

KOBAY TECHNOLOGY BHD. (199401022600 (308279-A))

Subject:

Proposed Acquisition of 65.00% Equity Interest in Leapcode Sdn. Bhd.

1. INTRODUCTION

The Board of Directors of Kobay Technology Bhd. ("**Kobay**") ("**Board**") wishes to announce that on 15 July 2024, Kobay Industries Sdn. Bhd. ("**KI**"), its wholly owned subsidiary company, had acquired 65.00% equity interest in Leapcode Sdn. Bhd. (Registration No.: 202101041679 (1441979-X) ("**Leapcode**") consisting of 65,000 ordinary shares for a total cash consideration of RM100,000/= (Ringgit Malaysia : One Hundred Thousand Only) from an individual (hereinafter referred to as the "**Proposed Acquisition**")

Further details of the Proposed Acquisition are set out in the ensuing sections.

2. BACKGROUND INFORMATION

2.1 Information on KI

KI was incorporated under the Companies Act, 1965 on 16 August 1999 under the name Bright Consolidated Sdn. Bhd. On 2 November 1999, it changed its name to Lipo Corporation Sdn Bhd ("Lipo") and subsequently, on 1 December 2000, it was converted to a public company. On 22 October 2001, Lipo was listed on Second Board of Bursa Malaysia Securities Berhad (now known as Main Market of Bursa Malaysia Securities Berhad) then was delisted on 16 November 2012. It was converted into a private company and changed its name to Lipo Corporation Sdn. Bhd. on 22 January 2013 and subsequently changed its name to Kobay Industries Sdn Bhd on 5 April 2018.

As at the date of this announcement, KI has a share capital of RM46,506,426/= consisting of 46,506,426 ordinary shares, which have been issued and are fully paid-up.

KI is principally involved in investment holding and provision of management services to subsidiary companies. The principal activities of the subsidiaries of KI consist of manufacturing of high precision machined components and parts, precision metal stamping, surface treatment, high level assembly and automated equipments.

2.2 Information on Leapcode

Leapcode was incorporated on 8 December 2021 under the Companies Act 2016. Its current paid up capital is RM100,000/= comprising of 100,000 ordinary shares at an issue price of RM1 each of which have been fully paid up. Leapcode presently holds an applications service provider class license-ASP(C) issued by Suruhanjaya Komunikasi dan Multimedia Malaysia on 27 May 2024.

Its principal activity is to assemble, maintain and repair engineering equipment inclusive advance data server.

2.3 Information on Vendor

Prior to the Proposed Acquisition, Ms. Ooi Ruey Yng, NRIC No. 841108-02-5178 was the sole shareholder of Leapcode. After the Proposed Acquisition by KI, Ms. Ooi holds 35.00% equity interest in Leapcode consists of 35,000 ordinary shares.

3. DETAILS OF THE PROPOSED ACQUISITION

The Proposed Acquisition involves the acquisition of a total of 65,000 ordinary shares which representing 65.00% of the paid-up capital of Leapcode by KI for a total cash consideration of RM100,000 (“**Purchase Consideration**”).

The Purchase Consideration was arrived on a willing-buyer-willing-seller basis after taking into consideration of Leapcode’s net tangible assets as at 10th July 2024 stood at RM80,965.25 and its potential business which is synergistic with Kobay Group.

4. RATIONALE AND PROSPECT OF THE PROPOSED ACQUISITION

Currently, Kobay’s subsidiary is providing high level assembly services of advance data servers for its customers and the Proposed Acquisition is synergistic to the Group’s operation.

5. BASIS OF VALUATION, RISK AND LIABILITIES ASSUMED BY KI

The Purchase Consideration was arrived at a willing buyer and willing seller basis as stated in item 3 above.

The shares were acquired by KI are free from all liens, charges, pledges, mortgages and any encumbrances whatsoever and with all rights and advantages attaching thereto or accruing thereon including all dividends and distributions declared, paid or made in respect thereof.

There are no other risk associated with the Proposed Acquisition.

6. SOURCE OF FUNDS

The total Purchase Consideration of RM100,000-00 will be funded by internal generated fund.

The working capital for Leapcode will be in the source of loan from financial institution.

7. EFFECTS OF THE PROPOSED ACQUISITION

The Proposed Acquisition will not have any effect on the share capital of the Company and the substantial shareholdings of the Company as the Proposed Acquisition does not involve issuance of new shares in the Company.

The Proposed Acquisition is not expected to have any material effect on the earnings and earning per share of Kobay Group for the financial year ending 30 June 2025 as the Proposed Acquisition is only expected to be completed by the 3rd quarter of calendar year 2024, as the new business will take time to take off after initial set-up. Notwithstanding this, the Proposed Acquisition is expected to contribute positively to the future earnings and earning per share of the Kobay Group.

8. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Transaction pursuant to Chapter 10 of the Main Market Listing Requirements of Bursa Securities is negligible.

9. COMPLETION DATE

Barring any unforeseen circumstances, the Proposed Acquisition is expected to be completed within seven (7) days from the date of this announcement.

10. APPROVAL SOUGHT

The Proposed Acquisition is not subject to any approval of the shareholders of Kobay or any regulatory authorities.

11. INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

None of the directors and major shareholders of Kobay group and/or any persons connected to them (as defined in Section 197(2)(a) of the Companies Act 2016) have any direct or indirect interests in the Proposed Acquisition.

12. DIRECTORS' STATEMENT

The Board, after having considered all aspects of the Proposed Acquisition, including but not limited to the basis and justification of the purchase consideration, rationale, effects of the Proposed Acquisition as well as the prospects of Leapcode and the risks involved, is of the opinion that the Proposed Acquisition are in the best interests of the Company.

This announcement is dated 15 July 2024.