

## **Bursa Malaysia Announcement**

### **Proposed acquisition of lands by Kobay Project Venture Sdn. Bhd.**

#### **1. INTRODUCTION**

Further to our announcement dated 16 February 2015 (Reference Number : KT-150216-61007), 23 February 2015 (Reference number : KT-150223-52498), 22 December 2015 (Reference number : GA1-22122015-00084), 23 December 2015 (Reference Number GA1-23122015-00089) and 31 July 2017 (Reference Number GA1-31072017-00078) respectively on the Proposed Conditional Joint Venture Agreement with Option to Purchase (“JVA with OTP”), the Board of Directors of Kobay Technology Bhd. (“Kobay” or “the Company”) wishes to announce that its wholly owned subsidiary, Kobay Project Venture Sdn. Bhd. [Registration No.: 200101023149 (558907-K)] (“KPV” or “the Purchaser”) had opted to enter into a Sale & Purchase Agreement (“SPA”) dated 30 June 2022 to purchase two (2) pieces of development lands :-

- (i) Lot 886 Held under Geran Mukim (First Grade) No. GM452, Mukim 11, Seberang Perai Tengah, Pulau Pinang measuring approximately 10064.5309 square metres; and
- (ii) Lot 42 held under Geran Mukim (First Grade) No. GM352, Mukim 11, Seberang Perai Tengah, Pulau Pinang measuring approximately 12217.4583 square metres (hereinafter referred as “the Lands”)

from two (2) individuals for a consideration sum of Ringgit Malaysia Eleven Million and Eight Hundred Thousand (RM11,800,000.00) (hereinafter referred to as “Proposed Acquisition”).

#### **2. DETAILS OF THE PROPOSED ACQUISITION**

##### **2.1 Background information on the Proposed Acquisition**

###### **Information on KPV**

KPV is a private limited company incorporated in Malaysia under the Companies Act, 1965 with paid up capital of RM500,000. KPV is currently a dormant company with an intention to venture into property development.

###### **Information on the Vendors**

- (i) Baharuddin Bin Zainual Abidin (NRIC No. 690725-07-5431 [A1313196]) of No. 492, Permatang Kebun Sireh, 14000 Bukit Mertajam, Pulau Pinang (the estate of Zainul Abidin Bin Muhammad has passed away as per our announcement dated 13 July 2017 with reference number GA1-31072017-00078) (“first vendor”);
  - (ii) Noorashikin Binti Zainual Abidin (NRIC NO. 770311-07-6004 [A3560154]) of Block A-G-6, Jalan Mengkudu, Taman Mengkudu, 14000 Bukit Mertajam, Pulau Pinang (“second vendor”); and
- collectively hereinafter referred to as “the Vendors”.

### Information on the Lands

The Lands are first grade freehold lands. They are situated at Permatang Batu, Seberang Perai Tengah and about 10 km from Bukit Mertajam town, with Butterworth to the northwest, Simpang Ampat to the south, Kulim to the east and Perai to the west. The Lands are adjacent lots with land area of approximately 22,281.989 sq meters (5.5 acres). The Lands are located beside the electrified double track railway. The Lands are currently vacant.

On 31 July 2017, KPV entered into a supplementary Joint Venture Agreement with an option to purchase the Lands from the Vendors.

Pursuant to the JVA with OTP, there are two (2) options of JV mode agreed by the parties respectively as listed below.

(i) Option 1: JV Mode:

The Vendors are entitled for 42 units of Condominiums with built up area of 1,650 square feet per units with an estimated value of RM21,000,000.00

(ii) Option 2: Purchase of Lands:

KPV can opt to purchase the Lands at a consideration sum of RM11,800,000.00. The land cost per square feet is RM49.20.

The management is of the view that the option to purchase the Lands is more attractive compare to JV mode as the proposed land price of approximately RM50 per sf is reasonable with the land condition includes vacant possession.

## **2.2 Basis and Justification of Determining the Purchase Price**

The purchase price of Ringgit Malaysia Eleven Million and Eight Hundred Thousand (RM11,800,000.00) breakdown for the two (2) lots in proportionate to the land size are as follows:-

(i) Lot 886

Ringgit Malaysia Five Million Three Hundred Twenty-Nine Thousand Nine Hundred And Thirty-One (RM5,329,931.00);

(ii) Lot 42

Ringgit Malaysia Six Million Four Hundred Seventy Thousand And Sixty-Nine (RM6,470,069.00) only.

The Purchase Price is based on a "willing buyer willing seller" basis, after comparing with recent sales /or listing of similar properties in the vicinity and a valuation report in September 2021 by our appointed valuer, Messrs. KGV International Property Consultants (PG) Sdn. Bhd. which revealed that vacant lands within this locality are being transacted/listed at prices ranging from about RM40.00 to RM94.00 per sf, depending on the location, size, shape, access and physical condition of the land. The relevant comparable for the subject properties are shown as follows:-

- i) A vacant development (Lot No. 6402, Mukim 11, Province Wellesley Central) located along Jalan Kebun Sireh was transacted on October 22,2020 at RM1,041,481.00 or RM68.87 per square feet. The land area is 1,405 square meter (15,123 square feet);

- ii) Another vacant development land (Lot No. 968, Mukim 11, Province Wellesley Central) located along Jalan Pengkalan was transacted on June 23, 2020 at RM2,2550,000.00 or RM45.00 per square feet. The land area is 5,279 square meter (56.823 square feet)

## **2.3 Salient Terms of the Proposed Acquisition**

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

- 2.3.1 The parties have agreed that upon the execution of SPA, cease to have any interest in the JVA with OTP and shall not have any claim against each other for any costs, damages, compensation or otherwise under the JVA with OTP. Both parties shall also be released from all the covenants and obligations contained in the JVA with OTP and shall not hold each other liable for any breach arising thereof. The JVA with OTP shall be terminated and shall have no further legal effect.
- 2.3.2 The deposit sum amounting to Ringgit Malaysia One Million Seven Hundred and Seventy Thousand (RM1,770,000.00) representing 15% of the purchase price has been satisfied as follows:-
  - (i) Prior to the execution of SPA, the Purchaser has made a total of Ringgit Malaysia One Million Two Hundred And Forty Thousand Seven Hundred And Thirty (RM1,240,730.00) under various previous agreement for which the Vendors has acknowledged of the receipt of this sum paid;
  - (ii) Ringgit Malaysia One Hundred And Seventy-Seven Thousand (RM177,000.00) shall be paid upon execution of SPA by the Purchaser to the Purchaser's Solicitors as the Amount Retained for RPGT Payment by the first Vendor, Baharuddin Bin Zainul Abidin, to the Director General of Inland Revenue in accordance with Clause 14.3 of SPA with its breakdown as follows:-
    - (a) for ½ undivided share of Lot 886  
Ringgit Malaysia Seventy-Nine Thousand Nine Hundred And Forty-Nine (RM79,949.00);
    - (b) for ½ undivided share of Lot 42  
Ringgit Malaysia Ninety-Seven Thousand And Fifty-One (RM97,051.00) only; and
  - (iii) The balance of Ringgit Malaysia Three Hundred Fifty-Two Thousand Two Hundred And Seventy (RM352,270.00) only shall be paid upon execution of SPA by the Purchaser to the Vendors' Solicitors as stakeholders..
  - (iv) The balance purchase price amounting to Ringgit Malaysia Ten Million and Thirty Thousand only shall be paid six (6) months from the date of this SPA.

## **2.4 Source of Funding**

The purchase consideration of RM11,800,000.00 will be satisfied by combination of Kobay's internally generated fund and 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 Kobay Group's strategy to invest into potential development lands that located at the strategic location which can contribute positively to KobayGroup's future earnings or capital appreciation. The said Lands is strategically located in Bukit Mertajam which has been developed in the past five (5) years due to its strategically located within 10km radius from industrial zone of Seberang Perai, Batu Kawan, Penang Science Park, hence, the Board of Directors was in the view that it is feasible for KPV to enter into the SPA to acquire the said Lands.

## **4. RISK FACTORS, LIABILITIES ASSUMED AND PROSPECTS**

The Proposed Acquisition will enable Kobay group to acquire the development Lands with a reasonable purchase price of RM11,800,000-00 and enable the Kobay Group to replenish and increase its land bank at strategic locations for its future property development projects to drive earnings sustainability.

The Lands shall be acquired free from all charges, liens, caveats and encumbrances and there is no liabilities including contingent liabilities and guarantee to be assumed by KPV and Kobay arising from the Proposed Acquisition.

### **Business Risk**

Pursuant to the Proposed Acquisition, Kobay Group shall be exposed to risk inherent in the property development industry. The Property development industry could be affected by changes in general economic, political and business conditions, increases in building material and labour cost, changes of preference by customers, competition and changes in government legislation and priorities on property developments.

Kobay Group seeks to limit these risks by leveraging on the experience and management skill, close monitoring of the Company's property development projects and cash flow, continuous review of operation and marketing strategies and improve efficiency.

## **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 2023.

**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 5.6%.

**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 2022, i.e. first quarter of the Company financial year ending 30 June 2023.

**10. APPROVALS SOUGHT**

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 and Valuation Report will be made available for inspection at the registered office of Kobay at 3<sup>rd</sup> 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 1 July 2022.