from its second placing for FY2014. This further reinforces LYFSB's strength in its ability to generate net income.

3.4 Market Ranking or Market Share of LYFSB, Based on the Export Market

In 2016, Malaysia exported USD1.1 billion (RM4.7 billion[59]) worth of wooden home furniture[60], of which, USD669.1 million (RM2.8 billion[61]) constitutes wooden bedroom furniture. LYFSB exported RM249.0 million worth of wooden bedroom furniture in the same year.

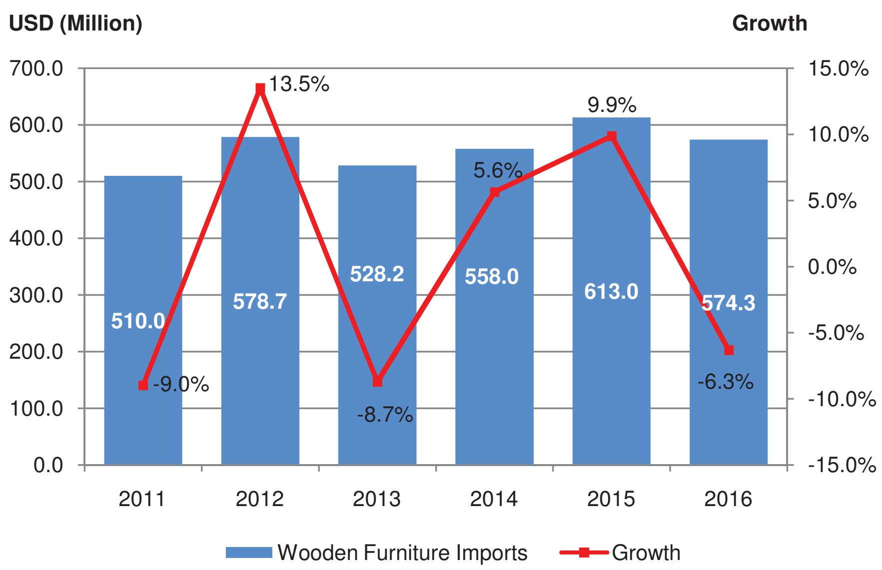
Based on Malaysia's export statistics of wooden home furniture and wooden bedroom furniture, LYFSB accounted for 5.3% of the wooden home furniture export market in 2016, and commands a market share of 9.0% in the wooden bedroom furniture export segment. A comparative analysis based on its financial performance against its major peers indicates that LYFSB is one of the leading Malaysian wooden bedroom furniture manufacturers (see Table 3).

[59] Converted from USD to RM, USD/ RM: 4.1909
[60] Trade Map, International Trade Centre, www.intracen.org/marketanalysis. Based on HS Codes:
940161 Upholstered seats, with wooden frames (excluding convertible into beds)
940169 Seats, with wooden frames (excluding upholstered)
940340 Wooden furniture for kitchens (excluding seats)
940350 - Wooden furniture for bedrooms (excl. seats)
- Excluding 9403506000 Wooden furniture for use in the bedroom, designed for motor vehicle use
[61] Converted from USD to RM, USD/ RM: 4.1909

4. OVERVIEW OF THE WOODEN FURNITURE MARKET IN THE US – A DEMAND PERSPECTIVE (DESK RESEARCH ONLY)

The US is the largest export market for Malaysian wooden household furniture manufacturers. As such, a healthy US economy is vital for the Malaysian furniture industry. In 2016, imports of wooden household furniture from Malaysia into the US reached USD574.3 million (RM2.4 billion[62]), a 6.3% decrease from USD613.0 million (RM2.4 billion[63]) in 2015.[64] Please refer to Figure 12 for the value of wooden household furniture imports from Malaysia into the US from 2011 to 2016.

Figure 12: US Imports of Malaysia's Wooden Household Furniture from 2011 to 2016



Notes:

- Based on the sum of HS Code:
  940161 Upholstered seats, with wooden frames (excluding convertible into beds)

[62] Based on the average exchange rate in 2016 at USD/ RM: 4.1909
[63] Based on the average exchange rate in 2012 at USD/ RM: 3.0600
[64] Trade Map, International Trade Centre, www.intracen.org/marketanalysis

940169 Seats, with wooden frames (excluding upholstered)

940340 Wooden furniture for kitchens (excluding seats)

- Excluding 9403406000 Wooden furniture for use in the kitchen, designed for motor vehicle use

940350 - Wooden furniture for bedrooms (excl. seats)

- Excluding 9403506000 Wooden furniture for use in the bedroom, designed for motor vehicle use

Source: Trade Map, International Trade Centre, www.intracen.org/marketanalysis, Malaysian Authorities

4.1 Macroeconomic Indicators in the US

4.1.1 GDP and Unemployment Rate

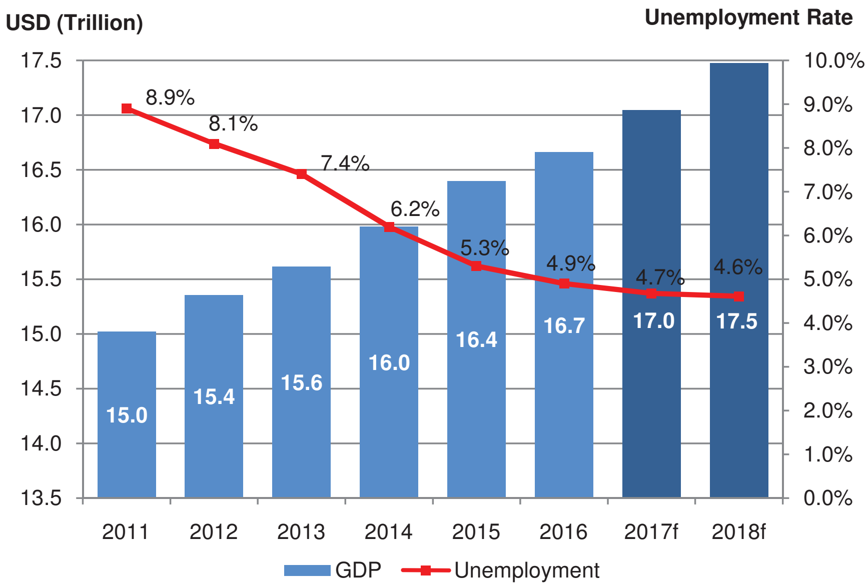
From 2011 to 2016, the US economy grew steadily at a CAGR of 2.1%. Unemployment rate had been on the decline, falling from 8.9% in 2011 to 4.9% in 2016. Rising GDP levels and falling unemployment rates indicate that the US economy is in the midst of recovery, which augurs well for Malaysia's furniture manufacturers. As a result of an anticipated rise in consumption, both GDP and unemployment are forecast to improve further for the US in 2017 and 2018, and are expected to reach USD17.5 trillion and 4.6%, respectively, by 2018[65]. As of May 2017, the country's final GDP for the first quarter of 2017 grew at an annualised rate of 0.7%[66], whereas unemployment rate in April 2017 stood at 4.4%[67]. Please refer to Figure 13 for the US's real GDP performance and unemployment rate from 2011 to 2016, as well as their projected estimates for 2017 and 2018.

[65] IMF

[66] 28 April 2017, US Bureau of Economic Analysis, National Income and Product Accounts Gross Domestic Product: First Quarter 2017 (Advance Estimate) - https://www.bea.gov/newsreleases/national/gdp/2017/gdp1q17_adv.htm. Retrieved 17 May 2017

[67] 5 May 2017, Employment Situation Summary, Bureau of Labor Statistics

Figure 13: Overview of the US's Real GDP Performance and Unemployment Rate from 2011 to 2016, with Estimated Projections for 2017 and 2018



Notes:

- GDP at constant 2009 prices.
- 'f' = GDP and unemployment rate forecasts provided by IMF.

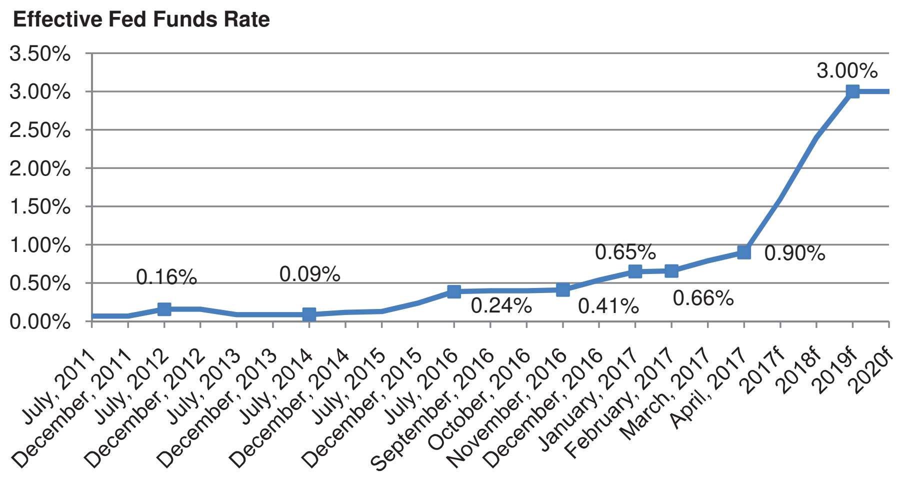
Source: Bureau of Economic Analysis, US, and Bureau of Labor, US, and IMF

4.1.2 Interest Rates

The Fed, which is the central bank of the US, raised its interest rates (also known as funds target rate) by 25 basis points to 0.75% - 1.0% in March 2017.[68] The Fed aims to normalise the fed funds rate, to support a strengthening of labour market conditions and a 2.0% inflation rate[69]. Rising interest rates may to lead to an appreciation of the USD, thus allowing imported furniture to be priced more competitively. Please refer to Figure 14 for the effective interest rates in the US from July 2011 to April 2017.

[68] 15 March 2017, Press Release, Board of Governors of the Federal Reserve System
[69] 14 February 2017, Monetary Policy Report, Board of Governors of the Federal Reserve System

Figure 14: US Effective Federal Funds Rates from July 2011 to April 2017, and Estimated Projections up to 2020



Note:

- 'f' - forecast

Source: The Fed

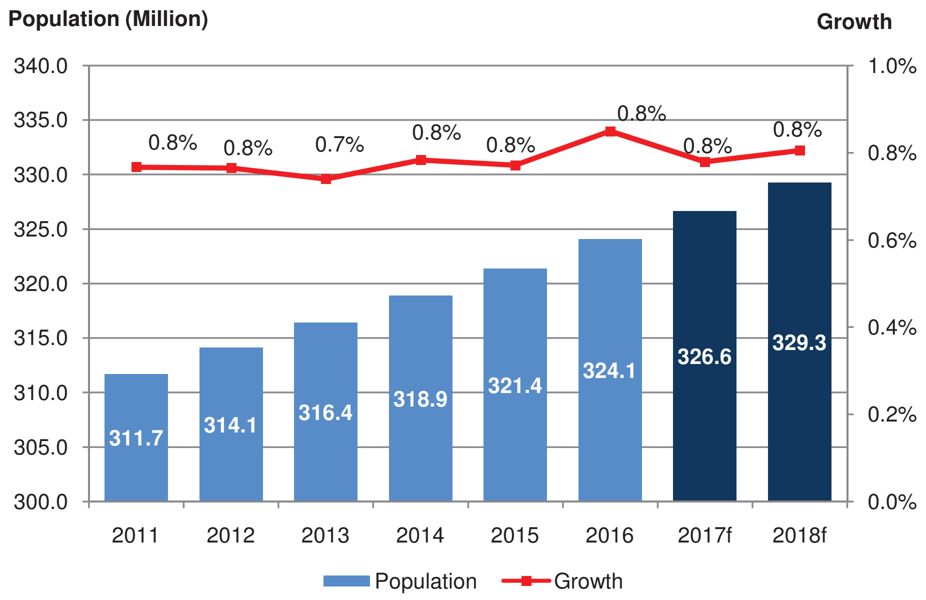
4.1.3 Population Estimates

During the six-year period from 2011 to 2016, the US population recorded a CAGR of 0.8%, reaching 324.1 million people in 2016. The population is expected to expand further at the same momentum in 2017 and 2018, and is forecast to reach 329.3 million people by 2018[70]. Such incremental growth in the US population may translate to higher demand for residential homes, thus, presenting greater opportunities for Malaysia's furniture trade.

Please refer to Figure 15 for an overview of the US's annual population from 2011 to 2016, as well as for its growth projections.

[70] March 2015, US Census Bureau, Projections of the Size and Composition of the US Population: 2014 to 2060.

Figure 15: Overview of the US's Annual Population Estimates from 2011 to 2016, with Projections for 2017 and 2018



Note:

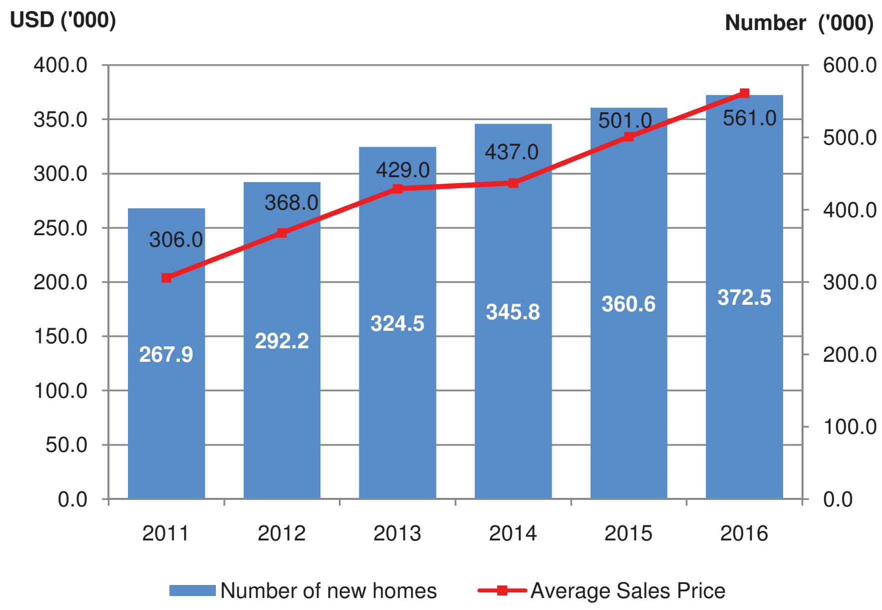
- 'f' = forecast

Source: US Census Bureau

4.1.4 New Home Sales

The number of new home sales in the US has also been on an uptrend from 2011 to 2016, recording a CAGR of 12.9%. The average sales price of new homes in the US has also risen, from USD267,900 in 2011 to USD372,500 in 2016. The increase in home sales as well as rising average sales prices of homes may indicate upward growth in household wealth in the US. This may show that US consumers have a higher propensity and willingness to invest in quality furniture that are befitting to their homes. Please refer to Figure 16 for the average sales prices and number of new homes sold in the US.

Figure 16: Average Sales Prices and Number of New Homes Sold in the US from 2011 to 2016



Source: US Census Bureau

Residential investments[71] grew by 8.7% in 2016,[72] and it is expected to grow further by 6.7% in 2017[73]. This upward trend is forecast to continue, in spite of a potential rise in mortgage interest rates (due to rising interest rates). The Congressional Budget Office projects that output growth in the US will be largely driven by consumer spending, business investment and residential construction.[74]

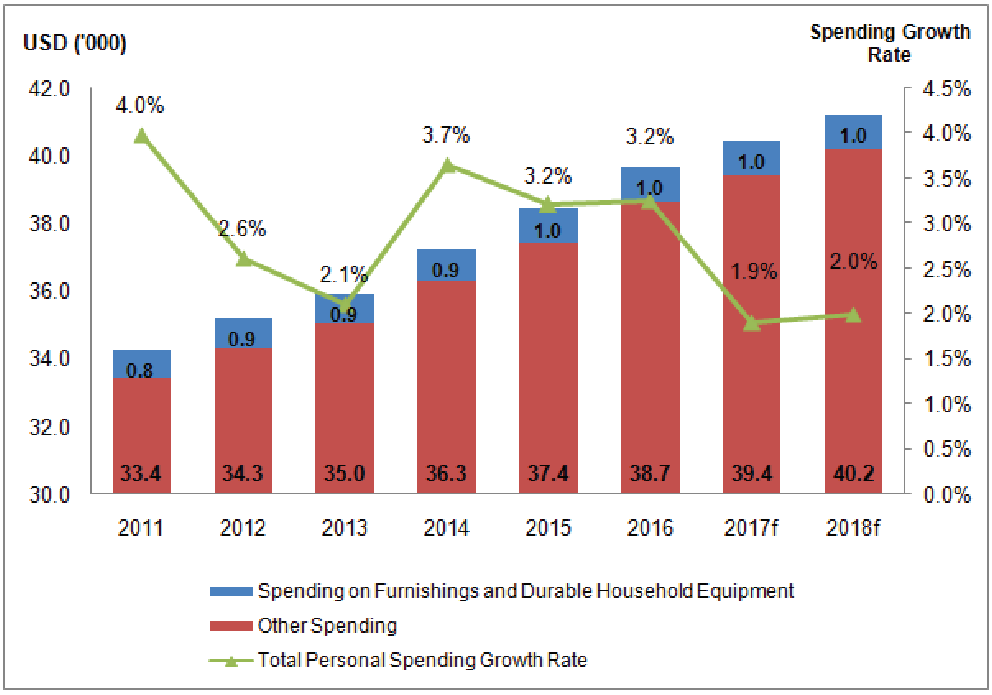
4.1.5 Personal Consumption Expenditures and Spending on Furniture

From 2011 to 2016, personal consumption expenditures ("PCE") grew at a CAGR of 3.0%, reaching USD39,664.0 in 2016. PCE is expected to grow further to USD40,417.6 in 2017, along with improving employment conditions. It is observed that spending on furnishings and

[71] Consists mostly construction of single-family and multifamily residences, residential improvements, real estate agents' commissions, and other ownership transfer costs.
[72] U.S. Bureau of Economic Analysis, Private Residential Fixed Investment. Retrieved 22 May 2017
[73] January 2017. US Congressional Budget Office. The Budget and Economic Outlook: 2017 to 2027 – - https://www.cbo.gov/sites/default/files/52370-Outlook_OneColumn.pdf. Retrieved 22 May 2017
[74] 24 January 2017, Congressional Budget Office - The Budget and Economic Outlook: 2017 to 2027. Retrieved 22 May 2017

durable household equipment has remained relatively stable during the six-year period - 2011 to 2016 - at an estimated 2.4% of PCE.[75]

Figure 17: Personal Consumption Expenditures Per Capita, and its Breakdown, in the US, from 2011 to 2016, with Projections for 2017 and 2018



Notes:

- 'f' = forecast, provided by the US Congressional Budget Office
- Data from 2011 to 2016 obtained from the US Bureau of Economic Analysis, data for 2017 and 2018 obtained from the US Congressional Budget Office
- Breakdown for PCE for 2017 and 2018 is derived by Converging Knowledge on the assumption that the proportion of spending on furnishings and durable household equipment (2.4%) will remain stable.

Source: US Bureau of Economic Analysis, and US Congressional Budget Office

[75] Derived by Converging Knowledge based on historical data from the Bureau of Economic Analysis, US.

4.2 Estimated Market Size of US Wooden Home Furniture Imports (2012 – 2016E)

From 2011 to 2016, the US import market size for wooden household furniture grew by a CAGR of 8.3%, reaching approximately USD11.4 billion in 2016, from USD7.7 billion in 2011. The PRC and Vietnam have been the top two import sources of US wooden household furniture during the five-year period. Malaysia was the third largest source of wooden household furniture until recently in 2016. Of these two import sources in Asia, Vietnam reported the highest CAGR of 12.5%, followed by the PRC at 8.3%.

Table 4: Market Size Estimates of US Wooden Household Furniture Imports and the Major Sources of Imports, in USD Million, from 2011 to 2016

S/n	Country	2011	2012	2013	2014	2015	2016
1	PRC	3,748.1	4,170.9	4,571.2	4,824.0	5,416.8	5,590.4
2	Vietnam	1,372.7	1,672.2	1,847.6	2,058.1	2,391.1	2,470.6
3	Malaysia	510.0	578.7	528.2	558.0	613.0	574.3
4	Canada	442.6	440.6	478.0	515.6	589.5	667.4
5	Mexico	248.2	283.0	292.2	353.3	432.6	480.6
6	Indonesia	345.5	363.1	388.8	381.2	404.4	358.2
7	Italy	224.2	244.1	283.9	330.3	359.0	388.7
8	Poland	147.2	89.9	138.9	178.3	185.9	160.7
9	Brazil	71.2	71.6	79.1	102.1	105.7	104.5
10	Thailand	122.1	95.9	90.2	82.5	81.6	74.8
-	Others	447.5	439.7	475.9	517.7	575.1	566.3
-	World	7,679.4	8,449.7	9,173.9	9,901.1	11,154.8	11,436.6

Notes:

- Based on HS Codes:
  940161 Upholstered seats, with wooden frames (excluding convertible into beds)
  940169 Seats, with wooden frames (excluding upholstered)
  940340 Wooden furniture for kitchens (excluding seats)
  - Excluding 9403406000 Wooden furniture for use in the kitchen, designed for motor vehicle use

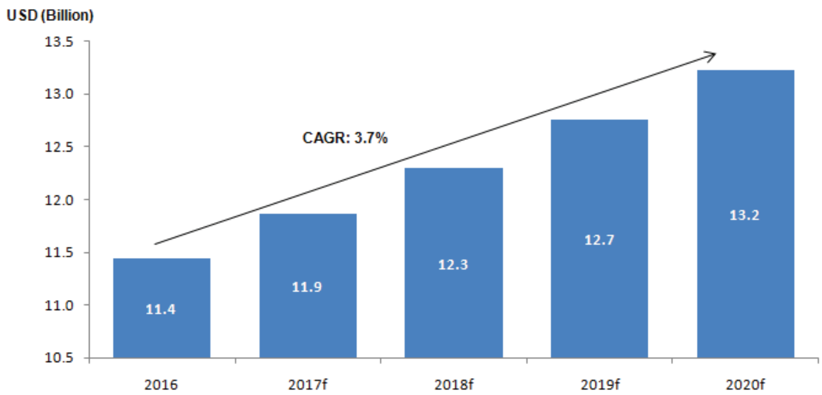
  940350 - Wooden furniture for bedrooms (excl. seats)
  - Excluding 9403506000 Wooden furniture for use in the bedroom, designed for motor vehicle use

Source: Trade Map, International Trade Centre, www.intracen.org/marketanalysis

4.3 Market Outlook

Research shows that growth in the US market for wooden household furniture is expected to remain robust, underpinned by broader economic recovery and improving market conditions. Imports to the US are expected to grow at a CAGR of 3.7% from 2017 to 2020, reaching USD13.2 billion by 2020[76].

Figure 18: Forecast Estimates of US Wooden Household Furniture Imports from 2016 to 2020



Notes:

- Based on HS Codes
  940161 Upholstered seats, with wooden frames (excluding convertible into beds)
  940169 Seats, with wooden frames (excluding upholstered)
  940340 Wooden furniture for kitchens (excluding seats)
  - Excluding 9403406000 Wooden furniture for use in the kitchen, designed for motor vehicle use
  940350 - Wooden furniture for bedrooms (excl. seats)
  - Excluding 9403506000 Wooden furniture for use in the bedroom, designed for motor vehicle use
- "f" - forecast

Source: Trade Map, International Trade Centre, www.intracen.org/marketanalysisand Converging Knowledge

Furniture sales in the US are expected to be driven by the following key factors:

Economic Recovery and Improving Labour Market

The US economy is recovering since the 2008 financial crisis, reflected by the growing GDP, as well as the decreasing unemployment rate. From 2011 to 2016, the US economy grew

[76] Converging Knowledge

steadily at a CAGR of 2.1%[77], and it is expected to expand further in 2016 and 2017. Correspondingly, the unemployment rate has fallen steadily from 8.9% in 2011, to 4.9% in 2016, and is expected to decrease further to 4.6% in 2018[78]. A healthy job market will translate to an increase in consumer spending, encourage home sales, and potentially promote demand for furniture.

Growing Consumer Spending and Sentiment

The PCE has been growing steadily from 2011 to 2016, recording a CAGR of 3.0%[79], and it is expected to expand further in 2017 and 2018[80], driven by the strong economic recovery. Consumer confidence has also been increasing, which may form an impetus for heightened consumer spending, in anticipation of further economic expansion.

Improved Housing Market

New home sales are on the rise and they are expected to remain stable into 2017, as they benefit from a stable economic environment. Furniture sales are heavily correlated with housing sales. The pickup in the housing market will support the demand for wooden furniture.

Emergence of e-Commerce

Research shows that e-Commerce is a new distribution channel for furniture retailers. Although consumers still prefer to shop at a physical furniture store, where they can touch and feel the product, e-Commerce has become a popular shopping avenue, which will further boost furniture sales. Consumers are becoming increasingly more Internet savvy, and a multiple channel approach may stimulate higher demand for household furniture, especially those in the low to mid-price range.

Millennials, or America's youth who were born between 1982 and 2000, are now the largest consumer group in the US, overtaking the baby boomers,[81] and they are more inclined to make purchases online. As such, e-Commerce is expected to grow in importance as a distribution channel for wooden household furniture in the US.

[77] US Bureau of Economic Analysis
[78] US Bureau of Economic Analysis
[79] US Bureau of Economic Analysis
[80] Economic Projections of US Congressional Budget Office
[81] 25 June 2016, Census Bureau, US. Millennials Outnumber Baby Boomers and Are Far More Diverse, Census Bureau Reports – https://www.census.gov/newsroom/press-releases/2015/cb15-113.html. Retrieved 31 May 2017

Occurrence of Natural Disasters Will Spur Furniture Replacement Rates

The year 2017 saw the US being subject to seven hurricanes, of which four – Harvey, Irma, Jose and Maria – reached the magnitude of at least category 3, the equivalent to a major hurricane. Natural disasters like hurricanes often bring forth heavy damage to both public and private properties. For example, it has been reported that Hurricane Harvey had devastated parts of Texas and damaged southwest Louisiana, resulting in the destruction of billions of dollars worth of property. As part of rebuilding efforts, new homes will be constructed, which will, in turn, push forth the sales of furniture.

5. BRIEF OVERVIEW OF THE PRC MARKET FOR WOODEN FURNITURE (DESK RESEARCH ONLY)

Wooden furniture, particularly those made from solid wood, is popular among the Chinese. Hard wood is appreciated for its long-lasting qualities and preferred by Chinese consumers who see the importance of investing in better quality furniture. Chinese consumers have also become more sophisticated, along with their country's economic growth. As such, their preferences have changed from basic furniture to furniture of higher quality.

Despite moderation in the PRC's economic growth, domestic demand for wooden furniture is expected to remain optimistic. Market drivers such as economic expansion, population growth, rising disposable income, real estate investments and improving living conditions in the PRC may translate into an increased demand for furniture. These drivers are outlined in the sections below.

- **Healthy Economy and Rising Disposable Income**
  The PRC is currently the second largest economy in the world and with rising income per capita, it is set to become a major global consumer market. It is projected that the PRC's GDP will grow further by 6.6% in 2017[82], from its GDP of RMB74.6 trillion in 2016[83]. Meanwhile, average disposable income per capita in urban households in the PRC grew at a CAGR of 9.0% from 2011 to 2016[84].

- **Emergence of the Consumer Class in the PRC**
  The PRC's population has been growing at a steady rate of 0.5% annually from 2011 to 2015[85].

  On the other hand, it is worth noting that the country is experiencing a faster urbanisation rate, where the urban population grew by a CAGR of 2.8% in the same period. The urban population for 2015 constituted 56.1% of the nation's total

[82] IMF
[83] Based on Real GDP (2010 prices) reported by the IMF
[84] National Bureau of Statistics of China
[85] National Bureau of Statistics of China

population, as compared to 51.3% in 2011[86]. This is in line with the Chinese government's plan of urbanisation[87]. As urban dwellers tend to demand higher quality of life, a growing urban population signifies opportunities for mid-range to high-end furniture manufacturers.

- **Thriving Residential Investment**
  Investment in residential buildings in the PRC grew at a CAGR of 9.9% from 2011 to 2015, which indicates a healthy housing market.[88] Concerns regarding the oversupply of residential homes in the PRC, with the exception of Beijing, Shanghai, and Hangzhou were raised in early 2016. It has been reported that 40.0% of the cities in the country are at least 30.0% above the projected demand for residential units, and the remaining are modestly oversupplied[89]. As investments into real estate continue to rise, the risk of the housing market collapsing lies therein[90].

- **Rising Demand for High-end Wooden Furniture**
  The PRC's import of wooden furniture reached USD563.6 million in 2016, an increase of 79.8% from 2011[91]. The largest exporters of furniture to the PRC include Italy (27.4%), Germany (20.5%) and Vietnam (18.6%)[92]. On the other hand, Malaysia's share is only 2.2%. We note that the three largest exporters are known for their high quality wooden furniture. While Italy is reputed for its branded wooden furniture, Vietnam and Poland (with heavy investments from traditional high-end furniture manufacturers such as Germany and Sweden[93]) are catching up, as a result of their relatively lower labour costs.

- **Rising Domestic Production Costs**
  The cost of manufacturing furniture in the PRC is increasing due to higher wages and implementation of the Volatile Organic Compound ("VOC") tax, amongst others. As a result, domestic wooden furniture is losing its price competitiveness to imported furniture with lower production costs.

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[86] National Bureau of Statistics of China
[87] 中华人民共和国中央人民征政府，新型城镇化（2014-2020 年）- http://www.gov.cn/zhuanti/xxczh/. Retrieved 18 May 2017
[88] National Bureau of Statistics of China
[89] January 2016, IMF – Global Housing Watch – http://www.imf.org/external/research/housing/report/pdf/0116.pdf. Retrieved 18 May 2017
[90] January 2016, IMF – Global Housing Watch – http://www.imf.org/external/research/housing/report/pdf/0116.pdf. Retrieved 18 May 2017
[91] Trade Map, International Trade Centre, www.intracen.org/marketanalysis
[92] Trade Map, International Trade Centre, www.intracen.org/marketanalysis
[93] International Trade Centre UNCTAD/WTO and International Tropical Timber Organization 2005, International Wooden Furniture Markets, A Review – http://www.fao.org/forestry/23523-0f14bba18f78fa30aed5fcceaa0f41f69.pdf. Retrieved 18 May 2017

Over the last decade, wages in the PRC have been increasing. Average wages in the PRC grew by approximately 10.0% per year across the country, with a larger growth in minimum wage in major cities, compared to the smaller ones. The average minimum wage in major cities in the PRC is estimated to be RMB1,600[94]. This, coupled with the slowdown in workforce growth in the country, is expected to further exacerbate the pressure on rising labour costs[95].

In addition, the government has initiated various schemes to combat the worsening air pollution in the PRC. For example, the Beijing government are levying taxes on discharge of VOC from five major industries, including furniture manufacturing, effective from October 2015.[96]

Based on the market trends indicated above, demand for wooden furniture in the PRC market is likely to expand further, thus, presenting opportunities for both local and foreign-based wooden furniture manufacturers to tap on.

[94] China Labour Bulletin - http://www.clb.org.hk/content/wages-and-employment. Retrieved 18 May 2017
[95] From World Population Prospects: The 2015 Revision, by the Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, ©2015 United Nations. Reprinted with the permission of the United Nations. Extracted 18 May 2017 - http://esa.un.org/unpd/wpp/index.htm
[96] 14 October 2015, Eco-Business, http://www.eco-business.com/news/beijings- polluters-cough- up-us16m/. Retrieved 18 May 2017
Ministry of Finance PRC - http://tax.mofcom.gov.cn/tax/taxfront/en/article.jsp?c=30103&tn=1&id=c0bb0f9b86aa47faaec64388d5297ad5. Retrieved 18 May 2017

Converging Knowledge Pte Ltd has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report represents a true and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present a view of the overall industry and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Eddy Tan Kong Yiam
Director
Converging Knowledge Pte Ltd

Save as disclosed below, as at the Latest Practicable Date, our business and operations are not subject to any specific legislation or regulatory controls other than those generally applicable to companies and businesses incorporated and/or operating in Singapore and Malaysia.

As at the Latest Practicable Date, to the best of our Directors' knowledge, our Group is in compliance with all applicable laws and regulations that are material to our business operations.

The following is a summary of the main laws and regulations of Malaysia that are material to our business as at the Latest Practicable Date.

1. Manufacturing Activity

As a manufacturer in Malaysia, our Group is subject to local by-laws which are mandated and governed by the local authority flowing from the Local Government Act 1976. Any company conducting business activities is required to obtain business and advertising licences from the local authority where the business premise is situated. The business premise shall be inspected or supervised by the local authority, which is empowered to grant, grant-with-condition(s), not grant and revoke licences which have been granted. A total of 15 business licences have been granted to LYFSB by the local authority on a yearly basis.

Further, as LYFSB has more than 75 full-time paid employees, the Industrial Co-ordination Act 1975 requires any company of that size or larger, which is engaged in manufacturing activities to be granted a manufacturing licence issued by the Ministry of International Trade and Industry of Malaysia ("**MITI**"). As at the Latest Practicable Date, MITI has granted LYFSB 11 manufacturing licences.

We will notify MITI and MIDA of the change in shareholding of LYFSB after the Restructuring Exercise is completed. The Legal Adviser to our Company on Malaysia Law has confirmed that the conditions of licences issued by MITI to LYFSB do not require notification to be made to MITI and MIDA prior to any changes in shareholdings in LYFSB.

2. Factories and Machinery

Section 19 of the Factories and Machinery Act 1967 ("**FMA**"), which is administered by the Department of Occupational Safety and Health of Malaysia, provides that no person shall operate or permit to operate any machinery in respect of which a certificate of fitness is prescribed under the FMA, unless there is in force in relation to the operation of such machinery a valid certificate of fitness issued under the FMA.

Operating any machinery without a valid certificate will result to an inspector appointed under the FMA to serve upon the person a notice in writing prohibiting the operation of the machinery or may render the machinery inoperative until such time as a valid certificate of fitness is issued. In addition, failure to obtain a valid certificate of fitness is considered an offence under the FMA and shall, on conviction, be liable to a fine not exceeding RM150,000 or to imprisonment for a term not exceeding three (3) years or to both.

Section 34(2) of the FMA further provides that no person shall except with the written permission of the inspector begin to use any premises as a factory until one (1) month after he has served on the inspector a written notice in the prescribed form. This is not applicable to any person who takes over a factory from another person if there is no change in the nature of the work carried on in the factory provided that the first person shall within one (1) month of such taking over have served on the inspector written notice in the prescribed form.

3. Approval of Foreign Participation in Distributive Trade

The distributive trade sector in Malaysia falls under the supervision of the Ministry of Domestic Trade, Co-operatives and Consumerism ("**Ministry**") through its Committee on Distributive Trade. The Ministry has periodically developed and issued guidelines for the purpose of setting out the policy on foreign participation in distributive trade. The latest guidelines are the Guidelines on Foreign Participation in the Distributive Trade Services Malaysia 2010 ("**Guidelines**"), which is a revision of its predecessor guidelines issued in 2004. The objective of the Guidelines is to ensure, among others, an orderly and fair development of industry, while ensuring the growth of local business.

Under the Guidelines, "distributive trade" comprises all linkage activities that channel goods and services down the supply chain to intermediaries for resale or final buyers. Distributive traders include wholesaler, retailers, franchise practitioners, direct sellers, suppliers, who channel their goods in the domestic market and commission agents or other representatives including those of international trading companies.

The Guidelines provide that all foreign involvements in the distributive trade activities in Malaysia are required to obtain prior approval from the Ministry with effect from 6 January 2010. These include:

(a) acquisition of interest;

(b) merger and/or take over involving foreign participation;

(c) opening of new branches, outlets or chain stores;

(d) relocation of branches, outlets or chain stores;

(e) expansion of existing branches, outlets or chain stores;

(f) buying over or taking over of outlets of other operators; and

(g) purchase and sale of properties to operate distributive trade activities prior to obtaining the approval or licence from local authorities and other agencies to operate distributive trade activities.

In addition, all distributive trade companies with foreign equity shall be subjected to, among others, the following general conditions:

(a) to appoint Bumiputera (i.e. indigenous Malays and other ethnic groups) director(s);

(b) to hire personnel at all levels including management to reflect the racial composition of the Malaysian population;

(c) to formulate clear policies and plans to assist Bumiputera participation in the distributive trade industry;

(d) to increase the utilisation of local airports and ports in the export and import of the goods;

(e) to hire at least 1.0% of the total hypermarket workforce from persons with disabilities;

(f) to utilise local companies for legal and other professional services which are available in Malaysia;

(g) to submit annual financial reports to the Ministry; and

(h) to comply with all by-laws and regulations of the local authorities.

Furthermore, the Guidelines also set out specific rules and conditions to govern and regulate aspects of distributive trade businesses such as local incorporation and minimum capital requirements, equity structures, operational, environmental and public interest conditions for the operation of such distributive trade businesses. These rules and conditions vary according to the type of distribution stores used by the distributive trade business.

The Ministry may, from time to time, modify the Guidelines to introduce new policies to further liberalise the regulatory environment in the distributive trade industry so as to be in line with Government policy to attract foreign direct investment in Malaysia.

Please note that the Guidelines are only a reflection of governmental policy and are not enacted as law under any legislation passed by the Malaysian Parliament or subordinate legislation made pursuant to any statute. Accordingly, the Guidelines are not law and have no sanctioning provisions or statutory penalties imposed for non-compliance with the Guidelines. Nevertheless, they can be enforced administratively through various statutory bodies, governmental departments or agencies exercising a regulatory role in the granting of licences, approvals and permits required for the operation of a business in Malaysia. For example, any non-compliance may affect applications for other licences or dealings with, or result in the revocation of existing licences required for the operation of business in Malaysia by, other statutory bodies, governmental departments or agencies.

4. Workplace Safety and Health

Pursuant to the Occupational Safety and Health Act 1994, every employer has an obligation to secure the safety, health and welfare of its employees and to protect other persons at its place of work against risks to safety or health arising out of the activities of its employees. The measures required to be undertaken include:

(a) providing and maintaining plant and systems of work that are, so far as is practicable, safe and without risks to health;

(b) making arrangements to ensure, so far as is practicable, the safety and absence of risks to health in connection with the use or operation, handling, storage and transport of plant and substances;

(c) providing information, instruction training and supervision as is necessary to ensure, so far as is practicable, the safety and health of its employees;

(d) so far as is practicable, as regard any place of work under its control, the maintenance of it in a condition that is safe and without risks to health and the provision and maintenance of the means of access to and egress from it that are safe and without such risks; and

(e) providing and maintaining a working environment for its employees that is, so far as is practicable, safe, without risks to health, and adequate as regards facilities for their welfare at work.

The regulatory body in charge of enforcing these laws is the Department of Occupational Safety and Health, Malaysia.

5. Employment Laws

The relevant legal framework and procedures relating to employees and/or former employees who have been unfairly dismissed and/or constructively dismissed by employers is set out in the Industrial Relations Act 1967 ("**IRA**"). The IRA provides an avenue for employees to seek redress by bringing matters to the Industrial Court of Malaysia, which has jurisdiction over matters relating to industrial relation matters. In general, former employees who claim to have been unfairly and/or unlawfully dismissed by an employer may seek reinstatement to their position or compensation in lieu of reinstatement and backwages for a maximum of up to 24 months of their last-drawn salary.

The Employment Act 1955 ("**EA**") provides for the minimum benefits and standards in respect of employees earning a monthly salary of RM2,000 and below and employees involved in manual labour, supervisors of such manual labourers, drivers and domestic servants regardless of their monthly salary. The EA provides for the statutory requirements and standards in relation to, *inter alia*, employees' working hours, overtime payment, leave, public holidays, termination and benefits for layoffs. Where there is any inconsistency between the terms of an employment contract and the provisions of the legislation, the employee would be entitled to the more favourable treatment.

Under the Immigration Act 1959, the employment of foreigners is prohibited unless the employment permits and visas specifying the duration of employment are granted. Such permits and visas are subject to renewal upon their expiry.

The payment of compensation to workmen for injury suffered in the course of their employment is regulated by the Workmen's Compensation Act 1952 ("**WCA**"). Only employees earning a monthly salary below RM500 and workmen employed for manual labour regardless of their monthly salary are covered under the WCA. Employers are required to compensate and pay for expenses incurred in the workmen's rehabilitation. As for the employees of our Group who are not covered by the WCA, they are covered by the Employees' Social Security Act 1969 ("**SOCSO**") whereby employers have the statutory duty to insure its employees in the manner provided under the SOCSO, in respect of injuries occurring in the course of the employment.

Employers are mandated under the Employees Provident Fund Act 1991 to make contributions of 13% of employees' salaries (for employees earning less than RM5,000 a month) or 12% of employees' salaries (for employees earning more than RM5,000 a month).

The regulatory body in charge of enforcing these laws and regulations is the Labour Department of the Ministry of Human Resources.

6. Environmental Laws

The Environmental Quality Act 1974 ("**EQA**") and the regulations and orders made thereunder are laws related to the prevention, abatement, control of pollution and enhancement of the environment in Malaysia. The EQA states, among others, that the acceptable conditions for the emission, discharge or deposit of environmentally hazardous substances, pollutants or waste, or the emission of noise into any area, segment or element of the environment may be specified by regulations. The Director General of Environment has been appointed to administer the EQA and any regulations and orders made thereunder through the Department of Environment of Malaysia.

LYFSB is subject to the Environmental Quality (Clean Air) Regulations 2014 ("**CAR 2014**") (which had replaced the Environmental Quality (Clean Air) Regulations 1978 ("**CAR 1978**") that is now revoked). CAR 2014 aims to regulate emissions of air pollutants from industrial activities including power plants, waste fuel plants and asphalt mixing plants. Pursuant to both CAR 1978 and CAR 2014, LYFSB had obtained the written approvals from the Department of Environment of Malaysia to install manufacturing equipment that may emit pollutant gas and other infrastructure controlled by the air pollution scrubber system.

The minister charged with the responsibility of environmental protection may also issue a prohibition order to the owner or occupier of any industrial plant or process to prevent its continued operation and the release of environmentally hazardous substances, pollutants or wastes either absolutely or conditionally or for such period as he may direct or until requirements to make remedy as directed by him have been complied with.

Investigations were carried out by the officers of the Department of Environment of Malaysia on our factories at LY9, LY13 and LY15 in February 2016, and we were fined for non-compliance with the Environmental Quality (Scheduled Wastes) Regulations 2005. As at the Latest Practicable Date, the fines have been fully paid and the non-compliances have been rectified. Our Group has also since established a standard operating procedure to address environmental concerns of our Group.

7. Certificate of Fitness for Occupation ("CF") / Certificate of Completion and Compliance ("CCC")

The Street, Drainage and Building (Amendment) Act 2007 ("**SDB 2007**") provides that without prejudice to any penalty that may be imposed, the erection of a building without any approved plans and specifications by the local authority immediately before the date of coming into operation of the SDB 2007 shall be subject to the provisions of the Street, Drainage and Building Act 1974 ("**SDB 1974**") (as if SDB 1974 has not been amended by the SDB 2007) provided that (a) an application for the approval of the plans and specifications of the building is made to the local authority on or after the date of coming into operation of the SDB 2007; and (b) the application referred to in paragraph (a) is approved.

Factories erected prior to 12 April 2007

Under the relevant by-laws, no person shall occupy or permit to be occupied any building or any part thereof, unless a CF for such building is issued. Failure to comply with such a requirement under the by-laws amounts to an offence under the SDB 1974 which carries a fine not exceeding RM10,000 and a further fine of RM250 for every day during which the offence is continued.

Factories erected without building plans

SDB 1974 provides that no person shall commence the erection of a building unless such work is commenced within 12 months from the date on which the plans and specifications of such building were approved by the local authority. Any person who commences erection of a building in contravention of this requirement shall be liable to a fine not exceeding RM10,000 and shall also be liable to a further fine of RM250 for every day during which the offence is continued after conviction.

Factories erected without planning permission

The Town and Country Act 1976 provides that a person who, whether at his own instance or at the instance of another person commences, undertakes, or carries out, or permits to be commenced, undertaken, or carried out, any development without a valid planning permission commits an offence and is liable to a fine not exceeding RM500,000 or to imprisonment for a term not exceeding two (2) years or to both and, in the case of a continuing offence, to a further fine which may extend to RM5,000 for each day during which the offence continues after the first conviction for the offence.

Factories erected on or after 12 April 2007

Pursuant to the SDB 2007, any person who occupies or permits to be occupied any building or any part thereof without a CCC shall be liable to a fine not exceeding RM250,000 or to imprisonment for a term not exceeding 10 years or to both.

Factories erected without building plans

SDB 2007 provides that no person shall commence the erection of a building unless such work is commenced within 12 months from the date on which the plans and specifications of such building were approved by the local authority. Any person who commences erection of a building in contravention of this requirement shall be liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding three (3) years or to both and shall also be liable to a further fine of RM1,000 for every day during which the offence is continued after conviction.

Factories erected without planning permission

The Town and Country Act 1976 provides that a person who, whether at his own instance or at the instance of another person commences, undertakes, or carries out, or permits to be commenced, undertaken, or carried out, any development without a valid planning permission commits an offence and is liable to a fine not exceeding RM500,000 or to imprisonment for a term not exceeding two (2) years or to both and, in the case of a continuing offence, to a further fine which may extend to RM5,000 for each day during which the offence continues after the first conviction for the offence.

8. Other relevant laws and regulations on wood/timber industry

Wood-Based Industries (State Legislatures Competency) Act 1984

In Malaysia, the Wood-Based Industries (State Legislatures Competency) Act 1984 empowers the state to pass laws with respect to the establishment and operation of wood-based industries. Pursuant to the Wood-based Industry Rules 1986, LYFSB has obtained six (6) forestry licences.

Malaysian Timber Industry Board (Incorporation) Act 1973

In Malaysia, a timber export licence is required under the Malaysian Timber Industry Board (Incorporation) Act 1973 for any person to carry on business as a timber exporter. Pursuant to the Timber Industry (Registration) Rules 1991, LYFSB has obtained a timber export licence issued by the Malaysian Timber Industry Board. According to an announcement found on the website of the Malaysian Timber Industry Board, the requirement export licence for wooden furniture products and furniture components has been suspended as at 1 September 2013.

18 January 2018

LY Corporation Limited
80 Robinson Road
#02-00
Singapore 068898

Attention: The Audit Committee

Dear Sirs

ADOPTION OF GENERAL MANDATE FOR RECURRING INTERESTED PERSON TRANSACTIONS

*Unless otherwise defined or the context otherwise requires, all terms used herein have the same meaning as defined in the offer document of LY Corporation Limited dated 18 January 2018 (the "**Offer Document**").*

1. INTRODUCTION

This letter (the "**IFA Letter**") has been prepared for the inclusion in the Offer Document of LY Corporation Limited ("**LY Corporation**" or the "**Company**") in relation to the adoption of a general mandate for recurring Interested Person Transactions (the "**IPT Mandate**") between the Company and the corporate associates of Mr Tan Kwee Chai, including Lean Shern as well as LYFC and its subsidiaries (which, as at the Latest Practicable Date, includes Leatherworld and LP Global) (collectively, the "**Mandated Interested Persons**").

Under Chapter 9 of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited (the "**Catalist Rules**"), a listed company may seek a general mandate from its shareholders for recurring interested person transactions of revenue or trading nature or for those necessary for its day-to-day operations, but not in respect of the purchase or sale of assets, undertakings or businesses.

It is anticipated that the Group would, following the admission of the Company to the Catalist Board of the Singapore Exchange Securities Trading Limited, in the ordinary course of business, continue to enter into certain transactions with the Mandated Interested Persons (the "**Mandated Transactions**"). It is likely that such Mandated Transactions will occur with some degree of frequency and may arise at any time. In view of the time-sensitive and/or recurrent nature of the Mandated Transactions, the Company is adopting the IPT Mandate to enable the Group to enter into the Mandated Transactions in its normal course of business, provided that an independent financial adviser opines that the methods and procedures set out in the IPT Mandate are sufficient to ensure that all such Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

Pursuant to Rule 920(2) of the Catalist Rules, the Company may treat the IPT Mandate as having been given by its Shareholders for the Group to enter into Mandated Transactions if the information required under Rule 920(1)(b) is included in the Offer Document.

To comply with the requirements of Chapter 9 of the Catalist Rules, Xandar Capital Pte. Ltd. ("**Xandar Capital**") has been appointed as the independent financial adviser to provide an opinion on whether the methods or procedures as set out in the section entitled "Interested Person Transactions – Mandate For Recurring Interested Person Transactions" of the Offer Document are sufficient to ensure that the Mandated Transactions between the Group and the Mandated Interested Persons will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

This IFA letter sets out our evaluation of the IPT Mandate and our opinion thereof. This IFA Letter has been prepared for the use of the Audit Committee of the Company, who as at the date of the Offer Document, are considered to be independent for the purpose of the IPT Mandate and forms part of the Offer Document.

2. TERMS OF REFERENCE

Xandar Capital has been appointed to opine on whether the methods or procedures for the Mandated Transactions, if adhered to, are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

We are and were not involved in any aspect of the negotiations pertaining to the IPT Mandate or the Mandated Transactions contemplated under the IPT Mandate, nor were we involved in the deliberations leading to the Company's decision to adopt the IPT Mandate and to enter into the Mandated Transactions contemplated under the IPT Mandate. We do not, by this IFA Letter, make any representation or warranty in relation to the merits of the IPT Mandate or the transactions contemplated under the IPT Mandate.

Our terms of reference do not require us to evaluate or comment on the rationale for legal, strategic or commercial merits and/or risks of the IPT Mandate and the Mandated Transactions contemplated under the IPT Mandate. We have also not conducted any review of the business, operations or financial condition of the Company and the Group, and we have not relied on any financial projections or forecasts in respect of the Company or the Group, nor did we have access to their business plans, financial projections and forecasts. We are not required to express and we do not express any view herein on the growth prospects, financial position and earnings potential of the Company or the Group pursuant to the adoption of the IPT Mandate or the Mandated Transactions contemplated under the IPT Mandate. We are also not expressing any view herein as to the prices at which the shares of the Company may trade with or without the IPT Mandate. Such evaluation shall remain the sole responsibility of the Directors.

We were also not required or authorised to obtain, and we have not obtained, any quotation or transacted price from third parties for products or services similar to those which are to be covered by the IPT Mandate, and are therefore not able to, and will not comment on the Mandated Transactions.

In the course of our evaluation, we have held discussions with certain Directors and management of the Group and have examined information provided and representations made to us by the aforesaid parties, including information in the Offer Document. We have not independently verified such information, whether written or verbal, and accordingly cannot and do not warrant, and do not accept any responsibility for the accuracy, completeness or adequacy of such information, representation and assurance. Nonetheless, we have made reasonable enquiries and exercised our judgement on the reasonable use of such information and have found no reason to doubt the accuracy and reliability of the information.

We have relied upon the assurance of the Directors that they collectively and individually accept full responsibility for the accuracy of the information given in the Offer Document and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, the Offer Document constitutes full and true disclosure of all material facts about the IPT Mandate, the Company and the Group as at the date of the Offer Document. The Directors are not aware of any facts the omission of which would make any statement in the Offer Document misleading. Where information in the Offer Document has been extracted from published or otherwise publicly available sources or this IFA Letter, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Offer Document in its proper form and context. In relation to this IFA Letter, the Directors have confirmed that the facts stated, with respect to the Company, the Group and the IPT Mandate are to the best of their knowledge and belief, fair and accurate in all material aspects. Accordingly, no representation or warranty, express or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information, provided or otherwise made available to us or relied on by us as described above.

The Company has been separately advised by its own advisers in the preparation of the Offer Document (other than this IFA Letter). We have no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Offer Document (other than this IFA Letter). Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Offer Document (other than this IFA Letter).

Whilst a copy of this IFA Letter may be reproduced in the Offer Document, save for the purpose of any matter relating to the IPT Mandate, neither the Company nor the Directors may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purposes at any time and in any manner without our prior written consent in each specific case. Our opinion in relation to the IPT Mandate should be considered in the context of the entirety of this IFA Letter and the section entitled "Interested Person Transactions – Mandate for Recurring Interested Person Transactions" of the Offer Document.

3. THE IPT MANDATE

3.1 THE IPT MANDATE

Information on the IPT Mandate is set out in the section entitled "Interested Person Transactions – Mandate for Recurring Interested Person Transactions" of the Offer Document.

3.2 CLASSES OF MANDATED INTERESTED PERSONS

Information on the classes of Mandated Interested Persons of the IPT Mandate is set out in the section entitled "Interested Person Transactions – Mandate for Recurring Interested Person Transactions – Classes of Mandated Interested Persons" of the Offer Document.

We note that the classes of Mandated Interested Persons are limited to the corporate associates of Mr Tan Kwee Chai, including Lean Shern as well as LYFC and its subsidiaries (which, as at the Latest Practicable Date, includes Leatherworld and LP Global).

3.3 CATEGORIES OF MANDATED INTERESTED PERSON TRANSACTIONS

Information on the categories of Mandated Interested Person Transactions is set out in the section entitled "Interested Person Transactions – Mandate for Recurring Interested Person Transactions – Mandated Transactions" of the Offer Document.

We note that the categories of Mandated Interested Person Transactions are as follows:

(a) purchase of raw materials and/or semi-finished goods from the Mandated Interested Person(s);

(b) sale of raw materials, indirect materials and/or semi-finished goods to the Mandated Interested Person(s) for further processing by the Mandated Interested Person(s) and purchase of such processed semi-finished goods from the Mandated Interested person(s); and

(c) obtaining of subcontracting services and/or services incidental or connected to the purchase of raw materials and/or semi-finished goods from the Mandated Interested Person(s),

collectively, the "**Mandated Transactions**".

3.4 RATIONALE FOR AND BENEFITS OF THE IPT MANDATE

Information on the rationale for and benefits of the IPT Mandate is set out in the section entitled "Interested Person Transactions – Mandate for Recurring Interested Person Transactions – Rationale for and benefits of the IPT Mandate" of the Offer Document.

3.5 METHODS AND PROCEDURES FOR THE MANDATED TRANSACTIONS

Detailed information on the methods and procedures is set out in the section *entitled* "Interested Person Transactions – Mandate for Recurring Interested Person Transactions – Methods and Procedures for the IPT Mandate" of the Offer Document.

We note that the methods and procedures include:

(a) Determination of pricing for the Mandated Transactions, in particular, the sale and/or purchase of raw materials and/or semi-finished goods will be conducted based on the price lists which are determined by the respective departments for all suppliers, regardless of whether they are Mandated Interested Persons or otherwise;

(b) Approval authorities and thresholds, where the prior approval of the Audit Committee will be required for Mandated Transaction above RM100,000 and where the pricing for the transaction deviates by more than 20.0% from the prices stated in the price lists. We note that the Company has considered the impact of a 20.0% increase to (a) the single largest transaction with the Mandated Interested Persons during the Period Under Review; and (b) the aggregate value of the Mandated Transactions for FY2016, to be less than 5.0% of the Group's gross profit and profit before tax for FY2016, when determining the percentage deviation; and

(c) Other monitoring and review procedures, including quarterly reports submitted to the Audit Committee, a register for all Interested Person Transactions, quarterly review of all

Interested Person Transactions by the Audit Committee, and annual review by internal auditors.

4. VALIDITY PERIOD OF THE IPT MANDATE

Pursuant to Catalist Rule 920(2), the IPT Mandate will be effective until the earlier of the following: (a) the conclusion of the first annual general meeting following the Company's admission to Catalist, or the date by which the next annual general meeting of the Company is required by law to be held; or (b) the first anniversary of the date of the Company's admission to Catalist.

Approval from Shareholders will be sought for the renewal of the IPT Mandate at each subsequent annual general meeting ("**AGM**") or the date by which the next AGM of the Company is required by law to be held, subject to the satisfactory review by the Audit Committee of its continued application to the Mandated Transactions. In accordance with Rule 920(1)(b)(viii) of the Catalist Rules, Mandated Interested Persons and their Associates shall abstain from voting on resolutions approving Mandated Transactions involving themselves and the Group. Furthermore, such Mandated Interested Persons shall not act as proxies in relation to such resolutions unless voting instructions have been given by the appointing Shareholder. As such, the Directors and their Associates will abstain from voting on the resolutions approving the renewal of the IPT Mandate. They shall also not act as proxies in relation to such resolutions unless voting instructions have been given by the appointing Shareholder.

5. ROLE OF AUDIT COMMITTEE

We note that the Audit Committee will:

(a) be informed of details, including the aggregate amount, the highest and lowest amount and the total number, of all Mandated Transactions on a quarterly basis;

(b) review of IPT Register on a quarterly basis;

(c) review and approve Mandated Transaction above RM100,000 and where the pricing for the transaction deviates by more than 20.0% from the prices stated in the price lists;

(d) the review of findings reported by the annual internal audit; and

(e) if, during these reviews by the Audit Committee, the Audit Committee is of the view that the established methods and procedures for the Mandated Transactions have become inappropriate or insufficient in view of changes to the nature of, or the manner in which, the business activities of the Company are conducted, it will take such actions as it deems appropriate and/or institute additional methods and procedures as necessary (and where relevant, obtain a fresh mandate for Mandated Transactions) to ensure that the Mandated Transactions will be conducted based on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

6. OUR OPINION

In arriving at our opinion in respect of the IPT Mandate, we have considered, *inter alia*, the methods and procedures set up by the Company, the role of the Audit Committee in enforcing the IPT Mandate, and the rationale for and benefits of the IPT Mandate.

Having regard to the considerations set out in this IFA Letter and the information available to us as at the Latest Practicable Date, Xandar Capital is of the opinion that the methods and procedures for determining the transaction prices of the Mandated Transactions, if adhered strictly, are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms, and will not be prejudicial to the interests of the Company and its minority Shareholders.

6.1 OUR OPINION ON APPLYING GUIDELINES AND REVIEW PROCEDURES FOR FUTURE INTERESTED PERSON TRANSACTIONS TO TRANSACTIONS WITH MR BOO NGEK HEE AND HIS ASSOCIATES, IN PARTICULAR, AGIG ENTERPRISE SDN. BHD. ("AGIG")

We note that the Group intend to subject its transactions with Mr Boo Ngek Hee and his Associates (in particular, AGIG) to the guidelines and review procedures for future Interested Person Transactions as set out in the section entitled "Interested Person Transactions – Guidelines and Review Procedures for Future Interested Person Transactions" of the Offer Document. Mr Boo Ngek Hee, an executive officer of the Group, is a shareholder of AGIG. By subjecting the transactions with Mr Boo Ngek Hee and his Associates to the guidelines and review procedures for future Interested Person Transactions, the Group will have to compare the prices and terms offered by Mr Boo Ngek Hee and his Associates with at least two (2) other comparable transactions offered by unrelated third parties; and where such unrelated third party transactions are not available because the products and/or services may only be obtained from Mr Boo Ngek Hee and his Associates, such transaction with Mr Boo Ngek Hee and his Associates will be approved by the Audit Committee. We further note that the internal audit plan will include a review of the transactions with AGIG on a sampling basis.

Given that all transactions with Mr Boo Ngek Hee and his Associates will either be compared against at least two (2) transactions from unrelated third parties or reviewed by the Audit Committee, Xandar Capital is of the opinion that the guidelines and review procedures for future Interested Person Transactions are sufficient to ensure that the transactions with Mr Boo Ngek Hee and his Associates (in particular, AGIG) will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

7. THIS IFA LETTER

This IFA Letter is addressed to the Audit Committee in connection with and for the purposes of their consideration of the IPT Mandate and for inclusion in the Offer Document. Our opinion in relation to the IPT Mandate should be considered in the context of the entirety of this IFA Letter and the section entitled "Interested Person Transactions – Mandate for Recurring Interested Person Transactions" of the Offer Document.

Whilst a copy of this IFA Letter may be reproduced in the Offer Document, save for the purpose of any matter relating to the IPT Mandate, neither the Company nor the Directors may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of Xandar Capital in each specific case.

This IFA Letter is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours truly
For and on behalf of
XANDAR CAPITAL PTE. LTD.

LOO CHIN KEONG
EXECUTIVE DIRECTOR

PAULINE SIM POI LIN
HEAD OF CORPORATE FINANCE

The discussion below provides a summary of certain provisions in our Constitution and the laws of Singapore. This discussion is only a summary and is qualified by reference to Singapore law and our Constitution.

1. Directors

(a) Ability of interested directors to vote

A Director shall not vote in regard to any contract, arrangement or transaction, or proposed contract, arrangement or transaction in which he has directly or indirectly a personal material interest, or in respect of any allotment of shares or debentures of our Company to him.

(b) Remuneration

Fees payable to non-executive Directors shall be a fixed sum (not being a commission on or a percentage of profits or turnover of our Company) and shall from time to time be determined by our Company in general meeting. Fees payable to Directors shall not be increased except at a general meeting convened by a notice specifying the intention to propose such increase.

Any Director who is appointed to any executive office, or who serves on any committee, or who otherwise performs or render services outside the ordinary duties of our Director, may be paid extra remuneration as our Directors may determine.

The remuneration of a Chief Executive Officer/Managing Director (or an equivalent appointment) shall from time to time be fixed by our Directors and may, subject to our Constitution, be by way of salary or commission or participation in profits or by any or all of these modes but he shall not under any circumstances be remunerated by a commission on or a percentage of turnover. Our Directors shall have power to pay a gratuity or other retirement, superannuation, death or disability benefits to any Director or former Director who had held any other salaried office or place of profit (or to any person in respect of) and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

(c) Borrowing

Our Directors may at their discretion exercise all the powers of our Company to raise or borrow money, to mortgage, charge or hypothecate all or any property or business of our Company, including any uncalled capital or called but unpaid capital, and to secure any debt, liability or obligation of our Company or any third party.

(d) Retirement age limit

There is no retirement age limit for Directors under our Constitution.

(e) Shareholding qualification

There is no shareholding qualification for Directors in our Constitution.

2. Share rights and restrictions

We currently have one (1) class of shares, namely, ordinary shares. Only persons who are registered on our register of shareholders are recognised as our shareholders. In cases where the person so registered is CDP, the persons named as the Depositors in the Depository Register maintained by CDP for the ordinary shares are recognised as our Shareholders.

(a) Dividends and distribution

We may, by ordinary resolution of our shareholders, declare dividends at a general meeting. We must pay all dividends out of profits available for distribution. We may capitalise any sum standing to the credit of any of our Company's reserve accounts and apply it to pay dividends, if such dividends are satisfied by the issue of shares to our shareholders. All dividends in respect of shares must be paid in proportion to the number of shares held by our shareholder but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each shareholder at his registered address. Notwithstanding the foregoing, the payment by us to CDP of any dividend payable to a shareholder whose name is entered in the Depository Register shall, to the extent of payment made to CDP, discharge us from any liability to that shareholder in respect of that payment.

The payment by our Directors of any unclaimed dividends or other monies payable on or in respect of a share into a separate account shall not constitute our Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by our Directors for the benefit of our Company. Any dividend unclaimed after a period of six (6) years after having been declared may be forfeited and shall revert to our Company but our Directors may thereafter at their discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture.

Our Directors may retain any dividends or other monies payable on or in respect of a share on which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

(b) Voting rights

A holder of our ordinary shares is entitled to attend and vote at any general meeting, in person or by proxy or attorney, and (in the case of a corporation) by a representative. A proxy or attorney need not be a shareholder. A person who holds ordinary shares through the SGX-ST book-entry settlement system will only be entitled to vote at a general meeting if his name is certified by CDP as appearing on the Depository Register maintained by CDP at least 72 hours before the general meeting. Except as otherwise provided in our Constitution, two (2) or more shareholders must be present in person or by proxy, attorney, and (in the case of a corporation) by a representative, to constitute a quorum at any general meeting. At a general meeting, all resolutions put to the vote of the general meeting shall be decided by way of poll. Every shareholder present in person or by proxy or attorney, and (in the case of a corporation) by a representative shall have one (1) vote for each share which he holds or represents. In the case of equality of votes, the Chairman of the meeting shall be entitled to a casting vote.

3. Change in capital

Changes in the share capital of our Company (for example, consolidation, cancellation or sub-division of our shares) require shareholders to pass an ordinary resolution. General meetings at which ordinary resolutions are proposed to be passed shall be called by at least 14 days' notice in writing. The notice must be given to each of our shareholders who have supplied us with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting. Our Company may by special resolution reduce the share capital of our Company, subject to the conditions prescribed by law.

4. Variation of rights of existing shares or classes of shares

Subject to the Companies Act, whenever the share capital of our Company is divided into different classes of shares, the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-quarters of the total voting rights of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting, the provisions of our Constitution relating to general meetings of our Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum shall be two (2) persons holding or representing by proxy or attorney at least one-third of the total voting rights of the issued shares of the class, provided always that where the necessary majority for such a special resolution is not obtained at such general meeting, consent in writing if obtained from the holders of three-quarters of the total voting rights of the issued shares of the class concerned within two (2) months of such general meeting shall be as valid and effectual as a special resolution carried at such general meeting. These provisions shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied or abrogated.

5. Limitations on foreign or non-resident shareholders

There are no limitations imposed by Singapore law or by our Constitution on the rights of our Shareholders who are regarded as non-residents of Singapore, to hold or vote their shares.

Our Company was converted from a private limited company into a public company limited by shares on 21 December 2017. Our corporate affairs are governed by our Constitution. The following statements are brief summaries of our capital structure and the more important rights and privileges of our Shareholders as conferred by the laws of Singapore and our Constitution. These statements summarise the material provisions of our Constitution but are qualified in entirety by reference to our Constitution, a copy of which will be available for inspection at our registered office during normal business hours for a period of six (6) months from the date of the registration of this Offer Document with the SGX-ST. The summary below does not purport to be complete and is qualified in its entirety by reference to our Constitution.

Shares

We have only one (1) class of shares, namely, our Shares, which have identical rights in all respects and rank equally with one another. Our Constitution provides that we may issue shares of a different class with preferential, deferred, qualified or special rights, privileges or conditions as our Directors may think fit and may issue preference shares which are, or at our option are, redeemable, the terms and manner of redemption being determined by our Directors. Our Shares do not have a par value.

As at the date of this Offer Document, 426,720,000 Shares have been issued and fully paid. No Shares are held by, or on behalf of, us or our subsidiaries. We may, subject to the provisions of the Companies Act and the listing rules of the SGX-ST, purchase our own Shares. However, we may not, except in circumstances permitted by the Companies Act, grant any financial assistance for the acquisition or proposed acquisition of our Shares.

New Shares

No Shares may be issued by our Directors without prior sanction of an ordinary resolution of our Company in a general meeting pursuant to the Companies Act.

Shareholders

We maintain a register of Shareholders containing the particulars of our Shareholders. Only persons who are registered on our register of Shareholders and, in cases in which the person so registered is CDP, the persons named as the Depositors in the Depository Register maintained by CDP for our Shares, are recognised as our Shareholders. Except as required by law, no person shall be recognised by our Company as holding any share upon any trust and we will not be bound by or compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any Share or any interest in any fractional part of a Share or (except only as provided by our Constitution or by law) any other rights in respect of any Share except an absolute right to the entirety thereof in the person (other than CDP) entered in the register of Shareholders as the registered holder thereof or (where the person entered in the register of Shareholders is CDP) the person whose name is entered in the Depository Register in respect of that Share. If any Share stands jointly in the names of two (2) or more persons, the person whose name stands first in the Depository Register shall as regards service of notices and, subject to the provisions of the Constitution, all or any other matters connected with our Company except with respect to the transfer of Shares, be deemed the sole holder thereof.

We may close our register of Shareholders for any period of time or periods of time as our Directors may, from time to time determine. However, the register may not be closed for more than 30 days in aggregate in any calendar year. We typically close the register of Shareholders to determine our Shareholders' entitlement to receive dividends and other distributions.

Transfer of Shares

There is no restriction on the transfer of fully paid-up Shares except where required by law or Catalist Rules or the rules or bye-laws of the SGX-ST. Our Directors may decline to register any transfer of Shares which are not fully paid up to a transferee of whom they do not approve, or Shares on which we have a lien. Subject to our Constitution, Shares may be transferred by any Shareholder by a duly signed instrument of transfer in a form approved by the SGX-ST. Our Directors may also decline to register any instrument of transfer unless, among other things, it has been duly stamped and is presented for registration together with the share certificate and such other evidence as they may require to show the right of the transferor to make the transfer.

We will replace lost or destroyed certificates for Shares if the applicant pays a fee which will not exceed S$2.00 and furnishes any evidence and indemnity that our Directors may require.

General Meetings of Shareholders

We are required to hold an annual general meeting every year. Under our Constitution, the annual general meeting shall be held in each year (within a period of not more than 15 months after the holding of the last preceding annual general meeting. In addition, for so long as the Shares of our Company are listed on Catalist, the interval between the close of our Company's financial year and the date of our Company's annual general meeting shall not exceed four (4) months or such period as may be prescribed or permitted by the SGX-ST.

Our Directors may convene an extraordinary general meeting whenever it thinks fit and must do so if Shareholders representing not less than 10.0% of the total voting rights of all our Shareholders, request in writing that such a meeting be held. Unless otherwise required by law or by our Constitution, voting at general meetings is by ordinary resolution, requiring an affirmative vote of a simple majority of the votes cast at that meeting. An ordinary resolution suffices, for example, for the appointment of Directors to fill vacancies arising at the meeting on retirement whether by rotation or otherwise. A special resolution, requiring the affirmative vote of at least 75.0% of the votes cast at the meeting, is necessary for certain matters under Singapore law, including voluntary winding up, amendments to our Constitution, a change of our corporate name and a reduction in our share capital or capital redemption reserve fund. We must give at least 21 days' notice in writing for every general meeting convened for the purpose of passing a special resolution. Ordinary resolutions generally require at least 14 days' notice in writing. The notice must be given to each of our Shareholders who have supplied us with an address in Singapore for the giving of notices and must specify the place, day and hour of the meeting and, in the case of special business, the general nature of that business.

Voting Rights

A holder of our ordinary Shares is entitled to attend, speak and vote at any general meeting, in person or by proxy or attorney. A proxy or attorney does not need to be a Shareholder. A Depositor will only be entitled to vote at a general meeting as a Shareholder if his name appears on the Depository Register maintained by CDP 72 hours before the general meeting. Except as otherwise provided in our Constitution, two (2) or more Shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Constitution, subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Constitution, at any general meeting, every Shareholder present in person or by proxy shall have one (1) vote for each fully paid Share which he holds or represents. In the case of a tie vote, the Chairman of the meeting shall be entitled to a second or casting vote.

Dividends

We may, by ordinary resolution of our Shareholders, declare dividends at a general meeting. Our Board may also declare an interim dividend without the approval of our Shareholders.

We must pay all dividends out of our profits. We may satisfy dividends by the issue of Shares to our Shareholders. Please refer to the section entitled "Bonus and Rights Issue" below.

All dividends are paid to our Shareholders in proportion to the amount paid-up on each Shareholder's Shares, subject to any rights or restrictions attached to any Share or class of shares.

Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each Shareholder at his registered address appearing in our register of Shareholders or (as the case may be) the Depository Register. Notwithstanding the foregoing, the payment by us to CDP of any dividend payable to a Shareholder whose name is entered in the Depository Register shall, to the extent of payment made to CDP, discharge us from any liability to that Shareholder in respect of that payment.

Bonus and Rights Issues

Our Board may, with the approval of our Shareholders at a general meeting, capitalise any sums standing to the credit of any of our Company's reserve accounts or other undistributable reserve or any sum standing to the credit of profit and loss account and distribute the same as bonus shares credited as paid-up to our Shareholders in proportion to their shareholdings.

Our Board may also issue rights to take up additional Shares to Shareholders in proportion to their shareholdings. Such rights are subject to any conditions attached to such issue and the regulations of any stock exchange on which we are listed.

Our Board may also issue bonus Shares to participants of any share incentive or option scheme or plan implemented by our Company and approved by our Shareholders in such manner and on such terms our Board shall think fit.

Take-overs and Substantial Shareholdings

Obligations under the Take-over Code

There are requirements under Singapore laws on take-over offers for our Shares that apply to us. We will be subject to Sections 138, 139 and 140 of the SFA and the Take-over Code issued by the Authority pursuant to Section 321 of the SFA for so long as our Shares are listed for quotation on the SGX-ST. The Take-over Code regulates the acquisition of ordinary shares of public companies or corporations, all or any of the shares of which are listed for quotation on a securities exchange, and contains certain provisions that may delay, deter or prevent a take-over or change in control of such a public company. Any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30.0% or more of our voting shares in such a public company, or if such person holds, either on his own or together with parties acting in concert with him, between 30.0% and 50.0% (both inclusive) of the voting shares in that company and acquires additional voting shares representing more than 1.0% of the voting shares in that company in any six-month period, must, except with the consent of the Securities Industry Council, extend a take-over offer for the remaining voting shares in accordance with the provisions of the Take-over Code. Under the Take-over Code, "parties acting in concert" comprise individuals or companies who, pursuant to an arrangement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company. Certain persons are presumed (unless the presumption is rebutted) to be acting in concert with each other unless the contrary is established, as follows:

(a) the following companies:

 (i) a company;

 (ii) the parent company of (i);

 (iii) the subsidiaries of (i);

 (iv) the fellow subsidiaries of (i);

 (v) the associated companies of (i), (ii), (iii) or (iv);

 (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v); and

 (vii) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights;

(b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);

(c) a company with any of its pension funds and employee share schemes;

(d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;

(e) a financial or other professional adviser, including a stockbroker, with its customer in respect of the shareholdings of:

   (i) the adviser and persons controlling, controlled by or under the same control as the adviser; and

   (ii) all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the customer total 10.0% or more of the customer's equity share capital;

(f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;

(g) partners; and

(h) the following persons and entities:

   (i) an individual;

   (ii) the close relatives of (i);

   (iii) the related trusts of (i);

   (iv) any person who is accustomed to act in accordance with the instructions of (i);

   (v) companies controlled by any of (i), (ii), (iii) or (iv); and

   (vi) any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above for the purchase of voting rights.

Under the Take-over Code, a take-over offer for consideration other than cash must, subject to certain exceptions, be accompanied by a cash alternative at not less than the highest price by the offeror or parties acting in concert with the offeror during the offer period and within the six (6) months preceding the acquisition of shares that triggered the take-over offer obligation.

Under the Take-over Code, where effective control of a public company incorporated in Singapore is acquired or consolidated by a person, or persons acting in concert, a general offer to all other shareholders of the company is normally required. An offeror must treat all shareholders of the same class in an offeree company equally. A fundamental requirement is that our Shareholders subject to the take-over offer must be given sufficient information, advice and time to consider and decide on the offer.

Obligation to notify substantial shareholdings and changes thereto

Under the SFA, a person has a substantial shareholding in our company if he has an interest (or interests) in one (1) or more voting shares (excluding treasury shares) in our Company and the total votes attached to that share or those shares, is not less than 5.0% of the aggregate of the total votes attached to all voting shares (excluding treasury shares) in our Company.

The SFA requires Substantial Shareholders, or if they cease to be Substantial Shareholders, to give notice in writing of particulars of the voting shares in our Company in which they have or had an interest (or interests) and the nature and extent of that interest or those interests, and of any change in the percentage level of their interest.

In addition, the deadline for a Substantial Shareholder to make disclosure to our Company under the SFA is two (2) business days after he becomes aware:

(a) that he is or (if he had ceased to be one) had been a Substantial Shareholder;

(b) of any change in percentage level in his interest; or

(c) that he had ceased to be a Substantial Shareholder,

there being a conclusive presumption of a person being "aware" of a fact or occurrence at the time at which he would, if he had acted with reasonable diligence in the conduct of his affairs, have been aware.

Following the above, we will in turn announce or otherwise disseminate the information stated in the notice to the SGX-ST as soon as practicable and in any case, no later than the end of the Singapore business day following the day on which we received the notice.

"**Percentage level**", in relation to a Substantial Shareholder in our Company, means the percentage figure ascertained by expressing the total votes attached to all the voting shares in our Company in which the Substantial Shareholder has an interest (or interests) immediately before or (as the case may be) immediately after the relevant time as a percentage of the total votes attached to all the voting shares (excluding treasury shares) in our Company, and, if it is not a whole number, rounding that figure down to the next whole number.

While the definition of an "**interest**" in our voting shares for the purposes of Substantial Shareholder disclosure requirements under the SFA is similar to that under the Companies Act, the SFA provides that a person who has authority (whether formal or informal, or express or implied) to dispose of, or to exercise control over the disposal of, a voting share is regarded as having an interest in such share, even if such authority is, or is capable of being made, subject to restraint or restriction in respect of particular voting shares.

Liquidation or Other Return of Capital

If we are liquidated or in the event of any other return of capital, holders of our Shares will be entitled to participate in any surplus assets in proportion to their shareholdings, subject to any special rights attaching to any other class of shares.

Indemnity

As permitted by Singapore law, our Constitution provides that, subject to the Companies Act, our Board and officers shall be entitled to be indemnified by us against all costs, charges, losses, expenses and liabilities incurred in (a) the execution and discharge of their duty in their respective offices unless such costs, charges, losses, expenses or liabilities arises as a result of any negligence, default, breach of duty or breach of trust on their part in relation to us, and (b) defending any proceedings, whether civil or criminal, relating to the affairs of our Company, in which judgement is given in their favour or in which they are acquitted or in connection with any application under the Companies Act in which relief is granted by the court.

Limitations on Rights to Hold Shares or Vote in respect of the Shares

Except as described in "Voting Rights" and "Take-overs and Substantial Shareholdings" in this Appendix G, there are no limitations imposed by Singapore law or by our Constitution on the rights of non-resident Shareholders to hold or vote in respect of our Shares.

Minority Rights

The rights of minority shareholders of Singapore-incorporated companies are protected under Section 216 of the Companies Act, which gives the Singapore courts a general power to make any order, upon application by any of our Shareholders, as they think fit to remedy any of the following situations where:

(a) our affairs are being conducted or the powers of our Directors are being exercised in a manner oppressive to, or in disregard of the interests of, one (1) or more of the Shareholders; or

(b) we take an action, or threaten to take an action, or our Shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one (1) or more of our Shareholders, including the applicant.

Singapore courts have a wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Companies Act itself. Without prejudice to the foregoing, the Singapore courts may:

(a) direct or prohibit any act or cancel or vary any transaction or resolution;

(b) regulate the conduct of our affairs in the future;

(c) authorise civil proceedings to be brought in our name, or on our behalf, by a person or persons and on such terms as the court may direct;

(d) provide for the purchase of a minority Shareholder's Shares by our other Shareholders or by us;

(e) in the case of a purchase of Shares by our Company, provide for a reduction accordingly of our Company's capital; or

(f) provide that our Company be wound up.

APPENDIX H – RULES OF THE LY PERFORMANCE SHARE PLAN

1. NAME OF THE PERFORMANCE SHARE PLAN

The Performance Share Plan shall be called the "LY Performance Share Plan".

2. DEFINITIONS

2.1 In this Performance Share Plan, unless the context otherwise requires, the following words and expressions shall have the following meanings:

"Adoption Date"	:	The date on which the Performance Share Plan is adopted by our Company
"Auditors"	:	The auditors of our Company for the time being
"Award"	:	An award of fully paid Shares granted under the Performance Share Plan
"Board"	:	Our board of Directors of our Company for the time being
"Catalist"	:	The sponsor-supervised listing platform of the SGX-ST
"Catalist Rules"	:	Any or all of the rules in Section B of the Listing Manual: Rules of Catalist of the SGX-ST, as amended, modified or supplemented from time to time
"CDP"	:	The Central Depository (Pte) Limited
"Commencement Date"	:	The date for the commencement of the Performance Share Plan
"Committee"	:	The remuneration committee of our Company, or such other committee comprising Directors duly authorised and appointed by our Board to administer this Performance Share Plan
"Companies Act"	:	Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
"Company"	:	LY Corporation Limited
"Controlling Shareholder"	:	A person who: (a) holds directly or indirectly 15.0% or more of the nominal amount of all voting shares in the company (unless otherwise determined by the SGX-ST); or (b) in fact exercises control over a company
"CPF"	:	The Central Provident Fund

"Director"	:	A director of our Company for the time being
"Group"	:	Our Company and its subsidiaries
"Group Employee"	:	Any confirmed employee of our Group (including any Group Executive Director) selected by the Committee to participate in the Performance Share Plan in accordance with the provisions thereof
"Group Executive Director"	:	A director of our Company and/or any of its subsidiaries, as the case may be, who performs an executive function
"Market Day"	:	A day on which the SGX-ST is open for trading in securities
"New Shares"	:	The new Shares which may be issued from time to time pursuant to the vesting of Awards granted under the Performance Share Plan
"Non-Executive Director"	:	A director of our Company and/or any of its subsidiaries, as the case may be, other than a Group Executive Director
"Participant"	:	A person who is selected by the Committee to participate in the Performance Share Plan in accordance with the provisions of the Performance Share Plan
"Performance Share Plan"	:	The LY Performance Share Plan, as modified or supplemented from time to time
"Performance Targets"	:	The performance targets prescribed by the Committee to be fulfilled by a Participant for any particular period under the Performance Share Plan
"Record Date"	:	The date fixed by our Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares
"Rules"	:	The rules of the Performance Share Plan, as the same may be amended or supplemented from time to time
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Shareholders"	:	Registered holders of Shares except where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares, mean the persons to whose securities accounts maintained with CDP are credited with the Shares

"Shares"	:	Ordinary shares in the capital of our Company
"Vesting Date"	:	In relation to Shares which are the subject of an Award which has been released in accordance with Rule 10, the date (as determined by the Committee and notified to the relevant Participant) on which those Shares will vest pursuant to Rule 10
"S$" and *"cents"*	:	Singapore dollars and cents respectively
"%" or *"per cent."*	:	Percentage or per centum

2.2 The terms "Depositor" and "Depository Agent" shall have the meanings ascribed to them respectively by Section 81SF of the Securities and Futures Act.

2.3 Any reference in the Performance Share Plan or the Rules to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and used in the Performance Share Plan and the Rules shall have the meaning assigned to it under the Companies Act.

2.4 Words importing the singular number shall include the plural number where the context admits and vice versa. Words importing the masculine gender shall include the feminine gender where the context admits.

2.5 Any reference to a time of day shall be a reference to Singapore time.

3. OBJECTIVES

3.1 The main objectives of the Performance Share Plan are as follows:

(a) to attract potential employees with relevant skills to contribute to the Group and to create value for Shareholders;

(b) to instil loyalty to, and a stronger identification by the Participants with the long-term prosperity of the Group;

(c) to motivate the Participants to optimise their performance standards and efficiency and to maintain a high level of contribution to the Group;

(d) to give recognition to the contributions made by the Participants to the success of the Group; and

(e) to retain key employees of our Company whose contributions are essential to the long-term prosperity of the Group.

4. ELIGIBILITY

4.1 The following persons (provided that such persons are not undischarged bankrupts at the relevant time) shall be eligible to participate in the Performance Share Plan at the absolute discretion of the Committee:

(a) Group Employees (including Group Executive Directors) who have attained the age of 21 years on or before the date of grant of the Award; and

(b) Non-Executive Directors (including independent Directors) who have attained the age of 21 years on or before the date of grant of the Award.

4.2 Non-executive Directors (including independent Directors) who satisfy the eligibility requirements in Rule 4.1 shall also be eligible to participate in the Performance Share Plan, to the extent permissible under the laws of Singapore (including the Companies Act).

4.3 To the extent permissible under the laws of Singapore, Controlling Shareholders and the associates of the Controlling Shareholders who meet the eligibility criteria in Rule 4.1 shall be eligible to participate in the Performance Share Plan provided that (a) the participation of, and (b) the terms of each grant and the actual number of Awards granted under the Performance Share Plan, to a Participant who is a Controlling Shareholder or an associate of a Controlling Shareholder shall be approved by the independent Shareholders in separate resolutions for each such person.

4.4 Participants who are also Shareholders and are eligible to participate in the Performance Share Plan must abstain from voting on any resolution relating to the Performance Share Plan, including the participation in the Performance Share Plan and grant of Awards to the Participants, and should not accept nominations as proxies or otherwise for voting in respect of such resolution unless specific instructions have been given in the proxy instrument on how the votes are to be casted.

4.5 Controlling Shareholders and their associates shall abstain from voting on the resolution in relation to their participation in the Performance Share Plan and grant of Awards to them.

4.6 For the purposes of determining eligibility to participate in the Performance Share Plan, the secondment of a Group Employee to another company within the Group shall not be regarded as a break in his employment or his having ceased by reason only of such secondment to be a full-time employee of the Group.

4.7 There shall be no restriction on the eligibility of any Participant to participate in any other share incentive schemes or share plans implemented or to be implemented by our Company or any other company within the Group.

4.8 Subject to the Companies Act and any requirement of the SGX-ST, the terms of eligibility for participation in the Performance Share Plan may be amended from time to time at the absolute discretion of the Committee.

5. LIMITATIONS UNDER THE PERFORMANCE SHARE PLAN

5.1 The total number of Shares which may be delivered pursuant to the vesting of Awards on any date, when added to the aggregate number of Shares issued and/or issuable in respect of (a) all Awards granted under the Performance Share Plan; (b) all other Shares issued and/or issuable under any other share-based incentive schemes or share plans of our Company, shall not exceed 15.0% of the total number of the issued Shares (excluding treasury shares) of our Company from time to time.

5.2 Shares which are the subject of Awards which have lapsed for any reason whatsoever may be the subject of further Awards granted by the Committee under the Performance Share Plan.

5.3 The aggregate number of Shares available to the Controlling Shareholders and the associates of the Controlling Shareholders (including adjustments made in accordance with Rule 11) shall not exceed 25.0% of the Shares available under the Performance Share Plan.

5.4 The number of Shares available to each Controlling Shareholder or associate of the Controlling Shareholder (including adjustments made in accordance with Rule 11) shall also not exceed 10.0% of the Shares available under the Performance Share Plan.

6. DATE OF GRANT

The Committee may grant Awards at any time in the course of a financial year, provided that in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, Awards may only be vested and hence any Shares comprised in such Awards may only be delivered on or after the second Market Day from the date on which the aforesaid announcement is made.

7. AWARDS

7.1 The selection of the Participants and number of Shares which are the subject of each Award to be granted to a Participant in accordance with the Performance Share Plan shall be determined at the absolute discretion of the Committee, which shall take into account criteria such as, *inter alia*, the rank, scope of responsibilities, performance, years of service and potential for future development and contribution to the success of the Group.

7.2 In the case of a performance-related Award, the Performance Targets will be set by the Committee depending on each individual Participant's job scope and responsibilities. The Performance Targets to be set shall take into account both the medium and long-term corporate objectives of the Group and the individual performance of the Participant and will be aimed at sustaining long-term growth. The corporate objectives shall cover market competitiveness, business growth and productivity growth. The Performance Targets could be based on criteria such as sales growth, growth in earnings and return on investment. In addition, the Participant's length of service with the Group, achievement of past Performance Targets, value-add to the Group's performance and development and overall enhancement to shareholder value, among others, will be taken into account.

7.3 As soon as reasonably practicable after an Award is finalised by the Committee, the Committee shall send an Award letter to the Participant confirming the said Award. The said Award letter shall specify, *inter alia*, the following:

(a) in relation to a performance-related Award, the Performance Targets for the Participant and the period during which the Performance Targets shall be met;

(b) the number of Shares to be vested on the Participant; and

(c) the date by which the Award shall be vested.

7.4 The Committee shall take into account various factors when determining the method to arrive at the exact number of Shares comprised in an Award. Such factors include, but are not limited to, the current price of the Shares, the total issued share capital of our Company and the predetermined dollar amount which the Committee decides that a Participant deserves for meeting his Performance Targets. For example, Shares may be awarded based on predetermined dollar amounts such that the quantum of Shares comprised in Awards is dependent on the closing price of Shares transacted on the Market Day the Award is vested. Alternatively, the Committee may decide absolute numbers of Shares to be awarded to Participants irrespective of the price of the Shares. The Committee shall monitor the grant of Awards carefully to ensure that the size of the Performance Share Plan will comply with the relevant rules of the Catalist Rules.

7.5 Awards are personal to the Participant to whom it is given and shall not be transferred (other than to a Participant's personal representative on the death of that Participant), charged, assigned, pledged or otherwise disposed of, in whole or in part, unless with the prior approval of the Committee.

8. VESTING OF THE AWARDS

8.1 Notwithstanding that a Participant may have met his Performance Targets, no Awards shall be vested:

(a) upon the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such Award;

(b) in the event of any misconduct on the part of the Participant as determined by the Committee in its discretion;

(c) subject to Rule 8.2, upon the Participant ceasing to be in the employment of the Group for any reason whatsoever; or

(d) in the event that the Committee shall, at its discretion, deem it appropriate that such Award to be given to a Participant shall so lapse on the grounds that any of the objectives of the Performance Share Plan (as set out in Rule 3) have not been met.

8.2 A Participant shall be entitled to an Award so long as he has met the Performance Targets notwithstanding that he may have ceased to be employed by the Group after the fulfilment of such Performance Targets. For the purpose of this Rule 8.2, the Participant may cease to be so employed in any of the following events, namely:

(a) through ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);

(b) redundancy;

(c) death;

(d) retirement at or after the legal retirement age;

(e) retirement before the legal retirement age with the consent of the Committee; or

(f) any other event approved by the Committee.

9. TAKE-OVER AND WINDING UP OF OUR COMPANY

9.1 Notwithstanding Rule 8 but subject to Rule 9.5, in the event of a take-over being made for the Shares, a Participant shall (notwithstanding that the vesting period for the Award has not expired) be entitled to the Shares under the Awards if he has met the Performance Targets which fall within the period commencing on the date on which such offer for a take-over of our Company is made or, if such offer is conditional, the date on which such offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:

(a) the expiry of six (6) months thereafter, unless prior to the expiry of such six (6)-month period, at the recommendation of the offeror and with the approvals of the Committee and the SGX-ST, such expiry date is extended to a later date (in either case, being a date falling not later than the last date on which the Performance Targets are to be met); or

(b) the date of expiry of the period for which the Performance Targets are to be met, provided that if during such period, the offeror becomes entitled or bound to exercise rights of compulsory acquisition under the provisions of the Companies Act and, being entitled to do so, gives notice to the Participants that it intends to exercise such rights on a specified date, the Participant shall be obliged to fulfil such Performance Targets until the expiry of such specified date or the expiry date of the Performance Targets relating thereto, whichever is earlier, before an Award can be vested.

9.2 If under any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of our Company or its amalgamation with another company or companies, each Participant who has fulfilled his Performance Target shall be entitled, notwithstanding the provisions herein and the fact that the vesting period for such Award has not expired but subject to Rule 9.5, to any Shares under the Awards so determined by the Committee to be released to him during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of 60 days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later.

9.3 If an order or an effective resolution is made for the winding-up of our Company on the basis of its insolvency, all Awards, notwithstanding that they may have been so vested shall be deemed or become null and void.

9.4 In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date or soon after it despatches such notice to each member of our Company give notice thereof to all Participants (together with a notice of the existence of the provisions of this Rule 9.4) and thereupon, the Committee shall make an absolute determination as to whether each affected Participant has met the Performance Targets prior to the date not later than two business days prior to the proposed general meeting of our Company, and if the Committee determines that a Participant has met the Performance Targets, our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Participant credited as fully paid.

9.5 If in connection with the making of a general offer referred to in Rule 9.1 or the scheme referred to in Rule 9.2 or the winding-up referred to in Rule 9.4, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the payment of cash or by any other form of benefit, no release of Shares under the Award shall be made in such circumstances.

10. RELEASE OF AWARDS

10.1 As soon as reasonably practicable after the end of each performance period, the Committee shall review the Performance Targets specified in respect of that Award and determine whether they have been satisfied and, if so, the extent to which they have been satisfied (whether fully or partially) and the number of Shares to be released.

10.2 The Committee shall have the discretion to determine whether Performance Targets have been met (whether fully or partially) or exceeded and/or whether the Participant's performance and/or contribution to our Company and/or any of its subsidiaries justifies the vesting of an Award. In making any such determination, the Committee shall have the right to make reference to the audited results of our Company or the Group, as the case may be, to take into account such factors as the Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend the Performance Targets if the Committee decides that a changed Performance Targets would be a fairer measure of performance.

10.3 Awards may only be vested and consequently any Shares comprised in such Awards shall only be delivered upon the Committee being satisfied that the Participant has achieved the Performance Targets.

10.4 Subject to the prevailing legislation and the provisions of the Catalist Rules, our Company will deliver Shares to Participants upon vesting of their Awards by way of an issue of New Shares or the transfer of existing Shares held as treasury shares to the Participants.

10.5 In determining whether to issue New Shares or to purchase existing Shares for delivery to Participants upon the vesting of their Awards, our Company will take into account factors such as the number of Shares to be delivered, the prevailing market price of the Shares and the financial effect on our Company of either issuing New Shares or purchasing existing Shares.

10.6 The Committee will procure, upon approval of our Board, the allotment or transfer to each Participant of the number of Shares which are to be released to that Participant pursuant to an Award under Rule 7. Any proposed issue of New Shares will be subject to there being in force at the relevant time the requisite Shareholders approval under the Companies Act for the issue of Shares. Any allotment of New Shares pursuant to an Award will take into account the rounding of odd lots.

10.7 Where New Shares are to be allotted or any Shares are to be transferred to a Participant pursuant to the release of any Award, the Vesting Date will be a trading day falling as soon as practicable after the review of the Committee referred to in Rule 10.1. On the Vesting Date, the Committee will procure the allotment or transfer of each Participant of the number of Shares so determined.

10.8 Where New Shares are to be allotted upon the vesting of any Award, our Company shall, as soon as practicable after allotment, where necessary, apply to the SGX-ST for the permission to deal in and for the listing and quotation of such Shares on the SGX-ST.

10.9 Shares which are allotted or transferred on the release of an Award to a Participant shall be issued in the name of, or transferred to, CDP to the credit of either:

(a) the securities account of that Participant maintained with CDP; or

(b) the securities sub-account of that Participant maintained with a Depository Agent,

in each case, as designated by that Participant. Until such issue or transfer of such Shares has been effected, that Participant shall have no voting rights nor any entitlements to dividends or other distributions declared or recommended in respect of any Shares which are the subject of the Award granted to him.

10.10 New Shares allotted and issued, and existing Shares held in treasury procured by our Company for transfer, on the release of an Award, shall be subject to all the provisions of the Constitution of our Company and the Companies Act, and shall rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which is on or after the date of issue of the New Shares or the date of transfer of treasury shares pursuant to the vesting of the Award, and shall in all other respects rank *pari passu* with other existing Shares then in issue. "Record Date" means the date fixed by our Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.

10.11 Shares which are allotted, and/or treasury shares which are transferred, on the vesting of an Award to a Participant, may be subject to such moratorium as may be imposed by the Committee.

11. VARIATION OF CAPITAL

11.1 If a variation in the issued ordinary share capital of our Company whether by way of a capitalisation issue or other circumstances (for example, rights issue, capital reduction, subdivision, consolidation of shares or distribution) shall take place, then:

(a) the class and/or number of Shares which are the subject of an Award to the extent not yet vested; and/or

(b) the class and/or number of Shares over which future Awards may be granted under the Performance Share Plan,

shall be adjusted by the Committee to give each Participant the same proportion of the equity capital of our Company as that to which he was previously entitled and, in doing so, the Committee shall determine at its own discretion the manner in which such adjustment shall be made.

11.2 The following events shall not normally be regarded as a circumstance requiring adjustment:

(a) the issue of securities as consideration for an acquisition or a private placement of securities;

(b) the cancellation of issued Shares purchased or acquired by our Company by way of a market purchase of such Shares undertaken by our Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force;

(c) the issue of Shares or other securities convertible into or with rights to acquire or subscribe for Shares to its employees pursuant to any share option scheme or share plan approved by Shareholders in general meeting, including the Performance Share Plan; and

(d) any issue of Shares arising from the exercise of any warrants or the conversion of any convertible securities issued by our Company.

11.3 Notwithstanding the provisions of Rule 11.1:

(a) the adjustment must be made in such a way that a Participant will not receive a benefit that a Shareholder does not receive; and

(b) any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

11.4 Upon any adjustment required to be made pursuant to this Rule 11, our Company shall notify the Participant (or his duly appointed personal representatives where applicable) in writing and deliver to him (or his duly appointed personal representatives where applicable) a statement setting forth the class and/or number of Shares thereafter to be issued or transferred on the vesting of an Award. Any adjustment shall take effect upon such written notification being given.

12. ADMINISTRATION OF THE PERFORMANCE SHARE PLAN

12.1 The Plan shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by our Board, provided that no member of the Committee shall participate in any deliberation or decision in respect of Awards granted or to be granted to him.

12.2 The Committee shall have the power, from time to time, to make and vary such rules (not being inconsistent with the Performance Share Plan) for the implementation and administration of the Performance Share Plan as they think fit including, but not limited to:

(a) imposing restrictions on the number of Awards that may be vested within each financial year; and

(b) amending Performance Targets if by so doing, it would be a fairer measure of performance for a Participant or for the Performance Share Plan as a whole.

12.3 Any decision of the Committee made pursuant to any provision of the Performance Share Plan (other than a matter to be certified by the Auditors) shall be final and binding (including any decisions pertaining to the number of Shares to be vested) or to disputes as to the interpretation of the Performance Share Plan or any rule, regulation, procedure thereunder or as to any rights under the Performance Share Plan.

12.4 The Committee shall ensure that the rules of the Performance Share Plan are in compliance with the Companies Act and the applicable laws and regulations in Singapore, including but not limited to, the Catalist Rules.

13. NOTICES AND ANNUAL REPORT

13.1 Any notice required to be given by a Participant to our Company shall be sent or made to the registered office of our Company or such other addresses as may be notified by our Company to him in writing.

13.2 Any notices or documents required to be given to a Participant or any correspondence to be made between our Company and the Participant shall be given or made by the Committee (or such person(s) as it may from time to time direct) on behalf of our Company and shall be delivered to him by hand or sent to him at his home address according to the records of our Company or at the last known address of the Participant and if sent by post, shall be deemed to have been given on the day following the date of posting.

13.3 The following disclosures (as applicable) will be made by our Company in its annual report for so long as the Performance Share Plan continues in operation:

(a) the names of the members of the Committee administering the Performance Share Plan;

(b) in respect of the following Participants:

(i) Directors of our Company;

(ii) Participants who are Controlling Shareholders and their Associates; and

(iii) Participants (other than those in paragraphs (b)(i) and (b)(ii) above) who have received Shares pursuant to the vesting of the Awards granted under the Performance Share Plan which, in aggregate, represent five per cent. (5.0%) or more of the total number of Shares available under the Performance Share Plan, the following information:

(aa) the name of the Participant;

(bb) the aggregate number of Shares comprised in Awards which have been granted to such Participant during the financial year under review;

(cc) the aggregate number of Shares comprised in Awards which have been granted to such Participant since the commencement of the Performance Share Plan to the end of the financial year under review;

(dd) the aggregate number of Shares comprised in Awards which have been issued and/or transferred to such Participant pursuant to the vesting of Awards under the Performance Share Plan since the commencement of the Performance Share Plan to the end of the financial year under review; and

(ee) the aggregate number of Shares comprised in Awards which have not been vested as at the end of the financial year under review; and

(c) such other information as may be required by the Catalist Rules or the Companies Act.

If any of the above is not applicable, an appropriate negative statement shall be included.

14. MODIFICATIONS TO THE PERFORMANCE SHARE PLAN

14.1 Any or all the provisions of the Performance Share Plan may be modified and/or altered at any time and from time to time by resolution of the Committee, provided that:

(a) any modification or alteration which would be to the advantage of Participants under the Performance Share Plan shall be subject to the prior approval of Shareholders in a general meeting; and

(b) no modification or alteration shall be made without due compliance with the Catalist Rules and such other regulatory authorities as may be necessary.

14.2 Written notice of any modification or alteration made in accordance with this Rule 14 shall be given to all Participants.

15. TERMS OF EMPLOYMENT UNAFFECTED

The terms of employment of a Participant (who is a Group Employee) shall not be affected by his participation in the Performance Share Plan, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment for any reason.

16. DURATION OF THE PERFORMANCE SHARE PLAN

16.1 The Performance Share Plan shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten (10) years commencing on the Adoption Date, provided always that the Performance Share Plan may continue beyond the above stipulated period with the approval of our Company's shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

16.2 The Performance Share Plan may be terminated at any time at the discretion of the Committee or by an ordinary resolution of our Company in general meeting subject to all other relevant approvals which may be required and if the Performance Share Plan is so terminated, no further Awards shall be offered by our Company thereunder.

16.3 Notwithstanding the expiry or termination of the Performance Share Plan, any Awards made to Participants prior to such expiry or termination will continue to remain valid.

17. TAXES

All taxes (including income tax) arising from the grant and/or disposal of Shares pursuant to the Awards granted to any Participant under the Performance Share Plan shall be borne by that Participant.

18. COSTS AND EXPENSES

18.1 Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment or transfer of any Shares pursuant to the Awards in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP, or the Participant's securities sub-account with a CDP Depository Agent.

18.2 Save for the taxes referred to in Rule 17 and such other costs and expenses expressly provided in the Performance Share Plan to be payable by the Participants, all fees, costs and expenses incurred by our Company in relation to the Performance Share Plan including but not limited to the fees, costs and expenses relating to the allotment, issue and/or delivery of Shares pursuant to the Awards shall be borne by our Company.

19. DISCLAIMER OF LIABILITY

Notwithstanding any provisions herein contained, our Board, the Committee and our Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to our Company's delay in issuing or transferring the Shares or applying for or procuring the listing of the Shares on the SGX-ST.

20. DISPUTES

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

21. CONDITION OF AWARDS

Every Award shall be subject to the condition that no Shares would be issued or transferred pursuant to the vesting of any Award if such issue or transfer would be contrary to any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore or any other relevant country having jurisdiction in relation to the issue or transfer of Shares hereto.

22. GOVERNING LAW

The Performance Share Plan shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by accepting Awards in accordance with the Performance Share Plan, and our Company irrevocably submits to the exclusive jurisdiction of the courts of the Republic of Singapore.

The statements made herein regarding taxation are general in nature and based on certain aspects of the current tax laws of Singapore and administrative guidelines issued by the relevant authorities in force as of the date of this Offer Document and are subject to any changes in such laws or administrative guidelines, or in the interpretation of these laws or guidelines, occurring after such date, which changes could be made on a retrospective basis. These laws and guidelines are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. The statements below are not to be regarded as advice on the tax position of any holder of our Shares or of any person acquiring, selling or otherwise dealing with our Shares or on any tax implications arising from the acquisition, sale or other dealings in respect of our Shares. The statements made herein do not purport to be a comprehensive or exhaustive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of our Shares and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules.

Prospective investors should consult their own tax advisers as to the tax consequences of the acquisition, ownership of or disposal of our Shares. It is emphasised that neither our Company, the Vendor nor any other persons involved in the Placement accepts responsibility for any tax effects or liabilities resulting from the subscription, purchase, holding or disposal of our Shares.

Corporate income tax

A Singapore corporate taxpayer is liable to Singapore income tax on:

(a) income accruing in or derived from Singapore; and

(b) unless otherwise exempt, income derived from outside Singapore which is received in Singapore or deemed to have been received in Singapore by the operation of law.

A company is tax resident in Singapore if the control and management of its business is exercised in Singapore.

The prevailing corporate income tax is 17.0% with the first S$300,000 of normal chargeable income of a company being exempt from tax as follows:

(a) 75.0% of up to the first S$10,000 of normal chargeable income; and

(b) 50.0% of up to the next S$290,000 of normal chargeable income.

A 50.0% corporate income tax rebate capped at S$20,000 per year of assessment ("**YA**") is available for YA 2016 and YA 2017.

Tax exemption is granted to a Singapore-resident company on its foreign-sourced dividend, foreign branch profits or foreign-sourced service income received in Singapore on or after 1 June 2003 provided the following prescribed conditions are met:

(a) the foreign-sourced income had been subjected to tax in the foreign country from which it is received;

(b) in the year the foreign-sourced income is received in Singapore, the highest corporate tax rate (headline tax rate) of the foreign country from which the income is received is at least 15.0%; and

(c) the Comptroller of Income Tax (the "**Comptroller**") is satisfied that the tax exemption would be beneficial to the company.

Pursuant to a tax concession granted with effect from 30 July 2004, the above exemption has been extended to specified foreign-sourced income which is exempted from tax in the foreign jurisdiction as a result of a tax incentive granted by that foreign jurisdiction for carrying out substantive business activities in that foreign jurisdiction, provided that the conditions in (b) and (c) above are also met.

In respect of foreign-sourced income received in Singapore and on which foreign tax has been paid or deducted at source, the Singapore-resident company is entitled to claim a foreign tax credit for the foreign tax paid subject to meeting certain conditions. The amount of foreign tax credit to be granted is based on the lower of the Singapore income tax payable on the foreign-sourced income and the actual foreign taxes paid on that income.

Under the foreign tax credit pooling system ("**FTC pooling system**"), a resident taxpayer may elect to pool the foreign taxes paid (including any underlying tax, where applicable) on any items of its foreign-sourced income, provided that all of the following conditions are met:

(a) income tax must have been paid on the income in the foreign territory from which the income is derived;

(b) at the time the foreign-sourced income is received in Singapore, the highest corporate tax rate (headline tax rate) of the foreign territory from which the income is derived is at least 15.0%;

(c) there must be Singapore income tax payable on the foreign-sourced income; and

(d) the taxpayer is entitled to claim foreign tax credits under sections 50, 50A or 50B of the Income Tax Act (Chapter 134) of Singapore (the "**Income Tax Act**") on its foreign-sourced income.

The amount of foreign tax credit to be granted under the FTC pooling system is based on the lower of the total Singapore tax payable on those foreign-sourced income and the pooled foreign taxes paid on those income.

Dividend Distributions

Singapore currently adopts the one-tier system of corporate taxation. Under the one-tier system, dividends paid by a company resident in Singapore are exempt from income tax in the hands of its shareholders, regardless of whether the shareholders are corporates or individuals or whether the shareholders are tax resident in Singapore. Singapore does not currently impose withholding tax on dividends paid to resident or non-resident shareholders.

Individual Income Tax

Individuals, whether Singapore residents or not, generally are liable to Singapore income tax on income accruing in or derived from Singapore. They are generally exempt from Singapore income tax on income derived from outside Singapore.

An individual is regarded as tax resident in Singapore for any YA if, during the year preceding the YA, the individual is physically present or employed in Singapore for 183 days or more or resides in Singapore except for such temporary absences therefrom as may be reasonable and not inconsistent with a claim by such individual to be resident in Singapore, or exercises an employment (other than a director of a company) in Singapore for 183 days or more.

Singapore resident individuals are taxed (on income subject to Singapore income tax) at progressive rates, ranging from 0% to 22.0% with effect from YA 2017. Non-Singapore resident individuals are generally taxed (on income subject to Singapore income tax) at the rate of 15.0% on employment income or resident rates whichever is higher and 22.0% on non-employment income.

Gains on Disposal of Shares

Singapore currently does not impose tax on capital gains. Any gains considered to be in the nature of capital made from the sale of our Shares will not be taxable in Singapore. However, any gains derived by any person from the sale of our Shares which are gains derived from any trade, business, vocation or profession carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature. Gains derived from the sale of our Shares may also be taxable if they constitute any gains or profits of any income nature under Section 10(1)(g) of the Income Tax Act.

There are currently no specific laws or regulations that address the characterisation of gains. The characterisation of gains arising from the sale of our Shares will depend on the facts and circumstances of each Shareholder.

Gains derived by a divesting company from the disposal of ordinary shares in an investee company are exempt from tax if immediately prior to the date of share disposal, the divesting company had held at least 20.0% of the ordinary shares in the investee company for a continuous period of at least 24 months. This tax exemption is applicable to disposals made during the period 1 June 2012 to 31 May 2022 (both dates inclusive). It does not apply in limited circumstances, for example disposal of shares in an unlisted investee company that is in the business of trading or holding Singapore immovable properties (other than property development).

Shareholders who have adopted or are required to adopt Singapore Financial Reporting Standard 39 – Financial Instruments: Recognition and Measurement ("**FRS 39**") for financial reporting purposes may for Singapore income tax purposes be required to recognise gains or losses (not being gains or losses in the nature of capital) on our Shares, irrespective of disposal. If so, the gains or losses recognised may be taxed or allowed as a deduction under certain circumstances even though they are unrealised. Shareholders should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their ownership and disposal of our Shares arising from the adoption of FRS 39.

Stamp Duty

There is no stamp duty payable on the subscription of our Shares.

Where an instrument of transfer is executed in respect of our Shares, stamp duty is payable on such instrument of transfer at the rate of 0.2% of the purchase consideration or market value of our Shares, whichever is higher.

The purchaser is liable for stamp duty, unless there is an agreement to the contrary. No stamp duty is payable if no instrument of transfer is executed or the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is subsequently received in Singapore.

Stamp duty is not applicable to electronic transfers of our Shares through the CDP system.

Goods and Services Tax

The sale of our Shares by a GST-registered Shareholder belonging in Singapore for GST purposes through a SGX-ST member or to another person belonging in Singapore for GST purposes is an exempt supply not subject to GST.

Any input GST (for example, GST on brokerage) incurred by the GST-registered Shareholder in making such an exempt supply is generally not recoverable and will become an additional cost to the Shareholder unless the Shareholder satisfies certain conditions prescribed under the GST legislation or under certain GST concessions.

Where our Shares are sold by a GST-registered Shareholder contractually to and for the direct benefit of a person who belongs outside Singapore (and who is outside Singapore at the time of supply), such a sale is a taxable supply subject to GST at the zero-rate (i.e. 0%). Any input GST (for example, GST on brokerage) incurred by him in the making of this zero-rated supply for the purpose of his business will, subject to the provisions under the GST legislation, be recoverable as an input tax credit in his GST returns.

Investors and/or Shareholders should seek their own tax advice on the recoverability of GST incurred on expenses in connection with the purchase and sale of our Shares.

Services such as brokerage and handling services rendered by a GST-registered person to an investor/Shareholder belonging in Singapore for GST purposes in connection with the investor's/Shareholder's purchase, ownership or sale of our Shares will be subject to GST at the prevailing standard rate of 7%. Similar services rendered contractually to and for the direct benefit of an investor/Shareholder who belongs outside Singapore for GST purposes (and who is outside Singapore at the time of supply) will be subject to GST at 0%.

Estate Duty

Singapore estate duty has been abolished with effect from 15 February 2008.

APPENDIX J – TERMS, CONDITIONS AND PROCEDURES FOR APPLICATION AND ACCEPTANCE

You are invited to apply to subscribe for and/or purchase the Placement Shares at the Placement Price for each Placement Share subject to the following terms and conditions:

1. **YOUR APPLICATION MUST BE MADE IN LOTS OF 100 PLACEMENT SHARES OR INTEGRAL MULTIPLES THEREOF SUBJECT TO A MINIMUM OF 1,000 PLACEMENT SHARES. YOUR APPLICATION FOR ANY OTHER NUMBER OF SHARES WILL BE REJECTED.**

2. Your application for Placement Shares may be made by way of printed Placement Shares Application Forms or such manner as the Sponsor, Issue Manager and Placement Agent may in their absolute discretion deem fit.

   YOU MAY NOT USE CPF FUNDS TO APPLY FOR THE PLACEMENT SHARES.

3. **You (not being an approved nominee company) are allowed to submit only one application in your own name for the Placement Shares. Any separate applications shall be deemed to be multiple applications and shall be rejected at the discretion of our Company, the Vendor and the Sponsor, Issue Manager and Placement Agent, except in the case of applications by approved nominee companies, where each application is made on behalf of a different beneficiary.**

   If you, not being an approved nominee company, have submitted an application for Placement Shares in your own name, you should not submit any other application for Placement Shares for any other person. Such separate applications shall be deemed to be multiple applications and shall be rejected at the discretion of our Company, the Vendor and the Sponsor, Issue Manager and Placement Agent.

   Joint or multiple applications for the Placement Shares shall be rejected at the discretion of our Company, the Vendor and the Sponsor, Issue Manager and Placement Agent. If you submit or procure submissions of multiple share applications for the Placement Shares, you may be deemed to have committed an offence under the Penal Code (Chapter 224) of Singapore and the SFA, and your applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications, except in the case of applications by approved nominee companies where such applications are made on behalf of different beneficiaries, shall be rejected at the discretion of our Company, the Vendor and the Sponsor, Issue Manager and Placement Agent. By submitting an application for the Placement Shares, you declare that you do not possess more than one individual direct Securities Account with CDP.

4. We will not accept applications from any person under the age of 18 years, undischarged bankrupts, sole-proprietorships, partnerships, non-corporate bodies, joint Securities Account holders of CDP and from applicants whose addresses (as furnished in their Application Forms bear post office box numbers. No person acting or purporting to act on behalf of a deceased person is allowed to apply under the Securities Account with CDP in the deceased's name at the time of the application.

5. We will not recognise the existence of a trust. Any application by a trustee or trustees must therefore be made in his/her/their own name(s) and without qualification or where the application is made by way of an Application Form by a nominee, in the name(s) of an approved nominee company or companies after complying with paragraph 6 below.

6. **WE WILL NOT ACCEPT APPLICATIONS FROM NOMINEES EXCEPT THOSE MADE BY APPROVED NOMINEE COMPANIES ONLY.** "Approved nominee companies" are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by persons acting as nominees other than approved nominee companies shall be rejected.

7. **IF YOU ARE NOT AN APPROVED NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION.** If you do not have an existing Securities Account with CDP in your own name at the time of your application, your application will be rejected. If you have an existing Securities Account with CDP but fail to provide your Securities Account number or provide an incorrect Securities Account number in Section B of the Application Form your application is liable to be rejected. Subject to paragraph 8 below, your application shall be rejected if your particulars such as name, NRIC/passport number, CDP Securities Account, nationality and permanent residence status provided in your Application Form differ from those particulars in your Securities Account as maintained with CDP. If you possess more than one individual direct Securities Account with CDP, your application shall be rejected.

8. If your address as stated in the Application Form is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment and/or allocation and other correspondence from CDP will be sent to your address last registered with CDP.

9. Our Company and the Vendor, in consultation with the Sponsor, Issue Manager and Placement Agent, reserve the right to reject any application which does not conform strictly to the instructions set out in the Application Form and in this Offer Document or with the terms and conditions of this Offer Document or, in the case of an application by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn remittance or improper form of remittance or which is not honoured upon its first presentation.

   Our Company and the Vendor, in consultation with the Sponsor, Issue Manager and Placement Agent, further reserve the right to treat as valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in the Application Form or the terms and conditions of this Offer Document and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.

   Without prejudice to the rights of our Company, the Vendor and the Sponsor, Issue Manager and Placement Agent, as agent of our Company and the Vendor, has been authorised to accept, for and on behalf of our Company and the Vendor, such other forms of application as the Sponsor, Issue Manager and Placement Agent may deem appropriate.

10. Our Company and the Vendor, in consultation with the Sponsor, Issue Manager and Placement Agent, reserve the right to reject or to accept, in whole or in part, any application, without assigning any reason therefor, and no enquiry and/or correspondence on the decision of our Company and the Vendor will be entertained. In deciding the basis of allotment and/or allocation, which shall be at the discretion of our Company and the Vendor, due consideration will be given to the desirability of allotting and/or allocating the Placement Shares to a reasonable number of applicants with a view to establishing an adequate market for the Shares.

11. Subject to your provision of a valid and correct CDP Securities Account number, share certificates will be registered in the name of CDP or its nominee and will be forwarded only to CDP. It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Application List, and subject to the submission of a valid application and payment for the Placement Shares, a statement of account stating that your Securities Account has been credited with the number of Placement Shares allotted and/or allocated to you if your application is successful. This will be the only acknowledgement of application monies received and is not an acknowledgement by our Company and the Vendor. You irrevocably authorise CDP to complete and sign on your behalf, as transferee or renouncee, any instrument of transfer and/or other documents required for the issue and/or transfer of the Placement Shares allotted and/or allocated to you.

12. In the event that our Company lodges a supplementary or replacement offer document ("**Relevant Document**") pursuant to the SFA or any applicable legislation in force from time to time prior to the close of the Placement, and the Placement Shares have not been issued and/or transferred to you, our Company (and on behalf of the Vendor) will (as required by law and subject to the SFA), at our Company's and the Vendor's sole and absolute discretion, either:

    (a) within two (2) days (excluding any Saturday, Sunday or public holiday) from the date of the lodgement of the Relevant Document, give you notice in writing of how to obtain, or arrange to receive, a copy of the same and provide you with an option to withdraw your application and take all reasonable steps to make available within a reasonable period the Relevant Document to you if you have indicated that you wish to obtain, or have arranged to receive, a copy of the Relevant Document;

    (b) within seven (7) days from the date of lodgement of the Relevant Document, give you a copy of the Relevant Document and provide you with an option to withdraw your application; or

    (c) treat your application as withdrawn and cancelled, in which case the application shall be deemed to have been withdrawn and cancelled, and within seven (7) days from the date of lodgement of the Relevant Document, pay all monies you have paid on account of your application for the Placement Shares.

    Where you have notified us within 14 days from the date of lodgement of the Relevant Document of your wish to exercise your option under paragraph 12(a) or (b) above to withdraw your application, we (and on behalf of the Vendor) shall pay to you all monies paid by you on account of your application for the Placement Shares without interest or any share of revenue or other benefit arising therefrom and at your own risk, within seven (7) days from the receipt of such notification, and you will not have any claim against our Company, the Vendor, or the Sponsor, Issue Manager and Placement Agent.

In the event that at the time of the lodgement of the Relevant Document, the Placement Shares have already been issued and/or transferred to you but trading has not commenced, our Company (and on behalf of the Vendor) will (as required by law and subject to the SFA), at our Company's and the Vendor's sole and absolute discretion, either:

(d) within two (2) days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the Relevant Document, give you notice in writing of how to obtain, or arrange to receive, a copy of the same and provide you with an option to return to our Company and/or the Vendor the Placement Shares which you do not wish to retain title in and take all reasonable steps to make available within a reasonable period the Relevant Document to you if you have indicated that you wish to obtain, or have arranged to receive, a copy of the Relevant Document;

(e) within seven (7) days from the date of lodgement of the Relevant Document, give you a copy of the Relevant Document and provide you with an option to return to our Company and/or the Vendor, the Placement Shares which you do not wish to retain title in; or

(f) treat the issue and/or transfer of the Placement Shares as void, in which case the issue and/or transfer shall be deemed void and pay all monies you have paid in respect of any application for the Placement Shares within seven (7) days from the date of lodgement of the Relevant Document.

If you wish to exercise your option under paragraph 12(d) or (e) above to return the Placement Shares issued and/or transferred to you, you shall, within 14 days from the date of lodgement of the Relevant Document, notify our Company of this and return all documents, if any, purporting to be evidence of title of those Placement Shares, to us, whereupon we (and on behalf of the Vendor) shall, within seven (7) days from the receipt of such notification and documents, if any, pay to you all monies paid by you for the Placement Shares without interest or any share of revenue or other benefit arising therefrom and at your own risk, and the Placement Shares issued and/or transferred to you shall be void. You shall not have any claim whatsoever against our Company, the Vendor, or the Sponsor, Issue Manager and Placement Agent.

Additional terms and instructions applicable upon the lodgement of the Relevant Document, including instructions on how you can exercise the option to withdraw your application or return the Placement Shares allotted and/or allocated to you, may be found in such Relevant Document.

13. You irrevocably authorise CDP to disclose the outcome of your application, including the number of Placement Shares allotted and/or allocated to you pursuant to your application, to our Company, the Vendor, the Sponsor, Issue Manager and Placement Agent and any other parties so authorised by the foregoing person.

14. Any reference to "you" or the "applicant" in this section shall include an individual, a corporation, an approved nominee company and trustee applying for the Placement Shares by way of a Placement Shares Application Form applying for the Placement Shares through

the Placement Agent by way of a **BLUE** or such other forms of application as the Sponsor, Issue Manager and Placement Agent may, in consultation with our Company and the Vendor, deem appropriate.

15. By completing and delivering an Application Form in accordance with the provisions of this Offer Document, you:

(a) irrevocably offer, agree and undertake to subscribe for and/or purchase the number of Placement Shares specified in your application (or such smaller number for which the application is accepted) at the Placement Price for each Placement Share and agree that you will accept such Placement Shares as may be allotted and/or allocated to you, in each case on the terms of, and subject to the conditions set out in this Offer Document and the Constitution of our Company;

(b) agree that the aggregate Placement Price for the Placement Shares applied for is due and payable to our Company and the Vendor upon application;

(c) warrant the truth and accuracy of the information contained, and representations and declarations made, in your application, and acknowledge and agree that such information, representations and declarations will be relied on by our Company and the Vendor in determining whether to accept your application and/or whether to allot and/or allocate any Placement Shares to you;

(d) (i) consent to the collection, use, processing and disclosure of your name, NRIC/passport number or company registration number, address, nationality, permanent resident status, CDP Securities Account number, share application amount and details, the outcome of your application (including the number of Placement Shares allotted and/or allocated to you pursuant to your application) and other personal data (the "**Personal Data**") by the Share Registrar and Share Transfer Agent, CDP, SCCS, the SGX-ST, our Company, the Vendor, the Sponsor, Issue Manager and Placement Agent and/or other authorised operators (the "**Relevant Parties**") for the purpose of facilitating and processing your application for the Placement Shares, and in order for the Relevant Parties to comply with any applicable laws, listing rules and/or guidelines (collectively, the "**Purposes**") and warrant that such Personal Data is true, accurate and correct; (ii) consent that the Relevant Parties may disclose or share the Personal Data with third parties who provide necessary services to the Relevant Parties, such as service providers working for them and providing services such as hosting and maintenance services, delivery services, handling of payment transactions, and consultants and professional advisers; (iii) consent that the Relevant Parties may transfer Personal Data to any location outside of Singapore in order for them to provide the requisite support and services in connection with the Placement Shares; (iv) warrant that where you, as an approved nominee company, disclose the Personal Data of the beneficial owner(s) to the Relevant Parties for the Purposes, you have obtained the consent of the beneficial owner(s) to paragraphs 15 (d)(i), (d)(ii) and (d)(iii) and that any disclosure of the Personal Data to the Relevant Parties is in compliance with all applicable laws; (v) agree that the Relevant Parties may do anything or disclose any Personal Data or matters without notice to you if our Company, the Vendor or the Sponsor, Issue Manager and Placement Agent considers them to be required or desirable in respect of any applicable policy, law, regulation, government entity, regulatory authority or similar body; and (vi) agree that you will indemnify the Relevant Parties in respect of any penalties, liabilities, claims, demands, losses and damages as a result of your breach of warranties. You also agree that the Relevant Parties shall be entitled to enforce this indemnity (collectively, the "**Personal Data Privacy Terms**"); and

(e) agree and warrant that, if the laws of any jurisdictions outside Singapore are applicable to your application, you have complied with all such laws and neither our Company, the Vendor nor the Sponsor, Issue Manager and Placement Agent will infringe any such laws as a result of the acceptance of your application.

16. Our acceptance of applications will be conditional upon, *inter alia*, our Company, the Vendor, the Sponsor, Issue Manager and Placement Agent being satisfied that:

(a) permission has been granted by the SGX-ST to deal in and for quotation for all our existing Shares (including the Vendor Shares), the New Shares, the Consultant Shares, the Introducer Shares and the Award Shares on Catalist;

(b) the Sponsorship and Management Agreement and the Placement Agreement referred to in the section entitled "Sponsorship, Management and Placement Arrangements" of this Offer Document have become unconditional and have not been terminated or cancelled prior to such date as our Company may determine; and

(c) the Authority, the SGX-ST or other competent authority has not issued a Stop Order.

17. In the event that a Stop Order in respect of the Placement Shares is served by the Authority, the SGX-ST or other competent authority, and applications to subscribe for and/or purchase the Placement Shares have been made prior to the Stop Order, then:

(a) in the case where the Placement Shares have not been issued and/or transferred to you, we will deem all applications withdrawn and cancelled and our Company (and on behalf of the Vendor) shall pay all monies paid by you on account of your application for the Placement Shares to you within 14 days from the date of the Stop Order; or

(b) in the case where the Placement Shares have already been issued and/or transferred to you, the issue and/or transfer of the Placement Shares shall be deemed to be void and our Company (and on behalf of the Vendor) shall:

(i) if documents purposing to evidence title to the Placement Shares have been issued to you, within seven (7) days from the date of the Stop Order, inform you to return such documents to us within 14 days from that date; and within seven (7) days from the date of the receipt of those documents or the date of the Stop Order, whichever is later, pay you all monies paid by you for the Placement Shares; or

(ii) if no such documents have been issued to you, within seven (7) days from the date of the Stop Order, pay to you all monies paid by you for the Placement Shares.

Where monies are to be returned in respect of any application for the Placement Shares, they are to be returned to you at your own risk, without interest or any share of revenue or benefit arising therefrom, and you shall not have any claim against our Company, the Vendor, or the Sponsor, Issue Manager and Placement Agent.

This shall not apply where only an interim Stop Order has been served.

18. In the event that an interim Stop Order in respect of the Placement Shares is served by the Authority, the SGX-ST or other competent authority, no Placement Shares shall be issued and/or transferred to you during the time when the interim Stop Order is in force.

19. The Authority, the SGX-ST or other competent authority may not serve a Stop Order in respect of the Placement Shares if the Placement Shares have been issued and/or transferred and listed on the SGX-ST and trading in the Placement Shares has commenced.

20. In the event of any changes in the closure of the Application List or the time period during which the Placement is open, we will publicly announce the same through an announcement on the SGX-ST's website at http://www.sgx.com and through an advertisement in a local English newspaper.

21. We will not hold any application in reserve.

22. Our Company and the Vendor will not allot and/or allocate Shares on the basis of this Offer Document later than six (6) months after the date of registration of this Offer Document by the SGX-ST, acting as agent on behalf of the Authority.

23. Additional terms and conditions for applications by way of Application Forms are set out in "Additional Terms and Conditions for Applications using Application Forms" below.

24. All payments in respect of any application for the Placement Shares, and all refunds where (a) an application is rejected or accepted in part only, or (b) the Placement does not proceed for any reason, shall be made in Singapore dollars.

ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING APPLICATION FORMS

Applications by way of an Application Form shall be made on, and subject to, the terms and conditions of this Offer Document including but not limited to the terms and conditions appearing below as well as those set out in this Appendix J, as well as the Constitution of our Company.

1. Your application for the Placement Shares must be made using the **BLUE** Placement Shares Application Forms for Placement Shares, accompanying and forming part of this Offer Document or such other forms of application as the Sponsor, the Vendor, Issue Manager and Placement Agent deem appropriate without prejudice to the rights of our Company.

   We draw your attention to the detailed instructions contained in the Application Forms and this Offer Document for the completion of the Application Forms which must be carefully followed. **Our Company and the Vendor, in consultation with the Sponsor, Issue Manager and Placement Agent, reserve the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and this Offer Document or to the terms and conditions of this Offer Document or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances or improper form of remittance or which are not honoured upon their first presentation.**

2. Your Application Forms must be completed in English. Please type or write clearly in ink using **BLOCK LETTERS**.

3. All spaces in the Application Forms except those under the heading "**FOR OFFICIAL USE ONLY**" must be completed and the words "**NOT APPLICABLE**" or "**N.A.**" should be written in any space that is not applicable.

4. Individuals, corporations, approved nominee companies and trustees must give their names in full. If you are an individual, you must make your application using your full name as it appears in your identity card (if you have such an identification document) or in your passports and, in the case of a corporation, in your full name as registered with a competent authority. If you are a non-individual, you must complete the Application Form under the hand of an official who must state the name and capacity in which he signs the Application Form. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Constitution or equivalent constitutive documents. If you are a corporate applicant and your application is successful, a copy of your Constitution or equivalent constitutive documents must be lodged with our Company's Share Registrar and Share Transfer Agent. Our Company and the Vendor reserve the right to require you to produce documentary proof of identification for verification purposes.

5. (a) You must complete Sections A and B and sign on page 1 of the Application Form.

   (b) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Form. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Form with particulars of the beneficial owner(s).

   (c) If you fail to make the required declaration in paragraph 7(a) or 7(b), as the case may be, on page 1 of the Application Form, your application is liable to be rejected.

6. You (whether you are an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted) will be required to declare whether you are a citizen or permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore have an interest in the aggregate of more than 50.0% of the issued share capital of or interests in such corporations.

   If you are an approved nominee company, you are required to declare whether the beneficial owner of the Placement Shares is a citizen or permanent resident of Singapore or a corporation, whether incorporated or unincorporated and wherever incorporated or constituted, in which citizens or permanent residents of Singapore or any body corporate whether incorporated or unincorporated and wherever incorporated or constituted under any statute of Singapore have an interest in the aggregate of more than 50.0% of the issued share capital of or interests in such corporation.

7. Your application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of Placement Shares applied for, in the form of a **BANKER'S DRAFT** or **CASHIER'S ORDER** drawn on a bank in Singapore, made out in favour of "**LY CORPORATION SHARE ISSUE ACCOUNT**" crossed "**A/C PAYEE ONLY**", and with your name, address and CDP Securities Account number written clearly on the reverse side. **Applications not accompanied by any payment or accompanied by any other form of payment will not be accepted**. No combined Banker's Draft or Cashier's Order for different CDP Securities Accounts shall be accepted. We will reject remittances bearing

"**NOT TRANSFERABLE**" or "**NON TRANSFERABLE**" crossings. No acknowledgement of receipt will be issued by our Company, the Vendor, or the Sponsor, Issue Manager and Placement Agent for applications and application monies received.

8. Monies paid in respect of unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post within 24 hours of balloting of applications at your own risk. Where your application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days after the close of the Application List, provided that the remittance accompanying such application which has been presented for payment or other processes has been honoured and application monies have been received in the designated share issue account. In the event that the Placement does not proceed for any reason, the full amount of the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within five (5) Market Days of the termination of the Placement. In the event that the Placement is cancelled by us following the issuance of a Stop Order by the Authority or the SGX-ST, or other competent authority, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days from the date of the Stop Order.

9. Capitalised terms used in the Application Forms and defined in this Offer Document shall bear the meanings assigned to them in this Offer Document.

10. You irrevocably agree and acknowledge that your application is subject to risks of fires, acts of God and other events beyond the control of our Company, our Directors, the Vendor, the Sponsor, Issue Manager and Placement Agent and/or any other party involved in the Placement, and if, in any such event, our Company, the Vendor and/or the Sponsor, Issue Manager and Placement Agent do not receive your Application Form, you shall have no claim whatsoever against our Company, our Directors, the Vendor, the Sponsor, Issue Manager and Placement Agent and/or any other party involved in the Placement for the Placement Shares applied for or for any compensation, loss or damage.

11. By completing and delivering the Application Form, you agree that:

    (a) in consideration of our Company (and on behalf of the Vendor) having distributed the Application Form to you and agreeing to close the Application List at **12.00 noon on 29 January 2018** or such other time or date as our Company and the Vendor may, in consultation with the Sponsor, Issue Manager and Placement Agent in their absolute discretion decide, subject to any limitation under all applicable laws and regulations and the rules of the SGX-ST and by completing and delivering the Application Form:

        (i) your application is irrevocable; and

        (ii) your remittance will be honoured on first presentation and that any monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;

(b) neither our Company, the Vendor, the Sponsor, Issue Manager and Placement Agent nor any other party involved in the Placement shall be liable for any delays, failures or inaccuracies in the recording or storage or in the transmission or delivery of data relating to your application to us or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 10 above or to any cause beyond their respective controls;

(c) all applications, acceptances and contracts resulting therefrom under the Placement shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;

(d) in respect of the Placement Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of our Company;

(e) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application;

(f) in making your application, reliance is placed solely on the information contained in this Offer Document and that none of our Company, the Vendor, the Sponsor, Issue Manager and Placement Agent or any other person involved in the Placement shall have any liability for any information not so contained;

(g) you accept and agree to the Personal Data Privacy Terms set out in this Offer Document;

(h) you consent to the collection, use and disclosure of your name, NRIC/passport number or company registration number, address, nationality, permanent resident status, CDP Securities Account number, and share application amount to our Share Registrar, CDP, SCCS, SGX-ST, our Company, the Vendor, the Sponsor, Issue Manager and Placement Agent or other authorised operators; and

(i) you irrevocably agree and undertake to subscribe for and/or purchase the number of Placement Shares applied for as stated in the Application Form or any smaller number of such Placement Shares that may be allotted and/or allocated to you in respect of your application. In the event that our Company and the Vendor decide to allot and/or allocate a smaller number of Placement Shares or not to allot and/or allocate any Placement Shares to you, you agree to accept such decision as final.

Applications for Placement Shares

1. Your application for Placement Shares **MUST** be made using the **BLUE** Placement Shares Application Forms. **ONLY ONE APPLICATION** should be enclosed in each envelope.

2. The completed and signed **BLUE** Placement Shares Application Form and the correct remittance in full in respect of the number of Placement Shares applied for (in accordance with the terms and conditions of this Offer Document) with your name, address and CDP Securities Account number written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. You must affix adequate Singapore postage on the envelope (if despatching by ordinary post) and thereafter the sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND** at your own risk to **LY Corporation Limited c/o Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.) at 80 Robinson Road #02-00 Singapore 068898**, to arrive by **12.00 noon on 29 January 2018 or such other date and time as our Company and the Vendor may, in consultation with the Sponsor, Issue Manager and Placement Agent, in their absolute discretion decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.

3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittance or which are not honoured upon their first presentation are liable to be rejected.

LY CORPORATION LIMITED

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

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