

KOBAY TECHNOLOGY BHD.
General Announcement

Proposed Group Reorganization via Inter-companies' Disposal and Acquisition of Four (4) Wholly Owned Subsidiaries

1. INTRODUCTION

The Board of Directors ("Directors") of Kobay Technology Bhd. ("Kobay"), wishes to announce that Kobay has on 3 May 2016 entered into a Shares Sales Agreement to undertake a group reorganization (Internal Group Reorganization) via inter-companies' disposal of the entire issued and paid up share capital ("the Sale Shares") in four (4) subsidiaries ("subject companies") namely Polytool Technologies Sdn. Bhd. ("PTech"), Maker Technologies Sdn. Bhd. ("Maker"), Bend Weld Engineering Sdn. Bhd. ("BWE") and Omni Value Chain Sdn. Bhd. ("OVC") which are all wholly owned subsidiaries of Kobay to Lipo Corporation Sdn. Bhd. ("Lipo") of which Lipo in turn is a wholly owned subsidiary of Kobay, for a total consideration of RM18,806,208 to be satisfied by way of issuance 5,613,793 ordinary shares of RM1.00 each at an issued price of RM3.35 per share in the paid-up capital of Lipo. (hereinafter referred to as "Transactions").

2. BACKGROUND INFORMATION

Information on the subject companies

PTech was incorporated under the Companies Act, 1965 on 3 August 2000. The principal activities of PTech are manufacturing of industrial equipment, machinery parts and tooling, encapsulation moulds, trim and form dies and progressive tooling for lead frames.

Maker was incorporated under the the Companies Act, 1965 on 13 December 1996 under the name AV Mould Engineering Sdn. Bhd. Subsequently, it changed its name to Maker Technologies Sdn. Bhd. on 11 July 2001. The principal activities of Maker are manufacturing of all kinds of precision moulds and parts.

BWE was incorporated under the the Companies Act, 1965 on 30 August 1990. The principal activities of BWE are manufacturing of metal work and structures, modules and parts for oil & gas production and extraction equipment.

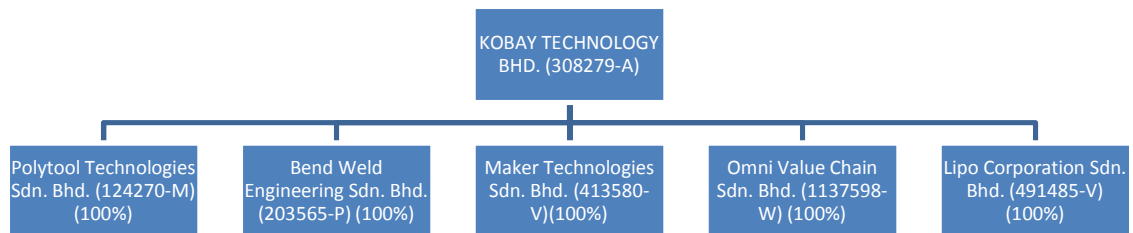
OVC was incorporated under the the Companies Act, 1965 on 27 March 2015 under the name Upfront Project Sdn. Bhd. Subsequently, it changed its name to Omni Value Chain Sdn. Bhd. on 23 July 2015. The principal activity of OVC is of supply chain management.

Information on the Purchaser/Lipo

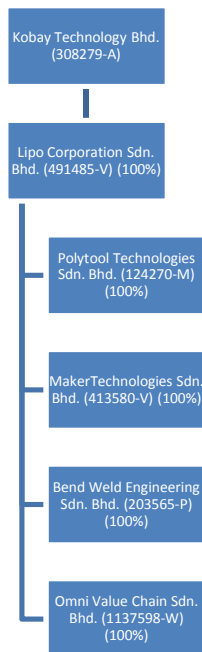
Lipo was incorporated under the the Companies Act, 1965 on 16 August 1999 under the name Bright Consolidated Sdn. Bhd. On 2 November 1999, it changed its name to Lipo Corporation Sdn Bhd and subsequently, on 1 December 2000, it was converted to a public company. On 22 October 2001, Lipo was listed on Second Board of Bursa Malaysia Securities Berhad (now known as Main Market of Bursa Malaysia Securities Berhad) but delisted its listing on 16 November 2012. It was converted into a private company and changed its name to Lipo Corporation Sdn. Bhd. on 22 January 2013 and assumed its present name.

Lipo is principally involved in investment holding and provision of management services to subsidiary companies. The principal activities of the subsidiaries of Lipo consists of manufacturing of precision machined components and parts, precision metal stamping and sheet metal parts, precision plating and surface treatment.

Organization Structure prior to the Transactions



Organization Structure after the Transactions



3. DETAILS OF THE TRANSACTIONS

3.1 Disposal consideration

The total consideration of RM18,806,208 is to be satisfied by issuance of 5,613,793 ordinary shares of RM1.00 each at an issued price of RM3.35 per share in the paid-up capital of Lipo, based on the Net Assets Value of the subject companies and Lipo's group Net Assets Value based on the management account as at 31 December 2015 as illustrated below.

Purchaser	Subject companies	Number of ordinary shares fully paid-up in each of the subject companies	Equity Interest of Kobay in each of the subject companies' paid up capital	Consideration /Net Assets Value as at 31/12/2015 (RM)	No. of Shares to be satisfied by issuance of Lipo ordinary shares at RM1.00 each
Lipo	PTech	250,000	100%	2,849,115	850,482
Lipo	BWE	4,000,000	100%	14,116,854	4,213,986
Lipo	Maker	1,350,000	100%	1,466,855	437,867
Lipo	OVC	300,000	100%	373,384	111,458
Total :				18,806,208	5,613,793

3.2 Salient Terms of the Share Sales Agreement

The Transactions is conditional upon Lipo obtaining the stamp duty exemption/waiver from the Inland Revenue Board or the relevant authorities for the transfer of the Sale Shares.

4. RATIONALE AND PROSPECT OF THE TRANSACTIONS

Kobay intends to streamline all its manufacturing activities to Lipo, for better managing and controlling of the manufacturing activities under the same portfolio.

5. BASIC RISK AND LIABILITIES ASSUMED BY KOBAY

The Shares disposed to Lipo by Kobay are free from all liens, charges, pledges, mortgages and any encumbrances whatsoever and with all rights and advantages attaching thereto or accruing thereon including all dividends and distributions declared, paid or made in respect thereof.

There are no risks and liabilities including contingent liabilities and guarantees to be assumed by Kobay as the Transactions were merely an Internal Group Reorganization.

6. SOURCE OF FUNDS

There is no fund involved in the Transactions as it is an Internal Group Reorganization via inter-companies' disposal and acquisition whereby the entire consideration will be satisfied by Lipo shares.

7. FINANCIAL EFFECTS OF THE TRANSACTIONS

The Transactions will not give rise to any gain or loss to Kobay Group, but at company level, Kobay shall record a gain from disposal of RM13.99 million, after deducting the original cost of investment of RM4.80 million in the subject companies.

There will be no material impact to the earnings per shares, gearing, share capital, net assets per share and substantial shareholders' shareholdings of Kobay for the financial year ending 30 June 2016.

8. APPROVALS SOUGHT

The Transactions is not subject to any approval of the shareholders of Kobay or any relevant governmental authorities but is conditional upon the approval from Inland Revenue Board of Malaysia for stamp duty relief under Section 15A of the Stamp Act 1949.

9. ESTIMATED TIMEFRAME FOR THE IMPLEMENTATION OF THE TRANSACTIONS

Barring unforeseen circumstances and subject to the approval set out in Section 8 above, the Transactions is expected to be completed by second (2nd) quarter of calendar year 2016.

10. DEPARTURES FROM THE POLICIES AND GUIDELINES ON ISSUE/OFFER OF SECURITIES ISSUED BY THE SECURITIES COMMISSION ("SC")

The Transactions has not departed from the SC's Policies and Guidelines on Issue/Offer of Securities.

11. PERCENTAGE RATIO

The percentage ratio pursuant to Paragraph 10.02 (g) of Main Market Listing Requirements of Bursa Securities is not applicable as the Transactions is a transaction between Kobay and its wholly-owned subsidiary, Lipo.

12. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST IN THE TRANSACTIONS

None of the directors and major shareholders of Kobay Group and/or any persons connected to them (as defined in Section 122A of the Companies Act, 1965) have any direct or indirect interests in the Transactions.

13. DIRECTORS STATEMENT

The Board of Directors, after due consideration of all aspects of the Transactions, is of the opinion that the consideration is reasonable and the Transactions is in the best interest of Kobay and its group.

This announcement is dated 4 May 2016.