Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: LY Corporation Limited

Stock code: 1H8

Meeting details:
Date: 22 June 2020
Time: 2.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As noted in the message to shareholders, the group made several first in FY2019, which included:

- First shipment of millwork products: The group diversified into the manufacturing of millworks products which are categorised as building materials. The first container of millwork products was shipped in January 2020 after a successful RM5 million refurbishment of two of the existing factories and building a millwork production line.

- Original brand manufacturing ("OBM"): With the acquisition of Cubo Sdn. Bhd.'s business and assets in January 2019, the group own the production and brand names of the EZBO easy-to-assemble and space-saving furniture line, as well as the CUBO custom-made line.

(i) **Can the board help shareholders understand if the diversification into millworks was mentioned in the offer document?**

(ii) **Given that millwork products are considered building material, would the group be moving into an area that is highly commoditised and possibly commanding lower margins?**

(iii) The group's OBM business comes under its 51% subsidiary, Leyo Holdings Sdn. Bhd. which reported a loss after tax of RM(2.9) million. Revenue for the year was RM4.5 million. **Can management elaborate further on its plans to scale up the EZBO series profitably? What is the volume/scale that would allow it to breakeven?**

Q2. As noted in the Consolidated statement of cash flows (pages 52 & 53), the group generated net cash flows from operating activities of RM8.8 million while investing RM33.9 million in FY2019. Bulk of the investment went into purchase of property, plant and equipment (RM21.6 million) and acquisition of business (RM13.2 million). With an addition RM3.6 million used in financing activities, the group's total cash and cash equivalents at the end of the year stood at RM36.1 million.

(i) **Can management help shareholders understand if the heavy investment phase into capital expenditure has been completed? Going forward, what is the expected/steady-state level of capital expenditure for maintenance?**

(ii) **How much working capital is needed to support the millwork products business and the OBM business? Does the group have sufficient resources to support these new businesses?**

(iii) **With the COVID-19 outbreak, does management expect significant delays in collecting its trade and other receivables?**

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Q3. On 19 November 2018, the company announced that an unexpected collapse had occurred at the mezzanine floor of one of its factories in Batu Pahat, resulting in the unfortunate death of an employee.

The group was charged with an offence under Section 15(1) of the Occupational Safety and Health Act 1994 for failure to provide a safe mezzanine floor. The Sessions Court of Batu Pahat, Johor, Malaysia held that the group shall be liable to a fine of Ringgit Malaysia Forty Thousand (RM40,000) due to the offence under Section 15(1) of the Occupational Safety and Health Act for failure to provide a safe mezzanine floor in its premise resulting in a fatal incident.

(i) **Can the company help shareholders understand if the mezzanine floor was approved and structurally sound prior to the accident? Also, was the mezzanine floor overloaded?**

(ii) **Has the board carried out an investigation and reviewed all of the group's 19 factories and warehouses to ensure that they comply to all occupational safety standards and building regulations?**

(iii) **Since 2018, what improvement has management made to the group's safety training?**

(iv) **How does the board/management monitor the level of compliance of the group's safety practices and policies?**

As disclosed in its Sustainability report, the board recognises that it sets the tone for all sustainability efforts. The group's sustainability efforts are supported by the Sustainability Steering Committee to ensure successful implementation of our sustainability initiatives. The group carried out a materiality assessment through various engagement sessions involving management and executives and came up with the following materiality assessment.

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(Source: 2019 Sustainability Report; emphasis added)

(v) **Would the board help shareholders understand if it had approved the materiality assessment?**

(vi) **Given the unfortunate incident in 2018, did the board deliberate at lengths on the importance of the "Workplace Safety & Health" material topic?** It would appear that more importance has been placed on economic performance.

In 2018, the group reported 22 injuries and a fatality. In 2019, while there was no fatality, the number of injuries increased to a total of 28 cases.

(vii) **Would the board consider how it could demonstrate its commitment and set a stronger tone to provide its workforce with a safe working environment?**

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^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)