

CORPORATE GOVERNANCE REPORT

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

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

This report outlines the Company’s corporate governance practices for financial year ended 31 December 2019 (“FY2019”) with specific reference to principles of the Code of Corporate Governance 2018 (the “Code”). The Company is also guided by the voluntary Practice Guidance which was issued to complement the Code and which sets out best practice standards for companies.

Principle	Code Description	Company’s compliance or explanation																												
BOARD MATTERS																														
The Board’s Conduct of Affairs																														
1	The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.	<p>The Board oversees the effectiveness and efficiency of Management to ensure the corporate governance of the Group is committed. The Board acts in good faith and exercise independent judgement in the best interests of shareholders. A code of conduct and ethics has also been put in place by the Board to ensure proper accountability within the Company. Directors facing conflict of interest has recused himself from discussions and decisions involving the issues of conflict.</p> <p>As at the date of this Annual Report, the Board has six Directors comprises the following:</p> <table border="1"> <thead> <tr> <th>Name of Directors</th> <th>Designation</th> <th>Date appointed</th> <th>Date last re-elected</th> </tr> </thead> <tbody> <tr> <td>Mr Tan Kwee Chai</td> <td>Executive Chairman</td> <td>20 December 2017</td> <td>25 April 2019</td> </tr> <tr> <td>Mr Tan Yong Chuan</td> <td>Executive Director and Chief Executive Officer (“CEO”)</td> <td>24 October 2016</td> <td>23 April 2018</td> </tr> <tr> <td>Ms Tan Ai Luang</td> <td>Executive Director</td> <td>20 December 2017</td> <td>23 April 2018</td> </tr> <tr> <td>Mr Lee Dah Khang</td> <td>Lead Independent Director</td> <td>20 December 2017</td> <td>23 April 2018</td> </tr> <tr> <td>Mr Oh Seong Lye</td> <td>Independent Director</td> <td>20 December 2017</td> <td>25 April 2019</td> </tr> <tr> <td>Mr Yeo Kian Wee Andy</td> <td>Independent Director</td> <td>20 December 2017</td> <td>23 April 2018</td> </tr> </tbody> </table> <p>The Board’s principal functions include, inter alia, the following:</p> <ul style="list-style-type: none"> • providing entrepreneurial leadership, setting strategic objectives; • reviewing and monitoring Management’s performance toward achieving organisational goals, establishing a framework of prudent and effective controls which enables risk to be assessed and managed; • identifying key stakeholder groups and recognise their perceptions affecting the Company’s reputation; • overseeing succession planning for management, setting corporate values and standards for the Group to ensure that the obligations to shareholders and other stakeholders are understood and met, considering sustainability issues including environmental and social factors in the Group’s strategic formulation; • reviewing financial plans for investments/divestments; and • ensuring the communication with shareholders are timely, accurate and adequate. 	Name of Directors	Designation	Date appointed	Date last re-elected	Mr Tan Kwee Chai	Executive Chairman	20 December 2017	25 April 2019	Mr Tan Yong Chuan	Executive Director and Chief Executive Officer (“CEO”)	24 October 2016	23 April 2018	Ms Tan Ai Luang	Executive Director	20 December 2017	23 April 2018	Mr Lee Dah Khang	Lead Independent Director	20 December 2017	23 April 2018	Mr Oh Seong Lye	Independent Director	20 December 2017	25 April 2019	Mr Yeo Kian Wee Andy	Independent Director	20 December 2017	23 April 2018
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		<p>All Directors exercise due diligence and independent judgment in dealing with the business affairs of the Group and are obliged to act in good faith and to take objective decisions in the interest of the Group.</p> <p>The Board has delegated certain functions to the various committees, namely the Audit Committee (“AC”), Nominating Committee (“NC”) and the Remuneration Committee (“RC”) (collectively, the “Board Committees”). The AC of the Company has been re-named to Audit and Risk Committee (“ARC”) with effect from the quarter ended 31 March 2019 in view of the risk management responsibility has already been assumed by the AC. Each of the Board Committee has its own written terms of reference and whose actions are reported to and monitored by the Board. The duties, authorities and responsibilities of each Board Committee are set out in their respective terms of reference. The Board accepts that while these Board Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board. A summary of each committee's activities, are disclosed in this annual report.</p> <p>As at the date of this Annual Report, the respective compositions of the Board Committees are as follows:</p> <table border="1" data-bbox="608 1160 1426 1352"> <thead> <tr> <th></th> <th>ARC</th> <th>NC</th> <th>RC</th> </tr> </thead> <tbody> <tr> <td>Chairman</td> <td>Oh Seong Lye</td> <td>Lee Dah Khang</td> <td>Yeo Kian Wee Andy</td> </tr> <tr> <td>Member</td> <td>Lee Dah Khang</td> <td>Oh Seong Lye</td> <td>Oh Seong Lye</td> </tr> <tr> <td>Member</td> <td>Yeo Kian Wee Andy</td> <td>Tan Yong Chuan</td> <td>Lee Dah Khang</td> </tr> </tbody> </table> <p>The dates of Board and Board Committee meetings will be scheduled in advance. To assist directors in planning their attendance, the Company Secretary will first consult every director before fixing the dates of these meetings. The Board will meet at least four times a year and as warranted by particular circumstances. Ad-hoc meetings will also be convened to deliberate on urgent substantive matters. The Company's constitution (“Constitution”) provides for the Board to convene meetings via telephone conferencing and electronic means in the event when Directors were unable to attend meetings in person. To enable members of the Board and its Board Committees to prepare for the meetings, agendas were circulated at least a week in advance and most materials dispatched a few days before the meetings. During FY2019, the Board conducted four meetings with full attendance.</p>		ARC	NC	RC	Chairman	Oh Seong Lye	Lee Dah Khang	Yeo Kian Wee Andy	Member	Lee Dah Khang	Oh Seong Lye	Oh Seong Lye	Member	Yeo Kian Wee Andy	Tan Yong Chuan	Lee Dah Khang
	ARC	NC	RC															
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		<p>The details of the number of meetings held for the Board and Board Committees during FY2019 and the attendance of each Director at those meetings are disclosed below:</p> <table border="1" data-bbox="608 629 1428 1003"> <thead> <tr> <th rowspan="3">Name of Directors</th> <th colspan="2">Board of Directors</th> <th colspan="2">Audit and Risk Committee</th> <th colspan="2">Nominating Committee</th> <th colspan="2">Remuneration Committee</th> </tr> <tr> <th colspan="2">No. of meeting</th> <th colspan="2">No. of meeting</th> <th colspan="2">No. of meeting</th> <th colspan="2">No. of meeting</th> </tr> <tr> <th>Held</th> <th>Attended</th> <th>Held</th> <th>Attended</th> <th>Held</th> <th>Attended</th> <th>Held</th> <th>Attended</th> </tr> </thead> <tbody> <tr> <td>Tan Kwee Chai</td> <td>4</td> <td>4</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Tan Yong Chuan</td> <td>4</td> <td>4</td> <td>-</td> <td>-</td> <td>1</td> <td>1</td> <td>-</td> <td>-</td> </tr> <tr> <td>Tan Ai Luang</td> <td>4</td> <td>4</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Lee Dah Khang</td> <td>4</td> <td>4</td> <td>4</td> <td>4</td> <td>1</td> <td>1</td> <td>1</td> <td>1</td> </tr> <tr> <td>Oh Seong Lye</td> <td>4</td> <td>4</td> <td>4</td> <td>4</td> <td>1</td> <td>1</td> <td>1</td> <td>1</td> </tr> <tr> <td>Yeo Kian Wee Andy</td> <td>4</td> <td>4</td> <td>4</td> <td>4</td> <td>-</td> <td>-</td> <td>1</td> <td>1</td> </tr> </tbody> </table> <p>The matters which specifically require the Board's approval or guidance are those involving:</p> <ul style="list-style-type: none"> • strategies and objectives of the Group; • material acquisition and disposal of assets/investments; • corporate/financial restructuring and corporate exercises; • budgets/forecasts and business plan; • financial results announcements, annual report and audited financial statements; • policies & procedures, delegation of authority matrix, code of conduct & business ethics; and • material financial/funding arrangements and capital expenditures. <p>All newly appointed Directors will undergo an orientation programme where the Directors would be briefed on the Group's strategic direction, governance practices, business and organisation structure as well as the expected duties of a director of a listed company. To obtain a better understanding of the Group's business, the Directors will also be given the opportunity to visit the Group's operational sites and meet with key management personnel. A new Director who has no prior experience as a director of an issuer listed on the SGX-ST must also undergo mandatory training in his roles and responsibilities as prescribed by the SGX-ST.</p> <p>Directors are provided with opportunities to develop and maintain their skills and knowledge at the company's expense. During the year, the external auditors, Ernst & Young LLP ("External Auditors"), had also briefed the ARC on changes or amendments to accounting standards. The Company has also arranged and funded certain relevant training courses for Directors to keep them up-to-date.</p> <p>Formal letters of appointment will be furnished to newly-appointed Directors, upon their appointments, stating among other matters, the roles, obligations, duties and responsibilities as a member of the Board.</p>	Name of Directors	Board of Directors		Audit and Risk Committee		Nominating Committee		Remuneration Committee		No. of meeting		Held	Attended	Held	Attended	Held	Attended	Held	Attended	Tan Kwee Chai	4	4	-	-	-	-	-	-	Tan Yong Chuan	4	4	-	-	1	1	-	-	Tan Ai Luang	4	4	-	-	-	-	-	-	Lee Dah Khang	4	4	4	4	1	1	1	1	Oh Seong Lye	4	4	4	4	1	1	1	1	Yeo Kian Wee Andy	4	4	4	4	-	-	1	1						
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		<p>Management recognises the importance of ensuring the flow of complete, adequate and timely information to the Directors on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities. To allow Directors sufficient time to prepare for the meetings, all Board and Board Committee papers are distributed to the Directors in advance of the meetings. Any additional material or information requested by the Directors is promptly furnished.</p> <p>Management papers are circulated to the Board every quarter to keep the Board updated on the key matters concerning the Group. Employees who can provide additional insight into matters to be discussed will be present at the relevant time during the Board and Board Committee meetings. In order to keep Directors abreast of the Group's operations, the Directors are also updated on initiatives and developments on the Group's business as soon as practicable and/or possible and on an on-going basis.</p> <p>The types of information provided by the Group to the Independent Directors to enable them to understand its business, the business and financial environment and the risks faced by the Group, together with its frequency, are described as follows:</p> <table border="1" data-bbox="608 1099 1428 1570"> <thead> <tr> <th data-bbox="608 1099 683 1137"></th> <th data-bbox="687 1099 1166 1137">Information</th> <th data-bbox="1171 1099 1428 1137">Frequency</th> </tr> </thead> <tbody> <tr> <td data-bbox="608 1144 683 1205">(a)</td> <td data-bbox="687 1144 1166 1205">Updates to the Group's operations and the markets in which the Group operates in</td> <td data-bbox="1171 1144 1428 1205">Quarterly</td> </tr> <tr> <td data-bbox="608 1211 683 1249">(b)</td> <td data-bbox="687 1211 1166 1249">Quarterly and full year financial results</td> <td data-bbox="1171 1211 1428 1249">Quarterly</td> </tr> <tr> <td data-bbox="608 1256 683 1346">(c)</td> <td data-bbox="687 1256 1166 1346">Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)</td> <td data-bbox="1171 1256 1428 1346">As and when relevant</td> </tr> <tr> <td data-bbox="608 1352 683 1413">(d)</td> <td data-bbox="687 1352 1166 1413">Report on on-going or planned corporate activity</td> <td data-bbox="1171 1352 1428 1413">As and when relevant</td> </tr> <tr> <td data-bbox="608 1420 683 1480">(e)</td> <td data-bbox="687 1420 1166 1480">Enterprise risk management framework, reports and Internal Auditors' report</td> <td data-bbox="1171 1420 1428 1480">As and when available</td> </tr> <tr> <td data-bbox="608 1487 683 1525">(f)</td> <td data-bbox="687 1487 1166 1525">Research report(s)</td> <td data-bbox="1171 1487 1428 1525">As and when requested</td> </tr> <tr> <td data-bbox="608 1532 683 1570">(g)</td> <td data-bbox="687 1532 1166 1570">Shareholding statistics</td> <td data-bbox="1171 1532 1428 1570">As and when requested</td> </tr> </tbody> </table> <p>Key management personnel will also provide any additional material or information that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.</p> <p>All Directors have separate and independent access to the Company Secretary. The Company Secretary, or her representatives, will attend all the Board and Board Committee meetings and is responsible to ensure that the Board procedures are followed. It is the Company Secretary's responsibility to ensure that the Company complies with requirements of all applicable rules and regulations, including requirements of the Securities and Futures Act (Chapter 289) of Singapore, Constitution, Companies Act, Cap. 50 and the Catalist Rules. The Company Secretary is also responsible for ensuring the Board procedures are followed and complied and advises the Board on all governance matters.</p> <p>The appointment and removal of the Company Secretary are subject to the approval of the Board.</p>		Information	Frequency	(a)	Updates to the Group's operations and the markets in which the Group operates in	Quarterly	(b)	Quarterly and full year financial results	Quarterly	(c)	Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)	As and when relevant	(d)	Report on on-going or planned corporate activity	As and when relevant	(e)	Enterprise risk management framework, reports and Internal Auditors' report	As and when available	(f)	Research report(s)	As and when requested	(g)	Shareholding statistics	As and when requested
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Board Composition and Guidance																																					
2	The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.	<p>The Board currently has six (6) Directors comprises three (3) Executive Directors and three (3) Independent Non-Executive Directors. The current members of the Board and their membership on the Board Committees of the Company are as follows:</p> <table border="1"> <thead> <tr> <th>Name of Directors</th> <th>Board Membership</th> <th>ARC</th> <th>NC</th> <th>RC</th> </tr> </thead> <tbody> <tr> <td>Tan Kwee Chai</td> <td>Executive Chairman</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Tan Yong Chuan</td> <td>Executive Director & CEO</td> <td>-</td> <td>Member</td> <td>-</td> </tr> <tr> <td>Tan Ai Luang</td> <td>Executive Director</td> <td>-</td> <td>-</td> <td>-</td> </tr> <tr> <td>Lee Dah Khang</td> <td>Lead Independent Director</td> <td>Member</td> <td>Chairman</td> <td>Member</td> </tr> <tr> <td>Oh Seong Lye</td> <td>Independent Non-Executive Director</td> <td>Chairman</td> <td>Member</td> <td>Member</td> </tr> <tr> <td>Yeo Kian Wee Andy</td> <td>Independent Non-Executive Director</td> <td>Member</td> <td>-</td> <td>Chairman</td> </tr> </tbody> </table> <p>The NC had reviewed and the Independent Directors had also confirmed their independence in accordance with the Code during the NC meeting held on 27 February 2020 and all Independent Directors have provided their independence declaration. All the Independent Directors have no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Company.</p> <p>There are no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.</p> <p>None of the Independent Directors have served on the Board beyond nine years from the date of his appointment.</p> <p>The NC is responsible for examining the size and composition of the Board and Board Committees.</p> <p>The Independent Directors of the Company comprises of Mr Lee Dah Khang, Mr Oh Seong Lye and Mr Yeo Kian Wee Andy, which make up half of the Board, thus providing a pivotal role in ensuring that there is balance of power and authority. Each of the Independent Directors is considered independent of management and free of any relationship that could materially interfere with the exercise of their independent judgement. The current Independent Directors bring a wide range of business and financial experience, skills and knowledge necessary for the effective stewardship of the Group.</p>	Name of Directors	Board Membership	ARC	NC	RC	Tan Kwee Chai	Executive Chairman	-	-	-	Tan Yong Chuan	Executive Director & CEO	-	Member	-	Tan Ai Luang	Executive Director	-	-	-	Lee Dah Khang	Lead Independent Director	Member	Chairman	Member	Oh Seong Lye	Independent Non-Executive Director	Chairman	Member	Member	Yeo Kian Wee Andy	Independent Non-Executive Director	Member	-	Chairman
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		<p>As the Executive Chairman is part of the management team, the Board has reviewed the percentage of Independent Directors on the Board, the Board believes that the Executive Chairman has always acted and will continue to act at all times in the best interest of shareholders as a whole and will strive to protect and enhance the long-term shareholder values and the financial performance of the Group. As such, notwithstanding that the Provisions 2.2 and 2.3 of the Code are not met, the Board is of the view that it has an appropriate level of independence and diversity to enable it to make decisions in the best interests of the Group. The Board will continue to assess and evaluate the need to appoint additional non-executive independent director to meet the said provisions of the Code.</p> <p>To assist the NC in its annual review of the Directors' mix of skills and experiences that the Board requires to function competently and efficiently, the Directors have completed their Board of Directors Competency Matrix Form and provide additional information (if any) in their respective areas of specialisation and expertise.</p> <p>The NC, having conducted its reviews, was satisfied that members of the Board possess the relevant core competencies in areas such as accounting and finance, legal environment, business and management experience, and strategic planning. In particular, the Executive Directors possess good industry knowledge while the Independent Directors, who are mostly professionals in their own fields, are able to take a broader view of the Group's activities, contribute their valuable experiences and provide independent judgment during Board deliberations.</p> <p>The current Board composition provides a diversity of skills, experience and knowledge to the Company as follows:</p> <table border="1" data-bbox="608 1328 1428 1675"> <thead> <tr> <th>Core Competencies</th> <th>Number of Directors</th> <th>Proportion of Board (%)</th> </tr> </thead> <tbody> <tr> <td>Accounting or finance</td> <td>4</td> <td>66.7</td> </tr> <tr> <td>Business Management</td> <td>6</td> <td>100.0</td> </tr> <tr> <td>Legal or corporate experience</td> <td>3</td> <td>50.0</td> </tr> <tr> <td>Relevant industry knowledge or experience</td> <td>5</td> <td>83.3</td> </tr> <tr> <td>Strategic planning experience</td> <td>6</td> <td>100.0</td> </tr> <tr> <td>Customer based experience or knowledge</td> <td>3</td> <td>50.0</td> </tr> </tbody> </table> <p>The Board has taken the following steps to maintain or enhance its balance and diversity:</p> <ul style="list-style-type: none"> • Review by the NC at least once a year to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and • Evaluation by the Directors at least once a year of the skill sets the other Directors possess, with a view to understanding the range of expertise which is lacking by the Board. 	Core Competencies	Number of Directors	Proportion of Board (%)	Accounting or finance	4	66.7	Business Management	6	100.0	Legal or corporate experience	3	50.0	Relevant industry knowledge or experience	5	83.3	Strategic planning experience	6	100.0	Customer based experience or knowledge	3	50.0
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		<p>The NC will consider the results of these exercises in its recommendation for the appointment of new Directors and/or the re-appointment of incumbent Directors.</p> <p>The Board, particularly the independent directors, which are Non-Executive Directors, must be kept well informed of the Group's business and be knowledgeable about the industry the Group operates in. To ensure that the independent directors are well supported by accurate, complete and timely information, they have unrestricted access to Management, and have sufficient time and resources to discharge their oversight functions effectively.</p> <p>This enables the Non-Executive Directors to constructively challenge and help develop proposals on strategy and also review the performance of Management in meeting agreed goals and objectives, and extend guidance to Management. The Non-Executive Directors' objective judgement on corporate affairs and collective experience and knowledge are invaluable to the Group and allows for the useful exchange of ideas and views.</p> <p>The Independent Directors do discuss and/or meet on a need-basis without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of the Executive Directors.</p> <p>The Independent Directors had met and discussed with the external and internal auditors without the presence of key management personnel in FY2019.</p>
Chairman and Chief Executive Officer		
3	There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.	<p>The Company has a clear division of responsibilities at each level of the Company, with the Executive Chairman and the CEO having separate roles to ensure an appropriate balance of power, increased accountability and a greater capacity of the Board for independent decision-making.</p> <p>The division of responsibilities between the Chairman and the CEO is also clearly established in the Constitution of the Company. The Chairman manages the business of the Board whilst the CEO and his management team translate the Board's decisions into executive action. The CEO has executive responsibilities for the Group's businesses and is accountable to the Board.</p> <p>The Chairman, Mr Tan Kwee Chai is the father of the CEO, Mr Tan Yong Chuan.</p> <p>The CEO takes a leading role in developing the businesses of the Group and manages the day-to-day operations with the assistance of key management personnel. He also oversees the execution of the business and corporate strategy decisions made by the Board.</p> <p>The Chairman is responsible for the management of the Board. He leads the Board, encourages Board's interaction with Management, facilitates effective contribution of Independent Directors, encourages constructive relations among the Directors, and promotes corporate governance.</p>

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		<p>Notwithstanding that the Chairman and CEO are immediate family members, the Board is satisfied that there is sufficient transparency and accountability in view of the distinction of responsibilities and the strong independent element on the Board.</p> <p>As Mr Tan Kwee Chai is the Executive Chairman, Mr Lee Dah Khang is appointed as the Lead Independent Director, complying with Provision 3.3 of the Code, who is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate. Led by the Lead Independent Director, the Independent Directors will meet in the absence of the other Directors as and when circumstances warrant.</p>
Board Membership		
4	The Board has a formal and transparent process for the appointment and reappointment of directors, taking into account the need for progressive renewal of the Board.	<p>The NC comprises Mr Lee Dah Khang, Mr Oh Seong Lye and Mr Tan Yong Chuan. The Chairman of the NC is Mr Lee Dah Khang.</p> <p>The NC, which meets at least once a year, carries out its duties in accordance with a set of written Terms of Reference which includes, mainly, the following:</p> <ul style="list-style-type: none"> (a) reviewing and recommending the nomination or re-nomination of the Directors having regard to the Director's contribution and performance; (b) determining on an annual basis, and as and when circumstances require, whether or not a Director is independent; (c) deciding whether or not a Director is able to, and has been, adequately carrying out his duties as a director; (d) reviewing and approving any new employment of related persons and the proposed terms of their employment; (e) developing a process for the evaluation of the performance of the Board, its committees and the Directors and proposing objective performance criteria, as approved by the Board that allows comparison with its industry peers, and addressing how the Board has enhanced long-term shareholders' value; (f) reviewing succession plans for Directors and key executives; and (g) reviewing training and professional development programmes for the Board. <p>During FY2019, the NC held one scheduled meeting with full attendance.</p>

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Principle	Code Description	Company's compliance or explanation
		<p>The key responsibilities of the NC include making recommendations to the Board on relevant matters such as the process for evaluating the performance of the Board and each Director as well as succession planning which form a critical part of corporate governance process for CEO and board members. It seeks to refresh the board membership as it thinks fit in an orderly and progressive manner so as to keep institutional memory intact. It also ensures compliance with the requirements of the Company's Constitution which provides that at each Annual General Meeting ("AGM"), one-third of the Board is required to retire and provided always that every director shall retire from office at least once every 3 years. In addition, the Directors, by the recommendation of NC, shall have the power to appoint any person to be the Director either to fill a casual vacancy or as an additional Director. All new Directors who are appointed by the Board are subject to re-election at the next AGM but shall not be taken into account in determining the numbers of Directors who are retire by rotation at such meeting. In this respect, the NC has recommended and the Board has agreed for the following Directors to retire and seek re-election at the forthcoming AGM:</p> <p><u>Pursuant to Regulation 98 of the Constitution of the Company:</u></p> <p>(a) Ms Tan Ai Luang (b) Mr Lee Dah Khang</p> <p>In making the recommendations, the NC considers the overall contribution and performance of the Directors. The NC member had abstained from deliberation in respect of his own nomination and assessment.</p> <p>The NC reviewed the independence of the Directors pursuant to Rule 406(3)(d) of the Catalist Rules and Provision 2.1 of the Code. The NC has affirmed that Mr Lee Dah Khang, Mr Oh Seong Lye and Mr Yeo Kian Wee Andy are independent and free from any relationship outlined in the Code. Each of the Independent Directors has also confirmed his independence.</p> <p>The NC has reviewed and made recommendation to the Board accordingly on the maximum number of listed company board appointments which any Director may hold. Based on the recommendation, the Board has determined and set the maximum number of listed company board appointments at not more than four (4) other listed companies. Currently, none of the Directors hold more than four (4) directorships in other listed companies. No person would be appointed as an Independent Director if he/she, prior to such appointment, is already holding more than 5 directorship appointments in any publicly listed company on the SGX-ST or any other international stock exchanges; and for person with full-time employment (with existing employment contract), he/she should obtain consensus from his/her employer(s) before accepting the appointment as Director and he/she should not hold more than 2 other independent directorships in any publicly listed company on the SGX-ST or international stock exchanges prior to his/her appointment.</p>

/ CORPORATE
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Principle	Code Description	Company's compliance or explanation												
		<p>The considerations in assessing the capacity of Directors include the following:</p> <ul style="list-style-type: none"> • Expected and/or competing time commitments of Directors, including whether such commitment is a full-time or part-time employment capacity; • Geographical location of Directors; • Size and composition of the Board; • Nature and scope of the Group's operations and size; and • Capacity, complexity and expectations of the other listed directorships and principle commitments held. <p>The NC, having reviewed each Directors' other directorships and principal commitments as well as each Director's overall performance and contributions to the Board, is satisfied that all Directors have discharged their duties adequately for FY2019.</p> <p>The Company currently does not have any alternate director.</p> <p>The following table sets out the process for the selection and appointment of new directors:</p> <table border="1" data-bbox="608 1093 1426 2092"> <tbody> <tr> <td data-bbox="608 1093 699 1283">1.</td> <td data-bbox="699 1093 927 1283">Determination of selection criteria</td> <td data-bbox="927 1093 1426 1283">The NC, in consultation with the Board would identify the current needs of the Board in terms of expertise and skills that are required in the context of the strengths and weaknesses of the existing Board to complement and strengthen the Board.</td> </tr> <tr> <td data-bbox="608 1283 699 1563">2.</td> <td data-bbox="699 1283 927 1563">Search for suitable candidates</td> <td data-bbox="927 1283 1426 1563">The NC will consider various channels in sourcing of suitable candidate(s) either through: <ul style="list-style-type: none"> (a) internal promotion by way of nominating the successor via the succession plan of the Company or recommendations from Directors/substantial shareholders; or (b) external sources through reputable human resource consultants. </td> </tr> <tr> <td data-bbox="608 1563 699 1989">3.</td> <td data-bbox="699 1563 927 1989">Assessment of shortlisted candidates</td> <td data-bbox="927 1563 1426 1989">Those short-listed candidate(s) will be required to furnish their curriculum vitae stating in detail their qualification, working experience, employment history, and to complete the following prescribed Forms: <ul style="list-style-type: none"> (a) Director's Declaration on Independence; (b) Internal Guidelines for Directors Serving on Multiple Boards; and (c) Board of Directors Competency Matrix. <p>The Board is also advised by the Sponsor on appointment of directors as required under Catalist Rule 226(2)(d).</p> </td> </tr> <tr> <td data-bbox="608 1989 699 2092">4.</td> <td data-bbox="699 1989 927 2092">Appointment of director</td> <td data-bbox="927 1989 1426 2092">The NC would recommend the selected candidate to the Board for consideration and approval.</td> </tr> </tbody> </table>	1.	Determination of selection criteria	The NC, in consultation with the Board would identify the current needs of the Board in terms of expertise and skills that are required in the context of the strengths and weaknesses of the existing Board to complement and strengthen the Board.	2.	Search for suitable candidates	The NC will consider various channels in sourcing of suitable candidate(s) either through: <ul style="list-style-type: none"> (a) internal promotion by way of nominating the successor via the succession plan of the Company or recommendations from Directors/substantial shareholders; or (b) external sources through reputable human resource consultants. 	3.	Assessment of shortlisted candidates	Those short-listed candidate(s) will be required to furnish their curriculum vitae stating in detail their qualification, working experience, employment history, and to complete the following prescribed Forms: <ul style="list-style-type: none"> (a) Director's Declaration on Independence; (b) Internal Guidelines for Directors Serving on Multiple Boards; and (c) Board of Directors Competency Matrix. <p>The Board is also advised by the Sponsor on appointment of directors as required under Catalist Rule 226(2)(d).</p>	4.	Appointment of director	The NC would recommend the selected candidate to the Board for consideration and approval.
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		<p>The following table sets out the process for the re-election of directors:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 5%; text-align: center;">1.</td> <td style="width: 30%;">Assessment of director</td> <td> <p>a) The NC would assess the contributions and performance of the Director in accordance with the performance criteria set by the Board; and</p> <p>b) The NC would also review the range of expertise, skills and attributes of current needs of the Board.</p> </td> </tr> <tr> <td style="text-align: center;">2.</td> <td>Re-appointment of director</td> <td>Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the director to the Board for its consideration and approval.</td> </tr> </table> <p>Each member of the NC will abstain from voting on any resolution and making any resolutions and/or participating in any deliberations of the NC in respect of the assessment of his performance or nomination for re-election as a Director.</p> <p>The key information of the Directors, including their appointment dates and directorships held in the past 3 years, are set out on pages 8 to 10 of this Annual Report.</p> <p>The shareholdings of the Directors in the Company are set out on page 42 of this Annual Report. None of the Directors hold shares in the subsidiaries of the Company.</p>	1.	Assessment of director	<p>a) The NC would assess the contributions and performance of the Director in accordance with the performance criteria set by the Board; and</p> <p>b) The NC would also review the range of expertise, skills and attributes of current needs of the Board.</p>	2.	Re-appointment of director	Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the director to the Board for its consideration and approval.
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Board Performance								
5	The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.	<p>The NC has set the performance criteria to evaluate the effectiveness of the Board as a whole and its Board Committees, and assessed the contributions by each Director to the effectiveness of the Board in FY2019.</p> <p>This assessment will also be conducted by the NC at least once a year by way of a Board Evaluation where the Directors complete a Board Performance Evaluation questionnaire, Self-Assessment Checklist, and Board of Director's Skills Set and Competency Matrix.</p> <p>Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his/her performance or re-nomination as a Director. The Board will act on the results of the performance evaluation, and in consultation with the NC, propose, where appropriate, that new members be appointed to the Board or seek the resignation of Director(s).</p> <p>Objective performance criteria used to assess the performance of the Board include both quantitative and qualitative criteria.</p> <p>The Board and the NC believe that the financial indicators are mainly used to measure the Management's performance and hence are less applicable to the Non-Executive Directors.</p>						

CORPORATE GOVERNANCE REPORT

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		<p>The NC had conducted the Board's performance evaluation as a whole in FY2019. The performance criteria for the Board's evaluation, as determined by the NC, cover the following areas:</p> <ul style="list-style-type: none"> (a) Composition and Size; (b) Conduct of Meeting; (c) Effectiveness and Training Communication with Shareholders; (d) Provision of information to the Board; (e) Standards of Conduct; (f) Financial performance; and (g) Board compensation. <p>The Board did not engage any external consultant in the valuation process. Where relevant and when the need arises, the NC will consider such an engagement.</p> <p>The evaluation of individual Director's performance is performed on an annual basis at the same time as evaluation of the performance of the Board as a whole based on its performance criteria set as above in FY2019.</p> <p>For the year under review, the NC also took note of each individual Director's attendance at meetings of the Board and Board Committees as well as at general meeting(s); participation in discussions at meetings; knowledge of and contacts in the regions where the Group operates; the individual Director's functional expertise and his commitment of time to the Company. The NC was of the view that the Board has met its performance objectives and will continue to improve further to an effective Board.</p>
REMUNERATION MATTERS		
Procedures for Developing Remuneration Policies		
6	<p>The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.</p>	<p>The RC comprises the Independent Directors, Mr Yeo Kian Wee Andy, Mr Lee Dah Khang and Mr Oh Seong Lye. The Chairman of the RC is Mr Yeo Kian Wee Andy.</p> <p>The terms of reference of the RC include, <i>inter alia</i>, the following:</p> <ul style="list-style-type: none"> (a) offer an independent perspective in assisting the Board in the establishment of a formal and transparent procedure for developing policy on remuneration matters for the Directors and key management personnel of the Company; (b) establish appropriate framework of remuneration policies to motivate and retain Directors and executives, and ensure that the Company is able to attract appropriate talent from the market to maximise the value for shareholders; (c) determine specific remuneration packages for the Directors and key management personnel (or executive of equivalent rank) and any relative of a Director and/or substantial shareholder who is employed in a managerial position by the Company; (d) review and administer the award of shares to Directors and employees under the Company's performance share plan (the "LY Performance Share Plan" or the "LYPSP"); (e) review and determine the contents of service contracts for Executive Directors and/or key management personnel; and (f) review the appropriateness and transparency of remuneration matters for disclosure to shareholders.

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		<p>The RC ensures that a formal and transparent procedure is in place for fixing the remuneration packages of individual Directors and key management personnel. The recommendations of the RC are submitted for endorsement by the Board. Such frameworks are reviewed periodically to ensure that they remain competitive and relevant. All aspects of remuneration frameworks, including but not limited to directors' fees, salaries, allowances, bonuses, the awards to be granted under the performance share plan as well as other benefits-in-kind are reviewed by the RC. Each member of the RC abstains from voting on any resolutions in respect of his remuneration package.</p> <p>If necessary, the RC may seek expert advice outside the Company on remuneration of the Directors and key executives. The RC ensures that in the event of such advice being sought, existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.</p> <p>No remuneration consultants were engaged by the Company in FY2019.</p> <p>The RC has access to expert professional advice on human resource matters whenever there is a need to consult externally.</p>
Level and Mix of Remuneration		
7	<p>The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.</p>	<p>In reviewing and determining the remuneration packages of the Executive Directors and the Group's key management personnel, the RC considers the Executive Directors' and key management personnel's responsibilities, skills, expertise and contribution to the Group's performance when designing their respective remuneration packages, as so ensure that the level of remuneration is appropriate to attract, retain and motivate the Executive Directors' and key management personnel to run the Company successfully.</p> <p>The RC administers the Company's LYPSP, which formed part of the offer document dated 18 January 2018 ("Offer Document"). No awards were granted under the LYPSP in FY2019. Further details about the LYPSP are set out in the Company's Offer Document. With the recommendation of RC, the Board has approved the establishment of a new Committee for administering the LY Performance Share Plan ("LYPSP Committee") which consists of all the existing Chairman and members of the RC. In addition, the CEO, Mr Tan Yong Chuan has been appointed as member of the LYPSP Committee for expediency purposes. Accordingly, the LYPSP Committee comprises the following members:</p> <ul style="list-style-type: none"> (a) Mr Oh Seong Lye; (b) Mr Lee Dah Khang; (c) Mr Yeo Kian Wee Andy; and (d) Mr Tan Yong Chuan.

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		<p>The remunerations for the Non-Executive Directors are determined by the Board based on the effort and time spent, and the responsibilities of the Non-Executive Directors. The Directors' fees of the Non- Executive Directors are subject to approval by shareholders at each AGM.</p> <p>Independent Directors do not have Service Agreement with the Company and accordingly do not receive salary. They are paid Directors' fees, which are determined by the Board based on the effort, time spent and responsibilities of the Directors (including but not limited to their appointments to the various Board Committees). The Directors' fees of the Independent Directors are subject to approval by shareholders at each AGM.</p> <p>There are no contractual provisions to allow the Company to reclaim incentive components of the remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.</p>

Disclosure on Remuneration

8	The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.	<p>The Company's remuneration policy is one that seeks to attract, retain and motivate talent to achieve the Company's business vision and create sustainable value for its stakeholders. The policy establishes the link between total compensation and the achievement of organisational and individual performance objectives, and is benchmarked against relevant and comparative compensation in the market.</p> <p>The breakdown for the remuneration of the Directors in FY2019 is as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">Name of Directors</th> <th colspan="6">Breakdown of Remuneration in Percentage (%)</th> <th rowspan="2">Total Remuneration in Compensation Bands of \$250,000</th> </tr> <tr> <th>Fees⁽¹⁾</th> <th>Salary⁽²⁾</th> <th>Allowance</th> <th>Benefits</th> <th>Variable Bonus⁽³⁾</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td colspan="8"><u>Executive Directors</u></td> </tr> <tr> <td>Tan Kwee Chai</td> <td>-</td> <td>79.0</td> <td>0.6</td> <td>2.4</td> <td>18.0</td> <td>100.0</td> <td>\$250,001-\$500,000</td> </tr> <tr> <td>Tan Yong Chuan</td> <td>0.3</td> <td>67.1</td> <td>1.0</td> <td>3.7</td> <td>27.9</td> <td>100.0</td> <td>\$250,001-\$500,000</td> </tr> <tr> <td>Tan Ai Luang</td> <td>-</td> <td>77.6</td> <td>1.5</td> <td>6.5</td> <td>14.4</td> <td>100.0</td> <td><\$250,000</td> </tr> <tr> <td colspan="8"><u>Independent Directors</u></td> </tr> <tr> <td>Lee Dah Khang</td> <td>93.8</td> <td>-</td> <td>6.2</td> <td>-</td> <td>-</td> <td>100.0</td> <td><\$250,000</td> </tr> <tr> <td>Oh Seong Lye</td> <td>93.4</td> <td>-</td> <td>6.6</td> <td>-</td> <td>-</td> <td>100.0</td> <td><\$250,000</td> </tr> <tr> <td>Yeo Kian Wee Andy</td> <td>93.0</td> <td>-</td> <td>7.0</td> <td>-</td> <td>-</td> <td>100.0</td> <td><\$250,000</td> </tr> </tbody> </table> <p>Notes:</p> <p>(1) The Directors' Fees and Allowances for attending meetings to be held for FY2020 will be subject to the approval of the shareholders at the AGM.</p> <p>(2) The salary amount shown is inclusive of equivalent provident fund scheme.</p> <p>(3) The variable bonus amount shown is inclusive of equivalent provident fund scheme.</p>	Name of Directors	Breakdown of Remuneration in Percentage (%)						Total Remuneration in Compensation Bands of \$250,000	Fees ⁽¹⁾	Salary ⁽²⁾	Allowance	Benefits	Variable Bonus ⁽³⁾	Total	<u>Executive Directors</u>								Tan Kwee Chai	-	79.0	0.6	2.4	18.0	100.0	\$250,001-\$500,000	Tan Yong Chuan	0.3	67.1	1.0	3.7	27.9	100.0	\$250,001-\$500,000	Tan Ai Luang	-	77.6	1.5	6.5	14.4	100.0	<\$250,000	<u>Independent Directors</u>								Lee Dah Khang	93.8	-	6.2	-	-	100.0	<\$250,000	Oh Seong Lye	93.4	-	6.6	-	-	100.0	<\$250,000	Yeo Kian Wee Andy	93.0	-	7.0	-	-	100.0	<\$250,000
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		<p>Taking into consideration the highly competitive business environment, the nature of the industry and the confidentiality of the Group's remuneration policies, the Board is of the view that providing full disclosure of the remuneration of each individual director and key management personnel is not in the best interests of the Group and may adversely affect talent attraction and retention.</p> <p>There are no termination, retirement, post-employment benefits that may be granted to the Directors.</p> <p>During FY2019, the Group had six (6) top key management personnel (who are not Directors or the CEO of the Company).</p> <p>The breakdown for the remuneration of the Company's key management personnel (who are not Directors or CEO of the Company) during FY2019 is as follows:</p> <table border="1" data-bbox="608 981 1430 1245"> <thead> <tr> <th rowspan="2">Name</th> <th rowspan="2">Position</th> <th colspan="5">Breakdown of Remuneration in Percentage (%)</th> <th rowspan="2">Total Remuneration in Compensation Bands of \$250,000</th> </tr> <tr> <th>Salary⁽¹⁾</th> <th>Allowance</th> <th>Benefits-in-kind</th> <th>Variable Bonus⁽²⁾</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Tan Kwee Lim</td> <td>Chief Operating Officer</td> <td>70.8</td> <td>-</td> <td>3.1</td> <td>26.1</td> <td>100.0</td> <td><\$250,000</td> </tr> <tr> <td>Boo Ngek Hee</td> <td>Chief Quality Officer</td> <td>76.0</td> <td>-</td> <td>5.2</td> <td>18.8</td> <td>100.0</td> <td><\$250,000</td> </tr> <tr> <td>Teo Gin Lian</td> <td>Chief Financial Officer ("CFO")</td> <td>92.9</td> <td>4.8</td> <td>-</td> <td>2.3</td> <td>100.0</td> <td><\$250,000</td> </tr> </tbody> </table> <p><i>Notes:</i></p> <p>(1) The salary amount shown is inclusive of allowances such as fixed transport allowance and equivalent provident fund scheme.</p> <p>(2) The variable bonus amount shown is inclusive of equivalent provident fund scheme.</p> <p>There are no termination, retirement, post-employment benefits that may be granted to the key management personnel.</p> <p>The aggregate remuneration paid to the above key management personnel (who are not Directors or CEO) in FY2019 was S\$426,232.</p> <p>Tan Kwee Lim and Tan Kwee Chai are brothers and his remuneration for FY2019 is disclosed in the table above.</p> <p>Tan Yong Siang is the son of Tan Kwee Chai and brother of Tan Yong Chuan. His remuneration for FY2019 is disclosed in the table above.</p>	Name	Position	Breakdown of Remuneration in Percentage (%)					Total Remuneration in Compensation Bands of \$250,000	Salary ⁽¹⁾	Allowance	Benefits-in-kind	Variable Bonus ⁽²⁾	Total	Tan Kwee Lim	Chief Operating Officer	70.8	-	3.1	26.1	100.0	<\$250,000	Boo Ngek Hee	Chief Quality Officer	76.0	-	5.2	18.8	100.0	<\$250,000	Teo Gin Lian	Chief Financial Officer ("CFO")	92.9	4.8	-	2.3	100.0	<\$250,000
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		<p>Save as disclosed, there is no other employee of the Group who is an immediate family member of a Director, CEO or Substantial Shareholder of the Company and whose remuneration exceeded S\$100,000 during FY2019.</p> <p>The Company has not adopted any employee share option scheme.</p> <p>The remuneration received by the Executive Directors and key management personnel takes into consideration his or her individual performance and contribution towards the overall performance of the Group in FY2019. Their remuneration is made up of fixed and variable compensations. The fixed compensation consists of an annual base salary, fixed allowance and annual wage supplement. The variable compensation is determined based on the level of achievement of corporate and individual performance objectives.</p> <p>The performance criteria used to assess the remuneration of Executive Directors and key management personnel is based on qualitative and quantitative components:</p> <ul style="list-style-type: none"> (a) Leadership (b) Teamwork (c) People development (d) Responsibilities and commitment (e) Profitability performance of the Group <p>The RC has reviewed the performance of the Executive Directors and key management personnel based on its performance conditions and concluded that they have met the performance criteria in FY2019.</p>
ACCOUNTABILITY AND AUDIT		
Risk Management and Internal Controls		
9	The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.	<p>The Board is accountable to shareholders and ensures that all material information is fully disclosed in a timely manner to shareholders in compliance with statutory and regulatory requirements. The Board strives to provide its shareholders a balanced and understandable assessment of the Group's performance, position and prospects.</p> <p>The Board takes steps to ensure compliance with all the Group's policies, operational practices and procedures, and relevant legislative and regulatory requirements, including requirements under the Catalist Rules, where appropriate. The Independent Directors in consultation with management will request for management's consideration for the establishment of written policies for any particular matter that is deemed to be essential to form part of management control.</p> <p>Management provides appropriately detailed management accounts of the Group's performance on a quarterly basis to the Board to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects. As and when circumstances arise, the Board can request management to provide any necessary explanation and/or information on the management accounts of the Group.</p>

CORPORATE GOVERNANCE REPORT

Principle	Code Description	Company's compliance or explanation
		<p>The Board reviews the Group's business and operational activities to identify areas of significant business risk as well as the measures in place to control and mitigate these risks within the Group's policies and business strategies. The risk assessment exercise also includes identifying and assessing key risk areas of the Group such as financial, operational, compliance and information technology risks based on the feedback of the Internal and External Auditors. The Board also oversees the Management in implementing the risk management and internal controls system.</p> <p>The Board is also responsible for governance of risk management, and determining the Company's levels of risk tolerance and risk policies. The Board consults with the Internal and External Auditors to determine the risk tolerance level and corresponding risk policies.</p> <p>The risk management and internal control systems have been integrated throughout the Group and have been an essential part of its business planning and monitoring process. On quarterly basis, the Management will report to the Board on updates to the Group's risk profile, evaluation process for identified risks and mitigation process thereon as well as the results of assurance activities so as to assure that the process is operating effectively as planned.</p> <p>The responsibility of overseeing the Company's internal control system and policies are undertaken by the ARC with the assistance of the Internal and External Auditors. Having considered the Company's business operations as well as its existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being.</p> <p>The Board is of the view that the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective for as of 31 December 2019 in its current business environment.</p> <p>The basis for the Board's view are as follows:</p> <ul style="list-style-type: none"> • Assurance has been received from the CEO and CFO; • Board Committee meetings are held with the key management personnel to discuss and review the financial and operational (including compliance issues) performance of the Group. Internal control issues, where applicable, were discussed and addressed during such meetings; • Key management personnel regularly evaluates, monitors and reports to the ARC on material risks and a set of risk registers is maintained, updated and presented to the ARC at least annually; • Work performed by the Internal and External Auditors; and • Discussions were held between the ARC, Internal and External Auditors in the absence of the key management personnel to review and address any potential concerns.

CORPORATE GOVERNANCE REPORT

Principle	Code Description	Company's compliance or explanation
		<p>The Board has obtained the assurance from the CEO and CFO that the financial records of the Group have been properly maintained and the financial statements for FY2019 give a true and fair view of the Group's operations and finances; and the assurance from the CEO and other key management personnel who are responsible that the Company's risk management systems and internal control systems are adequate and effective.</p> <p>Based on the internal controls established and maintained by the Group, work performed by the Internal and External Auditors, and reviews performed by the Management, various Board Committees and the Board, in concurrence with the ARC, is of the opinion that the Group's system of internal controls, which addresses the financial, operational, compliance and information technology controls and risk management systems, were adequate and effective as of 31 December 2019 in its current business environment.</p> <p>The Board notes that system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.</p> <p>The ARC has reviewed the Management's assessment and discussed with the External Auditors about the identified key audit matters (referred to in Pages 44 to 45 of this Annual Report); and how those key audit matters have been addressed by the External Auditors. Having considered the Management's assessment and the approach taken by the External Auditors and their findings, the ARC is satisfied with the basis and estimates adopted by the Group.</p>
Audit and Risk Committee		
10	The Board has an ARC which discharges its duties objectively.	<p>The ARC is guided by the following key terms of reference:</p> <ul style="list-style-type: none"> (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);

CORPORATE GOVERNANCE REPORT

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

/ CORPORATE
GOVERNANCE REPORT /

Principle	Code Description	Company's compliance or explanation						
		<p>(o) review arrangements by which our staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow-up; and</p> <p>(p) review our Group's compliance with such functions and duties as may be required under the relevant statutes or the Catalist Rules, including such amendments made thereto from time to time.</p> <p>The Board is of the view that the ARC members possess the relevant accounting or related financial management expertise to discharge their responsibilities. The members collectively have many years of experience in accounting and audit, business and financial management and law. The Board considers that the members of the ARC are appropriately qualified to discharge the responsibilities of the ARC.</p> <p>During the year, the Company's Internal and External Auditors were invited to attend the ARC meeting(s) and make presentations as appropriate. They also met separately with the ARC without the presence of Management.</p> <p>The ARC has reviewed the non-audit services provided by the External Auditors and is satisfied that the nature and extent of such services would not prejudice the independence of the External Auditors.</p> <p>The breakdown of the fees paid/payable to the Group's External Auditors (including its associated firms) is as follows:</p> <table border="1" data-bbox="608 1323 1430 1417"> <thead> <tr> <th data-bbox="608 1323 1002 1366">External Auditor Fees for FY2019</th> <th data-bbox="1002 1323 1209 1366">S\$'000</th> <th data-bbox="1209 1323 1430 1366">% of Total Fees</th> </tr> </thead> <tbody> <tr> <td data-bbox="608 1366 1002 1417">Audit Fees</td> <td data-bbox="1002 1366 1209 1417">148</td> <td data-bbox="1209 1366 1430 1417">100.0</td> </tr> </tbody> </table> <p>The External Auditors, Ernst & Young LLP, and its network firm do not provide non-audit services to the Group and therefore, the ARC is satisfied that the External Auditors remain independent. The ARC has recommended to the Board the re-appointment of Ernst & Young LLP as the External Auditors at the forthcoming AGM.</p> <p>To encourage proper work ethics and eradicate any internal improprieties, unethical acts, malpractices, fraudulent acts, corruption and/or criminal activities in the Group, the Company has a whistle blowing policy ("Whistle-blowing Policy") in place. The Whistle-blowing Policy provides the mechanism by which concerns about plausible improprieties in matters of financial reporting, etc., may be raised. An Investigation Committee ("IC") had been established for this purpose. In addition, a dedicated secured e-mail address at whistleblow@lyfurniture.com which allows whistle blowers to contact the IC and/or the ARC Chairman directly.</p> <p>The Company's Whistle-blowing policy allows not just employees but also external parties to raise concerns and offer reassurance that they will be protected from reprisals or victimization for whistle blowing in good faith.</p>	External Auditor Fees for FY2019	S\$'000	% of Total Fees	Audit Fees	148	100.0
External Auditor Fees for FY2019	S\$'000	% of Total Fees						
Audit Fees	148	100.0						

CORPORATE GOVERNANCE REPORT

Principle	Code Description	Company's compliance or explanation
		<p>Assisted by the IC, the ARC addresses issues/concerns raised and arranges for investigation and/or follow-up of appropriate action. The ARC reports to the Board any issues/concerns received by it and the IC, at the ensuing Board meeting. Should the ARC or IC receive reports relating to serious offences, and/or criminal activities in the Group, they and the Board have access to the appropriate external advice where necessary. Where appropriate or required, a report shall be made to the relevant governmental authorities for further investigation/action.</p> <p><u>Investigation Committee</u></p> <p>The IC consists of an Executive Director, CFO and an external outsourced Human Resource Consultant.</p> <p>The IC is empowered to:</p> <ul style="list-style-type: none"> • look into all issues/concerns relating to the Group (except for those directed specifically to or affecting any member of the IC which are dealt with by the ARC); • make the necessary reports and recommendations to the ARC or the Board for their review and further action, if deemed required by them; and • access the appropriate external advice where necessary and, where appropriate or required, report to the relevant governmental authorities for further investigation/action. <p>The Group takes concerns with the integrity and honesty of its employees very seriously. The Whistle-blowing Policy has been established and disseminated to all employees to encourage the report of any behaviour or action that anyone reasonably believes might be suspicious, against any rules/regulations/accounting standards as well as internal policies. Whistle blowers could also email to the ARC directly and in confidentiality, and his/her identity is protected from reprisals within the limits of the law.</p> <p>There were no whistle-blowing reports received during FY2019.</p> <p>The ARC had been briefed by the External Auditors on changes or amendments to the Accounting Standards and issues which are relevant to the Group and have a direct impact on the Group's financial statements.</p> <p>None of the ARC members (i) is a former partner or director of the Company's existing auditing firm or auditing corporation in the previous 2 years and (ii) holds any financial interest in the auditing firm or auditing corporation.</p> <p>The ARC's responsibilities over the Group's internal controls and risk management are complemented by the work of the Internal Auditors.</p>

CORPORATE GOVERNANCE REPORT

Principle	Code Description	Company's compliance or explanation
		<p>The Company has outsourced its internal audit function to Baker Tilly TFW LLP (“Internal Auditors”). The Internal Auditors has unrestricted access to all the Company’s documents, records, properties and personnel, including access to the ARC. The Internal Auditors’ ultimate line of reporting is to the Chairman of the ARC. It carries out the Internal Auditor functions under the direction of the ARC and reports the findings and makes recommendations to the ARC accordingly.</p> <p>The Internal Auditor plans its audit work in consultation with, but independently of, the management, and its yearly plan is submitted to the ARC for review and approval prior to the beginning of the financial year.</p> <p>The Internal Auditor has full access to all the Company’s documents, records, properties and personnel including access to the ARC. The ARC is satisfied that Internal Auditors is adequately qualified (given, inter alia, its adherence to Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors) and resourced, and has the appropriate standing in the Company to discharge its duties effectively.</p>
SHAREHOLDER RIGHTS AND ENGAGEMENT		
Shareholder Rights and Conduct of General Meetings		
11	<p>The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders’ rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.</p>	<p>The Company believes in providing sufficient and regular information to its shareholders to keep the shareholders updated with the recent development of the Group. In this respect, the Board strive to provide clear, timely and fair disclosure of information via SGXNET about the Company’s business developments and financial performance updates that could have a material impact on the price or value of its shares.</p> <p>Shareholders are encouraged to attend shareholders’ meetings to stay informed of the Company’s strategy and goals. Notice of the meeting is dispatched to shareholders, together with annual report or a circular, at least 14 days, or 21 days (as the case may be), before the meeting. The Board welcomes questions from shareholders who have an opportunity to raise issues either formally or informally before or at the shareholders’ meetings.</p> <p>All shareholders are entitled to vote in accordance with the established voting rules and procedures. The Company shall conduct poll voting for all resolutions tabled at the general meetings. The rules, including the voting process, shall be explained by the scrutineers at such general meetings.</p> <p>A shareholder who is entitled to attend and vote may either vote in person or through the appointment of proxies. The Constitution of the Company allows an individual shareholder to appoint not more than two proxies to attend and vote on his or her behalf at the general meetings.</p> <p>The Company’s Constitution does allow for absentia voting at general meetings of shareholders at the discretion of Directors to approve and implement such voting, subject to the security measures as may be deemed necessary or expedient. Separate resolutions are proposed on each separate issue at general meetings. Where the resolutions are “bundled”, the Company explains the reasons and material implications in the notice of meeting.</p>

CORPORATE GOVERNANCE REPORT

Principle	Code Description	Company's compliance or explanation
		<p>The Board welcomes questions from shareholders who wish to raise issues, either informally or formally before or during the general meetings. The Chairmen of the Board and its Committees, CEO and CFO will all attend the general meetings to address issues raised by shareholders. The External Auditors and the Sponsors are also present to address any relevant queries from shareholders. Company held one shareholders' meeting in FY2019 where all directors present.</p> <p>The minutes of general meetings are available to shareholders upon written request.</p> <p>All resolutions are put to vote by poll, and their detailed results will be announced via SGXNET after the conclusion of the general meeting.</p> <p>Member who is a relevant intermediary may appoint more than two proxies to attend, speak and vote at the shareholders' meetings, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.</p> <p>The Company does not have a fixed dividend policy. The form, frequency and amount of future dividends on the shares that the Board may recommend or declare will depend on, among other factors deemed relevant by the Board, the factors outlined below:</p> <ul style="list-style-type: none"> (a) cash flow and retained earnings; (b) actual and projected business and financial performance; (c) projected levels of capital expenditure and expansion plans; (d) results of operations; (e) working capital requirements and general financing condition; and (f) restrictions on the payment of dividends imposed on the Company (if any). <p>The Directors intend to recommend and distribute dividends of not less than 40.0% of the Group's net profits after tax attributable to shareholders in respect of the financial year ending 2020.</p> <p>For FY2019, the Board has recommended a tax-exempt (one-tier) dividend of 0.083 Singapore cent per ordinary share, which will be subject to the approval of shareholders at the forthcoming AGM.</p>

/ CORPORATE GOVERNANCE REPORT /

Principle	Code Description	Company's compliance or explanation
Engagement with Shareholders		
12	The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.	<p>The Company currently does not have an investor relations policy. However, the Company has engaged an external investor relations adviser, Waterbrooks Consultants Pte. Ltd., to carry out investor relations activities.</p> <p>The Company strives to communicate with shareholders and the investing community through the timely release of announcements to the SGX-ST via SGXNET.</p> <p>Financial results of the Company and the Group were released within 45 days from the respective quarter ended and within 60 days from the full-year financial year ended during FY2019. Following the recent amendments to Rule 705 of the SGX-ST: Listing Manual Section B: Rules of Catalist ("Amended Catalist Rules"), the Company will not be required to carry out quarterly reporting of its financial statements.</p> <p>The Company has decided not to continue with quarterly reporting of the Company and the Group's financial results and will instead, announce the financial results on a half-yearly basis as required under the Amended Catalist Rules.</p> <p>To further enhance its communication with investors, the Company has also enhanced its website through its Investor Relations at http://investor.lyfurniture.com/ where the public can access information on the Group directly.</p> <p>General meetings will be the principal forum for dialogue with shareholders. Shareholders are given opportunities to participate through open discussions with the Chairman, Directors, CEO or the Management to better understand the business operations or performance of the Group.</p>
MANAGING STAKEHOLDER RELATIONSHIPS		
Engagement with Stakeholders		
13	The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.	<p>The Group has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. The Company engages its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders. For more information on the Company's stakeholder engagement, please refer to the Company's Sustainability Report for FY2019 which is to be published by end of May 2020.</p> <p>The Company maintains a corporate website at http://www.lyfurniture.com to communicate and engage with stakeholders.</p>

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH APPLICABLE CATALIST RULES		
Catalist Rule	Rule Description	
711A and 711B	Sustainability Reporting	The Company will release its Sustainability Report for FY2019 by 31 May 2020.
712, 715 or 716	Appointment of Auditors	The Group complied with Rule 712 and Rule 715 of the Catalist Rules.
1204(8)	Material Contracts	<p>There were no material contracts entered into by the Group involving the interests of the CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2019 or if not then subsisting, which were entered into since the end of the previous financial year, save as follows:</p> <p>(a) Service agreements between the Company and the Executive Directors; and</p> <p>(b) Conditional asset purchase agreement dated 8 January 2019 entered into between LY Furniture Sdn Bhd (a wholly-owned subsidiary of the Company) and LP Global Resources Sdn Bhd. Please refer to the announcements released on 9 January 2019, 24 June 2019 and 31 October 2019 for more details.</p>
1204(10)	Confirmation of Adequacy of Internal Controls	<p>The Board, with the concurrence of the ARC, is of the opinion that the Group's internal controls and risk management systems are adequate and effective to address the financial, operational, compliance and information technology risks as of 31 December 2019 in its current business environment based on the following:</p> <ul style="list-style-type: none"> • Assurance has been received from the CEO and CFO; • Board Committee meetings are held with the key management personnel to discuss and review the financial and operational (including compliance issues) performance of the Group. Internal control issues, where applicable, were discussed and addressed during such meetings; • Key management personnel regularly evaluates, monitors and reports to the ARC on material risks and a set of risk registers is maintained, updated and presented to the ARC at least annually; • Work performed by the Internal and External Auditors; and • Discussions were held between the ARC, Internal and External Auditors in the absence of the key management personnel to review and address any potential concerns. <p>There were no material weaknesses identified by the Board or ARC in FY2019.</p>
1204(10)(C)	ARC's comment on internal audit function	<p>The ARC is satisfied that the Company's internal audit function is:</p> <ul style="list-style-type: none"> • sufficiently independent to carry out its role; • conducted effectively as Management has provided full co-operation to enable Internal Auditors to perform its function; • adequately resourced to perform the work for the Group; and • has the appropriate standing within the Company.

CORPORATE GOVERNANCE REPORT

Catalist Rule	Rule Description				
1204(17)	Interested Person Transaction ("IPT")	Details of the interested person transactions for FY2019 as required pursuant to Rule 907 of the Catalist Rules of SGX-ST are as follows:			
			Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
		Name of Interested Person	Nature of Relationship	RM'000	RM'000
		Lean Shern Furniture Sdn Bhd (" Lean Shern ")	Mr Tan Khwee Ming and Mr Tan Kwee Song, who are both brothers of Mr Tan Kwee Chai and Mr Tan Kwee Lim, each owns 50% of the issued and paid-up capital of Lean Shern and the directors of Lean Shern are Mr Tan Khwee Ming and Mr Tan Kwee Song.	NA	3,230
		LP Global Resources Sdn Bhd (" LP Global ")	Lian Yu Furniture Corporation Sdn. Bhd. (" 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.	NA	6,308
		Leatherworld Upholstery Sdn Bhd (" Leatherworld ")	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.	NA	3,530
		Lian Yu Asset Management Sdn Bhd (" LYAM ")	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.	900	NA
		<p>* 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.</p>			

CORPORATE GOVERNANCE REPORT

Catalist Rule	Rule Description																									
		The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the ARC and the transactions are carried out on normal commercial terms and will not be prejudicial to the interest of the Company and its minority shareholders.																								
1204(19)	Dealing in Securities	<p>The Company has adopted an internal policy which prohibits the Directors and officers from dealing in the securities of the Company while in possession of price-sensitive information.</p> <p>The Company, its Directors and officers are also discouraged from dealing in the Company's securities on short term considerations and are prohibited from dealing in the Company's securities during the period commencing two weeks before the announcement of the Group's quarterly financial results and one month before the announcement of the Group's full-year financial results, and ending on the date of the announcement of the relevant results in FY2019.</p>																								
1204(21)	Non-sponsor Fees	No non-sponsor fees were paid to the Company's sponsor, UOB Kay Hian Private Limited for FY2019.																								
1204(22)	Use of Proceeds	<p>Pursuant to the Company's IPO, the Company received net proceeds from the IPO of approximately RM13.0 million (the "Net Proceeds"). Further details can be found in the Offer Document.</p> <p>As at the date of this Corporate Governance Report, the status on the use of IPO proceeds as follows:</p> <table border="1"> <thead> <tr> <th>Purpose</th> <th>Amount allocated (\$\$'000)</th> <th>Amount utilised (\$\$'000)</th> <th>Balance (\$\$'000)</th> </tr> </thead> <tbody> <tr> <td>Expanding the sales network in the PRC</td> <td>1,000</td> <td>(137)</td> <td>863</td> </tr> <tr> <td>Upgrading the machinery and equipment and acquiring new technology</td> <td>5,000</td> <td>(5,000)</td> <td>-</td> </tr> <tr> <td>Construction of additional facilities</td> <td>4,000</td> <td>(3,909)</td> <td>91</td> </tr> <tr> <td>General working capital purposes⁽¹⁾</td> <td>3,000</td> <td>(1,700)</td> <td>1,300</td> </tr> <tr> <td>Total</td> <td>13,000</td> <td>(10,746)</td> <td>2,254</td> </tr> </tbody> </table> <p>Note: (1) Payment of corporate and administrative expenses.</p>	Purpose	Amount allocated (\$\$'000)	Amount utilised (\$\$'000)	Balance (\$\$'000)	Expanding the sales network in the PRC	1,000	(137)	863	Upgrading the machinery and equipment and acquiring new technology	5,000	(5,000)	-	Construction of additional facilities	4,000	(3,909)	91	General working capital purposes ⁽¹⁾	3,000	(1,700)	1,300	Total	13,000	(10,746)	2,254
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