

# Announcement

|                       |   |   |
|-----------------------|---|---|
| <b>Subject</b>        | : | PARAGON UNION BERHAD ("PUB" or "the Company")<br>· Proposed rights issue of 56,000,000 new ordinary shares of RM1.00 each at par on the basis of four (4) new ordinary shares for each existing ordinary share held ("Proposed Rights Issue")<br>· Proposed establishment of an employees' share option scheme ("Proposed ESOS")<br>(collectively known as the "Proposals") |
| <b>Date Announced</b> | : | 27/08/1999  |
| <b>Reference No.</b>  | : | CU-990826-55404   |
| <b>Type</b>           | : | Announcement  |
| <b>Company Name</b>   | : | Paragon Union Berhad  |
| <b>Stock Name</b>     | : | Paragon   |

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## Content:

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### 1. INTRODUCTION

On behalf of the Board of Directors of PUB, Perwira Affin Merchant Bank Berhad ("PAMB") wishes to announce that the Company proposes to undertake the following proposals:-

- (i) a rights issue of 56,000,000 new ordinary shares of RM1.00 each at par on the basis of four (4) new ordinary shares for each existing ordinary share held; and
- (ii) an employees' share option scheme of up to 10% of the issued and paid-up share capital of the Company.

### 2. PROPOSED RIGHTS ISSUE

#### 2.1. Basis and Terms

The Proposed Rights Issue will involve an issue of 56,000,000 new ordinary shares of RM1.00 each ("Rights Shares") to the shareholders of PUB at par on a renounceable basis of four (4) new ordinary shares for each existing ordinary shares held in PUB at a date to be determined by the Directors later. The subscription price of RM1.00 per share is payable in full in cash upon acceptance.

#### 2.2 Basis of Pricing the Rights Shares

The issue price for the Rights Share represents a discount of approximately 22.1% to the theoretical ex-rights price of RM1.284 per share computed based on the 3-month weighted average market price of PUB's shares from 27 May 1999 to 26 August 1999 of RM2.42 per share.

### **2.3 Ranking of the Rights Shares**

The Rights Shares shall, upon allotment and issue, rank pari passu in all respects with the existing ordinary shares of the Company except for any dividends or other distributions declared, made or paid in respect of the financial period prior to the date on which these Rights Shares are issued.

### **2.4 Proposed Utilisation Of Proceeds**

The proceeds from the Proposed Rights Issue amounting to RM56 million are intended to be utilised in the following manner:

*Refer to Table 1*

### **2.5 Substantial Shareholder's Undertaking**

Asia Avenue Sdn Bhd, the controlling shareholder of the Company holding 7,001,000 ordinary shares of RM1.00 each representing 50.01% equity interest in PUB as at 27 August 1999, has given an irrevocable written undertaking to subscribe for its full entitlement of 28,004,000 Rights Shares.

As support for the Proposed Rights Issue and to ensure its full subscription, Asia Avenue Sdn Bhd has also given an irrevocable written undertaking that, in event of an undersubscription of the Proposed Rights Issue, it will further subscribe through excess shares application for all the Rights Shares not subscribed for by other shareholders of PUB and after allotment to shareholders applying for excess shares. Therefore, there will be no underwriting arrangement for the Proposed Rights Issue.

## **3. PROPOSED ESOS**

The salient terms of the Proposed ESOS are as follows:

### **(i) Quantum**

The maximum number of new ordinary shares to be offered under the Proposed ESOS shall not exceed an aggregate of ten (10) percent of the issued and paid-up share capital of PUB at any point of time during the existence of the Proposed ESOS.

### **(ii) Eligibility of Participation**

Options will only be granted to full-time employees (including full-time executive directors) of PUB and its subsidiaries. Subject to certain provisions of the Bye-Laws of the Proposed ESOS, an eligible employee must be a confirmed employee with at least twelve (12) months of continuous service as at the date of offer. Where a foreign employee is serving under an employment contract, the contract shall be for a duration of at least three (3) years.

### **(iii) Tenure**

The Proposed ESOS shall continue to be in force for a duration of up to five (5) years commencing from the date of receipt of the last requisite approvals.

**(iv) Option Price**

The price payable for each new ordinary share of RM1.00 each in PUB under the Proposed ESOS upon the exercise of the option shall be based on the average of the mean market quotation (calculated as the average of the highest and lowest prices transacted) of the shares of PUB as shown on the Daily Official List issued by the Kuala Lumpur Stock Exchange (“KLSE”) for the five (5) trading days immediately preceding the date of offer or the par value of the ordinary share, whichever is the higher.

**(v) Basis of Allocation**

No option shall be granted for less than 1,000 or for more than 500,000 new ordinary shares pursuant to the Proposed ESOS to any eligible employee or executive director.

The actual entitlement of an eligible employee shall be determined by an Option Committee based on seniority in position, length of service and performance with PUB or its subsidiaries.

**(vi) Ranking of New Shares**

The new ordinary shares of RM1.00 each to be allotted upon any exercise of options under the Proposed ESOS shall, upon allotment and issue, rank pari passu in all respects with the then existing issued ordinary shares of PUB except for any dividend or other distributions declared, made or paid prior to the exercise date of the options.

**(vii) Amendment and/or modification to the Proposed ESOS**

Subject to the approvals of the Securities Commission (“SC”), Registrar of Companies, other regulatory authorities and the KLSE, the Board of Directors shall have the power at any time and from time to time by resolution to amend and/or modify all or any part of the provisions of the Proposed ESOS provided that no such amendment and/or modification shall be made which would either prejudice the rights then accrued to any option holder who has accepted an option without his prior consent, or alter the provisions of the Proposed ESOS to the advantage of any option holder.

**4. RATIONALE**

The Proposed Rights Issue will enable PUB to raise equity capital for the repayment of bank borrowings (including a loan which was sold by a creditor bank to Pengurusan Danaharta Nasional Berhad), capital expenditure and working capital requirements. The retirement of bank borrowings will result in substantial interest cost savings to PUB.

The Proposed Rights Issue will also strengthen the capital base of the Company, increase the liquidity of PUB shares and provide an opportunity for the existing shareholders of PUB to increase their investment in the Company. In addition, it will allow PUB to achieve the minimum paid-up share capital of RM40,000,000 required of all companies on the KLSE Second Board as stipulated by the SC.

The objective of the Proposed ESOS is to reward and retain dedicated and loyal employees whose services have contributed to the growth of the Group's business. It also provides an incentive to stimulate greater effort by employees and serves as encouragement to continue contributing to the growth of the Group, and at the same time give a sense of ownership to the employees through their equity participation.

## **5. FINANCIAL EFFECTS**

### **5.1 Share Capital**

The effects of the Proposals on the issued and paid-up share capital of PUB are set out below:

*Refer to Table 2*

### **5.2 Net Tangible Assets (“NTA”)**

The proforma effect of the Proposals on the consolidated NTA of PUB for illustrative purposes is set out below:

*Refer to Table 3*

### **5.3 Earnings**

The Proposals are not expected to have any effect on the earnings of PUB for the financial year ending 31 December 1999 as it will only be completed during the next financial year. However, the Proposals are expected to contribute positively to the long term earnings of PUB as a result of interest cost savings and income generated from the capital expenditure incurred.

## **6. APPROVALS REQUIRED**

The Proposals are subject to the approvals of:

- (a) the SC;
- (b) the KLSE for the Bye-Laws of the Proposed ESOS, and the listing of and quotation for the Rights Shares and the new shares to be issued pursuant to the exercise of the options under the Proposed ESOS;
- (c) the shareholders of PUB at an extraordinary general meeting to be convened; and
- (d) any other relevant authorities, if required.

## **7. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS**

The Proposed Rights Issue would be implemented on a rights basis. In this regard, all entitled shareholders including the substantial shareholders and/or Directors and persons connected to the substantial shareholders and/or Directors in their personal capacity, if any, will be offered the Rights Shares on equal basis relative to their respective shareholdings.

Save for the executive directors entitled to participate in the Proposed ESOS, none of the substantial shareholders, Directors and/or persons connected to them has any interest, direct or indirect, in the Proposals.

## 8. ADVISER

The Board of Directors of PUB has appointed PAMB as the adviser for the Proposals.

## 9. APPLICATION TO THE SC

An application to the SC for the Proposals will be made within two (2) months from the date hereof.

**TABLE 1**

|                              | <b>RM'000</b> |
|------------------------------|---------------|
| Repayment of bank borrowings | 36,680        |
| Capital expenditure          | 10,726        |
| Working capital              | 7,594         |
| Incidental expenses          | 1,000         |
|                              | 56,000        |

**TABLE 2**

|  | <b>No. of shares<br/>of RM1.00 each</b> |
|--|---|
| Existing   | 14,000,000                              |
| To be issued pursuant to the Proposed Rights Issue                         | 56,000,000                              |
| To be issued upon the full exercise of the options under the Proposed ESOS | 7,000,000                               |
| Total enlarged share capital   | 77,000,000                              |

**TABLE 3**

|                                 | <b>Audited<br/>as at 31.12.98<br/>RM'000</b> | <b>(a)<br/>After the<br/>Proposed<br/>Rights Issue<br/>RM'000</b> | <b>After (a) and full<br/>exercise of the<br/>options* under<br/>the Proposed<br/>ESOS<br/>RM'000</b> |
|---------------------------------|--|---|---|
| Share capital                   | 14,000                                       | 70,000  | 77,000  |
| Accumulated loss                | (1,452)                                      | (1,452)   | (1,452)   |
| Share premium                   | 2,929  | 2,929   | 2,929   |
| Revaluation reserve             | 8,892  | 8,892   | 8,892   |
| Merger reserve                  | (7,547)                                      | (7,547)   | (7,547)   |
| Shareholders' Funds             | 16,822                                       | 72,822  | 79,822  |
| Less: Intangible assets         |  |   |   |
| Deferred Expenditure            | (5)  | (5)   | (5)   |
| Consolidated NTA                | 16,817                                       | 72,817  | 79,817  |
| Consolidated NTA per share (RM) | 1.20   | 1.04  | 1.04  |

\* The option price for the Proposed ESOS is assumed to be RM1.00 per share for the purpose of illustration.