

Bursa Malaysia Announcement

Proposed acquisition of Property by Kobay UA Sdn. Bhd.

1. INTRODUCTION

The Board of Directors of Kobay Technology Bhd. ("Kobay" or "the Company") wishes to announce that Messrs. Kobay UA Sdn. Bhd. (Company No.: 201801046422 (1308454-A)) ("KUA" or "the Purchaser") a wholly owned subsidiary of Kobay, had on 20 May 2021 entered into a Sale & Purchase Agreement ("SPA") to purchase all those piece of land measuring approximately 15.13 acres (658,971.3778 square feet) in area held under two (2) separate land titles identified as HS(D) 27773 (PT1358) and PN 12029 (Lot 6584) (formerly HS(D) 27774 (PT1360)), Mukim 1, District of Seberang Perai Tengah, State of Penang together with a single storey warehouse building bearing assessment address 3016, Tingkat Perusahaan 6, Kawasan Perusahaan Perai, 13600 Seberang Perai Tengah, Penang and other buildings erected thereon (hereinafter referred as "the Property") from Messrs. Southern Steel Bhd. (Company No.: 196301000443 (5283-X)) (hereinafter referred to as "SSB" or "the Vendor") for a purchase price of RM33,088,000 (hereinafter referred to as "the Proposed Acquisition").

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Background information on the Proposed Acquisition

Information on KUA

KUA was incorporated on 21 December 2018 under the Companies Act 2016 with a share capital of RM1,500,000, wholly owned by Kobay. KUA is current dormant and intends to involve in property investment and property letting business.

Information on the Vendor

SSB is a public listed company incorporated in Malaysia listed on the Main Board of Bursa Malaysia Securities Berhad operated from 2723, Lorong Perusahaan 12, Prai Industrial Estate, 13600 Prai, Pulau Pinang. SSB is principally an investment holding company and involved in the manufacturing, sale and trading in steel bars and related products.

The directors of the Vendor as at 30 September 2020 are as follows:

Directors

1. YBhg Datuk Kwek Leng San *Chairman; Non-Executive / Non-Independent*
2. Mr Chow Chong Long, *Group Managing Director / Non-Independent*
3. YBhg Dato' Dr Tan Tat Wai, *Non-Executive Director / Non-Independent*
4. Mr Ang Kong Hua, *Non-Executive Director / Independent*
5. Mr Seow Yoo Lin, *Non-Executive Director / Independent*
6. Dr Kwa Lay Keng, *Non-Executive Director / Independent*
7. YBhg Dato' Ahmad Johari Bin Abdul Razak, *Non-Executive Director / Independent*

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Vendor as at 30 September 2020 are as follows:

	Name of Shareholders	Direct Interest		Indirect Interest	
		No. of Shares	%	No. of Shares	%
1.	Hong Leong Manufacturing Group Sdn Bhd	224,815,115	37.70	192,421,531	32.27 *
2.	HLMG Capital Sdn Bhd	140,076,337	23.49	—	—
3.	Signaland Sdn Bhd	52,345,194	8.78	—	—
4.	Hong Leong Company (Malaysia) Berhad (“HLCM”)	—	—	417,236,646	69.97 *
5	YBhg Tan Sri Quek Leng Chan	.—	—	417,246,046	69.97 ^
6	HL Holdings Sdn Bhd	.—	—	417,236,646	69.97 ®
7	Hong Realty (Private) Limited	.—	—	424,608,139	71.21 ^
8.	Hong Leong Investment Holdings Pte. Ltd.	—	—	424,617,539	71.21 ^
9.	Kwek Holdings Pte Ltd	—	—	424,617,539	71.21 ^
10	Mr Kwek Leng Beng	—	—	424,617,539	71.21 ^
11.	Mr Kwek Leng Kee	—	—	424,617,539	71.21 ^
12	Davos Investment Holdings Private Limited	—	—	424,617,539	71.21 ^
13.	Southern Amalgamated Co Sdn Bhd	35,184,508	5.90	—	—
14.	Su Hock Company Sdn Bhd	1,428,571	0.24	36,613,079	6.14 #
15.	Hock Kheng Industries Sendirian Berhad	5,976,190	1.00	38,613,079	6.48 #
16.	YBhg Dato’ Dr Tan Tat Wai	21,927	0.00	44,632,331	7.48 @

Notes:

* Held through subsidiaries

^ Held through HLCM and company(ies) in which the substantial shareholder has interest

® Held through HLCM

Held through companies in which the substantial shareholder has interest

@ Held through companies in which the substantial shareholder has interest and a family member

Information on the Property

The leasehold land is identified as HS(D) 27773 (PT1358) and PN 12029 (Lot 6584) (formerly HS(D) 27774 (LOT 6584/PT1360)), Mukim 1, District of Seberang Perai Tengah, State of Penang , with land size of approximately 15.13 acres (approximately 658,971.3778 square feet) together with a single storey warehouse building measuring approximately 142,939 square feet erected thereon, bearing assessment address PMT 3016, Tingkat Perusahaan 6, Kawasan Perusahaan Perai, 13600 Seberang Perai Tengah, Penang. The Property is purchased on “as is where is” basis subject to the renewal of a lease in favour of Tenaga Nasional Berhad (“TNB”) .

The Property is a leasehold land with lease period expiring 3 October, 2042. As per the land title, the category of the land use is industrial. The Property's net book value as at the latest audited financial statement for financial year ended 30 June 2020 is RM31,633,470.

The age of the building as disclosed in SSB's FY2020 Annual Report is 17-18 years.

2.2 Salient Terms of the Proposed Acquisition

The salient terms and conditions of the SPA include, amongst others, the following::

- (a) Purchase Price : RM33,088,00-00.
- (b) the purchase of the Property from the Vendor is on "as-is-where-is" basis subject to the TNB Lease renewal but otherwise free from encumbrances whatsoever and with vacant possession but subject to all conditions of title whether expressed or implied affecting the same upon the terms and conditions hereinafter appearing.
- (c) Payment of Purchase Price to the Vendor's Solicitors:
 - (i) Deposit
A sum of RM661,760-00 has been paid directly to the Vendor prior to the execution of SPA, and the balance of RM2,647,040-00, subject to such retention by the Purchaser's Solicitors pursuant to Real Property Gains Tax, be paid to the Vendor's Solicitors upon execution of the SPA.
 - (ii) Balance purchase price
RM29,779,200-00 (90%) shall be paid to the Vendor's Solicitors within 3 months from the Unconditional Date (upon fulfillment of the Conditions Precedent as stated in clause (d) below) (hereinafter referred to as "the Completion Date").
- (d) Conditions Precedent :
 - (i) This SPA shall be expressly conditional upon the consent from Penang Development Corporation ("PDC") before expiry of the Conditional Period.
 - (ii) As soon as practicable after the execution of this SPA, the Vendor and the Purchaser shall take all necessary steps to apply for the PDC's approvals and consents referred to in Section (i) above for the purpose of fulfilment of the Conditions Precedent and to do all things necessary to obtain the same ("the PDC's Approvals"). In this respect, it is agreed by the parties that the Purchaser's Solicitors is hereby specifically authorised and instructed by the parties to submit the requisite application to PDC within seven (7) working days from the date of receiving all the necessary information and documents from the parties
 - (iii) In the event that any of the Conditions Precedent cannot be obtained or fulfilled upon expiry of the Conditional Period, then, unless the parties mutually agree to extend the Conditional Period to enable the Conditions Precedent to be fulfilled, either party shall be entitled to terminate this SPA by serving a written notice on the other party and in the event of such termination, the Vendor shall, subject to the Purchaser's compliance with

Sub-sections 28.1 to 28.3 of the SPA, refund free of interest to the Purchaser, the Deposit and any other monies paid and/or caused to be paid by the Purchaser towards the Purchase Price under and/or pursuant to this SPA and thereafter neither party shall have any other claims or actions whatsoever against the other under or arising from this SPA.

(e) Other conditions :

- (i) In the event that a condition or conditions, not being the condition imposing the payment of “consent fee” to be levied by PDC at the applicable prevailing rate, is/are imposed in respect of the PDC’s Approvals (including a condition for payment of an additional fee) and such condition(s) is/are unacceptable to the Vendor, the Vendor shall have the option after receipt of the PDC’s Approvals or a written notice of such conditions to decide whether to reject or to appeal against all or any of the conditions imposed.
- (ii) In the event that the PDC’s Approvals are obtained subject to the condition that in addition to the fees to be paid for the written consent or no objection of the PDC or the Approving Authority for the transfer of the said Property by the Vendor in favour of the Purchaser, a premium, penalty or any other charges shall be payable to any relevant authorities by the transferee or acquirer of the said Property, the Purchaser shall bear all such premium, penalty and other charges but the Purchaser shall have the reciprocal right of option to reject or to appeal against all or any of such premium, penalty and other charges imposed and the provisions of Clause 17.2 of the SPA shall apply, mutatis mutandis, in favour of the Purchaser as it applied in favour of the Vendor therein..

2.3 Basis and Justification of Determining the Purchase Price

The consideration of RM33,088,000-00 is derived based on “willing buyer-willing seller” basis negotiated by the parties, after taking into consideration the condition of the premises and that the Board of Kobay has taken into consideration before concluding the purchase price of RM33,088,000-00 or RM50.21 per square foot :-

- (i) the valuation of the said Property by our appointed valuer, Messrs. KGV International Property Consultants (PG) Sdn. Bhd. is RM33,200,000;
- (ii) the surrounding factories that offer for sale in various online property websites as below :

Sales Platform	Land Area	Land Area	Selling Price (RM)	Tenure (Expiry)	Price per sq foot over land area *
CBRE	10.261 acres	446,969 sf	35.0 million	Leasehold (2034-71)	RM78.3 psf
CBRE	24.09 acres	1,049,360 sf	75.0 million	Leasehold (2115)	RM71.47 psf
CBRE	10.864 acres	473,235 sf	55.0 million	Freehold	RM116.22 psf
INTEREALTOR SDN. BHD.	5.2 acres	270,000 sf	55.0 million	Leasehold	RM242.64 psf

(iii) the comparative transacted price for the surrounding properties as below :

Property	Land Area * (Built up area)	Tenure	Date of SPA/ Agreement	Price (RM'million)	Price per square foot over land area*
The subject Property to be acquired	658,451 sf	Leasehold	20-5-2021	33.088	RM50 psf
PT2821 Lorong Perusahaan 1, Kawasan Perusahaan Perai #	124,725 sf	Leasehold	20-12-2018	6.666	RM52.20 psf
PT No.: 1349 (LB5374) Lorong Perusahaan 1, Kawasan Perusahaan Perai #	439,046 sf	Leasehold	24-4-2019	25.000	RM56.90 psf
PT No. 5050 Lorong Perusahaan 1, Kawasan Perusahaan Perai #	218,507 sf	Leasehold	8-3-2019	10.267	RM46.99 psf

Note :

*In the absence of the building details and its building conditions, the comparison is based on land size only.

#Source : Valuation Report from our Valuer.

The original cost of the Property is unknown as the information is privy and has not been disclosed by the Vendor.

Based on the above comparisons, coupled with the strategic of the subject Property that located next to our other subsidiary companies, the Board of Kobay is of the view that the purchase price of RM33.088 million (ie RM50.21psf) is fair and reasonable.

2.4 Source of Funding

The Purchase Consideration of RM33,088,000-00 will be satisfied by combination of Kobay's internally generated fund and existing bank borrowings. At this juncture, Kobay is unable to determine the exact breakdown between internally generated funds and bank borrowings.

3 RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition of the Property acreage for Kobay Group's intention for its business expansion and exploring new business project. The Property is strategically located close to other sister companies within Kobay Group, namely Paradigm Metal Industries Sdn Bhd., Paradigm Aerospace Sdn. Bhd. and Paradigm Precision Components Sdn. Bhd. and it will ease the management in monitoring its management in the future.

4 RISK FACTORS, LIABILITIES ASSUMED AND PROSPECTS

The Proposed Acquisition will enable Kobay Group to expand its business to gear for further growth. However, the purchase price of RM33,088,000-00 plus the upgrading costs, which is unable to be determined at this juncture, will be an additional capital investment to Kobay Group. Together with financing costs, there will be a financial burden to Kobay Group if KUA does not perform as anticipated.

The Property shall be acquired free from all charges, liens, caveats and encumbrances except for the TNB lease renewal and there is no liabilities including contingent liabilities and guarantee to be assumed by KUA and Kobay arising from the Proposed Acquisition.

5 EFFECTS OF THE PROPOSED ACQUISITION

The Proposed Acquisition is not expected to have any material financial impact on the earnings, net assets, gearing and the share capital and substantial shareholding of Kobay Group for the current financial year ending 30 June 2021.

6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED TO THEM IN THE PROPOSED ACQUISITION

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.

7. STATEMENT BY DIRECTORS

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.

8. PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Chapter 10 of the Main Market Listing Requirements of Bursa Securities is 16.6%.

9. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Acquisition is expected to be completed within 3 months from the fulfillment of Conditions Precedent as stated in paragraph 2.2 above. The estimated Completion Date is third calendar quarter of year 2021, i.e first quarter of the Company financial year ending 30 June 2022.

10. APPROVALS SOUGHT

Save for the approval to be obtained from PDC or any relevant authority in relates to the transfer of the Property, the Proposed Acquisition does not require approval from the shareholders of Kobay, Securities Commission, Foreign Investment Committee and other regulatory authorities.

11. DOCUMENTS AVAILABLE FOR INSPECTION

The SPA will be made available for inspection at the registered office of Kobay at 3rd Floor, Wisma Kobay, No. 42-B Jalan Rangoon, 10400 Georgetown, Penang during the business hours from Monday to Friday (except public holidays) for a period of three (3) months from the date of this Announcement.

This announcement is dated 20 May 2021.