



LY CORPORATION LIMITED

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

PROPOSED DISPOSAL OF INTEREST IN 51%-OWNED SUBSIDIARY

1. INTRODUCTION

The Board of Directors (“**Board**”) of LY Corporation Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has today entered into a share sale agreement dated 17 January 2025 (“**SSA**”) with Lebo Design Sdn Bhd (“**Lebo Design**”) for the proposed disposal of 210,000 ordinary shares in Leyo Holdings Sdn Bhd (“**Leyo Holdings**”) representing 21% of the total issued share capital of Leyo Holdings by the Company to Lebo Design for a nominal cash consideration of RM1.00 in accordance with the terms and conditions as stipulated in the SSA (the “**Proposed Disposal**”).

On the same date, the Company has entered into a supplemental shareholders’ agreement (“**SSHA**”) with Lebo Design, Lau Chia En and Leyo Holdings to revise the terms of the shareholders’ agreement dated 14 December 2018 entered into between the Company, Lebo Design and Leyo Holdings to take into account the changes in percentage interest in Leyo Holdings held by the Company and Lebo Design.

2. INFORMATION ON LEYO HOLDINGS

- 2.1 Leyo Holdings is a 51%-owned subsidiary of the Company and will become a 30%-owned associated company upon the completion of the Proposed Disposal.
- 2.2 Leyo Holdings is principally engaged in conducting research in designing any furniture under the company’s patents.
- 2.3 As at 31 December 2023 and 30 June 2024, Leyo Holdings had net liabilities of approximately RM6.78 million and RM6.26 million respectively (comprising mainly amount due and owing to the Company). Leyo Holdings recorded loss after tax of approximately RM120,000 for the financial year ended 31 December 2023 (“**FY2023**”) and profit after tax of approximately RM516,000 for the six months period ended 30 June 2024.
- 2.4 As at the date of this announcement, the directors of Leyo Holdings are Mr Tan Yong Chuan, Mr Ng Teck Lai, Mr Tan Yong Ann and Mr Lau Chia En.

3. ABOUT LEBO DESIGN

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 sole director and shareholder of Lebo Design is Mr. Ng Teck Lai. The principal activity of Lebo Design is that of manufacturing, trading and design of furniture.

Lebo Design is an existing shareholder of Leyo Holdings, holding 470,000 ordinary shares representing 47% of the total issued share capital of Leyo Holdings as at the date of this announcement. Lebo Design will be the major shareholder, holding 680,000 ordinary shares representing 68% of the total issued share capital of Leyo Holdings upon completion of the Proposed Disposal.



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4. PRINCIPAL TERMS OF THE SSA

- 4.1 The consideration for the Proposed Disposal is RM1.00 (“**Consideration**”), payable by Lebo Design in cash.
- 4.2 The nominal Consideration of RM1.00 was arrived at on a willing buyer willing seller basis after arm’s length negotiations, and taking into account the losses incurred by Leyo Holdings since incorporation and the negative net asset value of Leyo Holdings as at 31 December 2023 and 30 June 2024 as set out in paragraph 2 above. The Company did not commission any valuation on the disposal shares given the net liabilities position of Leyo Holdings. No valuation on the patents owned by Leyo Holdings was conducted as the patents have not been able to generate income for Leyo Holdings in the previous years.
- 4.3 The Proposed Disposal of 210,000 ordinary shares in Leyo Holdings representing 21% of the total issued share capital of Leyo Holdings will be executed in two (2) tranches as follows:
- (a) Tranche 1 comprises the disposal of 40,000 ordinary shares in Leyo Holdings representing 4% of the total issued share capital of Leyo Holdings (“**Tranche 1**”); and
 - (b) Tranche 2 comprises the disposal of 170,000 ordinary shares in Leyo Holdings representing 17% of the total issued share capital of Leyo Holdings (“**Tranche 2**”).

The conditions to the execution of Tranche 1 and Tranche 2 are provided below.

- 4.4 The other material terms of the SSA are as follows:
- (a) the entry of the SSHA;
 - (b) Tranche 1 shall be conditional upon the following conditions precedent being fulfilled within 3 years from the date of the SSA:
 - i) Leyo Holdings having made part repayment to the Company such that amount of the outstanding loans and all interest accruing after repayment shall amount to RM5,000,000.00 or less;
 - (c) Tranche 2 shall be conditional upon Leyo Holdings having fully repaid the outstanding balance of the loans and all interest accruing within 3 years of the fulfilment of the above conditions.

Save as disclosed above, there are no material conditions to be fulfilled for the Proposed Disposal.

The aggregate loans (which bear interest at a rate no less than the fixed deposit rate for 12 months deposit as may be prescribed by Maybank Banking Berhad) and all interest accrued that is outstanding and owing by Leyo Holdings to the Company as at 30 September 2024 is RM9,898,686.50.

5. 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, - -2.9% @
compared with the Group’s net asset value



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Rule 1006 (b) Net profits attributable to the assets acquired compared with the Group's net profits	-	9.8% *
Rule 1006 (c) Aggregate value of the consideration given compared with the market capitalisation	-	Negligible
Rule 1006 (d) Number of equity securities issued as consideration for the acquisition compared with the number of equity securities previously issued	-	Not applicable #

@ *Based on the net liabilities of Leyo Holdings of RM6.26 million and the net assets value of the Group of RM218.87million.*

* *Based on the profits after tax of Leyo Holdings of RM516,000 and the profits after tax of the Group of RM5.29 million.*

Not applicable as no shares are issued as consideration.

Based on the above figures, the Proposed Disposal is a discloseable transaction under Rule 1010 of the Catalyst Rules and is not a major transaction subject to shareholders' approval under Rule 1014 of the Catalyst Rules.

6. RATIONALE OF THE PROPOSED DISPOSAL

Leyo Holdings became a 51%-owned subsidiary of the Company on 25 January 2019. The attractiveness of acquiring this new business was that the business of Leyo Holdings is involved in brand building and the development of new designs and innovative intellectual properties for use in furniture products. This will allow the Group to be involved in new initiatives in the furniture industry, especially in the Original Brand Manufacturing (OBM) business (from the traditional Original Equipment Manufacturing (OEM) and Original Design Manufacturing (ODM) that the Group has always been involved in).

On 30 December 2022, in view that Leyo Holdings and its subsidiaries continue to make losses, the Group completed an internal restructuring where Leyo Manufacturing Sdn Bhd ("**Leyo Manufacturing**") (which was originally a wholly-owned subsidiary of Leyo Holdings) was transferred out to LY Furniture Sdn Bhd (where Leyo Manufacturing became a wholly owned subsidiary of LY Furniture Sdn Bhd.) ("**Internal Restructuring**"). This is to streamline and consolidate all manufacturing activities under the umbrella of LY Furniture Sdn Bhd so as to ensure efficiency within the Group. At the same time, it will also allow Leyo Holdings to focus on the design and development of intellectual properties for the furniture industry.

Since the Internal Restructuring, the Group's role within Leyo Holdings has significantly diminished for several reasons:

- (a) **Limited Manufacturing Capacity:** Although Leyo Manufacturing was originally intended to support the production needs of Leyo Holdings, its small scale prevents it from meeting the high volume and quality demands of Leyo Holdings' customers. Achieving the required capacity would necessitate substantial investment in plant, machinery, and human resources.
- (b) **Focus on Large Retailers and Foreign Buyers:** Many of Leyo Holdings' key customers are large retailers, importers, and wholesalers based in countries like Japan, the United States of America, and South Korea, among others. It is more cost-efficient to outsource production to local manufacturers who are already supplying these foreign buyers.



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- (c) **Strategic Shift in Production:** Management believes that the most efficient approach is to diversify production across multiple large, experienced, and well-established local manufacturers, especially those capable of producing the specific type of furniture products required by Leyo Holdings. This strategy ensures a consistent supply of high-quality products with reliable delivery, something that may not be achievable through Leyo Manufacturing alone.

Accordingly, the Board has considered and resolved that the Proposed Disposal is beneficial to the Group notwithstanding the profit generated by Leyo Holdings for the six months period ended 30 June 2024 as it is disposing part of its interest in a non-core business.

For avoidance of doubt, the Board had discussed the Proposed Disposal prior to the receipt of the letter of demand for RM823,395.61 by Leyo Holdings (as announced by the Company on 18 November 2024). As at the date of this announcement, there has been no material development on the letter of demand (other than another letter dated 24 December 2024 demanding for the same again). The Company will make separate announcement to update the shareholders on any material development on the letter of demand as necessary.

7. FINANCIAL EFFECTS

The Proposed Disposal 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 2025 as the Group has fully provided the impairment loss on investment in Leyo Holdings in the financial year ended 31 December 2024.

8. THE SSHA

The purpose of the SSHA is to further regulate the relationships and arrangement amongst the shareholders in view of the Proposed Disposal as the control of Leyo Holdings will be transferred from the Company to Lebo Design upon the completion of Tranche 1 pursuant to the Proposed Disposal, including but not limited to the right for Lebo Design to appoint a director as the chairman of the board of director of Leyo Holdings.

9. 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 Proposed Disposal contemplated herein.

10. SERVICE CONTRACT

A service agreement will be entered into between Leyo Holdings and Mr. Ng Teck Lai, the current Director of Leyo Holdings.

No director is proposed to be appointed to the Board of Directors of the Company in connection with the Proposed Disposal.



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11. 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 Disposal, 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.

12. DOCUMENTS FOR INSPECTION

Copies of the SSA and SSHA each dated 17 January 2025 are available for inspection during normal business hours at the registered office of the Company at 9 Raffles Place, #26-01 Republic Plaza, Singapore 048619 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

17 January 2025

*This announcement has been prepared by LY Corporation Limited (the "**Company**") and its contents have been reviewed by the Company's sponsor, Xandar Capital Pte Ltd (the "**Sponsor**") for the compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist.*

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

The contact person for the Sponsor is Ms Pauline Sim, Head of Corporate Finance, at 3 Shenton Way, #24-02, Singapore 068805, telephone (65) 6319 4954.