

Announcement

Subject : Proposed Renewal of Authority for the Company to Purchase its Own Shares ("Proposed Shares Buy-Back")

Date Announced : 02/04/2002

Reference No. : CU-020401-50492

Type : Announcement

Company Name : Paragon Union Berhad

Stock Name : Paragon

Content:

1. INTRODUCTION

The Board of Directors of Paragon Union Berhad ("Paragon" or the "Company") is pleased to announce that Paragon would like to seek renewal of authority from the shareholders of the Company at the forthcoming Annual General Meeting ("AGM") to purchase and/or hold up to a maximum of 7,000,000 ordinary shares of RM1.00 each representing 10% of the issued and paid-up share capital of the Company of 70,000,000 ordinary shares of RM1.00 each on the Kuala Lumpur Stock Exchange ("KLSE") through its appointed stockbroker previously approved by the KLSE ("Proposed Shares Buy-Back").

2. DETAILS OF THE PROPOSED SHARES BUY-BACK

At the last AGM of the Company held on 15 May 2001, the Board has obtained shareholders' approval for the Company to purchase up to a maximum of 7,000,000 ordinary shares of RM1.00 each representing 10% of the issued and paid-up share capital of the Company of 70,000,000 ordinary shares of RM1.00 each. The authority conferred by the shareholders at the said AGM will expire at the conclusion of the forthcoming AGM.

The Board seeks the renewal of authority from the shareholders of the Company at the forthcoming AGM for the Proposed Shares Buy-Back. The Board proposes to allocate an amount of up to the retained profits and/or share premium reserves of the Company for the Proposed Shares Buy-Back. The Proposed Shares Buy-Back will be financed through internally generated funds.

The authority from the shareholders for the Proposed Shares Buy-Back would be effective immediately upon the passing of the ordinary resolution for the Proposed Shares Buy-Back by the shareholders of Paragon at the forthcoming AGM until the conclusion of the next AGM unless earlier revoked or varied by ordinary resolution of shareholders of Paragon in a general meeting.

The Board intends to retain the purchased shares as treasury shares, or cancel the shares purchased or a combination of both. The purchased shares retained as treasury shares may either be distributed as share dividends, resold on the KLSE in accordance with the relevant rules of the KLSE or subsequently cancelled.

Paragon may only purchase the shares at a price which is not more than 15% above the weighted average market price for the past five (5) market days immediately preceding the date of the purchase(s). In the case of resale of treasury shares, the Company may only resell the treasury shares on the KLSE at a price which is not less than the weighted average market price of Paragon shares for the past five (5) market days immediately preceding the date of resale(s).

3. RATIONALE

The Proposed Shares Buy-Back if exercised, is expected to potentially benefit the Company and its shareholders as follows:

- The Company would expect to enhance the EPS of the Group (in the case where the Directors resolve to cancel the shares so purchased and/or retain the shares in treasury and the treasury shares are not subsequently resold), and thereby long term and genuine investors are expected to enjoy a corresponding increase in the value of their investments in the Company;
- If the shares bought back are kept as treasury shares, it will give the Directors an option to sell the shares so purchased at a higher price and therefore make an exceptional gain for the Company. Alternatively, the shares so purchased can be distributed as share dividends to shareholders; and
- The Company may be able to stabilise the supply and demand of its shares in the open market and thereby supporting its fundamental values.

4. FINANCIAL EFFECTS

· Share Capital

In the event that all the 7,000,000 ordinary shares purchased are cancelled, the Proposed Shares Buy-Back will result in the issued and paid-up share capital of the Company as at to date being reduced from RM70,000,000-00 comprising 70,000,000 ordinary shares of RM1-00 each in the Company to RM63,000,000-00 comprising 63,000,000 ordinary shares of RM1-00 each in the Company.

However, the Proposed Shares Buy-Back will not have any effect on the issued and paid-up share capital of the Company if all the 7,000,000 ordinary shares purchased are retained as treasury shares.

· Net Tangible Assets ("NTA")

The NTA per share of the Company and the Group may be increased or decreased, depending on the purchase prices of the shares to be bought back by the Company. Should the purchase prices exceed the existing NTA per share, the NTA of the remaining shares should decrease accordingly. And conversely, should the purchase price be lower than the existing NTA per share, the resultant NTA per share should increase accordingly. Therefore, the effect on the NTA per share is dependent on the quantum and purchase price of the shares being purchased.

· Earnings

The Proposed Shares Buy-Back is not expected to have any material impact on the earnings of the Company or the Paragon Group. However, the Proposed Shares Buy Back, all else being equal, is likely to give rise to an increase in the earnings per share of the Company or the Paragon Group due to the resultant reduction in the number of shares in issue.

5. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

To the best of knowledge of the Directors, none of the Directors and substantial shareholders and persons connected to the Directors and substantial shareholders has any interest, whether direct or indirect, in the Proposed Shares Buy-Back and if any, the resale of treasury shares.

6. CONDITION OF THE PROPOSED SHARES BUY-BACK

The Proposed Shares Buy-Back is subject to the approval of the shareholders of Paragon at the forthcoming AGM.

7. DIRECTORS' RECOMMENDATION

Your Board of Directors having considered all aspects of the Proposed Shares Buy-Back is of the opinion that the Proposed Shares Buy-Back is in the best interest of the Company.