



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

**RESPONSE TO QUERIES FROM SGX IN RESPECT OF THE ANNOUNCEMENT ON 14
DECEMBER 2018 IN RESPECT OF THE PROPOSED ACQUISITION AND SHAREHOLDERS'
AGREEMENT**

The Board of Directors of LY Corporation Limited, (the "**Company**" and together with its subsidiaries, the "**Group**") refers to the queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") in relation to the Company's announcement dated 14 December 2018 in respect of the Proposed Acquisition and Shareholders' Agreement, and would like to respond as follows:

Unless otherwise defined, all capitalised terms used herein shall bear the same meanings ascribed to them in the Company's announcement dated 14 December 2018.

SGX-ST Query 1

How was the total consideration for the Proposed Acquisition arrived at?

The Consideration for the Proposed Acquisition was arrived at after taking into account the value (at cost or net book value) of the intellectual properties (patent rights, trademarks and industrial designs), plant & machineries, motor vehicles, fixed assets (mainly renovation cost) and other assets.

SGX-ST Query 2

Pursuant to paragraph 3.4, kindly confirm that although the total value of the Assets held for sale is RM2.219 million, the Company will be paying an aggregate sum of approximately, RM6.298 million, to the Vendors, (the "Aggregate Consideration Sum") after factoring in the debts of RM4.079 million assumed by Leyo Holdings, as per paragraph 3.1. If so, was the debt of RM4.079 and/or the Aggregate Consideration Sum, factored in the Company's computation of the Rule 1006(c) figure at paragraph 6?

Yes. Please refer to the table below on the computation of the relative figures.

	Calculation	Remarks
Rule 1006 (a) - Net asset comparison		
Net Asset Value of Asset to be Disposed (S\$'000) / Net Asset Value of Group (S\$'000)	-	Not applicable (" N/A ") as this is an acquisition
Rule 1006 (b) - Net profit comparison		
Profit/(loss) attributable to the assets acquired or disposed of (S\$'000) / Profit/(loss) before tax, minority interests and extraordinary items attributable to Group (S\$'000)	-	N/A as the target assets are assets without income statement

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	Calculation	Remarks
Rule 1006 (c) - Consideration comparison		
Aggregate value of the consideration given/received (RM'000) / Market Capitalisation of Company (based on VWAP - S\$3.04 on the market day preceding the date of SPA) (RM'000)	6,298,000 / 356,865,600 = 1.76%	
Rule 1006 (d) - Equities in issue comparison		
Number of shares issued as consideration for an acquisition / Number of shares in issue	-	N/A as no shares are issued as consideration

Notes:

- (1) "net assets" means total assets less total liabilities.
- (2) "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (3) the net asset and net profit figures used for comparison with the transaction(s) under consideration will be taken from the latest announced consolidated accounts. The Exchange may allow the issuer's net asset value or net profit to be adjusted to take into account any transaction(s) completed subsequent to the latest announced consolidated accounts provided that adequate information about such transaction(s) has already been announced to shareholders.
- (4) "market value" means the weighted average price of the issuer's shares transacted on the market day preceding the date of the sale and purchase agreement.
- (5) "market capitalisation" of the issuer is determined by multiplying the number of shares in issue by the weighted average price of such shares transacted on the market day preceding the date of the sale and purchase agreement.

SGX-ST Query 3**Why is Leyo Holdings assuming the debts amounting to RM4.079 million owing by CSB to its creditors? Is the said debt amount related to the Assets held for sale?**

The Debt amount does not relate to the Assets for sale. The assumption of the Debts, which are mainly liabilities incurred in the day-to-day operations of CSB (such as amounts owing to creditors and financial institutions), are crucial for the Business to continue operating. For example, the Company understands that CSB has certain orders yet to be fulfilled due to financial and manufacturing constraints. As the Company would have access to CSB's clientele base with the Proposed Acquisition, the Company decided to assume the Debts so that the Business can continue without disruption.

The Company has also considered the following factors in deciding on the assumption of Debts:

- (a) The intellectual properties of CSB and NTL have not been valued by any professional valuer. Instead it was bought at cost of only RM213,000. The Company believes that if a professional valuer was to be involved to value the intellectual properties, the value of the intellectual properties will likely to be higher than "at cost".
- (b) Two of CSB's existing customers, a wholesaler in Japan and Korea, respectively, have signed distribution agreements with CSB. The Company also understands that there are other customers in countries such as Indonesia, Philippines and Thailand that have indicated interests in the products.



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- (c) The Company believes the products under the brand names EZBO and CUBO are within the same product class as its competitors, but at a much lower price, with better functionality and easier to assemble. Before assuming the Debt, the Company has considered the products in detail in terms of the design and innovation (together with the intellectual properties) as well as market potential for the products. Based on its experience as a furniture player in the industry, these products (as well as new products that the new partners are supposed to come up with in the future) have the potential to compete with other similar products in the market place. It will also help the Group to create a brand name for its products which it currently does not have. A strong brand name usually fetches higher profit margins than being in original equipment manufacturing (OEM) or original design manufacturing (ODM).
- (d) NTL and his other partners have over the years invested significantly into their ideas and as a result rake in debts and liabilities. It is their entrepreneurial spirit that has grown CSB to this stage. The Company understands this initial stage of setting up a business and believe that the RM4.079 million assumption of Debts is part of the cost to get into this new product line/business, with the initial high risks and uncertainties being assumed by the initial founders earlier. Furthermore, the Company will advance a loan of RM4.079 million to Leyo Holdings to repay the Debts, and this loan will be repaid once Leyo Holdings begin to generate profit (subject to cashflow situation).

BY ORDER OF THE BOARD

Tan Yong Chuan
Executive Director and Chief Executive Officer

28 December 2018

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.

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