

KOBAY TECHNOLOGY BHD. (308279-A)

Subject:

Proposed acquisition of

- (i) equity interest in Kobay SCM (S) Pte Ltd by Lipo Corporation Sdn. Bhd.**
- (ii) additional equity interest in Microhandling Asia Pte. Ltd. by Kobay SCM (S) Pte. Ltd.**

1. INTRODUCTION

The Board of Directors of Kobay Technology Bhd. ("Kobay") wishes to announce that on 1 June 2016, Kobay's wholly owned subsidiary, Lipo Corporation Sdn. Bhd. (Company no. 491485-V)("Lipo") and its 60% owned subsidiary, Kobay SCM (S) Pte. Ltd. (Company No.: 200912806D)("KSCM") have entered into a Sale of Shares Agreement ("the Agreement" or "SSA") with Mr. Chai Meng Meng ("Chai") to acquire his 4,000 ordinary shares represents 40% equity interest in KSCM for a cash consideration of SGD280,000-00 (Singapore Dollar: Two Hundred and Eighty Thousand Only) ("KSCM Purchase Price") and 1,000 ordinary shares represents 0.2% equity interest in Microhandling Asia Pte. Ltd. (Company No.: 200806413H) ("MHA") for a cash consideration of SGD1-00 (Singapore Dollar: One Only) ("MHA Purchase Price") (hereinafter referred to as "Proposed Acquisition").

2. BACKGROUND INFORMATION

2.1 Information on Lipo

Lipo was incorporated in Malaysia on 16 August 1999, is a wholly subsidiary of Kobay with its authorized share capital of RM100,000,000-00 (Ringgit Malaysia : One Hundred Million Only) consists of 100,000,000 ordinary shares of RM1-00 each of which 20,871,750 ordinary shares are fully paid up.

Lipo is a management services and investment holding company.

2.2 Information on KSCM

KSCM, a 60% owned subsidiary of Kobay, is a private company limited by shares incorporated in Republic of Singapore on 15 July 2009. Its issued and paid up share capital is SGD10,000-00 (Singapore Dollar : Ten Thousand Only) comprising of 10,000-00 ordinary shares. KSCM's principal activity is investment holding and supply chain management.

For FY2015, KSCM recorded a consolidated profit after tax of RM704,956 with net tangible assets value of RM1,811,940. KSCM's financial performance was mainly derived from its 99.8% owned subsidiary, MHA.

2.3 Information on MHA

MHA is a 99.8% subsidiary of KSCM. It is a private company limited by shares incorporated in Republic of Singapore on 2 April 2008 with its paid up shares capital of SGD500,000-00 (Singapore Dollar : Five Hundred Thousand Only) divided into 500,000 ordinary shares of which all have been issued and fully paid up. MHA is involved in manufacturing of semiconductor assembly and testing equipment.

2.4 Information on Chai

Chai is a Singaporean and the director for both KSCM and MHA. He is holding 40% of equity interest in KSCM and 0.2% equity interest in MHA prior to the Proposed Acquisition. Chai has decided to withdraw from the business to pursue his own personal interest and has offered to sell his entire equity interest in KSCM and MHA.

3. THE PROPOSED ACQUISITION

Changes in KSCM's shareholding structure in relates to the Proposed Acquisition are as follows :-

No	Shareholder	Shareholding prior to the Proposed Acquisition		Shareholding after the Proposed Acquisition	
		No. of Shares	%	No. of Shares	%
1	Kobay Technology Bhd	5,999	59.99%	5,999	59.99%
2	Chai Meng Meng	4,000	40.00%	0	0
3	Tommy Teh Guan Seng*	1	0.01%	1	0.01%
4	Lipo Corporation Sdn. Bhd.	0	0.00%	4,000	40.00%

* hold in trust for Kobay

Subsequent to the Proposed Acquisition, KSCM will be effectively wholly owned by Kobay.

Changes in MHA's shareholding structure in relates to the Proposed Acquisition are as follows:-

No	Shareholder	Shareholding prior to the Proposed Acquisition		Shareholding after the Proposed Acquisition	
		No. of Shares	%	No. of Shares	%
1	Kobay Technology Bhd	499,000	99.80%	500,000	100.00%
2	Chai Meng Meng	1,000	0.20%	0	0

Subsequent to the Proposed Acquisition, MHA will be wholly owned by KSCM.

4. SALIENT TERMS OF THE SSA

4.1 The payment terms are as follows :-

- Upon signing of the SSA, Lipo shall pay a sum of SGD28,000-00 (Singapore Dollar : Twenty Eight Thousand Only) as non-refundable and forfeitable deposit ("Deposit") to Chai;
- The balance KSCM Purchase Price being SGD252,000-00 (Singapore Dollar : Two Hundred and Fifty Two Thousand Only) shall be paid by Lipo within three (3) months from the date of the SSA ("Completion Date"); and
- The MHA Purchase Price to be fully paid by MHA upon signing of the SSA.

4.2 The parties agree and acknowledge that the sale and purchase of KSCM and MHA Sale Shares are inter related and shall be deemed as one transaction.

4.3 Chai and its related party or assigns shall not engage in any business worldwide that compete with or is similar to MHA's existing business and products within 2 years after ceasing as a shareholder of KSCM and MHA.

5. RATIONALE AND PROSPECT OF THE PROPOSED ACQUISITION

Chai intends to pursue his own business interests in other sector and therefore decided to dispose of his equity interest in KSCM and MHA whereas Kobay is keen to acquire and consolidate KSCM's and MHA's manufacturing business into Lipo. The Proposed Acquisition would enable Kobay to have full management and operational control in KSCM and MHA to realize its objective.

The future prospect of KSCM and MHA will depend on their abilities to penetrate the new markets and development of new products range.

6. BASIS OF VALUATION, RISK AND LIABILITIES OF THE PROPOSED ACQUISITION

6.1 Basis of Valuation

The KSCM Purchase Price of SGD280,000-00 is arrived based on KSCM's consolidated net tangible assets value of SGD701,881-00 as at 30 April 2016, of which the KSCM Group is valued as SGD700,000-00 as a whole. The MHA Purchase Price is based on the nominal value of SGD1-00 as agreed by the Parties.

6.2 Risk and Liabilities

The shares acquired are free from all liens, charges, pledges, mortgages and any encumbrances whatsoever and with all rights and advantages attaching thereto or occurring thereon including all dividends and distributions declared, paid or made in respect thereof.

There are no liabilities including contingent liabilities and guarantees to be assumed by Kobay from the Proposed Acquisition.

The Board does not envisage any specific risk associated with the Proposed Acquisition other than the general business risks faced by KSCM and MHA after acquisition.

7 SOURCE OF FUNDS

The entire purchase sum of SGD280,001-00 (Singapore Dollar : Two Hundred Eighty Thousand and One Only) will be funded by internal generated funds of Kobay.

8 FINANCIAL IMPLICATION

(a) On earnings and earnings per share

The SSA is not expected to have any material effects on the earnings of Kobay Group for the financial year ending 30 June 2016 as the SSA is expected to be completed in the first (1st) quarter of the financial year ending 30 June 2017.

(b) On net assets and gearing

The SSA does not have any effect on net assets and gearing of Kobay Group for the financial year ending 30 June 2016.

(c) On share capital and substantial shareholders' shareholdings

The SSA does not have any effect on the share capital and substantial shareholders' shareholdings of Kobay.

9 HIGHEST PERCENTAGE RATIO APPLICABLE

The highest percentage ratio applicable to the SSA pursuant to Chapter 10 of the Main Market Listing Requirements of Bursa Securities is 2.7%.

10 APPROVAL REQUIRED

The SSA does not require approval from the shareholders of Kobay, Securities Commission, Foreign Investment Committee and other regulatory authorities.

11 COMPLETION DATE

The estimated timeframe required to fulfill the conditions stated in the SSA is three (3) months from the date of the SSA.

12 DIRECTORS AND SUBSTANTIAL SHAREHOLDERS INTERESTS

Other than Kobay's interest in KSCM and Lipo (of which is exempted under Chapter 10.08(m) of the Listing Requirements), none of the Directors and/or substantial shareholders of Kobay or any person connected with them have any interest, direct or indirect, in the SSA.

13 COMPLIANCE WITH THE SECURITIES COMMISSION'S POLICIES AND GUIDELINES ON ISSUE/OFFER OF SECURITIES

The SSA is not subjected to the approval of the Securities Commission and does not fall under the Securities Commission's Policies and Guidelines on the issue/offer of Securities or any amendment thereof.

14 DIRECTORS' STATEMENT

The Directors are of the opinion that the SSA is in the best interest of the Company and it is fair and reasonable and is not detrimental to the Company and its Shareholders.

15 DOCUMENT FOR INSPECTION

Copy of the following document/(s) will be made available for inspection at the registered office of the Company at 3rd Floor, Menara Kobay, No. 42B Jalan Rangoon, 10400 Georgetown, Penang during normal working hours for a period of three (3) months from the date of this announcement.

- 1) The SSA
- 2) The Audited Accounts for KSCM and MHA for the year/(s) ended 30 June 2014 and 30 June 2015

This announcement is dated 2 June 2016.