LY CORPORATION LIMITED

FORGING STEADILY AHEAD

ANNUAL REPORT
2021

CONTENTS

Forging Steadily Ahead

Despite multiple disruptions throughout the year, the Group has remained resilient, swiftly responding to the COVID-19 pandemic and global supply chain disruptions to alleviate the impact on the Group's business. In the year ahead, the operating environment is expected to remain challenging and we will continue to forge ahead steadily and pursue sustainable growth with our diversified product range.

Vision

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

Mission

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

CORPORATE PROFILE

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

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

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

The Group currently operates from 26 factories and warehouses, occupying a combined built-up area of approximately 1.9 million sq ft. Our products are sold mainly to overseas dealers such as furniture wholesalers and retailers who generally resell our products to end-users through their respective retail networks and domestic customers who are primarily third-party agents who typically export and resell our products outside Malaysia, such as to the United States of America.

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

MESSAGE TO SHAREHOLDERS

While we are hopeful that the worst is behind us, we expect the operating environment to remain volatile in the year ahead. We will remain resilient and resolute to stay on course. We will continue to seek opportunities to drive our business forward with our diversified range of products by leveraging on our strong track record and capabilities that we have built over the years to return to a higher level of growth and productivity.

Dear Shareholders,

The year 2021 has proven to be even more challenging than the previous year. The ongoing COVID-19 situation worsened in 2021 and the stricter pandemic measures to curb the spread of the virus have resulted in lasting global economic impact. During the year, the Group faced immense challenges amid the pandemic, including production shutdowns, labour shortage, supply chain disruptions, and escalating material and logistic costs. These multi-faceted challenges caused disruptions to our business operations and had a dampening effect on our overall financial performance.

THE YEAR IN REVIEW

Against this backdrop, the Group recorded a loss attributable to the Company's shareholders of RM7.2 million in FY2021. Revenue fell by 20.7% to RM189.2 million mainly due to a decrease in the number of laden containers ("**40-ft containers**") sold from approximately 4,300 40-ft containers in FY2020 to approximately 3,200 40-ft containers in FY2021. The lower volume of containers sold during the year was mainly caused by the temporary closure of 13 of the Group's factories and warehouses for two weeks in January 2021 due to an outbreak of COVID-19 amongst some of the foreign workers as well as the temporary closure of the Group's operations from 1 June 2021 to 26 August 2021 to comply with the Full Movement Control Order imposed by the Malaysian government. Additionally, the global supply chain disruption has also impeded the delivery of finished goods to the Group's overseas customers.

However, this was partially offset by a rise in average selling price per 40-ft container, from approximately RM56,000 in FY2020 to approximately RM59,000 in FY2021, due to a different product mix sold during the year.

During the year, the Malaysian government had imposed various operating restrictions and limitations on workforce and capacity, which led to production cuts and operational inefficiencies. We also had to contend with a disruption in manpower resulting from the COVID-related restrictions on bringing foreign workers into Malaysia. To minimise further interruptions to production, we had actively sourced workers from alternative sources.

During the year under review, the issue of the global shortage of shipping containers became even more prominent, with many companies unable to secure containers. Apart from delivery deferments of finished goods to our overseas customers, the shortage of containers has also resulted in delays in the import of raw materials, which in turn, disrupted our production schedules. The shortage of containers has also led to a drastic increase in freight, raw materials, and storage costs and this has adversely affected our revenue and profitability during the year. We expect the global container shortage to remain a persistent problem in the near term. To manage the container shortage, we have been reusing the containers from the imports of raw material for the export of finished goods to customers.

The expansion of our millworks products segment was also affected by the container shortage problem, although to a much lesser extent as compared to our bedroom furniture business. Nonetheless, the sales for the millworks products held steady and remained profitable during the year.

We are also pleased to report that we continued to make headway with the expansion into the manufacturing of kitchen cabinets. During the year, we started a sub-contracting arrangement to supply the main framework of kitchen cabinets to a local furniture manufacturer.

MOVING AHEAD

Although the global economy is slowly emerging from the COVID-19 pandemic, the extent of economic recovery would depend on when the pandemic can be controlled, given the emergence of more virulent strains. Overall, the business outlook continue to remain challenging in 2022. Whilst we anticipate the demand for household furniture in the United States will remain relatively strong, the challenging operating environment could create more headwinds ahead amid the evolving COVID-19 pandemic, ongoing global supply chain disruptions, and mounting geopolitical uncertainty.

MESSAGE TO SHAREHOLDERS

As we move forward, we will focus on strengthening our business performance to better position ourselves to capture growth opportunities when the business sentiment improves by enhancing production efficiency and developing new designs and innovative ready-to-assemble furniture. At the same time, we will remain diligent and disciplined in exercising financial prudence and managing our operating costs efficiently.

We have completed the refurbishment of one of our existing factories and built a production line for kitchen cabinets a year ago. We had initially intended to commence production and sales of the kitchen cabinets in FY2021 but had to delay our plans due to the disruptions brought on by the pandemic and the manpower shortage problem. Even though we have started a sub-contracting arrangement to produce the main framework of kitchen cabinets during the year, our long-term plan is to export the kitchen cabinets directly to overseas customers. We hope to commence the production and sales of the kitchen cabinets as soon as the pandemic and manpower shortages situation stabilise. We believe that by tapping into our wide network in the United States, we are well-positioned to grow this new product line.

As for the millworks products, we intend to steadily grow this business by maximising our existing production capacities and working closely with our distributor to market the millworks products.

While we are hopeful that the worst is behind us, we expect the operating environment to remain volatile in the year ahead. We will remain resilient and resolute to stay on course. We will continue to seek opportunities to drive our business forward with our diversified range of products by leveraging on our strong track record and capabilities that we have built over the years to return to a higher level of growth and productivity.

DIVIDEND

After taking into consideration the losses incurred, the Board will not be recommending any final dividend for FY2021. In such a challenging business environment, the Board is of the view that it would be prudent to conserve cash to support working capital requirements until the COVID-19 situation improves.

APPRECIATION

In closing, we would like to express our heartfelt appreciation to our management and staff for their hard work, tenacity, and resilience amidst difficult times. We are grateful for your commitment to the Group. We would also like to thank our fellow members of the Board, for their invaluable advice and guidance throughout the year.

On behalf of the Board, we would like to thank Mr Lee Dah Khang for his invaluable contributions during his tenure as he will be retiring as Lead Independent Director at the forthcoming Annual General Meeting on 29 April 2022. We would also like to welcome Datuk Yap Kheng Fah ("**Datuk Yap**"), who joined LY Corporation as Independent Director on 1 January 2022 and brings with him new perspectives and experiences to our Board. Datuk Yap has extensive experience in entrepreneurship, strategic planning, corporate finance, venture capital, property investment and internet technology.

Last but not least, we would like to extend our deepest gratitude to our business partners, customers, and valued shareholders for their continuous support during this challenging period.

Tan Kwee Chai
Executive Chairman

Tan Yong Chuan
Executive Director and Chief Executive Officer

FINANCIAL REVIEW

LY Corporation Limited and its subsidiaries (collectively the "**Group**") recorded revenue of RM189.2 million for the financial year ended 31 December 2021 ("**FY2021**"), down 20.7% from RM238.6 million for the financial year ended 31 December 2020 ("**FY2020**"). This was mainly attributable to a decrease in the number of laden containers ("**40-ft containers**") sold from approximately 4,300 40-ft containers in FY2020 to approximately 3,200 40-ft containers in FY2021 due to:

(i) the temporary closure of 13 of the Group's factories and warehouses for two weeks in January 2021 due to an outbreak of COVID-19 amongst some of the foreign workers, which resulted in the workers being placed under quarantine;

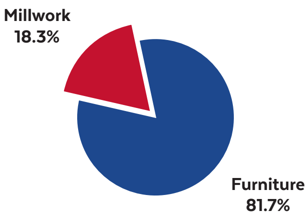
(ii) the temporary closure of the Group's operations from 1 June 2021 to 26 August 2021 to comply with the Full Movement Control Order imposed by the Malaysian government to curb the spread of COVID-19;

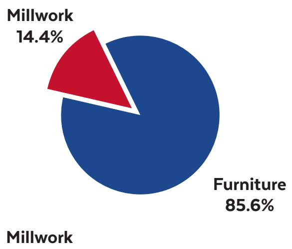
(iii) various operating restrictions and limitations imposed by the Malaysian government on workforce and capacity resulting in production cuts and operational inefficiencies during the year; and

(iv) the disruptions in the global supply chain that impeded the delivery of finished goods to the Group's overseas customers.

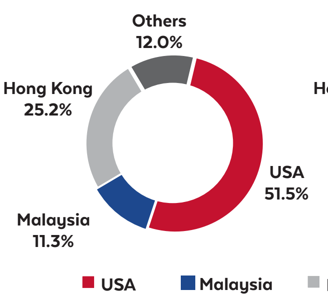
However, this drop was partially offset by an increase in the average selling price per 40-ft container from approximately RM56,000 in FY2020 to approximately RM59,000 in FY2021 as a result of a different product mix sold during the year.

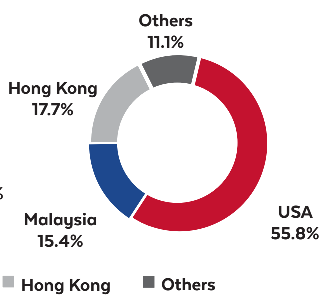
The Furniture and Millwork segments accounted for 81.7% and 18.3% of the Group's revenue respectively in FY2021, compared to 85.6% and 14.4% respectively in FY2020.





Geographically, the United State of America ("**USA**") continued to be the Group's largest market, accounting for 51.5% of the Group's revenue in FY2021. During the year, sales across major geographical segments such as the USA and Malaysia declined. However, this was partially offset by an increase in sales to Hong Kong.





Cost of sales fell by 11.5% to RM192.7 million in FY2021 from RM217.7 million in FY2020 mainly due to a decrease in: (i) raw materials purchased, (ii) labour costs arising from reduced overtime, and (iii) subcontractors' cost caused by a slowdown in operational activities resulting from the temporary closure of our factories and warehouses in January 2021, as well as the temporary closure of the Group's operations for the period between 1 June 2021 and 26 August 2021.

As a result of the lower percentage decrease in the cost of sales as compared to our revenue, the Group registered a gross loss of RM3.5 million for FY2021 as compared to a gross profit of RM20.9 million for FY2020. The Group's gross loss margin was 1.8% in FY2021 as compared to a gross profit margin of 8.7% a year ago.

Interest income dropped by 77.4% to RM0.1 million as a result of lower cash being placed under short-term fixed deposits in the bank account maintained in Malaysia, as well as a lower overnight interest rate.

Distributions from short-term investment security decreased by 80% to RM1,000 as the Group disposed of the short-term investment security in the first half of FY2021.

Other income comprised mainly government grants, sales of timber, boards, hardware and scrap, as well as charges for services provided such as transportation and rental income. Other income increased substantially from RM4.7 million to RM10.3 million in FY2021 due to the grants from the Malaysian government during the COVID-19 pandemic to promote job creation, reduce unemployment, and support employees in the form of financial assistance.

Selling and administrative expenses declined by 2.2% to RM18.2 million mainly due to a drop in staff costs, directors' remuneration, upkeep and maintenance costs, wastage disposal, and general and office supplies, as a result of a cost-cutting measure implemented in the second half of FY2021 during the temporary closure of the Group's operations from 1 June 2021 to 26 August 2021.

Depreciation expenses increased by 16.9% to RM12.7 million arising from the purchase of machinery, and leasehold land and building during the year.

Finance costs rose by 144.4% to RM1.4 million largely due to the interest charged on the new term loans that were drawn down towards the end of FY2020 and in FY2021.

Other expense fell by 21.9% to RM0.4 million mainly due to lesser assets being disposed of and written off in FY2021 compared to the previous year.

Overall, the Group's other items of expenses aggregated RM20.0 million for FY2021 as compared to RM19.7 million for FY2020 and while the Group had substantial higher other income mainly from government grants, the Group reported a net loss of RM6.9 million in FY2021 as compared to a net profit of RM3.4 million in FY2020 as a result of the gross loss registered in FY2021. In FY2021, the Group recorded a net loss attributable to the owners of the Company of RM7.2 million, compared to a net profit attributable to the owners of the Company of RM4.8 million in FY2020.

FINANCIAL REVIEW

FINANCIAL POSITION

The Group's net asset value as at 31 December 2021 was RM213.6 million, which translates into a net asset value per share of RM0.44.

Non-current assets

Non-current assets rose by 5.0% to RM188.5 million as at 31 December 2021 mainly due to increases in property, plant and equipment and right-of-use assets.

Property, plant and equipment rose by 3.4% to RM159.5 million mainly due to the purchase of machinery, as well as leasehold land and building during the year.

Right-of-use assets of approximately RM26.1 million relates to the right to use the properties and land use rights by the Group over the respective lease period.

Intangible assets remained relatively constant at approximately RM2.9 million comprised trademarks and goodwill arising from the acquisition of the assets of Cubo Sdn. Bhd., including the EZBO and CUBO brand names, in January 2019.

Current assets

Current assets decreased by 9.3% to RM147.5 million mainly due to decreases in cash and cash equivalent, inventories, short-term investment security and contract assets, which was partially offset by increases in trade and other receivables, prepaid operating expenses, and tax recoverable.

Inventories fell 8.1% to RM88.7 million mainly due to a decrease in the finished goods which required further improvements on customers' request and pending the customers' acceptance for which the Group has already received consideration from such customers totalling RM3.8 million as at 31 December 2021. The consideration is classified as contract liabilities under current liabilities. However, the decrease was partially offset by an increase in raw materials and work-in-progress. Raw materials increased due to: (i) purchase of additional raw materials to meet the orders received for the following quarters; (ii) stocking up of additional raw materials in case of delay in receipt of raw materials arising from the global supply chain disruptions. Work-in-progress rose because of longer production lead time as shipments from suppliers were also affected by the global supply chain disruptions.

During the year, the Group had disposed of the short-term investment security for cash and realised the capital appreciation. The short-term investment security had a fair value of RM1.0 million at the date of disposal.

Contract assets comprised the right to consideration for goods produced but not yet billed. There were no such goods as at 31 December 2021.

Trade and other receivables comprised trade receivables, deposits, and other receivables. Trade and other receivables rose by 5.3% to RM19.8 million primarily due to higher sales towards the end of the second half of 2021.

Prepaid operating expense of approximately RM2.3 million comprised mainly expenses paid in advance as at year end.

Tax recoverable relates to prepaid current income tax of approximately RM5.8 million resulting from tax paid in advance by the Malaysian subsidiaries for the Year of Assessment 2021.

Current liabilities

Current liabilities fell 5.5% to RM73.3 million mainly due to a decrease in contract liabilities, which was partially offset by increases in trade and other payables, short-term loans and borrowings, and lease liabilities.

Contract liabilities of RM3.8 million comprised the Group's obligation to transfer goods or services to customers for which the Group has received consideration as at 31 December 2021 from customers for finished goods which required further improvements on customers' request and pending the customers' acceptance. The reduction of 71.0% in contract liabilities was mainly due to the Group having fulfilled the customers' request and they accepted the finished goods.

Short-term loans and borrowings comprised bankers' acceptance, short-term financing, financing arrangements, and long-term loans repayable within one year. Short-term loans and borrowings grew by 4.0% to RM24.2 million mainly due to a net increase in the usage of short-term financing of approximately RM12.2 million during the year, which was partially offset by the net decrease in the usage of bankers' acceptances of approximately RM14.6 million.

Trade and other payables comprised trade payables and other payables. Trade and other payables rose by 8.1% to RM42.5 million mainly due to an increase in prepayment from customers.

Current lease liabilities of RM2.1 million relates to liabilities that the Group must pay over the respective lease period for the use of the properties and land use rights.

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

Non-current liabilities

Non-current liabilities rose 16.8% to RM49.1 million mainly due to an increase in long-term loans and borrowings of 53.0% to RM30.6 million arising from the drawdown of new term loans, which is partially offset by a 25.8% drop in deferred tax liabilities to RM12.7 million.

Non-current lease liabilities of RM5.9 million relates to liabilities that the Group must pay over the respective lease period for the use of the properties and land use rights.

CASH FLOW

The Group recorded a net cash flow generated from operating activities of RM4.3 million in FY2021 compared to a net cash flow used in operating activities of RM9.6 million in FY2020 mainly due to a decline in inventories and contract liabilities during the year.

The Group used RM18.0 million for investing activities in FY2021 mainly for the purchase of machinery, as well as leasehold land and building.

Net cash flows generated from financing activities of RM6.5 million in FY2021 mainly due to proceeds from loans and borrowings, which was partially offset by the repayment of loans and borrowings.

Consequently, the Group's cash and cash equivalents fell from RM37.4 million as at 31 December 2020 to RM30.9 million as at 31 December 2021.

BOARD OF DIRECTORS

Mr Tan Kwee Chai
Executive Chairman

Mr Tan Kwee Chai is one of our founders and was appointed to the Board on 20 December 2017 as an Executive Chairman. He was re-elected on 25 April 2020. Mr Tan will relinquish his position as the Executive Chairman and remain as the Executive Director if he is re-elected at the forthcoming Annual General Meeting on 29 April 2022. He has been in the furniture manufacturing and design industry for more than 40 years. He was one of the founders of Lian Yu Furniture Co. ("**Lian Yu**") which was subsequently corporatised when LY Furniture Sdn. Bhd ("**LYFSB**") was incorporated to take over the business of Lian Yu in July 1991. Mr Tan has been a director of LYFSB since its incorporation. He is responsible for our Group's overall management and operations, including formulating our Group's strategic directions and expansion plans. He has been instrumental in our Group's growth, leading to the expansion of our business and operations.

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

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

Mr Tan Yong Chuan
Executive Director and Chief Executive Officer

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

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

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

BOARD OF DIRECTORS

Ms Tan Ai Luang
Executive Director

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

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

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

Mr Lee Dah Khang
Lead Independent Director

Mr Lee Dah Khang was appointed to the Board on 20 December 2017 as an Independent Director. He was re-elected on 22 June 2020. Mr Lee is our Lead Independent Director. He has more than 20 years' experience in providing external audit, internal audit and consultancy services, and is currently a director of Yang Lee Consulting Pte Ltd, a management consulting firm which he set up since 2005. His experience in corporate risk advisory, internal audits, financial due diligence and accounting solutions extends across South East Asia, the People's Republic of China, Eastern Europe and Australia.

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

Mr Lee will retire by rotation at the conclusion of the forthcoming Annual General Meeting and will not be seeking re-election.

Present directorships in listed companies (other than the Company)	Past directorships in listed companies (for last three years)
None	GS Holdings Limited Memiontec Holdings Ltd

BOARD OF DIRECTORS

Mr Oh Seong Lye
Independent Director

Mr Oh Seong Lye was appointed to the Board on 20 December 2017 as an Independent Director and is also the Chairman of our Audit Committee. He was re-elected on 25 April 2020.

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

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

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

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

BOARD OF DIRECTORS

Mr Yeo Kian Wee Andy
Independent Director

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

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

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

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

Datuk Yap Kheng Fah
Independent Director

Datuk Yap Kheng Fah was appointed to the Board on 1 January 2022 as an Independent Director. Datuk Yap is the founder and chairman of Censuria Capital, an advisory and investment firm based in Kuala Lumpur, Malaysia. He has extensive experience in entrepreneurship, strategic planning, corporate finance, venture capital, property investment and internet technology. He is responsible for defining the firm's vision and goals, setting its strategy, and ensuring the team's execution matches corporate objectives.

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

Datuk Yap graduated with a Bachelor's Degree in Commerce from the University of Auckland, New Zealand and a Master in Business Administration (eCommerce) from Charles Sturt University, Australia. He was conferred the Panglima Gemilang Darjah Kinabalu (PGDK) by the T.Y.T. Governor of Sabah in 2014 which carry the title "Datuk".

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

KEY MANAGEMENT

Mr Tan Kwee Lim
Chief Operating Officer

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

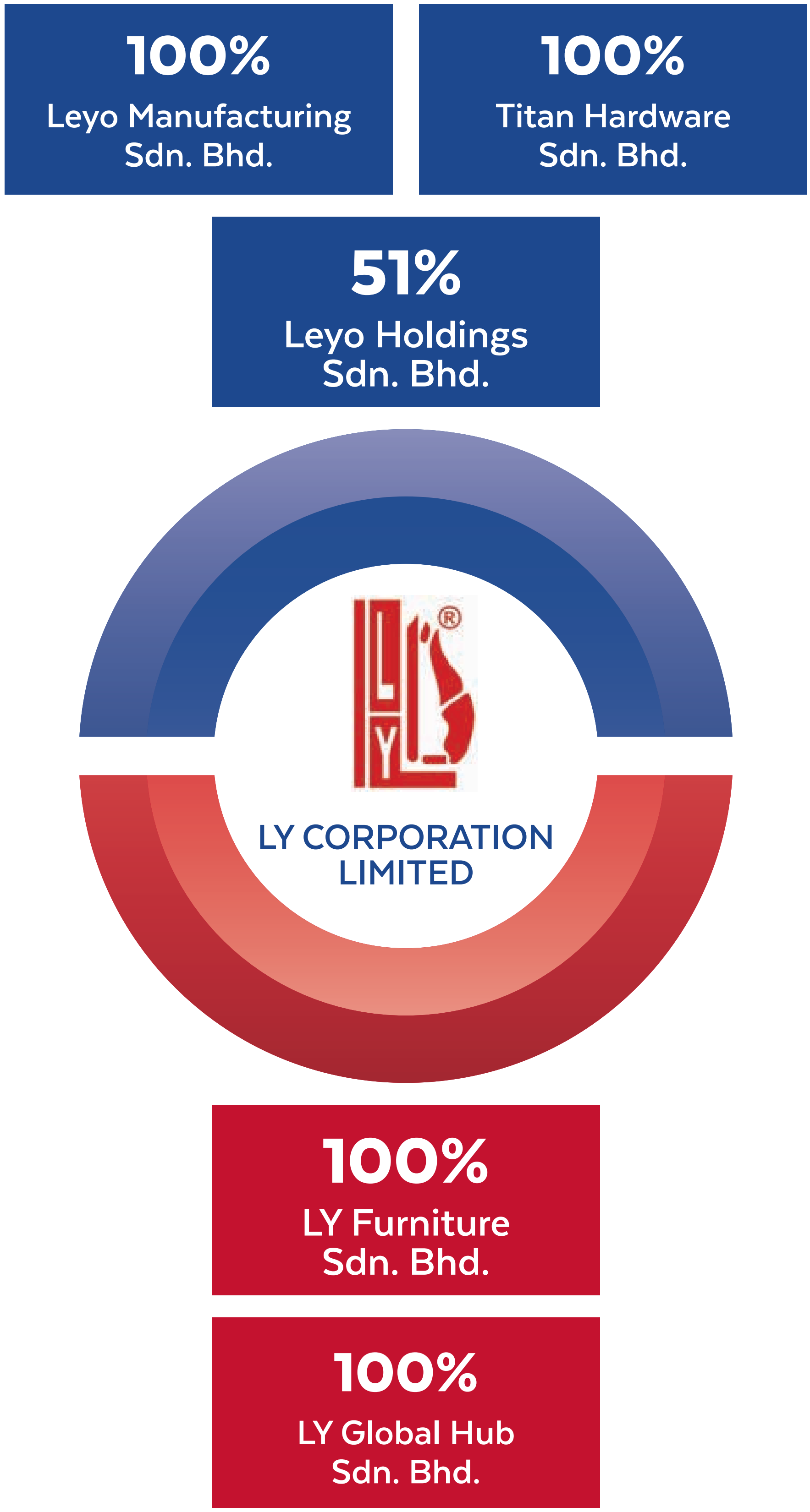
Ms Teo Gin Lian
Chief Financial Officer

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

Mr Boo Ngek Hee
Chief Quality Controller

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

GROUP STRUCTURE



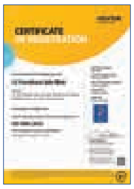
AWARDS & ACCREDITATIONS


2021

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

2019

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

2018

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

2016

Eminent Eagle Award (2nd place)

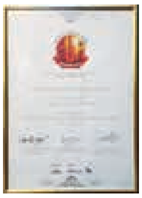


2015

Eminent Eagle Award (no placement)

2013

Award of Industrial Excellence in the category of Furniture Factory

2009

Asian Furniture Leadership AwardCorporate Social Responsibility Award

2008

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

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


2006

Best Performing Company Award 2005

2004

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

2003

Global Top Enterprise Golden Rim Award

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

Enterprise 50 Award (2nd place)

2002

Enterprise 50 Award (3rd place)

Asia Pacific International Honesty Enterprise – Keris Award 2002

CORPORATE SOCIAL RESPONSIBILITY

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

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

We regularly support various organisations within our community. We have made donations and held fundraising events in support of 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 2021, LY Corporation and our subsidiaries continued our policy of charitable donation to support charitable causes in the communities we operate in. Some of the key projects were donations for Batu Pahat Chinese High School and Batu Pahat Municipal Council.

We had also collaborated with a local government hospital to organise Malaria and filariasis screening tests for all of our foreign workers to ensure that our workers are always in good health.

In view of the COVID-19 pandemic, we place the protection of the health and safety of our employees and the communities we operate as top priority. In order to safeguard the wellbeing of our employees, we have implemented safety measures such as mandatory fortnightly self-testing of COVID-19 using the Rapid Antigen Saliva Test Kit, mandatory wearing of face masks, safe distancing and regular sanitisation at our workplaces and health screening for our employees. These measures will also help to prevent or minimise the spread of COVID-19 into the communities we operate.

Additionally, we are committed towards sustainable manufacturing and production. Some of our other key corporate initiatives include:

(a) Sustainable wood sourcing

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

In 2021, LY Furniture Sdn. Bhd., a wholly-owned subsidiary, had obtained certification for Programme for the Endorsement of Forest Certification ("**PEFC**") ST 2002:2013 (Second Edition): Chain of Custody of Forest Based Products – Requirements by the Certification Panel of SIRIM QAS International Sdn. Bhd. for the following scope:

(i) purchase of PEFC certified and PEFC controlled sources sawn timber and wood panels; and
(ii) manufacture and sale of PEFC certified and PEFC controlled source wooden bedroom set furniture using physical separation and percentage-based methods.

PEFC, the Programme for the Endorsement of Forest Certification, is an international forest certification system which facilitates responsible sourcing of both timber and non-timber forest products. Being PEFC certified hence provides assurance that our products are made up of raw materials from environment-friendly and sustainable sources.

(b) Recycling of wood waste

We recycle our wood waste as feedstock for our factory boiler to produce heat required for our production process. The steam generated from such wood waste 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 environmentally friendly materials for our production process. This includes water-based paint, Environmental Protection Agency's Toxic Substance Control Act Title VI (EPA TSCA Title VI)-compliant raw materials and lead-content-free coating materials.

(d) Installation of solar panels

We had in 2020 completed the installation of solar panels in most of our factory buildings as part of our efforts to reduce greenhouse gas emissions and reduce our collective dependence on fossil fuel.

We had initially planned to generate energy from the installed solar panels in 2021 but our plans were heavily disrupted by COVID-19.

Barring any unforeseen circumstances, we are expected to generate energy from the installed solar panels for our usage in 2022.

Malaria and filariasis screening tests

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

AUDIT AND RISK COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATING COMMITTEE

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

REGISTERED OFFICE ADDRESS

80 Robinson Road #02-00
Singapore 068898

Telephone: +607 455 8828
Website: http://lyfurniture.com/
Company registration number: 201629154K

COMPANY SECRETARIES

Pan Mi Keay, ACIS
Chan Wan Mei, ACIS

CONTINUING SPONSOR

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

PRINCIPAL BANKERS

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

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

INDEPENDENT AUDITORS

Ernst & Young LLP
1 Raffles Quay
North Tower Level 18
Singapore 048583
Partner-in-charge: Hah Yanying
(Appointed since financial year ended
31 December 2020)

SHARE REGISTRAR

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

INVESTOR RELATIONS

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

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 2021 ("**FY2021**") 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.

<table>
<tr><th>Principle</th><th>Code Description</th><th>Company's compliance or explanation</th></tr>
<tr><td colspan="3">BOARD MATTERS</td></tr>
<tr><td colspan="3"><u>The Board's Conduct of Affairs</u></td></tr>
<tr><td>1</td><td>The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.</td><td>
The Board sets the direction and goals of the Group and oversees the implementation of the strategies by the Management in achieving the goals. The Board acts in good faith and exercise independent judgement in the best interests of shareholders. The Board is collectively responsible for the long-term success of the Group and its value creation, and exercises close oversight over key areas including but not limited to effective implementation of strategies, efficient achievement of goals as well as high standard of corporate governance. A code of conduct and ethics has also been put in place by the Board to ensure proper accountability within the Company. Directors facing conflict of interest has recused himself from discussions and decisions involving the issues of conflict.
As at the date of this Annual Report, the Board has seven Directors as follows:
<table>
<tr><th>Name of Directors</th><th>Designation</th><th>Date appointed</th><th>Date last re-elected</th></tr>
<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>28 June 2021</td></tr>
<tr><td>Ms Tan Ai Luang</td><td>Executive Director</td><td>20 December 2017</td><td>22 June 2020</td></tr>
<tr><td>Mr Lee Dah Khang</td><td>Lead Independent Director</td><td>20 December 2017</td><td>22 June 2020</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>28 June 2021</td></tr>
<tr><td>Datuk Yap Kheng Fah</td><td>Independent Director</td><td>1 January 2022</td><td>–</td></tr>
</table>
The Board's principal functions include, inter alia, the following:

providing entrepreneurial leadership, setting strategic objectives;
reviewing and monitoring Management's performance toward achieving organisational goals, establishing a framework of prudent and effective controls which enables risk to be assessed and managed;

</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Principle	Code Description	Company's compliance or explanation
		• 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. 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. The Board has delegated certain functions to the various committees, namely the Audit and Risk Committee ("**ARC**"), Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**") (collectively, the "**Board Committees**"). Each of the Board Committee has its own written terms of reference and whose actions are reported to and monitored by the Board. The duties, authorities and responsibilities of each Board Committee are set out in their respective terms of reference. The Board accepts that, while these Board Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board. A summary of each committee's activities, are disclosed in this Annual Report. As at the date of this Annual Report, the respective compositions of the Board Committees are as follows:

	ARC	NC	RC
Chairman	Oh Seong Lye	Datuk Yap Kheng Fah	Yeo Kian Wee Andy
Member	Yeo Kian Wee Andy	Oh Seong Lye	Oh Seong Lye
Member	Datuk Yap Kheng Fah	Tan Yong Chuan	Datuk Yap Kheng Fah

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 (4) times a year and as warranted by particular circumstances. Ad-hoc meetings will also be convened to deliberate on urgent substantive matters. The Company's constitution ("**Constitution**") provides for the Board to convene meetings via telephone conferencing and electronic means in the event when Directors were unable to attend meetings in person. To enable members of the Board and its Board Committees to prepare for the meetings, agendas were circulated at least a week in advance and most materials dispatched a few days before the meetings. During FY2021, the Board conducted four (4) meetings with full attendance.

CORPORATE GOVERNANCE REPORT

Principle	Code Description	Company's compliance or explanation
		The details of the number of meetings held for the Board and Board Committees during FY2021 and the attendance of each Director at those meetings are disclosed below:

Name of Directors	Board of Directors		ARC		NC		RC	
	No. of meeting		No. of meeting		No. of meeting		No. of meeting	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
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
Datuk Yap Kheng Fah*	–	–	–	–	–	–	–	–

* *Datuk Yap Kheng Fah was appointed as Independent Director of the Company with effect from 1 January 2022.*

The matters which specifically require the Board's approval or guidance are those involving:

- strategies and objectives of the Group;
- material acquisition and disposal of assets/investments;
- corporate/financial restructuring and corporate exercises;
- budgets/forecasts and business plan;
- financial results announcements, annual report and audited financial statements;
- policies & procedures, delegation of authority matrix, code of conduct & business ethics; and
- material financial/funding arrangements and capital expenditures.

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.

CORPORATE GOVERNANCE REPORT

Principle	Code Description	Company's compliance or explanation
		Formal letters of appointment will be furnished to newly-appointed Directors, upon their appointments, stating among other matters, the roles, obligations, duties and responsibilities as a member of the Board. Datuk Yap Kheng Fah has been appointed to the Board on 1 January 2022, and in light of the COVID-19 outbreak, the Company will arrange for him to visit the Group's operational facilities to gain a better understanding of the Group's operations. The Company will also conduct orientation programme to provide him with extensive background information about the Group's structure, core values, strategic direction and businesses to enable him to assimilate into his new role. It will also allow him to get acquainted with the Management, thereby facilitating Board interaction and independent access to the Management. Datuk Yap Kheng Fah has no experience as a director of listed company in Singapore. He will be attending training courses conducted by the Singapore Institute of Directors to familiarise himself with the roles and responsibilities of a director of a public listed company in Singapore as prescribed by the SGX-ST. During their appointments, Directors are provided with opportunities to develop and maintain their skills and knowledge so that they are able to perform their duties to the best of their abilities. The Company will bear the expense of such training and development. From time to time, the Directors will be briefed during meetings or by circulation of board papers of changes to regulations, policies, accounting standards, SGX-ST continuing listing obligations and other relevant matters. During the year, the external auditors, Ernst & Young LLP ("**External Auditors**"), briefed the ARC on changes or amendments to accounting standards. The Company has also arranged and funded certain relevant training courses for Directors to keep them up-to-date. 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. 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.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Principle</th><th>Code Description</th><th>Company's compliance or explanation</th></tr>
<tr><td></td><td></td><td>
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, include the following:
<table>
<tr><th></th><th>Information</th><th>Frequency</th></tr>
<tr><td>(a)</td><td>Updates to the Group's operations and the markets in which the Group operates in</td><td>Quarterly</td></tr>
<tr><td>(b)</td><td>Quarterly and full year financial results</td><td>Quarterly</td></tr>
<tr><td>(c)</td><td>Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)</td><td>As and when relevant</td></tr>
<tr><td>(d)</td><td>Report on on-going or planned corporate activity</td><td>As and when relevant</td></tr>
<tr><td>(e)</td><td>Enterprise risk management framework, reports and Internal Auditors' report</td><td>As and when available</td></tr>
<tr><td>(f)</td><td>External Auditors' report</td><td>As and when available</td></tr>
<tr><td>(g)</td><td>Sustainability report</td><td>As and when available</td></tr>
<tr><td>(h)</td><td>Research report(s)</td><td>As and when requested</td></tr>
<tr><td>(i)</td><td>Shareholding statistics</td><td>As and when requested</td></tr>
</table>
Key management personnel will also provide any additional material or information that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.
All Directors have separate and independent access to the Company Secretary. The Company Secretary, or her representatives, will attend all the Board and Board Committee meetings and is responsible to ensure that the Board procedures are followed and that information flows well between the Board and the Board Committees and between the Management and Independent Non-Executive Directors. It is the Company Secretary's responsibility to ensure that the Company complies with requirements of all applicable rules and regulations, including requirements of the Securities and Futures Act 2001 of Singapore, Constitution, Companies Act 1967 of Singapore and the Catalist Rules. The Company Secretary is also responsible for ensuring the Board procedures are followed and complied and advises the Board on all governance matters.
The appointment and removal of the Company Secretary are subject to the approval of the Board.
</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Principle</th><th>Code Description</th><th>Company's compliance or explanation</th></tr>
<tr><td colspan="3"><u>Board Composition and Guidance</u></td></tr>
<tr><td>2</td><td>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.</td><td>
The Board currently has seven (7) Directors comprising three (3) Executive Directors and four (4) Independent Non-Executive Directors. The current members of the Board and their membership on the Board Committees of the Company are as follows:
<table>
<tr><th>Name of Directors</th><th>Board Membership</th><th>ARC</th><th>NC</th><th>RC</th></tr>
<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>–</td><td>–</td><td>–</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>
<tr><td>Datuk Yap Kheng Fah</td><td>Independent Non-Executive Director</td><td>Member</td><td>Chairman</td><td>Member</td></tr>
</table>
The NC had reviewed and the Independent Directors had also confirmed their independence in accordance with the Code during the NC meeting held on 28 February 2022 and all Independent Directors have provided their independence declaration. Out of seven Directors, four are Independent. Mr Lee Dah Khang has notified the Company of his intention to retire at the forthcoming Annual General Meeting ("AGM") and upon Mr Lee Dah Khang's retirement, the Independent Directors will make up half of the Board.
The NC, having considered the assessment made by the Directors on the independent status of Mr Oh Seong Lye, Mr Yeo Kian Wee Andy, Mr Lee Dah Khang and Datuk Yap Kheng Fah and other relevant factors, has determined that each Independent Director has 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.
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.
None of the Independent Directors have served on the Board beyond nine years from the date of their appointment.
</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Principle	Code Description	Company's compliance or explanation
		The Executive Chairman is part of the management team and accordingly, is not independent. Provision 2.2 of the Code requires independent directors make up a majority of the Board where the chairman is not independent. In addition, Provision 2.3 of the Code requires non-executive directors make up a majority of the Board. While the current Independent Non-Executive Directors comprising Mr Oh Seong Lye, Mr Yeo Kian Wee Andy, Mr Lee Dah Khang and Datuk Yap Kheng Fah, make up a majority of the Board, the Board believes that there is balance of power and authority amongst the board members with no undue influence by the Executive Chairman and Executive Directors over the Board. 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 form a majority of the Board and that bring a wide range of business and financial experience, skills and knowledge necessary for the effective stewardship of the Group. The current Board also has a Lead Independent Director ("**Lead ID**") to provide leadership in situations where the Chairman may be conflicted. 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. The Board is of the view that it has an appropriate level of independence and diversity to enable it to make decisions in the best interests of the Group. The Board will continue to assess and evaluate the need to appoint additional independent non-executive director to meet the said provisions of the Code. The NC is responsible for examining the size and composition of the Board and Board Committees. The Board has adopted a Board Diversity Policy in the year under review. The Company's Board Diversity Policy endorses the principle that the Board should have an appropriate mix of skills, knowledge and experience required to effectively oversee and support the management of the Company. Selection of candidates will be based on a range of diversity perspectives, including the balance of skills, knowledge, experience, age and gender. The composition of the Board will be reviewed on an annual basis by the NC to ensure that the Board comprises members from different backgrounds and whose core competencies, qualifications, skills and experiences are extensive and other aspects such as gender and age. Having reviewed and considered the composition and diversity of the Board and its committees, the NC has determined that the current Board size and structure is adequate for the existing business operations of the Company.

CORPORATE GOVERNANCE REPORT

Principle	Code Description	Company's compliance or explanation
		To assist the NC in its annual review of the Directors' mix of skills and experiences that the Board requires to function competently and efficiently, the Directors have completed their Board of Director's Skills Set and Competency Matrix Form and provide additional information (if any) in their respective areas of specialisation and expertise. The NC, having conducted its reviews, was satisfied that members of the Board possess the relevant core competencies in areas such as accounting and finance, legal environment, business and management experience, and strategic planning. In particular, the Executive Directors possess good industry knowledge while the Independent Directors, who are mostly professionals in their own fields, are able to take a broader view of the Group's activities, contribute their valuable experiences and provide independent judgment during Board deliberations. The current Board composition provides a diversity of skills, experience and knowledge to the Company as follows:

Core Competencies	Number of Directors	Proportion of Board (%)
Accounting or finance	5	71.4
Business Management	7	100.0
Legal or corporate governance	5	71.4
Relevant industry knowledge or experience	6	85.7
Strategic planning experience	7	100.0
Customer based experience or knowledge	4	57.1

The Board has taken the following steps to maintain or enhance its balance and diversity:

- Review by the NC at least once a year to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and

- Evaluation by the Directors at least once a year of the skill sets the other Directors possess, with a view to understanding the range of expertise which is lacking by the Board.

The NC will consider the results of these exercises in its recommendation for the appointment of new Directors and/or the re-appointment of incumbent Directors.

The Board, particularly the Independent Directors, who are Non-Executive Directors, must be kept well informed of the Group's business and be knowledgeable about the industry the Group operates in. To ensure that the Independent 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.

CORPORATE GOVERNANCE REPORT

Principle	Code Description	Company's compliance or explanation
		This enables the Independent Non-Executive Directors to constructively challenge and help develop proposals on strategy and also review the performance of Management in meeting agreed goals and objectives, and extend guidance to Management. The Independent Non-Executive Directors' objective judgement on corporate affairs and collective experience and knowledge are invaluable to the Group and allows for the useful exchange of ideas and views. The Independent Directors do discuss and/or meet on a need-basis without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of the Executive Directors. The Independent Directors had met and discussed with the external and internal auditors without the presence of key management personnel in FY2021.
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.	The Company has a clear division of responsibilities at each level of the Company, with the Executive Chairman and the CEO having separate roles to ensure an appropriate balance of power, increased accountability and a greater capacity of the Board for independent decision-making. The division of responsibilities between the Chairman and the CEO is also clearly established in the Constitution of the Company. The Chairman manages the business of the Board whilst the CEO and his management team translate the Board's decisions into executive action. The CEO has executive responsibilities for the Group's businesses and is accountable to the Board. The Chairman, Mr Tan Kwee Chai is the father of the CEO, Mr Tan Yong Chuan. The 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. 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. Accordingly, 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.

CORPORATE GOVERNANCE REPORT

Principle	Code Description	Company's compliance or explanation
		There is also a strong independent element on the Board. As Mr Tan Kwee Chai is the Executive Chairman, Mr Lee Dah Khang is appointed as the Lead ID, 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 ID, the Independent Directors will meet in the absence of the other Directors as and when circumstances warrant. Following the retirement of Mr Lee Dah Khang as Director of the Company at the forthcoming AGM, Mr Lee Dah Khang will contemporaneously relinquish his position as Lead ID. In view of that, Mr Tan Kwee Chai will relinquish his position as the Executive Chairman and remain as an Executive Director. The Company intends to appoint a new Chairman from among existing Board members to ensure that it is in compliance with the Code. Based on the above, the Board believes that, despite the familial relationship, there is an appropriate balance of power, adequate accountability, and adequate capacity of the Board for independent decision making.
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.	The NC comprises Datuk Yap Kheng Fah, Mr Oh Seong Lye and Mr Tan Yong Chuan. The Chairman of the NC is Datuk Yap Kheng Fah. Mr Lee Dah Khang was the NC Chairman during the financial year 2021. Mr Lee stepped down on 1 January 2022 and in place, Datuk Yap Kheng Fah was appointed on the same date. The NC, which meets at least once a year, carries out its duties in accordance with a set of written Terms of Reference which includes, mainly, the following: (a) reviewing and recommending the nomination or re-nomination of the Directors having regard to the Director's contribution and performance; (b) determining on an annual basis, and as and when circumstances require, whether or not a Director is independent; (c) deciding whether or not a Director is able to, and has been, adequately carrying out his duties as a Director; (d) reviewing and approving any new employment of related persons and the proposed terms of their employment; (e) developing a process for the evaluation of the performance of the Board, its committees and the Directors and proposing objective performance criteria, as approved by the Board that allows comparison with its industry peers, and addressing how the Board has enhanced long-term shareholders' value; (f) reviewing succession plans for Directors and key management personnel; and (g) reviewing training and professional development programmes for the Board. During FY2021, the NC held one scheduled meeting with full attendance.

CORPORATE GOVERNANCE REPORT

Principle	Code Description	Company's compliance or explanation
		The key responsibilities of the NC include making recommendations to the Board on relevant matters such as the process for evaluating the performance of the Board and each Director as well as succession planning which form a critical part of corporate governance process for CEO and board members. It seeks to refresh the board membership as it thinks fit in an orderly and progressive manner so as to keep institutional memory intact. It also ensures compliance with the requirements of the Company's Constitution which provides that at each AGM, one-third of the Board is required to retire and provided always that every director shall retire from office at least once every three (3) years. In addition, the Directors, by the recommendation of NC, shall have the power to appoint any person to be the Director either to fill a casual vacancy or as an additional Director. All new Directors who are appointed by the Board are subject to re-election at the next AGM but shall not be taken into account in determining the numbers of Directors who are retire by rotation at such meeting. In this respect, the NC has recommended and the Board has agreed for the following Directors to retire and seek re-election at the forthcoming AGM: Pursuant to Regulation 98 of the Constitution of the Company: (a) Mr Tan Kwee Chai (b) Mr Lee Dah Khang Pursuant to Regulation 102 of the Constitution of the Company: (a) Datuk Yap Kheng Fah In making the recommendations, the NC considers the overall contribution and performance of the Directors. 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 Oh Seong Lye, Mr Yeo Kian Wee Andy, Mr Lee Dah Khang and Datuk Yap Kheng Fah are independent and free from any relationship outlined in the Code. Each of the Independent Directors has also confirmed his independence. 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 NC's recommendation, the Board has determined and set the maximum number of listed company board appointments at not more than four (4) other listed companies. Currently, none of the Directors hold more than four (4) directorships in other listed companies. No person would be appointed as an Independent Director if he/she, prior to such appointment, is already holding five (5) or more directorship appointments in any publicly listed company on the SGX-ST or any other international stock exchanges; and for person with full-time employment (with existing employment contract), he/she should obtain consensus from his/her employer(s) before accepting the appointment as an Independent Director and he/she should not hold three (3) or more other independent directorships in any publicly listed company on the SGX-ST or international stock exchanges prior to his/her appointment. The considerations in assessing the capacity of Directors include the following: • Expected and/or competing time commitments of Directors, including whether such commitment is a full-time or part-time employment capacity;

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<table>
<tr><th>Principle</th><th>Code Description</th><th>Company's compliance or explanation</th></tr>
<tr><td></td><td></td><td>

Geographical location of Directors;
Size and composition of the Board;
Nature and scope of the Group's operations and size; and
Capacity, complexity and expectations of the other listed directorships and principal commitments held.

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 FY2021.
The Company currently does not have any alternate director.
The following table sets out the process for the selection and appointment of new directors:
<table>
<tr><td>1.</td><td>Determination of selection criteria</td><td>The NC, in consultation with the Board would identify the current needs of the Board in terms of expertise and skills that are required in the context of the strengths and weaknesses of the existing Board to complement and strengthen the Board.</td></tr>
<tr><td>2.</td><td>Search for suitable candidates</td><td>The NC will consider various channels in sourcing of suitable candidate(s) either through:

(a) internal promotion by way of nominating the successor via the succession plan of the Company or recommendations from Board members, management, business associates and professional bodies; or

(b) external sources through professional search firms and reputable human resource consultants.</td></tr>
<tr><td>3.</td><td>Assessment of shortlisted candidates</td><td>Those short-listed candidate(s) will be required to furnish their curriculum vitae stating in detail their qualification, working experience, employment history, and to complete the following prescribed Forms:

(a) Director's Declaration on Independence;

(b) Internal Guidelines for Directors Serving on Multiple Boards; and

(c) Board of Director's Skills Set and Competency Matrix.

The Board is also advised by the Sponsor on appointment of directors as required under Catalist Rule 226(2)(d).</td></tr>
<tr><td>4.</td><td>Appointment of director</td><td>The NC would recommend the selected candidate to the Board for consideration and approval.</td></tr>
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<table>
<tr><th>Principle</th><th>Code Description</th><th>Company's compliance or explanation</th></tr>
<tr><td></td><td></td><td>The following table sets out the process for the re-election of directors:
<table><tr><td>1.</td><td>Assessment of director</td><td>(a) The NC would assess the contributions and performance of the Director in accordance with the performance criteria set by the Board; and

(b) The NC would also review the range of expertise, skills and attributes of current needs of the Board.</td></tr><tr><td>2.</td><td>Re-appointment of director</td><td>Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the director to the Board for its consideration and approval.</td></tr></table>
Each member of the NC will abstain from voting on any resolution and making any resolutions and/or participating in any deliberations of the NC in respect of the assessment of his performance or nomination for re-election as a Director.

The key information of the Directors, including their appointment dates and their listed company directorships held in the past three (3) years, are set out on pages 6 to 9 of this Annual Report.

The shareholdings of the Directors in the Company are set out on page 53 of this Annual Report. None of the Directors hold shares in the subsidiaries of the Company.

Directors who are seeking re-election at the forthcoming AGM to be held on 29 April 2022 are stated in the Notice of AGM set out on pages 45 to 50 of this Annual Report.</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

Principle	Code Description	Company's compliance or explanation
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.	The NC has set the performance criteria to evaluate the effectiveness of the Board as a whole and its Board Committees, and assessed the contributions by the Chairman and each Director to the effectiveness of the Board in FY2021. This assessment will also be conducted by the NC at least once a year by way of a Board Evaluation where the Directors complete a Board Performance Evaluation Questionnaire, Self-Assessment Checklist, and Board of Director's Skills Set and Competency Matrix Form. Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his/her performance or re-nomination as a Director. The Board will act on the results of the performance evaluation, and in consultation with the NC, propose, where appropriate, that new members be appointed to the Board or seek the resignation of Director(s). Objective performance criteria used to assess the performance of the Board include both quantitative and qualitative criteria. The Board and the NC believe that the financial indicators are mainly used to measure the Management's performance and hence are less applicable to the Independent Non-Executive Directors. The NC had conducted the Board's performance evaluation as a whole in FY2021. The performance criteria for the Board's evaluation, as determined by the NC, cover the following areas: (a) Appropriateness of the size and composition (including diversity) of the Board and Board Committees; (b) Effectiveness of Board meetings conducted (including robustness and comprehensiveness of issues discussed, as well as timely resolution of issues); (c) Effectiveness and timeliness of communications with Management; (d) Adequacy of training and development for Directors; (e) Adequacy of communication and accountability to Shareholders; (f) Standards of conduct; (g) Financial performance of the Group; and (h) Board compensation. 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. 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 FY2021. For the year under review, the NC also took note of each individual Director's attendance at meetings of the Board and Board Committees as well as at general meeting(s); participation in discussions at meetings; knowledge of and contacts in the regions where the Group operates; the individual Director's functional expertise and his commitment of time to the Company. The NC was of the view that the Board has met its performance objectives and will continue to improve further to an effective Board.

CORPORATE GOVERNANCE REPORT

Principle	Code Description	Company's compliance or explanation
REMUNERATION MATTERS		
Procedures for Developing Remuneration Policies		
6	The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.	The RC comprises the Independent Directors, Mr Yeo Kian Wee Andy, Mr Oh Seong Lye and Datuk Yap Kheng Fah. The Chairman of the RC is Mr Yeo Kian Wee Andy. Mr Lee Dah Khang was a member of the RC during the financial year 2021. Mr Lee stepped down on 1 January 2022 and in place, Datuk Yap Kheng Fah was appointed with effect from 1 January 2022. The terms of reference of the RC include, *inter alia*, the following: (a) offer an independent perspective in assisting the Board in the establishment of a formal and transparent procedure for developing policy on remuneration matters for the Directors and key management personnel of the Company; (b) establish appropriate framework of remuneration policies to motivate and retain Directors and executives, and ensure that the Company is able to attract appropriate talent from the market to maximise the value for shareholders; (c) determine specific remuneration packages for the Directors and key management personnel (or executive of equivalent rank) and any relative of a Director and/or substantial shareholder who is employed in a managerial position by the Company; (d) review and administer the award of shares to Directors and employees under the Company's performance share plan (the "**LY Performance Share Plan**" or the "**LYPSP**"); (e) review and determine the contents of service contracts for Executive Directors and/or key management personnel; and (f) review the appropriateness and transparency of remuneration matters for disclosure to shareholders. The RC ensures that a formal and transparent procedure is in place for fixing the remuneration packages of individual Directors and key management personnel. The recommendations of the RC are submitted for endorsement by the Board. Such frameworks are reviewed periodically to ensure that they remain competitive and relevant. All aspects of remuneration frameworks, including but not limited to directors' fees, salaries, allowances, bonuses, the awards to be granted under the performance share plan as well as other benefits-in-kind are reviewed by the RC. Each member of the RC abstains from voting on any resolutions in respect of his remuneration package. If necessary, the RC may seek expert advice outside the Company on remuneration of the Directors and key management personnel. The RC ensures that in the event of such advice being sought, existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. No remuneration consultants were engaged by the Company in FY2021. The RC has access to expert professional advice on human resource matters whenever there is a need to consult externally.

CORPORATE GOVERNANCE REPORT

Principle	Code Description	Company's compliance or explanation
Level and Mix of Remuneration		
7	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.	In reviewing and determining the remuneration packages of the Executive Directors and the Group's key management personnel, the RC considers the Executive Directors' and key management personnel's responsibilities, skills, expertise and contribution to the Group's performance when designing their respective remuneration packages, so as ensure that the level of remuneration is appropriate to attract, retain and motivate the Executive Directors' and key management personnel to run the Company successfully. The RC administers the Company's LYPSP, which formed part of the offer document dated 18 January 2018 (the "**Offer Document**"). No awards were granted under the LYPSP in FY2021. 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: (a) Oh Seong Lye; (b) Andy Yeo Kian Wee; (c) Datuk Yap Kheng Fah; and (d) Tan Yong Chuan. Independent Non-Executive Directors do not have service agreement with the Company and accordingly do not receive salary. The Independent Non-Executive Directors are paid Directors' fees, which are determined by the Board based on the effort, time spent and responsibilities of the Independent Non-Executive Directors (including but not limited to their appointments to the various Board Committees). The Directors' fees of the Independent Non-Executive Directors are subject to approval by shareholders at each AGM. The Independent Non-Executive Directors were also paid allowance to facilitate their participation in Board's affairs. 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.

CORPORATE GOVERNANCE REPORT

Principle	Code Description	Company's compliance or explanation
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.	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. The breakdown for the remuneration of the Directors in FY2021 is as follows:

	Breakdown of Remuneration in Percentage (%)						Total Remuneration in Compensation Bands of $250,000
Name of Directors	Fees(1)	Salary(2)	Allowance	Benefits	Variable Bonus(3)	Total	
Executive Directors							
Tan Kwee Chai	–	97.2	1.0	1.8	–	100.0	S$250,001-S$500,000
Tan Yong Chuan	0.5	91.7	2.2	5.6	–	100.0	<S$250,000
Tan Ai Luang	–	90.1	2.5	7.4	–	100.0	<S$250,000
Independent Directors							
Lee Dah Khang	91.6	–	8.4	–	–	100.0	<S$250,000
Oh Seong Lye	91.0	–	9.0	–	–	100.0	<S$250,000
Yeo Kian Wee Andy	91.7	–	8.3	–	–	100.0	<S$250,000
Datuk Yap Kheng Fah*	–	–	–	–	–	–	–

* *Datuk Yap Kheng Fah was appointed as Independent Director of the Company with effect from 1 January 2022.*

Notes:

(1) The Directors' Fees and Allowances for attending meetings to be held for the financial year ending 31 December 2022 will be subject to the approval of the shareholders at the AGM.

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

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

Taking into consideration the highly competitive business environment, the nature of the industry and the confidentiality of the Group's remuneration policies, the Board is of the view that providing full disclosure of the remuneration of each individual director and key management personnel is not in the best interests of the Group and may adversely affect talent attraction and retention.

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

During FY2021, the Group had six (6) top key management personnel (who are not Directors or the CEO of the Company).

CORPORATE GOVERNANCE REPORT

Principle	Code Description	Company's compliance or explanation
		The breakdown for the remuneration of the Company's key management personnel (who are not Directors or CEO of the Company) during FY2021 is as follows:

		Breakdown of Remuneration in Percentage (%)					Total Remuneration in Compensation Bands of $250,000
Name	**Position**	**Salary[1]**	**Allowance**	**Benefits-in-kind**	**Variable Bonus and long service incentive[2]**	**Total**	
Tan Kwee Lim	Chief Operating Officer	95.6	–	4.4	–	100.0	<S$250,000
Boo Ngek Hee	Chief Quality Officer	96.1	–	3.9	–	100.0	<S$250,000
Teo Gin Lian	Chief Financial Officer ("**CFO**")	83.9	3.9	–	12.2	100.0	<S$250,000
Lau Chia En	Director of Leyo Holdings Sdn Bhd	100.0	–	–	–	100.0	<S$250,000
Tan Yong Siang	Director of LY Furniture Sdn Bhd	89.7	–	10.3	–	100.0	<S$250,000
Ng Teck Lai	Director of Leyo Holdings Sdn Bhd	100.0	–	–	–	100.0	<S$250,000

Notes:

(1) *The salary amount shown is inclusive of allowances such as fixed transport allowance and equivalent provident fund scheme.*

(2) *The variable bonus and long service incentive amount shown are inclusive of employees' provident funds.*

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

The aggregate remuneration paid to the above key management personnel (who are not Directors or CEO) in FY2021 was S$441,148.

Tan Kwee Lim and Tan Kwee Chai are brothers and his remuneration for FY2021 is disclosed in the table above.

Tan Yong Siang is the son of Tan Kwee Chai and brother of Tan Yong Chuan. His remuneration for FY2021 is disclosed in the table above.

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 FY2021.

The Company has not adopted any employee share option scheme.

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 FY2021. 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.

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Principle	Code Description	Company's compliance or explanation
		The performance criteria used to assess the remuneration of Executive Directors and key management personnel is based on qualitative and quantitative components: (a) Leadership (b) Teamwork (c) People development (d) Responsibilities and commitment (e) Profitability performance of the Group 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 FY2021.
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.	The Board is accountable to shareholders and ensures that all material information is fully disclosed in a timely manner to shareholders in compliance with statutory and regulatory requirements. The Board strives to provide its shareholders a balanced and understandable assessment of the Group's performance, position and prospects. The Board takes steps to ensure compliance with all the Group's policies, operational practices and procedures, and relevant legislative and regulatory requirements, including requirements under the Catalist Rules, where appropriate. The Independent Directors in consultation with management will request for management's consideration for the establishment of written policies for any particular matter that is deemed to be essential to form part of management control. Management provides appropriately detailed management accounts of the Group's performance on a quarterly basis to the Board to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects. As and when circumstances arise, the Board can request management to provide any necessary explanation and/or information on the management accounts of the Group. The Board reviews the Group's business and operational activities to identify areas of significant business risk as well as the measures in place to control and mitigate these risks within the Group's policies and business strategies. The risk assessment exercise also includes identifying and assessing key risk areas of the Group such as financial, operational, compliance and information technology risks based on the feedback of the Internal Auditors and External Auditors. The Board also oversees the Management in implementing the risk management and internal controls system. 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. 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.

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Principle	Code Description	Company's compliance or explanation
		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. The Board is of the view that the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective as of 31 December 2021 in its current business environment. The basis for the Board's view are as follows: • 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. 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 FY2021 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. Based on the internal controls established and maintained by the Group, work performed by the Internal and External Auditors, and reviews performed by the Management, various Board Committees and the Board, the Board, in concurrence with the ARC, is of the opinion that the Group's system of internal controls, which addresses the financial, operational, compliance and information technology controls and risk management systems, were adequate and effective as of 31 December 2021 in its current business environment. The Board notes that system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities. The ARC has reviewed the Management's assessment and discussed with the External Auditors about the identified key audit matters (referred to in pages 55 to 57 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.

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Principle	Code Description	Company's compliance or explanation
Audit and Risk Committee		
10	The Board has an ARC which discharges its duties objectively.	The Company has an ARC which comprises three (3) members, Mr Oh Seong Lye (Chairman), Mr Yeo Kian Wee Andy and Datuk Yap Kheng Fah, all of whom including its Chairman, are Independent Non-Executive Directors. Mr Lee Dah Khang was a member of the ARC during the financial year 2021 . Mr Lee stepped down from the office of the ARC member and in place, Datuk Yap Kheng Fah was appointed with effect from 1 January 2022. The Chairman of the ARC, Mr Oh Seong Lye is a Fellow of Institute of the Chartered Accountants of England and Wales; a Chartered Accountant of the Malaysian Institute of Accountants and a Chartered Accountants of the Institute of Singapore Chartered Accountants. Datuk Yap Kheng Fah has experience in corporate finance and private equity who has led, completed or been involved in corporate restructuring, divestiture, mergers and acquisitions, reverse takeovers and debt transactions. The ARC is guided by the following key terms of reference: (a) assist our Board in the discharge of its responsibilities on financial reporting matters; (b) consider the appointment or re-appointment of the External Auditors, the level of their remuneration and matters relating to the resignation or dismissal of the External Auditors, and review with the External Auditors the audit plans, their evaluation of the system of internal accounting controls, their audit reports, their management letter and our management's response before submitting the results of such review to our Board for approval; (c) consider the appointment or re-appointment of the Internal Auditors, the level of their remuneration and matters relating to the resignation or dismissal of the Internal Auditors, and review with the Internal Auditors the internal audit plans and their evaluation of the adequacy of our system of internal accounting controls and accounting system before submitting the results of such review to our Board for approval prior to the incorporation of such results in our annual report (where necessary); (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;

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Principle	Code Description	Company's compliance or explanation
		(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 ARC; (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. 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. 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

CORPORATE GOVERNANCE REPORT

Principle	Code Description	Company's compliance or explanation
		The breakdown of the fees paid/payable to the Group's External Auditors (including its associated firms) is as follows:

External Auditor Fees for FY2021	S$'000	% of Total Fees
Total Audit Fees	148	100.0
Total Non-Audit Fees	–	–
Total Fees	148	100.0

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.

Ernst & Young LLP has served as the External Auditors of the Group since its listing on Catalist on 31 January 2018 and was re-appointed as the External Auditors at the last AGM held on 28 June 2021, to hold office until the conclusion of the next AGM of the Company and would not seek re-appointment as auditors of the Company for the financial year ending 31 December 2022. After due deliberations, the Board, at the recommendation of the ARC, recommends that PricewaterhouseCoopers LLP be appointed as Auditors of the Company for the financial year ending 31 December 2022, in place of Ernst & Young LLP.

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.

The Company's Whistle-blowing Policy allows not just employees but also external parties to raise concerns and offer reassurance that they will be protected from reprisals or victimisation for whistle blowing in good faith.

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.

CORPORATE GOVERNANCE REPORT

Principle	Code Description	Company's compliance or explanation
		Investigation Committee The IC consists of an Executive Director, CFO and an external outsourced Human Resource Consultant. The IC is empowered to: • look into all issues/concerns relating to the Group (except for those directed specifically to or affecting any member of the IC which are dealt with by the 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. 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. There were no whistle-blowing reports received during FY2021. 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. 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. The ARC's responsibilities over the Group's internal controls and risk management are complemented by the work of the Internal Auditors. The Company has outsourced its internal audit function to Baker Tilly Consultancy (Singapore) Pte. Ltd. ("**Baker Tilly**" or "**Internal Auditors**"). Baker Tilly is the appointed outsourced internal auditor to many public listed companies in Singapore & Hong Kong. The engagement team is led by its engagement partner who has more than 20 years of professional experience in the field and possesses the designation of Certified Internal Auditor and Chartered Accountant (Singapore). The engagement team from Baker Tilly comprises an Engagement Manager, Lead Consultants and Consultants who possess relevant experience as well as designations such as Certified Public Accountant, Certified Internal Auditor etc. The Internal Auditors conduct their work in accordance to the International Professional Practices Framework issued by the Institute of Internal Auditors.

CORPORATE GOVERNANCE REPORT

Principle	Code Description	Company's compliance or explanation
		The Internal Auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the ARC and the ARC is satisfied that the Internal Auditors possess the relevant skillsets/qualifications and have appropriate standing within the Company to carry out their work in line with the approved Internal Audit Plans. The Internal Auditors' ultimate line of reporting is to the Chairman of the ARC. It carries out the Internal Auditor functions under the direction of the ARC and reports the findings and makes recommendations to the ARC accordingly. 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. 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.
SHAREHOLDER RIGHTS AND ENGAGEMENT		
Shareholder Rights and Conduct of General Meetings		
11	The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.	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. Shareholders are encouraged to attend shareholders' meetings to stay informed of the Company's strategy and goals. Notice of the meeting is dispatched to shareholders, together with annual report or a circular, at least 14 days, or 21 days (as the case may be), before the meeting. The Board welcomes questions from shareholders who have an opportunity to raise issues either formally or informally before or at the shareholders' meetings. All shareholders are entitled to vote in accordance with the established voting rules and procedures. The Company shall conduct poll voting for all resolutions tabled at the general meetings. The rules, including the voting process, shall be explained by the scrutineers at such general meetings. A shareholder who is entitled to attend and vote may either vote in person or through the appointment of proxies. The Constitution of the Company allows an individual shareholder to appoint not more than two (2) proxies to attend and vote on his or her behalf at the general meetings. 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.

CORPORATE GOVERNANCE REPORT

Principle	Code Description	Company's compliance or explanation
		The Board welcomes questions from shareholders who wish to raise issues, either informally or formally before or during the general meetings. The Chairman of the Board and its Committees, CEO and CFO will all attend the general meetings to address issues raised by shareholders. The External Auditors and the Sponsors are also present to address any relevant queries from shareholders. Company held one shareholders' meeting in FY2021 where all directors were present. The minutes of general meetings which incorporate substantial comments or queries from shareholders relating to the agenda of the meeting, response from the Board and Management, are publicly available on both the SGXNET and the Company's corporate website. All resolutions are put to vote by poll, and their detailed results will be announced via SGXNET after the conclusion of the general meeting. Member who is a relevant intermediary may appoint more than two (2) proxies to attend, speak and vote at the shareholders' meetings, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy. <u>Conduct of forthcoming AGM by way of electronic means</u> In view of the COVID-19 situation in Singapore, the Company's AGM for FY2020 was conducted and held by electronic means through a live webcast and shareholders were given an option to watch the "live" webcast or listen to the "live" audio feeds on 28 June 2021. The Company's forthcoming AGM to be held in respect of FY2021 will be convened and held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Alternative Arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via "live" webcast or "live" audio feeds), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions prior to the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, will be put in place for the AGM to be held on 29 April 2022. Shareholders shall refer to the notice of AGM as disclosed in this Annual Report for the details on the Alternative Arrangements of the AGM, members' entitlement to attend and vote and appointment of proxies. The Company does not have a fixed dividend policy. The form, frequency and amount of future dividends on the shares that the Board may recommend or declare will depend on, among other factors deemed relevant by the Board, the factors outlined below: (a) cash flow and retained earnings; (b) actual and projected business and financial performance; (c) projected levels of capital expenditure and expansion plans;

CORPORATE GOVERNANCE REPORT

Principle	Code Description	Company's compliance or explanation
		(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). After taking into consideration the losses incurred, the Board will not be recommending any final dividend for FY2021. In such a challenging business environment, the Board is of the view that it would be prudent to conserve cash to support working capital requirements until the COVID-19 situation improves.
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.	The Company currently does not have an investor relations policy. However, the Company has engaged an external investor relations adviser, GC Consultants Pte. Ltd., to carry out investor relations activities. The Company strives to communicate with shareholders and the investing community through the timely release of announcements to the SGX-ST via SGXNET including the financial results announcements of the Company and the Group, which are published through the SGXNET on a half-yearly basis. The Company has also released announcements in relation to COVID-19 situation to the SGX-ST via SGXNET in FY2021. To further enhance its communication with investors, the Company has also enhanced its website through its Investor Relations at http://investor.lyfurniture.com/where the public can access information on the Group directly and make enquiries via the contact information published on the corporate website. 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.
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.	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 FY2021 which is to be published by 31 May 2022. The Company maintains a corporate website at http://www.lyfurniture.com to communicate and engage with stakeholders.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH APPLICABLE CATALIST RULES		
Catalist Rule	**Rule Description**	
712, 715 or 716	Appointment of Auditors	The Group complied with Rule 712 and Rule 715 of the Catalist Rules.
1204(8)	Material Contracts	There were no material contracts entered into by the Group involving the interests of the CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2021 or if not then subsisting, which were entered into since the end of the previous financial year, save for the service agreements between the Company and the Executive Directors.
1204(10)	Confirmation of Adequacy of Internal Controls	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 in FY2021 in its current business environment based on the following: • Assurance has been received from the CEO and CFO; • Board Committee meetings are held with the key management personnel to discuss and review the financial and operational (including compliance issues) performance of the Group. Internal control issues, where applicable, were discussed and addressed during such meetings; • Key management personnel regularly evaluates, monitors and reports to the 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. There were no material weaknesses identified by the Board or ARC in FY2021.
1204(10)(C)	ARC's comment on internal audit function	The ARC is satisfied that the Company's internal audit function is: • sufficiently independent to carry out its role; • conducted effectively as Management has provided full co-operation to enable Internal Auditors to perform its function; • adequately resourced to perform the work for the Group; and • has the appropriate standing within the Company.

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Catalist Rule</th><th>Rule Description</th><th></th></tr>
<tr><td>1204(17)</td><td>Interested Person Transaction ("IPT")</td><td>
Details of the interested person transactions for FY2021 as required pursuant to Rule 907 of the Catalist Rules of SGX-ST are as follows:

<table>
<tr><th>Name of Interested Person</th><th>Nature of Relationship</th><th>Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
RM'000</th><th>Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
RM'000</th></tr>
<tr><td>Lean Shern Furniture Sdn Bhd ("Lean Shern")</td><td>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.</td><td>NIL</td><td>8,047</td></tr>
<tr><td>LP Global Resources Sdn Bhd ("LP Global")</td><td>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.</td><td>NIL</td><td>NIL</td></tr>
<tr><td>Leatherworld Upholstery Sdn Bhd ("Leatherworld")</td><td>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.</td><td>NIL</td><td>2,754</td></tr>
</table>

* 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.

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.
</td></tr>
</table>

CORPORATE GOVERNANCE REPORT

<table>
<tr><th>Catalist Rule</th><th>Rule Description</th><th></th></tr>
<tr><td>1204(19)</td><td>Dealing in Securities</td><td>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.

The Company, its Directors and officers are also discouraged from dealing in the Company's securities on short term considerations and are prohibited from dealing in the Company's securities during the period commencing one month before the announcement of the Group's half-yearly or full year results, and ending on the date of the announcement of the relevant results.</td></tr>
<tr><td>1204(21)</td><td>Non-sponsor Fees</td><td>No non-sponsor fees were paid to the Company's sponsor, Xandar Capital Pte. Ltd. during FY2021.</td></tr>
<tr><td>1204(22)</td><td>Use of Proceeds</td><td>Pursuant to the Company's initial public offering ("IPO") in 2018, the Company received net proceeds from the IPO of approximately RM13.0 million (the "Net Proceeds").

As at the date of this Annual Report, the status on the use of Net Proceeds is as follows:

<table>
<tr><th>Purpose</th><th>Revised(1) allocation of IPO proceeds (S$'000)</th><th>Amount utilised (S$'000)</th><th>Balance (S$'000)</th></tr>
<tr><td>Expanding the sales network in the People's Republic of China</td><td>137</td><td>(137)</td><td>–</td></tr>
<tr><td>Upgrading the machinery and equipment and acquiring new technology</td><td>5,863</td><td>(5,863)</td><td>–</td></tr>
<tr><td>Construction of additional facilities</td><td>4,000</td><td>(4,000)</td><td>–</td></tr>
<tr><td>General working capital purposes(2)</td><td>3,000</td><td>(2,978)</td><td>22</td></tr>
<tr><td>Total</td><td>13,000</td><td>(12,978)</td><td>22</td></tr>
</table>

Notes:
(1) As announced by the Company in its announcement dated 16 November 2020.
(2) Payment of corporate and administrative expenses.</td></tr>
</table>

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Tan Kwee Chai and Datuk Yap Kheng Fah are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 29 April 2022 ("**AGM**") (collectively the "**Retiring Directors**" and each a "**Retiring Director**").

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

	MR TAN KWEE CHAI	DATUK YAP KHENG FAH
Date of Appointment	20 December 2017	1 January 2022
Date of last re-appointment	25 April 2019	Not Applicable
Age	65	47
Country of principal residence	Malaysia	Malaysia
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the qualification, contribution, performance, business knowledge, attendance, preparedness, participation, candour and suitability of Mr Tan Kwee Chai for re-appointment as Executive Director of the Company. The Board has reviewed and concluded that Mr Tan Kwee Chai, who is the founder of the business possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the NC and has assessed the background, qualifications, skill, knowledge, expertise, experiences and credentials of Datuk Yap Kheng Fah for re-appointment as Independent Director of the Company. The Board has reviewed and is of the view that Datuk Yap Kheng Fah possesses the requisite experience and capabilities to assume the duties and responsibilities as an Independent Non-Executive Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive Mr Tan Kwee Chai is responsible for the Group's overall management and operations, including formulating Group's strategic directions and expansion plans.	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director	Independent Director, Chairman of the NC, members of the Audit and Risk Committee and Remuneration Committee.

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TAN KWEE CHAI	DATUK YAP KHENG FAH
Professional qualifications	Not Applicable	Datuk Yap Kheng Fah holds Bachelor's Degree in Commerce from the University of Auckland, New Zealand and a Master in Business Administration (eCommerce) from Charles Sturt University, Australia.
Working experience and occupation(s) during the past 10 years	LY Corporation Limited and its related corporations.	– Managing Director of Grorich Corporation Sdn Bhd – Managing Director of Grorich Sdn Bhd – Managing Director of Grorich Land Sdn Bhd – Founder and Chairman of Censuria Capital Sdn Bhd – Co-founder and Managing Partner of Senturia Capital Sdn Bhd
Shareholding interest in the listed issuer and its subsidiaries	Direct interest: 2,320,400 Deemed Interest: 355,159,700	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Tan Kwee Chai is the father of Mr Tan Yong Chuan (Executive Director and Chief Executive Officer of the Company), and uncle of Ms Tan Ai Luang (another Executive Director of the Company).	None
Conflict of Interest (including any competing business)	None	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments including Directorships Past (for the last 5 years) Present	None	Yes Senturia Capital Sdn Bhd Grorich Corporation Sdn Bhd Grorich Sdn Bhd Grorich Land Sdn Bhd Censuria Capital Sdn Bhd

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

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

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TAN KWEE CHAI	DATUK YAP KHENG FAH
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TAN KWEE CHAI	DATUK YAP KHENG FAH
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:		
i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
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	No	No
iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	MR TAN KWEE CHAI	DATUK YAP KHENG FAH
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	Not Applicable.	Not Applicable.

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of LY Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2021.

1. Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

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

Tan Yong Chuan
Tan Kwee Chai
Tan Ai Luang
Lee Dah Khang
Oh Seong Lye
Yeo Kian Wee Andy
Datuk Yap Kheng Fah (appointed on 1 January 2022)

3. Arrangements to enable directors to acquire shares and debentures

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

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4. Directors' interests in shares and debentures

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

	Direct interest			Deemed interest		
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At 21 January 2022**	**At the beginning of financial year**	**At the end of financial year**	**At 21 January 2022**
Ordinary shares of the Company						
Tan Kwee Chai	1,556,200	1,556,200	2,320,400	352,305,400	355,159,700	355,159,700
Tan Ai Luang	800,000	800,000	800,000	–	–	–
Lee Dah Khang	77,000	77,000	77,000	–	–	–
Oh Seong Lye	115,000	115,000	115,000	–	–	–
Yeo Kian Wee Andy	115,000	115,000	115,000	–	–	–
Ordinary shares of the ultimate holding company – Lian Yu Holdings Pte. Ltd.						
Tan Kwee Chai	431,730	431,730	431,730	–	–	–
Tan Yong Chuan	107,336	107,336	107,336	–	–	–

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

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

5. Share awards

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

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

6. Audit and Risk Committee

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

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

7. Auditor

The retiring auditors, Ernst & Young LLP, will not be seeking re-appointment at the forthcoming Annual General Meeting. PricewaterhouseCoopers LLP has expressed its willingness to accept appointment as auditors.

On behalf of the board of directors:

Tan Kwee Chai
Director

Tan Yong Chuan
Director

4 April 2022

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of LY Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group") which comprise the statements of financial position of the Group and the Company as at 31 December 2021, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the financial year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (the "SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (the "ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (the "ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

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

Valuation of inventories – work-in-progress and finished goods

As of 31 December 2021, the work-in-progress and finished goods amounted to RM28,705,000 and RM15,229,000 respectively. Significant management estimate is required in arriving at the cost of the inventory, which is determined based on standard costing technique, in particular the estimation of direct labour and direct overheads to be apportioned to the specific inventories based on stage of completion. As such, we considered this to be a key audit matter.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Key Audit Matters (Continued)

Valuation of inventories – work-in-progress and finished goods (Continued)

Our audit procedures included, among others:

- obtained an understanding and evaluated the design and operating effectiveness of the Group's internal controls with respect to inventory costing process;

- observed the year-end inventory count performed by management and selected work-in-progress and finished goods on a sampling basis and performed test counts;

- assessed management's budgeting and monitoring process and reviewed the standard costing on a sample basis to check that cost components of work-in-progress and finished goods are appropriate; and

- tested the standard costing by checking the actual cost components to supporting documents and testing the overhead costs capitalised in work-in-progress and finished goods.

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

Impairment assessment of goodwill, trademarks, property, plant and equipment, right-of-use assets and the Company's investment in subsidiaries

As at 31 December 2021, the Group has net carrying value of goodwill, trademarks, property, plant and equipment ("PPE") and right-of-use assets ("ROUA") amounting to RM2,639,000, RM284,000, RM159,485,000 and RM26,087,000 respectively. The assets are allocated to the respective cash-generating unit ("CGU"). As at 31 December 2021, the net carrying amount of the Company's investment in subsidiaries amounted to RM62,456,000. We considered the audit of management's impairment assessment of these assets to be a key audit matter because the assessment process involves management exercising significant judgement and making assumptions of future market and economic conditions.

Management determined the recoverable amounts of these assets based on value in use calculations. Our audit procedures included, among others:

- assessed management's process of setting budgets on which the cash flow forecasts are based;

- assessed the reasonableness of key assumptions used in cash flow projections by comparing them against historical performance, future business plans and market outlook, considering the impact associated with COVID-19 pandemic;

- evaluated the discount rates used by comparing them to external comparable companies in the same industry;

- assessed the reasonableness of the long-term growth rate by comparing it to external data such as economic growth and inflation rate; and

- reviewed management's analysis of the sensitivity of the value in use calculations to reasonably possible changes in the key assumptions.

We involved our internal valuation specialists in performing some of these procedures.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Key Audit Matters (Continued)

Impairment assessment of goodwill, trademarks, property, plant and equipment, right-of-use assets and the Company's investment in subsidiaries (Continued)

The Group's disclosures relating to goodwill, trademarks, PPE, ROUA and the Company's investment in subsidiaries are included in Note 14, Note 12, Note 22 and Note 13 to the financial statements respectively.

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Hah Yanying.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

4 April 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

(Amounts in Ringgit Malaysia)

	Note	2021 RM'000	2020 RM'000
Revenue	4	**189,222**	238,604
Cost of sales		**(192,710)**	(217,740)
Gross (loss)/profit		**(3,488)**	20,864
Other items of income			
Interest income from short-term deposits		**40**	177
Distributions from short-term investment security		**1**	5
Other income	5	**10,261**	4,681
Other items of expense			
Selling and administrative expenses		**(18,207)**	(18,618)
Finance costs	6	**(1,449)**	(593)
Other expenses	7	**(367)**	(470)
(Loss)/profit before tax	8	**(13,209)**	6,046
Income tax credit/(expense)	10	**6,347**	(2,598)
(Loss)/profit for the year, representing total comprehensive income for the year		**(6,862)**	3,448
(Loss)/profit for the year, representing total comprehensive income for the year attributable to:			
Owners of the Company		**(7,191)**	4,826
Non-controlling interest		**329**	(1,378)
		(6,862)	3,448
(Loss)/earnings per share attributable to owners of the Company (sen per share)			
Basic and diluted	11	**(1.47)**	0.99

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

STATEMENTS OF FINANCIAL POSITION

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

(Amounts in Ringgit Malaysia)

	Note	Group 2021 RM'000	Group 2020 RM'000	Company 2021 RM'000	Company 2020 RM'000
Non-current assets					
Property, plant and equipment	12	**159,485**	154,283	**-**	-
Right-of-use assets	22	**26,087**	21,576	**-**	-
Investment in subsidiaries	13	**-**	-	**62,456**	59,946
Intangible assets	14	**2,923**	2,974	**-**	-
Other receivable	16	**-**	630	**-**	-
		188,495	179,463	**62,456**	59,946
Current assets					
Inventories	15	**88,676**	96,503	**-**	-
Trade and other receivables	16	**19,833**	18,831	**7**	4,007
Contract assets	4(c)	**-**	4,813	**-**	-
Prepaid operating expense		**2,306**	1,329	**24**	14
Tax recoverable		**5,814**	2,806	**-**	-
Short-term investment security	18	**-**	1,005	**-**	-
Cash and cash equivalents	17	**30,919**	37,394	**4,590**	6,626
		147,548	162,681	**4,621**	10,647
Total assets		**336,043**	342,144	**67,077**	70,593
Current liabilities					
Loans and borrowings	19	**24,161**	23,222	**-**	-
Trade and other payables	20	**42,500**	39,306	**-**	-
Contract liabilities	4(c)	**3,827**	13,211	**-**	-
Accrued operating expenses		**778**	680	**512**	454
Lease liabilities	22	**2,075**	1,201	**-**	-
Tax payable		**-**	-	**-**	16
		73,341	77,620	**512**	470
Net current assets		**74,207**	85,061	**4,109**	10,177
Non-current liabilities					
Loans and borrowings	19	**30,619**	20,008	**-**	-
Lease liabilities	22	**5,861**	5,019	**-**	-
Deferred tax liabilities	21	**12,657**	17,056	**-**	-
		49,137	42,083	**-**	-
Total liabilities		**122,478**	119,703	**512**	470
Net assets		**213,565**	222,441	**66,565**	70,123
Equity attributable to owners of the Company					
Share capital	23	**66,135**	66,135	**66,135**	66,135
Treasury shares	24	**(173)**	(135)	**(173)**	(135)
Merger reserve	25	**(15,234)**	(15,234)	**-**	-
Retained earnings		**165,312**	174,479	**603**	4,123
		216,040	225,245	**66,565**	70,123
Non-controlling interest		**(2,475)**	(2,804)	**-**	-
Net assets		**213,565**	222,441	**66,565**	70,123
Total equity and liabilities		**336,043**	342,144	**67,077**	70,593

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

(Amounts in Ringgit Malaysia)

	Attributable to owners of the Company						
	Share capital (Note 23) RM'000	**Treasury shares (Note 24) RM'000**	**Merger reserve (Note 25) RM'000**	**Retained earnings RM'000**	**Equity attributable to owner RM'000**	**Non-controlling interest RM'000**	**Total equity RM'000**
Group							
At 1 January 2020	66,135	–	(15,234)	170,904	221,805	(1,426)	220,379
Profit/(loss) for the year, representing total comprehensive income for the year	–	–	–	4,826	4,826	(1,378)	3,448
Purchase of treasury shares	–	(135)	–	–	(135)	–	(135)
Dividend on ordinary shares, representing total distribution to owners (Note 33)	–	–	–	(1,251)	(1,251)	–	(1,251)
At 31 December 2020 and 1 January 2021	66,135	(135)	(15,234)	174,479	225,245	(2,804)	222,441
(Loss)/profit for the year, representing total comprehensive income for the year	–	–	–	(7,191)	(7,191)	329	(6,862)
Purchase of treasury shares	–	(38)	–	–	(38)	–	(38)
Dividend on ordinary shares, representing total distribution to owners (Note 33)	–	–	–	(1,976)	(1,976)	–	(1,976)
At 31 December 2021	66,135	(173)	(15,234)	165,312	216,040	(2,475)	213,565

	Share capital (Note 23) RM'000	**Treasury shares (Note 24) RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
Company				
At 1 January 2020	66,135	–	3,136	69,271
Profit for the year, representing total comprehensive income for the year	–	–	2,238	2,238
Purchase of treasury shares	–	(135)	–	(135)
Dividend on ordinary shares, representing total distribution to owners (Note 33)	–	–	(1,251)	(1,251)
At 31 December 2020 and 1 January 2020	66,135	(135)	4,123	70,123
Loss for the year, representing total comprehensive income for the year	–	–	(1,544)	(1,544)
Purchase of treasury shares	–	(38)	–	(38)
Dividend on ordinary shares, representing total distribution to owners (Note 33)	–	–	(1,976)	(1,976)
At 31 December 2021	**66,135**	**(173)**	**603**	**66,565**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

(Amounts in Ringgit Malaysia)

	Note	2021 RM'000	2020 RM'000
Operating activities			
(Loss)/profit before tax		**(13,209)**	6,046
Adjustments for:			
Loss on disposal of property, plant and equipment	7	**37**	61
Gain on disposal of short-term investment security	5	**(4)**	–
Distributions from short-term investment security		**(1)**	(5)
Rent concessions	5	**-**	(126)
Interest income from short-term deposits		**(40)**	(177)
Interest expense	6	**1,449**	593
Write-off of property, plant and equipment	7	**47**	257
Reversal of right-of-use-assets on termination of lease		**-**	(3)
Adjustment on right-of-use assets		**(24)**	–
Amortisation of trademarks	14	**51**	50
Depreciation of right-of-use assets	22	**2,388**	1,806
Depreciation of property, plant and equipment	12	**10,323**	9,069
Unrealised exchange gain		**374**	(212)
Operating profit before working capital changes		**1,391**	17,359
Changes in working capital:			
Decrease/(increase) in inventories		**7,827**	(55,614)
Decrease in trade and other receivables		**168**	7,838
Decrease in contract assets		**4,813**	1,519
Increase in prepaid operating expense		**(977)**	(7)
Increase in trade and other payables		**3,164**	10,227
(Decrease)/increase in contract liabilities		**(9,384)**	12,964
Increase in accrued operating expenses		**98**	2
Cash flows generated from/(used in) operations		**7,100**	(5,712)
Interest paid		**(1,083)**	(230)
Net income taxes paid		**(1,060)**	(3,392)
Net cash flows generated from/(used in) operating activities		**4,957**	(9,334)
Investing activities			
Interest income from short term deposits		**40**	177
Distributions from short-term investment security		**1**	5
Proceeds from disposal/(placement) of short-term investment security		**1,009**	(1,005)
Purchase of property, plant and equipment	A	**(15,688)**	(21,037)
Addition of right-of-use assets	22	**(3,411)**	–
Proceeds from disposal of property, plant and equipment		**79**	298
Net cash flows used in investing activities		**(17,970)**	(21,562)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

(Amounts in Ringgit Malaysia)

	Note	2021 RM'000	2020 RM'000
Financing activities			
Dividends paid on ordinary shares	33	**(1,976)**	(1,251)
Purchase of treasury shares		**(38)**	(135)
Proceeds from loans and borrowings		**84,121**	94,390
Repayment under financing arrangements		**(554)**	(344)
Repayment of loans and borrowings		**(72,905)**	(58,960)
Repayment of lease liabilities	22(b)	**(2,114)**	(1,480)
Net cash flows generated from financing activities		**6,534**	32,220
Net (decrease)/increase in cash and cash equivalents		**(6,479)**	1,324
Effect of exchange rate changes on cash and cash equivalent		**4**	(13)
Cash and cash equivalents at beginning of year		**37,394**	36,083
Cash and cash equivalents at end of year	17	**30,919**	37,394

Note to the consolidated statement of cash flows

A. Property, plant and equipment

	Note	2021 RM'000	2020 RM'000
Current year additions to property, plant and equipment	12	**15,688**	22,737
Less:			
Obligation under financing arrangements		**-**	(1,700)
Net cash outflow from purchase of property, plant and equipment		**15,688**	21,037

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

1. CORPORATE INFORMATION

LY Corporation Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Catalist Board of Singapore Exchange Securities Trading Limited (the "SGX-ST"). The immediate and ultimate holding company is Lian Yu Holdings Pte. Ltd., which was incorporated in Singapore.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

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

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

2.2 *New and amended standards and interpretations*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2021. The adoption of these new standards did not have any material effect on the financial performance or position of the Group.

2.3 *Standards issued but not yet effective*

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

Description	Effective for annual periods beginning on or after
Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
Amendments to SFRS(I) 1-37 *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Amendments to SFRS(I) 1-16 *Property, Plant and Equipment:* Proceeds before Intended Use	1 January 2022
Amendments to SFRS(I) 3: Reference to the Conceptual Framework	1 January 2022
Amendments to SFRS(I) 1-1 *Classification of Liabilities as Current or Non-current*	1 January 2023
SFRS(I) 17: *Insurance Contracts*	1 January 2023
Amendments to SFRS(I) 17: *Insurance Contracts*	1 January 2023
Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: *Disclosure of Accounting Policies*	1 January 2023
Amendments to SFRS(I) 1-8: *Definition of Accounting Estimates*	1 January 2023
Amendments to SFRS(I) 1-12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to SFRS(I)17: *Initial Application of SFRS(I) 17 and SFRS(I) 9 – Comparative Information*	1 January 2023
Amendments to SFRS(I) 10 & SFRS(I) 1-28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 ***Basis of consolidation***

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

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

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

(c) ***Combination not involving a Business***

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

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

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

Pursuant to this:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 ***Functional and foreign currency***

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

Transactions and balances

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

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

2.6 ***Property, plant and equipment***

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

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

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

Leasehold buildings	34 – 58 years
Freehold buildings	50 years
Machinery and equipment	10 years
Office equipment, furniture and fittings	10 years
Motor vehicles	8 years
Renovation	10 years

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 ***Impairment of non-financial assets***

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

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

Impairment losses are recognised in profit or loss.

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

2.8 ***Transactions with non-controlling interests***

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

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

2.9 ***Subsidiaries***

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

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

2.10 ***Financial instruments***

(a) ***Financial assets***

Initial recognition and measurement

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 ***Financial instruments (Continued)***

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

Initial recognition and measurement (Continued)

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

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

Subsequent measurement

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

Amortised cost

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

Fair value through profit or loss

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

Derecognition

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

(b) ***Financial liabilities***

Initial recognition and measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 ***Financial instruments (Continued)***

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

Subsequent measurement

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

Derecognition

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

(c) ***Offsetting of financial instrument***

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

2.11 ***Impairment of financial assets***

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

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

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

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

2.12 ***Cash and cash equivalents***

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 *Inventories*

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

- Raw materials: purchase costs on a first-in first-out basis.

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

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

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

2.14 *Provisions*

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

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

2.15 *Borrowing costs*

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

2.16 *Employee benefits*

(a) *Defined contribution plans*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 ***Employee benefits (Continued)***

(b) ***Employee leave entitlement***

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

2.17 ***Leases***

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

(a) ***Group as a lessee***

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

Right-of-use assets

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

• Land use rights	34 to 50 years
• Buildings	2 to 6 years

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

Lease liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 ***Leases (Continued)***

(a) ***Group as a lessee (Continued)***

Lease liabilities (Continued)

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

Short-term leases and leases of low-value assets

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

(b) ***Group as lessor***

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

2.18 ***Revenue***

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

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

(a) ***Sale of goods – Original equipment manufacturer***

Revenue from made-to-order wooden furniture based on customised specifications from customers is recognised at the point in time when the manufacturing process is completed with the customers' acceptance and customers have obtained control of the goods.

(b) ***Sale of goods – Original brand manufacturer***

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 *Revenue (Continued)*

(c) ***Fulfilment services***

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

(d) ***Interest income***

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

(e) ***Rental income***

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

2.19 *Taxes*

(a) ***Current income tax***

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

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

(b) ***Deferred tax***

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 ***Taxes (Continued)***

(b) ***Deferred tax (Continued)***

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

(c) ***Sales tax***

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

2.20 ***Intangible assets***

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 *Intangible assets (Continued)*

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

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

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

Trademarks

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

2.21 *Share capital and share issuance expenses*

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

2.22 *Treasury shares*

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

2.23 *Segment reporting*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 *Government grants*

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1 *Judgements made in applying accounting policies*

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

Determination of functional currency

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

3.2 *Key sources of estimation uncertainty*

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

(a) ***Valuation of inventories***

The raw materials are measured based on first-in first-out basis, while work-in-progress inventories and finished goods are measured using the standard costing technique. Standard costing was computed based on management's best estimates of the overhead cost incurred in the production. Standard costing is subject to periodic review.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

3.2 *Key sources of estimation uncertainty (Continued)*

(b) ***Impairment of intangible assets (including goodwill), property, plant and equipment, right-of-use assets and the Company's investment in subsidiaries***

The Group determines whether intangible assets (including goodwill), property, plant and equipment, right-of-use assets and the Company's investment in subsidiaries are impaired on an annual basis. This requires an estimation of the value in use of the cash-generating unit (or group of cash-generating units) to which goodwill is allocated. Estimating the value-in-use method requires the Group to make an estimate of the expected future cash flows from the cash-generating unit (or group of cash-generating units) and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amounts of the Group's intangible assets (including goodwill), property, plant and equipment and right-of-use assets as at 31 December 2021 were approximately RM2,923,000, RM159,485,000 and RM26,087,000 as disclosed in Note 14, Note 12 and Note 22 respectively. The carrying amount of the Company's investment in subsidiaries as at 31 December 2021 were approximately RM62,456,000 as disclosed in Note 13.

(c) ***Income taxes***

Significant judgement is involved in determining the Group's provision for income taxes. 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 matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The amounts of income tax expenses and deferred tax provisions are disclosed in Note 10 and Note 21 respectively.

4. REVENUE

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

	Furniture RM'000	2021 Millwork RM'000	Total RM'000
Primary geographical markets			
United States of America	97,406	-	97,406
Malaysia	21,476	-	21,476
Republic of China	5,924	-	5,924
United Arab Emirates	7,410	-	7,410
Canada	1,308	-	1,308
Hong Kong	13,144	34,573	47,717
Japan	3,204	-	3,204
Korea	1,688	-	1,688
Others	3,089	-	3,089
	154,649	34,573	189,222
Major product or service lines			
– Sale of goods	151,650	34,263	185,913
– Fulfilment services	2,999	310	3,309
	154,649	34,573	189,222
Timing of transfer of goods or services			
At a point in time	151,650	34,263	185,913
Over time	2,999	310	3,309
	154,649	34,573	189,222

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4. REVENUE (CONTINUED)

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

	2020 Furniture RM'000	2020 Millwork RM'000	2020 Total RM'000
Primary geographical markets			
United States of America	133,213	–	133,213
Malaysia	36,804	–	36,804
Republic of China	11,983	–	11,983
People's Republic of China	30	–	30
United Arab Emirates	6,046	–	6,046
Canada	895	–	895
Hong Kong	7,799	34,361	42,160
Japan	2,741	–	2,741
Korea	1,182	–	1,182
Others	3,550	–	3,550
	204,243	34,361	238,604
Major product or service lines			
– Sale of goods	199,900	34,110	234,010
– Fulfilment services	4,343	251	4,594
	204,243	34,361	238,604
Timing of transfer of goods or services			
At a point in time	199,900	34,110	234,010
Over time	4,343	251	4,594
	204,243	34,361	238,604

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

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

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

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

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

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

	Group 2021 RM'000	Group 2020 RM'000
Receivables from contracts with customers (Note 16)	**11,941**	15,427
Contract assets	**–**	4,813
Contract liabilities	**3,827**	13,211

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4. REVENUE (CONTINUED)

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

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

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

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

5. OTHER INCOME

	2021 RM'000	2020 RM'000
Sale of materials	**120**	2,133
Sale of scrap materials	**267**	384
Rental income	**878**	525
Government grants	**2,410**	761
Rent concessions	**–**	126
Compensation received	**4,710**	–
Insurance claims	**403**	–
Gain on disposal of short-term investment security	**4**	–

6. FINANCE COSTS

	2021 RM'000	2020 RM'000
Interest expense on:		
– Bank loans	**964**	203
– Financing arrangements	**119**	36
– Lease liabilities	**366**	354
	1,449	593

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

7. OTHER EXPENSES

	2021 RM'000	2020 RM'000
Net foreign exchange loss	**283**	152
Loss on disposal of property, plant and equipment	**37**	61
Write-off of property, plant and equipment	**47**	257
	367	470

8. (LOSS)/PROFIT BEFORE TAX

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

	2021 RM'000	2020 RM'000
Audit fees:		
– auditor of the Company	**340**	305
– member firm of EY Global	**121**	115
Amortisation of trademarks	**51**	50
Depreciation expenses:		
– property, plant and equipment (Note 12)	**10,323**	9,069
– right-of-use assets (Note 22)	**2,388**	1,806
Employee benefits expense (Note 9)	**36,379**	44,192
Sub-contractor costs	**13,374**	26,054
Freight cost and handling charges	**5,848**	8,182
Utilities expenses	**4,193**	6,120
Inventories recognised as an expense in cost of sales (Note 15)	**125,447**	114,033

9. EMPLOYEE BENEFITS

	2021 RM'000	2020 RM'000
Employee benefits expense (including directors):		
Salaries and bonuses	**33,749**	41,252
Directors' fees	**332**	344
Directors' allowances	**60**	46
Employees' Provident Fund	**1,795**	2,002
Other benefits	**443**	548
	36,379	44,192

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

10. INCOME TAX (CREDIT)/EXPENSE

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

The major components of income tax (credit)/expense for the years ended 31 December 2021 and 2020 are:

	2021 RM'000	2020 RM'000
Current income tax		
- Current income taxation	**-**	2,766
- Over provision in respect of previous years	**(1,974)**	(1,263)
- Withholding tax expense	**26**	43
Deferred income tax		
- Origination and reversal of temporary difference	**(2,314)**	245
- (Over)/under provision in respect of previous years	**(2,085)**	807
Income tax (credit)/expense recognised in profit or loss	**(6,347)**	2,598

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

The reconciliation between income tax (credit)/expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2021 and 2020 are as follows:

	2021 RM'000	2020 RM'000
(Loss)/profit before tax	**(13,209)**	6,046
Tax at the domestic rates applicable to profits in the countries where the Group operates	**(3,063)**	1,574
Adjustments:		
- Non-deductible expenses	**265**	441
- Deferred tax asset not recognised	**484**	996
- Over provision in respect of previous years	**(4,059)**	(456)
- Withholding tax expense	**26**	43
Income tax (credit)/expense recognised in profit or loss	**(6,347)**	2,598

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

11. (LOSS)/EARNINGS PER SHARE

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

Diluted (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

11. (LOSS)/EARNINGS PER SHARE (CONTINUED)

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

	2021 RM'000	2020 RM'000
(Loss)/profit attributable to ordinary equity holders of the parent for basic earnings and adjusted for the effect of dilution	**(7,191)**	4,826

	2021	2020
Weighted average number of ordinary shares for basic (loss)/earnings per share and adjusted for the effect of dilution ('000)	**488,847**	489,074
Basic and diluted (loss)/earnings per share (sen per share)	**(1.47)**	0.99

Diluted (loss)/earnings per share is the same as basic (loss)/earnings per share as there were no potential dilutive ordinary shares existing during the financial years ended 31 December 2021 and 2020.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Building RM'000	Machinery and equipment RM'000	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Renovation RM'000	Construction-in-progress RM'000	Total RM'000
Cost								
At 1 January 2020	95	110,217	53,755	6,459	5,239	168	6,711	182,644
Additions	–	845	3,390	913	214	644	16,731	22,737
Disposals	–	–	(181)	(524)	–	–	(122)	(827)
Written off	–	–	(146)	(448)	–	–	(96)	(690)
Reclassification	–	34	14,142	3	–	150	(14,329)	–
At 31 December 2020 and 1 January 2021	95	111,096	70,960	6,403	5,453	962	8,895	203,864
Additions	–	4,074	3,416	375	73	375	7,375	15,688
Disposals	–	–	(679)	(278)	–	–	–	(957)
Written off	–	–	(882)	(39)	–	–	(4)	(925)
Reclassification	–	262	6,673	317	–	–	(7,252)	–
At 31 December 2021	**95**	**115,432**	**79,488**	**6,778**	**5,526**	**1,337**	**9,014**	**217,670**
Accumulated depreciation								
At 1 January 2020	–	14,069	21,099	3,075	3,164	6	–	41,413
Depreciation charge for the year	–	2,367	5,503	584	558	57	–	9,069
Disposals	–	–	(90)	(378)	–	–	–	(468)
Written off	–	–	(119)	(314)	–	–	–	(433)
At 31 December 2020 and 1 January 2021	–	16,436	26,393	2,967	3,722	63	–	49,581
Depreciation charge for the year	–	2,492	6,537	623	554	117	–	10,323
Disposals	–	–	(616)	(225)	–	–	–	(841)
Written off	–	–	(845)	(33)	–	–	–	(878)
At 31 December 2021	**–**	**18,928**	**31,469**	**3,332**	**4,276**	**180**	**–**	**58,185**
Net carrying amount								
At 31 December 2020	95	94,660	44,567	3,436	1,731	899	8,895	154,283
At 31 December 2021	**95**	**96,504**	**48,019**	**3,446**	**1,250**	**1,157**	**9,014**	**159,485**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets held under financing arrangements

During the financial year, the Group acquired motor vehicles and machineries and equipment with an aggregate cost of Nil (2020: RM214,000) and Nil (2020: RM1,187,000) respectively by means of financing arrangements. The carrying amount of motor vehicles and machineries and equipment held under financing arrangements at the end of the year ended 31 December 2021 were RM721,000 (2020: RM914,000) and RM1,369,000 (2020: RM1,529,000) respectively. The assets are pledged as security under the financing arrangements.

Assets pledged as security

In addition to assets held under financing arrangements, the Group's buildings with a carrying amount of RM30,947,000 (2020: RM20,028,000) were pledged to secure the Group's bank borrowings (Note 19) as at 31 December 2021.

13. INVESTMENT IN SUBSIDIARIES

	Company	
	2021	**2020**
	RM'000	**RM'000**
Unquoted equity shares, at cost		
At 1 January	**48,469**	39,469
Additions	**-**	9,000
	48,469	48,469
Amount due from subsidiary (non-trade)	**13,987**	11,477
At 31 December	**62,456**	59,946

In 2020, the Company has increased its investment in the issued and paid-up capital of its wholly owned subsidiary, LY Furniture Sdn. Bhd., by RM9,000,000 by way of cash injection.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Composition of the Group

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

Name of subsidiaries	Principal place of business	Principal activities	Proportion of ownership interest 2021 %	2020 %
Held by the Company:				
LY Furniture Sdn. Bhd.[1]	Malaysia	Manufacturing of all kinds of furniture and any type of woodwork or building product	**100**	100
Leyo Holdings Sdn. Bhd.[1]	Malaysia	Investment holding company	**51**	51
Held through LY Furniture Sdn. Bhd.				
LY Global Hub Sdn. Bhd.[1]	Malaysia	Inactive	**100**	100
Held through Leyo Holdings Sdn. Bhd.				
Leyo Manufacturing Sdn. Bhd.[1]	Malaysia	Manufacturing of all kinds of furniture	**100**	100
Titan Hardware Sdn. Bhd.[1]	Malaysia	Trading of all kinds of materials, furniture and general hardware	**100**	100

(1) Audited by a member firm of EY Global in the principal place of business.

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

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

Name of subsidiary	Principal place of business	Proportion of ownership interest held by NCI	(Profit)/loss allocated to NCI RM'000	Accumulated deficit of NCI RM'000	Dividends paid to NCI RM'000
31 December 2021					
Leyo Holdings Sdn. Bhd. and its subsidiary (collectively, "LHG")	**Malaysia**	**49%**	**(329)**	**2,475**	**–**
31 December 2020					
Leyo Holdings Sdn. Bhd. and its subsidiary (collectively, "LHG")	Malaysia	49%	1,378	2,804	–

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

13. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

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

Summarised statement of financial position

	LHG	
	2021	**2020**
	RM'000	**RM'000**
Current		
Assets	**10,706**	5,481
Liabilities	**(9,161)**	(6,229)
Net current assets/(liabilities)	**1,545**	(748)
Non-current		
Assets	**11,308**	10,923
Liabilities	**(2,706)**	(3,209)
Net non-current assets	**8,602**	7,714
Net assets	**10,147**	6,966

Summarised statement of comprehensive income

	LHG	
	2021	**2020**
	RM'000	**RM'000**
Revenue	**13,047**	8,013
Profit/(loss) before income tax	**629**	(2,838)
Income tax credit	**42**	26
Profit/(loss) after tax from continuing operations, representing total comprehensive income	**671**	(2,812)
Other summarised information		
Net cash flows used in operating activities	**(2,179)**	(1,944)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

14. INTANGIBLE ASSETS

	Goodwill RM'000	Trademarks RM'000	Total RM'000
Group			
Cost			
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	**2,639**	**432**	**3,071**
Accumulated amortisation			
At 1 January 2020	–	47	47
Amortisation	–	50	50
At 31 December 2020 and 1 January 2021	–	97	97
Amortisation	–	51	51
At 31 December 2021	**-**	**148**	**148**
Net carrying amount			
At 31 December 2020	2,639	335	2,974
At 31 December 2021	**2,639**	**284**	**2,923**

Amortisation expense

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

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

Impairment testing of goodwill and trademarks

Goodwill acquired through a business and trademarks have been allocated to a cash generating unit ("CGU") which consists of LHG for impairment testing.

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

	LHG	
	2021 RM'000	2020 RM'000
Goodwill	**2,639**	2,639
Trademarks	**284**	335
At 31 December 2021 and 2020	**2,923**	2,974

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

14. INTANGIBLE ASSETS (CONTINUED)

Impairment testing of goodwill and trademarks (Continued)

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

	LHG	
	2021	**2020**
Pre-tax discount rate	**18.5%**	15.0%
Growth rates	**2.5%**	1.0%

Key assumptions used in the value in use calculations

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

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

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

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

Sensitivity to changes in assumptions

With regards to the assessment of value-in-use for goodwill and trademarks of LHG, management believes that no reasonably possible changes in any of the key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

15. INVENTORIES

	Group	
	2021	**2020**
	RM'000	**RM'000**
Consolidated statement of financial position:		
Raw materials	**44,742**	37,912
Work-in-progress	**28,705**	25,906
Finished goods	**15,229**	32,685
	88,676	96,503
Consolidated statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	**125,447**	114,033

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Non-current				
Other receivable				
Deposit	**–**	630	**–**	–
Current				
Trade receivables	**11,941**	15,427	**–**	–
Due from:				
– a subsidiary company (non-trade)	**–**	–	**–**	4,000
Deposits	**716**	1,137	**7**	7
Other receivables	**7,176**	2,267	**–**	–
Total trade and other receivables	**19,833**	19,461	**7**	4,007
Add: Cash and cash equivalents (Note 17)	**30,919**	37,394	**4,590**	6,626
Add: Contract assets	**–**	4,813	**–**	–
Total financial assets carried at amortised cost	**50,752**	61,668	**4,597**	10,633

Trade receivables

Trade receivables are non-interest bearing and are generally on 7 to 40 days (2020: 7 to 40 days) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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

	Group	
	2021	2020
	RM'000	RM'000
United States Dollar	**11,487**	14,708

Related party balances

Amounts due from a subsidiary was unsecured, non-interest bearing, repayable upon demand. The amount was fully repaid during the year.

Deposit (Non-current)

The non-current deposit relates to deposit paid by the Group for the purchase of a leasehold land and building. The acquisition is subjected to the approval of the state authority. The deposit has been refunded during the year.

Expected credit loss

The Group recognises expected credit losses of RM50,000 (2020: RM50,000) for its trade receivables and contract assets computed based on lifetime ECL. There is no movement in the allowance for expected credit losses for the year ended 31 December 2021 and 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Cash at banks and on hand	**30,919**	37,394	**4,590**	6,626

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

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

	Group	
	2021	2020
	RM'000	RM'000
United States Dollar	**23,856**	24,578
Singapore Dollar	**4,537**	6,628
Renminbi	**9**	125

18. SHORT-TERM INVESTMENT SECURITY

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
At fair value through profit or loss				
– Unquoted non-equity security	**–**	1,005	**–**	–

The short-term investment security consists of funds placed in money market funds in Malaysia. The investment security has a fair value of RM1,009,000 at the date of disposal. The cumulative gain on disposal of RM4,000 was recognised in profit and loss (Note 5).

19. LOANS AND BORROWINGS

	Group	
	2021	2020
	RM'000	RM'000
Current:		
Bankers' acceptances	**1,923**	16,540
Short term financing	**12,967**	814
Financing arrangements	**500**	552
Term loan	**8,771**	5,316
	24,161	23,222
Non-current:		
Financing arrangements	**1,083**	1,585
Term loan	**29,536**	18,423
	30,619	20,008
Total loans and borrowings	**54,780**	43,230

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

19. LOANS AND BORROWINGS (CONTINUED)

Bankers' acceptances, short term financing and term loan

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

	Group	
	2021	**2020**
	%	**%**
Bankers' acceptances	**2.56 to 2.60**	2.35 to 2.49
Short term financing	**0.69 to 1.01**	0.94 to 0.97
Term loan	**2.23 to 3.35**	2.23 to 3.35

The Company has the following principal bank loans:

(i) A loan of RM5,179,000 (2020: RM3,584,000). The loan was drawn down in March 2021 and November 2020. Monthly repayment commenced in January 2021 and will continue until December 2025. The loan carries an effective interest rate at 3.35% (2020: 3.35%) per annum.

(ii) A loan of RM16,704,000 (2020: RM20,155,000). The loan was drawn down in December 2020. Quarterly repayment commenced in March 2021 and will continue until December 2025. The loan carries an effective interest rate at 2.23% (2020: 2.23%) per annum.

(iii) A loan of RM16,424,000 (2020: Nil). The loan was drawn down in May 2021. Monthly repayment commenced in December 2021 and will continue until November 2026. The loan carries an effective interest rate at 2.50% (2020: Nil) per annum.

The bankers' acceptances and short term financing are secured by corporate guarantee provided by the Company. The term loans are secured by mortgage over certain buildings, leasehold land, machineries and equipment and corporate guarantee provided by the Company.

Financing arrangements

The financing arrangements are secured by a charge over the respective assets (Note 12) and bear interest at rates ranging from 2.31% to 3.50% (2020: 2.31% to 3.50%) per annum.

The Company has the following financial arrangements:

(i) Multiple financing arrangements totaling RM365,000 (2020: RM658,000) in relation to purchase of motor vehicles. The financing arrangements commenced in years between 2017 to 2020. Monthly repayments usually commenced in the following months and will continue until years between 2021 to 2025.

(ii) A financing arrangement of RM1,218,000 (2020: RM1,479,000) in relation to purchase of machineries and equipment. The financing arrangement commenced in November 2020. Monthly repayment commenced on December 2020 and will continue until November 2025.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

19. LOANS AND BORROWINGS (CONTINUED)

Financing arrangements (Continued)

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

			Non-cash changes	
	2020 RM'000	Cash flows RM'000	Others* RM'000	2021 RM'000
Bankers' acceptances	16,540	(14,617)	–	**1,923**
Short term financing	814	12,153	–	**12,967**
Financing arrangements				
– current	552	(52)	–	**500**
– non-current	1,585	(502)	–	**1,083**
Term loan				
– current	5,316	3,455	–	**8,771**
– non-current	18,423	10,225	888	**29,536**
Total	43,230	10,662	888	**54,780**

* The "others" column relates to unrealised exchange loss.

			Non-cash changes	
	2019 RM'000	Cash flows RM'000	Others* RM'000	2020 RM'000
Bankers' acceptances	5,894	10,646	–	16,540
Short term financing	–	814	–	814
Financing arrangements				
– current	322	(344)	574	552
– non-current	459	–	1,126	1,585
Term loan				
– current	–	5,316	–	5,316
– non-current	–	18,654	(231)	18,423
Total	6,675	35,086	1,469	43,230

* The "others" column relates to additional obligation under financing arrangements and unrealised exchange gain.

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Trade payables	**16,904**	22,131	**–**	–
Other payables	**24,371**	16,638	**–**	–
Amount due to related parties (trade)	**1,225**	537	**–**	–
Total trade and other payables	**42,500**	39,306	**–**	–
Add: Accrued operating expense	**778**	680	**512**	454
Add: Loans and borrowings (Note 19)	**54,780**	43,230	**–**	–
Add: Lease liabilities (Note 22)	**7,936**	6,220	**–**	–
Total financial liabilities carried at amortised cost	**105,994**	89,436	**512**	454

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

20. TRADE AND OTHER PAYABLES (CONTINUED)

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 (2020: one month to four months).

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

	Group	
	2021 RM'000	2020 RM'000
United States Dollar	**1,288**	4,307

Related party balances

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

21. DEFERRED TAX

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

	At 1 January 2020 RM'000	Recognised in profit or loss (Note 10) RM'000	At 31 December 2020 RM'000	Recognised in profit or loss (Note 10) RM'000	At 31 December 2021 RM'000
Deferred tax assets:					
Lease liabilities	1,554	(61)	1,493	412	**1,905**
Deferred tax liabilities:					
Differences in depreciation for tax purposes	(15,960)	(1,098)	(17,058)	4,364	**(12,694)**
Intangible assets	(94)	14	(80)	12	**(68)**
Right-of-use assets	(1,504)	93	(1,411)	(389)	**(1,800)**
Deferred tax liabilities, net	(16,004)	(1,052)	(17,056)	4,399	**(12,657)**

Unrecognised tax losses

As at 31 December 2021, certain subsidiaries in the Group had unabsorbed tax losses and unabsorbed capital allowances of approximately RM6,448,000 and RM14,927,000 (2020: RM3,302,000 and RM2,207,000) respectively that are available for offset against future taxable profits of the respective subsidiaries in which the tax losses and capital allowances arose, for which no deferred tax is recognised. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. The tax losses will be available for carry forward for a period of 10 consecutive years. Upon expiry of the 10 years, the unabsorbed business losses will be disregarded.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

22. LEASES

Group as a lessee

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

Leasehold land with aggregate carrying amount of RM1,847,000 (2020: RM1,062,000) were pledged to secure the Group's bank borrowings (Note 19) as at 31 December 2021.

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

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

	Land use rights RM'000	Buildings RM'000	Total RM'000
Cost:			
As at 1 January 2020	18,199	6,854	25,053
Additions for the year	–	1,049	1,049
Written off	–	(54)	(54)
As at 31 December 2020 and 1 January 2021	18,199	7,849	26,048
Additions for the year	3,411	3,606	7,017
Adjustment	–	(157)	(157)
As at 31 December 2021	**21,610**	**11,298**	**32,908**
Accumulated Depreciation:			
As at 1 January 2020	2,083	588	2,671
Depreciation	419	1,387	1,806
Written off	–	(5)	(5)
As at 31 December 2020 and 1 January 2021	2,502	1,970	4,472
Depreciation	519	1,869	2,388
Adjustment	–	(39)	(39)
As at 31 December 2021	**3,021**	**3,800**	**6,821**
As at 31 December 2020	15,697	5,879	21,576
As at 31 December 2021	**18,589**	**7,498**	**26,087**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

22. LEASES (CONTINUED)

Group as a lessee (Continued)

(b) ***Lease liabilities***

The carrying amounts of lease liabilities and the movements during the year are disclosed as below and the maturity analysis of lease liabilities is disclosed in Note 30(b).

				Non-cash changes		
	1 January 2021 RM'000	**Additions RM'000**	**Cash flows RM'000**	**Accretion of interests RM'000**	**Others RM'000**	**31 December 2021 RM'000**
Lease liabilities						
– Current	1,201	3,606	(2,114)	366	(984)	**2,075**
– Non-current	5,019	–	–	–	842	**5,861**
	6,220	3,606	(2,114)	366	(142)	**7,936**

				Non-cash changes		
	1 January 2020 RM'000	**Additions RM'000**	**Cash flows RM'000**	**Accretion of interests RM'000**	**Others RM'000**	**31 December 2020 RM'000**
Lease liabilities						
– Current	1,112	1,049	(1,480)	354	166	1,201
– Non-current	5,363	–	–	–	(344)	5,019
	6,475	1,049	(1,480)	354	(178)	6,220

The 'others' column relates to reclassification of non-current portion of the lease liabilities to current due to passage of time.

(c) ***Amounts recognised in profit or loss***

	2021 RM'000	**2020 RM'000**
Depreciation of right-of-use assets	**2,388**	1,806
Interest expenses on lease liabilities (Note 6)	**366**	354
Rent concessions (Note 5)	**–**	(126)
Total amount recognised in profit or loss	**2,754**	2,034

Rent concession

The rent concessions relate to reduction in lease payments effected by the lessor consequent to COVID-19 for payments originally due on or before 30 June 2021.

(d) ***Total cash outflow***

The Group had total cash outflow for leases of RM2,114,000 and RM1,480,000 in 2021 and 2020 respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

22. LEASES (CONTINUED)

Group as a lessor

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

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

	Group	
	2021	**2020**
	RM'000	**RM'000**
Not later than one year	**12**	22
Later than one year but not later than five years	**-**	12
	12	34

23. SHARE CAPITAL

	Group and Company			
	2021		**2020**	
	No. of shares	**RM'000**	**No. of shares**	**RM'000**
Issued and fully paid ordinary shares				
At 1 January and 31 December	**489,144,200**	**66,135**	489,144,200	66,135

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

24. TREASURY SHARES

	Group and Company			
	2021		**2020**	
	No. of shares	**RM'000**	**No. of shares**	**RM'000**
At 1 January	**245,000**	**135**	–	–
Purchase during the year	**65,400**	**38**	245,000	135
At 31 December	**310,400**	**173**	245,000	135

Treasury shares relate to ordinary shares of the Company that are held by the Company. The Company purchased 65,400 (2020: 245,000) of its shares in the open market during the financial year for total consideration of RM38,000 (2020: RM135,000).

25. MERGER RESERVE

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

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

26. RELATED PARTY DISCLOSURES

(a) ***Sale and purchase of goods and services***

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2021	**2020**
	RM'000	**RM'000**
Director-related companies:		
Rental received	**60**	11
Sales of goods	**3,426**	–
Rental paid	**(372)**	(300)
Purchase of goods	**(6,233)**	(3,917)
Sub-contractor costs	**(4,408)**	(9,411)
Rental paid to a director of the subsidiary	**(26)**	(18)

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

	Group	
	2021	**2020**
	RM'000	**RM'000**
Salaries and bonuses	**2,864**	2,985
Employee Provident Fund	**159**	174
	3,023	3,159
Comprise amounts paid to:		
Directors of the Company	**2,116**	2,207
Other key management personnel	**907**	952
	3,023	3,159

(c) ***Commitments with related parties***

On 1 April 2019, LYFSB entered into a 36-month agreement ending 31 March 2022 with Lian Yu Asset Management Sdn. Bhd. ("LYAM"), a director-related company, for the lease of building. The Group expects the rental paid to LYAM to be RM33,000 in 2022.

On 25 June 2019, LYFSB entered into a 36-month agreement commencing on 1 July 2019 and ending 30 June 2022 with LYAM, a director-related company, for the lease of building. The Group expects the rental paid to LYAM to be RM84,000 in 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

27. COMMITMENTS

Capital commitments

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

	Group	
	2021	**2020**
	RM'000	**RM'000**
Capital commitments in respect of property, plant and equipment	**957**	4,895

28. GUARANTEES

As at 31 December 2021 and 2020, the Company has provided corporate guarantees for bank facilities taken by subsidiaries amounting to RM117,053,000 and RM74,360,000 respectively.

29. FAIR VALUE OF ASSETS AND LIABILITIES

(a) ***Fair value hierarchy***

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

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

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

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

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

(b) ***Assets that are measured at fair value***

The following table shows an analysis of each class of assets measured at fair value by level of fair value hierarchy at the end of the reporting period:

	Significant other observable inputs (Level 2)	
	2021	**2020**
	RM'000	**RM'000**
Assets measured at fair value		
Financial assets:		
Non-equity investment security at FVPL (Note 18)	**-**	1,005

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

29. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(b) *Assets that are measured at fair value (Continued)*

During the year, the Group had disposed the investment security for cash and realised the capital appreciation. The investment security had a fair value of RM1,009,000 at the date of disposal. The cumulative gain on disposal of RM4,000 was recognised in profit and loss (Note 5).

Methods and assumptions used to determine fair value

The methods and assumptions used by management to determine fair value of assets and liabilities other than those whose carrying amounts reasonably approximate their fair values as follows:

Asset	Methods and assumptions
• Non-equity investment security	The fair value is determined by reference to valuation provided by financial institutions.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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

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

(a) *Credit risk*

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) *Credit risk (Continued)*

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

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

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

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

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

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

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The loss allowance provision as at 31 December 2021 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

NOTES TO THE FINANCIAL STATEMENTS

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30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

Trade receivables (Continued)

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

31 December 2021 RM'000	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**More than 120 days past due**	**Total**
Gross carrying amount:						
Malaysia	**2,070**	**209**	**5**	**–**	**–**	**2,284**
United States of America	**3,795**	**209**	**9**	**–**	**117**	**4,130**
Hong Kong	**3,642**	**790**	**–**	**–**	**–**	**4,432**
Others	**1,130**	**11**	**–**	**–**	**4**	**1,145**
	10,637	**1,219**	**14**	**–**	**121**	**11,991**
Loss allowance provision	**–**	**–**	**–**	**–**	**(50)**	**(50)**

31 December 2020 RM'000	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**More than 120 days past due**	**Total**
Gross carrying amount:						
Malaysia	3,013	525	–	–	9	3,547
United States of America	4,634	585	2	3,119	325	8,665
Hong Kong	2,477	–	–	–	(13)	2,464
Others	799	2	–	–	–	801
	10,923	1,112	2	3,119	321	15,477
Loss allowance provision	–	–	–	–	(50)	(50)

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) *Credit risk (Continued)*

Excessive risk concentration

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

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

Credit risk concentration profile

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

	RM'000	%
2021		
By country:		
United States of America	**4,080**	**34.2**
Hong Kong	**4,432**	**37.1**
Malaysia	**2,284**	**19.1**
Others	**1,145**	**9.6**
	11,941	**100.0**
2020		
By country:		
United States of America	8,615	55.8
Hong Kong	2,464	16.0
Malaysia	3,547	23.0
Others	801	5.2
	15,427	100.0

At the end of the reporting period approximately 64% (2020: 60%) of the Group's trade receivables were due from the 5 major customers located in United States of America, Hong Kong 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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) ***Liquidity risk***

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

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and stand-by credit facilities with three different banks to meet its short-term working capital requirements. At the end of the reporting period, approximately 44.1% (2020: 53.7%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

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

Analysis of financial instruments by remaining contractual maturities

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

Group	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
31 December 2021				
Financial assets				
Trade and other receivables	19,833	-	-	19,833
Cash and cash equivalents	30,919	-	-	30,919
	50,752	-	-	50,752
Financial liabilities				
Trade and other payables	42,500	-	-	42,500
Accrued operating expense	778	-	-	778
Loans and borrowings	25,133	32,131	-	57,264
Lease liabilities	2,439	6,386	-	8,825
	70,850	38,517	-	109,367
Total undiscounted financial liabilities	(20,098)	(38,517)	-	(58,615)

NOTES TO THE FINANCIAL STATEMENTS

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30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

Analysis of financial instruments by remaining contractual maturities (Continued)

Group	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	Total RM'000
31 December 2020				
Financial assets				
Trade and other receivables	18,831	630	–	19,461
Contract assets	4,813	–	–	4,813
Cash and cash equivalents	37,394	–	–	37,394
	61,038	630	–	61,668
Financial liabilities				
Trade and other payables	39,306	–	–	39,306
Accrued operating expense	680	–	–	680
Loans and borrowings	23,870	21,173	–	45,043
Lease liabilities	1,511	4,569	612	6,692
	65,367	25,742	612	91,721
Total undiscounted financial liabilities	(4,329)	(25,112)	(612)	(30,053)

	Company On demand or within one year 2021 RM'000	2020 RM'000
Financial assets		
Trade and other receivables	**7**	4,007
Cash and cash equivalents	**4,590**	6,626
	4,597	10,633
Financial liabilities		
Accrued operating expense	**512**	454
	512	454
Total undiscounted financial assets	**4,085**	10,179

(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 loss net of tax would have been RM42,000 lower/higher (2020: Group's profit net of tax would have been RM33,000 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.

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30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) ***Foreign currency risk***

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

The Group is exposed to transactional currency risk primarily through sales that are denominated in a currency other than the respective functional currencies of the Group entities. The currency giving rise to this risk is primarily United States Dollars ("USD"). Approximately 89% (2020: 85%) of the Group's sales are denominated in foreign currencies whilst almost 69% (2020: 73%) of the costs are denominated in the respective functional currencies of the Group's entities. The Group's trade receivables and trade payables at the end of the reporting period have similar exposure.

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

<u>Sensitivity analysis for foreign currency risk</u>

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

	2021 RM'000	**2020 RM'000**
USD/RM		
– strengthen by 9% (2020: 9%)	**83**	1,356
– weaken by 9% (2020: 9%)	**(83)**	(1,356)
SGD/RM		
– strengthen by 9% (2020: 9%)	**408**	597
– weaken by 9% (2020: 9%)	**(408)**	(597)

31. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 2020.

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

	2021 RM'000	**2020 RM'000**
Loans and borrowings	**54,780**	43,230
Lease liabilities	**7,936**	6,220
	62,716	49,450
Equity attributable to the owners of the Company	**216,040**	225,245
Gearing ratio	**29.0%**	22.0%

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32. SEGMENT INFORMATION

(a) Business segments

The Group is organised into the following main business segments:

(i) Segment 1: Manufacturing of all kinds of furniture ("**Furniture**")

(ii) Segment 2: Manufacturing of any type of woodwork or building product ("**Millwork**")

These operating segments are reported in a manner consistent with internal reporting provided to the Chief Executive Officer who are responsible for allocating resources and assessing performance of the operating segments.

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

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32. SEGMENT INFORMATION (CONTINUED)

(a) Business segments (Continued)

	Furniture RM'000	Millwork RM'000	Total RM'000
2020			
Total segment revenue			
Revenue	204,265	34,339	238,604
Results			
Segment profit	10,732	(3,714)	7,018
Interest income from short-term deposits			177
Distributions from short-term investment security			5
Other income			4,681
Finance cost			(593)
Unallocated expenses			(5,242)
Profit before tax			6,046
Income tax expense			(2,598)
Profit net of tax			3,448
Other segment information			
Depreciation and amortisation	9,134	1,252	10,386
Unallocated expense			539
Total depreciation and amortisation			10,925
Additions of non-current assets	17,269	3,768	21,037
Assets			
Segment assets	284,721	44,467	329,188
Unallocated assets			12,956
Total assets			342,144
Liabilities			
Segment liabilities	91,538	2,277	93,815
Unallocated liabilities			25,888
Total liabilities			119,703

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

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

	2021 RM'000	2020 RM'000
Selling and administrative expenses	**(2,683)**	(2,933)
Directors' fees	**(2,157)**	(2,309)
	(4,840)	(5,242)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

32. SEGMENT INFORMATION (CONTINUED)

(a) **Business segments (Continued)**

C Other segment information:

	2021 RM'000	2020 RM'000
Depreciation of motor vehicles	**531**	539

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

	2021 RM'000	2020 RM'000
Motor vehicles	**1,045**	1,578
Trade and other receivables	**91**	144
Prepaid operating expense	**96**	14
Tax recoverable	**5,814**	2,806
Short-term investment security	**-**	1,005
Cash and cash equivalents	**5,265**	7,409
	12,311	12,956

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

	2021 RM'000	2020 RM'000
Loans and borrowings	**-**	658
Trade and other payables	**431**	7,690
Accrued operating expenses	**847**	484
Deferred tax liabilities	**12,657**	17,056
	13,935	25,888

(b) **Geographical segments**

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

		2021	
	Furniture RM'000	Millwork RM'000	Total RM'000
Primary geographical markets			
United States of America	**97,406**	**-**	**97,406**
Malaysia	**21,476**	**-**	**21,476**
Republic of China	**5,924**	**-**	**5,924**
United Arab Emirates	**7,410**	**-**	**7,410**
Canada	**1,308**	**-**	**1,308**
Hong Kong	**13,144**	**34,573**	**47,717**
Japan	**3,204**	**-**	**3,204**
Korea	**1,688**	**-**	**1,688**
Others	**3,089**	**-**	**3,089**
	154,649	**34,573**	**189,222**
Non-current assets			
Malaysia			**188,495**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

32. SEGMENT INFORMATION (CONTINUED)

(b) Geographical segments (Continued)

	Furniture RM'000	2020 Millwork RM'000	Total RM'000
Primary geographical markets			
United States of America	133,213	–	133,213
Malaysia	36,804	–	36,804
Republic of China	11,983	–	11,983
People's Republic of China	30	–	30
United Arab Emirates	6,046	–	6,046
Canada	895	–	895
Hong Kong	7,799	34,361	42,160
Japan	2,741	–	2,741
Korea	1,182	–	1,182
Others	3,550	–	3,550
	204,243	34,361	238,604
Non-current assets			
Malaysia			178,833

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

Information about major customers

Revenue from three (2020: three) major customers amount to RM81,666,000 (2020: RM108,621,000).

33. DIVIDENDS

	2021 RM'000	2020 RM'000
Declared and paid during the financial year		
Final single tier dividend for 2019: 0.25 sen (2018: Nil) per share	**-**	1,251
Final single tier dividend for 2020: 0.39 sen (2019: Nil) per share	**1,976**	–

	2021 RM'000	2020 RM'000
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
– Final exempt (one-tier) dividend for 2021: Nil (2020: 0.39 sen) per share	**-**	1,931

34. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 4 April 2022.

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2022

SHARE CAPITAL AND VOTING RIGHTS

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

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 15 MARCH 2022

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	0	0.00	0	0.00
100 – 1,000	5	1.83	1,700	0.00
1,001 – 10,000	67	24.45	452,800	0.09
10,001 – 1,000,000	192	70.07	32,105,700	6.57
1,000,001 AND ABOVE	10	3.65	456,273,600	93.34
TOTAL	**274**	**100.00**	**488,833,800**	**100.00**

TWENTY LARGEST SHAREHOLDERS AS AT 15 MARCH 2020

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	LIAN YU HOLDINGS PTE LTD	355,159,700	72.65
2	CROWN LEAP LIMITED	59,740,800	12.22
3	UOB KAY HIAN PTE LTD	17,631,900	3.61
4	CITIBANK NOMINEES SINGAPORE PTE LTD	8,340,000	1.71
5	PHILLIP SECURITIES PTE LTD	5,020,500	1.03
6	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	3,732,700	0.76
7	TEE BOON HUAT	2,170,000	0.44
8	TANG HEE SUNG	2,010,000	0.41
9	CHANG CHING CHAU @ TEW KING CHANG	1,294,000	0.26
10	OCBC SECURITIES PRIVATE LTD	1,174,000	0.24
11	KHOR KENG SEAH	935,000	0.19
12	TAN FIE PING	932,000	0.19
13	TAN AI LUANG	800,000	0.16
14	LAU CHIA EN	788,462	0.16
15	TAN YI ZE	750,000	0.15
16	TAN YANG SENG (CHEN YINGSHENG)	748,000	0.15
17	KHOR GUAN CHIANG	668,000	0.14
18	LIM POH HUNG	630,000	0.13
19	CHINK POH CHENG @ CHNG POH CHENG	625,000	0.13
20	KOH PI HWEE	620,000	0.13
	TOTAL	**463,770,062**	**94.86**

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2022

SUBSTANTIAL SHAREHOLDERS AS AT 15 MARCH 2022

	Direct Interest		Deemed Interest		Total Interest	
Substantial Shareholders	**Number of Shares**	**%**	**Number of Shares**	**%**	**Number of Shares**	**%**
Lian Yu Holdings Pte. Ltd.	355,159,700	72.65	–	–	355,159,700	72.65
Crown Leap Limited	59,740,800	12.22	–	–	59,740,800	12.22
Tan Kwee Chai[(1)]	2,320,400	0.47	355,159,700	72.65	357,480,100	73.12
Tan Kwee Lim[(2)]	1,958,300	0.40	355,159,700	72.65	357,118,000	73.05
Shen Min-Hui[(3)]	–	–	59,740,800	12.22	59,740,800	12.22

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

(2) Mr Tan Kwee Lim is deemed to be interested in the shares held by Lian Yu Holdings Pte. Ltd. in the share capital of the Company through his 22.37% of interest held in Lian Yu Holdings Pte. Ltd.

(3) Mr Shen Min-Hui is the director and holds 100% of the issued shares of Crown Leap Limited. He is therefore deemed to be interested in all the shares held by Crown Leap Limited in the Company.

SHAREHOLDING HELD IN PUBLIC HANDS

Approximately 13.36% of the shareholding of the Company is held in the hands of the public as at 15 March 2022 and Rule 723 of the Catalist Rules is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that Annual General Meeting of the Company will be convened and held by way of electronic means on Friday, 29 April 2022 at 3.00 p.m. for the purpose of transacting the following business:-

AS ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2021 together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To approve the proposed Directors' fees of up to S$150,000 for the financial year ending 31 December 2022, to be paid quarterly in arrears. **(Resolution 2)**

3. To re-elect Mr Tan Kwee Chai as Director of the Company who retired by rotation pursuant to Regulation 98 of the Constitution of the Company. *[See Explanatory Note (a)]* **(Resolution 3)**

4. To note the retirement of Mr Lee Dah Khang as a Director of the Company pursuant to Regulation 98 of the Constitution of the Company. *[See Explanatory Note (b)]*

5. To re-elect Datuk Yap Kheng Fah as Director of the Company pursuant to Regulation 102 of the Constitution of the Company. *[See Explanatory Note (c)]* **(Resolution 4)**

6. To note Messrs Ernst & Young LLP not seeking re-appointment as Auditors of the Company. *[See Explanatory Note (d)]*

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

AS SPECIAL BUSINESS

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

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

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

(a) (i) allot and issue shares in the capital of the Company ("**Shares**") (whether by way of rights, bonus or otherwise); and/or

(ii) make or grant offers, agreements or options or convertible securities (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

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

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

NOTICE OF ANNUAL GENERAL MEETING

provided that:

(1) the aggregate number of the Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings and as calculated in accordance with sub-paragraph (2) below), and provided further that where shareholders of the Company ("**Shareholders**") are not given the opportunity to participate in the same on a pro-rata basis, then the Shares to be issued under such circumstances (including the Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings and as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST from time to time) for the purpose of determining the aggregate number of the Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time of passing this Resolution, after adjusting for:

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

(b) new Shares arising from the exercising of share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed, provided that such share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules of the SGX-ST; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Catalist Rules of the SGX-ST for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Constitution of the Company for the time being; and

(4) unless revoked or varied by the Company in a general meeting, such authority so conferred shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."
[See Explanatory Note (e)] **(Resolution 5)**

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

"That pursuant to Section 161 of the Companies Act and the provisions of the LY Performance Share Plan ("**LYPSP**"), authority be and is hereby given to the Directors of the Company to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the vesting of awards under the LYPSP, provided always that the aggregate number of additional ordinary Shares to be allotted and issued pursuant to LYPSP shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company from time to time."
[See Explanatory Note (f)] **(Resolution 6)**

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

"That:

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Catalist Rules of the SGX-ST, for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9 of the Catalist Rules of the SGX-ST), or any of them, to enter into any of the transactions falling within the types of interested person transactions described in the Appendix to Annual Report dated 11 April 2022 (the "**Appendix**") with the interested persons described in the Appendix, provided that such transactions are made on normal commercial terms and are not prejudicial to the interest of the Company or its minority shareholders, and in accordance with the review procedures for such interested person transactions as set out in the Appendix (the "**IPT General Mandate**");

NOTICE OF ANNUAL GENERAL MEETING

(b) the IPT General Mandate shall, unless revoked or varied by the Company in a general meeting, continue to be in force until the date that the next Annual General Meeting of the Company is held or required by law to be held; and

(c) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the IPT General Mandate and/or this Resolution."

[See Explanatory Note (g)] **(Resolution 7)**

11. **RENEWAL OF THE SHARE BUYBACK MANDATE**

"That:

(1) for the purposes of Section 76C and 76E of the Companies Act, and such other laws and regulations as may for the time being be applicable, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire Shares (excluding treasury shares) not exceeding in aggregate the Prescribed Limit (as defined herein), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as defined herein), whether by way of;

(a) on-market purchases transacted through the ready market of the SGX-ST, or through one or more duly licensed stock brokers appointed by the Company for the purpose ("**Market Purchase**"); and/or

(b) off-market purchases otherwise than on a securities exchange, in accordance with an equal access scheme as defined in Section 76C of the Companies Act and as may be determined or formulated by the Directors as they consider fit, which scheme shall satisfy all the conditions prescribed by the Companies Act, the Constitution of the Company and the Catalist Rules of the SGX-ST ("**Off-Market Purchase**"),

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

(2) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buyback Mandate shall, at the discretion of the Directors, either be cancelled or held as treasury shares and dealt with in accordance with the Companies Act;

(3) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors to purchase Shares pursuant to the Share Buyback Mandate may be exercised by the Directors any time and from time to time, on and from the date of the passing of this resolution, up to the earliest of:

(a) the date on which the next annual general meeting is held or is required by law to be held;

(b) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate have been carried out to the full extent mandated; or

(c) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by Shareholders in a general meeting ("**Relevant Period**");

(4) in this resolution:

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

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

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

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

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

[See Explanatory Note (h)] **(Resolution 8)**

12. **CHANGE OF AUDITOR FROM ERNST & YOUNG LLP TO PRICEWATERHOUSECOOPERS LLP**

"That:

(a) the retirement of Messrs Ernst & Young LLP ("**EY**") as Auditors of the Company at the conclusion of the Annual General Meeting be noted and in place thereof, Messrs PricewaterhouseCoopers LLP ("**PwC**") having consented to act, be and is hereby appointed as Auditors of the Company, to hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration and on such terms as may be agreed between the Directors of the Company with PwC; and

(b) the Directors and any one of them be and are hereby authorised and empowered to approve and complete and do all such acts and things (including to approve, modify, ratify, sign, seal, execute and deliver all such documents as may be required) as they or he may consider expedient, desirable, necessary or in the interests of the Company to give effect to the Proposed Change of Auditors and/or this Resolution."

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

By Order of the Board

Chan Wan Mei
Company Secretary

11 April 2022
Singapore

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(a) If re-elected under Resolution 3, Mr Tan Kwee Chai will relinquish his position as the Executive Chairman and remain as the Executive Director of the Company. Mr Tan Kwee Chai is father of Mr Tan Yong Chuan (Executive Director and Chief Executive Officer), and uncle of Ms Tan Ai Luang (Executive Director). Key information on Mr Tan Kwee Chai, who is seeking re-election as a Director of the Company, can be found under the "Board of Directors" and "Disclosure of information on Directors seeking re-election" sections of the Annual Report.

(b) Mr Lee Dah Khang has indicated that he will not be seeking re-election as Director of the Company and will retire at the conclusion of the Annual General Meeting ("**AGM**"). Upon Mr Lee's retirement, he will cease as Lead Independent Director, Chairman of the Nominating Committee, a member of Audit and Risk Committee and a member of Remuneration Committee.

(c) If re-elected under Resolution 4, Datuk Yap Kheng Fah will remain as the Independent Director, Chairman of the Nominating Committee, a member of Audit and Risk Committee and a member of Remuneration Committee, and be considered independent for the purposes of Rule 704(7) of the Catalist Rules of the SGX-ST. Datuk Yap Kheng Fah has no relationships with the Company, its related corporation, its substantial shareholders or its Directors. Key information of Datuk Yap Kheng Fah, who is seeking re-election as a Director of the Company, can be found under the "Board of Directors" and "Disclosure of information on Directors seeking re-election" sections of the Annual Report.

(d) Messrs Ernst & Young LLP did not seek re-appointment as auditors of the Company upon their retirement at the AGM for the ensuing financial year ending 31 December 2022.

(e) The proposed Ordinary Resolution 5, if passed, will empower the Directors of the Company from the date of the AGM until the date of the next AGM, to allot and issue Shares and/or instruments at any time. The aggregate number of Shares that the Directors may allot and issue under this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 100% of the issued Shares (excluding treasury shares and subsidiary holdings), of which the total number of Shares to be issued (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) other than on a pro rata basis to existing shareholders shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), at the time this Resolution is passed. The authority will, unless previously revoked or varied at a general meeting, expire at the next AGM of the Company or the date by which the AGM of the Company is required by law to be held, whichever is earlier.

(f) The proposed Ordinary Resolution 6, if passed, will empower the Directors of the Company to allot and issue Shares of up to a number not exceeding in total 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) from time to time pursuant to the grant of share awards under the LYPSP.

(g) The proposed Ordinary Resolution 7, if passed, will empower the Directors of the Company to do all acts necessary to give effect to the IPT General Mandate as described in the Appendix. The authority shall, unless revoked or varied by the Company in a general meeting, continue to be in force until the date that the next AGM of the Company is held or required by law to be held.

(h) The proposed Ordinary Resolution 8, if passed, will empower the Directors of the Company, to do all acts necessary to give effect to the Share Buyback Mandate as described in the Appendix and to repurchase Shares by way of Market Purchases or Off-Market Purchases of up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the Maximum Price. The authority shall, unless revoked or varied by the Company in a general meeting, continue to be in force until the date that the next AGM of the Company is held or required by law to be held.

(i) The proposed Ordinary Resolution 9, if passed, will empower the Directors of the Company, to do all acts necessary for the Proposed Change of Auditors from EY to PwC, as described in the Appendix. The authority shall, unless revoked or varied by the Company in a general meeting, continue to be in force until the date that the next AGM of the Company is held or required by law to be held.

   (a) EY has confirmed to PwC by way of a letter of professional clearance dated 5 April 2022 that it is not aware of any professional reasons why PwC should not accept appointment as the new Auditors;

   (b) the Company confirms that there are no disagreements with EY on accounting treatments within the last 12 months up to the date of their retirement at the conclusion of this AGM;

   (c) the Company confirms that it is not aware of any circumstances connected with the Proposed Change of Auditors from EY to PwC that ought to be brought to the attention of the shareholders of the Company which has not been disclosed in the Appendix;

   (d) the Company confirms that the specific reasons for the Proposed Change of Auditors from EY to PwC are disclosed in Section 4 of the Appendix. The Proposed Change of Auditors from EY to PwC is neither due to the dismissal of EY nor EY declining to stand for election; and

   (e) the Company confirms that it complies with Rules 712 and 715 of the Catalist Rules in relation to the proposed appointment of PwC as its new Auditors.

   For more information relating to this Ordinary Resolution 9, please refer to the Appendix.

NOTICE OF ANNUAL GENERAL MEETING

Important Notes:

1. The Annual General Meeting ("**AGM**") is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Accordingly, this Notice will be sent to members by electronic means via publication on the Company's website at the URL https://www.lyfurniture.com and is also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements. For convenience, printed copies of this Notice will also be sent by post to members.

2. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. Instead, alternative arrangements have been put in place to allow members to participate at the AGM by (a) watching the AGM proceedings via "live" webcast or listening to the AGM proceedings via "live" audio feed, (b) submitting questions in advance of the AGM, and/or (c) voting by proxy at the AGM. Shareholders who wish to watch the "live" webcast of the AGM or listen to the "live" audio feed of the AGM proceedings and/or submit questions in advance of the AGM, are to register at https://lyfurnitureagm.listedcompany.com/agm-2022/(the "**Registration and Q&A Link**") by 2.00 p.m. on 19 April 2022 (the "**Registration Deadline**") to enable the Company to verify their status. Following the verification, authenticated shareholders will receive an email by 2.00 p.m. on 28 April 2022 containing a link which they can click on to access the "live" webcast and a telephone number which they can dial to listen to the "live" audio feed of the AGM proceedings.

   Shareholders who register by the Registration Deadline but do not receive an email response by 2.00 p.m. on 28 April 2022 may contact the Company by email to agm@lyfurniture.com.

   Please note that shareholders will not be able to ask questions at the AGM "live" during the webcast and audio feed, and therefore shareholders should pre-register their participation in order to submit their questions in advance of the AGM. Shareholders may submit questions relating to the items on the agenda of the AGM via the Registration and Q&A Link. All questions must be submitted by the Registration Deadline.

   The Management and the Board of Directors of the Company will endeavour to address all substantial and relevant questions received from members prior to the AGM by publishing the responses to those questions on SGX website at the URL https://www.sgx.com/securities/company-announcements and the Company's website at the URL https://www.lyfurniture.com before 3.00 pm on 24 April 2022. Where substantial and relevant questions submitted by members are unable to be addressed prior to the AGM, the Company will address them at the AGM.

3. **A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.** This proxy form may be accessed at the Company's website at the URL https://www.lyfurniture.com, and on the SGX website at the URL https://www.sgx.com/securities/company-announcements. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid. CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 19 April 2022.

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

5. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

   (a) if submitted by post, be lodged with the Company's Share Registrar address at 80 Robinson Road, #11-02, Singapore 068898; or

   (b) if submitted electronically, be submitted via email to the Company at agm@lyfurniture.com,

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

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

   In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

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

PERSONAL DATA PRIVACY

By submitting an instrument appointing the Chairman of the Meeting as proxy to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of Chairman of the Meeting as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

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

PROXY FORM
Annual General Meeting

IMPORTANT
Alternative Arrangements for Annual General Meeting
1. The Annual General Meeting is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. The Notice of Annual General Meeting will be sent to members by electronic means via publication on the Company's website at the URL http://www.lyfurniture.com and is also available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.
2. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Annual General Meeting in person.** Alternative arrangements have been put in place to allow members to participate at the Annual General Meeting by (a) watching the Annual General Meeting proceedings via "live" webcast or listening to the Annual General Meeting proceedings via "live" audio feed, (b) submitting questions in advance of the Annual General Meeting, and/or (c) voting by proxy at the Annual General Meeting.
3. **A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting if such member wishes to exercise his/her/its voting rights at the Annual General Meeting.**
4. **Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the Meeting as a member's proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting.**

CPF/SRS Investors
5. CPF/SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 19 April 2022.

Personal Data
6. By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2022.

I/We, ______________________________ (name) ______________ (NRIC/Passport No.)

of ____ (address)
being a member/members of LY Corporation Limited (the "**Company**"), hereby appoint the **Chairman of the Meeting** as *my/our *proxy to attend, speak and vote for *me/us on *my/our behalf at the Annual General Meeting ("**AGM**") of the Company to be convened and held by way of electronic means on Friday, 29 April 2022 at 3.00 p.m. and at any adjournment thereof in the following manner:

No.	Resolutions	Number of votes For	Number of votes Against	Abstain
ORDINARY BUSINESS				
1.	Adoption of the Directors' Statement, Audited Financial Statements and the Independent Auditors' Report for the financial year ended 31 December 2021.			
2.	Approval for payment of Directors' fees for the financial year ending 31 December 2022, payable quarterly in arrears.			
3.	Re-election of Mr Tan Kwee Chai as a Director of the Company.			
4.	Re-election of Datuk Yap Kheng Fah as a Director of the Company.			
SPECIAL BUSINESS				
5.	Authority to allot and issue shares.			
6.	Authority to allot and issue shares under the LY Performance Share Plan.			
7.	Renewal of the Interested Person Transactions Mandate.			
8.	Renewal of the Share BuyBack Mandate.			
9.	Change of Auditors from Ernst & Young LLP to PricewaterhouseCoopers LLP.			

** Delete accordingly*

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

If you wish the Chairman of the Meeting as your proxy to cast all your votes **For** or **Against** a resolution, please indicate with "√" in the **For** or **Against** box in respect of that Resolution. Alternatively, please indicate the number of votes **For** or **Against** in the **For** or **Against** box in respect of that Resolution. If you wish the Chairman of the Meeting as your proxy to **Abstain** from voting on a Resolution, please indicate with "√" in the **Abstain** box in respect of that Resolution. Alternatively, please indicate the number of shares that the Chairman of the Meeting as your proxy is directed to abstain from voting in the **Abstain** box in respect of that Resolution. **In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as your proxy for that Resolution will be treated as invalid.**

Dated this ________ day of ________________ 2022

Total Number of Shares Held (see note 1)

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

IMPORTANT: Please read notes overleaf

Notes:

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
2. **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Annual General Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.** This proxy form may be accessed at the Company's website at the URL http://www.lyfurniture.com, and the SGX website at the URL https://www.sgx.com/securities/company-announcements.

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

   CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 pm on 19 April 2022.
3. The Chairman of the Meeting, as proxy, need not be a member of the Company.

Affix
Postage
Stamp

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

4. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:
   (a) if submitted by post, be lodged with the Company's Share Registrar address at 80 Robinsons Road, #11-02, Singapore 068898; or
   (b) if submitted electronically, be submitted via email to the Company at agm@lyfurniture.com, in either case, at least 72 hours before the time appointed for holding the AGM.

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

   In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.
5. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer(s).
6. Where an instrument appointing the Chairman of the Meeting as proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. The Company shall be entitled to reject an instrument appointing a proxy if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company shall be entitled to reject any instrument appointing a proxy which has been lodged if such member, being the appointor, is not shown to have shares entered against his name in the Depository Register at least 72 hours before the time appointed for the AGM, as certified by The Central Depository (Pte) Limited to the Company.

LY CORPORATION LIMITED

(Incorporated in the Republic of Singapore on 24 October 2016)
(Company Registration Number: 201629154K)
80 Robinson Road #02-00
Singapore 068898
Tel: +607 455 8828
Fax: +607 455 8853
Website: http://www.lyfurniture.com