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Issuer: LY Corporation Limited

Stock code: 1H8

Meeting details:

Date: 28 April 2023

Time: 2.30 p.m.

Venue: Room 328, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard,
Singapore 039593

Q1. In FY2022, the group reported a net profit of RM12.4 million, a significant improvement from the RM7.2 million loss in the previous year. This performance was primarily driven by a 23.9% increase in revenue to RM234.5 million. The average selling price per 40-ft container rose from RM59,000 to RM73,000, due to changes in the product mix and a stronger USD to RM exchange rate. In addition, the group shipped a slightly higher number of containers, rising from 3,207 to 3,220.

As a result of an internal restructuring, Leyo Manufacturing Sdn Bhd ("LEM") became an indirect wholly-owned subsidiary of the company. At the time of the share transfer, LEM had net total assets of RM(3.32) million.

- (i) **Can management help shareholders better understand the challenges faced by LEM?**
- (ii) **Can the board also explain why taking over 100% of LEM would be beneficial for the group when the group already had control prior to the restructuring?**
- (iii) **Would the group now be fully responsible for LEM's losses instead of the previous 51% share?**
- (iv) **Would LEM require an injection of capital from either the company or LY Furniture Sdn Bhd?**
- (v) **What are management's priorities for improving the operational and financial performance of LEM in the next 18-24 months?**
- (vi) **The group has begun manufacturing and exporting kitchen cabinets to a customer in the USA. Can management provide further details on the market entry strategy, including the marketing efforts, if any?**
- (vii) **What is the size of the addressable market for kitchen cabinets?**

Q2. As stated in the annual report, the group was negatively impacted by a net foreign exchange loss of RM2.4 million resulting from USD loans, which occurred as the USD strengthened against the Malaysian Ringgit.

- (i) **Can management provide more information on the USD loans, such as the outstanding amount and maturity date? In additional, can management show how the net foreign exchange loss of RM2.4 million was calculated?**
- (ii) **Was the currency mismatch considered by the board as part of the company's risk management strategy?**
- (iii) **What is management's view on the strength of the Malaysian Ringgit and the US Dollar?**

18 LOANS AND BORROWINGS (CONTINUED)

Bankers' acceptances, short term financing and term loan (Continued)

The Company has the following principal bank loans:

- (i) A loan of RM3,954,000 (2021: RM5,179,000). 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 4.44% (2021: 3.35%) per annum.
- (ii) A loan of RM13,260,000 (2021: RM16,704,000). 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 5.13% (2021: 2.23%) per annum.
- (iii) A loan of RM13,830,000 (2021: RM16,424,000). 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 6.46% (2021: 2.50%) per annum.

(Source: company annual report)

As shown in Note 18, For instance, the interest rates on the RM13.83 million loan drawn down in May 2021 and set to expire in November 2026 have increased from 2.50% in 2021 to 6.46% in 2022.

- (iv) **Has the group implemented any hedging strategies to mitigate its interest rate risks?**
- (v) **Would the audit and risk committee look into ways to more effectively manage the group's interest rate risk going forward?**

Q3. The company disclosed the details of the interested person transactions (IPTs) for FY2022 on page 69. This is required pursuant to Rule 907 of the Catalist Rules of SGX-ST.

The aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) with Lean Shern Furniture Sdn Bhd ("Lean Shern") amounted to RM39.5 million.

The company has also proposed the renewal of the IPTs general mandate, which will be up for shareholders' approval at the upcoming annual general meeting on 28 April 2023.

The appendix to the annual report 2022 containing details of the proposed renewal of the IPTs general mandate can be accessed here:

<https://links.sgx.com/FileOpen/LY%20Corp%20-%20Appendix%20-%2010%20Apr%202023.ashx?App=Announcement&FileID=753060>

- (i) **Can management provide shareholders with an overview of the transactions with Lean Shern, including the type, nature, and value of the transactions?**
- (ii) **Can the ARC explain the measures it has in place to ensure compliance with the methods or procedures for determining the transaction prices under the IPT General Mandate?**
- (iii) **What was the extent of the ARC's involvement in the periodic internal reviews of the IPTs to ensure that they are being carried out on normal commercial terms and are not prejudicial to the interests of the company and its minority shareholders?**
- (iv) **What skills and industry insights do ARC members possess that enable them to fulfil their fiduciary duty of safeguarding against IPTs that may be detrimental to the interests of the company and its minority shareholders?**

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

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