

LYC HEALTHCARE BERHAD ("LYC" OR THE "COMPANY")

- I. PROPOSED DIVESTMENT;
- II. PROPOSED SGP; AND
- III. PROPOSED PRIVATE PLACEMENT

(COLLECTIVELY, THE "PROPOSALS")

Unless otherwise stated, the exchange rate of Singaporean Dollar ("SGD") 1.00 : Ringgit Malaysia ("RM") 3.0910, being Bank Negara Malaysia's prevailing middle rate as at 5.00 pm on 28 February 2022, being the last trading day prior to the execution of the SPA ("LTD") are applied in this announcement for illustration purpose.

1. INTRODUCTION

On behalf of the Board of Directors of LYC ("**Board**"), UOB Kay Hian Securities (M) Sdn Bhd ("**UOBKH**") is pleased to announce the following:-

- (i) LYC Medicare Sdn Bhd ("**LYC MY**" or the "**Vendor**"), a wholly-owned subsidiary of LYC, had on 1 March 2022 entered into a conditional sale and purchase agreement ("**SPA**") with Kenanga Investors Berhad ("**KIB**" or the "**Purchaser**") for the divestment of 6,532,500 ordinary shares in LYC Medicare (Singapore) Pte Ltd ("**LYC SG**") ("**LYC SG Share(s)**") (representing 25% equity interest in LYC SG), a wholly-owned subsidiary of LYC MY, for a disposal consideration of SGD12,918,466 (equivalent to RM39,930,978) ("**Disposal Consideration**") to be satisfied entirely via cash, on terms and conditions contained in the SPA ("**Proposed Divestment**").

To further regulate LYC MY and Purchaser of their rights, obligations and management of LYC SG, LYC MY had on even date entered into a shareholder's agreement ("**SHA**") with the Purchaser to regulate their affairs and relationship *inter se* as shareholders in LYC SG.

Salient terms of the SPA and SHA are set out in Appendix I and Appendix II of this announcement, respectively;

- (ii) proposed establishment of the Company's employees' share grant plan of up to 5% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point in time during the duration of the plan ("**SGP Period**") for eligible executive directors and employees of the Company and its subsidiaries, excluding subsidiaries which are dormant, if any ("**LYC Group**" or the "**Group**"), who fulfil the criteria for eligibility ("**Eligible Employees**") which will be stipulated in the by-laws governing the Proposed SGP ("**By-Laws**") ("**Proposed SGP**"); and
- (iii) proposed private placement of up to 30% of the total number of issued shares of LYC at an issue price to be determined and announced later ("**Proposed Private Placement**").

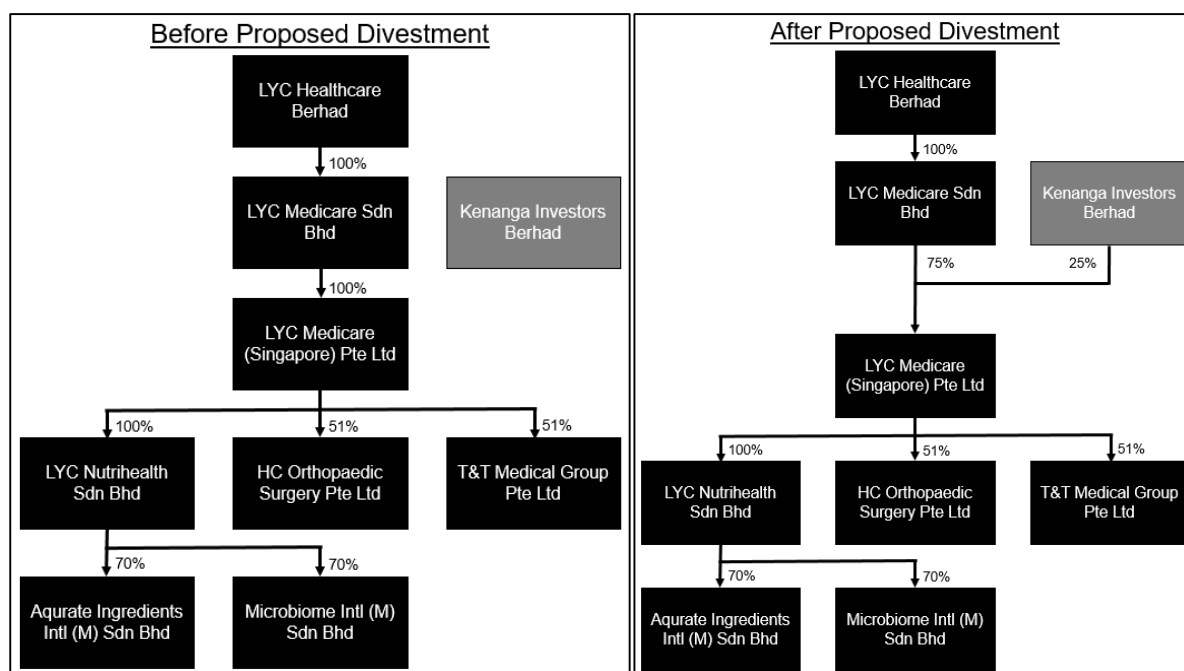
The Proposed Divestment is deemed a related party transaction ("**RPT**") under Rule 10.08 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**") by virtue of the Purchaser's interests in the Proposed Divestment, of which further details are set out in Section 12.1 of this announcement. In this respect, the Board had, on 1 March 2022 appointed Asia Equity Research Sdn Bhd ("**AER**") as the Independent Adviser to advise the non-interested directors and non-interested shareholders of the Company as to whether the Proposed Divestment is fair and reasonable, and whether the Proposed Divestment is to the detriment of the non-interested shareholders.

Further details of the Proposals are set out in the ensuing sections.

2. PROPOSED DIVESTMENT

On 1 March 2022, LYC MY entered into the SPA with KIB (Purchaser and a major shareholder of LYC) for the Proposed Divestment which entails the divestment of 25% equity interest in LYC SG comprising 6,532,500 LYC SG Shares ("**Sale Shares**"). LYC MY shall sell and Purchaser shall purchase the LYC SG Shares free from all encumbrances and together with all rights and advantages attaching thereto as at the Completion Date (as defined herein).

Upon completion of the Proposed Divestment, the Purchaser will hold 25% equity interest in LYC SG and accordingly, LYC MY will hold 75% equity interest in LYC SG. The effects of the Proposed Divestment on LYC Group's corporate structure are as follows:-



2.1 Information of LYC SG

LYC SG was incorporated in Singapore on 28 April 2020 as a private company limited by shares. As at 16 February 2022, being the latest practicable date ("**LPD**"), the issued and fully paid up share capital of LYC SG is SGD26,130,000 comprising 26,130,000 ordinary shares. As at the LPD, LYC SG does not have any convertible securities.

LYC SG is principally an investment holding company. Through its subsidiaries, it is principally involved in the provision of healthcare services comprising (i) provision of general medical and specialised medical services ("**Clinic Segment**"), and (ii) one stop centre for the functional health ingredients to the pharmaceutical and nutraceutical industry ("**Nutraceutical Segment**"), details as further described below:-

- **Clinic Segment**

The Clinic Segment is operated by 2 subsidiaries, namely HC Orthopaedic Surgery Pte Ltd ("**HCOS**") and T&T Medical Group Pte Ltd ("**T&T**"), of which their principal activities include the operations of specialist clinics in orthopaedic, osteoporosis and chronic degenerative joint diseases (spine, pain management and metabolic diseases) services, as well as general medical services.

HCOS serves patients requiring various orthopaedic specialist treatments, including surgeries. The range of HCOS's specialist treatments are generally catered towards management of adult and paediatric fractures and trauma, general orthopaedic, sports injuries with torn ligaments and meniscus, and degenerative spine conditions including prolapsed intervertebral discs (slipped discs). As at the LPD, HCOS operates 2 medical centres at leased hospital premises located at Mount Elizabeth and Parkway East, Singapore.

T&T operates a one-stop chronic disease centre focusing on chronic degenerative joint diseases and spine, and pain management, and metabolic diseases like Diabetes Mellitus, hypertension and high cholesterol. T&T also provides general medical care under its family health clinic arm. T&T serves patients of all age groups. Being a one-stop chronic disease operator, it is able to provide integrated service/ treatment offerings including osteoporosis centre, X-Ray imaging including Bone Mineral Densitometry (BMD), and full-fledged physiotherapy centre for chronic and acute cases, including sports injury and rehabilitation post-surgery. As at the LPD, T&T operates at a leased medical centre, namely T&T Family Health Clinic & Surgery in a shopping mall premise located in Parkroyal, Kitchener Road, Singapore.

- **Nutraceutical Segment**

The Nutraceutical Segment is operated by 3 subsidiaries, namely LYC Nutrihealth Sdn Bhd ("**LYCN**"), Aqurate Ingredients Intl (M) Sdn Bhd ("**Aqurate**") and Microbiome Intl (M) Sdn Bhd ("**Microbiome**"), of which their principal activities include product formulation, research & development ("**R&D**") and supply of functional food ingredients to pharmaceutical, nutraceutical, food and beverage, healthcare and cosmeceutical industry, as well as host/ organise event management and publicity of conference, congress, exhibition, seminar, training and related activities in the foods supplement industry.

Apart from being able to cater to customers under OEM and ODM arrangement, the Nutraceutical Segment can also support its customers to conceptualise product type/ category, branding, market positioning and product launching, whereby the scope includes customised packaging design, product registration, regulatory compliance, marketing conference, media events, sales and technical product training.

The Nutraceutical Segment derives its revenue predominantly from the Malaysian market, through the sale of food ingredients and health ingredients, such as probiotics, prebiotics, dietary fibres, antioxidants, botanical extracts, natural food colours, natural juice powders, whey & plant proteins, cereals and grains.

As at the LPD, the directors of LYC SG are Chan Ying Ho (Singaporean) and Sui Diong Hoe (Malaysian).

As at the LPD, the holding company of LYC SG is LYC MY, a wholly-owned subsidiary of LYC.

As at the LPD, the subsidiaries of LYC SG are as follows:-

| Company | Place/ date of incorporation | Share capital | Effective equity interest (%) | Principal activities |
|--------------------------|-------------------------------------|----------------------|--------------------------------------|---|
| LYCN | Malaysia/ 19.04.2021 | RM36,680,100 | 100.0 | Manufacture, wholesale and retail sales of nutraceuticals, pharmaceutical and healthcare related products including functional ingredients |
| HCOS | Singapore/ 08.09.2017 | SGD100,000 | 51.0 | Provision of clinics and other general medical services, as well as specialised medical services (including day surgical centres) |
| T&T | Singapore/ 12.04.1989 | SGD210,000 | 51.0 | Provision of clinics and other general medical services, as well as specialised medical services |
| Held through LYCN | | | | |
| Aqurate | Malaysia/ 21.03.2012 | RM500,000 | 70.0 | Product formulation, research & development and supply of functional food ingredients, and the provision of innovative solutions to the food & beverage, nutraceutical, pharmaceutical, healthcare and cosmeceutical industry |
| Microbiome | Malaysia/ 05.01.2018 | RM100 | 70.0 | R&D of food ingredients & health ingredients, and host/ organise event management and publicity of conference, congress, exhibition, seminar, training and related activities in the foods supplement industry |

As at the LPD, LYC SG does not have any associate or joint venture company.

A summary of the financial information of LYC SG for the audited financial year ended ("**FYE**") 31 March 2021 and for the latest unaudited 10-month financial period ended ("**FPE**") 31 January 2022 are included in Appendix III of this announcement.

2.2 Information on the Purchaser

KIB is a wholly-owned subsidiary of Kenanga Investment Bank Berhad, an independent investment bank. KIB is licensed to perform regulated activities of fund management dealing in securities (restricted to unit trusts), investment advice, financial planning, and dealing in Private Retirement Schemes (PRS) under the Capital Markets and Services Act 2007 ("**CMSA**"). KIB provides investment solutions ranging from collective investment schemes, portfolio management services as well as segregated private mandates and alternative investments for retail, corporate, institutional clients and high net-worth individuals.

2.3 Basis and justification of arriving at the Disposal Consideration

The Disposal Consideration was arrived at on a willing-buyer willing-seller basis between LYC SG and Purchaser, after taking into consideration the following:-

- (i) the valuation of LYC SG at SGD51,673,860 based on a price-to-earnings ("P/E") multiple of 12 times to LYC SG's forecasted earnings for its FYE 31 March 2023 of SGD4,306,155.

Based on the P/E multiple of 12 times of LYC SG's forecasted earnings, the implied value accorded to 100% equity interest in LYC SG would amount to SGD51,673,860. The said implied valuation was derived based on the sum-of-the-parts valuation approach that takes into account the projected future cash flows of both the Clinic Segment and Nutraceutical Segment of LYC SG for 3 years from 31 March 2023 up to 31 March 2025, as prepared by LYC; and

- (ii) the rationale and benefits arising from the Proposed Divestment, further details of which are set out in Section 6.1 of this announcement.

Further, in justifying the reasonableness of the Disposal Consideration, reference was made to the earnings-based multiples of the listed comparable companies listed domestically and/ or regionally which carry similar principal activities to that of LYC SG. The Board has deemed the P/E multiple as the most appropriate reference to evaluate the Disposal Consideration in view of the following considerations:-

| Valuation multiple | General description |
|--------------------|---|
| P/E | <p>P/E multiple is commonly used to estimate the value of the business, even more so for profit-making companies. For information purpose, the Clinic Segment and Nutraceutical Segment have been operating profitably for the past 2 financial years up to FYE 31 March 2021.</p> <p>P/E multiple is the measure of the market price of the company's shares relative to its annual net income of the company per share, and is computed as follows:-</p> $\frac{\text{Market price}}{\text{EPS}}$ |

In respect of the comparable company analysis as set out in the ensuing page, please take note that there is no one comparable company that may be identical to LYC SG's business activities in terms of composition of business, scale of operations, geographical spread of activities, track record, asset base, risk profile, future prospects and other criteria. However, the list of comparable companies were mainly selected as their principal activities are similar to the LYC SG's business activities, of which its revenue is mainly derived from the provision of healthcare services.

Table: The valuation statistics of the comparable companies using P/E multiple

| Companies | Country of listing | Latest FYE | Principal activities | Market capitalisation as at the LTD SGD' mil | P/E times |
|--|--------------------|-------------|--|--|---------------|
| Asian Healthcare Specialists Limited ("AHSL") | Singapore | 30 Sep 2021 | AHSL provides medical services in Singapore. AHSL provides a wide spectrum of general and subspecialised orthopaedic, trauma and sports services such as knee/hip replacements, sports medicine/surgery, spine surgery, foot/ankle surgery and minimally invasive orthopaedic procedures | 92.39 | 20.64 |
| Singapore Medical Group Limited ("SMG") | Singapore | 31 Dec 2021 | SMG operates medical clinics throughout Singapore. SMG's principal activities lie in the provision of multi-disciplinary specialist healthcare services across the fields of ophthalmology, sports medicine, aesthetic medicine and oncology | 145.91 | 9.35 |
| HC Surgical Specialists Limited ("HCSS") | Singapore | 31 May 2021 | HCSS operates as a medical services group. HCSS focuses on the provision of endoscopic procedures, including gastroscopies and colonoscopies, and general surgery services with a focus on colorectal procedures | 72.67 | 9.08 |
| Alliance Healthcare Group Limited ("AHGL") | Singapore | 30 Jun 2021 | AHGL operates as a healthcare organisation. AHGL offers corporate healthcare solutions, clinical, medical diagnosis, and surgical treatments, as well as manufactures and distributes pharmaceutical and medical supplies | 36.38 | 23.75 |
| Healthway Medical Corporation Limited ("HMCL") | Singapore | 31 Dec 2021 | HMCL is a private healthcare provider with a network of clinics and medical centres in Singapore. HMCL offers comprehensive medical services including general practitioner & family medicine clinics, health screening, adult specialists, baby & child specialists, dental services and allied healthcare services | 158.46 | 14.71 |
| | | | | High | 23.75 |
| | | | | Low | 9.08 |
| | | | | Average | 15.51 |
| LYC SG (included herein for comparison purpose) | | | | | 12.00* |

(Source: Bloomberg, latest available annual reports as well as the latest published 12-month interim results of the respective companies as at the LTD)

Note:-

* Based on a P/E multiple of 12 times to LYC SG's forecasted earnings for its FYE 31 March 2023 of SGD4,306,155

Based on the above table, the implied forward P/E multiple of LYC SG of 12.00 times is between the range of P/E multiples of the comparable companies ranging from 9.08 times to 23.75 times.

Further to the above, as set out in Section 1 of this announcement, AER has been appointed by the Board to act as the Independent Adviser in relation to the Proposed Divestment. The preliminary view of AER has been presented to the Board and Audit Committee of LYC prior to this announcement, of which the statements by the Board and Audit Committee are set out in Sections 16 and 17 of this announcement. AER, in arriving at its preliminary view, had assessed the fairness of the Proposed Divestment based on the preliminary indicative equity value LYC's 100% equity interest in LYC SG. Further details of the evaluation and opinion by AER will be set out in the circular to shareholders of LYC in due course.

2.4 Mode of settlement

Pursuant to the SPA, the Disposal Consideration shall be satisfied entirely via cash on a date falling 5 business days after the satisfaction of all the conditions precedents contained in the SPA (unless waived by the relevant party) or such other date as the parties may mutually agree ("**Completion Date**").

2.5 Original date and cost of investment in LYC SG

LYC's original date and cost of investment in LYC SG are as follows:-

| Date of investment | No. of LYC SG Shares Unit | Cost of investment RM |
|--------------------|------------------------------|--------------------------|
| 28.04.2020 | 1,000 | 3,019.50 |
| 26.01.2022 | 26,129,000 | 81,034,741.67 |
| | 26,130,000 | 81,037,761.17 |

2.6 Pro forma gain or loss on divestment

In accordance with Malaysian Financial Reporting Standards ("**MFRS**") 10 (Consolidated Financial Statements), changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary are equity transactions. When the proportion of the equity held by non-controlling interests changes, an entity shall adjust the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interests in the subsidiary. The entity shall recognise directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration received, and attribute it to the owners of the parent.

Upon divestment of 25% equity in LYC SG, the Company does not lose control over LYC SG. Consequently, an amount of RM5.91 million is recognised directly in equity. Accordingly, no gain or loss shall be recognised in the Company's consolidated statement of profit or loss.

2.7 Liabilities to remain with LYC

Save for the liabilities (including contingent liabilities) retained via the remaining 75% equity interest by LYC Group upon completion of the Proposed Divestment, there are no other liabilities (including contingent liabilities) which will remain with the Group after the completion of the Proposed Divestment.

3. PROPOSED SGP

The Proposed SGP will entail the establishment and implementation of an employees' share grant plan for the granting of new ordinary shares in LYC ("**LYC Share(s)**" or the "**Share(s)**") ("**SGP Shares**") ("**Grants**") to the Eligible Employees as a long-term incentive plan to reward the Eligible Employees and to align their interest with the corporate goals and objectives of LYC Group ("**SGP Award**") made in writing in the manner as set out in the By-Laws.

The Proposed SGP will be administered in accordance with the By-Laws by a committee to be appointed by the Board, comprising of such number of Directors and/or management personnel of LYC Group identified from time to time by the Board ("**SGP Committee**"). The Board will also formulate and approve the terms of reference of the SGP Committee.

The SGP Committee shall have the discretion to extent (or not) the benefit of the Grants to any Eligible Employee ("**Grantee**") in any of the following circumstances:-

- (a) an Eligible Employee who is in the employment of a corporation which is not part of LYC Group ("**Group Company**") but which subsequently becomes a Group Company as a result of a restructuring, an acquisition, a merger, a divestment from that corporation which is not a Group Company or other exercise involving the Company and/ or any Group Company ("**Previous Company**");
- (b) an employee who was employed in a Previous Company and is subsequently transferred from that Previous Company to a Group Company; or
- (c) where:-
 - (i) a corporation that was a Group Company ceases to be a Group Company ("**Ex-Group Company**"); and
 - (ii) an employee of that Ex-Group Company is re-employed by the Group Company.

Without prejudice to the generality of the foregoing and subject to the SGP Committee's discretion otherwise, any Grant made by the SGP Committee shall become void, of no effect and cease to be capable of vesting upon any of the following events occurring:-

- (a) the Grantee's death;
- (b) the Grantee having received a letter of termination or ceasing to be an employee, for any reason whatsoever;
- (c) the Grantee giving notice of his resignation from service or employment;
- (d) the corporation which employs the Grantee ceases to be a Group Company;
- (e) the Grantee is subject to disciplinary proceedings; or
- (f) the Grantee is adjudicated a bankrupt.

The SGP Committee may at its discretion revoke or suspend the nomination of any Grantee of any Group Company from time to time, whereupon such Grantee of such corporation shall henceforth cease to be eligible for any Grant under the Proposed SGP.

For avoidance of doubt, the Proposed SGP will not be extended to the non-executive directors of the Company.

The SGP Shares to be issued and allotted to the Eligible Employees will be listed on the ACE Market of Bursa Securities. For avoidance of doubt, the new LYC Shares to be issued and allotted to the Eligible Employees will not require any payment from the Eligible Employees to the Company as the Proposed SGP serves to incentivise them to stay with the LYC Group over a longer term and contribute towards long-term objectives of LYC Group as well as to align their interests to those of the shareholders of LYC.

The salient terms of the Proposed SGP, details of which will be governed by the By-Laws, are set out as follows:-

3.1 Total number of SGP Shares available under the Proposed SGP

The maximum number of SGP Shares which may be made available under the Proposed SGP shall not exceed in aggregate 5% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point in time during the SGP Period.

3.2 Maximum allowable allocation and basis of allocation

The aggregate maximum number of SGP Shares that may be offered to any one (1) category/ designation of the Eligible Employees shall be determined by the SGP Committee provided that:-

- (a) the allocation to any individual Eligible Employee who either singly or collectively through persons connected with the Eligible Employee with the Eligible Employee hold 20% or more of the total number of issued shares of the Company (excluding treasury shares, if any) shall not exceed 10% of the amount stipulated in Section 3.1 of this announcement ("**Maximum SGP Shares**"); and
- (b) The aggregate maximum number of SGP Shares that may be allocated to the executive directors and senior management of LYC Group who are Eligible Employee shall not be more than 60% of the Maximum SGP Shares,

provided always that it is in accordance with any prevailing requirements issued by Bursa Securities, Listing Requirements or any other relevant authorities as amended from time to time.

The actual number of SGP Shares to be allocated to the Eligible Employee shall be determined by the SGP Committee at its sole discretion after taking into consideration factors which may include the Eligible Employee' position, job performance, seniority, duration of service, potential for future development and contribution to the success and development of LYC Group.

No member of the SGP Committee or Eligible Employee shall participate in any deliberation or discussion on their respective SGP Shares and/ or any SGP Shares to persons connected with the Eligible Employee if any, under the SGP Award.

The SGP Committee may make more than 1 SGP Award to a Eligible Employee provided that the aggregate number of SGP Shares so awarded to the Eligible Employee throughout the entire SGP Period does not exceed the maximum allowable allotment of such Eligible Employee.

3.3 Eligibility

An executive director and employee of LYC Group shall be eligible for consideration and selection by the SGP Committee to participate in the Proposed SGP if as at the date of award, the employee:-

- (a) has attained the age of at least 18 years and is not an undischarged bankrupt;
- (b) (i) has been employed by LYC Group on a full-time basis or serving in a specific designation under an employment contract with LYC Group for a fixed duration (or any other contract as may be determined by the SGP Committee) and is on the payroll of any corporation within LYC Group for a continuous period of at least 12 months in the LYC Group and has not served a notice of resignation or received a notice of termination prior to and up to the date on which the Grant is made by SGP Committee ("**Grant Date**"); or

(ii) is employed by a corporation which is acquired by the LYC Group during the SGP Period and becomes a subsidiary of LYC Group upon such acquisition, he/ she must have completed a continuous employment service for a period of at least 12 months in LYC Group following the date that such company becomes or is deemed to be a subsidiary of LYC Group and has not served a notice to resign or received a notice of termination prior to and up to the Grant Date;
- (c) has been confirmed in writing and is not under any probation;
- (d) if he/ she is an executive director or chief executive of the Company, the Grant awarded by the Company to him/ her in his/ her capacity as an executive director or chief executive of the Company under the Proposed SGP has been approved by the shareholders of LYC at a general meeting; and
- (e) fulfils any other criteria and/ or falls within such category as may be set by the SGP Committee from time to time.

Eligibility, however, does not confer an Eligible Employee a claim or right to participate in the Proposed SGP unless the SGP Committee has made an offer to the Eligible Employee in the manner as set out in the By-Laws and the Eligible Employee has accepted the offer in accordance with the terms of the offer for the Proposed SGP.

3.4 Basis of determining the subscription price

For the avoidance of doubt, the new Shares pursuant to the Proposed SGP will vest with the grantees of the SGP Awards at no cost to them. The reference price of the SGP Shares to be granted will be determined based on the fair value of the SGP Shares which will take into account the 5-day volume-weighted average market price ("**VWAP**") of the Shares prior to the Grant Date.

3.5 Duration of the Proposed SGP

The Proposed SGP, shall take effect on an effective date to be determined by the Board following full compliance with the relevant requirements of the Listing Requirements and By-Laws ("**Effective Date**"). The Proposed SGP shall be in force for a period of 5 years from the Effective Date and may be extended at the discretion of the Board upon the recommendation of the SGP Committee, provided that the SGP Period shall not in aggregate exceed the duration of 10 years from the Effective Date or such longer duration as may from time to time be permitted by the relevant authorities. All SGP Awards shall lapse on the expiry of the SGP Period.

Notwithstanding anything set out in the By-Laws and subject to compliance with the Listing Requirements in relation to the Proposed SGP, the Company may terminate the Proposed SGP at any time during the SGP Period.

3.6 Ranking of the SGP Shares

The SGP Shares will, upon allotment and issuance, rank equally in all respects with the existing Shares, save and except that the SGP Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the SGP Shares.

3.7 Retention period

The LYC Shares to be issued and allotted to Eligible Employee pursuant to the Proposed SGP may be subject to retention period or restriction on transfer (if any) which the SGP Committee shall from time to time and at its own discretion be entitled to prescribe or impose as it sees fit.

For avoidance of doubt, the Proposed SGP will not be extended to the non-executive directors of the Company.

3.8 Listing and quotation for the SGP Shares

An application will be made for the listing and quotation for such number of new LYC Shares, representing up to 5% of the issued share capital of LYC (excluding treasury shares, if any) at any point in time during the SGP Period, to be issued under the Proposed SGP on the ACE Market of Bursa Securities.

4. PROPOSED PRIVATE PLACEMENT

4.1 Placement size

The Proposed Private Placement involves an issuance of up to 30% of the total number of issued shares of LYC.

As at the LPD, the total issued share capital of LYC is approximately RM95,451,808 comprising 464,525,740 LYC Shares. For avoidance of doubt, LYC does not have any outstanding convertible securities and does not hold any treasury shares as at the LPD.

Accordingly, a total of up to 139,357,722 new LYC Shares ("**Placement Share(s)**"), representing 30% of the total issued shares of LYC, may be issued pursuant to the Proposed Private Placement. The issue price of the Placement Shares will be determined and fixed by the Board at a later date after receipt of all relevant approvals for the Proposed Private Placement. The actual number of Placement Shares to be issued pursuant to the Proposed Private Placement will depend on the total issued shares of LYC on a date to be determined later upon obtaining all relevant approvals as set out in Section 11 of this announcement, where applicable.

For avoidance of doubt, the Proposed Private Placement is envisaged to be implemented in tranches within 6 months from the date of approval of Bursa Securities for the Proposed Private Placement. Subsequently, any extension of time for the implementation of the Proposed Private Placement will be subject to Bursa Securities' approval.

4.2 Allocation to places

The following person(s) had vide their undertaking letters dated 1 March 2022 provided their respective undertakings to subscribe and/ or cause their nominee(s), if any, to subscribe for the Placement Shares which are not subscribed for or taken up by any Third Party Investor(s) (as defined herein) ("**Undertakings**"):-

| Undertaking Parties and/ or their nominees, if any | Nature of relationship | No. of Placement Shares to be allotted under Undertakings (up to) | % of issued share capital as at the LPD (%) |
|---|--|--|--|
| (i) Lim Yin Chow (" Lim YC ") | Major shareholder of LYC | 46,500,000 | 10.0 |
| (ii) Sui Diong Hoe (" Sui DH ") | Managing Director cum Group Chief Executive Officer of LYC | 37,000,000 | 8.0 |
| (iii) Ahmad Rafique bin Mat Tahir (" Rafique ") | Group Chief Operating Officer of LYC | 11,500,000 | 2.5 |
| | | 95,000,000 | 20.5 |

collectively referred as the "**Undertaking Parties**".

The Undertaking Parties, vide their respective undertaking letters, have represented and warranted that they have sufficient financial resources to satisfy in full the subscription amount that would be payable in relation to the performance of their respective Undertakings.

Notwithstanding the Undertakings, it is the intention of the Company to first make the offer for the Placement Shares, on best effort basis, to the third party investors to be identified at a later stage, where such investor(s) shall be person(s) who/ which qualify under Schedules 6 and 7 of the CMSA ("**Third Party Investor(s)**"). However, in the event there is any balance Placement Shares not subscribed for or taken up by the Third Party Investor(s), then the Undertakings by the Undertaking Parties shall crystallise in which they may undertake to subscribe and/ or cause their nominee(s), if any, to subscribe for the Placement Shares as permitted under their Undertakings.

For illustration purpose, assuming that the Undertakings crystallised at the point of implementation, the indicative allocations to the proposed placees are summarised as follows:-

| Proposed placees | No. of Placement Shares to be allotted | % of issued share capital as at the LPD (%) |
|-----------------------------|---|--|
| (i) Third Party Investor(s) | 44,357,722 | 9.5 |
| (ii) Undertaking Parties | 95,000,000 | 20.5 |
| | 139,357,722 | 30.0 |

The allocation of Placement Shares to Undertaking Parties will be on the same terms as those given to the Third Party Investor(s) as set out in Section 4.3 of this announcement, i.e. the Placement Shares will be issued at a price of not more than 20% discount to the 5-day VWAP of LYC Shares immediately preceding the price-fixing date.

The subscription of the Placement Shares by Undertaking Parties will not give rise to any mandatory general offer obligation pursuant to the Rules on Take-overs, Mergers and Compulsory Acquisitions.

Please refer to Section 4.6 of this announcement for the background information on Undertaking Parties.

4.3 Basis and justification of determining the issue price of the Placement Shares

The issue price of the Placement Shares will be determined and fixed by the Board at a later date after receipt of all relevant approvals for the Proposed Private Placement.

The Placement Shares will be issued at a price of not more than 20% discount to the VWAP of LYC Shares immediately preceding the price-fixing date.

In the event the Proposed Private Placement is implemented in tranches, the issue price of the Placement Shares will be determined for each tranche of the Proposed Private Placement. In any event, the Company will ensure payments for the Placement Shares are made by the placees to the Company within 5 market days from the price-fixing date for each tranche of the Proposed Private Placement.

For illustrative purpose only, the indicative issue price of the Placement Shares is assumed at RM0.20 per Placement Share, which represents a discount of approximately 20% to the 5-day VWAP of LYC Shares up to and including the LPD of RM0.25 per LYC Share.

4.4 Ranking of the Placement Shares

The Placement Shares will, upon allotment and issuance, rank equally in all respects with the existing Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the Placement Shares.

4.5 Listing and quotation for the Placement Shares

An application will be made to Bursa Securities for the listing and quotation for the Placement Shares on the ACE Market of Bursa Securities.

4.6 Background information on Undertaking Parties

(i) Lim YC

Lim YC, a Malaysian aged 59, is presently a major shareholder in LYC.

He formerly co-founded HSC Healthcare group of companies ("**HSC Group**") in 2002, which was principally a healthcare provider at that time. In 2003, the HSC Group commenced the opening of its medical centre, namely HSC Medical Center, that is focused on preventive medicine, diagnostics and the treatment of specific conditions such as heart ailments and stroke. In 2006, the HSC Group initiated the development of a medical tourism building known as Menara HSC and Somerset Ampang, which was conceptualised by merging the hospital and hospitality segments under one roof. In 2009, the HSC Group initiated the development of multi-generational homes in the form of a high-rise residential development project with a concept focused on lifestyle and wellness, known as AraGreens Residences, in Ara Damansara, Selangor.

In 2015, he sold his stake in the HSC Group to focus on other ventures primarily relating to healthcare and wellness. In 2016, he emerged as a substantial shareholder in LYC (formerly known as Mexter Technology Bhd) following an off-market acquisition of LYC Shares through his investment vehicle, namely LYC Capital Sdn Bhd.

(ii) **Sui DH**

Sui DH, a Malaysian aged 67, is the Managing Director cum Group Chief Executive Officer of LYC. He was appointed to the Board on 12 July 2016. He is a fellow member of the Association of Chartered Certified Accountants and the Malaysian Institute of Accountants.

He was a practicing accountant since 1983 with KH Management Sdn Bhd until 1985 and founded Sui Management Consultant in 1985 (until current), which is involved in the provision of management, corporate and other related services. In January 2007, he was appointed as the executive director of Ralco Corporation Berhad and subsequently appointed as managing director in May 2008. He resigned as the managing director of Ralco Corporation Berhad on 9 July 2011 and retired as the Director of Ralco Corporation Berhad on 18 June 2012. He served as an independent non-executive director of Timberwell Berhad since year 2005 and retired on 12 May 2017.

(iii) **Rafique**

Rafique, a Malaysian aged 33, is the Group Chief Operating Officer of LYC. He graduated from University of the West of England with a Bachelor of Arts (B.A.) (Hons) in Accounting and Finance in 2011.

He began his career in CIMB Investment Bank Berhad as an associate in the Investment Banking Division in July 2011. In July 2014, he left CIMB and subsequently joined TAEL Partners Limited ("**TAEL**") as an associate. During the tenure of his above appointments, he was involved in analysis on potential investee companies, formulating and structuring corporate finance transactions, conduct financial due diligence and generation of investment ideas. Rafique left TAEL in November 2015 and joined RM Capital Partners & Associates Sdn Bhd as a Senior Investment Manager and was responsible in generating deals and leads for potential investment, structuring proposed investments and negotiating with the promoters and coordinating the due-diligence process with external parties such as financial, legal and technical advisers. He then joined LYC in 2017 as the Group Chief Operating Officer.

4.7 Other fund raising exercises in the past 12 months

For shareholders' information, LYC had on 4 May 2020 announced the private placement of up to 30% of the total number of issued shares of LYC ("**Private Placement I**"). A total of 107,175,000 LYC Shares were issued in multiple tranches pursuant to the Private Placement I, which raised gross proceeds of approximately RM27.33 million. The Private Placement I was completed on 5 November 2021 and the status of the utilisation of proceeds raised as at the LPD is set out below:-

| Purpose | Timeframe for utilisation from the receipt of placement funds | Amount | Actual | Balance |
|---|---|------------------|-----------------------|-----------------------|
| | | raised RM'000 | utilisation RM'000 | utilisation RM'000 |
| Business expansion | within 24 months | 9,500 | 4,090 | 5,410 |
| Working capital | within 18 months | 17,323 | 11,340 | 5,983 |
| Estimated expenses in relation to the Private Placement I | within 12 months | 503 | 503 | - |
| Total | | 27,326 | 15,933 | 11,393 |

Save for the Private Placement I, the Company has not undertaken any other fund raising exercises in the 12 months prior to the date of this announcement.

5. UTILISATION OF PROCEEDS

5.1 Proposed Divestment

The Disposal Consideration to be received from the Proposed Divestment of SGD12,918,466, (equivalent to approximately RM39.93 million) is intended to be utilised in the following manner:-

| Purpose | Timeframe for utilisation from completion of the Proposed Divestment | RM'000 |
|---|--|---------------|
| Partial redemption of the outstanding redeemable preference shares ("RPS") ¹ | Within 6 months | 30,000 |
| To part or fully finance business expansion ² | Within 24 months | 9,231 |
| Estimated expenses in relation to the Proposals ³ | Upon completion | 700 |
| Total | | 39,931 |

Notes:-

¹ LYC MY had on 15 October 2020 entered into a conditional subscription agreement with KIB and LYC, whereby KIB shall subscribe up to 45,000,000 RPS in LYC MY at a subscription price of RM1.00 per RPS ("RPS Subscription Agreement"). Pursuant to the RPS Subscription Agreement, LYC MY had then on 22 October 2020 issued 45,000,000 new RPS to RHB Trustees Berhad, for and on behalf of KIB ("Subscription Date") ("RPS Issuance"). The proceeds raised from the RPS Issuance totalling RM45.00 million was mainly utilised by LYC MY to part finance the acquisition of 51% equity interests in both T&T and HCOS (details of which are set out in the circular to shareholders of LYC dated 8 September 2020), followed by working capital requirements, and fees and expenses incidental to the RPS Issuance.

Pursuant to the RPS Subscription Agreement, the RPS carries a tenure of 5 years effective from the Subscription Date, and that LYC MY shall pay dividends to KIB on a semi-annual basis during the said tenure ("RPS Dividends"), details of which are as follows:-

| Tenure | Dividend rate (per annum) |
|---|---------------------------|
| First year from the Subscription Date ("Year 1") | 9.0% |
| Second year from the Subscription Date ("Year 2") | 9.0% |
| Third year from the Subscription Date ("Year 3") | 9.0% |
| Fourth year from the Subscription Date ("Year 4") | 9.5% |
| Fifth year from the Subscription Date ("Year 5") | 9.5% |

In addition to the RPS Dividends, KIB shall also be entitled to a profit sharing of 15% of the net profit of LYC MY based on the latest audited accounts of LYC MY to be paid by LYC MY to KIB together with the RPS Dividends on dividend payment date in Year 4 and Year 5. For clarity, the profit sharing of 15% herein shall not apply for Year 1, Year 2 and Year 3.

In line with the Group's effort to reduce its indebtedness and financing costs so as to reposition itself towards a better financial footing moving forward, LYC has earmarked RM30.00 million from the Disposal Consideration to settle the partial redemption of the RPS. Based on the latest unaudited financial statements as at 31 December 2021, the Group's total outstanding borrowings (inclusive of RPS) stood at RM128.82 million, with a gearing ratio of 2.88 times. Accordingly, for illustrative purpose, the partial redemption is expected to reduce the Group's gearing ratio to 2.21 times as well as generate a dividend rate saving ranging from RM2.70 million to RM2.85 million per annum, based on the dividend rate illustrated in the table above.

² LYC Group intends to utilise a portion of the proceeds from the Proposed Divestment of about RM9.23 million to pursue business expansion/future viable investment in the healthcare industry. The proceeds shall be utilised to part or fully finance any suitable and viable potential business(es)/ investment(s), which may include, but not limited to, investment(s) in healthcare business(es) or asset(s) to facilitate the Group's expansion in the healthcare industry.

At this juncture, the management of LYC is still exploring options for identifying suitable business(es)/ investment(s) or strategic acquisition(s)/ collaboration(s) and will continuously seek and identify such opportunities for expansion purpose. LYC shall make the necessary announcements in accordance with the Listing Requirements as and when new business(es)/ investment(s) which are likely to materialise have been identified. If the nature of the transaction requires shareholders' approval pursuant to the Listing Requirements, LYC will seek the necessary approval from its shareholders.

In the event LYC is unable to identify any suitable and viable business(es)/ investment(s) within the timeframe stipulated, the proceeds allocated for future viable investments shall be transferred to the redemption of the outstanding RPS and/ or general working capital purposes of the Group which may include but not limited to payment of trade and other payables, administrative and operating expenses, the breakdown of which cannot be ascertained at this juncture but will be determined by the Board at a later stage.

^{*3} The proceeds earmarked for estimated expenses in relation to the Proposals will be utilised as set out below:-

| | RM'000 |
|--|-------------------|
| Professional fees (i.e. principal adviser, reporting accountant, solicitors and other professional advisers) | 580 |
| Regulatory fees | 50 |
| Other incidental expenses in relation to the Proposals | 70 |
| Total | <u>700</u> |

Any variation in the actual amount of the expenses will be adjusted in the portion of the proceeds to be utilised for the redemption of the outstanding RPS and/ or general working capital purposes of the Group.

Pending utilisation of the abovementioned proceeds, the proceeds will be placed in deposits with licensed financial institutions or short-term money market instruments. The interests derived from the deposits with licensed financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital for the Group.

5.2 Proposed SGP

LYC will not receive any proceeds pursuant to the Proposed SGP as the Eligible Employees will not be required to pay for the SGP Shares to be issued and allotted to them pursuant to the Proposed SGP.

5.3 Proposed Private Placement

Based on the indicative issue price of RM0.20 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to approximately RM27.87 million. The proceeds are intended to be utilised in the following manner:-

| Purpose | Timeframe for utilisation from the receipt of placement funds | RM'000 |
|---|--|----------------------|
| To part or fully finance business expansion ^{*1} | Within 24 months | 19,510 |
| Working capital ^{*2} | Within 12 months | 8,362 |
| Total | | <u>27,872</u> |

Notes:-

^{*1} LYC Group intends to raise proceeds from the Proposed Private Placement to pursue business expansion/ future viable investment in the healthcare industry. The proceeds raised from the Private Placement shall be utilised to part of fully finance any suitable and viable potential business(es)/ investment(s), which may include, but not limited to, investment(s) in healthcare business(es) or asset(s) to facilitate the Group's expansion in the healthcare industry.

At this juncture, the management of LYC is still exploring options for identifying suitable business(es)/ investment(s) or strategic acquisition(s)/ collaboration(s) and will continuously seek and identify such opportunities for expansion purpose. LYC shall make the necessary announcements in accordance with the Listing Requirements as and when new business(es)/ investment(s) which are likely to materialise have been identified. If the nature of the transaction requires shareholders' approval pursuant to the Listing Requirements, LYC will seek the necessary approval from its shareholders.

In the event LYC is unable to identify any suitable and viable business(es)/ investment(s) within the timeframe stipulated (or any extended timeframe, if applicable), the proceeds allocated for future viable investments shall be transferred to the general working capital purposes of the Group which may include but not limited to payment of trade and other payables, administrative and operating expenses, the breakdown of which cannot be ascertained at this juncture but will be determined by the Board at a later stage.

In any event the Board wishes to vary the utilisation of proceeds for the aforesaid purpose of general working capital requirements of the Group the timeframe stipulated (or any extended timeframe, if applicable), LYC shall make the necessary announcements and/ or seek the approval from its shareholders in accordance with Rule 8.24 of the Listing Requirements in the event of a material variation.

² The proceeds earmarked for working capital are intended to be utilised to finance the day-to-day operations of the Group in the following manner:-

| | RM'000 |
|--|---------------|
| Payment of trade and other payables | 3,000 |
| Administrative and operating expenses (i.e. rental of premises, salaries and staff remuneration, staff related expenses such as travelling and medical claims) | 5,362 |
| | 8,362 |

Notwithstanding the above, the actual breakdown of the proceeds earmarked for working capital is subject to LYC Group's operational requirements at the time of utilisation and as such can only be determined at a later stage. In the event of a surplus/ deficit in the allocated amounts for the above working capital requirements, such variance may be adjusted to/ from the proceeds allocated for other working capital requirements, depending on the respective funding requirements at the point of utilisation.

The actual proceeds to be raised from the Proposed Private Placement will depend on the issue price and the number of Placement Shares to be issued. Any variation to the actual proceeds raised will be adjusted against the proceeds allocated in the following priority: (i) business expansion; and (ii) working capital requirements.

Pending utilisation of the abovementioned proceeds, the proceeds will be placed in deposits with licensed financial institutions or short-term money market instruments. The interests derived from the deposits with licensed financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital for the Group.

6. RATIONALE AND BENEFITS OF THE PROPOSALS

6.1 Proposed Divestment

As set out in LYC's announcement dated 26 August 2021, LYC was considering to list its healthcare business on the Catalist Board of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Proposed Listing**"). Subsequently vide LYC's announcement dated 24 December 2021, LYC had undertaken an internal reorganisation exercise to reorganise some of its subsidiaries involved in the healthcare business, namely HCOS, T&T and LYCN (inclusive of sub-subsidiaries, Aqurate and Microbiome), into LYC SG ("**Internal Reorganisation**"). The Internal Reorganisation, which was completed on 26 January 2022, will facilitate LYC SG to act as the listing vehicle for the Proposed Listing.

At the invitation of LYC and in conjunction with the Proposed Listing, KIB (a major shareholder of LYC) has agreed to participate and commit as the pre-IPO investor to purchase the Sale Shares, i.e. 25% equity interest in LYC SG, prior to the implementation of the Proposed Listing, based on the terms and conditions of the SPA. As an anchor investor prior to the IPO, KIB provides an external validation to the Group's Proposed Listing ambition, which can help to mitigate the risks of an IPO by building other investors' confidence in LYC SG, as well as supporting the benchmark IPO valuation and in turn potentially driving a higher total shareholder return.

Apart from the above, the Proposed Divestment provides the Group an immediate opportunity to unlock and realise the value of LYC SG, thereby providing a surplus cash flow of SGD12.92 million (equivalent to RM39.93 million) arising from the divestment of its 25% equity interest in LYC SG. The proceeds arising from the Proposed Divestment will enable the Group to settle the partial redemption of its outstanding RPS which is expected to result in dividend rate saving ranging from RM2.70 million to RM2.85 million per annum, as means to reduce its indebtedness and financing cost and in turn reposition the Group towards a better financial footing moving forward.

Additionally, as a portion of the proceeds from the Proposed Divestment is earmarked for business expansion objectives, this enables the Group to capitalise on suitable and viable investment opportunities in the provision of healthcare business. Such opportunities allow the Group to continuously expand its range of healthcare services and sustain competitive advantage within the healthcare sector, by way of enhancing its capability as a healthcare provider which can offer a wide range of services including but not limited to, postpartum care, senior living care, child care, cosmetic & aesthetic, fertility, general medical and specialised medical services. All in all, the Proposed Divestment allows LYC Group to pursue its business expansion objectives whilst according the Group flexibility over the management of its financial risk profile and cash flow position.

Premised on the above, the Board believes that Proposed Divestment represents a strategic opportunity to unlock and monetise the Group's investment in LYC SG, and also enable the Group to achieve its business plans and objectives.

6.2 Proposed SGP

The Board believes that the Proposed SGP would incentivise the Eligible Employees to stay with the LYC Group over a longer term and contribute towards long-term objectives of LYC Group as well as align their interests to those of the shareholders of LYC. The Proposed SGP is expected to achieve the following objectives:-

- (i) to retain and reward the Eligible Employees whose contributions and services are considered vital to the continued growth and business aspirations of the Group;
- (ii) to motivate and incentivise the Eligible Employees by allowing them to participate more actively in the operations and future growth of LYC Group and motivate them to further contribute to the growth and success of LYC Group;
- (iii) to assist in developing capabilities and promoting employee commitment by motivating each Eligible Employee to raise his/ her performance standards and to sustain high levels of contributions over a long term;
- (iv) to attract prospective employees with relevant skills and experience to the LYC Group by making the total compensation package more competitive; and

- (v) to foster and reinforce a greater sense of loyalty and belonging amongst the Eligible Employees upon vesting of the SGP Shares as they will be able to participate directly in the equity of the Company.

6.3 Proposed Private Placement

The Proposed Private Placement is undertaken by the Company to raise the requisite funds to meet the Group's funding requirements as set out in Section 5.3 of this announcement.

After due consideration of the amount intended to be raised, optimal timing and various methods of fundraising, the Board is of the view that the Proposed Private Placement is the most appropriate avenue of fundraising as the Proposed Private Placement:-

- (i) enables the Company to raise additional funds without incurring interest costs as compared to conventional bank borrowings;
- (ii) provides the Company with an expeditious fundraising alternative from the capital market as opposed to other forms of fundraising such as rights issue; and
- (iii) strengthen the Company's shareholders' funds and capital base pursuant to the Proposed Private Placement.

7. INDUSTRY OVERVIEW, OUTLOOK AND FUTURE PROSPECTS

7.1 Overview and outlook of the Malaysian economy

The Malaysian economy expanded by 7.1% in the first half of 2021. Growth is expected to continue in the second half of the year, particularly in the fourth quarter, as more economic and social sectors operate at full capacity. The expected growth trajectory aligns with the successful vaccination programme under the National COVID-19 Immunisation Programme ("**PICK**") and various stimulus and assistance packages to support the people and revitalise the economy. Overall economic growth is expected to expand between 3% and 4% in 2021. Continuation of the packages to combat the COVID-19 will have spill over effects and boost the economy in 2022. Hence, with strong economic fundamentals and a diversified structure, the domestic economy is forecast to expand between 5.5% and 6.5% in 2022. Nevertheless, the favourable outlook is predicated on other factors, including the successful containment of the pandemic, effective PICK implementation, and strong global economic prospects. The recovery is expected to accelerate going into 2022, supported by normalisation of economic activities as well as the positive spill overs from continued improvement in external demand.

Monetary policy remains accommodative in cushioning the adverse effects of the prolonged nationwide lockdown on the economy while simultaneously supporting recovery. The policy also ensures that inflationary pressure remains manageable. The Overnight Policy Rate ("**OPR**") and Statutory Reserve Requirement ("**SRR**") were held steady during the first seven months of 2021 at 1.75% and 2.00%, respectively. Efforts to boost market liquidity include the flexibility accorded to banking institutions to utilise the Malaysian Government Securities (MGS) and Malaysian Government Investment Issues (MGII) to meet the SRR compliance until the end of 2022.

The banking sector remains strong, backed by sufficient liquidity and capital buffer, while the capital market exhibits resilience underpinned by ample domestic liquidity and a supportive policy environment. The recent launch of the third Capital Market Masterplan, 2021 – 2025, will ensure the capital market remains relevant, efficient and diversified to expedite the growth of sustainable and inclusive economy (Securities Commission Malaysia, 2021). The future stance of monetary policy will continue to be guided by new data and information and their implications on the overall outlook for inflation and domestic growth.

As Malaysia moves into the COVID-19 endemic phase, the Government will focus on ensuring the livelihood of the people, enhancing businesses and facilitating economic activities in the immediate and the new norm of post-pandemic. Currently, the Government is at the end of the six-stage strategy, namely reform which involves implementing the Twelfth Malaysia Plan (12MP) through the annual budgets and other sectorial masterplans. At this stage, the Government will focus on reforms that address various structural challenges that could hinder its vision of becoming a prosperous, inclusive and sustainable nation.

(Source: Economic Outlook 2022, Ministry of Finance Malaysia)

7.2 Overview and outlook of the Singapore economy

For 2022, GDP growth in most advanced economies is expected to moderate as compared to 2021 but remain above pre-COVID trend rates. By contrast, key Southeast Asian economies are projected to see faster growth in 2022 as they progressively resume more economic activities. Meanwhile, supply bottlenecks and disruptions could continue to weigh on industrial production in some external economies in the near term.

At the same time, downside risks in the global economy remain. First, the trajectory of the COVID-19 pandemic remains a risk. While vaccination rates have picked up in many economies, there are concerns over waning vaccine efficacy and potential mutations of the virus. Hence, even in economies with high vaccination rates and booster rollouts, infections could still rise and weaken their recovery. Second, if global supply disruptions are more protracted than expected due to further COVID 19 outbreaks, logistical or production constraints, global industrial production may be constrained for longer. Third, protracted supply disruptions alongside a stronger pickup in demand, as well as rising energy commodity prices, could lead to more persistent inflation. This could in turn result in an earlier or larger increase in interest rates than anticipated, thereby triggering a tightening of global financial conditions. Fourth, continued geopolitical uncertainty involving the major economies could weigh on trade and the global economic recovery.

Domestically, our high vaccination rate and steady rollout of booster shots will continue to facilitate the progressive easing of domestic and border restrictions, which will support the recovery of consumer-facing sectors and alleviate labour shortages in sectors that are reliant on migrant workers. Air travel and visitor arrivals are also expected to improve with the loosening of travel restrictions and expansion of Vaccinated Travel Lanes.

Against this backdrop, the recovery of the various sectors of the economy in 2022 is expected to remain uneven. First, the growth prospects for outward-oriented sectors (e.g., manufacturing and wholesale trade) remain strong given robust external demand. The manufacturing sector is projected to continue to expand, with growth in the electronics and precision engineering clusters supported by sustained global demand for semiconductor and semiconductor equipment respectively. At the same time, growth in the information & communications and finance & insurance sectors is expected to be driven by healthy demand for IT and digital solutions, and credit and payment processing services respectively.

Second, the recovery of the aviation- and tourism-related sectors (e.g., air transport and accommodation) is likely to be gradual as global travel demand will take time to recover and travel restrictions could persist in key visitor source markets. The accommodation sector will also be weighed down by a projected decline in domestic demand due to the tapering of government demand, as well as lower staycation demand with the relaxation of travel restrictions. Overall, activity in these sectors is expected to remain below pre-COVID levels throughout 2022.

Third, consumer-facing sectors (e.g., retail trade and food & beverage services) are projected to recover as domestic restrictions are progressively eased, and consumer sentiments improve amidst a gradual turnaround in labour market conditions. Nonetheless, the VA of the food & beverage services sector is not likely to return to pre-COVID levels by end-2022 as some dine-in and event restrictions could remain in place, while the recovery in visitor arrivals is expected to be slow. Similarly, even though the VA of the retail trade sector is projected to return to prepandemic levels by end-2022, some segments such as department stores are likely to remain lacklustre, in part due to weak visitor arrivals.

Fourth, activities in the construction and marine & offshore engineering sectors are expected to continue to recover on the back of the progressive easing of border restrictions on the entry of migrant workers from South Asia and Myanmar. Nonetheless, as it will take time to fully address the shortfall in labour required to meet business needs, labour shortages are likely to continue to keep the output of the two sectors below pre-pandemic levels in 2022.

Taking these factors into account, and barring the materialisation of downside risks, the Singapore economy is expected to grow by 3.0% to 5.0% in 2022.

(Source: Economic Survey of Singapore Third Quarter 2021, Ministry of Trade & Industry of Singapore)

7.3 Overview and outlook of the healthcare industry

Malaysia

Despite positive growth in the private health segment, the other services subsector contracted by 3.3% in the first half of 2021, mainly due to a decline in private education as well as the arts, entertainment and recreation segments. The fall was in line with lower enrolments in private colleges and universities as well as restrictions on sports and recreational activities during the MCO period in May and June. The subsector is expected to rise marginally by 0.6% in the second half of the year, supported by a gradual increase in healthcare travellers and resumption of sport and recreational activities. Overall, the subsector is anticipated to decline by 1.3% in 2021. The Government services subsector grew by 5.5% in the first half of 2021 and is expected to expand by 4.8% in the second half. For the whole year, the subsector is forecast to grow at a rate of 5.1%.

The other services subsector is projected to turn around by 6.1%, mainly supported by private health and education segments. Efforts by Malaysia Healthcare Travel Council (MHTC) to promote medical travel bubbles are expected to boost the private health segment. In this regard, MHTC targets healthcare tourism revenue to increase by 66.7% to RM800 million in 2022. Private universities have undertaken several measures to encourage higher enrolment, including foreign students, by developing new courses, flexible learning spaces and offering various scholarships and flexible payment schemes. These measures are also in line with the Malaysia Education Blueprint, 2015 – 2025 which aims to increase the number of international students to 250,000 by 2025. Meanwhile, the Government services subsector is forecast to grow by 5.3% in 2022.

Additionally, the emergence of digital healthcare as a new sector, with increased usage of medical devices, such as electro-medical equipment, ultra-violet and X-ray apparatus, is expected to boost exports for the E&E products.

(Source: Economic Outlook 2022, Ministry of Finance Malaysia)

Singapore

The Ministry of Health (MOH) will continue to strengthen primary and acute care to meet the needs of an ageing population and ensure Singaporeans have access to quality healthcare. We will also continue to enhance affordability while balancing sustainability, to ensure that no Singaporeans is denied access to appropriate care because of an inability to pay. To better support patients' care needs and provide better care, we will also continue to transform the healthcare system and introduce innovative care models.

To ensure that our population has timely access to the right level of rehabilitation care, MOH has worked with practitioners in our public hospitals, polyclinics and the community care sector to develop the National One-Rehab framework. This framework aims to improve rehabilitation care for patients by facilitating their access to the appropriate type and level of rehabilitation care in a timely manner.

The core components of the framework include a standardised rehabilitation classification system that outlines the rehabilitation care needs and pathways for patients' rehabilitation journey, as well as a set of rehabilitation outcomes for common conditions requiring rehabilitation. The framework also includes the One-Rehab care plan, which will track the end-to-end patient care plan as patients move from hospital to the community.

The National One-Rehab framework will strengthen rehabilitation care in the following ways:-

- (i) Improve clarity of each patient's rehabilitation journey through the standardised rehabilitation criteria which will help therapists and service providers in the planning, resourcing, and facilitation of care for patients across their rehabilitation journey;
- (ii) Assist therapists and patients in tracking progress towards defined outcomes and rehabilitation goals along their rehabilitation journey. The individualised One-Rehab care plan will enable therapists across different settings to have access to patients' care progress information, which enables them to work together to support patients as they transit across care settings; and
- (iii) Improve patients' access to an expanded scope of community rehabilitation services. Rehabilitation services will be expanded in the community and primary care settings to enable better access to care by patients. For example, patients with stable musculoskeletal conditions such as lower back pain, who do not require surgery or complex interventions, will be able to receive rehabilitation care at the polyclinics and community-based facilities, such as Senior Care Centres and Day Rehab Centres. This will reduce the need for an appointment at the acute hospitals which can focus their capacities to attend to patients with more complex rehabilitation care needs.

The National One-Rehab framework pilots will be progressively implemented in hospitals, polyclinics and community service providers from the second half of 2021.

To make medication delivery more convenient for patients and caregivers, MOH will set up two National Central Fill Pharmacies (NCFPs) to consolidate medication delivery across public healthcare institutions.

This new medicine delivery model will consolidate medication orders to be delivered as a single parcel, especially for patients who are under the care of more than one doctor from different public healthcare institutions and have multiple prescriptions. Medications will be delivered directly to patient's homes, secured post boxes or other locations that are convenient to patients. The model will also see a shortened medication delivery time compared to current. The NCFP model will also ensure that teleconsultation is uniformly provided to all patients who opt for medication delivery.

The NCFPs are targeted to open in early 2022 to serve all polyclinic patients on chronic medications, and will be extended to public hospital patients in phases. The NCFPs sites will be set up and operated by SingHealth Polyclinics and National Healthcare Group Pharmacy

(Source: MOH Committee of Supply Booklet 2021, published in March 2021, Ministry of Health of Singapore)

7.4 Future prospects of LYC Group

LYC Group had ventured into the healthcare business in 2017 by providing mother and childcare related services such as postnatal and postpartum care, post-delivery confinement care, child specialist and family clinic. In late 2018, the Group had diversified its healthcare business to include amongst others, healthcare service providers and provision of retirement homes and aged care services, child care services, cosmetic and aesthetic, and fertility services, as a means to extend to a broader demographic customer base. Then, in late 2020, the Group expanded its healthcare services to include general & specialised medical services through the acquisition of 51% stake in HCOS and T&T. This acquisition marks LYC's first foray into the Singapore healthcare sector, which is generally renowned as one of the leading healthcare service hubs in the Asia Pacific region.

Subsequently, in 2021, the Group expanded and diversified into the nutraceutical business through the acquisition of a 70% stake in Aqurate. Following the series of mergers and acquisitions taking place above, LYC had in August 2021, announced its intention to list some of its subsidiaries involved in the healthcare business under LYC SG, being the listing vehicle earmarked for the Proposed Listing. LYC had then in January 2022 completed the Internal Reorganisation to consolidate HCOS, T&T and LYCN (inclusive of sub-subsidiaries, Aqurate and Microbiome) into LYC SG to facilitate the Proposed Listing.

The Proposed Listing, which is still at a preliminary stage at this juncture, is subject to, amongst others, satisfactory due diligence and assessment of suitability for listing by LYC's professional advisers, approvals being obtained from the relevant authorities in Singapore and Malaysia (where required), as well as the shareholders of LYC at a general meeting to be convened. In addition, the Proposed Listing is subject to assessment of other factors such as general economic and capital market conditions. The Company will make further announcement(s) in relation to the Proposed Listing, as and when appropriate, pursuant to the Listing Requirements.

Upon the Proposed Divestment, LYC will retain a controlling 75% stake in LYC SG and will continue to consolidate the financial results of LYC SG. The Proposed Divestment will enable the Group to unlock and monetise the value of LYC SG prior to the Proposed Listing, and that the proceeds arising thereof will allow the Group to reduce its indebtedness and financing cost and in turn reposition the Group towards a better financial footing moving forward, as well as to allow the Group to pursue further business growth in the provision of healthcare sector. In comparison, incurrence of bank borrowings will result in the Group incurring additional finance costs, which may further drags its profitability. Such level of surplus cash flow also accords flexibility to the Group in respect of financial allocations for the operational requirements of its provision of healthcare activities, which in turn may allow the Group to carry out operations in a more efficient manner.

Barring any unforeseen circumstances, the Board, after considering the abovementioned prospects, is optimistic that the Proposals may augur well for the overall business and financial prospect of LYC Group moving forward.

(Source: Management of LYC)

8. RISK FACTORS

8.1 Non-completion risk

The Proposed Divestment is conditional upon the fulfilment/ satisfaction of the conditions precedent of the SPA as referred to in Appendix I of this announcement. If any of the said conditions precedent is not fulfilled/ satisfied, the Proposed Divestment may not proceed to completion, and this may result in the failure of the Group to achieve the objectives and benefits of the Proposed Divestment.

Notwithstanding the foregoing, LYC will take all reasonable steps to ensure the fulfilment, satisfaction and/ or waiver (as the case may be) of the conditions precedent to ensure the completion of the Proposed Divestment.

8.2 Delay in or termination of the Proposed Listing

As set out in Section 7.4 of this announcement, the Proposed Listing, is still at a preliminary stage at this juncture, is subject to, amongst others, satisfactory due diligence and assessment of suitability for listing by LYC's professional advisers, approvals being obtained from the relevant authorities in Singapore and Malaysia (where required), as well as the shareholders of LYC at a general meeting to be convened. In addition, depending on the then prevailing general economic and capital market conditions, the Company may or may not proceed with the Proposed Listing. There is no assurance that such approvals will be obtained or that the Proposed Listing will materialise as anticipated.

Further, in consideration of the parties' mutual agreement in the SPA, LYC MY shall grant the Purchaser a put option which entitles the Purchaser the right to require LYC MY to repurchase all of the Sale Shares in the event the IPO has not taken place or that LYC MY has failed to extend the Listing Period (as defined herein) in accordance with Section 5.1, Appendix I of this announcement. The put option, if and when exercised by the Purchaser, would require LYC MY to repurchase the Sale Shares based on an aggregate sum of the Disposal Consideration plus 6% of the Disposal Consideration.

Nevertheless, LYC endeavours to take all reasonable steps by working with the relevant advisers to facilitate the successful execution of the plan and objective of the Proposed Listing.

8.3 Loss of non-controlling interest contribution from LYC SG

Presently, the Company (through LYC MY) recognises 100% of the financial results of LYC SG. Upon completion of the Proposed Divestment, the Company's effective equity interest in LYC SG will reduce to 75%. Accordingly, the Company will still be able to consolidate LYC SG's financial results by virtue of its 75% stake retained in LYC SG upon the Proposed Divestment, but the profit and/ or future dividends (if declared) from LYC SG will correspondingly be reduced by the loss of non-controlling interest (25%) contribution from LYC SG after the Proposed Divestment.

Notwithstanding the above, the Proposed Divestment will provide the Group with a surplus cash flow of SGD12.92 million (equivalent to RM39.93 million), in which a substantial portion is earmarked to settle the partial redemption of RPS, and accordingly enable the Group to reduce its indebtedness and financing cost, whilst providing the Group the flexibility over its capital allocation and cash flow management moving forward.

9. EFFECTS OF THE PROPOSALS

The effects as set out below are in relation to the Proposals. For information purposes, the Proposed Divestment is not expected to result in LYC Group becoming a Cash Company as prescribed in Rule 8.03 of the Listing Requirements or a GN3 Issuer as prescribed in Rule 8.04 of the Listing Requirements.

For illustrative purpose, the effects of the Proposals are set out below:-

9.1 Issued share capital

The Proposed Divestment will not have any effect on the issued share capital of the Company as the Proposed Divestment will be fully satisfied in cash.

The pro forma effects of the Proposed SGP and Proposed Private Placement on the issued share capital of the Group are set out as follows:-

| | No. of Shares | RM |
|---|--------------------------|--------------------------|
| Issued share capital as at the LPD | 464,525,740 | 58,041,808 |
| No. of Placement Shares to be issued pursuant to the Proposed Private Placement | 139,357,722 | 27,871,544 ^{*1} |
| Upon full grant and vesting of the SGP Shares | 23,226,287 ^{*2} | 5,806,572 ^{*3} |
| Enlarged issued share capital | 627,109,749 | 91,719,924 |

Notes:-

^{*1} Computed based on the indicative issue price of RM0.20 per Share

^{*2} Assuming the grant and issuance of new Shares up to 5% of the total number of issued Shares as at the LPD

^{*3} Assuming the SGP Shares are granted and vested into new Shares at the subscription price of RM0.25 per Share, which represents the 5-day VWAP of LYC Shares up to and including the LPD

9.2 Net assets ("NA") per Share and gearing level

Based on the latest audited consolidated financial statements of LYC Group for the FYE 31 March 2021, the pro forma effects of the Proposed Divestment and Proposed Private Placement on the NA per Share and gearing level of the Group are set out as follows:-

| | Audited as at 31 March 2021 RM'000 | I Adjustment for subsequent events ^{*1} RM'000 | II After I and Proposed Divestment RM'000 | III After II and Proposed Private Placement RM'000 |
|------------------------------------|---|--|---|---|
| Share capital | 77,661 | 58,042 | 58,042 | 85,914 ^{*5} |
| Other reserves | 1,751 | 1,751 | 1,751 | 1,751 |
| Accumulated losses | (59,889) | (22,479) | (1,941) ^{*2} | (1,941) |
| Shareholders' fund/ NA | 19,523 | 37,314 | 57,852 | 85,724 |
| Non-controlling interests | 6,044 | 10,511 | 29,335 ^{*3} | 29,335 |
| Redeemable preference shares | 6,072 | 6,072 | 6,072 | 6,072 |
| Total equity | 31,639 | 53,897 | 93,259 | 121,130 |
| No. of Shares ('000) [^] | 391,525 | 464,526 | 464,526 | 603,883 ^{*5} |
| NA per Share (RM) | 0.05 | 0.08 | 0.12 | 0.14 |
| Total borrowings (RM'000) | 88,116 | 130,117 | 100,117 ^{*4} | 100,117 |
| Gearing level (times) [#] | 2.79 | 2.41 | 1.07 | 0.83 |

Notes:-

[^] Computed based on NA attributable to owners of the Company divided by no. of Shares in issue

[#] Computed based on total borrowings divided by total equity

^{*1} After adjusting for the subsequent events from 1 April 2021 up to the LPD:-

(a) issuance and listing of the placement shares under the Private Placement I in the following tranches:-

| Date of listing | No. of placement shares | Issue price (RM) |
|-----------------|-------------------------|------------------|
| 23.06.2021 | 40,000,000 | 0.2410 |
| 05.11.2021 | 33,000,000 | 0.2470 |

(b) accounting for the non-controlling interest of RM4.467 million arising from the acquisitions of Aqurate and Microbiome which were completed on 28 September 2021;

(c) cancellation of RM37.41 million from the share capital of the Company and the corresponding credit of equivalent amount to offset the accumulated losses of the Company, pursuant to the capital reduction exercise which was completed on 21 October 2021; and

(d) accounting for the issuance of 42,000,000 RPS in LYC MY at the issue price RM1.00 per RPS on 23 September 2021, further details as set out in Section 13 of this announcement

^{*2} After adjusting for the accretion in equity attributable to LYC of RM21.238 million from the Proposed Divestment and deducting estimated expenses of RM700,000 in relation to the Proposals

^{*3} After adjusting for the increase in share of NA attributable to non-controlling interests of RM18.823 million from the Proposed Divestment

^{*4} Assuming the partial redemption of RPS amounting to RM30.00 million from the intended utilisation of proceeds pursuant to the Proposed Divestment, as referred to in Section 5.1 of this announcement

^{*5} Accounting for the issuance of up to 139,357,722 Placement Shares at the indicative issue price of RM0.20 per Share pursuant to the Proposed Private Placement

Save for the potential impact of MFRS 2 – Share-based Payment issued by the Malaysian Accounting Standards Board, the Proposed SGP is not expected to have an immediate effect on the NA, NA per Share and gearing of the Group until such time the new Shares are issued pursuant to the Proposed SGP.

Any potential effect on the consolidated NA per Share and gearing of the Group in the future would depend on factors such as the actual number of new Shares to be issued which can only be determined at the point of vesting of the SGP Shares.

9.3 Substantial shareholders' shareholdings

The Proposed Divestment does not have any effect on the substantial shareholders' shareholdings of LYC as it does not involve any issuance of new LYC Shares.

The Proposed SGP is not expected to have any immediate effect on the substantial shareholders' shareholdings in the Company. The dilution to the substantial shareholders' shareholding in LYC will depend on the number of new LYC Shares issued and allotted to the Eligible Employees at the relevant point in time pursuant to the Proposed SGP.

The pro forma effects of the Proposed Private Placement on the substantial shareholders' shareholdings in the Company are set out as follows:-

| Substantial shareholders | As at the LPD | | | | After the Proposed Private Placement | | | |
|--|----------------------------|-------|------------------------------|-------|--------------------------------------|-------|------------------------------|-------|
| | Direct No. of Shares | % | Indirect No. of Shares | % | Direct No. of Shares | % | Indirect No. of Shares | % |
| LYC Capital Sdn Bhd | 55,432,000 | 11.93 | - | - | 101,932,000 ² | 16.88 | - | - |
| Lim YC | 11,488,700 | 2.47 | 55,432,000 ¹ | 11.93 | 11,488,700 | 1.90 | 101,932,000 ¹ | 16.88 |
| Exempt AN for Kenanga Islamic Investors Berhad | 50,000,000 | 10.76 | - | - | 50,000,000 | 8.28 | - | - |
| Exempt AN for KIB | 30,000,000 | 6.46 | - | - | 30,000,000 | 4.97 | - | - |
| Tee Chee Chiang | 25,360,200 | 5.46 | - | - | 25,360,200 | 4.20 | - | - |
| Sui DH | - | - | - | - | 37,000,000 ³ | 6.13 | - | - |

Notes:-

¹ Deemed interest by virtue of shares held in LYC Capital Sdn Bhd pursuant to Section 8 of the Companies Act 2016

² Assuming up to 46,500,000 Placement Shares are to be subscribed by LYC Capital Sdn Bhd, a company nominated by Lim YC to fulfil his Undertaking under the Proposed Private Placement

³ Assuming up to 37,000,000 Placement Shares are to be subscribed by Sui DH to fulfil his Undertaking under the Proposed Private Placement

9.4 Earnings and earnings/ loss per share ("EPS"/ "LPS")

(i) Proposed Divestment

Save for the loss of non-controlling contribution from LYC SG and the dividend rate saving arising from the partial redemption of RPS using the proceeds from the Disposal Consideration, the Proposed Divestment, which is expected to be completed in second quarter of 2022, is not expected to have any material effect on the earnings of LYC for the FYE 31 March 2023.

Purely for illustration purpose, assuming that the Proposed Divestment had been completed on 1 April 2020, being the beginning of the latest audited FYE 31 March 2021, the pro forma effects of the Proposed Divestment on the earnings of LYC Group are as follows:-

| | Audited FYE 31 March 2021 RM'000 | After the Proposed Divestment ^{*2} RM'000 |
|--|--|---|
| Loss after taxation ("LAT") attributable to:- | | |
| - Owners of the Company | (12,051) | (11,338) |
| - Non-controlling interests | 223 | (490) |
| | <u>(11,828)</u> | <u>(11,828)</u> |
| Weighted average no. of Shares in issue ('000) | 361,944 | 361,944 |
| Basic EPS/ LPS (sen) | (3.33) ^{*1} | (3.13) |

Notes:-

^{*1} Computed based on LAT attributable to owners of the Company divided by weighted average no. of Shares in issue

^{*2} Being adjustment of share of losses amounting to RM0.71 million in LYC SG to non-controlling interests for the FYE 31 March 2021

(ii) Proposed SGP

The Proposed SGP, which is expected to be implemented in the second quarter of 2022, is not expected to have a material effect on the earnings of the Group for the FYE 31 March 2023. However, the EPS of the Group may be diluted, depending on the number of LYC Shares issued and/or transferred and the market price of the SGP Shares pursuant to the vesting of the SGP Shares granted.

In accordance with MFRS 2, the potential cost arising from the granting of the SGP Shares, which is measured by the fair value of the SGP Shares after taking into consideration, inter alia, the actual number of SGP Shares granted and vested and the market price of the SGP Shares, will need to be measured at the Grant Date and be recognised as an expense in the consolidated statements of comprehensive income of the Company over the vesting period of the SGP Shares comprised in such Grants, and may therefore reduce the future earnings of LYC Group, the quantum of which can only be determined at the Grant Date.

The potential effects of the Proposed SGP on the earnings and EPS of LYC Group in the future, as a consequence of the recognition of the expense at each Grant Date, cannot be determined at this juncture as it would depend on the fair value of the SGP Shares granted under the Proposed SGP at the Grant Date. It should be noted that such potential cost of granting the SGP Shares does not represent a cash outflow but only an accounting treatment.

The Board has taken note of the potential impact of MFRS 2 on the Group's future earnings and will take into consideration such impact in the granting and vesting of the SGP Shares under the Proposed SGP.

(iii) **Proposed Private Placement**

The Proposed Private Placement, which is expected to be implemented in the second quarter of 2022, is not expected to have any material effect on the earnings of LYC Group for the FYE 31 March 2023. Notwithstanding the above, the Group's EPS will be proportionately diluted due to the increase in the number of LYC Shares in issue upon completion of the Proposed Private Placement.

Nevertheless, the Proposed Private Placement may contribute positively to the future earnings of the Group when the benefits from the utilisation of proceeds to be raised from the Proposed Private Placement are realised.

9.5 Convertible securities

The Company does not have any convertible securities as at the LPD.

10. PERCENTAGE RATIO

Pursuant to Rule 10.02(g) of the Listing Requirements, the highest percentage ratio applicable to the Proposed Divestment is approximately 138.6% computed based on the Disposal Consideration against the NA of LYC Group based on its latest announced interim financial report as at 31 December 2021. Accordingly, the Proposed Divestment is a very substantial transaction pursuant to Rule 10.02(l) of the Listing Requirements. For information purposes, the latest announced interim financial report of LYC Group as at 31 December 2021 has been reviewed by the Company's external auditors, Baker Tilly Monteiro Heng PLT, in accordance with the Malaysian Approved Standard on Review Engagements, International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* (ISRE 2410).

For avoidance of doubt, the Proposed Divestment is not a Major Disposal pursuant to Rule 10.02(eA) of the Listing Requirements as the completion of the Proposed Divestment will not result in LYC Group being classified as a cash company, affected listed issuer or GN3 Issuer pursuant to Rule 8.03, 8.03A and 8.04 of the Listing Requirements, respectively, in view that LYC will continue to control and consolidate the financial results of LYC SG by virtue of its 75% stake retained in LYC SG upon the Proposed Divestment.

11. APPROVALS REQUIRED

The Proposals are subject to the following approvals being obtained from:-

- (i) Bursa Securities, for the listing and quotation for the following:-
 - (a) such number of new LYC Shares, representing up to 5% of the total number of issued shares of the Company (excluding treasury shares, if any) to be issued pursuant to the Proposed SGP on the ACE Market of Bursa Securities; and
 - (b) the listing and quotation for the new Placement Shares to be issued under the Proposed Private Placement on the ACE Market of Bursa Securities.
- (ii) the shareholders of the Company at an extraordinary general meeting ("**EGM**") to be convened; and

(iii) any other relevant authority and/ or party, if required.

The Proposed Divestment, Proposed SGP and Proposed Private Placement are not conditional upon each other. The Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company.

12. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/ OR PERSONS CONNECTED WITH THEM

12.1 Proposed Divestment

The Proposed Divestment is deemed as a RPT, by virtue of Purchaser's interest in LYC as a major shareholder, with the following shareholdings held in LYC as at the LPD:-

| | No. of Shares | % |
|--|---------------|-------|
| Exempt AN for Kenanga Islamic Investors Berhad | 50,000,000 | 10.76 |
| Exempt AN for KIB | 30,000,000 | 6.46 |

Accordingly, the Purchaser will abstain from voting in respect of its direct and indirect shareholdings on the resolution pertaining to the Proposed Divestment to be tabled at the EGM. Further, the Purchaser has also undertaken that they will ensure that person(s) connected with them will abstain from voting in respect of their direct and/ or indirect shareholdings, if any, on the resolution pertaining to the Proposed Divestment to be tabled at the EGM.

12.2 Proposed SGP

All the executive director(s) of LYC are eligible to participate in the Proposed SGP, and are therefore deemed interested to the extent of their respective allocations under the Proposed SGP. As at the LPD, the sole executive director of LYC is Sui DH ("**Interested Director**"). Sui DH does not hold any LYC Shares as at the LPD.

Accordingly, the Interested Director has abstained and will continue to abstain from deliberating, expressing an opinion and making any recommendations at all relevant Board meetings in relation to his allocations as well as allocations to persons connected to him, if any, under the Proposed SGP. The Interested Director will also abstain from voting in respect of his direct and/ or indirect shareholdings, if any, at the EGM on the resolution to be tabled for his proposed allocation as well as the proposed allocations to the persons connected to him, if any. The Interested Director undertakes to ensure that persons connected to him, if any, will abstain from voting in respect of their direct and/or indirect shareholdings, if any, in the Company on the resolution pertaining to his proposed allocation and the proposed allocations to the persons connected to him to be tabled at the EGM.

In the event any other executive directors or chief executive of LYC and/ or persons connected with the Directors, major shareholders and/ or chief executive of the Company are entitled to participate in the Proposed SGP, specific shareholders' approval will be obtained at the general meetings for their respective allocations under the Proposed SGP, prior to such allocation being made to them.

12.3 Proposed Private Placement

Save as disclosed below, none of the Directors, major shareholders, chief executive of LYC and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Private Placement:-

- (i) **Lim YC**, being a proposed placee, is presently the major shareholder of LYC. As at the LPD, he holds direct and indirect shareholdings of 66,920,700 LYC Shares, representing 14.41% equity interest in LYC. He does not sit on the Board of Directors of LYC; and
- (ii) **Sui DH**, being a proposed placee, is presently the Managing Director cum Group Chief Executive Officer of LYC. Sui DH does not hold any LYC Shares as at the LPD.

Sui DH, the Interested Director, has abstained and will continue to abstain from deliberating, expressing an opinion and making any recommendations at all relevant Board meetings in relation to the Proposed Private Placement and his proposed allocation of Placement Shares.

Both Lim YC and Sui DH will abstain from voting in respect of its direct and indirect shareholdings, if any, on the resolution pertaining to the Proposed Private Placement to be tabled at the EGM. Further, they have also undertaken that they will ensure that person(s) connected with them will abstain from voting in respect of their direct and/ or indirect shareholdings, if any, on the resolution pertaining to the Proposed Private Placement and their respective proposed allocation of Placement Shares.

13. TRANSACTIONS WITH RELATED PART(IES) FOR THE PRECEDING 12 MONTHS

Save as disclosed below, there have been no transactions entered into by the Company with the related party to the Proposed Divestment, namely KIB, for the 12 months preceding the date of this announcement:-

- (i) on 21 June 2021, Purchaser had subscribed for and LYC had allotted and issued to Purchaser 40,000,000 LYC Shares (at the issue price of RM0.241 per LYC Share) for the total subscription price of RM9,640,000 pursuant to the Private Placement I;
- (ii) on 1 September 2021, LYC MY had entered into a conditional RPS subscription agreement with KIB and LYC whereby KIB shall subscribe up to 42,000,000 RPS in LYC MY at a subscription price of RM1.00 per RPS. Pursuant to the said subscription agreement, LYC MY had then on 23 September 2021 issued 42,000,000 new RPS to RHB Trustees Berhad, for and on behalf of KIB; and
- (iii) on 3 November 2021, Purchaser had subscribed for and LYC had allotted and issued to Purchaser 30,000,000 LYC Shares (at the issue price of RM0.247 per LYC Share) for the total subscription price of RM7,410,000 pursuant to the Private Placement I.

14. PRINCIPAL ADVISER AND PLACEMENT AGENT

UOBKH has been appointed as the Principal Adviser for the Proposals and Placement Agent for the Proposed Private Placement.

15. INDEPENDENT ADVISER

The Proposed Divestment is deemed as a RPT in view of the Purchaser's interest in the Proposed Divestment as outlined in Section 12.1 of this announcement. As such, AER has been appointed by the Company to act as the Independent Adviser to undertake the following in relation to the Proposed Divestment:-

- (i) Comment as to:-
 - (a) whether the Proposed Divestment is fair and reasonable in so far as the non-interested directors and non-interested shareholders of LYC are concerned; and
 - (b) whether the Proposed Divestment are to the detriment of the non-interested shareholders of LYC,and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;
- (ii) Advise the non-interested shareholders of LYC whether they should vote in favour of the Proposed Divestment; and
- (iii) Take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in subsections (i) and (ii) above.

16. DIRECTORS' STATEMENT

16.1 Proposed Divestment

The Board, having considered all aspects of the Proposed Divestment, including the rationale and justification for the Proposed Divestment, the salient terms of the SPA and SHA, the basis and justification of arriving at the Disposal Consideration as well as the financial effects of the Proposed Divestment, is of the opinion that the Proposed Divestment is in the best interest of the Company.

16.2 Proposed SGP

The Board, having considered all aspects of the Proposed SGP such as the rationale and the effects of the Proposed SGP, is of the opinion that the Proposed SGP is in the best interest of the Company.

However, in view that Sui DH (being the Interested Director) is eligible to participate in the Proposed SGP, the Interested Director will abstain from deliberating and making any recommendations at all relevant Board meetings in relation to his allocations as well as allocations to persons connected to him, if any, under the Proposed SGP. He will also ensure that persons connected to him, if any, abstain from voting in respect of their direct and/ or indirect interests in LYC, if any, on the resolutions pertaining to his allocations as well as allocations to persons connected to him, if any, under the Proposed SGP at the EGM.

16.3 Proposed Private Placement

The Board, save for Sui DH (being the Interested Director), after having considered all aspects of the Proposed Private Placement, which include, but are not limited to, the basis, the rationale and the financial effects of the Proposed Private Placement, is of the opinion that the Proposed Private Placement is in the best interest of the Company.

17. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of LYC, after taking into consideration the preliminary advice of the Independent Adviser, namely AER, is of the opinion that the Proposed Divestment is:-

- (i) in the best interest of the Company;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the non-interested shareholders of LYC.

In forming its views, the Audit Committee of LYC has taken into consideration, amongst others, the following:-

- (a) the rationale and justification for the Proposed Divestment;
- (b) the salient terms of the SPA;
- (c) the basis and justification of arriving at the Disposal Consideration; and
- (d) the effects of the Proposed Divestment.

18. APPLICATION TO THE AUTHORITIES

Barring any unforeseen circumstances, the application to the relevant authorities in relation to the Proposals are expected to be made within a period of 2 months from the date of this announcement.

19. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposals are expected to be completed by the second quarter of 2022.

20. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the SPA and SHA are available for inspection at the registered office of the Company at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor during the normal business hours from Monday to Friday (except public holidays) for a period being not less than 3 months from the date of this announcement.

This announcement is dated 1 March 2022.

SALIENT TERMS OF SPA

The salient terms of the SPA are set out below:-

1. SALE AND PURCHASE OF SALE SHARES

Subject to the terms and conditions of the SPA, the Vendor, relying on, inter alia, the several purchaser warranties, shall, as legal and beneficial owner, sell, and the Purchaser shall, relying on, inter alia, the several vendor warranties, purchase, the Sale Shares, free from all encumbrances and together with all rights and advantages attaching thereto as at the Completion Date, including all dividends and distributions declared, made or paid on or after the Completion Date with respect to the Sale Shares.

2. CONDITIONS PRECEDENT

2.1 The sale and purchase of the Sale Shares is conditional upon:-

- (a) the completion of a legal, financial and tax due diligence exercise by the Purchaser and its advisers on LYC SG which shall include, without limitation, (i) the review of the business and operations of LYC SG including management meetings, site visits and interviews with customers and suppliers; (ii) the review of LYC SG's historical figures; and (iii) the review of any and all documents relating to legal and taxation matters of LYC SG, the results of such exercise being satisfactory to the Purchaser, in its sole and absolute discretion;
- (b) the Purchaser's receipt of the agreed legal fees (in which the Vendor agrees and undertakes to contribute to the Purchaser's legal fees and expenses for the negotiation, preparation and/ or completion of the SPA and the transactions contemplated in the SPA, fixed at SGD40,000);
- (c) the form and contents of the Vendor's disclosure letter (if any) being satisfactory to the Purchaser at the Purchaser's sole discretion;
- (d) the Purchaser and Vendor (collectively the "**Parties**" or individually the "**Party**") and LYC SG having entered into the SHA and the Purchaser's receipt of the SHA duly executed by the Parties;
- (e) the LYC SG group having completed the restructuring exercise;
- (f) all approvals and consents as may be necessary from any third party, governmental or regulatory body or relevant competent authority having jurisdiction over the transactions contemplated under the SPA or to the entry into and completion of the SPA by the Parties, being granted or obtained, and being in full force and effect and not having been withdrawn, suspended, amended or revoked, and if such consents or approvals are granted or obtained subject to any conditions, and where such condition(s) affect any of the Parties, such condition(s) being acceptable to the Party concerned and if such condition(s) are required to be fulfilled before completion of the sale and purchase of the Sale Shares ("**Completion**"), such condition(s) being fulfilled before Completion;
- (g) the approval of the board of directors of LYC SG (if required) for the transactions contemplated in the SPA upon the terms and conditions set out in the SPA (or upon such other terms and conditions as may be agreed between the Parties) having been obtained;
- (h) no material adverse change (as determined by the Purchaser in its reasonable discretion) in the prospects, operations or financial conditions of the LYC SG group occurring on or before the Completion Date;

SALIENT TERMS OF SPA

- (i) all warranties provided by the Purchaser and the Vendor (as the case may be) under the SPA being complied with, true, accurate and correct as at the date of the SPA and each day up to and including the Completion Date;
- (j) the Purchaser being satisfied in its reasonable discretion, that LYC SG's business has been carried on in a satisfactory manner, and all approvals and consents (including any governmental, regulatory and/or corporate approvals and consents) required for LYC SG's business of each of the LYC SG group of companies have been obtained, and are and shall remain on Completion valid and effective and not withdrawn or amended;
- (k) the execution and performance of the SPA by the Parties hereto not being prohibited, restricted, curtailed, hindered, impaired or otherwise adversely affected by any relevant statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority;
- (l) the execution by the Parties of such further documents, agreements and/or deeds and the doing of such further acts and things by the Parties, as may be required so that full effect shall be given to the provisions of the SPA and the transactions contemplated hereunder; and
- (m) the approval of the shareholders of LYC for the transactions contemplated in the SPA upon the terms and conditions set out in the SPA (or upon such other terms and conditions as may be agreed between the Parties) having been obtained as required pursuant to the Listing Requirements.

3. CONSIDERATION

- 3.1 The aggregate consideration payable by the Purchaser to the Vendor for the Sale Shares is SGD12,918,466 ("**Consideration**"), payable by way of bank transfer, cashier's order or in such other manner as may be mutually agreed by the Parties.

4. COMPLETION

- 4.1 Completion shall take place on the Completion Date at such place and time as the Parties may mutually agree.

5. VENDOR'S UNDERTAKING

- 5.1 Subject to Clause 5.1(a), Clause 5.1(b) and Clause 6.5 below, the Vendor undertakes to the Purchaser to procure within the Listing Period² the Qualifying IPO¹:-
- (a) the Vendor may elect to extend the Listing Period for a period of 12 calendar months from the last day of the Listing Period by not later than 14 days before the last day of the Listing Period (i) notifying the Purchaser of its intention to extend the Listing Period and (ii) making full payment of the First Extension Fee³ to the Purchaser;
 - (b) assuming the Qualifying IPO has not taken place or is not expected to take place before the last day of the First Extended Listing Period⁴, the Vendor may elect to further extend the Listing Period for a further period of 12 calendar months from the last day of the First Extended Listing Period by not later than 14 days before the last day of the First Extended Listing Period (i) notifying the Purchaser of its intention to extend the First Extended Listing Period and (ii) making full payment of the Second Extension Fee⁵ to the Purchaser; and
 - (c) any notice provided by the Vendor to the Purchase pursuant to Clause 5.1(a) and 5.1(b) above shall be irrevocable.

SALIENT TERMS OF SPA

5.2 Save in accordance with and as set out in Clause 5.1(a) and Clause 5.1(b) above, the Parties agree that there shall be no extension of the Listing Period.

Notes:-

^{*1} **"Qualifying IPO"** means the listing of the LYC SG Shares at the Listing Share Price[^] on the Catalist Board of the SGX-ST or any other securities or stock exchange outside Singapore recognised by the Monetary Authority of Singapore under the Securities and Futures Act 2001 of Singapore (2020 Revised Edition) at the Listing Share Price[^]

[^] **"Listing Share Price"** means the per share public offering price (prior to underwriting commission and expense) calculated based on a pre-money valuation of LYC SG of not less than SGD51,673,860

^{*2} **"Listing Period"** means the period commencing on the Completion Date and expiring 12 calendar months from the Completion Date (last day included), including any extension(s) of the same pursuant to Clause 5.1 above or expiring at the Qualifying IPO Approval Date (as defined herein), whichever the earlier

^{*3} **"First Extension Fee"** means a sum equivalent to 6.0% of the Consideration (which for the avoidance of doubt excludes any dividends that the Purchaser may have received from LYC SG)

^{*4} **"First Extended Listing Period"** means the Listing Period as extended for a period of 12 calendar months from the last day of the Listing Period pursuant to Clause 5.1(a) above

^{*5} **"Second Extension Fee"** means a sum equivalent to 6.0% of the Consideration (which for the avoidance of doubt excludes any dividends that the Purchaser may have received from LYC SG)

6. PUT OPTION

6.1 In consideration of the Parties' mutual agreements contained in the SPA, the Parties have agreed that the Vendor shall grant the Purchaser the option set out in Clause 6.2 below to be exercisable subject to the conditions contained in Clause 6.4 and Clause 6.5 below.

6.2 The Vendor grants the Purchaser the option to require the Vendor to purchase all (but not some only) of the LYC SG Shares held by the Purchaser as at the date of put notice or in the event of an Qualifying IPO, such shares derived therefrom in the event of any share split, consolidation, division, subdivision or other change in the share capital structure of LYC SG after the Qualifying IPO Approval Date^{*2} ("**Option Shares**") ("**Option**"), on the exercise of which:-

(a) the Vendor will become bound to purchase all of the Option Shares on the Transfer Terms^{*1}; and

(b) the Purchaser will become bound to complete the sale of all of the Option Shares on the Transfer Terms^{*1}.

6.3 Subject to such adjustment set out in Clause 6.3.1 below, the aggregate consideration for the purchase of the Option Shares ("**Transfer Price**") is the aggregate sum of (the "**Transfer Amount**"):-

(a) the Consideration; and

(b) 6.0% of the Consideration.

6.3.1 Subject to the following, appropriate adjustments, as agreed between the Parties, will be made to the Transfer Amount in the event of share dividends, share split, recapitalisation, subdivision, combination, bonus issue, rights issue and other change in share capital structure of LYC SG after the date of the SPA ("**Adjusted Transfer Amount**") :-

(a) any dividend(s) received by the Purchaser from LYC SG shall not be taken into consideration in any such adjustments;

SALIENT TERMS OF SPA

- (b) in the event the Adjusted Transfer Amount is less than the Transfer Amount, the Transfer Price shall be deemed fixed as the Transfer Amount; and
 - (c) in the event that Parties are unable to agree on the appropriate adjustments to be made on the Transfer Amount within 10 days of the commencement of any such discussion between Parties, the Transfer Price shall be deemed fixed as the Transfer Amount.
- 6.4 The Purchaser may (but is not obliged), at its sole and absolute discretion, elect to exercise the Option as follows:-
- (a) any time immediately following the expiry of the Listing Period if:-
 - (i) the Qualifying IPO has not taken place; and
 - (ii) the Vendor has failed to extend the Listing Period in accordance with Clause 5.1(a) above.
 - (b) in the event that the Vendor had successfully extended the Listing Period in accordance with Clause 5.1(a) above, any time immediately following the expiry of the First Extended Listing Period if:-
 - (i) the Qualifying IPO has not taken place; and
 - (ii) the Vendor has failed to further extend the First Extended Listing Period in accordance with Clause 5.1(b) above.
 - (c) in the event that the Vendor breaches any material term of the SPA or the SHA before the expiry of the period commencing on the date of the SPA up to the 4th anniversary of the date of the SPA or the Qualifying IPO Approval Date^{*2}, whichever is earlier, or any date which may be mutually agreed by both Parties.
- 6.5 Notwithstanding any other provisions to the contrary in the SPA, the Purchaser may also (but is not obliged), at its sole and absolute discretion, elect to exercise the Option pursuant to Clause 6.2 above in the event that the Vendor receives the No-Objection Confirmation^{*3} and consequently, the SHA is automatically terminated in accordance with its terms, and the Qualifying IPO has not taken place after 2 months from the date of the No-Objection Confirmation^{*3}.

Notes:-

^{*1} **"Transfer Terms"** means that all the Option Shares shall be sold and purchased free from any encumbrance and together with all rights attaching to the Option Shares as at the exercise date (other than rights to receive dividends which have a record date prior to the exercise date) or at any time thereafter and that the consideration for the Option Shares shall be the **"Transfer Price"**

^{*2} **"Qualifying IPO Approval Date"** means the date of listing of the LYC SG Shares on the SGX-ST or any other securities or stock exchange outside Singapore recognised by the Monetary Authority of Singapore under the Securities and Futures Act 2001 of Singapore (2020 Revised Edition) at the Listing Share Price

^{*3} **"No-Objection Confirmation"** means the confirmation of no objection from SGX-ST to the LYC SG's pre-admission notification submitted in connection with the admission of LYC SG to Catalyst / the listing of the LYC SG shares on SGX-ST

SALIENT TERMS OF SPA

7. TERMINATION

7.1 Termination

The SPA may be terminated by the following Party by written notice to the other Party prior to Completion as follows:-

- (a) at the election of the Vendor or the Purchaser in accordance with provisions of the SPA;
- (b) at the election of the Purchaser, if the Vendor has breached any material representation, warranty, covenant or agreement given by him in the SPA, which breach cannot be or is not cured by the Completion Date;
- (c) at the election of the Vendor, if the Purchaser has breached any material representation, warranty, covenant or agreement given by it in the SPA, which breach cannot be or is not cured by the Completion Date;
- (d) at any time on or prior to the Completion Date, by mutual written consent of the Parties.

If the SPA so terminates, it shall become null and void and shall have no further force or effect, except as provided in Clause 7.2 below.

7.2 Survival after termination

If the SPA is terminated in accordance with Clause 7.1 above, the SPA shall become void and of no further force and effect, except for provisions relating to payment of professional fees and expenses and confidentiality clause in the SPA provided the termination of the SPA shall not in any way or manner affect or prejudice the rights or liabilities by any Parties accrued or incurred prior to the termination of the SPA.

8. SPECIFIC INDEMNITY

8.1 Specific indemnity

The Vendor unconditionally and irrevocably undertakes to the Purchaser that in the event of an Qualifying IPO, if the Purchaser elects (at its sole and absolute discretion) to sell or otherwise dispose, whether in the open market or through a private placement sale, in a single tranche or a series of tranches of sales or otherwise, all of the Purchaser's Option Shares at any time within 24 calendar months from the Qualifying IPO Approval Date, the Vendor shall, on demand, indemnify and reimburse the Purchaser fully for any Shortfall^{*2}.

Notes:-

^{*1} "**Shortfall**" means the Agreed Return less each and every sale price of the Options Shares received by the Vendor

^{*2} "**Agreed Return**" means the aggregate of (a) the Consideration, (b) 6% of the Consideration, and (c) in the event that the Option Shares are sold to the Vendor, any and all brokerage fees and charges

8.2 For avoidance of doubt:-

- (a) nothing in this Clause 8 shall constitute an obligation of the Purchaser to sell any of the Option Shares during the period of 24 calendar months from the Qualifying IPO Approval Date or otherwise;
- (b) the Shortfall shall be paid in full by the Vendor to the Purchaser within 7 business days of the Purchaser's written demand to the Vendor;

SALIENT TERMS OF SPA

- (c) in the event that the aggregate sale price of the Option Shares received by the Purchaser is greater than the Agreed Return, the Parties agree that the Vendor shall not claim or demand from the Purchaser any such differences; and
- (d) the indemnity herein shall expire on the last day of the 24th month after the Qualifying IPO Approval Date.

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SALIENT TERMS OF SHA

Simultaneously with the signing of the SPA, LYC MY, Purchaser and LYC SG have entered into the SHA for the purpose of recording the mutual agreements between the Parties and their mutual rights and obligations for, amongst others, the implementation and operation of the business of LYC SG, and to regulate the terms upon which the shareholders are to deal with their shares, the relationship of the Parties inter se, the management and conduct of the activities and business of LYC SG upon terms and conditions set out in the SHA.

The following is a summary of the salient terms of the SHA:-

1. BUSINESS OF THE COMPANY

LYC MY, KIB and any other person holding the shares in LYC SG (collectively, the "**Shareholders**") ("**Shareholders**") agree that LYC SG shall carry on the business of managing and operating specialist clinics providing orthopaedic and osteoporosis services, serving as a one stop centre for the supply and sale of functional health ingredients to the pharmaceutical and nutraceutical industry, and investment holding in business entities and/ or companies that undertake such business activities, and subject to the terms and conditions of the SHA, such other businesses as may from time to time be agreed on by the board of LYC SG ("**LYC SG Board**") ("**Business**").

2. BOARD OF DIRECTORS

- 2.1 Save and except for the requirements of the rules of any relevant securities or stock exchange(s) in anticipation of the Qualifying IPO, unless otherwise unanimously agreed upon by the Shareholders in writing, the LYC SG Board shall consist of not more than 5 Directors.
- 2.2 The LYC SG Board shall initially comprise 3 Directors of LYC SG appointed by LYC MY for the time being as Directors of LYC SG.
- 2.3 The right of appointment conferred on a Shareholder under Clause 2.2 above shall include the right of that Shareholder to remove at any time from office such person appointed by that Shareholder as a Director of LYC SG and the right of that Shareholder at any time and from time to time to determine the period during which such person shall hold the office of Director of LYC SG.
- 2.4 Each appointment or removal of a Director of LYC SG pursuant to this Clause shall be in writing and signed by or on behalf of the Shareholder concerned and shall be delivered to the registered office for the time being of LYC SG.
- 2.5 Whenever for any reason a person appointed by a Shareholder ceases to be a Director of LYC SG, that Shareholder shall be entitled to appoint forthwith another Director of LYC SG. The right conferred on KIB to approve or veto any such appointment of Director of LYC SG pursuant to Clause 2.2 above shall lapse upon the shareholding percentage of KIB becoming less than 10.0%.

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SALIENT TERMS OF SHA

- 2.6 KIB shall, for so long as it remains a Shareholder with a shareholding percentage of no less than 10.0%, be entitled to appoint one person as an observer ("**Board Observer**"), who shall have the right to attend, and speak at, all meetings of the LYC SG Board and any committee thereof, but who shall not vote on any resolution of the LYC SG Board or such committee. LYC SG shall provide to the Board Observer all notices, minutes, consents, resolutions and all other materials and information that it provides to the Directors of LYC SG with respect to meetings of the LYC SG Board or any such committee at the same time that such materials and information are given to the Directors of LYC SG. The right of nomination conferred on the Investor as aforesaid shall include the right of KIB to request the removal at any time from office of such person nominated by it as the Board Observer, the right to nominate a substitute Board Observer and the right of KIB at any time and from time to time to determine the period during which such person shall hold the position of the Board Observer. The rights of KIB hereunder are in addition to the right of KIB to approve or veto the appointment of Directors to the LYC SG Board pursuant to this Clause 2.
- 2.7 The Chairman shall be appointed by the Board. The Chairman shall not be entitled to a second or casting vote at any meeting of the Board or at any general meeting of LYC SG.

3. MORATORIUM ON TRANSFER OF SHARES

- 3.1 Notwithstanding anything contained in the SHA or the Constitution of LYC SG but subject to provision of in the SHA relating permitted transfers and conditions of transfer, each Shareholder (except KIB) shall will not, without the prior written consent of the other Shareholders, transfer all or any part of the Shares held by it for the time being to any person within a period of 3 years after the date of the SHA.

4. INVESTOR EXIT

- 4.1 On or as soon as practicable after the date of the SHA, LYC MY shall procure and cause LYC SG to achieve a Qualifying IPO. The Parties further agree they shall co-operate fully with each other and LYC SG to achieve the Qualifying IPO in accordance with the rules and regulations of the recognised investment exchange to which the application for listing is made and other applicable laws.
- 4.2 Without prejudice to Clause 4.1 above, after the 4th anniversary of the date of the SHA and provided that LYC MY and KIB remain as Shareholders, LYC MY and KIB shall use their respective best efforts to find a bona fide third party purchaser of all the Sale Shares.

5. TERMINATION

- 5.1 The SHA shall take effect from the date hereof and continue thereafter without limit in point of time, but upon the transfer by any Shareholder of the entirety of its LYC SG Shares, such Shareholder shall be released from all its obligations hereunder (other than provision of SHA relating to payment of professional fees and expenses and confidentiality), but if at that time there are 2 or more Shareholders bound by the provisions of the SHA, the SHA shall continue in full force and effect as between LYC SG and the continuing Shareholders.
- 5.2 Notwithstanding any other provisions in the SHA, the SHA shall automatically terminate on the day immediately before the date of LYC SG's lodgement of the preliminary offer document (as defined under the rules of the Catalist) with SGX-ST for posting on SGX-ST's website ("**Lodgement of Listing Documents**") .
- 5.3 The termination of the SHA from any cause shall not release any Party from any liability which at the time of termination has already accrued, or which thereafter may accrue.

SALIENT TERMS OF SHA

- 5.4 LYC MY agrees and undertakes that in the event that the Qualifying IPO does not occur by the date falling 2 months after the date of the Lodgement of Listing Documents or such other period mutually agreed in writing between the Parties, LYC MY shall enter and/ or procure the entering into of a new shareholders' agreement with KIB (or its nominee) on terms that are substantially similar, if not altogether identical, to the terms set out in the SHA. This Clause shall survive the termination of the SHA.

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SUMMARY OF FINANCIAL INFORMATION

LYC SG, incorporated in Singapore on 28 April 2020, is principally an investment holding company. It primarily serves as the listing vehicle for some of the subsidiaries of LYC involved in the healthcare business, pursuant to the Proposed Listing of LYC SG on the Catalist Board of the SGX-ST. To facilitate the Proposed Listing, LYC SG had on 26 January 2022 completed the Internal Reorganisation, which entails the following:-

- (i) transfer of LYC MY's entire 51% equity interest in HCOS to LYC SG;
- (ii) transfer of LYC MY's entire 51% equity interest in T&T to LYC SG; and
- (iii) transfer of LYC MY's entire 100% equity interest in LYC Nutrihealth (inclusive of the 70% equity interests in sub-subsidiaries, Aqurate and Microbiome) to LYC SG.

A summary of the financial information of LYC SG since inception is set out below:-

| | Audited | | Unaudited | |
|---|---|----------------------|---------------------------------|----------------------|
| | FPE from 28 April 2020 (date of incorporation) to 31 March 2021 | | 10-month FPE 31 January 2022 | |
| | SGD'000 | RM'000 ^{*1} | SGD'000 | RM'000 ^{*1} |
| Revenue | - | - | 12,749 | 39,382 |
| Gross profit | - | - | 7,875 | 24,325 |
| Profit/ (loss) before tax (" PBT " / " LBT ") | (6) | (19) | 3,407 | 10,525 |
| PAT/ (LAT) attributable to:- | | | | |
| - Owner of the company | (6) | (19) | 1,079 | 3,333 |
| - Minority interest | - | - | 1,349 | 4,167 |
| | (6) | (19) | 2,428 | 7,500 |
| PBT/ (LBT) margin (%) | N.A | N.A | 26.7 | 26.7 |
| PAT/ (LAT) margin (%) | N.A | N.A | 8.5 | 8.5 |
| Total assets | - | - | 37,638 | 116,263 |
| Total liabilities | 5 | 15 | 8,012 | 24,748 |
| Share capital | 1 | (3) | 26,130 | 81,038 |
| NA/ (Capital deficiency) attributable to:- | | | | |
| - Owner of the company | (5) | (15) | 24,401 | 75,374 |
| - Minority interest | - | - | 5,225 | 16,140 |
| | (5) | (15) | 29,626 | 91,514 |
| Cash and bank balances | - | - | 3,932 | 12,147 |
| Total borrowings | - | - | 5,237 | 16,177 |
| No. of shares in issue ('000) | 1 | 3 | 26,130 | 26,130 |
| EPS (SGD / RM) | (6) | (19) | 0.04 | 0.13 |
| NA per share (SGD / RM) | (5) | (15) | 0.93 | 2.88 |
| Gearing ratio (times) | - | - | 0.18 | 0.18 |
| Current ratio (times) | - | - | 2.35 | 2.35 |
| Cash flow from/ (used in) operating activities | (1) | (3) | 2,843 | 8,782 |

Note:-

^{*1} The SGD amount as per the above financial statements have been translated into RM amount based on the following middle rate quoted by BNM as at 5.00 p.m. on the respective end dates for each financial year/ period under review, as follows:-

FPE 31 March 2021 : SGD1.00 : RM3.084
FPE 31 January 2022 : SGD1.00 : RM3.089

SUMMARY OF FINANCIAL INFORMATION

FPE from 28 April 2020 (date of incorporation) to 31 March 2021

LYC SG was incorporated on 28 April 2020 as an investment holding company. Since inception up to 31 March 2021, LYC SG has not commenced any business activities, and therefore did not register any operating revenue.

LYC SG posted a LBT of SGD6,034 for the FPE 31 March 2021 mainly due to the incurrence of statutory and regulatory expenses as well as incorporation related expenses.

10-month FPE 31 January 2022

The comparative figure for the FPE 31 March 2021 and the 10-month FPE 31 January 2022 may not be entirely comparable.

For the 10-month FPE 31 January 2022, LYC SG recorded revenue of SGD 12.75 million. The revenue was mainly derived from the consolidation of results of HCOS, T&T and LYC Nutrihealth following the completion of the Internal Reorganisation on 26 January 2022. In terms of business segments, the revenue was mainly driven by the Clinic Segment which contributed SGD 8.99 million or 70.5% to the total revenue, whilst the Nutraceutical Segment contributed to the remaining SGD 3.76 million or 29.5% of total revenue.

In tandem with the revenue growth, LYC SG registered a PBT of SGD3.41 million for the 10-month FPE 31 January 2022.

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