



LY CORPORATION LIMITED

(the "Company")

Company Registration no. 201629154K

(Incorporated in the Republic of Singapore)

**EXERCISE OF CALL OPTION FOR THE ACQUISITION OF OPTION ASSETS
- EXECUTION OF ASSET PURCHASE AGREEMENT**

1. INTRODUCTION

The Board of Directors (the "**Board**") of LY Corporation Limited, (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the announcement made by the Company on 6 December 2018 ("**Announcement**") in respect of the exercise of the call option pursuant to the Call Option and Rights of First Refusal Agreement dated 21 December 2017 entered into by the Company with Lian Yu Furniture Corporation Sdn. Bhd. (f.k.a. LY Furniture Corporation Sdn. Bhd.) ("**LYFC**") ("**Call Option and ROFR Agreement**") in which LYFC procures its subsidiary, LP Global Resources Sdn Bhd ("**LP Global**"), to sell its Option Assets (as defined in the Announcement) to the Company or its nominees.

This announcement should be read in conjunction with the Announcement and all terms and expressions used herein (unless otherwise expressly defined) shall bear the same meanings as described to them in the Announcement.

Following the Exercise of Option and pursuant to further discussions and negotiations between the Company and LYFC on the terms of the Exercise of Option, the Board is pleased to inform shareholders that the Company has, through its wholly-owned subsidiary, LY Furniture Sdn. Bhd. ("**LYFSB**") (nominated by the Company as the "**Purchaser**" of the Option Assets) entered into a conditional asset purchase agreement on 8 January 2019 (the "**APA**") with LP Global (the "**Vendor**"), pursuant to which the Purchaser shall acquire the Option Assets for a total consideration of RM8.294 million and upon the terms and conditions as set forth in the APA.

2. INFORMATION OF PURCHASER AND VENDOR

LYFSB was incorporated in Malaysia on 29 July 1991 and is a wholly-owned subsidiary of the Company, with its principal activity related to those of manufacture of all kinds of wooden furniture.

Please see section 2 of the Announcement for information on Vendor.

3. KEY TERMS AND CONDITIONS

A summary of the key terms and conditions of the APA has been set out below:

3.1 Conditions Precedent

The obligations of the Purchaser to complete the acquisition of the Option Assets is conditional upon the fulfilment of the following conditions on or before the expiry of six (6) months from the date of the APA (or any other date as may be mutually agreed in writing by the parties to the APA) ("**Cut-Off Date**"), unless otherwise expressly waived by the Purchaser ("**Conditions Precedent**"):



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- 3.1.1 the Vendor and the Purchaser having obtained and furnished to each other the approvals from their respective boards of directors and/or shareholders (if required) in respect of the transfer of the Option Assets in accordance with the terms of the APA;
 - 3.1.2 the Purchaser having conducted due diligence investigations on the Vendor's title to the Option Assets and the financial, legal, contractual, technical and tax issues in relation to the Option Assets and being satisfied with the results of the due diligence investigations;
 - 3.1.3 the Vendor having obtained and delivered to the Purchaser or the Purchaser's solicitors, the original consent from the Johor State Authority ("**State Authority**") due to the restriction in interest contained in the issue document of title of the land (located at No. 3, Jalan Wawasan 12, Kawasan Perindustrian Sri Gading, 83000 Batu Pahat, Johor, Malaysia) (forming part of the Option Assets) ("**Land**") ("**State Consent**") and the satisfaction of conditions to the State Consent, if any;
 - 3.1.4 the Purchaser having obtained the approval in writing from the State Authority in accordance with Section 433B(1)(b) of the Malaysian National Land Code, 1965 ("**NLC**") ("**S433B Approval**");
 - 3.1.5 the Vendor confirming to the Purchaser in writing that no action, suit, investigation or proceeding by any entities and/or authorities shall have been instituted or threatened by or against it which may affect the Option Assets in any way whatsoever;
 - 3.1.6 in relation to 2 charges created on the Land ("**Charges**"), the Purchaser or the Purchaser's solicitors' receipt of the duplicate of the duly executed and registered charge document (Form 16A of the NLC) and the original valid and registrable discharge of charge document (Form 16N of the NLC) and any other relevant documents required for the discharge of Charges (subject only to registration at the Johor Land Office) duly executed by the Vendor in respect of the Land ("**Discharge Documents**"); and
 - 3.1.7 the Purchaser having made payment of the Redemption Sum (defined below) in accordance with APA.
- 3.2 In the event the Vendor elects to pay the Redemption Sum (defined below) to the relevant creditors/financial institution and proceeds to present the Discharge Documents to the relevant land office to discharge the Charges on or before the Cut-Off Date, the conditions in paragraph 3.1.6 and 3.1.7 need not be fulfilled and if all the other conditions in paragraph 3.1 are fulfilled, the Purchaser and the Vendor may proceed to completion of the APA.
- 3.3 In the event that the Conditions Precedent are not obtained or fulfilled on or before the Cut-Off Date, the APA shall *ipso facto* cease and determine and none of the parties to the APA shall have any claim against the other for costs, damages, compensation or otherwise.
- 3.4 Purchase Consideration

The aggregate purchase consideration of RM8.294 million ("**Purchase Consideration**") was arrived at, on a willing-buyer willing-seller basis, after arms' length negotiations and after taking into consideration, *inter alia*, the fair market value of the Option Assets including the plant and machineries along with the Land (together with the factory erected on it) where the Vendor is operating on as well as other assets (such as furniture, fixtures & fittings, office equipment, tools & utensils and computer) as set out in the valuation reports issued by VPC dated 17 December 2018 (for the Land and factory) and 18 December 2018 (for the plant & machinery).



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However, the other minor assets (such as furniture, fixtures & fittings, office equipment, tools & utensils and computer) will be acquired based on their net book value and will not be appraised by an independent appraiser. Kindly refer to the Announcement for the rationale for the exercise of call option.

The Purchase Consideration shall be satisfied in the following manner:

- (a) Within 7 business days from the date of the APA, the Purchaser shall pay a deposit amounting to RM829,400 (being 10% of the Purchase Consideration) to the Vendor;
- (b) If the Vendor elects not to pay the Redemption Sum (defined below) and discharge the Charges on its own, within 7 business days from the date the Purchaser or the Purchaser's solicitors' receipt of all the following documents:
 - (i) the original State Consent,
 - (ii) the original S433B Approval,
 - (iii) the relevant redemption statement indicating the relevant redemption sum payable to the relevant creditors/financial institutions in order to discharge all Charges ("**Redemption Sum**"),

and upon fulfilment of all the Conditions Precedent (save for the conditions precedent in paragraph 3.1.6 and 3.1.7 above), the Purchaser shall make payment of the Redemption Sum directly to the said creditors/financial institutions to enable the Vendor to discharge the Charges;

- (c) The Purchase Consideration less the Deposit, RM189,600 (being a sum equivalent to 3% of the Purchase Consideration to be retained by the Purchaser's solicitors and subsequently paid to the Director General of Inland Revenue of Malaysia pursuant to the Malaysian Real Property Gain Tax Act, 1976) ("**Retention Sum**") and Redemption Sum (if applicable) shall be paid to the Vendor on the Completion Date (as defined below). For the avoidance of doubt, if Vendor elects to pay the Redemption Sum and discharge the Charges on its own, the Purchaser shall pay the Consideration less the Deposit and Retention Sum to the Vendor on the Completion Date (as defined below).

3.5 Completion Date

Unless otherwise agreed by the Vendor and Purchaser in writing, completion shall take place at the office of Vendor within 14 days from the date on which the last Conditions Precedent is fulfilled ("**Completion Date**").

4. **INTERESTED PERSON TRANSACTION**

The Exercise of Option constituted an interested person transaction under Chapter 9 of the Catalist Rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") with an acquisition price for the Option Assets at RM8.294 million. Accordingly, the relevant percentage ratios as provided under Chapter 9 of the Catalist Rules of SGX-ST is below 5% and therefore shareholders' approval is not required. Please refer to the Announcement for more information on the interested person transaction.



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5. RELATIVE FIGURE COMPUTED ON THE BASIS SET OUT IN RULE 1006 OF THE CATALIST RULES

The relative figures as computed on the applicable bases set out in Rule 1006 of the Catalist 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	-	2.33%
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

6. FINANCIAL EFFECT

The Exercise of Option is funded internally and is 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 2019.

7. INTEREST OF DIRECTORS OR CONTROLLING SHAREHOLDERS OR SUBSTANTIAL SHAREHOLDERS

Save as disclosed in the Announcement and 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 these transactions contemplated herein.

8. DOCUMENTS FOR INSPECTION

A copy each of the APA and valuation reports by VPC 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.



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BY ORDER OF THE BOARD

Tan Ai Luang
Executive Director

9 January 2019

*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.