



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

(I) PROPOSED ACQUISITION; AND
(II) SHAREHOLDERS’ AGREEMENT

1. INTRODUCTION

The Board of Directors (“**Board**”) of LY Corporation Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) is pleased to announce that the Company has today, through its wholly-owned subsidiary, Leyo Holdings Sdn Bhd (“**Leyo Holdings**”), entered into an asset purchase agreement (“**APA**”) with Cubo Sdn. Bhd. (“**CSB**”), a company incorporated in Malaysia, and Mr Ng Teck Lai (“**NTL**”) (collectively referred to as “**Vendors**”), pursuant to which the Vendors have agreed to sell the assets comprising intellectual properties, plants & machineries, fixed assets and other assets (the “**Assets**”) to Leyo Holdings in accordance with the terms and conditions as stipulated in the APA (“**Proposed Acquisition**”).

On the same date, the Company has entered into a shareholders’ agreement (“**SHA**”) with Lebo Design Sdn. Bhd. (“**Lebo Design**”) and Leyo Holdings to give effect to the Company’s and Lebo Design’s intentions to co-operate with each other to carry on business of manufacture, sell, market and distribute furniture under the brand names EZBO and CUBO (“**Business**”) and to regulate their relations *inter se* and in the conduct of the business and affairs of Leyo Holdings.

2. INFORMATION ON VENDORS, LEBO DESIGN AND LEYO HOLDINGS

- 2.1 CSB is the legal and beneficial owner of the Assets, save for the patent rights for Hero Cabinet (“**Patent Rights**”). NTL has applied for certain rights and ownership to the Patent Rights and/or is the registered proprietor of the Patent Rights. NTL is a director of CSB and holds a controlling interest in CSB through Yes Support Services Sdn. Bhd., a company 50% owned by NTL.
- 2.2 Lebo Design is a company incorporated in Malaysia with a registered address at No 9A-1, Jalan Kundang 2, Taman Bukit Pasir, 83000 Batu Pahat, Johor. The directors and shareholders of Lebo Design are Ng Teck Lai, Er Siang Fong, Sim Choon Thai and Neo Sau Boon. The principal activity of Lebo Design is that of manufacturing, trading and design of furniture.

3. INFORMATION ON THE PROPOSED ACQUISITION

- 3.1 The Vendors agreed to sell and Leyo Holdings agreed to purchase the Assets free from all encumbrances in accordance with the terms and conditions of the APA, for a purchase consideration of RM2.219 million (“**Consideration**”).

Leyo Holdings will also assume the debts owing by CSB to its creditors (including financial institutions) amounting to RM4.079 million (“**Debts**”). Save for Leyo Holdings’s assumption of the Debt in accordance with the APA, Leyo Holdings will not assume or have any other liability in respect of the Assets.



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- 3.2 The Consideration will be satisfied in the following manner:
- (a) cash payment of RM1.033 million to be paid within 7 days from the first completion date (being a date that falls within 14 days from the date of the APA) (“**First Completion Date**”) by Leyo Holdings to the relevant financial/credit institutions to fully repay, discharge and terminate the hire purchase arrangements in relation to certain vehicles and machines leased by CSB. The cash payment shall be funded from the internally generated funds of the Group; and
 - (b) issuance of 490,000 new ordinary shares in the capital of Leyo Holdings (“**Consideration Shares**”) to Lebo Design (the entity as nominated by the Vendors to accept and receive the Consideration Shares) at an issue price of approximately RM2.42 per share (valued at a total of RM1.186 million), within 14 days from the First Completion Date (i.e. the second completion date).
- 3.3 The consideration for the Proposed Acquisition was arrived at on a willing buyer willing seller basis and on arm’s length commercial terms, taking into account the value of the Assets and the liabilities to be assumed by Leyo Holdings, the intellectual properties and the future prospects of the Business.
- 3.4 Based on the unaudited account for the six months financial period ended 30 September 2018 of CSB, the book value of the Assets (excluding the intellectual properties) was approximately RM2.006 million. The value of the intellectual properties at cost is RM0.213 million, thus arriving at the total Consideration of RM2.219 million.

4. PRINCIPAL TERMS OF THE SHA

- 4.1 Pursuant to the SHA, the Company shall subscribe for additional 509,999 ordinary shares in the share capital of Leyo Holdings at a subscription price of approximately RM2.42 and the total subscription price shall be RM1.235 million, payable in cash to Leyo Holdings (“**Proposed Subscription**”).
- 4.2 After the allotment and issuance of the Consideration Shares and the new ordinary shares in Leyo Holdings pursuant to the Proposed Subscription, the resulting shareholding in Leyo Holdings shall be as follows:

| Shareholders | Number of shares | Percentage of shareholding (%) | Subscription Price (RM) |
|--------------|------------------|--------------------------------|-------------------------|
| Company | 510,000 | 51 | 1,235,000.00 |
| Lebo Design | 490,000 | 49 | 1,186,000.00 |
| Total | 1,000,000 | 100 | 2,421,000.00 |

Accordingly, the interest of the Company in Leyo Holdings will be diluted from 100.0% to 51.0%. Despite the dilution, Leyo Holdings continues to be a subsidiary of the Company.

In addition, LY Corp will also advance an amount of up to RM4.079 million to Leyo Holdings (“**LY Corp Advance**”). Leyo Holdings shall utilise the LY Corp Advance to settle all Debts. Leyo Holdings will repay the LY Corp Advance to the Company when the Business becomes profitable, subject to the availability of cashflow.



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- 4.3 The board of directors of Leyo Holdings shall consist of two (2) persons to be appointed by the Company and one (1) person to be appointed by Lebo Design for the time being.

5. RATIONALE

The Board is of the view that the Business is complementary to the Group's existing businesses and the Proposed Acquisition will allow the Group to expand its revenue stream. The Board believes there is demand in the market place for furniture products under the EZBO and CUBO brand names and the Proposed Acquisition would allow the Business to leverage on its manufacturing and distribution capabilities to expand and improve its business and operations. The Proposed Acquisition also allows the Company to move downstream into original brand manufacturing (OBM) business with distinct brand names and innovative patented products. The OBM could potentially create better brand recognition for the Company and enable the Group to access a larger clientele base.

6. RELATIVE FIGURES COMPUTED ON THE BASIS SET OUT IN RULE 1006

The relative figures as computed on the applicable bases set out in Rule 1006 of the Catalyst Rules of the SGX-ST are set out as follows:

| | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|---|------------------|
| Rule 1006 (a) Net asset value of the assets to be disposed of, compared with the Group's net asset value | - | N/A |
| Rule 1006 (b) Net profits attributable to the assets acquired compared with the Group's net profits | - | N/A* |
| Rule 1006 (c) Aggregate value of the consideration given compared with the market capitalisation | - | 1.76% |
| Rule 1006 (d) Number of equity securities issued as consideration for the acquisition compared with the number of equity securities previously issued | - | N/A [#] |

* *Not applicable as the target assets are assets with no income statement*

[#] *Not applicable as no shares are issued as consideration*

7. FINANCIAL EFFECTS

The Proposed Acquisition and the Proposed Subscription are funded via internally generated resources and are not expected to have any material impact on the net tangible assets or earnings per share of the Group for the current financial year ending 31 December 2018.

8. INTEREST OF DIRECTORS OR CONTROLLING SHAREHOLDERS OR SUBSTANTIAL SHAREHOLDERS

Save for their respective shareholdings in the Company, none of the directors, controlling shareholders or substantial shareholders of the Company, has any interest, whether directly or indirectly, in the transactions contemplated herein.



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9. SERVICE CONTRACT

NTL will be entering into a service agreement with Leyo Holdings as Chief Executive Officer from the date of the SHA for a period of three (3) years. Save for this, there are no directors who are proposed to be appointed to the Board of the Company in connection with the Proposed Acquisition.

10. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

11. CAUTIONARY STATEMENT

Shareholders of the Company are advised to exercise caution when trading in the shares of the Company in relation to this announcement as there is no certainty or assurance that the Proposed Acquisition will be completed or that no changes will be made to the terms thereof. When in doubt as to the action that they should take, shareholders of the Company should consult their financial, tax or bank or other advisers.

12. DOCUMENTS FOR INSPECTION

Copies of the APA and SHA each dated 14 December 2018 are available for inspection during normal business hours at the registered office of the Company at 80 Robinson Road #02-00 Singapore 068898 from the date of this announcement up to and including the date falling three months after the date of this announcement.

BY ORDER OF THE BOARD

Tan Yong Chuan
Executive Director and Chief Executive Officer

14 December 2018



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*LY Corporation Limited (the "**Company**") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 31 January 2018. The initial public offering of the Company was sponsored by UOB Kay Hian Private Limited (the "**Sponsor**").*

This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made, or reports contained in this announcement.

The contact person for the Sponsor is Mr Lan Kang Ming, Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.