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

MEMORANDUM OF UNDERSTANDING

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1. INTRODUCTION

On behalf of the Board of Directors of Kobay ("**Board**"), Affin Hwang Investment Bank Berhad ("**Affin Hwang IB**") wishes to announce that the Company ("**Purchaser**") had on 26 February 2021 entered into a memorandum of understanding ("**MOU**") with Lim Beng Cheong and Chong Huei Shin (collectively referred to as "**Vendors**") in relation to the proposed acquisition of 70% equity interest in the following companies:

(i) Galaxis Pharma Sdn Bhd;
(ii) Galaxis Healthcare Sdn Bhd;
(iii) Avelon Healthcare Sdn Bhd;
(iv) Avelon Arise Sdn Bhd; and
(v) Arise Healthcare Sdn Bhd

(collectively referred to as "**Target Companies**") ("**Proposed Acquisition**").

The Target Companies are principally involved in the retail sale of pharmaceuticals and all kinds of healthcare products.

2. SALIENT TERMS OF THE MOU

The salient terms of the MOU are set out below:

(i) Proposed Acquisition

As soon as practicable after the signing of the MOU and up to the end of the Exclusivity Period (as defined in Section 2(iii) of this announcement), both parties shall work on the due diligence review to be conducted at the cost and expense of the Purchaser as set out in Section 2 (ii) of this announcement and to negotiate in good faith the terms of the share sale agreement ("**Share Sale Agreement**") in respect of the Proposed Acquisition. For the avoidance of doubt, the execution of the Share Sale Agreement is subject to a satisfactory outcome on the due diligence performed by the Purchaser.

Upon signing of the MOU, the Purchaser shall pay a refundable earnest deposit of RM476,000 to the Vendors' solicitors to hold as stakeholder ("**Earnest Deposit**"). Both parties agree that the Earnest Deposit shall form part of the purchase consideration upon signing of the Share Sale Agreement. However, the Earnest Deposit shall be refunded to the Purchaser free of interest in the event the MOU is mutually terminated for whatsoever reasons or both parties fail to execute the formal Share Sale Agreement within the Exclusivity Period subject always that the Vendors shall have the right to forfeit the Earnest Deposit as agreed damages in the event the due diligence review has been duly satisfied by the Purchaser with a satisfactory outcome and the Purchaser has then failed to execute the Share Sale Agreement within the Exclusivity Period.

(ii) Due Diligence Review

The Purchaser shall have the rights to undertake audit, due diligence review and any other inquiries and investigations (whether legal, financial, tax, accounting and/or otherwise and whether conducted by lawyers, accountants, the Purchaser or its employees or officers or other representatives or advisers or otherwise) into the business, matters and affairs of the Target Companies or otherwise in connection with the Proposed Acquisition, the particulars and/or parameters of which are to be mutually agreed by the parties, or any other matter which the parties mutually consider necessary or expedient during the Exclusivity Period.

(iii) Exclusivity Period

The Vendors hereby undertake that unless otherwise with the prior written consent of the Purchaser, it will procure that during the period of 120 days from the date of the MOU or such other date as the parties may agree from time to time in writing ("**Exclusivity Period**"), there will not be any:

(a) sale, mortgage, grant of option or other disposition of, or encumbrance, or agreement to sell, mortgage, grant option over or otherwise dispose of or encumber, in respect of the whole or any part of the business, assets or shares or equity interest of the Target Companies to any person other than the Purchaser;

(b) discussions or negotiations with any person other than the Purchaser in relation to the sale, mortgage, grant of option or other disposition of or encumbrance, in respect of the whole or any part of the business, assets or shares or equity interest of the Target Companies; or

(c) approval given for any sale or transfer of equity interest of the Target Companies save for to the Purchaser.

(iv) Duration and Termination

The MOU shall become effective from the date of signing of the MOU and shall remain in effect until the expiry of the Exclusivity Period or until the execution of the Share Sale Agreement, whichever comes first. Early termination is allowed by mutual agreement in writing.

(v) Confidentiality

Except as referred to in the MOU, all parties must treat as confidential all information and documents received or obtained during the preparation of the MOU, due diligence review and negotiation on the terms and conditions of the Share Sale Agreement.

Any party may disclose information which would otherwise be confidential if and to the extent:

(a) it is required to do so by law or any securities exchange or regulatory or governmental body to which it is subject wherever situated;

(b) it considers necessary to disclose the information to its professional advisor, accountant, auditor, lawyer, tax agent, banker, company secretary or other professionals for the purpose of the Proposed Acquisition; or

(c) the information has come into the public domain through no fault of the party.

3. RATIONALE OF THE MOU

The MOU allows the Parties to negotiate exclusively for a period of at least 120 days and sets out the understanding and intention in respect of the Proposed Acquisition.

The Proposed Acquisition is part of the Company's strategic plan to seek an alternative revenue source by expanding its business activities into pharmaceutical and/or healthcare products. The entry into this business segment is meant to supplement the existing revenue of Kobay and its subsidiaries ("**Kobay Group**") and the Company does not expect the Proposed Acquisition to change its core business.

Further, upon the execution of the Share Sale Agreement, Kobay will seek its shareholders' approval for the diversification of its business operations should the Proposed Acquisition trigger Paragraph 10.13 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

4. FINANCIAL EFFECTS

The MOU is not expected to have any material effects on the issued share capital and substantial shareholders' shareholdings of Kobay, as well as the net assets, gearing, earnings and earnings per share of Kobay Group.

The financial effects of the Proposed Acquisition can only be determined upon the execution of the Share Sale Agreement.

5. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the directors, major shareholders of Kobay and/or persons connected with them have any interest, whether direct or indirect, in the MOU.

6. DIRECTORS' STATEMENT

The Board, after taking into consideration all aspects of the MOU, is of the opinion that the MOU is in the best interest of the Company.

7. APPROVALS REQUIRED

The execution of the MOU does not require the approval of shareholders of the Company or any relevant authorities.

8. ADVISERS

Affin Hwang IB has been appointed as the Principal Adviser for the Proposed Acquisition.

9. DOCUMENTS AVAILABLE FOR INSPECTION

The MOU is available for inspection at the registered office of Kobay at 3rd Floor, Wisma Kobay, No. 42-B, Jalan Rangoon, 10400 Georgetown, Penang during normal office hours (except for Saturday, Sunday and public holidays) for a period of three (3) months from the date of this announcement.

A detailed announcement on the Proposed Acquisition will be made upon finalisation of the terms and conditions and execution of the Share Sale Agreement.

This announcement is dated 26 February 2021.