

Announcement

Subject : PARAGON UNION BERHAD ("PUB" OR "COMPANY")

PROPOSED PRIVATE PLACEMENT OF 7,000,000 NEW ORDINARY SHARES OF RM1.00 EACH IN PUB REPRESENTING 10.0% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF THE COMPANY

Date Announced : 28/12/2001

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Type : Announcement

Company Name : Paragon Union Berhad

Stock Name : Paragon

Content:

1. INTRODUCTION

On behalf of PUB, Public Merchant Bank Berhad ("PMBB") is pleased to announce that the Board of Directors of PUB has resolved to undertake a proposed private placement of up to 7,000,000 new ordinary shares of RM1.00 each ("Placement Shares"), which represents 10.0% of its existing issued and paid-up share capital of 70,000,000 ordinary shares of RM1.00 each ("Shares"), at an indicative issue price of RM1.08 per Share to placees, the identity of whom will be determined at a later date ("Proposed Private Placement").

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

The Proposed Private Placement involves the placement of 7,000,000 Placement Shares representing 10.0% of the issued and paid-up share capital of the Company, at an issue price to be determined based on a discount of 10.0% to the five (5)-day weighted average market price of the Shares immediately preceding the date on which the issue price of the Proposed Private Placement will be fixed ("Price Fixing Date").

Assuming the Price Fixing Date falls on 26 December 2001, being the latest practicable date prior to the release of this Announcement, the issue price of the Placement Shares is assumed to be at RM1.08 per Share. The said indicative issue price represents a discount of RM0.12 per Share or approximately 10.0% to the weighted average market price of PUB Shares as traded on the KLSE for the five (5) market days from 14 December 2001 to 26 December 2001 (being the latest practicable date prior to this Announcement) of RM1.20 per Share.

The new Placement Shares shall upon allotment and issue, rank pari passu in all respects with the existing Shares, except that they shall not be entitled to any dividend which may be declared, made or paid in respect of the prior financial year or any dividend or any other distributions that may be declared before the allotment of the Placement Shares.

3. UTILISATION OF THE PROCEEDS

The Proposed Private Placement would raise gross proceeds of up to RM7,560,000, which are proposed to be utilised by the PUB Group in the following manner:-

	RM'000
(a) Capital Expenditure	4,962
(b) Working Capital	2,448
(c) Estimated Expenses	<u>150</u>
Total	<u>7,560</u>

4. RATIONALE OF THE PROPOSED PRIVATE PLACEMENT

The Proposed Private Placement will enable the PUB Group to raise funds via additional equity capital to meet its financing requirements without imposing a financial burden on the existing shareholders of PUB and/or to increase the borrowings of the PUB Group.

5. FINANCIAL EFFECTS

5.1 Share capital

The effects of the Proposed Private Placement on the issued and paid-up share capital of the Company are shown in Table A below.

5.2 Earnings

The Proposed Private Placement is not expected to have any significant effect on the earnings of the PUB Group for the financial year ending 31 December 2001 as the completion date of the Proposed Private Placement is expected to be in the first quarter of the financial year ending 31 December 2002. The Proposed Private Placement is expected to contribute positively to the earnings of the PUB Group in the future.

5.3 Net tangible assets (“NTA”)

The effects of the Proposed Private Placement on the NTA of the PUB Group as at 31 December 2000, being the latest audited accounts of the PUB Group are shown in Table B below.

5.4 Substantial shareholders' shareholdings

The effects of the Proposed Private Placement on the substantial shareholders' shareholdings are shown in Table C below.

5.5 Dividends

The Proposed Private Placement is not expected to have any effect on the dividend policy of PUB.

6. APPROVALS REQUIRED

The Proposed Private Placement is subject to approvals from, inter-alia, the following:-

- (i) the Securities Commission ("SC");
- (ii) the Ministry of International Trade and Industry;
- (iii) the Foreign Investment Committee; and
- (iv) the Kuala Lumpur Stock Exchange for the listing of and quotation for the Placement Shares.

As the shareholders of PUB have approved the Directors of the Company to allot and issue new ordinary shares of RM1.00 each in PUB, provided that the aggregate number of the Shares to be issued shall not exceed 10.0% of the issued and paid-up share capital of the Company pursuant to Section 132D of the Companies Act, 1965 in the Company's annual general meeting held on 15 May 2001, the approval from the shareholders of PUB is not required for the Proposed Private Placement.

7. DIRECTORS AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

None of the Directors and/or substantial shareholders of PUB and/or any persons connected to the Directors and substantial shareholders of PUB have any interest, direct or indirect, in the Proposed Private Placement.

8. DIRECTORS RECOMMENDATION

The Board of Directors of PUB, after careful deliberation, is of the opinion that the Proposed Private Placement is in the best interest of the Company.

9. ADVISER

PMBB has been appointed as the adviser for the Proposed Private Placement.

10. APPLICATION TO THE RELEVANT AUTHORITIES

Barring unforeseen circumstances, the Directors of PUB expect to submit an application to the relevant authorities in relation to the Proposed Private Placement within one (1) month from the date of this Announcement.

This announcement is dated 28 December 2001.

Table A

The Proposed Private Placement would increase the issued and paid-up share capital of the Company as follows:-

	No. of ordinary shares of RM1.00 each	RM
Existing	70,000,000	70,000,000
To be issued pursuant to the Proposed Private Placement	7,000,000	7,000,000
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Enlarged	77,000,000	77,000,000
	=====	=====

Table B

The proforma effects of the Proposed Private Placement on the consolidated NTA of PUB based on the latest audited consolidated balance sheet of PUB as at 31 December 2000, assuming an issue price of RM1.08 per Share, are as follows:-

	Audited as at 31 December 2000 RM'000	After the Proposed Private Placement RM'000
Share capital	70,000	77,000
Share premium	2,929	3,339*
Asset valuation reserve	8,892	8,892
Merger reserve	(7,547)	(7,547)
Accumulated loss	(943)	(943)
NTA	73,331	80,741
NTA per share (RM)	1.05	1.05^

Notes:-

* After deducting estimated expenses of the Proposed Private Placement of approximately RM150,000.

^ The above NTA does not account for 2,681,000 Shares held in treasury pursuant to the share buy-back exercise undertaken by PUB subsequent to the financial year ended 31 December 2000.

Table C

The effects of the Proposed Private Placement on the substantial shareholders' shareholdings in PUB are as follows:-

	As at 30 November 2001				After Proposed Private Placement			
Substantial Shareholders	<---Direct--->		<---Indirect--->		<---Direct--->		<---Indirect--->	
	No. of ordinary shares of RM1.00 each in PUB	% ⁶	No. of ordinary shares of RM1.00 each in PUB	% ⁶	No. of ordinary shares of RM1.00 each in PUB	% ⁶	No. of ordinary shares of RM1.00 each in PUB	% ⁶
Asia Avenue Sdn Bhd	36,064,194	53.57	-	-	36,064,194	48.53	-	-
Exclusive Vest Holdings Sdn Bhd	-	-	36,064,194 ¹	53.57	-	-	36,064,194 ¹	48.53
Impressive Revenue Sdn Bhd	-	-	36,064,194 ²	53.57	-	-	36,064,194 ²	48.53
Kong See Kuan	-	-	36,064,194 ³	53.57	-	-	36,064,194 ³	48.53
Low Geok Eng	-	-	36,064,194 ⁴	53.57	-	-	36,064,194 ⁴	48.53
Optad Group Sdn Bhd	-	-	36,064,194 ¹	53.57	-	-	36,064,194 ¹	48.53
Wong Thiam Loy	-	-	36,064,194 ⁵	53.57	-	-	36,064,194 ⁵	48.53
Tan Onn Poh	-	-	36,064,194 ⁴	53.57	-	-	36,064,194 ⁴	48.53

Notes:-

1. Deemed interest by virtue of its substantial shareholdings in Impressive Revenue Sdn Bhd.
2. Deemed interest by virtue of being the holding company of Asia Avenue Sdn Bhd.
3. Deemed interest by virtue of her substantial shareholdings in Exclusive Vest Holdings Sdn Bhd.
4. Deemed interest by virtue of his/her substantial shareholdings in Optad Group Sdn Bhd.
5. Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965.
6. Shareholding percentage computed based on net of 2,681,000 Shares held in treasury pursuant to the share buy-back exercise undertaken by PUB.