

Announcement

Type	Announcement
Subject	OTHERS
Description	PARAGON UNION BERHAD ("PUB") PROPOSED ESTABLISHMENT OF AN EXECUTIVES SHARE SCHEME OF UP TO 5,301,700 ORDINARY SHARES REPRESENTING UP TO 7.57% OF THE EXISTING NUMBER OF ISSUED ORDINARY SHARES IN THE COMPANY ("PROPOSED ESS")

The Board of Directors of PUB wishes to announce that the establishment of an executives' share scheme of up to 5,301,700 ordinary shares of PUB, representing up to 7.57% of the existing number of issued ordinary shares in the Company, during the duration of the Proposed ESS for eligible Directors (including non-executive Directors) and employees of PUB and its subsidiaries ("**PUB Group**" or "**Group**") ("**Eligible Executives**").

Please refer to the attachment for further details of the announcement.

This announcement is dated 12 May 2020.

Please refer below.

Announcement Info

Company Name	PARAGON UNION BERHAD
Stock Name	PARAGON
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Category	General Announcement for PLC
Reference Number	GA1-12052020-00048

PARAGON UNION BERHAD (“PUB” OR THE “COMPANY”)

PROPOSED ESTABLISHMENT OF AN EXECUTIVES’ SHARE SCHEME OF UP TO 5,301,700 ORDINARY SHARES REPRESENTING UP TO 7.57% OF THE EXISTING NUMBER OF ISSUED ORDINARY SHARES IN THE COMPANY (“PROPOSED ESS”)

1. INTRODUCTION

The Board of Directors of PUB (“**Board**”) wishes to announce the establishment of an executives’ share scheme of up to 5,301,700 ordinary shares of PUB, representing up to 7.57% of the existing number of issued ordinary shares in the Company, during the duration of the Proposed ESS for eligible Directors (including non-executive Directors) and employees of PUB and its subsidiaries (“**PUB Group**” or “**Group**”) (“**Eligible Executives**”).

2. THE PROPOSED ESS

2.1 Details of the Proposed ESS

The Company proposes to award up to 5,301,700 ordinary shares in the Company to Eligible Executives (“**Scheme Shares**”) over a duration of three (3) years by utilising its existing 5,301,700 treasury shares.

For clarification, the Scheme Shares to be awarded under the Proposed ESS shall be satisfied solely by the existing 5,301,700 treasury shares held by the Company. The Scheme Shares are to be awarded and transferred to the selected Eligible Executives without any consideration.

The Proposed ESS will be governed by a set of by-laws (“**By-Laws**”) and administered by the PUB Group’s nomination and remuneration committee or such other committee comprising Directors and/or executives appointed and authorised by the Board to implement and administer the Proposed ESS (“**ESS Committee**”).

2.2 Principal Features of the Proposed ESS

The principal features of the Proposed ESS are as follows:

2.2.1 Eligibility

Any Director or employee of the Group, who have attained the age of eighteen (18) years, and hold such job grade or such rank/position as may be designated by the ESS Committee from time to time, are eligible to participate in the Proposed ESS at the absolute discretion of the ESS Committee.

The eligibility for consideration under the Proposed ESS does not confer an Eligible Executive a claim or right to participate in the Proposed ESS unless the ESS Committee has made an offer in writing (“**Offer**”) to the selected Eligible Executive (“**Selected Executive**”) and the Selected Executive has accepted the Offer in accordance with the terms of the By-Laws.

In accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Listing Requirements**”), the participation by each of the Directors, major shareholders and/or persons connected with them pursuant to the Proposed ESS must be first approved by the shareholders of PUB in a general meeting.

2.2.2 Quantum

The maximum number of Scheme Shares which may be made available under the Proposed ESS shall not exceed 5,301,700, being the existing number of treasury shares in the Company (“**Maximum Scheme Shares Available**”), subject to not more than 7.57% of the total number of issued ordinary shares in the Company at all times.

2.2.3 Maximum Allowable Allocation and Basis of Allotment

The allocation of Scheme Shares to the Selected Executives shall be determined entirely at the discretion of the ESS Committee and subject to the provision of the By-Laws after taking into consideration amongst others, their performance, appraisals and past and future contributions of the Eligible Executives to the PUB Group and such other factors that the ESS Committee deems relevant from time to time. For avoidance of doubt, the selection of Eligible Executives for participation in the Proposed ESS shall be at the sole and absolute discretion of the ESS Committee. The decision of the ESS Committee shall be final and binding.

Notwithstanding the foregoing, subject to any adjustments which may be made in accordance with the By-Laws, the aggregate maximum number of Scheme Shares that may be allocated to any one category/designation of the Selected Executives shall be determined by the ESS Committee provided that:

- (i) the aggregate allocation to senior management including Directors of the PUB Group must not exceed eighty percent (80%) of the Maximum Scheme Shares Available; and
- (ii) the allocation to any individual Selected Executives who, either singly or collectively through persons connected with the Selected Executives as defined in the Listing Requirements, holds twenty percent (20%) or more of the issued ordinary share capital of the Company, shall not exceed ten percent (10%) of the Maximum Scheme Shares Available.

In the event that the Company purchases or cancels its own shares in accordance with the provisions of Section 127 of the Companies Act 2016 (“**Companies Act**”) or otherwise undertakes any other corporate proposal resulting in the reduction of its issued ordinary share capital, all the Scheme Shares granted prior to such purchase and/or the reduction/adjustment of the issued ordinary share capital of the Company shall remain valid as if that reduction/adjustment had not occurred.

2.2.4 Scheme Share Price

The reference price of the Scheme Shares to be granted pursuant to the Offers (“**Share Price**”) shall be at a discount (as determined by the ESS Committee) of not more than ten percent (10%) of the five (5) day weighted average market price of shares of PUB (“**PUB shares**”) transacted on Bursa Securities immediately preceding the date of the Offer (*or such basis as the relevant authorities may permit*).

The Scheme Shares shall be transferred to the Selected Executives without any consideration.

2.2.5 Duration of the Proposed ESS

The Proposed ESS shall take effect on the date on which the last of the approvals and/or conditions stipulated in the Listing Requirements of Bursa Securities (“**Listing Requirements**”) have been obtained and/or complied with (“**Effective Date**”) and shall be in force for a period of three (3) years from the Effective Date. The Board shall have the discretion to extend the duration of the Proposed ESS by another two (2) years or such shorter period as it deems fit immediately from the expiry of the first three (3) years.

On expiry of the Proposed ESS, any award which have yet to be exercised or vested shall be deemed cancelled and be null and void.

2.2.6 Rights Attaching to the Scheme Shares

The Scheme Shares to be transferred to the Selected Executives shall be entitled to allotments by way of bonus issue and/or any other distributions by way of capitalisation of profits or reserves (“**Accruals**”) which may be declared to PUB’s shareholders, for which the book closure date is after the date on which the Offer is accepted. However, the Accruals shall only pass to and vest in the Selected Executives if and when the Scheme Shares are transferred to them.

Save and except for the Accruals, the Scheme Shares shall not be entitled to any dividends and other rights attached to such Scheme Shares to be transferred.

2.2.7 Retention period

The ESS Committee shall be entitled to prescribe or impose, in relation to any Offer, any condition relating to any retention period or restriction on transfer as it deems fit.

A participant who is a non-executive Director must not sell, transfer or assign PUB shares obtained from the Proposed ESS within one (1) year from the date of Offer.

2.2.8 Amendment and/or Modification to the Proposed ESS

Subject to compliance with the Listing Requirements and the approvals of any other authorities (if required), the ESS Committee may at any time and from time to time recommend to the Board any additions, amendments and/or modifications to and/or deletions of these By-Laws as it shall in its discretion think fit and the Board shall at any time and from time to time have the power by resolution to add to, amend, modify and/or delete all or any part of these By-Laws upon such recommendation, provided that no additions or amendments to or modifications or deletion of these By-Laws shall be made which will:

- (a) prejudice any rights of the shareholders of the Company without the prior approval of the shareholders of the Company in a general meeting unless such amendment, modification or deletion arises as a consequence to the amendment, medication or deletion of the Listing Requirements; or
- (b) provide an advantage to any Selected Executive or group of Selected Executives or all the Selected Executives unless otherwise permitted under the provisions of Listing Requirements.

For the purpose of complying with the provisions of the Listing Requirements, the provisions of the By-Laws by virtue of Appendix 6E of the Listing Requirements shall not be amended or altered in any way whatsoever to the advantage of the Eligible Executives or Selected Executives without the prior approval of shareholders in general meeting.

Where any amendment and/or modification is made to the By-Laws, the Company shall submit to Bursa Securities, the amendment and/or modification to the By-Laws and a confirmation letter that the amendment and/or modification complies with the relevant provisions stipulated in the Listing Requirements no later than 5 Market Days from the effective date of the said amendment and/or modification.

2.2.9 Takeover and Disposal of Assets

In the event:

- (a) of a takeover offer being made, under the Malaysian Code on Take-Overs and Mergers 2016 and Rules on Take-overs, Mergers and Compulsory Acquisitions, for the Company through a general offer to acquire the whole of the issued share capital of the Company (or such part thereof not at the time owned by the person making the general offer (“**Offeror**”) or any persons acting in concert with the Offeror) and such takeover offer is announced by the Offeror as being unconditional or have become unconditional, the Scheme Shares which have not been vested into the Selected Executive (“**Unvested Scheme Shares**”) shall immediately vest in a Selected Executive or a Selected Executive’s legal and personal representatives, as the case may be, during the takeover period or until the expiry of the period which the Scheme Share may be transferred to the Selected Executive as may be specified by the Offer (“**ESS Window Period**”), whichever is earlier;
- (b) of the Offeror becoming entitled or bound to exercise the right of compulsory acquisition of PUB Shares under the provisions of the Companies Act and/or Capital Markets And Services Act 2007 or other relevant law applicable at the material time and gives notice to the Company that it intends to exercise such right on a specific date, any Unvested Scheme Shares shall immediately vest in a Selected Executive or a Selected Executive’s legal and personal representatives,, as the case may be, from the date of service of the said notice to the Company until and inclusive of the date on which the right of the compulsory acquisition is exercised or until the expiry of the ESS Window Period, whichever is earlier; or
- (c) the Company disposes of all or substantially all of its assets and the disposal becomes unconditional, the Unvested Scheme Shares shall immediately vest in a Selected Executive or a Selected Executive’s legal and personal representatives, as the case may be, commencing from the unconditional date of the said disposal until the date prescribed by the ESS Committee within the ESS Window Period,

subject to such terms and conditions (if any) as may be prescribed by the ESS Committee notwithstanding that:

- (i) the vesting date is not due or has not occurred; and/or
- (ii) the ESS Window Period has not commenced; and/or
- (iii) other terms and conditions set out in the Offer have not been fulfilled or satisfied.

2.2.10 Termination of the Proposed ESS

Notwithstanding anything set out in the By-Laws and subject always to compliance with the Listing Requirements and any other relevant rules or requirements, the Proposed ESS may be terminated by the Company at any time before its expiry provided that the Company makes an announcement immediately to Bursa Securities. In the event of such termination:

- (i) no further Offer shall be made by the ESS Committee from the effective date of termination of the Proposed ESS (“**Termination Date**”); and
- (ii) all offers of Scheme Shares which have yet to be accepted by Selected Executives shall automatically lapse on the Termination Date.

3. UTILISATION OF PROCEEDS

PUB will not raise any proceeds from the Proposed ESS as the Scheme Shares shall be transferred to the Selected Executives without any consideration.

4. RATIONALE FOR THE PROPOSED ESS

The Proposed ESS is intended to:

- (i) create a greater sense of belonging and dedication amongst the Selected Executives upon vesting of their Scheme Shares as they will be able to participate directly in the future growth of PUB; and
- (ii) continue to retain and motivate existing as well as attract prospective skilled and experienced employees to the Group by making the total compensation package more competitive.

5. FINANCIAL EFFECTS OF THE PROPOSED ESS

5.2 Share Capital

The Proposed ESS will have no impact on the issued ordinary share capital of PUB, as the Scheme Shares will be awarded from the existing treasury shares retained by the Company.

As at the LPD, PUB does not have any convertible securities.

5.3 Substantial Shareholders

The Proposed ESS will not have an immediate effect on the shareholdings of the substantial shareholders of PUB until such time when Scheme Shares are vested pursuant to the Proposed ESS, which should result in a dilution in their shareholdings. Any effect on the substantial shareholders' shareholdings in PUB would depend on the number of Scheme Shares vested.

5.4 Net Assets ("NA") and Gearing

Save for the estimated expenses in relation to the establishment of the Proposed ESS amounting to RM80,000, the Proposed ESS will not have an immediate effect on the consolidated net assets per PUB Share and gearing of the Group until such time as and when the offer of Scheme Shares is accepted by the Selected Executives. Any potential effect on the consolidated net assets per PUB Share and gearing of the Group in the future would depend on, amongst others, the number of Scheme Shares granted and the extent of the effect of the Proposed ESS on the Group's earnings at the relevant point in time.

5.5 Earnings and earnings per share ("EPS")

The Proposed ESS is not expected to have any immediate effect on the consolidated EPS of PUB Group. Nevertheless, PUB Group's EPS will be diluted as a result of the granting of Scheme Shares pursuant to the Proposed ESS.

In addition, under the Financial Reporting Standard 2 on Share-based Payment as issued by the Malaysian Accounting Standards Board ("MFRS 2"), the fair value of the Scheme Shares comprised in a grant will need to be measured on the date of grant and recognised as an expense over the vesting period. This would have an effect on the earnings of the PUB Group. However, the extent of the effect of the Proposed ESS on PUB's consolidated earnings and earnings per share, as a consequence of the recognition of the expense, cannot be determined at this juncture as it would depend on the number of Scheme Shares offered and various factors that affect the fair value of the said Scheme Shares at the date of Offer.

The estimated expenses in relation to establishment of the Proposed ESS (excluding the potential cost of awarding the Scheme Shares under MFRS 2) is approximately RM80,000, and will be funded by PUB through internally-generated funds.

6. APPROVALS REQUIRED

The Proposed ESS is not subject to the approval of the shareholders of PUB. A separate announcement will be made on the Effective Date for the Proposed ESS.

7. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

All the Directors of PUB are entitled to participate in the Proposed ESS and are therefore deemed interested in the Proposed ESS to the extent of their respective allocations under the Proposed ESS (collectively, the “**Interested Directors**”). As such, the Interested Directors will abstain from deliberating and voting on their respective own allocations under the Proposed ESS at the relevant Board meetings.

The grant of Scheme Shares, if any, to Directors, major shareholders and/or persons connected to them is subject to shareholders' approval.

Accordingly, the Interested Directors and major shareholders will abstain from voting in respect of their shareholdings (if any) in PUB on the respective resolution pertaining to the proposed grant of Scheme Shares to them at a general meeting to be convened. They will also undertake to ensure that they and persons connected with them will abstain from voting in respect of their shareholdings in PUB (if any) on the aforementioned resolutions pertaining to them at the general meeting to be convened.

Save as disclosed above, none of the Directors and major shareholders of PUB and/or persons connected with them have any interest, direct and/or indirect, in the Proposed ESS.

8. ESTIMATED TIMEFRAME FOR IMPLEMENTATION

Barring unforeseen circumstances and subject to receipt of all relevant approvals, the Proposed ESS is expected to be implemented in the 2nd quarter of the calendar year 2020.

9. DIRECTORS' STATEMENT

After having considered all aspects of the Proposed ESS (including but not limited to the rationale and the financial effects), the Board is of the opinion that the Proposed ESS is in the best interest of the Group.

This announcement is dated 12 May 2020.