

KOBAY TECHNOLOGY BHD. (308279-A)

Subject:

Proposed acquisition of additional equity interest in Kobay SCM (S) Pte Ltd by Lipo Corporation Sdn. Bhd.

1. INTRODUCTION

The Board of Directors of Kobay Technology Bhd. ("Kobay") wishes to announce that on 19 August 2016, Kobay's wholly owned subsidiary, Lipo Corporation Sdn. Bhd. (Company no. 491485-V)("Lipo") has acquired 5,999 ordinary shares, representing 59.99% equity interest in KSCM from Kobay for a total consideration of RM1.2 million to be satisfied by issuance of 375,000 ordinary shares of RM1-00 each at an issue price of RM3-20 per share in the capital of Lipo, and 1 ordinary share representing 0.01% equity interest in KSCM for cash consideration of RM200-00 from Mr. Tommy Teh Guan Seng, who holds in trust for Kobay (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 26,485,543 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 ordinary shares. KSCM's principal activity is investment holding and supply chain management.

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%	0	0
2	Chai Meng Meng #	4,000	40.00%	0	0
3	Tommy Teh Guan Seng*	1	0.01%	0	0
4	Lipo Corporation Sdn. Bhd.	0	0.00%	10,000	100.00

On 1 June 2016, Lipo has entered into a Share Sale Agreement to acquire 40% equity interest in KSCM from Mr Chai Meng Meng. Announcement to Bursa Malaysia Securities Berhad dated 2 June 2016 (Ref No. GA1-02062-00052). The transaction is pending completion.

** hold in trust for Kobay*

Subsequent to the Proposed Acquisition and upon completing of acquisition from Mr Chai Meng Meng's 40% equity interest in KSCM, KSCM will be wholly owned by Lipo.

4. RATIONALE AND PROSPECT OF THE PROPOSED ACQUISITION

The Proposed Acquisition would enable Kobay to consolidate KSCM's manufacturing business into Lipo.

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

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

6.1 Basis of Valuation

The KSCM Purchase Consideration of RM1.2 million (approximately RM200-00 per shares) in KSCM is arrived based on willing buyer-willing seller basis, after taking into consideration KSCM's unaudited consolidated net tangible assets value as at 30 June 2016 of RM2.2 million after adjusting the assets value that agreed by the parties and the disposal price of S\$280,000-00 (approximately RM200-00 per share) transacted between Lipo and Mr Chai Meng Meng on 1 June 2016 for the latter's 40% equity interest in KSCM.

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 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 after acquisition.

7 SOURCE OF FUNDS

The purchase price is to be satisfied by issuance of 375,000 ordinary shares of RM1-00 each at an issue price of RM3-20 per share in the capital of Lipo and RM200-00 cash to be funded by internal generated funds of Lipo.

8 FINANCIAL IMPLICATION

The Proposed Acquisition is not expected to have any material effects on the earnings, net assets, gearing and the share capital and substantial shareholders of Kobay Group for the financial year ending 2017 as the transactions are merely inter-companies transaction within the Group.

9 HIGHEST PERCENTAGE RATIO APPICABLE

The percentage ratio pursuant to Chapter 10 of the Main Market Listing Requirements of Bursa Securities is not applicable as the transaction is an inter-company transaction.

10 APPROVAL REQUIRED

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

11 COMPLETION DATE

The estimated timeframe to complete the transaction is within one (1) month from the date of the Proposed Acquisition.

12 DIRECTORS AND SUBSTANTIAL SHAREHOLDERS INTERESTS

None of the Directors and/or substantial shareholders of Kobay or any person connected with them have any interest, direct or indirect, in the Proposed Acquisition.

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

The Proposed Acquisition 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 Proposed Acquisition 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, Wisma 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 Audited Accounts for KSCM for the year/(s) ended 30 June 2014 and 30 June 2015

This announcement is dated 19 August 2016.