KOBAY TECHNOLOGY BHD ("KOBAY" OR THE "COMPANY")

PROPOSED PRIVATE PLACEMENT OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES OF KOBAY (EXCLUDING TREASURY SHARES) ("PROPOSED PRIVATE PLACEMENT")

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1. INTRODUCTION

On behalf of the Board of Directors of Kobay ("**Board**"), RHB Investment Bank Berhad ("**RHBIB**") wishes to announce that the Company proposes to undertake a private placement of up to 10% of the total number of issued shares of Kobay (excluding treasury shares).

Further details of the Proposed Private Placement are set out in the ensuing sections of this Announcement.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

The Proposed Private Placement will be undertaken in accordance with the general mandate pursuant to Sections 75 and 76 of the Companies Act 2016 ("**Act**") obtained from the shareholders of the Company at the Company's 26th annual general meeting ("**AGM**") convened on 26 November 2020, whereby the Board has been authorised to issue and allot new ordinary shares in Kobay ("**Kobay Shares**" or "**Shares**") not exceeding 10% of the total number of issued shares of Kobay (excluding treasury shares) ("**General Mandate**"). The said approval shall continue to be in force, unless revoked or varied by the Company at a general meeting, until the conclusion of the next AGM of the Company or at the expiry of the period within which the next AGM is required to be held, whichever is earlier.

2.1 Placement size

The Proposed Private Placement will entail the issuance of up to 10% of the total number of issued shares of Kobay (excluding treasury shares). As at 29 October 2021, being the latest practicable date prior to the date of this Announcement ("**LPD**"), the Company has an issued share capital of RM102,103,907 comprising 306,280,803 Kobay Shares (including 6,000,000 treasury shares).

For shareholders' information, the Board is authorised to repurchase up to 10% of the total number of issued shares of the Company pursuant to the Company's share buy-back mandate which was renewed by the Company's shareholders at the last AGM convened on 26 November 2020 ("**Share Buy-Back Authority**"). Nevertheless, the Company had on 11 May 2021 announced that it had decided to cease buying back its own Shares pursuant to its Share Buy-Back Authority with effect from 12 May 2021 until the conclusion of the next AGM of the Company or at the expiry of the period within which the next AGM is required to be held, whichever is earlier, in accordance with Paragraph 4.15(3)(c) of the Rules on Take-overs, Mergers and Compulsory Acquisitions ("**Rules**") issued by the Securities Commission Malaysia ("**SC**") arising from the exemption under Paragraph 4.15(1) of the Rules to Kobay Holdings Sdn Bhd and person acting in concert with it from the obligation to undertake a mandatory take-over offer for all the remaining Kobay Shares not already owned by them arising from the purchase by Kobay of its own Shares pursuant to its Share Buy-Back Authority obtained from the SC vide its letter dated 22 April 2021.

As at the LPD, the Company holds 6,000,000 treasury shares and assuming all the 6,000,000 treasury shares are resold on the open market at their respective acquisition prices prior to the implementation of the Proposed Private Placement, a total of up to 30,628,080 new Kobay Shares ("**Placement Shares**"), representing 10% of the total number of issued shares of Kobay of 306,280,803 Kobay Shares, may be issued pursuant to the Proposed Private Placement.

In addition, the Company has implemented an employee share option scheme of up to 15% of the total number of issued shares of the Company (excluding treasury shares) ("**ESOS**") for the eligible employees and directors of the Group (excluding dormant subsidiaries) ("**Eligible Persons**"). The ESOS is in force for a duration of 10 years from 19 April 2016. As at the LPD, the Company has not granted any option pursuant to the ESOS to the Eligible Persons.

For illustrative purposes throughout this Announcement, the effects of the Proposed Private Placement shall be illustrated based on the following 2 scenarios:

Minimum Scenario	:	Assuming all the treasury shares as at the LPD are retained in the Company prior to the implementation of the Proposed Private Placement.
Maximum Scenario	:	Assuming all the treasury shares as at the LPD are resold on the open market at their respective acquisition prices prior to the implementation of the Proposed Private Placement.

The actual number of Placement Shares to be issued pursuant to the Proposed Private Placement will depend on the total number of issued shares of Kobay (excluding treasury shares) immediately preceding the implementation of the Proposed Private Placement.

2.2 Placement arrangement

The Placement Shares will be placed out to independent third party investor(s) ("**Placees**") to be identified at a later date. The Placees shall be persons or parties who/which qualify under Schedules 6 and 7 of the Capital Markets and Services Act 2007.

In accordance with Paragraph 6.04(c) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"), the Placement Shares will not be placed to the following persons:

i. a director, major shareholder or chief executive of the Company ("**Interested Persons**");

ii. a person connected with the Interested Persons; and

iii. nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

The identity of the Placees, the number of Placement Shares to be placed out to each of the Placees as well as the issue price for the Placement Shares will be determined and finalised by the Board at a later date.

Subject to, among others, the prevailing market conditions and investors' interest at the point of implementation, the Proposed Private Placement may be implemented in one or more tranches within 6 months from the date of approval from Bursa Securities for the listing and quotation of the Placement Shares on the Main Market of Bursa Securities, or any extended period as may be approved by Bursa Securities, subject always to the expiry of the General Mandate or a new mandate being obtained from the shareholders of the Company, as the case may be. The implementation of the placement arrangement in multiple tranches, if any, would provide flexibility to the Company to procure interested investor(s) to subscribe for the Placement Shares within the approved period.

In the event the Placement Shares are issued in multiple tranches, the issue price for each tranche of the Placement Shares may be determined separately.

2.3 Basis and justification for the issue price of the Placement Shares

The issue price of the Placement Shares for each tranche of the Proposed Private Placement will be determined and fixed by the Board and announced later by the Company after receiving the relevant approvals for the Proposed Private Placement.

The issue price of the Placement Shares may be fixed at a discount of not more than 10% to the volume weighted average market price ("**VWAMP**") of Kobay Shares for the 5 market days immediately preceding the price-fixing date. The Company will ensure payment for the Placement Shares by the Placee(s) is received within 5 market days from the price-fixing date of each tranche of the Proposed Private Placement.

For illustrative purposes throughout this Announcement, the illustrative issue price of the Placement Shares is assumed to be RM5.00 per Placement Share, which represents a discount of approximately 3.01% to the 5-day VWAMP of Kobay Shares up to and including the LPD of RM5.1550.

2.4 Ranking of the Placement Shares

The Placement Shares shall, upon issuance and allotment, rank equally in all respects with the then existing Kobay Shares, save and except that the Placement Shares will not be entitled to any dividend, right, allotment and/or any other distribution that may be declared, made or paid prior to the date of allotment of the Placement Shares.

2.5 Listing and quotation of the Placement Shares

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

2.6 Details of equity fund-raising exercises undertaken by the Company in the past 12 months

The Company has not undertaken any equity fund-raising activities in the past 12 months prior to the date of this Announcement.

2.7 Utilisation of proceeds

Based on the illustrative issue price of RM5.00 per Placement Share, the Company is expected to raise gross proceeds of approximately RM150.14 million and RM153.14 million under the Minimum Scenario and Maximum Scenario respectively. The gross proceeds are expected to be utilised in the following manner:

Details of utilisation	**Time frame for utilisation***	**Minimum Scenario RM'000**	**Maximum Scenario RM'000**
Setting up new aluminium products manufacturing plant for the Group's manufacturing division[(a)]	Within 2 years	60,000	60,000
Partial repayment of bank borrowings[(b)]	Within 6 months	50,000	50,000
Working capital for the Group's manufacturing division[(c)]	Within 2 years	39,690	42,690
Estimated expenses in relation to the Proposed Private Placement[(d)]	Immediate	450	450
Total		**150,140**	**153,140**

Notes:

* *Time frame for utilisation shall be from the date of listing of each tranche of the Placement Shares.*

(a) Setting up new aluminium products manufacturing plant for the Group's manufacturing division

Kobay Group is principally involved in manufacturing of precision machined components, precision stamping, sheet metal parts, surface treatment, precision moulds, tooling and dies, semiconductor assembly and testing equipment, metal works and structures, modules and parts for oil and gas production and extraction equipment. The Group plans to expand into the manufacturing of aluminium products such as aluminium frames for solar panels for the renewable energy-related businesses by setting up new aluminium products manufacturing plants for the said business expansion. For shareholders' information, On 28 October 2021, the Group announced the completion of its acquisition of a piece of leasehold land with lease period expiring 3 October 2042 and measuring approximately 15.13 acres (or 658,971 square feet) in Mukim 1 District of Seberang Perai Tengah, Penang together with a single-storey warehouse building and other buildings erected thereon for a purchase price of approximately RM33.09 million.

*The Group plans to upgrade and commission the existing single-storey warehouse building with built-up area of approximately 3.28 acres (or 142,939 square feet) erected on the said land into a new operational aluminium products manufacturing plant ("**First Aluminium Products Manufacturing Plant**") and construct a power sub-station for the manufacturing site. The Group intends to submit the building layout plan to the relevant authority in November 2021. The upgrading and commissioning works is expected to commence by end of 2021 and is estimated to take approximately 2 months to complete by the 1st quarter of 2022. At this juncture, the total costs for the upgrading and commissioning works is estimated at approximately RM15.00 million. Thereafter, the Group plans to install new equipment and machineries in the First Aluminium Products Manufacturing Plant such as aluminium extrusion machines and accessories, ageing furnace and profile surface treatment automatic anodizing production line with electrical hardware and software system and the total costs is estimated at approximately RM30.00 million. The said new equipment and machineries are estimated to have a total annual production capacity of approximately 20,000 metric tonne per annum of aluminium products such as aluminium frames for solar panels for the renewable energy-related businesses.*

*After the completion of the First Aluminium Products Manufacturing Plant, the Group plans to construct a new single-storey aluminium products manufacturing plant ("**Second Aluminium Products Manufacturing Plant**") on the same piece of land with a built-up area of approximately 3.28 acres (or 142,939 square feet) similar to the First Aluminium Products Manufacturing Plant. At this juncture, the Group is still in the preliminary stage of planning the building layout plan. The Group intends to submit the building layout plan to the relevant authority by the 2nd quarter of 2022. The construction works is expected to commence by the end of 2nd quarter of 2022 and is estimated to take approximately 6 months to complete by the 4th quarter of 2022. At this juncture, the total costs for the construction works is estimated at approximately RM20.00 million. Thereafter, the Group plans to install new equipment and machineries such as aluminium extrusion machines and accessories and ageing furnace machines in the Second Aluminium Products Manufacturing Plant. The total costs of the said new equipment machineries is estimated at approximately RM23.60 million and shall be funded from internally-generated funds and/or bank borrowings. The Second Aluminium Products Manufacturing Plant shall co-utilise the profile surface treatment automatic anodizing production line with electrical hardware and software system which shall be installed in the First Aluminium Products Manufacturing Plant. The Second Aluminium Products Manufacturing Plant is estimated to be able to have a total annual production capacity of approximately 20,000 metric tonne per annum of aluminium products such as aluminium frames for solar panels for the renewable energy-related businesses.*

The Group intends to earmark gross proceeds amounting to approximately RM60.00 million to set up the abovementioned new aluminium products manufacturing plants in the following manner:

	RM'000
Funding for the upgrading and commissioning works for the First Aluminium Products Manufacturing Plant. Any shortfall amount shall be funded from internally-generated funds and/or bank borrowings of the Group.	*15,000*
Part funding for the construction works for the Second Aluminium Products Manufacturing Plant. The shortfall amount shall be funded from internally-generated funds and/or bank borrowings of the Group.	*15,000*
Funding for the new equipment and machineries to be installed in the First Aluminium Products Manufacturing Plant. Any shortfall amount shall be funded from internally-generated funds and/or bank borrowings of the Group. The breakdown of the quantity and cost of each set or unit of the equipment and machineries to be installed are as follows: • *4 sets of 3 units of aluminium extrusion machines and accessories cost approximately RM5.77 million each set;* • *2 units of ageing furnace machines cost approximately RM0.26 million each unit;* • *1 set of profile surface treatment automatic anodizing production line with electrical hardware and software system cost approximately RM6.40 million.*	*30,000*
Total	***60,000***

(b) ***Partial repayment of bank borrowings***

As at the LPD, Kobay Group's total bank borrowings amounted to approximately RM85.25 million, details of which are set out below:

Type of facility	***Purpose of facility***	***Interest rate per annum***	***Amount outstanding RM'000***
Short-term borrowings			
Revolving credit	*Working capital*	*2.5% - 3.75%*	*36,145*
Bank overdrafts	*Working capital*	*5.42%*	*19,500*
Banker acceptance	*Working capital*	*3.1%*	*259*
Term loans	*Capital expenditure/working capital*	*3.27% - 5.42%*	*4,264*
			60,168
Long-term borrowings			
Term loans	*Capital expenditure/working capital*	*3.27% - 5.42%*	*25,079*
			25,079
Total			***85,247***

For illustrative purpose, the partial repayment of the Group's bank borrowings of RM50.00 million is expected to result in an interest cost savings of approximately RM2.09 million per annum as set out below, which translates into an effective interest rate of approximately 4.17% per annum:

Type of facility	***Repayment amount RM'000***	***Interest cost savings per annum RM'000***
Revolving credit	*30,500*	*1,028*
Bank overdrafts	*19,500*	*1,057*
Total	***50,000***	***2,085***
Effective interest rate per annum		***4.17%***

(c) ***Working capital for the Group's manufacturing division***

The gross proceeds amounting up to approximately RM42.69 million will be utilised to part finance the working capital requirements of the Group for its manufacturing division in the following manner:

	Minimum Scenario RM'000	***Maximum Scenario RM'000***
Payment to trade suppliers for the purchase of raw materials including aluminium ingot and billet and aluminium industrial plate. For information purpose, the Group's existing average yearly payment to trade suppliers was approximately RM41 million per annum	*39,690*	*42,690*
Total	***39,690***	***42,690***

(d) ***Estimated expenses in relation to the Proposed Private Placement***

The estimated expenses in relation to the Proposed Private Placement include the following:

	RM'000
Advisory fees and placement fees	*380*
Regulatory fees	*36*
Other incidental expenses	*34*
Total	***450***

The actual gross proceeds to be raised from the Proposed Private Placement is dependent on the issue price and the number of Placement Shares to be issued. In the event the actual gross proceeds to be raised from the Proposed Private Placement is higher or lower than the estimated gross proceeds as set out in the table above, such variance will be adjusted to or from the gross proceeds allocated for the future working capital requirements of the Group for the payment to trade suppliers.

Further, in the event the actual amount raised is lower than the Minimum Scenario, the actual proceeds will be allocated in the following priority:

No.	**Purposes**
i.	Setting up new aluminium products manufacturing plants for the Group's manufacturing division: • Funding for the upgrading and commissioning works for the First Aluminium Products Manufacturing Plant; • Funding for the new equipment and machineries to be installed in the First Aluminium Products Manufacturing Plant; and • Part funding for the construction works for the Second Aluminium Products Manufacturing Plant;
ii.	Partial repayment of bank borrowings: • Bank overdraft; and • Revolving credit;
iii.	Working capital for the Group's manufacturing division; and
iv.	Estimated expenses in relation to the Proposed Private Placement.

Pending utilisation of the proceeds to be raised from the Proposed Private Placement, such proceeds will be placed in interest-bearing deposit(s) with licensed financial institution(s) and/or short-term money market instrument(s). The interest derived from such deposit(s) and/or any gain arising from such short-term money market instrument(s) will be utilised for the future working capital requirements of the Group as mentioned above.

3. RATIONALE AND JUSTIFICATION FOR THE PROPOSED PRIVATE PLACEMENT

The Proposed Private Placement will enable the Company to raise funds to part finance the working capital requirements of the Group as detailed in Section 2.7 of this Announcement. After due consideration of the various methods of fund raising, the Board is of the view that the Proposed Private Placement is the most appropriate avenue for the Company to raise funds as the Proposed Private Placement will:

i. allow the Company to raise the requisite funds without having to incur additional interest expense or service principal repayments as opposed to bank borrowings. This in turn, allows the Company to preserve its cash flow;

ii. allow the Company to raise funds expeditiously and in a cost-effective manner as opposed to other forms of fund raising such as a rights issue since the General Mandate has been obtained; and

iii. strengthen the financial position and capital base of the Company and potentially enhance the liquidity of Kobay Shares.

4. INDUSTRY OVERVIEW AND PROSPECTS

4.1 Overview and outlook for the Malaysian economy

The Malaysian economy expanded by 16.1% in the second quarter of 2021 ("**2Q 2021**"). Growth was supported mainly by the improvement in domestic demand and continued robust exports performance. The strong growth also reflected continued policy support and the low base from the significant decline in activity during the 2Q 2020. Economic activity picked up at the start of the 2Q 2021 but slowed following the re-imposition of stricter nationwide containment measures, particularly under Phase 1 of the National Recovery Plan ("**NRP**"). For the 2Q 2021 as a whole, all economic sectors registered an improvement, particularly the manufacturing sector. On the expenditure side, growth was driven by higher private sector spending and strong trade activity. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a decline of 2.0% due to the containment measures.

On the sectoral front, double-digit growth was recorded across most economic sectors in the 2Q 2021. The services sector expanded by 13.4%. Growth was supported by a nascent recovery in consumer-related activities in April 2021 and May 2021. This was, however, partially reversed by the re-imposition of restrictions on non-essential retail activities, dine-ins and inter-district and inter-state travel. Meanwhile, the information and communication subsector continued to benefit from rising demand for e-commerce and e-payment activity, as well as remote working and learning arrangements.

Growth in the manufacturing sector expanded by 26.6% in the 2Q 2021. On a seasonally adjusted, quarter-on-quarter basis however, manufacturing growth declined by 1.5%. This was a result of the imposition of Movement Control Order 3.0 which impacted demand domestically for products in the consumer- and construction-related clusters. Demand conditions for export-oriented industry remained resilient amid the continued global tech upcycle and recovery in global growth. Manufacturing growth was further impacted by the Phase 1 of NRP, which limited operations to only essential sectors and those in the global value chain.

The construction sector registered a strong positive growth of 40.3% in the 2Q 2021. Growth was supported by the continuation of construction works in large infrastructure projects and on-going implementation of small-scale projects under the 2021 Budget, PEMERKASA and PEMERKASA+ stimulus packages. However, on a seasonally-adjusted, quarter-on-quarter basis, construction growth declined by 3.2%. Activity was disrupted by the restrictions under Phase 1 of NRP, where only essential construction projects were allowed to operate, albeit at a reduced capacity.

Domestic demand turned around to register a positive growth of 12.3% in the 2Q 2021 mainly supported by private sector expenditure. On the external front, demand for Malaysia's exports, particularly for electrical and electronics ("**E&E**") products, continued to remain robust.

Private consumption growth increased by 11.6% during the 2Q 2021 following a broad-based expansion across both necessity and discretionary items, particularly at the start of the quarter, prior to the imposition of NRP. This was due mainly to less stringent containment measures and mobility restrictions in the first half of the quarter. Labour market conditions also showed signs of improvement in the same period, which lent support to household spending. Furthermore, various policy measures, including the Employees' Provident Funds i-Sinar withdrawals and Bantuan Prihatin Rakyat, provided additional lift to consumer expenditure. Public consumption expanded by 9.0% mainly on account of higher spending on supplies and services.

The Malaysian economy was on track for a broad recovery in 2021 as compared to last year. However, the resurgence of COVID-19 cases has necessitated the re-imposition of nationwide containment measures, which would weigh on growth. Nevertheless, the impact will be partially mitigated by continued allowances for essential economic sectors to operate, higher adaptability to remote work, as well as increased automation and digitalisation. Growth will continue to be supported by policy measures, which will provide cash flow support, particularly for affected households and businesses. Going forward, the economic recovery will be underpinned by higher external demand and gradual improvement in domestic demand. The rapid progress of the nationwide vaccination programme will allow economic sectors to be gradually reopened and provide some lift to household and business sentiments.

Against this backdrop, for 2021, the Malaysian economy is projected to expand within the range of 3.0% – 4.0%, although the pace of recovery will be uneven across sectors. The recovery is expected to accelerate going into 2022, supported by normalisation of economic activities as well as the positive spillovers from continued improvement in external demand. The balance of risks remains tilted to the downside, arising mainly from pandemic-related factors, such as delay in the easing of containment measures or imposition of tighter containment measures, and a weaker-than-expected global growth recovery.

(Source: Economic and Financial Developments in the Malaysian Economy in 2Q 2021, Bank Negara Malaysia)

Malaysia's gross domestic product is expected to grow between 3% – 4% in 2021 and further expand in the range of 5.5% – 6.5% in 2022. The growth is projected to be driven by normalisation in economic activities arising from a high nationwide vaccination rate, resumption of projects with high multiplier effects, strong external demand and targeted travel activities, particularly for business, health and education purposes. Nevertheless, there are still downside risks to the country's economic prospects. These include a prolonged COVID-19 outbreak with the emergence of new variants, volatility in global financial markets, slower labour market recovery, commodity supply shocks and geopolitical uncertainties.

(Source: Economic Outlook 2022, Ministry of Finance)

4.2 Overview and outlook for the manufacturing industry

The manufacturing sector rebounded by 15.8% in the first half of 2021 ("**H1 2021**"), supported by positive growth in all subsectors. The growth momentum is expected to continue in the second half of 2021 with an expansion rate of 1.5%, mainly driven by the export-oriented industries. The main subsectors which will significantly contribute to the industries are E&E and optical products as well as petroleum, chemical, rubber and plastic products.

For the year 2021, the sector is expected to post a sturdy growth of 8.1% attributed to both the export- and domestic-oriented industries. Within the export-oriented industries, the E&E segment is projected to improve, following higher demand for semiconductor items, which is reflected by the rising sales across the range of chip products. In addition, the rubber and textiles segments are anticipated to expand, following increasing demand for rubber gloves and personal protective equipment amid the prolonged COVID-19 pandemic. Similarly, within the domestic-oriented industries, the basic pharmaceuticals and medicinal chemical products, and food products segments are projected to increase in line with the economic expansion.

The manufacturing sector is expected to expand by 4.7% in 2022, attributed to the steady performance of both export- and domestic-oriented industries. As one of the key players in the world semiconductor trade, the stronger global demand for E&E products will continue to provide the impetus for Malaysia's manufacturing sector. Stricter global healthcare regulations and increasing hygiene awareness will help in boosting production in the rubber and chemical related segments. Concurrently, the anticipation of more vibrant industrial and construction activities as well as higher demand for household-related products are expected to give an additional boost to the sector.

(Source: Economic Outlook 2022, Ministry of Finance)

4.3 Overview and outlook for the property market

Property market activity

The property market performance recorded a significant increase in H1 2021 as compared to the same period last year in the first half of 2020 ("**H1 2020**"). A total of 139,754 transactions worth RM62.01 billion were recorded, showing an increase of 21.0% in volume and 32.1% in value compared to H1 2020. Volume of transactions across the sub-sectors showed upward movements. Residential, commercial, industrial, agriculture and development land sub-sectors recorded year-on-year growths of 22.2%, 28.5%, 29.4%, 13.9% and 21.3% respectively. Value of transactions moved in tandem with residential, commercial, industrial, agriculture and development land sub-sectors recorded growths of 34.7%, 28.4%, 19.8%, 33.1% and 40.6% respectively.

Residential property

There were 92,017 transactions worth RM34.51 billion recorded in H1 2021, increased by 22.2% in volume and 34.7% in value year-on-year. Performance across the states improved in the review period. All states recorded higher market volume except for Putrajaya. The 4 major states namely Kuala Lumpur, Selangor, Johor and Pulau Pinang formed about 50% of the total national residential volume.

In the primary market, there were 16,660 units launched, down by 34.0% against 25,227 units in H1 2020. Against the second half of 2020 ("**H2 2020**"), the new launches were lower by 24.1%.

Sales performance for new launches recorded at 24.7%, better compared to H1 2020 (12.9%) and H2 2020 (17.0%). The improvement in sales performance probably attributed to various measures by the government such as incentives of the Home Ownership Campaign (reintroduced from 1 June 2020 – 31 Dec 2021) and low overnight policy rate.

Selangor recorded the highest number of new launches in the country, capturing nearly 24.7% (4,114 units) of the national total with sales performance at 26.2%. Kuala Lumpur recorded the second highest number (3,651 units, 21.9% share) with sales performance at 3.5%. Johor came third (2,187 units, 13.1% share) with sales performance at 49.8%.

By property type, terraced houses dominated the new launches. Single storey (2,624 units) and 2-3 storey (5,455 units) together contributed 48.5% of the total units, followed by condominium/apartment units at 41.4% share (6,893 units).

The residential overhang exhibited a moderated growth. A total of 31,112 overhang units worth RM20.09 billion was recorded, showing an increase of 5.2% and 6.2% in volume and value respectively against H2 2020.

Construction activity recorded an increase in completion, starts and new planned supply, each up by 8.7%, 35.3% and 36.0% respectively compared to H1 2020.

The Malaysian House Price Index ("**MHPI**") saw an unprecedented negative growth in Q2 2021, after a series of slow price growth since 2018. MHPI stood at 197.9 points, down by 1.2% year-on-year. Quarterly movements saw a decline of 1.6%.

Commercial property

There were 10,433 transactions worth RM10.93 billion recorded in H1 2021, up by 28.5% in volume and 28.4% in value compared to H1 2020. All states recorded more market activity in the review period except for Putrajaya and Pahang. Selangor contributed the highest volume and value to the national market share, with 26.3% in volume (2,741 transactions) and 30.8% in value (RM3.37 billion); followed by Kuala Lumpur with 13.0% in volume (1,359 transactions) and 28.2% in value (RM3.08 billion) and Johor with 13.5% in volume (1,410 transactions) and 11.6% in value (RM1.27 billion).

Serviced apartment sub-sector recorded 1,912 transactions worth RM1.21 billion, formed 18.3% of the commercial property transactions volume and 11.0% of the value. Market performance recorded an increase of 33.4% in volume and 23.7% in value compared to H1 2020.

Serviced apartment sub-sector recorded 24,064 overhang units with a value of RM20.41 billion, indicating a marginal increase of 1.9% in volume, but value declined by 10.2% compared to H2 2020. Meanwhile, the unsold under construction recorded 42,358 units, increased by 20.1%.

The construction activities saw a mixed trend with completions decreased by 8.3% to 4,030 units, starts increased by 89.6% to 21,278 units and new planned supply up by 33.7% to 7,339 units against H1 2020.

The performance of shopping complex moderated in H1 2021, with the national occupancy rate saw a slight decline of 76.6% as compared to H1 2020 (78.6%). Kuala Lumpur and Selangor recorded 81.6% and 78.8% occupancy rate respectively, whereas Johor and Pulau Pinang managed to secure an average occupancy of 73.4% and 72.2% respectively.

The sole completion recorded in H1 2021 was contributed by the extension of Setia City Mall, Shah Alam (21,363 square metres ("**s.m.**")), bringing the total space for shopping complex nationwide to 16.93 million s.m. There were another 47 complexes (1.94 million s.m.) in the incoming supply and with another 10 complexes (0.34 million s.m.) in the planned supply.

The overall performance of purpose-built office decreased to 78.5%, slightly lower than H1 2020 (80.6%). The occupancy rate for private office buildings declined further to 71.7%, down from 74.3% recorded in H1 2020. Pulau Pinang secured a higher occupancy rate at 85.3% while Kuala Lumpur, Selangor and Johor recorded lower than the national level at 73.8%, 68.4%, and 72.75%, respectively.

8 new purpose-built offices with office spaces totalling 505,842 s.m. were completed in H1 2021, extending the existing market supply to 23.84 million s.m. from 2,581 buildings. Kuala Lumpur was the lead contributor for office space with a share of 40.7% (9.70 million s.m.) in the existing market, 54.0% (1.09 million s.m.) in incoming supply and 52.9% (0.17 million s.m.) in planned supply.

2021 outlook

The acceleration of the National COVID-19 Immunisation Programme and the National Recovery Plan threshold across the states will see the reopening of more economic and social sectors in the fourth quarter of 2021. Supported by the implementation of various government initiatives and assistance, the property market is expected to be on the recovery path in line with the gradual economic recovery.

(Source: Press Release Malaysia Property Market Report First Half Year 2021, National Property Information Centre, Valuation and Property Services Department, Ministry of Finance Malaysia)

The overall value in the residential sub-sector in Malaysia is likely to remain soft throughout 2021 and pricing for prime housing, in particular landed properties, is expected to gradually rise throughout 2022 as the property market is widely expected to start recovering on the back of a more positive outlook, according to Knight Frank Malaysia.

"Moving forward, with domestic investors shifting from the stock market to safer and less volatile alternative investment products – supported by record-low interest rate environment, lockdown savings, attractive property deals (Home Ownership Campaign and developers' sales campaigns) – the overall housing market is expected to gradually recover throughout 2022 although prices, in general, are expected to remain flattish," said Knight Frank Malaysia in a statement today.

(Source: Malaysian housing market to gradually recover in 2022 but prices to remain flattish: Knight Frank, The Sun Daily, 9 October 2021)

4.4 Overview and outlook for the pharmaceutical industry

Malaysia's changing demographics has become a significant contributor in the increased demand for healthcare services, according to a Fitch Solutions' report.

Malaysia is an ageing nation with a high incidence and prevalence of non-communicable diseases ("**NCDs**"). In Malaysia, it has been estimated that NCDs contributed up to 68% of the burden of premature deaths, with the majority of premature mortality occurring in the 45–59 age group (26%), comprising members of the working population. Moreover, the proportion of population aged 65 years and above has grown from 3.9% in 2000 to 5.1% in 2015, and it has been estimated that the total elderly population in Malaysia will hit 2.4 million people by 2020. As such, the country continuously faces a host of health-related issues that require active interventions from healthcare providers. The Ministry of Health is committed to proactively address these challenges by enhancing healthcare facilities and services in the country. The government's emphasis is to support primary healthcare services in the country by allocating appropriate resources to empower the public health delivery system. Aligned with the government's manifesto, strengthening the present healthcare system financially would enhance access to healthcare innovation and the delivery of improved health outcomes to patients. As such, the government has acknowledged the increase in budget allocation for the Ministry of Health by 7.8%, from RM27 billion (USD6.4 billion) in 2018 to RM29 billion (USD6.9 billion) for year 2019.

Pharmaceutical Association of Malaysia ("**PhAMA**") aims to ensure Malaysians have access to high-quality medications. Between 2010 and 2016, PhAMA member companies registered and launched a total of 247 innovative medicines in Malaysia. In addition to a total of 73 prescription products launched between 2013 and 2016, a further 156 products in the same category are expected to be introduced between 2017 and 2022. As Malaysia continues to see a rising prevalence of cancer, PhAMA members are responding proactively by increasing the public's accessibility to innovative cancer medicines, as demonstrated by the number of anti-cancer agents introduced into the country. PhAMA members also contribute to the development of the self-care sector in Malaysia by facilitating the availability of over-the-counter ("**OTC**") products. Between 2013 and 2016, a total of 23 OTC products were launched by PhAMA member companies. In addition, over the years, both the public and private healthcare sectors have seen the benefits of collaboration in many public-private partnership initiatives and programmes. These initiatives were implemented in the spirit of developing better research and development capabilities, elevating the skills of healthcare professionals and enhancing patients' access to medicines, in addition to lifting the nation's economy.

(Source: Demographics To Drive Demand For Healthcare In Malaysia, 13 August 2020, Fitch Solutions)

According to Euromonitor, the Vitamins and Dietary Supplements market in Malaysia reached RM3.10 billion sales in 2019, increasing drastically from RM2.07 billion sales in 2014.

Additionally, in a separate statement by Malaysian Dietary Supplement Association (MADSA) president Muthu Shanmunghom, the market size of dietary supplements in the country showed an upward projection at RM2.27 billion.

Health supplements in Malaysia continue to be driven positively by consumers engaging in self-medication and self-care amid their stressful, time-pressed, modern lifestyles. This sees them addressing digestive issues that arise from busier lives and irregular eating patterns and finding products to hydrate their eyes because of prolonged use of digital screens.

External factors such as air pollution in the country also have an impact on health supplements. Consumers turn to nasal remedies and pharyngeal preparation to address the irritations that occur to their noses and throats because of the poor air quality, as well as other dietary supplements to help their skin.

In addition, the increase in consumption of health supplements can also be tied to Malaysians' greater awareness of health issues and having more disposable income available lately.

A wide range of health supplements are readily available in the market, including products for joint health, digestive health, heart and circulation, stress and energy, eye health, multivitamins and antioxidants, weight management, detox and wellness products for the elderly.

As such, it can be said that the health supplements market in Malaysia has been growing in tandem with rising health-consciousness and disposable income among consumers, as locals become more interested in improving their overall wellbeing amidst busy lifestyles.

(Source: What the Rise of Health-Conscious Consumers Means for Health Supplements in Malaysia, https://janio.asia/sea/malaysia/health-beauty-rise-health-consciousness-my/)

4.5 Overview and outlook for the healthcare industry

For the health subsector, a sum of RM4.4 billion or 7.1% of the development expenditure is allocated for improving healthcare accessibility and facilities, particularly for rural and outskirt areas. Moreover, this expenditure also includes enhancing and maintaining hospitals and clinics, and purchasing vehicles and equipment. Among the construction projects under this subsector include hospitals in Tanjung Karang, Selangor and Pendang, Kedah as well as expansion of Seberang Jaya Hospital in Pulau Pinang.

(Source: 2022 Fiscal Outlook and Federal Government Revenue Estimates, Ministry of Finance)

To curb the spread of the COVID-19 outbreak, the Government had announced an allocation of RM500 million to the Ministry of Health ("**MOH**"). The allocation would enable the MOH to procure additional equipment such as ventilators, personal protective equipment as well as equipment and facilities needed for intensive care unit and COVID-19 screening laboratories. To further enhance MOH's capabilities, the Government will allocate an additional RM1 billion to purchase equipment and services to contain COVID-19, which include obtaining medical expertise from private healthcare services.

(Source: PRIHATIN Rakyat Economic Stimulus Package)

The Government will continue to prioritise public health to build national resilience in our preparations for the endemic phase of COVID-19. Budget 2022 will provide RM32.4 billion to the Ministry of Health for their operating and development expenditure.

The Government will intensify efforts to revitalize the international health tourism industry at an immediate pace to strengthen Malaysia's position as a preferred health tourism destination with an allocation of RM20 million to the Malaysia Healthcare Travel Council ("**MHTC**").

(Source: Budget 2022 Speech, Ministry of Finance)

Efforts by 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.

(Source: Economic Outlook 2022, Ministry of Finance)

4.6 Impact of COVID-19 on the Group

Kobay Group is principally involved in manufacturing of precision machined components, precision stamping, sheet metal parts, surface treatment, precision moulds, tooling and dies, semiconductor assembly and testing equipment, metal works and structures, modules and parts for oil and gas production and extraction equipment. It is also involved in property development and property management as well as other operating segment comprising small operations related to money lending (which involves part financing facility for buyers of the property development projects of the Group), property letting (which involves in inter-company property letting activities within the Group) and hotel operation (which involves the operation of the Lodge 18 hotel in Butterworth, Penang). In addition, it has obtained its shareholders approval on 22 July 2021 for the diversification of its existing principal activities to include the sale and/or manufacturing of pharmaceutical and healthcare products ("**Diversification**") and completed the acquisition of 70% equity interest in Avelon Healthcare Sdn Bhd, Galaxis Healthcare Sdn Bhd, Avelon Arise Sdn Bhd, Galaxis Pharma Sdn Bhd and Arise Healthcare Sdn Bhd (collectively, the "**Avelon Group**") on 5 August 2021 ("**Acquisition of Avelon Group**"). Kobay Group's financial performance for the past 3 financial years up to the financial year ended ("**FYE**") 30 June 2021 are set out below:

Revenue

	Audited					
	FYE 30 June 2019		**FYE 30 June 2020**		**FYE 30 June 2021**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Manufacturing	129,314	76.45	183,771	93.04	140,811	89.70
Property development and property management	34,560	20.43	11,970	6.06	14,050	8.95
Other operating segments	5,274	3.12	1,729	0.88	2,124	1.35
Others[(a)]	-	-	54	0.02	6	-[#]
Total	**169,148**	**100.00**	**197,524**	**100.00**	**156,991**	**100.00**

Notes:

\# *Negligible.*

(a) *Others comprising the unallocated non-operating segment arising from the inter-company property letting activities within the Group. For information purposes, the external revenue recorded for the FYE 30 June 2020 and FYE 30 June 2021 was attributable to the non-controlling interest of the Group.*

Profit after tax

	Audited					
	FYE 30 June 2019		**FYE 30 June 2020**		**FYE 30 June 2021**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Manufacturing	17,714	92.94	26,879	111.53	25,951	96.35
Property development and property management	2,842	14.91	(293)	(1.22)	2,568	9.53
Other operating segments	392	2.06	325	1.35	834	3.10
Others[(a)]	15,669	82.21	13,431	55.73	30,968	114.98
Consolidation adjustments and eliminations	(17,558)	(92.12)	(16,241)	(67.39)	(33,388)	(123.96)
Total	**19,059**	**100.00**	**24,101**	**100.00**	**26,933**	**100.00**

Note:

(a) *Others comprising the unallocated non-operating segment arising from the inter-company property letting activities within the Group.*

The Group's main operating segment is its manufacturing division. During the imposition of the movement control order ("**MCO**") in March 2020, its manufacturing division was allowed by the authorities to continue its production but with restrictions as imposed by the authorities to the number of workers allowed at any one time in its production plants located at Perai and Bayan Lepas in Penang and Pontian in Johor. Hence, during the MCO period in 2020, its manufacturing division's production rate had reduced to 75%. In June 2020, it has fully restored its production rate back to pre-MCO level. Further, the Group is not required to suspend any of its production plant during the re-imposition of MCO period in January 2021. During the full lockdown imposed by the Government on 1 June 2021, the Group has obtained the approval from Ministry of International Trade and Industry ("**MITI**") to continue its production at a rate of 60% capacity. On 7 July 2021, Penang moved into the Phase 2 of NRP whereby the Group was allowed to operate at 80% capacity. As at the LPD, the Group has achieved approximately 97% fully vaccinated rate and all industries are allowed to operate at 100% capacity.

The manufacturing division recorded lower revenue for the FYE 30 June 2021 mainly attributable to a decrease in orders from customers and delay in delivery schedule requested from certain customers involved in aerospace and oil and gas industries which was affected by the disruptions in commercial aerospace and commercial transportation markets, driven by the COVID-19 pandemic. Nevertheless, the Group managed to reallocate the excess raw material and resources to support its manufacturing for the semiconductor and E&E segment which provided better margin yield than as previously sub-contracted to external sources.

The Group's property development division has an on-going property development project, Phase 2 of Lavanya Residences in Langkawi, Kedah. The construction of the said project was suspended during the MCO period in March 2020 but was allowed to resume construction in June 2020 amid tight standard operating procedures imposed by the authorities. During the reimposition of MCO period in January 2021, the construction of the said project was suspended again before it was allowed to resume construction in mid February 2021. Notwithstanding the temporary suspension to the construction activities, the selling and marketing activities of the said project has been on-going. During the full lockdown imposed by the Government on 1 June 2021, the Group has also obtained the approval from MITI to operate its property development division and there is no disruption of the selling and marketing activities. However, there was a slight delay in the construction progress as a result of the restriction of inter-state mobilisation of construction workers and delay in the delivery of construction materials. Nevertheless, as at the LPD, the restriction of inter-state travel has been uplifted and all industries are allowed to operate at 100% capacity.

The property development division reported better performance for the FYE 30 June 2021 mainly attributable to the increase in sales of completed units as well as higher progressive billings to purchasers.

The Group has been and will continue to closely monitor its operations and adhere strictly to the standard operating procedures imposed by the authorities.

4.7 Prospects of Kobay Group

The management of Kobay anticipates that the economic environment will gradually resume to its normal course in the near future with the Government's focus to speed up the vaccination drive in the country. Its manufacturing division foresees that the division shall continue to benefit from the growth in the semiconductor industry and contribute positively to the Group's performance. In addition, the Group plans to expand into the manufacturing of aluminium products such as aluminium frames for solar panels for the renewable energy-related businesses by setting up new aluminium products manufacturing plants for the said business expansion. On 28 October 2021, the Group announced the completion of its acquisition of a piece of leasehold land with lease period expiring 3 October 2042 and measuring approximately 15.13 acres (or 658,971 square feet) in Mukim 1 District of Seberang Perai Tengah, Penang together with a single-storey warehouse building and other buildings erected thereon for a purchase price of approximately RM33.09 million.

The Group plans to upgrade and commission the First Aluminium Products Manufacturing Plant and install new equipment and machineries in it which are estimated to have a total annual production capacity of approximately 20,000 metric tonne per annum of aluminium products such as aluminium frames for solar panels for the renewable energy-related businesses.

After the completion of the First Aluminium Products Manufacturing Plant, the Group plans to construct a new Second Aluminium Products Manufacturing Plant and install new equipment and machineries in it. The Second Aluminium Products Manufacturing Plant shall co-utilise the profile surface treatment automatic anodizing production line with electrical hardware and software system which shall be installed in the First Aluminium Products Manufacturing Plant. The Second Aluminium Products Manufacturing Plant is estimated to be able to have a total annual production capacity of approximately 20,000 metric tonne per annum of aluminium products such as aluminium frames for solar panels for the renewable energy-related businesses.

The Group also anticipates that the property market is expected to recover gradually on the back of a more positive outlook following the acceleration in vaccination drive, the improvement in construction activities and the reactivation of Malaysia My Second Home programme. Its property development has also adjusted its business strategy to incorporate selling and marketing of its property project on digital marketing platforms to both local and international prospects.

Further, the Acquisition of Avelon Group in 2021 enables the Group to tap into a new market segment in the sale and/or manufacturing of pharmaceutical and healthcare products. The expansion of the Group's business into the pharmaceutical and healthcare industries is part of the Group's long-term strategy of diversifying into other industries with growth prospects and reducing the Group's reliance on its existing business. The Acquisition of Avelon Group will provide the Group with additional income stream and profit avenue, thus providing earnings growth to the Group in the future. The Avelon Group has been involved in the pharmaceutical and healthcare industries for approximately 14 years. As at the LPD, the Avelon Group has successfully expanded its business into 4 pharmacy outlets operating under the "Park@City" brand name in the Klang Valley. The vendors of the Avelon Group had provided their unconditional and irrevocable guarantee to Kobay that:

i. the aggregate audited profit after tax ("**PAT**") in respect of the Avelon Group from 1 January 2021 until 31 December 2023 ("**Target Period**") shall be approximately RM25.54 million; and

ii. the aggregate audited PAT in respect of the Avelon Group for each year under the Target Period shall not be less than approximately RM6.81 million.

The Avelon Group intends to further strengthen its presence in the pharmaceutical and healthcare industries. Its future plans and business strategies during the Target Period are set out below:

(a) To set up a health food and supplements manufacturing division

Avelon Group plans to embark on an upstream expansion by setting up a health food and supplements manufacturing division. The health food and supplements manufacturing division is intended to be set up in Kuala Lumpur or Penang and is expected to commence manufacturing in the 1st quarter of 2022. The health food and supplements to be manufactured under this division includes fast-moving consumer goods, grains and milk powders.

In conjunction with this expansion, the Avelon Group intends to recruit an export team comprising 3 personnel to promote and market the Malaysian made health food and supplements to countries in Southeast Asia and the Middle East. The total estimated cost for setting up the health food and supplements manufacturing division is approximately RM3.00 million to RM5.00 million, which will be funded via internally generated funds and/or bank borrowings.

(b) To capture a larger market share

Avelon Group plans to expand its geographical and customer coverage footprint by acquiring more related pharmaceutical or healthcare businesses over the next 3 years. As at the LPD, Avelon Group has yet to identify any potential businesses and/or assets to be acquired. The decision to acquire and invest in any such business or asset would involve having to consider criteria such as budget, business synergies and potential value creation to the existing business of the Avelon Group as well as return on investment.

(c) To expand the range of pharmaceutical products for the wholesale division

Currently, Avelon Group has a wholesale division under "Avelon Healthcare" which is distributing approximately 2,500 types of pharmaceutical products. As part of the future plans, Avelon Group intends to expand the range of pharmaceutical products by bringing in exclusive distribution channels into the wholesale division in 2022. The total estimated cost for expanding the range of pharmaceutical products for the wholesale division is approximately RM3.00 million to RM5.00 million, which will be funded via internally generated funds and/or bank borrowings.

(Source: Management of Avelon Group)

The Board believes that the demand for pharmaceutical and healthcare products will remain strong underpinned by the increase in awareness for health and wellness, boosted by the present status and condition of the COVID-19 pandemic.

Premised on the above, the Board is of the view that the Group's prospects are expected to be favourable with the setting up of new manufacturing plant for renewable energy-related businesses and the Acquisition of Avelon Group is expected to be earnings accretive and thus enhance Kobay's shareholders' value in the medium to long-term.

(Source: Management of Kobay)

5. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

5.1 Issued share capital

The pro forma effects of the Proposed Private Placement on the issued share capital of Kobay are set out below:

	Minimum Scenario		Maximum Scenario	
	No. of Shares	**RM**	**No. of Shares**	**RM**
Issued share capital as at the LPD	306,280,803	102,103,907	306,280,803	102,103,907
Less: Treasury shares, at cost	(6,000,000)	(9,522,642)	-	-
	300,280,803	92,581,265	306,280,803	102,103,907
Shares to be issued pursuant to the Proposed Private Placement	30,028,080[(a)]	150,140,400[(b)]	30,628,080[(a)]	153,140,400[(b)]
Enlarged issued share capital (excluding treasury shares)	**330,308,883**	**242,721,665**	**336,908,883**	**255,244,307**

Notes:

(a) Calculated based on 10% of the total number of issued shares of the Company (excluding treasury shares) as at the LPD.

(b) Calculated based on the illustrative issue price of the Placement Shares of RM5.00 per Placement Share.

5.2 Consolidated net assets ("NA") per Share and gearing

Based on the latest audited consolidated financial statements of Kobay as at 30 June 2021, the pro forma effects of the Proposed Private Placement on the consolidated NA per Share and gearing of Kobay are set out below:

Minimum Scenario

		I	II
	Audited as at 30 June 2021 RM'000	**Subsequent events up to the LPD[(a)] RM'000**	**After I and the Proposed Private Placement RM'000**
Share capital	102,104	102,104	252,244[(b)]
Less: Treasury shares, at cost	(9,523)	(9,523)	(9,523)
Capital reserve	1,550	1,550	1,550
Retained profits	115,288	114,668[(a)(i)]	114,218[(c)]
Shareholders' funds/NA	**209,419**	**208,799**	**358,489**
No. of Shares in issue (excluding treasury shares) ('000)	300,281	300,281	330,309
NA per Share (RM)	0.70	0.70	1.09
Total borrowings (RM'000)	41,041	85,247[(a)(ii)]	35,247[(d)]
Gearing ratio (times)	0.20	0.41	0.10

Notes:

(a) *After adjusting for subsequent events as follows:*

(i) *after deducting the estimated expenses of approximately RM0.62 million in relation to the Acquisition of Avelon Group and the Diversification; and*

(ii) *after consolidating the total borrowings of Avelon Group of approximately RM1.73 million as at the LPD with the total borrowings of the Kobay Group as at the LPD pursuant to the Acquisition of Avelon Group.*

(b) *Calculated based on the illustrative issue price of RM5.00 per Placement Share.*

(c) *After deducting estimated expenses of RM450,000 in relation to the Proposed Private Placement.*

(d) *For illustrative purposes, assuming the proceeds earmarked for the partial repayment of bank borrowings amounting to RM50.00 million is utilised at this juncture.*

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Maximum Scenario

		I	II	III
	Audited as at 30 June 2021 RM'000	**Subsequent events up to the LPD[(a)] RM'000**	**After I and assuming all the treasury shares are resold RM'000**	**After II and the Proposed Private Placement RM'000**
Share capital	102,104	102,104	102,104	255,244[(b)]
Less: Treasury shares, at cost	(9,523)	(9,523)	-	-
Capital reserve	1,550	1,550	1,550	1,550
Retained profits	115,288	114,668[(a)(i)]	114,668	114,218[(c)]
Shareholders' funds/NA	**209,419**	**208,799**	**218,322**	**371,012**
No. of Shares in issue (excluding treasury shares) ('000)	300,281	300,281	306,281	336,909
NA per Share (RM)	0.70	0.70	0.71	1.10
Total borrowings (RM'000)	41,041	85,247[(a)(ii)]	85,247	35,247[(d)]
Gearing ratio (times)	0.20	0.41	0.39	0.10

Notes:

(a) *After adjusting for subsequent events as follows:*

(i) *after deducting the estimated expenses of approximately RM0.62 million in relation to the Acquisition of Avelon Group and the Diversification; and*

(ii) *after consolidating the total borrowings of Avelon Group of approximately RM1.73 million as at the LPD with the total borrowings of the Kobay Group as at the LPD pursuant to the Acquisition of Avelon Group.*

(b) *Calculated based on the illustrative issue price of RM5.00 per Placement Share.*

(c) *After deducting estimated expenses of RM450,000 in relation to the Proposed Private Placement.*

(d) *For illustrative purposes, assuming the proceeds earmarked for the partial repayment of bank borrowings amounting to RM50.00 million is utilised at this juncture.*

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5.3 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Private Placement on the substantial shareholders' shareholdings of Kobay are set out below:

Minimum Scenario

	Shareholdings as at the LPD				I After the Proposed Private Placement*			
	<-----------Direct----------->		<---------Indirect----------->		<-----------Direct----------->		<---------Indirect----------->	
Substantial shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
KHSB	100,298,940	33.40	-	-	100,298,940	30.37	-	-
Dato' Seri Koay Hean Eng	-	-	100,298,940(a)	33.40	-	-	100,298,940(a)	30.37
Koay Cheng Lye	-	-	100,298,940(a)	33.40	-	-	100,298,940(a)	30.37
Koay Ah Bah @ Koay Cheng Hock	-	-	100,298,940(a)	33.40	-	-	100,298,940(a)	30.37
Third party investors (collectively)	-	-	-	-	30,028,080	9.09	-	-

Notes:

* *Assuming the Proposed Private Placement does not give rise to the emergence of any new substantial shareholder(s).*

(a) *Deemed interest by virtue of his interest in KHSB pursuant to Section 8(4) of the Act.*

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Maximum Scenario

	Shareholdings as at the LPD				I Assuming all the treasury shares are resold				II After I and the Proposed Private Placement*			
	<----------Direct--------->		<--------Indirect--------->		<----------Direct--------->		<--------Indirect--------->		<----------Direct--------->		<--------Indirect--------->	
Substantial shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
KHSB	100,298,940	33.40	-	-	100,298,940	32.75	-	-	100,298,940	29.77	-	-
Dato' Seri Koay Hean Eng	-	-	100,298,940[(a)]	33.40	-	-	100,298,940[(a)]	32.75	-	-	100,298,940[(a)]	29.77
Koay Cheng Lye	-	-	100,298,940[(a)]	33.40	-	-	100,298,940[(a)]	32.75	-	-	100,298,940[(a)]	29.77
Koay Ah Bah @ Koay Cheng Hock	-	-	100,298,940[(a)]	33.40	-	-	100,298,940[(a)]	32.75	-	-	100,298,940[(a)]	29.77
Third party investors (collectively)	-	-	-	-	-	-	-	-	30,628,080	9.09	-	-

Notes:

* *Assuming the Proposed Private Placement does not give rise to the emergence of any new substantial shareholder(s).*

(a) Deemed interest by virtue of his interest in KHSB pursuant to Section 8(4) of the Act.

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5.4 Earnings and earnings per Share ("EPS")

The Proposed Private Placement is expected to be completed by the 1st quarter of year 2022 and the Proposed Private Placement is not expected to have any material effect on the consolidated earnings and EPS of the Group for the financial year ending 30 June 2022. However, the consolidated EPS of the Group may be diluted as a result of the increase in the number of Kobay Shares arising from the issuance of the Placement Shares.

For illustration purposes, based on the audited consolidated financial statements of Kobay for the FYE 30 June 2021 and assuming that the Proposed Private Placement had been completed at the beginning of the FYE 30 June 2021, the pro forma effects of the Proposed Private Placement on the earnings and EPS are set out below:

Minimum Scenario

		I	**II**
	Audited for the FYE 30 June 2021	**Subsequent events up to the LPD[(a)]**	**After I and the Proposed Private Placement**
PAT attributable to the owners of the Company (RM'000)	26,761	32,099[(a)(i)(ii)]	31,649[(c)]
Weighted average no. of Shares in issue (excluding treasury shares) ('000)	305,361	300,281[(b)]	330,309
EPS (sen)	8.76	10.69	9.58

Notes:

(a) After adjusting for subsequent events as follows:

(i) after deducting the estimated expenses of approximately RM0.62 million in relation to the Acquisition of Avelon Group and the Diversification; and

(ii) After incorporating 70% of the aggregate pro forma PAT of Avelon Group for the FYE 31 December 2020 of approximately RM8.51 million.

(b) Being the weighted average number of Shares in issue (excluding treasury shares) for the period from 1 July 2021 and up to the LPD. For information purposes, there was no movement in the issued share capital and the treasury shares in retained in the Company during the said period and hence, the figure stated is the same as the actual number of Shares in issue (excluding treasury shares) as at the LPD.

(c) After deducting estimated expenses of RM450,000 in relation to the Proposed Private Placement.

Maximum Scenario

		I	**II**	**III**
	Audited for the FYE 30 June 2021	**Subsequent events up to the LPD[(a)]**	**After I and assuming all the treasury shares are resold**	**After II and the Proposed Private Placement**
PAT attributable to the owners of the Company (RM'000)	26,761	32,099[(a)(i)(ii)]	32,099	31,649[(c)]
Weighted average no. of Shares in issue (excluding treasury shares) ('000)	305,361	300,281[(b)]	306,281	336,909
EPS (sen)	8.76	10.69	10.48	9.39

Notes:

(a) *After adjusting for subsequent events as follows:*

(i) *after deducting the estimated expenses of approximately RM0.62 million in relation to the Acquisition of Avelon Group and the Diversification; and*

(ii) *After incorporating 70% of the aggregate pro forma PAT of Avelon Group for the FYE 31 December 2020 of approximately RM8.51 million.*

(b) *Being the weighted average number of Shares in issue (excluding treasury shares) for the period from 1 July 2021 and up to the LPD. For information purposes, there was no movement in the issued share capital and the treasury shares in retained in the Company during the said period and hence, the figure stated is the same as the actual number of Shares in issue (excluding treasury shares) as at the LPD.*

(c) *After deducting estimated expenses of RM450,000 in relation to the Proposed Private Placement.*

Notwithstanding the above, moving forward, the Proposed Private Placement may contribute positively to the consolidated earnings of Kobay Group as and when the benefits from the use of proceeds as detailed in Section 2.7 above are realised.

5.5 Convertible securities

As at the LPD, Kobay does not have any convertible securities in issue.

6. APPROVALS REQUIRED

The Proposed Private Placement is subject to the following approvals being obtained:

i. Bursa Securities, for the listing and quotation of up to 30,628,080 Placement Shares to be issued pursuant to the Proposed Private Placement on the Main Market of Bursa Securities; and

ii. any other relevant authorities, if required.

The Board intends to issue and allot the Placement Shares under the General Mandate. As such, the Proposed Private Placement does not require the approval of the shareholders of the Company.

The Proposed Private Placement is not conditional upon any other proposals undertaken or to be undertaken by the Company.

7. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED

None of the Directors, major shareholders and/or chief executive of Kobay and/or persons connected with them have any interest, whether direct or indirect, in the Proposed Private Placement.

8. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposed Private Placement, is of the opinion that the Proposed Private Placement is in the best interest of the Company.

9. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to receipt of all required approvals, the Board expects the Proposed Private Placement to be completed by the 1st quarter of year 2022.

10. APPLICATION TO THE RELEVANT AUTHORITIES

Barring any unforeseen circumstances, the application to the relevant authorities for the Proposed Private Placement will be made within 2 months from the date of this Announcement.

11. PRINCIPAL ADVISER AND PLACEMENT AGENT

RHBIB has been appointed as the Principal Adviser and the Placement Agent to Kobay for the Proposed Private Placement.

This Announcement is dated 5 November 2021.