

KOBAY TECHNOLOGY BHD (“KOBAY”) (199401022600 (308279-A))

Subject: Proposed Acquisition of 70.00% Equity Interest in Medicwave (M) Sdn Bhd

1. INTRODUCTION

We refer to the announcements dated 23 February 2024 and 26 February 2024 (“**Announcements**”).

(Unless stated otherwise, the words and abbreviations used throughout this announcement are the same as those previously defined in the Announcements.)

The Board wishes to announce that the Proposed Acquisition has completed on 4 March 2024.

Following the completion of the Proposed Acquisition, the Board wishes to announce that its 70% owned subsidiary company, Avelon Healthcare Sdn. Bhd. [Registration No.: 201301020687 (1050517-A)] (“**AHSB**”), have also entered into the following agreements:

- (i) Profit Guarantee Agreement dated 4 March 2024 entered into with the Vendors (“**Guarantors**”) for the Vendors to guarantee to the Purchaser that Medicwave shall achieve the aggregate profit after tax (“**PAT**”) of RM10,800,000 (“**Minimum Total Guaranteed PAT**”) for the 36-months period commencing from 1 August 2023 to 31 July 2026 (“**Guarantee Period**”) based on the audited financial statements of Medicwave (“**Audited Accounts**”) for the respective financial years (“**Profit Guarantee Agreement**”);
- (ii) Put and Call Option Agreement dated 4 March 2024 entered into with the Vendors whereby the Vendors agree to grant a call option to the Purchaser and the Purchaser agree to grant a put option to the Vendors, for the remaining 30.00% equity interest held by the Vendors in Medicwave (“**Put and Call Option**”) (“**Put and Call Option Agreement**”); and
- (iii) Shareholders Agreement dated 4 March 2024 entered into with the Vendors, AHGSB and Medicwave to record commitments of the respective shareholders and to regulate their rights and obligations in respect of the management of Medicwave’s business and affairs (“**Shareholders Agreement**”).

(The Profit Guarantee Agreement, Put and Call Option Agreement and Shareholders Agreement are collectively referred to as the “**Agreements**”)

Further details of the Agreements are set out in the ensuing sections.

2. DETAILS OF THE AGREEMENTS

2.1 Details of the Profit Guarantee Agreement

Pursuant to the SSA and the Subscription Agreement dated 23 February 2024, the Purchaser agreed to purchase a total of 50,001 Sale Shares and subscribe for 66,668 Medicwave Shares, which upon completion the Purchaser shall hold 70.0% of the entire issued share capital of Medicwave.

Each of the Guarantors have guaranteed to the Purchaser that Medicwave shall achieve the Guaranteed Net Profits (as set out in Section 2.1(2) of this announcement) pursuant to the terms and conditions in the Profit Guarantee Agreement.

The salient terms of the Profit Guarantee Agreement are as follows:

(1) Minimum Total Guaranteed PAT

Each of the Guarantor guarantees to the Purchaser that Medicwave shall achieve an aggregate PAT of RM10,800,000 during the Guarantee Period based on the Audited Accounts for the respective financial years.

Upon expiry of the Guarantee Period and in the event that the Minimum Total Guaranteed PAT is:

Achieved	The Purchaser shall procure the remaining Security Deposit of RM5,400,000 (paid by AHSB as the 2 nd tranche payment pursuant to the SSA) (after deducting any amounts already released to the Guarantors) to be paid to the Guarantors.
Fall short	<p><u>If the remaining security deposit is enough to cover the shortfall:</u> Such shortfall shall be utilised from the Security Deposit to pay to the Purchaser.</p> <p><u>If the remaining security deposit is not enough to cover the shortfall:</u> The Guarantors shall compensate the Purchaser by paying an amount in cash equivalent to such Shortfall Amount that is in excess of the Security Deposit (or any such amount remaining unpaid from the Security Deposit) as compensation for the non-fulfilment of the Minimum Total Guaranteed PAT, within 7 days from the date of receipt by the Purchaser of the signed copy of the Audited Accounts covering the entire Guarantee Period, failing which late payment interest of 8% per annum shall accrue on any amount remaining outstanding until full settlement.</p>

(2) Notwithstanding Clause 1 above, the Purchaser agrees for the Security Deposit to be released to the Guarantors in the proportion set out in the table below within fourteen (14) days from the date of receipt by the Purchaser of the signed copy of the Audited Accounts covering the Relevant Financial Period (as shown in the table below), provided always that the Guaranteed Net Profits for the corresponding Relevant Financial Period is met by Medicwave.

Relevant Financial Period	No. of Months	Guaranteed Net Profits	Amount payable from the Security Deposit to the Guarantors
Financial Period Ending (FPE) 2024 (1 Aug 2023 - 30 June 2024)	11	RM3,300,000 based on the Audited Accounts for FPE 2024	50% of the PAT for FPE 2024 or RM1,800,000, whichever is the lower
Financial Year Ending (FYE) 2025 (1 July 2024 - 30 June 2025)	12	RM3,630,000 or 10.0% per annum increase in the actual PAT achieved for FPE 2024, whichever is the higher, based on the Audited Accounts for FYE 2025	RM1,800,000

Relevant Financial Period	No. of Months	Guaranteed Net Profits	Amount payable from the Security Deposit to the Guarantors
(1 July 2025 – 31 July 2026) FPE 2026	13	RM4,325,750 or 10.0% per annum increase in the actual PAT achieved for FYE 2025, whichever is higher, based on the Audited Accounts for FPE 2026 and the management accounts of Medicwave for July 2026 as verified by the Purchaser's appointed auditor	All amounts from the Security Deposit remaining unpaid subject to Medicwave achieving the Minimum Total Guaranteed PAT of RM 10.80 million pursuant to the Profit Guarantee Agreement
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2.2 Details of the Put and Call Option Agreement

The Vendors shall grant a call option to the Purchaser to purchase the remaining 30.00% equity interest in Medicwave and the Purchaser shall grant a put option to the Vendors to sell their remaining 30.00% equity interest in Medicwave during the period commencing from 4 March 2024 to 31 November 2026 (“**Put and Call Option Period**”) at the purchase consideration of 30% of eight (8) times price-earnings ratio of the PAT of Medicwave based on its latest audited financial statements (“**Option Price**”).

The Put and Call Option comprises the following:

Name of the Vendors	No. of shares	Equity interest %
Chin Wai Foong	16,667	10.00
Ho Pei Si	16,667	10.00
Lim Lai Choo	16,667	10.00
	50,001	30.00

The Put and Call Option may be exercised by the Vendors or Purchaser respectively by serving three (3) months prior written notice of such exercise upon Medicwave achieving either of the Guaranteed Net Profits (as set out in Section 2.1(2) of this announcement) for the corresponding financial period, during the Put and Call Option Period.

In the event the Put and Call Option is exercised, the Purchaser shall pay the Option Price to the Vendors in cash and it will be funded from the internally generated funds of AHSB or its nominee Avelon Healthcare Group Sdn. Bhd. [Registration No. 202301050597 (1544511-M)] (“AHGSB”). Medicwave will then become wholly-owned subsidiary of AHSB/AHGSB.

The Put and Call Option will not have effect on the issued share capital and substantial shareholdings of the Company. The Put and Call Option is also not expected to have any material effect on the NA, NA per share and gearing of the Kobay Group.

For illustrative purposes only, based on the latest audited consolidated statement of profit or loss and other comprehensive income of Kobay for the FYE 30 June 2023 and the latest audited statement of comprehensive income of Medicwave for the FYE 31 July 2023 and on the assumption that the Proposed Acquisition and the Put and Call Option had been effected on 1 July 2022, the pro forma effects of the Proposed Acquisition and the Put and Call Option on the earnings and EPS of the Kobay Group are set out as follows:

	Audited as at 30 June 2023 RM	(I) After the Proposed Acquisition RM	(II) After (I) and the Put and Call Option RM
PAT attributable to owners of the parent	26,507,794	26,507,794	28,238,474
Add: PAT of Medicwave	-	2,030,680	⁽ⁱⁱ⁾ 870,292
Less: Estimated expenses	-	⁽ⁱ⁾ (300,000)	-
Enlarged PAT	26,507,794	28,238,474	29,108,766
Weighted number of Kobay Shares in issue	320,180,803	320,180,803	320,180,803
Actual / Pro forma EPS (sen)	8.28	8.82	9.09

Notes:

- (i) After deducting the estimated expenses of approximately RM300,000 in relation to the Proposed Acquisition.
- (ii) After incorporating the remaining 30% of the PAT of Medicwave for the FYE 31 July 2023 of RM2,900,972.

The highest percentage ratio applicable to the Proposed Acquisition and the Put and Call Option pursuant to Chapter 10 of the Main Market Listing Requirements of Bursa Securities is 10.94% applies to the aggregate of a 70% acquisition and 30% Put and Call Option collectively.

2.3 Details of the Shareholders Agreement

Further to the terms and conditions of the SSA, Medicwave, AHSB, AHGSB and the Vendors (collectively, “Shareholders”) agreed to enter into the Shareholders Agreement to record certain commitments and to regulate their rights and obligations as shareholders of Medicwave and in respect of the management of Medicwave and to set forth the terms and conditions of the Shareholders Agreement with respect to the organisation, management, and operation of Medicwave and further to specify and regulate the relationship of the Shareholders as shareholders of Medicwave in accordance with but subject to the terms and conditions appearing in the Shareholders Agreement. Following the allotment of the Subscription Shares to AHSB/AHGSB, the Shareholders are to be bound by the terms of the Shareholders Agreement in relation to Medicwave.

The salient terms of the Shareholders Agreement, inter-alia, are as follows:

1. The Board of Medic wave shall consist of 5 directors; 2 from Vendors and 3 from AHSB and AGHSB.
2. The directors nominated by the Vendors shall be responsible for day-to-day operations of Medicwave, subject to the accounting, finance and credit matter which shall be the responsibility of AHSB and/or AHGSB.
3. The issued share capital of Medicwave shall be RM4,420,002 comprising 166,670 Medicwave shares and the shareholding proportion shall be as follows :

Name of Shareholder	No. of Shares	Percentage Shareholding (%)
Chin Wai Foong	16,667	10.0
Ho Pei Si	16,667	10.0
Lim Lai Choo	16,667	10.0
Avelon Healthcare Group Sdn Bhd	116,668	70.0
Avelon Healthcare Sdn Bhd	1	##
Total	166,670	100.0

less than 0.01%

The Agreements are available for public inspection at Kobay's registered office located at 3rd Floor, Wisma Kobay, No. 42-B Rangoon Road, 10400 Georgetown, Penang, from Monday to Friday (except public holidays) at 9.00a.m. to 12.00noon and 2.00p.m. to 5.00p.m. for a period of three (3) months from the date of this announcement.

This announcement is dated 4 March 2024.