

# Announcement

## Circular/Notice to Shareholders

PARAGON UNION BERHAD

Subject INDEPENDENT ADVICE CIRCULAR TO THE HOLDERS IN RELATION TO THE UNCONDITIONAL MANDATORY TAKE-OVER OFFER BY AKK CAPITAL SDN BHD ("OFFEROR") THROUGH HONG LEONG INVESTMENT BANK BERHAD TO ACQUIRE ALL THE REMAINING ORDINARY SHARES IN PARAGON UNION BERHAD (EXCLUDING TREASURY SHARES) NOT ALREADY OWNED BY THE OFFEROR AND ULTIMATE OFFEROR ("OFFER SHARE(S)") FOR A CASH OFFER PRICE OF RM0.55 FOR EACH OFFER SHARE ("OFFER")

Please refer attachment below.

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## Announcement Info

Company Name	PARAGON UNION BERHAD
Stock Name	PARAGON
Date Announced	25 Feb 2021
Category	Document Submission
Reference Number	DCS-25022021-00004

**THIS INDEPENDENT ADVICE CIRCULAR (“IAC”) IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. YOU SHOULD READ THIS IAC IN CONJUNCTION WITH THE OFFER DOCUMENT DATED 15 FEBRUARY 2021 ISSUED BY HONG LEONG INVESTMENT BANK BERHAD ON BEHALF OF THE OFFEROR (AS DEFINED HEREIN) WHICH HAS BEEN SENT TO YOU.**

If you are in any doubt as to what course of action you should take, please consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately. If you have sold or transferred all your securities in Paragon Union Berhad (Registration No. 199401000779 (286457-V)), you should at once hand this IAC to the stockbroker or the agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee of such securities.

Pursuant to Paragraph 11 of the Rules on Take-overs, Mergers and Compulsory Acquisitions (“**Rules**”), the Securities Commission Malaysia (“**SC**”) has notified that it has no further comments on this IAC and such notification shall not be taken to suggest that SC agrees with the recommendations of the independent adviser and the Board (as defined herein) or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAC.



# PARAGON UNION BERHAD

**PARAGON UNION BERHAD**  
(Registration No. 199401000779 (286457-V))  
(Incorporated in Malaysia)

**INDEPENDENT ADVICE CIRCULAR TO THE HOLDERS IN RELATION TO THE**

**UNCONDITIONAL MANDATORY TAKE-OVER OFFER**

**BY**

**AKK CAPITAL SDN BHD (“OFFEROR”)**  
(Registration No. 202001034960 (1391281-K))  
(Incorporated in Malaysia)

**THROUGH**

**HONG LEONG INVESTMENT BANK BERHAD**  
(Registration No. 197001000928 (10209-W))  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

**TO ACQUIRE**

**ALL THE REMAINING ORDINARY SHARES IN PARAGON UNION BERHAD (EXCLUDING TREASURY SHARES) NOT ALREADY OWNED BY THE OFFEROR AND ULTIMATE OFFEROR (AS DEFINED HEREIN) (“OFFER SHARE(S)”) FOR A CASH OFFER PRICE OF RM0.55 FOR EACH OFFER SHARE (“OFFER”)**

*Independent Adviser*

**MALACCA SECURITIES SDN BHD**

Registration No: 197301002760 (16121-H)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

This Independent Advice Circular is dated 25 February 2021

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## DEFINITIONS

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Except where the context otherwise requires or where otherwise defined herein, words and expressions defined in the Rules (as defined hereunder) shall have the same meaning when used herein and the following definitions shall apply throughout this Independent Advice Circular:

“Accepting Holder(s)”	:	Holder(s) who accepts the Offer in accordance with the terms and conditions of the Offer Document
“Acquisitions”	:	Acquisitions by the Offeror of 39,979,794 Shares, representing about 60.41% of the equity interest in Paragon Union (after excluding treasury shares of 3,821,100) as at the date of the Notice from the Vendors for a total cash consideration of RM21,988,886.70 or RM0.55 for each Share, which was completed on 25 January 2021
“Act”	:	Companies Act, 2016
“AKK” or the “Offeror”	:	AKK Capital Sdn Bhd (Registration No.: 202001034960 (1391281-K))
“Board”	:	Board of Directors of Paragon Union
“Bursa Depository”	:	Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
“Bursa Securities”	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
“Closing Date”	:	(a) First Closing Date; or (b) If the Offer is extended or revised in accordance with the Rules and the terms and conditions of the Offer Document, such other extended or revised closing dates as the Offeror may decide and HLIB may announce on behalf of the Offeror at least 2 days before the Closing Date
“CMSA”	:	Capital Markets and Services Act 2007
“Code”	:	Malaysian Code on Take-overs and Mergers 2016
“Director(s)”	:	Director(s) of Paragon Union
“Dissenting Holder(s)”	:	Any Holder(s) who does not accept the Offer or who has failed or refused to transfer the Offer Shares to the Offeror in accordance with the terms and conditions of the Offer Document
“Distribution”	:	Any dividend or distribution of any nature declared, made or paid by Paragon Union to the Holders
“EPS”	:	Earnings per Share
“ESS”	:	Executive share scheme of Paragon Union
“First Closing Date”	:	5.00 p.m. (Malaysian time) on 8 March 2021, being the day falling 21 days from the Posting Date
“Form of Acceptance and Transfer”	and:	Form of acceptance and transfer for the Offer Shares enclosed with the Offer Document
“FPE”	:	Financial period ending/ended, as the case may be
“FYE”	:	Financial year ending/ended, as the case may be

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**DEFINITIONS (Cont'd)**

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“GDP”	:	Gross development profit
“GDV”	:	Gross development value
“HLIB”	:	Hong Leong Investment Bank Berhad (Registration No. 197001000928 (10209-W))
“Holder(s)”	:	Holder(s) (including any custodian, nominee and trustee) of the Offer Shares
“Independent Advice Circular” or “IAC”	:	The independent advice circular dated 25 February 2021 in relation to the Offer comprising the letter from the Board as contained in Part A and the IAL as contained in Part B
“Independent Advice Letter” or “IAL”	:	Independent advice letter dated 25 February 2021 issued by Malacca Securities in relation to the Offer in Part B of this IAC
“LAT”	:	Loss after taxation
“Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities
“LPS”	:	Loss per Share
“LPD”	:	18 February 2021, being the latest practicable date of this IAC
“LTD”	:	21 January 2021, being the last full trading day prior to the date of the Notice
“Main Market”	:	Main Market of Bursa Securities
“Malacca Securities” or the “Independent Adviser”	:	Malacca Securities Sdn Bhd (Registration No. 197301002760 (16121-H)), the independent adviser appointed by the Board in accordance with Paragraph 3.06 of the Rules
“Market Day”	:	Any day on which Bursa Securities is open for trading in securities
“NA”	:	Net assets
“NBV”	:	Net book value
“Non-Resident Holder(s)”	:	Holder(s) (including nominees, trustees and custodians) who are citizens or nationals of, or residents in, or have registered address in jurisdictions outside Malaysia, or are incorporated or registered with, or approved by any authority outside Malaysia, or are non-resident within the definition prescribed under the Financial Services Act 2013, or who have not provided an address in Malaysia for the service of the Offer Document
“Notice”	:	The notice of the Offer dated 22 January 2021, which was served on the Board by HLIB on behalf of the Offeror
“Offer”	:	The unconditional mandatory take-over offer by the Offeror, through HLIB, to acquire all the Offer Shares at the Offer Price in accordance with and subject to the terms and conditions in the Offer Document
“Offer Document”	:	The offer document dated 15 February 2021, which sets out the details of the Offer, together with the enclosed Form of Acceptance and Transfer

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**DEFINITIONS (Cont'd)**

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“Offer Document LPD”	:	5 February 2021, being the latest practicable date of the Offer Document
“Offer Period”	:	The period commencing from 22 January 2021, being the date of the Notice, until the earlier of either:  (a) the Closing Date; or  (b) the date on which the Offer lapses, expires or is withdrawn with the written consent of the SC
“Offer Price”	:	Cash offer price of RM0.55 for each Offer Share
“Offer Share(s)”	:	All the remaining 29,168,466 Shares (excluding Treasury Shares) not already owned by the Offeror and Ultimate Offeror, representing about 42.18% of the total number of issued shares of 69,148,260 (after excluding Treasury Shares)
“Official List”	:	A list specifying all securities which are listed on Bursa Securities
“Paragon Union” “Company” or “Offeree”	or :	Paragon Union Berhad (Registration No. 199401000779 (286457-V))
“Paragon Union Group” “Group”	or :	Paragon Union and its subsidiary companies, collectively
“Paragon Union Share(s)” or “Share(s)”	:	Ordinary share(s) in Paragon Union
“PAT”	:	Profit after taxation
“Posting Date”	:	15 February 2021, being the date of dispatch of the Offer Document
“PPE”	:	Property, plant and equipment
“Public Spread Requirement”	:	The requirement under Paragraph 8.02(1) of the Listing Requirements which states that a listed issuer must ensure that at least 25.0% of its total listed shares (excluding treasury shares) are in the hands of public shareholders to ensure its continued listing on the Main Market of Bursa Securities
“Rahim & Co” or “Valuer”	:	Rahim & Co International Sdn Bhd (Registration No. 201501001265 (1126597-X))
“Revalued Property Assets”	:	Land and properties under the PPE that were valued by the Valuer for internal management purpose
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively
“RNAV”	:	Revalued net assets value
“RPGT”	:	Real property gains tax
“Rules”	:	Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the SC
“SC”	:	Securities Commission Malaysia
“Sqft”	:	Square feet

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**DEFINITIONS (Cont'd)**

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“Treasury Shares”	:	851,740 Shares as treasury shares after taking into consideration the vesting of 4,449,960 treasury shares which have been granted to the eligible executives of Paragon Union pursuant to the ESS effective from 15 May 2020. Out of 4,449,960 units of treasury shares granted, 1,480,600 Shares have vested as at 31 July 2020 and 2,969,360 Shares have vested on 15 February 2021, being the date of issuance of the Offer Document
“Ultimate Offeror”	:	Koon Hoi Chun
“Valid Acceptance(s)”	:	Acceptance(s) of the Offer by Holder(s) in accordance with the terms and conditions of the Offer Document, which acceptance is deemed by the Offeror to be valid and complete in all respects
“Vendors”	:	Asia Avenue Sdn Bhd, Tan Choon Hock, Kong Say Thor, Lee Poh Ting and Lee Poh Yee, collectively
“VWAP”	:	Volume weighted average market price

In this IAC, the words denoting the singular shall, where applicable, include the plural and vice versa. Words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include corporations, unless otherwise specified.

Where a period specified in the Rules, as appearing in this IAC, ends on a day which is not a Market Day, the period is extended until the next Market Day.

All references to “you” or “Holder” in this IAC are to each Holder, being the person to whom the Offer is being made.

All references to “we”, “us” and “our” in this IAC are to Malacca Securities, being the Independent Adviser for the Offer.

All references to dates and times in this IAC shall be references to Malaysian dates and times, unless otherwise indicated.

Any reference to any enactment or guideline in this IAC is reference to that enactment or guideline as amended or re-enacted from time to time.

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**EXECUTIVE SUMMARY**

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## EXECUTIVE SUMMARY

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THIS EXECUTIVE SUMMARY IS INTENDED TO PROVIDE A SUMMARY OF THE PERTINENT INFORMATION OF THE OFFER. HOLDERS ARE ADVISED TO READ AND FULLY UNDERSTAND THE LETTER FROM THE BOARD AND THE IAL FROM MALACCA SECURITIES, THE INDEPENDENT ADVISER, FOR FURTHER INFORMATION AND FOR THEIR RECOMMENDATIONS IN RELATION TO THE OFFER. THIS IAC SHOULD BE READ IN CONJUNCTION WITH THE OFFER DOCUMENT ISSUED BY THE OFFEROR THROUGH HLIB DATED 15 FEBRUARY 2021.

### 1. INTRODUCTION

On 22 January 2021, the Offeror had entered into unconditional share sale agreements with the Vendors to acquire a total of 39,979,794 Shares, representing about 60.41% of the equity interest in Paragon Union (after excluding 3,821,100 treasury shares), for a total cash consideration of RM21,988,886.70 or RM0.55 for each Share.

The details of the said agreements are as follows:

Vendors	No. of Shares	% <sup>(1)</sup>
Asia Avenue Sdn Bhd	31,941,094	48.26
Tan Choon Hock	3,428,000	5.18
Kong Say Thor	2,788,200	4.21
Lee Poh Ting	978,700	1.48
Lee Poh Yee	843,800	1.28
<b>Total</b>	<b>39,979,794</b>	<b>60.41</b>

Note:

- (1) Computed based on their respective shareholding over 66,178,900 Paragon Union Shares in issue as at the LTD (excluding 3,821,100 Shares held as treasury shares as at the date of the Notice).

*For information purpose, out of the 3,821,100 units of treasury shares, 2,969,360 Shares were granted to the eligible executives of the Offeree pursuant to the ESS effective from 15 May 2020 and the said Shares remain unvested as at the date of the Notice. 2,969,360 Shares were vested and are part of the Offer Shares on the date of the Offer Document, pursuant to and in accordance with the by-laws of the ESS.*

On 25 January 2021, the Offeror had completed the Acquisitions via direct business transactions. As a result of the Acquisitions, the collective shareholdings of the Offeror and Ultimate Offeror in Paragon Union increased from nil Shares to 39,979,794 Shares, representing about 60.41% of the total number of issued Shares (after excluding 3,821,100 treasury shares). As at the LPD, the collective shareholding of the Offeror and Ultimate Offeror in Paragon Union is 57.82%.

On behalf of the Offeror, HLIB served the Notice on the Board on 22 January 2021 informing Paragon Union of the Offeror's statutory obligation to undertake the Offer to acquire the Offer Shares at the Offer Price, in accordance with Paragraph 9.10(1)(b)(i) of the Rules. On the same day, the Board announced the receipt of the Notice.

The Ultimate Offeror for the Offer is Koon Hoi Chun, the sole shareholder and director of AKK.

On 26 January 2021, the Board announced that it does not intend to seek an alternative person to make a take-over offer for the Offer Shares and that Malacca Securities has been appointed to act as the Independent Adviser to advise the Board and the Holders, and to provide its comments, opinion, information and recommendation on the Offer. Malacca Securities had, on 27 January 2021, declared to the SC its independence from any conflict of interest or potential conflict of interest to act as the Independent Adviser in relation to the Offer.

A copy of the Notice was despatched to the Holders on 27 January 2021.

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**EXECUTIVE SUMMARY (Cont'd)**

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The Offeror and Ultimate Offeror confirmed that there is no arrangement or agreement entered into between the Vendors, the Offeror, Ultimate Offeror and any persons acting in concert with them that would lead to any favourable deal.

You should have by now received a copy of the Offer Document dated 15 February 2021 which sets out the details, terms and conditions of the Offer as well as the procedures for acceptance and method of settlement of the Offer.

Pursuant to Paragraph 11 of the Rules, the SC had on 24 February 2021, given its notification that it has no further comments on this IAC and such notification shall not be taken to suggest that SC agrees with the recommendations of the Independent Adviser and the Board or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAC.

Further information on the Offer is set out in Sections 1 and 2 of Part B of this IAC.

**THE PURPOSE OF THIS IAC IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE OFFER AND THE DIRECTORS' VIEW AND RECOMMENDATION ON THE OFFER TOGETHER WITH THE RECOMMENDATION OF MALACCA SECURITIES. YOU ARE ADVISED TO READ BOTH THIS IAC AND THE OFFER DOCUMENT AND CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED HEREIN BEFORE TAKING ANY ACTION.**

You should take note that in the event of any further restriction to movement due to the implementation of any movement control order by the Government of Malaysia or any other emergency, electronic documentation and service may be the only mode that can be employed. As such, it is important for you to register your e-mail address with Bursa Depository via:

- (a) [https://www.bursamalaysia.com/trade/our\\_products\\_services/central\\_depository\\_system/request\\_for\\_estatement](https://www.bursamalaysia.com/trade/our_products_services/central_depository_system/request_for_estatement); or
- (b) Bursa Anywhere mobile application which can be downloaded from Google Play Store or Apple App Store.

## 2. TERMS AND CONDITIONS OF THE OFFER

The salient terms and conditions of the Offer are as follows:

<b>Consideration for the Offer</b>	<p>The Offeror will pay a cash consideration of RM0.55 for each Offer Share to the Accepting Holders. The Offer Price will be satisfied in cash.</p> <p>However, if Paragon Union declares, makes or pays any Distribution on or after the date of the Notice but before the Closing Date, and Holders are entitled to retain such Distribution, the Offer Price will be reduced by an amount equivalent to the net Distribution for each Offer Share which the Holders are entitled to retain. For the avoidance of doubt, no adjustment shall be made to the Offer Price in the event that the entitlement date for the Distribution is after the Closing Date.</p> <p>As at the LPD, Paragon Union has not declared any Distribution based on the announcements made by Paragon Union on Bursa Securities that is payable on or after the date of the Notice.</p> <p>Holders may accept the Offer for all or part of their Offer Shares. The Offeror will not pay fractions of a sen to the Holders. Hence, where applicable, the Holders' entitlements to the Offer Price will be rounded down to the nearest whole sen.</p>
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**EXECUTIVE SUMMARY (Cont'd)**

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<b>Condition for the Offer</b>	The Offer is not conditional upon any minimum level of acceptances of the Offer Shares as the Offeror and Ultimate Offer collectively held more than 50.00% of the voting shares of Paragon Union upon the completion of the Acquisitions.
<b>Duration of the Offer</b>	<p>The Offer will remain open for acceptances until 5:00 p.m. (Malaysian time) on 8 March 2021, being the First Closing Date, unless extended or revised in accordance with the Rules and the terms and conditions of the Offer Document. Any such extension or revision will be announced by HLIB, on behalf of the Offeror at least 2 days before the Closing Date. Notices of such extension or revision will be posted to the Holders accordingly.</p> <p>Please refer to Section 2 of Appendix I of the Offer Document for further details on the duration of the Offer.</p>
<b>Method of settlement</b>	<p>Other than the Offeror's right to reduce the Offer Price as set out in Section 2.1 of the Offer Document and except with the consent of the SC, the Offeror will settle the consideration to which you are entitled under the Offer in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counter-claim or other analogous rights to which the Offeror may be or claim to be entitled against you. However, this is without prejudice to the Offeror's rights to make any claim against you in respect of a breach of your warranties as set out in Section 1 of Appendix I of the Offer Document.</p> <p>The Offeror will settle the consideration for the Offer Shares through remittance in the form of cheques, banker's drafts or cashier's orders, which will be posted by ordinary mail to you (or your designated agents, as you may direct) at your registered Malaysian address last maintained with Bursa Depository at your own risk within 10 days from the date of the Valid Acceptances. This is provided that the Offeror deems such acceptances to be complete and valid in all respects in accordance with the terms and conditions of the Offer Document.</p> <p>Any Non-Resident Holders are advised that settlement for acceptances of the Offer will be made in RM. Non-Resident Holders who wish to convert their consideration into foreign currency for repatriation may do so after payment of the appropriate fees and/or charges levied by the respective financial institutions.</p>

Please refer to Appendix I of the Offer Document for other terms and conditions of the Offer and Appendix II of the Offer Document for the procedures for acceptance and method of settlement of the consideration for the Offer Shares.

### **3. ACCEPTANCES OF THE OFFER**

As at the Offer Document LPD, the Offeror and Ultimate Offeror have not received any irrevocable undertaking from any Holder to accept or reject the Offer.

As at the LPD, there was no announcement made by HLIB on behalf of the Offeror of any acceptance of the Offer Shares.

#### 4. EVALUATION OF THE OFFER

In arriving at our conclusion and recommendation, we have assessed the fairness and reasonableness of the Offer in accordance with Paragraphs 1 to 6 of Schedule 2: Part III of the Rules, where the term “fair and reasonable” should generally be analysed as two distinct criteria i.e. whether the offer is “fair”; and whether the offer is “reasonable”, rather than as a composite term.

Paragraph 2 of Schedule 2: Part III of the Rules states that in considering whether a take-over offer can be considered “fair”, the independent adviser should assess if the offer price or value of consideration is equal to or greater than the value of the securities that are the subject of the take-over offer. If the offer price is equal to or higher than the market price and is also equal to or higher than the value of the securities of the offeree, the take-over offer is considered as “fair”. If the offer price is equal to or higher than the market price, but is lower than the value of the securities of the offeree, the take-over offer is considered as “not fair”.

Paragraph 4 of Schedule 2: Part III of the Rules states that in considering whether a take-over offer is “reasonable”, the independent adviser should take into consideration matters other than the valuation of the securities that are the subject of the take-over offer. Generally, a take-over offer would be considered “reasonable” if it is “fair”. Nevertheless, an independent adviser may also recommend for shareholders to accept the take-over offer despite it being “not fair”, if the independent adviser is of the view that there are sufficiently strong reasons to accept the offer in the absence of a higher bid and such reasons should be clearly explained.

Paragraph 6 of Schedule 2: Part III of the Rules states that in the event the independent adviser concludes that a take-over offer is “not fair but reasonable”, the independent adviser must clearly explain the following:

- (a) what is meant by “not fair but reasonable”;
- (b) how has the independent adviser reached to this conclusion; and
- (c) the course of action that the shareholders are recommended to take pursuant to the conclusion.

##### 4.1 Fairness of the Offer

We are of the view that the Offer is **not fair** after having considered the following:

- **Valuation of the Paragon Union Shares**
  - (a) The Offer Price represents a **discount** of RM0.70 or approximately 56.00% to the RNAV of RM1.25 per Paragon Union Share;
  - (b) The Offer Price represents **discounts** ranging from RM0.08 to RM0.50 (or 12.73% to 47.62%) over the closing market prices on the LTD and the 5-day, 1-month, 3-month, 6-month and 12-month VWAPs of Paragon Union Shares up to and including the LTD; and
  - (c) The Offer Price represents a **discount** of RM1.40 or approximately 71.79% of the closing market price of Paragon Union Shares of RM1.95 on the LPD.

#### 4.2 Reasonableness of the Offer

We are of the view that the Offer is **not reasonable** after having considered the following:

- **Listing status of Paragon Union, compulsory acquisition and rights of Dissenting Holders**

We note that **it is the intention of the Offeror and the Ultimate Offeror to maintain the listing status of Paragon Union on the Main Market of Bursa Securities.** Therefore, Paragon Union Shares will remain traded on Bursa Securities and hence, the Holders will still have the opportunity to realise their investments in Paragon Union Shares in the open market after the Closing Date. However, there is no assurance that the market price of Paragon Union Shares will continue to trade at current price levels after the Closing Date.

In the event Paragon Union fails to comply with the Public Spread Requirements pursuant to the Offer, the Offeror (subject to the Offeror and Ultimate Offeror continuing to retain collective equity interests of more than 50% in Paragon Union) will work together with Paragon Union to explore various options or proposals within three (3) months from the Closing Date or such timeframe as allowed by the relevant authorities to help facilitate Paragon Union to comply with the Public Spread Requirement.

We also note that if the Offeror receives acceptances of not less than nine-tenths in the value of the Offer Shares (excluding the Shares already held by the Offeror, Ultimate Offeror and any persons acting in concert on 22 January 2021, being the date of the Offer), **the Offeror does not intend to invoke the provisions of Section 222(1) of the CMSA** to compulsorily acquire any remaining Offer Shares for which Valid Acceptances have not been received on or before the Closing Date even if the conditions stipulated in Section 222(1) of the CMSA are fulfilled.

However, a Dissenting Holder may exercise his/her rights to require the Offeror to acquire his/her Offer Shares on the same terms as set out in the Offer Document or such other terms as may be agreed between the Offeror and such Dissenting Holder under Section 223(1) of the CMSA if the Offeror receives Valid Acceptances from Holders resulting in the Offeror and Ultimate Offeror holding at least nine-tenths (9/10) in value of all the Paragon Union Shares on or before the Closing Date.

### 5. CONCLUSION AND RECOMMENDATION

#### 5.1 Malacca Securities' conclusion and recommendation

In arriving at our recommendation, we have reviewed and evaluated the factors which we deemed to have significant relevance to our assessment of the Offer.

Premised on the above, we are of the opinion that the Offer is **NOT FAIR AND NOT REASONABLE**.

Accordingly, we recommend that the Holders **REJECT** the Offer.

#### 5.2 Directors' conclusion and recommendation

After careful examination of the terms and conditions of the Offer as contained in the Offer Document and taking into consideration the evaluation and recommendation of Malacca Securities, the Directors **CONCUR** with the evaluation and recommendation of Malacca Securities that the Offer is **NOT FAIR AND NOT REASONABLE**.

Accordingly, the Directors recommend that the Holders **REJECT** the Offer.

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**EXECUTIVE SUMMARY (Cont'd)**

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However, Holders who intend to exit their investments in the Offer Shares may consider selling their Paragon Union Shares in the open market if they are able to obtain a price higher than the Offer Price, net of related expenses.

The Directors and Malacca Securities have not taken into consideration any specific investment objectives of any individual Holder or any specific group of Holders. The Directors and Malacca Securities recommend that any individual Holder or any specific group of Holders who may require advice in the context of their investment objectives, financial and tax situations, risk profile and particular needs should consult their respective stockbroker, solicitor, accountant, bank manager or other professional advisers immediately.

The decision to be made would rest on the individual risk appetite and specific requirements of the individual Holders. Holders should be mindful that there may be continuous fluctuations in the market prices of Paragon Union Shares prior to and after the Closing Date. As such, Holders are advised to closely monitor the prices and volume of Paragon Union Shares before deciding on the Offer.

## 6. IMPORTANT DATES AND EVENTS

The important dates and events for the Offer are set out as follows:

Event	Date
Notice served on the Board	22 January 2021
Posting of the Offer Document	15 February 2021
Issuance of IAC	25 February 2021
First Closing Date <sup>(1)</sup>	8 March 2021

Note:

- (1) *The Offer will remain open for acceptances until 5.00 p.m. (Malaysian time) on the First Closing Date unless revised or extended in accordance with the Rules and the terms and conditions of the Offer Document. Any such revision or extension will be announced by HLIB on behalf of the Offeror at least 2 days before the Closing Date. Notice of such revision or extension will be posted to the Holders accordingly.*

**YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE INFORMATION CONTAINED IN THE OFFER DOCUMENT AND THIS IAC AND NOT TO RELY SOLELY ON THIS EXECUTIVE SUMMARY BEFORE FORMING AN OPINION ON THE OFFER AND MAKING A DECISION ON THE COURSE OF ACTION TO BE TAKEN.**

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**PART A**

**LETTER FROM THE BOARD**



# PARAGON UNION BERHAD

## PARAGON UNION BERHAD

(Registration No. 199401000779 (286457-V))

(Incorporated in Malaysia)

### Registered Office:

Level 2, Tower 1, Avenue 5  
Bangsar South City  
59200 Kuala Lumpur

25 February 2021

### Board of Directors

Fung Beng Ee (*Senior Independent Non-Executive Chairman*)

Lee Choon Hee (*Executive Director*)

Lau Yoke Keen (*Independent Non-Executive Director*)

### To: The Holders

Dear Sir/Madam,

## UNCONDITIONAL MANDATORY TAKE-OVER OFFER BY THE OFFEROR THROUGH HONG LEONG INVESTMENT BANK BERHAD TO ACQUIRE THE OFFER SHARES AT A CASH OFFER PRICE OF RM0.55 FOR EACH OFFER SHARE

### 1. INTRODUCTION

On 22 January 2021, the Offeror had entered into unconditional share sale agreements with the Vendors to acquire a total of 39,979,794 Shares, representing about 60.41% of the equity interest in Paragon Union (after excluding 3,821,100 treasury shares), for a total cash consideration of RM21,988,886.70 or RM0.55 for each Share.

The details of the said agreements are as follows:

Vendors	No. of Shares	% <sup>(1)</sup>
Asia Avenue Sdn Bhd	31,941,094	48.26
Tan Choon Hock	3,428,000	5.18
Kong Say Thor	2,788,200	4.21
Lee Poh Ting	978,700	1.48
Lee Poh Yee	843,800	1.28
<b>Total</b>	<b>39,979,794</b>	<b>60.41</b>

Note:

(1) Computed based on their respective shareholding over 66,178,900 Paragon Union Shares in issue as at the LTD (excluding 3,821,100 Shares held as treasury shares as at the date of the Notice).

For information purpose, out of the 3,821,100 units of treasury shares, 2,969,360 Shares were granted to the eligible executives of the Offeree pursuant to the ESS effective from 15 May 2020 and the said Shares remain unvested as at the date of the Notice. 2,969,360 Shares were vested and are part of the Offer Shares on the date of the Offer Document, pursuant to and in accordance with the by-laws of the ESS.

On 25 January 2021, the Offeror had completed the Acquisitions via direct business transactions. As a result of the Acquisitions, the collective shareholdings of the Offeror and Ultimate Offeror in Paragon Union increased from nil Shares to 39,979,794 Shares, representing about 60.41% of the total number of issued Shares (after excluding 3,821,100 treasury shares). As at the LPD, the collective shareholding of the Offeror and Ultimate Offeror in Paragon Union is 57.82%.

On behalf of the Offeror, HLIB served the Notice on the Board on 22 January 2021 informing Paragon Union of the Offeror's statutory obligation to undertake the Offer to acquire the Offer Shares at the Offer Price, in accordance with Paragraph 9.10(1)(b)(i) of the Rules. On the same day, the Board announced the receipt of the Notice.

The Ultimate Offeror for the Offer is Koon Hoi Chun, the sole shareholder and director of AKK.

On 26 January 2021, the Board announced that it does not intend to seek an alternative person to make a take-over offer for the Offer Shares and that Malacca Securities has been appointed to act as the Independent Adviser to advise the Board and the Holders, and to provide its comments, opinion, information and recommendation on the Offer. Malacca Securities had, on 27 January 2021, declared to the SC its independence from any conflict of interest or potential conflict of interest to act as the Independent Adviser in relation to the Offer.

A copy of the Notice was despatched to the Holders on 27 January 2021.

The Offeror and Ultimate Offeror confirmed that there is no arrangement or agreement entered into between the Vendors, the Offeror, Ultimate Offeror and any persons acting in concert with them that would lead to any favourable deal.

On 15 February 2021, a copy of the Offer Document, which sets out the details, terms and conditions of the Offer as well as the procedures for acceptance of the Offer had been posted to the Holders. On the same day, 2,969,360 treasury shares were vested and included as part of the Offer Shares. In view of this, the total Paragon Union Shares subject to the Offer increased from 26,199,106 to 29,168,466.

As at the LPD, the shareholdings of the Offeror and Ultimate Offeror are as follows:

Name	Direct		Indirect	
	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>
<b>Offeror:</b> AKK	39,979,794	57.82	-	-
<b>Ultimate Offeror:</b> Koon Hoi Chun	-	-	39,979,794	57.82 <sup>(2)</sup>

Notes:

- (1) Computed based on their respective shareholding over 69,148,260 Paragon Union Shares in issue as at the LPD (excluding Treasury Shares).
- (2) Deemed interested in the Shares held by AKK pursuant to Section 8(4) of the Act.

Pursuant to Paragraph 11 of the Rules, the SC had on 24 February 2021, given its notification that it has no further comments on this IAC and such notification shall not be taken to suggest that SC agrees with the recommendations of the Independent Adviser and the Board or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAC.

**THE PURPOSE OF THIS IAC IS TO PROVIDE YOU WITH RELEVANT INFORMATION ON THE OFFER AND THE VIEWS AND RECOMMENDATIONS OF THE DIRECTORS AND MALACCA SECURITIES ON THE OFFER. YOU ARE ADVISED TO READ BOTH THIS IAC AND THE OFFER DOCUMENT AND CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED HEREIN BEFORE TAKING ANY ACTION.**

**You should take note that in the event of any further restriction to movement due to the implementation of any movement control order by the Government of Malaysia or any other emergency, electronic documentation and service may be the only mode that can be employed. As such, it is important for you to register your e-mail address with Bursa Depository via:**

- (a) [https://www.bursamalaysia.com/trade/our\\_products\\_services/central\\_depository\\_system/request\\_for\\_estatement](https://www.bursamalaysia.com/trade/our_products_services/central_depository_system/request_for_estatement); or**
- (b) Bursa Anywhere mobile application which can be downloaded from Google Play Store or Apple App Store.**

## **2. TERMS AND CONDITIONS OF THE OFFER**

The salient terms and conditions of the Offer are set out in Section 2 of Part B of this IAC. Please refer to Appendix I of the Offer Document for further information on the other terms and conditions of the Offer, Section 1 of Appendix II of the Offer Document for details on the procedures for accepting the Offer and Section 2 of Appendix II of the Offer Document for the method of settlement of the consideration for the Offer.

## **3. DIRECTORS' COMMENTS**

### **3.1 Rationale for the Offer**

The Directors take cognisance of the rationale for the Offer as set out in Section 3 of the Offer Document.

The Directors note that the Offeror acquired majority control in the Offeree mainly due to the business potential of the Paragon Union Group after taking into consideration, amongst others, the existing reputable automotive clients for the automotive car carpets business, which include Proton, Perodua, Honda, BMW, Naza and Isuzu and the on-going projects in the Paragon Union Group's order books for the commercial carpet business such as Masjid Bemban Melaka, Masjid Kuala Nerus Terengganu, Politeknik Tuanku Syed Sirajuddin Perlis, Impiana Hotel Ipoh, Royale Cameron Hotel as well as Parkcity Hotel Bintulu.

The Directors also note that the Ultimate Offeror intends to undertake a detailed review and evaluation of the Paragon Union Group's operations, share his business insights and provide strategic direction for the Paragon Union Group's business moving forward. Given the background and experience of the Ultimate Offeror in the trading and manufacturing sector, he would leverage on his experience to provide improvement in revenue stream and if appropriate, introducing cost optimization measures.

In view of the above, the Offeror and Ultimate Offeror may introduce changes, as and when deemed appropriate, with the objective to improve operational efficiency, develop future growth strategies and improve the financial performance of the Paragon Union Group. The strategies may include, amongst others, improving manufacturing efficiencies of the Paragon Union Group, widening the Paragon Union Group's products offering, customers (including geographical expansion in other countries) and venturing into other new business that the Ultimate Offeror has experience in, if feasible.

The Directors note that the Offer was made by the Offeror pursuant to Section 218(2) of the CMSA and Paragraph 4.01(a) of the Rules as a result of the Offeror acquiring more than 50.00% of the voting shares in Paragon Union upon the completion of the Acquisitions.

Please refer to Section 9 of Part B of this IAC for further details.

### **3.2 Future plans for the Group and its employees**

The Directors note from Section 6 of the Offer Document on the intention of the Offeror and Ultimate Offeror with respect to the future plans for the Group and its employees as follows:

#### **(a) Continuation of the Group's business**

The Offeror and Ultimate Offeror do not have any plan or intention to liquidate any companies within the Group and intend to continue with the existing businesses and operations of the Group. Nevertheless, the Offeror and Ultimate Offeror will, from time to time, review the Group's businesses and operations and, if deemed appropriate, effect such appropriate rationalisation, reorganisation and/or arrangements with the aim of remaining competitive, sustainable or viable in the industry as well as improving the overall financial performance and prospects of the Group.

#### **(b) Major changes to the Group's business**

The Offeror and Ultimate Offeror do not have any immediate plan to introduce any major change to the businesses of the Group.

Upon the completion of the Offer, the Offeror and Ultimate Offeror intend to work together with the directors and management of Paragon Union to decide on the strategic direction and business plans of the Group. This may include the Group undertaking one or more of the following:

- (i) strategic investments or acquisitions or joint ventures;
- (ii) reorganising or integrating its businesses or operations; or
- (iii) discontinuing operations which are deemed less viable to the Group.

The Offeror and Ultimate Offeror do not have any specific strategies or business plans at this juncture. Such strategies or business plans, if any, will be carried out after due deliberation by the Board and in accordance with the Listing Requirements and other relevant guidelines and regulations. If the business plans involve a diversification in the operations carried out by Paragon Union as prescribed under Paragraph 10.13 of the Listing Requirements, whereby:

- (i) 25.00% or more of the net assets of Paragon Union is expected to be diverted to any other operation which differs widely from its current operations; or
- (ii) the contribution from such an operation is expected to be 25.00% or more of the net profits of Paragon Union,

Paragon Union will seek the necessary approvals from its shareholders.

The above are the Offeror's and Ultimate Offeror's intentions as at the Offer Document LPD and they retain the flexibility at all times to consider any option which is in the best interest of the Group that may present itself.

#### **(c) Employees of the Group**

The Offeror and Ultimate Offeror do not have any plans to dismiss or make redundant any of the existing employees of the Group by way of a retrenchment exercise as a direct consequence of the Offer. Nevertheless, the Offeror and Ultimate Offeror may from time to time evaluate the workforce of the Group and may implement measures to improve operational efficiency and optimise staff productivity, subject always to decisions made by the Board in the best interest of Paragon Union. Such measures, if required, will be carried out in accordance with the relevant legislation and the terms of employment of the affected employees.

Premised on the rationale for the Offer and future plans for the Group and its employees as disclosed in Sections 3 and 6 of the Offer Document, the Directors concur with Malacca Securities' view that the business and management of Paragon Union will remain intact and continue as a going concern.

### **3.3 Listing status of Paragon Union**

The Directors take note that **the Offeror and the Ultimate Offeror intend to maintain the listing status of Paragon Union on the Main Market of Bursa Securities.**

As such, if Paragon Union does not comply with the Public Spread Requirement as a result of the Offer, the Offeror (subject to the Offeror and Ultimate Offeror continuing to retain collective equity interests of more than 50% in Paragon Union) will work together with Paragon Union to explore various options or proposals within 3 months from the Closing Date, or such timeframe as allowed by the relevant authorities, to help facilitate Paragon Union to comply with the Public Spread Requirement. As at the date of the Offer Document, no such arrangements have been made. Any action to comply with the Public Spread Requirement may require the approvals of the relevant authorities or the approval of the shareholders of Paragon Union. The actual course of action to be taken will depend on, among others, the circumstances as well as the prevailing market conditions at the relevant time.

Please refer to Section 7(a) in Part B of this IAC for further details.

### **3.4 Compulsory acquisition and rights of Dissenting Holders**

The Directors take note that if the Offeror receives acceptances of not less than nine-tenths in the value of the Offer Shares (excluding the Shares already held by the Offeror, Ultimate Offeror and any persons acting in concert on 22 January 2021, being the date of the Offer), **the Offeror does not intend to invoke the provisions of Section 222(1) of the CMSA** to compulsorily acquire any remaining Offer Shares for which Valid Acceptances have not been received on or before the Closing Date even if the conditions stipulated in Section 222(1) of the CMSA are fulfilled.

Notwithstanding the above, subject to Section 224 of the CMSA, Section 223 of the CMSA provides that if the Offeror receives Valid Acceptances from the Holders resulting in the Offeror and Ultimate Offeror holding at least nine-tenths in value of all the Shares on or before the Closing Date, a Dissenting Holder may exercise his/her rights under Section 223(1) of the CMSA by serving a notice on the Offeror to require the Offeror to acquire his/her Offer Shares on the same terms as set out in the Offer Document or such other terms as may be agreed between the Offeror and such Dissenting Holder.

Please refer to Section 7(b) in Part B of this IAC for further details.

## **4. ACCEPTANCES OF THE OFFER**

As at the Offer Document LPD, the Offeror and Ultimate Offeror have not received any irrevocable undertaking from any Holder to accept or reject the Offer.

As at the LPD, there was no announcement made by HLIB on behalf of the Offeror of any acceptance of the Offer Shares.

## **5. INDEPENDENT ADVISER'S LETTER**

You are advised to read and consider the views and recommendation of Malacca Securities, the Independent Adviser appointed to advise you and the Directors. The IAL is included in Part B of this IAC.

## 6. DIRECTORS' DISCLOSURE OF INTERESTS AND INTENTION RELATING TO THE OFFER

The Directors and their respective interests in Paragon Union Shares as at the LPD are as follows:

Name	Direct		Indirect	
	No. of Paragon Union Shares	<sup>(1)</sup> %	No. of Paragon Union Shares	<sup>(1)</sup> %
Fung Beng Ee	530,170	0.77	-	-
Lee Choon Hee	1,325,425	1.92	-	-
Lau Yoke Keen	530,170	0.77	-	-

Note:

(1) Computed based on their respective shareholding over 69,148,260 Paragon Union Shares in issue as at the LPD (excluding Treasury Shares).

Fung Beng Ee, Lee Choon Hee and Lau Yoke Keen have confirmed their intention to **reject** the Offer in respect of their respective holdings in the Offer Shares.

## 7. DIRECTORS' RESPONSIBILITY STATEMENT

The Board has seen and approved the contents of this IAC. The Directors collectively and individually accept full responsibility for the accuracy and completeness of the information contained in this IAC and confirm that, after making all enquiries as were reasonable in the circumstances and to the best of their knowledge and belief:

- (a) no statement and/or information relating to Paragon Union Group in this IAC is incomplete, false and/or misleading;
- (b) there are no other facts and/or information, the omission of which would render any statement and/or information relating to Paragon Union Group in this IAC incomplete, false and/or misleading;
- (c) all material facts and/or information in relation to the Offer (including those required under the Rules) have been accurately and completely disclosed in this IAC; and
- (d) opinions expressed by the Board have been arrived at after due and careful consideration.

The responsibility of the Board in respect of:

- (a) the information relating to the Offeror, Ultimate Offeror and the Offer (as extracted from the Offer Document) is to ensure that such information is accurately reproduced in this IAC; and
- (b) the independent advice and expression of opinion by Malacca Securities in relation to the Offer as set out in Part B of this IAC, is to ensure that accurate information in relation to Paragon Union Group was provided to Malacca Securities for its evaluation of the Offer and to ensure that all information in relation to Paragon Union Group that is relevant to Malacca Securities' evaluation of the Offer have been completely disclosed to Malacca Securities and that there is no omission of material facts which would make any information provided to Malacca Securities false or misleading.

## 8. DIRECTORS' RECOMMENDATION

After careful examination of the terms and conditions of the Offer as contained in the Offer Document and taking into consideration the evaluation and recommendation of Malacca Securities, the Directors **CONCUR** with the evaluation and recommendation of Malacca Securities that the Offer is **NOT FAIR AND NOT REASONABLE**.

Accordingly, the Directors recommend the Holders to **REJECT** the Offer.

However, Holders who intend to exit their investments in the Offer Shares should consider selling their Paragon Union Shares in the open market if they are able to obtain a price higher than the Offer Price, net of related expenses. Holders should also be mindful that there may be continuous fluctuations in the market prices of the Paragon Union Shares prior to and after the Closing Date. As such, Holders are advised to closely monitor the market prices and information/announcements in relation to the Offer before deciding on the course of action to be taken in respect of the Offer Shares.

**THE HOLDERS ARE ADVISED TO CAREFULLY CONSIDER THE INFORMATION CONTAINED IN THE OFFER DOCUMENT AND THIS IAC BEFORE DECIDING ON THE COURSE OF ACTION TO BE TAKEN.**

**THE DIRECTORS HAVE NOT TAKEN INTO CONSIDERATION ANY SPECIFIC INVESTMENT OBJECTIVES, FINANCIAL AND TAX SITUATIONS, RISK PROFILE AND PARTICULAR NEEDS OF ANY INDIVIDUAL HOLDER OR ANY SPECIFIC GROUP OF HOLDERS. THE DECISION TO BE MADE WOULD REST ENTIRELY ON THE INDIVIDUAL RISK APPETITE AND SPECIFIC REQUIREMENTS OF THE HOLDERS.**

**THE DIRECTORS RECOMMEND THAT HOLDERS WHO REQUIRE ADVICE IN RELATION TO THE OFFER IN THE CONTEXT OF THEIR INVESTMENT OBJECTIVES, FINANCIAL AND TAX SITUATIONS, RISK PROFILE OR PARTICULAR NEEDS, SHOULD CONSULT THEIR RESPECTIVE STOCKBROKER, SOLICITOR, ACCOUNTANT, BANK MANAGER OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

Yours faithfully,  
For and on behalf of the Board of Directors of  
**PARAGON UNION BERHAD**

**FUNG BENG EE**  
Senior Independent Non-Executive Chairman

**PART B**

**INDEPENDENT ADVICE LETTER FROM MALACCA SECURITIES**

# MALACCA SECURITIES SDN BHD

Registration No: 197301002760 (16121-H)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

## Registered Office:

No. 1, 3 & 5, Jalan PPM 9,  
Plaza Pandan Malim,  
(Business Park), Balai Panjang  
75250 Melaka

25 February 2021

## To: The Holders

Dear Sir/Madam,

### **UNCONDITIONAL MANDATORY TAKE-OVER OFFER BY THE OFFEROR THROUGH HONG LEONG INVESTMENT BANK BERHAD TO ACQUIRE THE OFFER SHARES AT A CASH OFFER PRICE OF RM0.55 FOR EACH OFFER SHARE**

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#### 1. INTRODUCTION

The purpose of this IAL is to highlight the relevant information relating to the Offer, our independent evaluation of the Offer together with our recommendation, subject to the scope and limitation of our role and evaluation specified in this IAL.

Please refer to Section 1 of Part A of this IAC for the relevant information relating to the Offer.

You should have by now received a copy of the Offer Document dated 15 February 2021 which sets out the details, terms and conditions of the Offer as well as the procedures for acceptance and method of settlement of the Offer.

Pursuant to Paragraph 11 of the Rules, the SC had on 24 February 2021, given its notification that it has no further comments on this IAC and such notification shall not be taken to suggest that SC agrees with the recommendations of the Independent Adviser and the Board or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAC.

**HOLDERS ARE ADVISED TO CAREFULLY CONSIDER THE INFORMATION AND RECOMMENDATION CONTAINED IN THIS IAL, TOGETHER WITH THE OFFER DOCUMENT BEFORE DECIDING AS TO THE COURSE OF ACTION TO BE TAKEN. IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION YOU SHOULD TAKE IN RELATION TO THE OFFER, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

**THIS IAL IS SOLELY FOR THE USE OF THE HOLDERS FOR THE PURPOSE OF CONSIDERING THE OFFER AND SHOULD NOT BE USED OR RELIED UPON BY ANY OTHER PARTY OR FOR ANY OTHER PURPOSE.**

## 2. TERMS AND CONDITIONS OF THE OFFER

The salient terms and conditions of the Offer are as follows:

### (a) Consideration for the Offer

The consideration for the Offer is RM0.55 for each Offer Share. The Offer Price will be satisfied entirely in cash.

However, if Paragon Union declares, makes or pays any Distribution to you on or after the date of the Notice but before the Closing Date and you are entitled to retain such Distribution, the Offer Price will be reduced by an amount equivalent to the net Distribution for each Offer Share which you are entitled to retain. For the avoidance of doubt, no adjustment shall be made to the Offer Price in the event that the entitlement date for the Distribution is after the Closing Date. As at the LPD, Paragon Union has not declared any Distribution based on announcements made by Paragon Union on Bursa Securities that is payable on or after the date of the Notice.

You may accept the Offer in respect of all or part of your Offer Shares. The Offeror will not pay fractions of a sen to you. Hence, where applicable, your entitlements to the Offer Price will be rounded down to the nearest whole sen.

The Offer Price is equal to the transacted price of RM0.55 under the Acquisitions. The transacted price was arrived at based on willing buyer-willing seller basis, after taking into consideration the following:

- (i) the unaudited NA per Share attributable to equity holders of the Group as at 30 September 2020 of approximately RM0.57; and
- (ii) the loss making position of the Group for its 9-month FPE 30 September 2020.

The Offer Price is in compliance with Paragraph 6.03(1) of the Rules, which states that the Offer Price in a mandatory take-over offer must not be less than the highest price (excluding stamp duty and commission) paid or agreed to be paid by the offeror or persons acting in concert for any voting shares or voting rights to which the take-over offer relates, during the offer period and within 6 months prior to the beginning of the offer period.

For information purpose, save for the Acquisitions, the Offeror, Ultimate Offeror or any persons acting in concert with them have not acquired any Shares for the period commencing 6 months prior to the beginning of the Offer Period and up to the LPD.

### (b) Condition for the Offer

The Offer is not conditional upon any minimum level of acceptances of the Offer Shares as the Offeror and Ultimate Offeror collectively held more than 50.00% of the voting shares of Paragon Union upon the completion of the Acquisitions.

### (c) Duration of the Offer

The Offer will remain open for acceptance until 5.00 p.m. (Malaysian time) on 8 March 2021, being the First Closing Date, unless extended or revised in accordance with the Rules and the terms and conditions of the Offer Document. Any such extension or revision will be announced by HLIB, on behalf of the Offeror, at least 2 days before the Closing Date. Notice of such extension or revision will be posted to you accordingly.

Please refer to Section 2 of Appendix I of the Offer Document for further details on the duration of the Offer.

**(d) Method of settlement**

Other than the Offeror's right to reduce the Offer Price as set out in Section 2.1 of the Offer Document and except with the consent of the SC, the Offeror will settle the consideration to which you are entitled under the Offer in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counter-claim or other analogous rights to which the Offeror may be or claim to be entitled against you. However, this is without prejudice to the Offeror's rights to make any claim against you in respect of a breach of your warranties as set out in Section 1 of Appendix I of the Offer Document.

The Offeror will settle the consideration for the Offer Shares through remittance in the form of cheques, banker's drafts or cashier's orders, which will be posted by ordinary mail to you (or your designated agents, as you may direct) at your registered Malaysian address last maintained with Bursa Depository at your own risk within 10 days from the date of the Valid Acceptances. This is provided that the Offeror deems such acceptances to be complete and valid in all respects in accordance with the terms and conditions of the Offer Document.

Any Non-Resident Holders are advised that settlement for acceptances of the Offer will be made in RM. Non-Resident Holders who wish to convert their consideration into foreign currency for repatriation may do so after payment of the appropriate fees and/or charges levied by the respective financial institutions.

Please refer to Appendix I of the Offer Document for the other terms and conditions of the Offer and Appendix II of the Offer Document for details on the procedures for accepting the Offer.

**3. ACCEPTANCES OF THE OFFER**

As at the Offer Document LPD, the Offeror and Ultimate Offeror have not received any irrevocable undertaking from any Holder to accept or reject the Offer.

As at the LPD, there was no announcement made by HLIB on behalf of the Offeror of any acceptance of the Offer Shares.

**4. SCOPE AND LIMITATIONS OF THE EVALUATION AND OPINION**

Malacca Securities was not involved in the formulation of, deliberations, negotiations or discussions of the terms of the Offer. Our scope as the independent adviser is limited to expressing comments, opinions, information and recommendation on the Offer and the fairness and reasonableness of the Offer as far as the Holders are concerned based on the following sources of information and documents which are available to us, including the following:

- (a) information contained in the Notice and the Offer Document;
- (b) annual reports of Paragon Union for the past three (3) financial years for the FYE 31 December 2017 to 2019 and the unaudited financial statements for the 9-month FPE 30 September 2020;
- (c) valuation reports and/or valuation certificates of the Revalued Property Assets by the Valuer;
- (d) other relevant information, documents, confirmations and/or representations provided to us by the Board and the management of Paragon Union;

- (e) discussions and consultation with the Board and management of Paragon Union; and
- (f) other publicly available information which we consider relevant for our evaluation.

We have relied on the Board and management of Paragon Union to exercise due care to ensure that all information, data, documents and representations that they had provided to us to facilitate our evaluation are accurate, valid and complete in all material respects. We have made due enquiries that were reasonable in the circumstances, are satisfied that the information provided or available to us is sufficient and have no reason to believe that the aforementioned information is unreliable, inaccurate, incomplete and/or misleading.

In evaluating the Offer and preparing this IAL, we have taken into consideration pertinent matters which we believe are of general importance to an assessment of the fairness and reasonableness of the Offer and therefore of concern to the Holders as a whole.

We are not in possession of information relating to and have not taken into consideration separate specific investment objectives, financial and tax situations, risk profile or any particular needs of any individual Holder or any specific group of Holders. We therefore recommend that any individual Holder or any specific group of Holders who may require specific advice in relation to the Offer within the context of their investment objectives, financial and tax situations, risk profile and particular needs to consult their stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Our views expressed in this IAL are, amongst others, based on economic, market and other conditions prevailing, and the information and/or documents provided/available to us as at the LPD or such other period as specified herein. Such conditions may change significantly over a short period of time.

We shall immediately disclose to the SC in writing and notify the Holders by way of announcement(s) if, after despatching this IAC, as guided by Paragraph 11.07(1) of the Rules, we become aware that the information or document previously circulated or provided:

- (a) contains a material statement which is false or misleading;
- (b) contains a statement from which there is a material omission; or
- (c) does not contain a statement relating to a material development.

If circumstances require, we shall send a supplementary IAC to the Holders as guided by Paragraph 11.07(2) of the Rules.

## **5. EVALUATION OF THE OFFER**

In arriving at our conclusion and recommendation, we have assessed the fairness and reasonableness of the Offer in accordance with Paragraphs 1 to 6 of Schedule 2: Part III of the Rules, where the term “fair and reasonable” should generally be analysed as two distinct criteria i.e. whether the offer is “fair”; and whether the offer is “reasonable”, rather than as a composite term.

Paragraph 2 of Schedule 2: Part III of the Rules states that in considering whether a take-over offer can be considered “fair”, the independent adviser should assess if the offer price or value of consideration is equal to or greater than the value of the securities that are the subject of the take-over offer. If the offer price is equal to or higher than the market price and is also equal to or higher than the value of the securities of the offeree, the take-over offer is considered as “fair”. If the offer price is equal to or higher than the market price, but is lower than the value of the securities of the offeree, the take-over offer is considered as “not fair”.

Paragraph 4 of Schedule 2: Part III of the Rules states that in considering whether a take-over offer is “reasonable”, the independent adviser should take into consideration matters other than the valuation of the securities that are the subject of the take-over offer. Generally, a take-over offer would be considered “reasonable” if it is “fair”. Nevertheless, an independent adviser may also recommend for shareholders to accept the take-over offer despite it being “not fair”, if the independent adviser is of the view that there are sufficiently strong reasons to accept the offer in the absence of a higher bid and such reasons should be clearly explained.

Paragraph 6 of Schedule 2: Part III of the Rules states that in the event the independent adviser concludes that a take-over offer is “not fair but reasonable”, the independent adviser must clearly explain the following:

- (a) what is meant by “not fair but reasonable”;
- (b) how has the independent adviser reached to this conclusion; and
- (c) the course of action that the shareholders are recommended to take pursuant to the conclusion.

In our evaluation of the Offer, we have taken into consideration the following factors in forming our opinion:

<b>Fairness of the Offer</b>	<b>Section</b>
Valuation of Paragon Union Shares	6.1
Historical price performance of Paragon Union Shares	6.2

<b>Reasonableness of the Offer</b>	<b>Section</b>
Listing status of Paragon Union, compulsory acquisition and rights of Dissenting Holders	7

## **6. FAIRNESS OF THE OFFER**

### **6.1 Valuation of Paragon Union Shares**

The principal activities of the Company are investment holding and provision of management services, whilst its subsidiary companies are involved in the manufacturing and sale of car carpets, car components, commercial carpets and property development.

The Group has 2 business segments, namely:

- (a) Automotive for car carpets and components; and
- (b) Commercial for commercial carpets.

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In evaluating and arriving at the fair value of Paragon Union Shares, we are of the opinion that the asset-based valuation method using the RNAV per Paragon Union Share is the most appropriate valuation methodology based on the following justifications:

- (a) Save for the FYE 31 December 2019, Paragon Union had recorded LAT for the FYE 31 December 2017, FYE 31 December 2018 and the 9-months FPE 30 September 2020.

The revenue, (LAT) and PAT recorded by Paragon Union Group for the past three (3) financial years up to FYE 31 December 2019 and 9-months FPE 30 September 2020 are as follows:

	Audited FYE 31 December			Unaudited FPE 30 September 2020 (RM'000)
	2017 (RM'000)	2018 (RM'000)	2019 (RM'000)	
Revenue	53,702	51,455	56,382	26,410
(LAT)/ PAT	(769)	(927)	2,809	(5,403)

(Source: Annual reports of Paragon Union for the past three (3) financial years up to FYE 31 December 2019 and the unaudited financial results for the 9-months FPE 30 September 2020)

It is also pertinent to note that the PAT of RM2.81 million recorded by the Paragon Union Group for the FYE 31 December 2019 was mainly due to a reversal of impairment loss on other receivables of RM13.0 million in relation to the settlement received for Paragon Union Group's material litigation. Assuming that there was no settlement received by the Paragon Union Group, the Paragon Union Group would have recorded a loss for the FYE 31 December 2019.

Please refer to Section 6 of Appendix I of this IAC for the summary of the results based on the audited consolidated financial statements of Paragon Union for the past three (3) financial years up to the FYE 31 December 2019 and the unaudited financial results of Paragon Union Group for the 9-months FPE 30 September 2020.

Furthermore, Paragon Union Group has only recorded a positive cash flow for the FYE 31 December 2017 and negative cash flows for the past two (2) financial years up to FYE 31 December 2019 and 9-months FPE 30 September 2020 as follows:

	Audited FYE 31 December			Unaudited FPE 30 September 2020 (RM'000)
	2017 (RM'000)	2018 (RM'000)	2019 (RM'000)	
Net cash (used in)/generated from operating activities	5,395	(2,038)	(1,658)	(354)
Net cash used in investing activities	(2,148)	(1,251)	(2,246)	(2,105)
Net cash flow	3,247	(3,289)	(3,904)	(2,459)

(Source: Annual reports of Paragon Union for the past three (3) financial years up to FYE 31 December 2019 and the unaudited financial results for the 9-months FPE 30 September 2020)

Paragon Union Group was not spared from pricing pressure for its products due to stiff competition and its outlook remain challenging for the year ahead. Moreover, the manufacturing costs such as raw material prices have increased over the years which Paragon Union Group was unable to pass the increased costs to its buyers in order to stay competitive.

Based on the above and assuming that there is no change introduced to improve the financial performance of Paragon Union Group subsequent to the Offer, we are of the view that Paragon Union Group is not expected to have any consistent earnings stream and cash flow in the near or immediate term. Therefore, we are unable to apply the earnings-based valuation method such as the price-to-earnings multiple, enterprise value/earnings before interest, taxation, depreciation and amortisation multiple or the discounted cash flow based approach as a basis to determine the fair value of Paragon Union Shares; and

- (b) Paragon Union has not declared dividends for the past 10 years. Hence, the dividend discount valuation model cannot be adopted to determine the fair value of Paragon Union Shares.

RNAV is a commonly adopted valuation methodology in approaching valuations of asset-based companies as all or certain substantial property-related assets may be carried at their historical costs or book values. The RNAV takes into consideration any surplus and/or deficit arising from the revaluation of the material assets of a company to reflect their market values, based on the assumption that the market values of the assets are realisable on a willing buyer-willing seller basis in the open market.

The RNAV analysis assumes, among other things, the existence of ready and committed buyer(s) for each asset at the fully revalued basis, and that the sale can be conducted efficiently without any time constraint and without regard to other relevant market factors that may affect the sale process. The market values would typically be appraised by expert valuers.

In adopting the RNAV valuation methodology, we have taken into consideration the net surplus of the Revalued Property Assets (after adjusting for deferred tax liability) of the properties of the Paragon Union Group, the details of which are set out in this section of the IAL.

Pursuant to paragraph 51 of Malaysian Financial Reporting Standards 112 (MFRS 112), the measurement of the deferred tax liability would follow the manner in which the entity expects to recover the carrying amount of its assets. For the properties held as PPE, the deferred tax liability is based on the RPGT which is computed in accordance with the Real Property Gains Tax Act 1976, where the RPGT will be imposed when a company disposes its property assets depending on its date of acquisition as follows:

Date of disposal	RPGT rates (%)
Disposal within 2 years after date of acquisition	30
Disposal within the 3 <sup>rd</sup> year after date of acquisition	30
Disposal within the 4 <sup>th</sup> year after date of acquisition	20
Disposal within the 5 <sup>th</sup> year after date of acquisition	15
Disposal within the 6 <sup>th</sup> year after date of acquisition or thereafter	10

Further, the following assumptions have been made in respect of Paragon Union and the Revalued Property Assets:

- (a) Paragon Union will continue as a going concern;
- (b) the Revalued Property Assets of Paragon Union are in good condition;
- (c) there are existence of ready and committed buyer(s) for each of the Revalued Property Assets at its fully revalued basis and that the sale can be conducted efficiently without any timing constraints and other relevant market factors which may affect the sale process;
- (d) there are no breaches of relevant laws, regulations, rules and requirements on the Revalued Property Assets;

- (e) all required licences, certificates of occupancy, legislative or administrative consents or approvals from local and/or state authorities or the government have been or can be obtained for use on which the market value is based on; and
- (f) there will be no material changes in the Malaysian economic conditions and regulatory requirements.

In our evaluation, we have also taken note of the composition of Paragon Union's unaudited consolidated total assets as at 30 September 2020 which is set out below:

	Notes	Unaudited as at 30 September 2020	
		NBV (RM'000)	% over total assets
<b>Non-current assets</b>			
PPE	(1)	37,732	54.79
		<b>37,732</b>	<b>54.79</b>
<b>Current assets</b>			
Inventories	(2)	21,423	31.11
Trade and other receivables	(3)	8,358	12.14
Cash and bank balances	(4)	1,352	1.96
		<b>31,133</b>	<b>45.21</b>
<b>Total Assets</b>		<b>68,865</b>	<b>100.00</b>

(Source: Unaudited financial results of Paragon Union Group for the 9-months FPE 30 September 2020)

Notes:

- (1) We have noted that the PPE of Paragon Union Group comprises leasehold land, factory buildings and building improvements, plant and machinery, motor vehicles, furniture, fittings and equipment, and electrical installation and renovation. The PPE of Paragon Union Group represents 54.79% of the total assets of Paragon Union Group, therefore it is material to the total assets of Paragon Union Group.

Under the PPE, we noted the following land and properties as follows:

No	Address	Description	NBV as at 30 September 2020 RM'000
1.	Lot No. PT7637, HSM 4050, Mukim Ceras, District of Hulu Langat, State of Selangor  Property address: No. 14, Jalan 1, Kawasan Perindustrian Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan	A parcel of leasehold industrial land built upon a single-storey detached factory with 3-storey office annexed.	5,541
2.	Lot No. PT7667, HSM 4080, Mukim Ceras, District of Hulu Langat, State of Selangor  Property address: No. 21, Jalan 1, Kawasan Perindustrian Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan	A parcel of leasehold industrial land built upon a single-storey detached factory with 3-storey office annexed.	3,771

No	Address	Description	NBV as at 30 September 2020 RM'000
3.	Lot No. PT7641, HSM 4054, Mukim Ceras, District of Hulu Langat, State of Selangor  Property address: No. 11A, Jalan 1, Kawasan Perindustrian Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan	A parcel of leasehold industrial land built upon a single-storey detached factory with 2-storey office annexed.	6,015
4.	Lot Nos. PT3301, PT3300, PT3297, Title Nos. HSD 166683, HSD 166682, HSD 166679, all located in the Mukim of Ulu Semenyih, District of Ulu Langat, State of Selangor  Property address: Nos. 12A, 15 & 21, Jalan Semenyih Integrated 1, Semenyih Integrated Industrial Park, 43500 Semenyih, Selangor Darul Ehsan	Three (3) units of 3-storey semi-detached factories.	10,584
5.	Lot No.6669, Mukim 15, Daerah Seberang Perai Selatan, Pulau Pinang  Property address: No. 23, Lorong Pekatra Indah 19, Taman Pekatra Indah, 14120 Simpang Ampat, Pulau Pinang	Single storey terraced house.	*-
<b>Total property assets in PPE</b>			<b>25,911</b>
<b>Total as a percentage of total PPE</b>			<b>68.67%</b>

Note:

\* Negligible.

The Company had engaged the Valuer to value properties 1 to 4 as the NBV of these properties represent:

- (1) 68.88% of the total unaudited NA of Paragon Union Group as at 30 September 2020;
- (2) 68.67% of the total PPE as at 30 September 2020; and
- (3) 37.63% of the total assets of Paragon Union Group as at 30 September 2020.

The Company had chosen not to revalue property 5 as the NBV of the property as at 30 September 2020 is inconsequential as it has been fully depreciated.

Based on the above, we are of the view that there will be no material impact to the RNAV of Paragon Union Group even if valuations were conducted for property 5.

Please refer to note (a) of our RNAV evaluation in Section 6.1 of this IAL for the Revalued Property Assets.

Save for the real property asset that was not valued by the Valuer, the NBV of the remaining assets of approximately RM11.82 million under PPE which represent 17.17% of the total assets of Paragon Union Group and 31.33% of the total PPE of Paragon Union Group were deemed recognised at approximate fair value as it is stated at cost less accumulated depreciation and accumulated losses.

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each part of an item of PPE. Leasehold land is amortised over the period of the lease. Depreciation methods, useful lives and residual values are reviewed at end of each reporting period and adjusted as appropriate. At the end of the reporting period, the Paragon Union Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. The Paragon Union Group assesses the impairment of PPE when the events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. In assessing such impairment, the recoverable amount of the assets is estimated using the expected value in use of the relevant assets.

We are of the view that the fair value of the remaining PPE (excluding the Revalued Property Assets and the real property asset that was not valued by the Valuer) as at 30 September 2020 will not be materially different from its book value.

- (2) Inventories are valued at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damaged, obsolete or slow-moving inventories.

Cost is determined using the first in first out method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

As such, we are of the view that the inventories approximate their fair value.

- (3) The carrying amount of trade and other receivables approximate their fair value as trade and other receivables are individually determined to be impaired at reporting date by Paragon Union when its debtors are in financial difficulties, have defaulted on payments and/or dispute in billings.

As such, we are of the view that the trade and other receivables approximate their fair value.

- (4) Cash and bank balances consist of cash on hand and bank balances. Cash and bank balances approximate their fair value due to the relatively short-term nature of these financial instruments.

Premised on the above, we are of the view that the Revalued Property Assets sufficiently covers the material assets of Paragon Union Group and the remaining assets (excluding the real property asset that was not valued) of Paragon Union which were not revalued are deemed recognised at approximate their fair value as explained in the notes above.

The indicative value per Paragon Union Share by adopting the RNAV valuation methodology is as follows:

	Notes	RM'000
Unaudited NA attributable to owners of Paragon Union as at 30 September 2020		37,654
Add:		
Total net revaluation surplus from the Paragon Union Group's revalued properties which consists of the Revalued Property Assets	(a)	48,821
RNAV		86,475
No. of issued Paragon Union Shares <sup>(1)</sup> ('000)		69,148
RNAV per Paragon Union Share (RM)		1.25
Offer Price (RM)		0.55
Discount of Offer Price (RM)		0.70 (56.00%)

Note:

- (1) Excluding Treasury Shares.

Based on the above, the Offer Price represents a **discount** of RM0.70 or approximately 56.00% to the RNAV of RM1.25 per Paragon Union Share.

**Note (a) - Net revaluation surplus/(deficit) from the Revalued Property Assets**

The Paragon Union Group had engaged the Valuer to determine the market value of the Revalued Property Assets for the purposes as specified in the 2<sup>nd</sup> column of the ensuing table. We noted that the valuation reports/certificates by the Valuer were prepared in conformity with the Malaysian Valuation Standards laid down by the Board of Valuers, Appraisers and Estate Agents

In arriving at the valuation of the Revalued Property Assets, the Valuer had adopted the following methods of valuation. The methods are described as follows:

<b>Method of valuation</b>	<b>Description</b>
Comparison method	The comparison method entails critical analyses of recent evidence of values of comparable properties in the neighbourhood and making adjustments for differences.
Cost approach	The cost method involves the valuation of land by comparison with evidence of values of comparable land and adding it to the current replacement cost of the building less depreciation, if necessary. The current replacement cost involves the construction cost, financing charges, advertising charges, professional fees, other incidental expenses and developer's profit.

We are of the view that the methodologies applied by the Valuer are reasonable and are consistent with generally applied valuation methodologies. We have reviewed and are satisfied with the bases and assumptions used by the Valuer in deriving the valuation for the Revalued Property Assets. As such, we are satisfied with the reasonableness of the market value and have relied upon the valuation of the properties conducted by the Valuer.

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The details of all the Revalued Property Assets of the Group and valuation carried out are set out as follows:

Subject property	Purpose of valuation	Gross land/ Floor area (sqft)	Tenure/ Year of expiry	Description	Date of acquisition / settlement	Valuation method(s)	Material date of valuation	NBV as at 30 September 2020 (RM'000)	Open market value (RM'000)	A		A - B Net revaluation surplus/ (deficit) (RM'000)
										Revaluation surplus/ (deficit) (RM'000)	Deferred tax (RM'000)	
Lot No. PT7637, HSM 4050, Mukim Ceras, District of Hulu Langat, State of Selangor  Property address: No. 14, Jalan 1, Kawasan Perindustrian Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan  Valuer: Rahim & Co	Internal management	Provisional land area: 87,123 sqft  Floor area: (a) Single-storey detached factory: 33,945 sqft (b) 3-storey office annexed: 38,529 sqft (c) Guard House: 234 sqft (d) Pump House: 300 sqft	A 99-year leasehold interest expiring on 14 May 2088 (the unexpired term is about 67 years)	A parcel of leasehold industrial land erected upon a single-storey detached factory with 3-storey office annexed	26 December 1992	Comparison method and cost approach	3 February 2021	5,541	(1)26,000	20,459	(2)(2,046)	18,413
Lot No. PT 7667, Title No. HSM 4080, Mukim Ceras, District of Hulu Langat, State of Selangor  Property address: No. 21, Jalan 1, Kawasan Perindustrian Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan  Valuer: Rahim & Co	Internal management	Provisional land area: 73,550 sqft  Floor area: (a) Single-storey detached factory: 33,675 sqft (b) 3-storey office annexed: 8,228 sqft (c) Guard House: 64 sqft	A 99-year leasehold interest expiring on 14 May 2088 (the unexpired term is about 67 years)	A parcel of leasehold industrial land erected upon a single-storey detached factory with 3-storey office annexed	15 December 1989	Comparison method and cost approach	3 February 2021 <sup>(3)</sup>	3,771	(4)18,000	14,229	(2)(1,423)	12,806

Subject property	Purpose of valuation	Gross land / built up area (sqft)	Tenure/ Year of expiry	Description	Date of acquisition/ settlement	Valuation method(s)	Material date of valuation	NBV as at 30 September 2020 (RM'000)	Open market value (RM'000)	A - B		
										A Revaluation surplus/ (deficit) (RM'000)	B Deferred tax (RM'000)	Net revaluation surplus/ (deficit) (RM'000)
Lot No. PT 7641, Title No: HSM 4054, Mukim Ceras, District of Hulu Langat, State of Selangor Property address: No.11A, Jalan 1, Kawasan Perindustrian Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan Valuer: Rahim & Co	Internal management	Provisional land area: 130,545 sqft Floor area: (a) Single-storey detached factory: 80,985 sqft (b) 2-storey office annexed: 3,270 sqft	A 99-year leasehold interest expiring on 14 May 2088 (the unexpired term is about 67 years)	A parcel of leasehold industrial land built upon a single-storey detached factory with 2-storey office annexed	5 October 1993	Comparison method and cost approach	3 February 2021 <sup>(5)</sup>	6,015	<sup>(6)</sup> 28,000	21,985 (RM'000)	<sup>(7)</sup> (2,199) (RM'000)	19,786 (RM'000)
Lot Nos. PT3301, PT3300, PT3297, Title Nos. HSD 166683, HSD 166682, HSD 166679, all located in the Mukim of Ulu Semenyih, District of Ulu Langat, State of Selangor Property address: Nos. 12A, 15 & 21, Jalan Semenyih Integrated 1, Semenyih Industrial Park, 43500 Semenyih, Selangor Darul Ehsan Valuer: Rahim & Co	Internal management	Provisional land area for each lot: 14,800 sqft Built-up area for each unit: (a) Main floor area: 7,975 sqft (b) Ancillary floor area: 810 sqft	A 99-year leasehold interest expiring on 23 October 2093 (the unexpired term is about 72 years)	Three (3) units of 3-storey semi-detached factories	18 February 2019 <sup>(7)</sup>	Comparison method	3 February 2021 <sup>(6)</sup>	10,584	<sup>(9)</sup> 8,400	(2,184) (RM'000)	- (RM'000)	(2,184) (RM'000)
<b>Total</b>								25,911	80,400	54,489	(5,668)	48,821

Notes:

- (1) *The Valuer had ascribed the market value of the subject property as at 3 February 2021 to be at RM26.0 million based on its existing condition, free from all encumbrances with the title held under 99-year leasehold interest and having an unexpired term of about 67 years and being good, marketable and registrable as well as vacant possession.*
- (2) *Based on deferred tax liability of 10%.*
- (3) *The Valuer had conducted an update valuation of the subject property as at 3 February 2021 with inspection of the subject property externally, private title search and based on investigations conducted as per the Valuer's previous report and valuation as at 16 October 2018 on the assumption that all descriptions and details relevant to the property as per its previous update valuation remains unchanged.*
- (4) *The Valuer had ascribed the market value of the subject property as at 3 February 2021 to be at RM18.0 million. The market value of the subject property is based on the assumption in its existing condition, free from all encumbrances, with the title held under 99-year leasehold interest and having an unexpired term of about 67 years and being good, marketable and registrable as well as with vacant possession.*
- (5) *The Valuer had conducted an update valuation of the subject property as at 3 February 2021 with inspection of the subject property externally, private title search and based on investigations conducted as per the Valuer's previous report and valuation as at 18 February 2019 on the assumption that all descriptions and details relevant to the property as per its previous update valuation remains unchanged.*
- (6) *The Valuer had ascribed the market value of the subject property as at 3 February 2021 to be at RM28.0 million. The market value of the subject property is based on the assumption in its existing condition, free from all encumbrances, with the title held under 99-year leasehold interest and having an unexpired term of about 67 years and being good, marketable and registrable as well as with vacant possession.*
- (7) *The properties were acquired pursuant to the Settlement Agreement as disclosed in Section 12 of Appendix I of this IAC.*
- (8) *The Valuer had conducted an update valuation of the subject property as at 3 February 2021 with private title search but without re-inspection of the property and based on investigations conducted as per the Valuer's previous report dated 2 January 2019 on the valuation date as at 31 December 2018 on the assumption that all descriptions and details relevant to the property as per its previous update valuation remains unchanged.*
- (9) *The market value of the subject property as ascribed by the Valuer of RM8.4 million, in its existing conditions, free from all encumbrances, with the titles held under leasehold interest and being good, marketable and registrable as well as with vacant possession as of the material date of valuation (i.e. 3 February 2021) is with private title search but without the benefit of physical reinspection of the subject property nor undertake any other investigations normally done before a formal opinion of value is provided as the Valuer had provided an update of the value based on facts contained in its previous report dated 2 January 2019 (i.e. material date of valuation which was as at 31 December 2018) and that the descriptions and details relevant to the property as per its previous report and valuation letter remains unchanged.*

**Malacca Securities' comments**

Based on the above, the Offer Price represents a **discount** of RM0.70 or approximately 56.00% to the RNAV of RM1.25 per Paragon Union Share.

Notwithstanding the above, Holders are reminded that the market prices of property assets held by Paragon Union Group are affected by various factors, including but not limited to, liquidity risk (i.e. the process of selling and buying property takes a lot longer than trading equities or government bonds) and valuation risk (i.e. the eventual transacted price may not necessarily reflect the market value of the properties ascribed by the Valuer).

Holders should note that the RNAV approach implicitly includes the assumption that the property assets may be disposed of by Paragon Union at a price determined by the Valuer, on a willing buyer and a willing seller basis in an arms-length transaction with a third party. The Valuer's valuations do not account for the effort, time, marketability, buyer demand, uncertainty relating to a property sale and potential transaction costs that would be required to dispose of the assets and realise the intrinsic value of the properties.

## 6.2 Historical price performance of Paragon Union Shares

In assessing the Offer Price, we have also taken into consideration the movement of the daily closing market prices of Paragon Union Shares on the Bursa Securities for the past two (2) years up to the LPD, which is depicted in the share price chart below:



(Source: Bloomberg)

For the past two (2) years up to the LPD, there have been no changes to the principal activities of Paragon Union Group. Save for the announcements in relation to the Notice and Offer as well as the announcements as disclosed below that were made by Paragon Union to Bursa Securities during the past two (2) years up to the LPD, there were no key announcements made by Paragon Union that may have affected the movement of the prices of Paragon Union Shares:

- (a) announcements in relation to Bursa Securities' query on unusual market activity and the Company's reply to it on 15 February 2021;
- (b) announcements in relation to Bursa Securities' query on unusual market activity and the Company's reply to it on 26 October 2020;
- (c) announcements in relation to the financial results and annual reports of Paragon Union;
- (d) announcements in relation to changes to the Board on 31 December 2020;
- (e) announcements in relation to the establishment of an ESS of up to 5,301,700 Paragon Union Shares during the duration of the proposed ESS for eligible Directors (including non-executive Directors) and employees of Paragon Union Group as announced on 12 May 2020 and 15 May 2020;
- (f) announcements in relation to the material litigation involving Paragon Union as the plaintiff against Prestamewah Development Sdn Bhd and Liw Jun Wai being the defendants as announced on 24 April 2019 and 15 July 2019; and
- (g) announcement in relation to the Settlement Agreement (as defined in Section 12 of Appendix I of this IAC) on 19 February 2019.

In addition to the above, the table below sets out the discounts implied by the Offer Price to the:

- (a) historical VWAPs of the Paragon Union Shares up to the LTD; and
- (b) closing market prices of Paragon Union Shares as at the LTD and the LPD.

	Share price/ VWAP	Discount of the Offer Price over the market price/VWAP	
	RM	RM	%
Closing market price of Paragon Union Shares as at the LPD	1.9500	(1.4000)	71.79
Closing market price of Paragon Union Shares as at the LTD	1.0500	(0.5000)	47.62
Five (5)-day VWAP of Paragon Union Shares up to the LTD	1.0226	(0.4726)	46.22
One (1)-month VWAP of Paragon Union Shares up to the LTD	0.8919	(0.3419)	38.34
Three (3)-month VWAP of Paragon Union Shares up to the LTD	0.6764	(0.1264)	18.68
Six (6)-month VWAP of Paragon Union Shares up to the LTD	0.6426	(0.0926)	14.41
Twelve (12)-month VWAP of Paragon Union Shares up to the LTD	0.6302	(0.0802)	12.73

### **Malacca Securities' comments**

For the past two (2) years up to and including the LTD, Paragon Union Shares had closed at a high of RM1.05 on 21 January 2021 and at a low of RM0.21 on 3 February 2020.

Based on the announcements made by Paragon Union to Bursa Securities during the past two (2) year up to LPD as summarised above, we did not note any factors or announcements made by Paragon Union to Bursa Securities that may have contributed to the movement of Paragon Union Share prices during the past two (2) year up to the LPD.

We would like to highlight that the principal activities of the Paragon Union Group have remained the same up to the LPD.

Based on the analysis above, we noted that the Offer Price represents:

- (a) discounts ranging from 12.73% to 47.62% over the closing market prices on the LTD and the 5-day, 1-month, 3-month, 6-month and 12-month VWAP of Paragon Union Shares up to the LTD; and
- (b) a discount of 71.79% of the closing market price of Paragon Union Shares of RM1.95 on the LPD.

For the purpose of evaluation of the Offer Price vis-à-vis the historical price performance of Paragon Union Shares, we are of the view that the closing market prices of Paragon Union Shares as at the LTD and LPD would serve as more meaningful references for our evaluation on the fairness of the Offer vis-à-vis the historical price performance of Paragon Union Shares as the closing market prices as at the LTD and LPD are reflective of the recent market transactions and market prices of Paragon Union Shares. In view thereof, we are of the view that the Offer Price is **not fair** as the Offer Price represents a discount of 47.62% and 71.79% of the closing market prices of Paragon Union Shares of RM1.05 as at the LTD and RM1.95 as at the LPD respectively.

It should be noted that the closing market prices of the Paragon Union Shares had traded above the Offer Price subsequent to the Notice and including the LPD. However, this may not be an indication of future performance of the market prices of Paragon Union Shares. There is also no assurance that the market price of the Paragon Union Shares will continue to trade at the current level or will remain at current levels after the Closing Date.

Holders are also reminded that the market prices of Paragon Union Shares as shown above represent the historical market prices of Paragon Union Shares which may not reflect the fair value of Paragon Union Shares. The market prices of Paragon Union Shares may be influenced by amongst others, the performance and prospect of Paragon Union, prevailing economic conditions and outlook, stock market condition, market sentiments and other general macroeconomic conditions as well as company specific factors. Accordingly, the historical market prices of Paragon Union Shares may not be a reliable indicator of the future price levels, and its recent market prices should not in any way be relied upon as an indication of the current value of Paragon Union Shares.

**Premised on our evaluation in Section 6 above, we are of the view that the Offer Price is not fair.**

## **7. REASONABLENESS OF THE OFFER**

### **(a) Listing status of Paragon Union**

#### **(i) Provision of the Listing Requirements**

Pursuant to Paragraph 8.02(1) of the Listing Requirements, a listed issuer must ensure that at least 25.00% of its total listed shares (excluding treasury shares) are in the hands of public shareholders. Bursa Securities may accept a percentage lower than 25% of the total number of listed shares (excluding treasury shares) if it is satisfied that such lower percentage is sufficient for a liquid market of such shares.

A listed issuer which fails to maintain the Public Spread Requirement may request for an extension of time to rectify the situation in the manner as may be prescribed by Bursa Securities. Where an extension of time is not granted, Bursa Securities may take or impose any type of action or penalty pursuant to Paragraph 16.19 of the Listing Requirements for a breach of Paragraph 8.02(1) of the Listing Requirements and may, at its discretion, suspend trading in the securities of the listed issuer pursuant to Paragraph 16.02(1) of the Listing Requirements. However, the non-compliance of the Public Spread Requirement will not automatically result in the delisting of Paragon Union from the Official List.

Please refer to Section 4.1 of the Offer Document for further details.

#### **(ii) Intention of the Offeror and the Ultimate Offeror in relation to the listing status of Paragon Union**

**The Offeror and Ultimate Offeror intend to maintain the listing status of Paragon Union on the Main Market of Bursa Securities.**

In the event that 90% or more of the total listed shares of Paragon Union (excluding Treasury Shares) are held either individually or jointly by the Offeror and Ultimate Offeror, the Paragon Union shall immediately announce to Bursa Securities the same and state the Offeror and Ultimate Offeror's intention to maintain the listing status of the listed issuer. Following such immediate announcement, Bursa Securities shall suspend the trading of the Paragon Union Shares upon the expiry of thirty (30) Market Days from the date of the immediate announcement. In this regard, the suspension will only be uplifted upon Paragon Union's full compliance with the Public Spread Requirement or as may be determined by Bursa Securities.

Accordingly, in the event that Paragon Union does not comply with the Public Spread Requirement as a result of the Offer, the Offeror (subject to the Offeror and Ultimate Offeror continuing to retain collective equity interests of more than 50% in Paragon Union) will work together with Paragon Union to explore various options or proposals within 3 months from the Closing Date, or such timeframe as allowed by the relevant authorities, to help facilitate Paragon Union to comply with the Public Spread Requirement. As at the date of the Offer Document, no such arrangements have been made. Any action to comply with the Public Spread Requirement may require the approvals of the relevant authorities or the approval of the shareholders of Paragon Union. The actual course of action to be taken will depend on, among others, the circumstances as well as the prevailing market conditions at the relevant time.

Please refer to Section 4.1 of the Offer Document for further details.

**(b) Compulsory acquisition and rights of Dissenting Holders**

For the purposes of Sections 222, 223 and 224 of the CMSA and this section, “share” means a voting share, in a company, or a unit in an entity specified by SC, and includes convertible securities (which includes warrants) as if those securities were shares of a separate class of a company and any reference to a holder of shares, and to shares being allotted, is to be read accordingly.

As disclosed in Section 4.2 of the Offer Document, if the Offeror receives acceptances of not less than nine-tenths in the value of the Offer Shares (excluding the Shares already held by the Offeror, Ultimate Offeror and any persons acting in concert on 22 January 2021, being the date of the Offer), **the Offeror does not intend to invoke the provisions of Section 222(1) of the CMSA** to compulsorily acquire any remaining Offer Shares for which Valid Acceptances have not been received on or before the Closing Date even if the conditions stipulated in Section 222(1) of the CMSA are fulfilled.

Notwithstanding the above, subject to Section 224 of the CMSA, Section 223 of the CMSA provides that if the Offeror receives valid acceptances from the Holders resulting in the Offeror and the Ultimate Offeror holding at least nine-tenths (9/10) in value of all the Paragon Union Shares on or before the Closing Date, a Dissenting Holder may exercise his/her rights under Section 223(1) of the CMSA by serving a notice on the Offeror to require the Offeror to acquire his/her Offer Shares on the same terms as set out in the Offer Document or such other terms as may be agreed between the Offeror and such Dissenting Holder.

Please refer to Sections 4.2 and 4.3 of the Offer Document for further details.

**Malacca Securities’ comments**

We note that **it is the intention of the Offeror and the Ultimate Offeror to maintain the listing status of Paragon Union on the Main Market of Bursa Securities**. Therefore, Paragon Union Shares will remain traded on Bursa Securities and hence, the Holders will still have the opportunity to realise their investments in Paragon Union Shares in the open market after the Closing Date. However, there is no assurance that the market price of Paragon Union Shares will continue to trade at current price levels after the Closing Date.

As at the LPD, the public shareholding spread of Paragon Union is 38.73%. In the event Paragon Union fails to comply with the Public Spread Requirements pursuant to the Offer, the Offeror (subject to the Offeror and Ultimate Offeror continuing to retain collective equity interests of more than 50% in Paragon Union) will work together with Paragon Union to explore various options or proposals within three (3) months from the Closing Date or such timeframe as allowed by the relevant authorities to help facilitate Paragon Union to comply with the Public Spread Requirement.

Holders should note that the ability of the Offeror and/or Paragon Union to address the shortfall in the public shareholding spread of Paragon Union shall be subject to market vagaries and approval from the relevant authorities. There is no assurance that the Offeror and/or Paragon Union will be able to address the shortfall within the timeframe allowed by the relevant authorities or that the relevant authorities will grant any further extension of time.

If the Offeror and the Ultimate Offeror hold 90% or more of Paragon Union Shares, Paragon Union Shares will be suspended from trading on Bursa Securities upon expiry of thirty (30) Market Days from the date of the immediate announcement by Paragon Union. The suspension of Paragon Union Shares will only be uplifted upon Paragon Union's full compliance with the Public Spread Requirement or as may be determined by Bursa Securities.

Holders should note that in the event that Paragon Union is unable to meet the Public Spread Requirement and is subsequently removed from the Official List, Paragon Union Shares may become illiquid securities as they will not be traded on Bursa Securities and thus, there will be no active or ready market for the unlisted Paragon Union Shares.

Holders are advised to closely monitor any press releases and/or announcements made in relation to the level of acceptances and the outcome of the Offer.

For information purposes only, the liquidity of Paragon Union Shares and the historical monthly trading volume of Paragon Union Shares for the past 12 months up to December 2020, being the last month prior to the LTD are as follows:

	Monthly trading volume of Paragon Union Shares ('000)	Monthly trading volume over free float (%)
<b>2020</b>		
January	124	0.44
February	90	0.32
March	78	0.27
April	247	0.87
May	68	0.24
June	277	0.97
July	269	0.95
August	703	2.47
September	312	1.10
October	*7,553	26.55
November	*4,539	15.95
December	*4,770	16.76
<b>Simple average monthly trading volume<sup>(1)</sup></b>	<b>1,586</b>	
<b>Simple average monthly trading volume excluding outliers<sup>(2)</sup></b>	<b>241</b>	
<b>Free float of Paragon Union Shares<sup>(3)</sup></b>	<b>28,453</b>	
<b>Liquidity turnover (%)<sup>(4)</sup></b>	<b>5.57</b>	

(Source: Bloomberg)

Notes:

\* Outlier.

(1) The simple average monthly trading volume is computed by dividing the total monthly trading volume by 12 months.

(2) The simple average monthly trading volume is computed by dividing the total monthly trading volume (excluding October, November and December) by 9 months.

(3) Free float is computed based on the total Paragon Union Shares held by the public shareholders that excludes the Directors and substantial shareholders of Paragon Union as at the LTD (excluding the treasury shares).

(4) The liquidity turnover is computed by dividing the simple average monthly trading volume over the free float of Paragon Union Shares.

In assessing the trading liquidity of Paragon Union Shares, we have also compared the trading liquidity of Paragon Union Shares against the Bursa Malaysia Consumer Products & Services Index for the past 12 months up to December 2019, being the last month prior to the LTD as follows:

Company/Index	Average monthly volume traded <sup>(1)</sup>	Free float	Average monthly volume traded over free float <sup>(3)</sup>
	('000)	('000)	(%)
Paragon Union	1,586	<sup>(2)</sup> 28,453	5.57
Bursa Malaysia Consumer Products & Services Index	12,522,728	40,479,500	30.94

Notes:

- (1) Average monthly trading volume for the past 12 months up to December 2020, being the last month prior to the LTD.
- (2) Free float is computed based on the total Paragon Union Shares held by the public shareholders that excludes the Directors and substantial shareholders of Paragon Union as at the LTD (excluding treasury shares).
- (3) Calculated by dividing the average monthly volume traded by the free float.

Based on the table above, the average monthly trading volume of Paragon Union Shares was approximately 1.59 million Paragon Union Shares, representing approximately 5.57% of the free float of Paragon Union Shares for the past 12 months up to December 2019, being the last month prior to the LTD. The Paragon Union Shares are relatively illiquid when compared against the Bursa Malaysia Consumer Products & Services Index, as the average monthly trading liquidity of Paragon Union Shares of 5.57% is lower than the average monthly trading liquidity of the Bursa Malaysia Consumer Products & Services Index of 30.94%.

We wish to highlight that the above evaluation is based on the historical trading volume of Paragon Union Shares as at the respective periods and should not be relied upon as an indication of the future trading liquidity of Paragon Union Shares, which may be influenced by, amongst others, the performance and prospects of Paragon Union, prevailing economic conditions, economic outlook, stock market conditions, market sentiments and other general macroeconomic conditions as well as company-specific factors.

However, Holders who hold small blocks of Paragon Union Shares may still have the opportunity to dispose their Offer Shares in the open market subsequent to the Closing Date as the Offeror and Ultimate Offeror intend to maintain the listing status of Paragon Union on the Main Market of Bursa Securities.

We also note that if the Offeror receives acceptances of not less than nine-tenths in the value of the Offer Shares (excluding the Shares already held by the Offeror, Ultimate Offeror and any persons acting in concert on 22 January 2021, being the date of the Offer), **the Offeror does not intend to invoke the provisions of Section 222(1) of the CMSA** to compulsorily acquire any remaining Offer Shares for which Valid Acceptances have not been received on or before the Closing Date even if the conditions stipulated in Section 222(1) of the CMSA are fulfilled.

However, a Dissenting Holder may exercise his/her rights to require the Offeror to acquire his/her Offer Shares on the same terms as set out in the Offer Document or such other terms as may be agreed between the Offeror and such Dissenting Holder under Section 223(1) of the CMSA if the Offeror receives Valid Acceptances from Holders resulting in the Offeror and Ultimate Offeror holding at least nine-tenths (9/10) in value of all the Paragon Union Shares on or before the Closing Date.

Holders are advised to consult their professional adviser(s) should they wish to exercise their rights under Section 223(1) of the CMSA.

**Malacca Securities, having considered all of the above factors, is of the view that the Offer for the Offer Shares is not reasonable as Holders who do not wish to accept the Offer would have the following options:**

- (a) to continue to hold on to their Paragon Union Shares under the direction of the Offeror and Ultimate Offeror who may, if deemed appropriate, effect such appropriate rationalisation, reorganisation and/or arrangements with the aim of remaining competitive, sustainable or viable in the industry as well as improving the overall financial performance and prospects of the Paragon Union Group as stated in the rationale, and the Offeror and Ultimate Offeror's future plans for Paragon Union Group as stated in Sections 3 and 6 of the Offer Document respectively; or**
- (b) to trade or sell their Paragon Union Shares in the open market if the market price is higher than the Offer Price.**

## **8. OFFEROR AND ULTIMATE OFFEROR'S FUTURE PLANS FOR PARAGON UNION GROUP AND ITS EMPLOYEES**

We note the intention of the Offeror and the Ultimate Offeror in relation to the future plans for Paragon Union Group and its employees as stated in Section 6 of the Offer Document.

### **Malacca Securities' comments**

We noted that the Offeror and the Ultimate Offeror do not have any plan or intention to liquidate any companies within the Paragon Union Group and intend to continue with the existing businesses and operations of the Group. Nevertheless, the Offeror and Ultimate Offeror will, from time to time, review the Paragon Union Group's businesses and operations and, if deemed appropriate, effect such appropriate rationalisation, reorganisation and/or arrangements with the aim of remaining competitive, sustainable or viable in the industry as well as improving the overall financial performance and prospects of the Paragon Union Group.

The Offeror and Ultimate Offeror intend to work together with the directors and management of Paragon Union to decide on the strategic direction and business plans of the Paragon Union Group after the completion of the Offer. This may include the Paragon Union Group undertaking one or more of the following:

- (a) strategic investments or acquisitions or joint ventures;
- (b) reorganising or integrating its businesses or operations;
- (c) discontinuing operations which are deemed less viable to the Paragon Union Group

As at the LPD, the Offeror and the Ultimate Offeror do not have any immediate plan to introduce any major change to the businesses of the Paragon Union Group and they do not have any specific strategies or business plans at this juncture. Such strategies or business plans, if any, will be carried out after due deliberation by the Board and in accordance with the Listing Requirements and other relevant guidelines and regulations.

We also note that the Offeror and Ultimate Offeror do not have any plans to dismiss or make redundant any of the existing employees of the Group by way of a retrenchment exercise as a direct consequence of the Offer. Nevertheless, the Offeror and Ultimate Offeror may from time to time evaluate the workforce of the Paragon Union Group and may implement measures to improve operational efficiency and optimise staff productivity, subject always to decisions made by the Board in the best interest of the Paragon Union Group. Such measures, if required, will be carried out in accordance with the relevant legislation and the terms of employment of the affected employees.

As at the Offer Document LPD, we noted that the Offeror and Ultimate Offeror have no knowledge of and have not entered into any negotiation or arrangement or understanding whatsoever with any third party with regard to any significant change in the Group's businesses, assets or the shareholding structure of the Paragon Union Group.

Notwithstanding the above, the Offeror and Ultimate Offeror retain the flexibility at all times to consider any options which are in the interests of the Group.

Premised on the above, in view that the Offeror and Ultimate Offeror do not have any plans or intention to liquidate any company within the Paragon Union Group, we are of the view that the businesses and management of Paragon Union will remain intact and continue as a going concern.

## **9. RATIONALE FOR THE OFFER**

The rationale for the Offer is as set out in Section 3 of the Offer Document.

### **Malacca Securities' comments**

AKK and Koon Hoi Chun (through his direct shareholding in AKK) emerged as the controlling shareholder of Paragon Union on 25 January 2021 when AKK acquired 39,979,794 Paragon Union Shares pursuant to the Acquisitions which collectively represented 60.41% equity interest in Paragon Union as at 25 January 2021.

Consequently, we note that the Offer was made by the Offeror pursuant to Section 218(2) of the CMSA and Paragraph 4.01(a) of the Rules as the aggregate shareholdings of the Offeror and Ultimate Offeror in Paragon Union increased from approximately nil to 60.41% pursuant to the Acquisitions. As at the LPD, the collective shareholding of the Offeror and Ultimate Offeror in Paragon Union is 57.82%.

Despite recording a LAT of RM5.40 million for the 9-month FPE 30 September 2020, mainly due to the impact of the COVID-19 pandemic, we are of the view that the Group may be able to improve its financial performance moving forward after taking into consideration, amongst others, its reputable automotive clients for the automotive car carpets business, which include Proton, Perodua, Honda, BMW, Naza and Isuzu as well as the Group's on-going projects and order books for the commercial carpet business such as Masjid Bemban Melaka, Masjid Kuala Nerus Terengganu, Politeknik Tuanku Syed Sirajuddin Perlis, Impiana Hotel Ipoh, Royale Cameron Hotel as well as Parkcity Hotel Bintulu.

Given the background and experience of the Ultimate Offeror in the trading and manufacturing sector, we are of the view that the Ultimate Offeror can leverage on his relevant experience to contribute to the Group's existing business and operations. We note that the Offeror and Ultimate Offeror may introduce changes, as and when deemed appropriate, with the objective to improve operational efficiency, develop future growth strategies and improve the financial performance of the Paragon Union Group. The strategies may include, amongst others, improving manufacturing efficiencies of the Paragon Union Group, widening the Paragon Union Group's products offering, customers (including geographical expansion in other countries) and venturing into other new business that the Ultimate Offeror has experience in, if feasible.

## **10. FURTHER INFORMATION**

Holders are advised to refer to the attached appendices and other relevant information as set out in the Offer Document for further information in relation to the Offer.

## 11. CONCLUSION AND RECOMMENDATION

In arriving at our conclusion and recommendation, we have assessed the fairness and reasonableness of the Offer in accordance with Paragraphs 1 to 6 of Schedule 2: Part III of the Rules, where the term “fair and reasonable” should generally be analysed as two distinct criteria i.e. whether the offer is “fair”; and whether the offer is “reasonable”, rather than as a composite term.

Paragraph 2 of Schedule 2: Part III of the Rules states that in considering whether a take-over offer can be considered “fair”, the independent adviser should assess if the offer price or value of consideration is equal to or greater than the value of the securities that are the subject of the take-over offer. If the offer price is equal to or higher than the market price and is also equal to or higher than the value of the securities of the offeree, the take-over offer is considered as “fair”. If the offer price is equal to or higher than the market price, but is lower than the value of the securities of the offeree, the take-over offer is considered as “not fair”.

Paragraph 4 of Schedule 2: Part III of the Rules states that in considering whether a take-over offer is “reasonable”, the independent adviser should take into consideration matters other than the valuation of the securities that are the subject of the take-over offer. Generally, a take-over offer would be considered “reasonable” if it is “fair”. Nevertheless, an independent adviser may also recommend for shareholders to accept the take-over offer despite it being “not fair”, if the independent adviser is of the view that there are sufficiently strong reasons to accept the offer in the absence of a higher bid and such reasons should be clearly explained.

Paragraph 6 of Schedule 2: Part III of the Rules states that in the event the independent adviser concludes that a take-over offer is “not fair but reasonable”, the independent adviser must clearly explain the following:

- (a) what is meant by “not fair but reasonable”;
- (b) how has the independent adviser reached to this conclusion; and
- (c) the course of action that the shareholders are recommended to take pursuant to the conclusion.

The advice of Malacca Securities as contained in this IAL is addressed to the Holders at large and not to any individual Holder. Accordingly, in providing this advice, we have not taken into consideration any specific investment objectives of any individual Holder or any specific group of Holders. We recommend that any individual Holder or any specific group of Holders who may require advice in the context of their investment objectives, financial and tax situations and particular needs should consult their respective professional advisers immediately.

We have assessed and evaluated the Offer and have set our evaluation in this IAL. You should carefully consider the merits and demerits of the Offer based on all relevant and pertinent factors including those set out below and other considerations as set out in this IAL and the Offer Document.

In arriving at our recommendation, we have reviewed and evaluated the factors which we deemed to have significant relevance to our assessment of the Offer.

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We are of the view that the Offer is **not fair** after having considered the following:

- **Valuation of the Paragon Union Shares**

- (a) The Offer Price represents a **discount** of RM0.70 or approximately 56.00% to the RNAV of RM1.25 per Paragon Union Share;
- (b) The Offer Price represents **discounts** ranging from RM0.08 to RM0.50 (or 12.73% to 47.62%) over the closing market prices on the LTD and the 5-day, 1 month, 3-month, 6-month and 12-month VWAPs of Paragon Union Shares up to and including the LTD; and
- (c) The Offer Price represents a **discount** of RM1.40 or approximately 71.79% of the closing market price of Paragon Union Shares of RM1.95 on the LPD.

We are of the view that the Offer is **not reasonable** after having considered the following:

- **Listing status of Paragon Union, compulsory acquisition and rights of Dissenting Holders**

We note that **it is the intention of the Offeror and the Ultimate Offeror to maintain the listing status of Paragon Union on the Main Market of Bursa Securities.** Therefore, Paragon Union Shares will remain traded on Bursa Securities and hence, the Holders will still have the opportunity to realise their investments in Paragon Union Shares in the open market after the Closing Date. However, there is no assurance that the market price of Paragon Union Shares will continue to trade at current price levels after the Closing Date.

In the event Paragon Union fails to comply with the Public Spread Requirements pursuant to the Offer, the Offeror (subject to the Offeror and Ultimate Offeror continuing to retain collective equity interests of more than 50% in Paragon Union) will work together with Paragon Union to explore various options or proposals within three (3) months from the Closing Date or such timeframe as allowed by the relevant authorities to help facilitate Paragon Union to comply with the Public Spread Requirement.

We also note that if the Offeror receives acceptances of not less than nine-tenths in the value of the Offer Shares (excluding the Shares already held by the Offeror, Ultimate Offeror and any persons acting in concert on 22 January 2021, being the date of the Offer), **the Offeror does not intend to invoke the provisions of Section 222(1) of the CMSA** to compulsorily acquire any remaining Offer Shares for which Valid Acceptances have not been received on or before the Closing Date even if the conditions stipulated in Section 222(1) of the CMSA are fulfilled.

However, a Dissenting Holder may exercise his/her rights to require the Offeror to acquire his/her Offer Shares on the same terms as set out in the Offer Document or such other terms as may be agreed between the Offeror and such Dissenting Holder under Section 223(1) of the CMSA if the Offeror receives Valid Acceptances from Holders resulting in the Offeror and Ultimate Offeror holding at least nine-tenths (9/10) in value of all the Paragon Union Shares on or before the Closing Date.

Malacca Securities, having considered all of the above factors, is of the view that the Offer for the Offer Shares is not reasonable as Holders who do not wish to accept the Offer would have the following options:

- (a) to continue to hold on to their Paragon Union Shares under the direction of the Offeror and Ultimate Offeror who may, if deemed appropriate, effect such appropriate rationalisation, reorganisation and/or arrangements with the aims of remaining competitive, sustainable or viable in the industry as well as improving the overall financial performance and prospects of the Paragon Union Group as stated in the rationale and the Offeror and Ultimate Offeror's future plans for Paragon Union Group as stated in Sections 3 and 6 of the Offer Document respectively; or
- (b) to trade or sell their Paragon Union Shares in the open market if the market price is higher than the Offer Price.

Premised on the above, we are of the opinion that the Offer is **not fair and not reasonable**.

Accordingly, we recommend that the Holders **REJECT** the Offer.

However, Holders who intend to exit their investments in the Offer Shares may consider selling their Paragon Union Shares in the open market if they are able to obtain a price higher than the Offer Price, net of related expenses.

The decision to be made would rest on the individual risk appetite and specific requirements of the individual holders. Holders should be mindful that there may be continuous fluctuations in the market prices of Paragon Union Shares prior to and after the Closing Date. As such, Holders are advised to closely monitor the prices and volume of Paragon Union Shares before deciding on the Offer.

Yours faithfully,  
For and on behalf of  
**MALACCA SECURITIES SDN BHD**

**TAN KOK TIAM**  
Head  
Corporate Finance

**YAP SIEW THEE**  
Vice President  
Corporate Finance

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**INFORMATION ON PARAGON UNION**


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**1. HISTORY AND PRINCIPAL ACTIVITIES**

Paragon Union was incorporated in Malaysia under the Companies Act 1965 on 10 January 1994 and is deemed registered under the Act as a private limited company under the name of Paragon Union Sendirian Berhad. On 27 January 1994, it was converted into a public limited company and assumed its present name. Paragon Union was listed on the Second Board of Kuala Lumpur Stock Exchange on 8 November 1994 and was classified under the Main Market of Bursa Securities with effect from 3 August 2009.

The principal activities of the Company are investment holding and provision of management services, whilst its subsidiary companies are involved in the manufacturing and sale of car carpets, car components, commercial carpets and property development.

The Group has 2 business segments, namely:

- (a) Automotive for car carpets and components; and
- (b) Commercial for commercial carpets.

**2. SHARE CAPITAL****2.1 Issued share capital**

As at the LPD, the issued share capital of Paragon Union is set out below:

	<b>No. of Paragon Union Shares</b>	<b>Total (RM)</b>
Issued share capital <sup>(1)</sup>	70,000,000	70,000,000

*Note:*

- (1) *Included in the share capital are 851,740 Paragon Union Shares held as treasury shares for a total cost of RM407,060.*

There is only one (1) class of shares in Paragon Union which has voting rights. The holders of Paragon Union Shares are entitled to any dividends, rights, allotments and/or distributions which may be declared, made or paid to shareholders.

**2.2 Changes in the issued share capital**

As at the LPD, there have been no changes to Paragon Union's issued share capital since the end of the FYE 31 December 2020.

**2.3 Convertible securities**

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

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**INFORMATION ON PARAGON UNION (Cont'd)**


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**3. SUBSTANTIAL SHAREHOLDERS**

As at the LPD, the substantial shareholders of Paragon Union are as follows:

Name of substantial shareholder	Nationality/ Country of incorporation	Direct		Indirect	
		No. of Paragon Union Shares	% <sup>(1)</sup>	No. of Paragon Union Shares	% <sup>(1)</sup>
AKK	Malaysia	39,979,794	57.82	-	-
Koon Hoi Chun	Malaysian	-	-	<sup>(2)</sup> 39,979,794	57.82

Notes:

- (1) Computed based on their respective shareholding over 69,148,260 Paragon Union Shares in issue as at the LPD (excluding Treasury Shares).
- (2) Deemed interest by virtue of his shareholding in AKK pursuant to Section 8(4) of the Act.

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## INFORMATION ON PARAGON UNION (Cont'd)

## 4. DIRECTORS AND THEIR HOLDINGS IN THE SECURITIES OF PARAGON UNION

As at the LPD, the particulars of the Directors and their respective holdings in the securities of Paragon Union are set out below:

Name of director	Nationality	Designation	Direct		Indirect		Correspondence address
			No. of Paragon Union Shares	% <sup>(1)</sup>	No. of Paragon Union Shares	% <sup>(1)</sup>	
Fung Beng Ee	Malaysian	Senior Independent Non-Executive Chairman	530,170	0.77	-	-	7, Jalan SS22A/2, Damansara Jaya, 47400 Petaling Jaya, Selangor Darul Ehsan
Lee Choon Hee	Malaysian	Executive Director	1,325,425	1.92	-	-	No. 3, Lorong Choo Lip Kung 5, Taman Taynton, Cheras, 56000 Kuala Lumpur
Lau Yoke Keen	Malaysian	Independent Non-Executive Director	530,170	0.77	-	-	60, Jalan Wangsa 1/9, Taman Wangsa Permai, 52100 Kuala Lumpur

Note:

(1) Computed based 69,148,260 Paragon Union Shares in issue as at the LPD (excluding Treasury Shares).

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**INFORMATION ON PARAGON UNION (Cont'd)**
**5. SUBSIDIARY AND ASSOCIATED COMPANIES**

The information of the subsidiary companies of Paragon Union are as follows:

Name of company	Place of incorporation	Effective equity interest (%)	Principal activities
Paragon Car Carpets & Components Sdn Bhd (" <b>PCCCSB</b> ")	Malaysia	100.0	Manufacturing and trading in car carpets and automotive components
Paragon Expression Sdn Bhd (" <b>PESB</b> ")	Malaysia	100.0	Investment holding and property development related activities
Paragon Precision Industries Sdn Bhd	Malaysia	78.0	Inactive
Paragon Metal Components Sdn Bhd	Malaysia	77.0	Inactive
Held through <u>PCCCSB</u> Paragon Carpetmaker Sdn Bhd (" <b>PCSB</b> ")	Malaysia	100.0	Manufacturing and trading in car carpets and commercial carpets
Held through <u>PCSB</u> Paragon Carpet Distributor Sdn Bhd	Malaysia	100.0	Distribution and trading in commercial carpets
Held through <u>PESB</u> Paragon Property Development Sdn Bhd	Malaysia	100.0	Inactive

As at the LPD, Paragon Union does not have any associate companies.

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## INFORMATION ON PARAGON UNION (Cont'd)

## 6. PROFIT AND DIVIDEND RECORD

A summary of the results based on the audited consolidated financial statements of Paragon Union for the past three (3) financial years up to the FYE 31 December 2019 and the unaudited consolidated financial statements of Paragon Union for the FPE 30 September 2020 are set out below:

	Audited FYE 31 December			Unaudited FPE 30 September
	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Revenue	53,702	51,455	56,382	26,410
PBT/(LBT)	(1,044)	(1,477)	1,811	(5,313)
Taxation	275	550	998	(90)
PAT/(LAT)	(769)	(927)	2,809	(5,403)
PAT/(LAT) attributable to:				
Owners of the Company	(767)	(924)	2,811	(5,401)
Non-controlling interests	(2)	(3)	(2)	(2)
Number of Paragon Union Shares in issue ('000)	<sup>(5)</sup> 64,698	<sup>(5)</sup> 64,698	<sup>(5)</sup> 64,698	<sup>(5)</sup> 66,179
Weighted average no. of Paragon Union Shares in issue ('000)	<sup>(6)</sup> 64,698	<sup>(6)</sup> 64,698	<sup>(6)</sup> 64,698	<sup>(6)</sup> 66,179
EPS/(LPS) (sen) <sup>(1)</sup>	(1.19)	(1.43)	4.35	(8.16)
Net dividend per Paragon Union Share (sen)	-	-	-	-
Total equity attributable to owners of the Company/NA (RM'000)	40,659	39,638	42,448	37,654
NA per Paragon Union Share (RM) <sup>(2)</sup>	0.63	0.61	0.66	0.57
Borrowings <sup>(3)</sup> (RM'000)	10,443	13,707	19,775	20,071
Gearing ratio (times) <sup>(4)</sup>	0.26	0.35	0.47	0.53

Source: Annual reports of Paragon Union for the past three (3) financial years up to FYE 31 December 2019 and the unaudited financial results for the 9-month FPE 30 September 2020.

Notes:

- (1) Computed by dividing the PAT/(LAT) by the weighted average number of Paragon Union Shares in issue as at the end of the financial year/period.
- (2) Computed by dividing the total equity attributable to owners of the Company by the total number of Paragon Union Shares in issue as at the end of the financial year/period (excluding treasury shares).
- (3) Exclude lease liabilities.
- (4) Computed by dividing the borrowings by the total equity attributable to owners of the Company.
- (5) Excluding 5,301,700 Paragon Union Shares held as treasury shares.
- (6) Excluding 3,821,100 Paragon Union Shares held as treasury shares.

**INFORMATION ON PARAGON UNION (Cont'd)**

The revenue contributions from the automotive segment and commercial segment for the past three (3) financial years up to the FYE 31 December 2019 and the unaudited consolidated financial statements of Paragon Union for the FPE 30 September 2020 are as follows:

**Revenue**

Business segment	Audited FYE 31 December						Unaudited FPE 30 September	
	2017		2018		2019		2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Automotive	35,055	65.3	36,230	70.4	42,566	75.5	22,718	86.0
Commercial	18,647	34.7	15,225	29.6	13,816	24.5	3,692	14.0
<b>Total</b>	<b>53,702</b>	<b>100.0</b>	<b>51,455</b>	<b>100.0</b>	<b>56,382</b>	<b>100.0</b>	<b>26,410</b>	<b>100.0</b>

Save for the material contract as set out in Section 12 of Appendix I of this IAC, there were no exceptional items in the past three (3) financial years up to the FYE 31 December 2019 and the 9-month FPE 30 September 2020.

The financial performance in respect of each of the three (3) audited financial years for FYE 31 December 2017 to FYE 31 December 2019 and unaudited FPE 30 September 2020 under review are summarised as follows:

**FYE 31 December 2017**

Paragon Union recorded a revenue of approximately RM53.70 million in the FYE 31 December 2017, representing a decrease of approximately RM13.72 million or 20.35% from the previous financial year. The decrease in revenue was mainly due to the pressure of lower sales from both the automotive and commercial sectors, as well as softer economic climate experienced during the financial year, which had adversely affected the overall performance of the Group.

For the FYE 31 December 2017, the automotive segment contributed approximately 65% to the total revenue of the Group while the commercial segment contributed approximately 35% to the total revenue of the Group.

Paragon Union recorded a LAT of approximately RM0.77 million in the FYE 31 December 2017, compared to a PAT of approximately RM3.77 million in the previous financial year. The LAT was in tandem with the decrease in revenue due to lower sales.

**FYE 31 December 2018**

Paragon Union recorded revenue of approximately RM51.46 million in the FYE 31 December 2018, representing a decrease of approximately RM2.24 million or 4.17% from the previous financial year. The decrease in revenue was attributed to the continual pressure of lower sales from the commercial sector.

For the FYE 31 December 2018, the automotive segment contributed approximately 70% to the total revenue of the Group while the commercial segment contributed approximately 30% to the total revenue of the Group.

Paragon Union recorded a LAT of approximately RM0.93 million in the FYE 31 December 2018, compared to a LAT of RM0.77 million in the previous financial year. The increase in LAT was in tandem with the decrease in revenue.

**FYE 31 December 2019**

Paragon Union recorded revenue of approximately RM56.38 million in the FYE 31 December 2019, representing an increase of approximately RM4.92 million or 9.56% from the previous financial year.

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**INFORMATION ON PARAGON UNION (Cont'd)**

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For the FYE 31 December 2019, the automotive segment contributed approximately 75% to the total revenue of the Group while the commercial segment contributed approximately 25% to the total revenue of the Group.

Paragon Union recorded a PAT of approximately RM2.81 million in the FYE 31 December 2019, as opposed to a LAT of approximately RM0.93 million in the previous financial year. The Group recorded PAT for the FYE 31 December 2019 mainly due to the one-off reversal of impairment losses amounting to RM13.0 million in relation to a settlement of a material litigation pursuant to the Settlement Agreement as disclosed in Section 12 of Appendix I of this IAC. The Group would have recorded a loss for the FYE 31 December 2019 if it were not for the aforementioned one-off reversal of impairment losses.

**9-month FPE 30 September 2020**

Paragon Union recorded revenue of approximately RM26.41 million in the 9-month FPE 30 September 2020, representing a decrease of approximately RM15.24 million or 36.59% from the corresponding 9-month period of the preceding year. The decrease in revenue was mainly attributed to decreased sales in both the automotive and commercial sectors as a result of the COVID-19 outbreak pandemic, the nationwide MCO and the Enhanced MCO imposed by the Government of Malaysia which affected the Group's operations in Selangor.

For the 9-month FPE 30 September 2020, the automotive segment contributed approximately 86% to the total revenue of the Group while the commercial segment contributed approximately 14% to the total revenue of the Group.

Consequentially, Paragon Union recorded a LAT of approximately RM5.40 million in the 9-month FPE 30 September 2020, representing an increase of LAT of approximately RM3.53 million or 187.70% from the corresponding 9-month period of the preceding year. This increase in LAT was in tandem with the decrease in revenue due to the COVID-19 outbreak pandemic.

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## INFORMATION ON PARAGON UNION (Cont'd)

## 7. STATEMENT OF ASSETS AND LIABILITIES

The statement of assets and liabilities of Paragon Union Group based on its audited consolidated financial statements as at 31 December 2018 and 31 December 2019, as well as the unaudited consolidated financial statements as at 30 September 2019 and 30 September 2020, are set out below:

	Audited as at 31 December		Unaudited as at 30 September	
	2018	2019	2019	2020
	RM'000	RM'000	RM'000	RM'000
<b>Non-Current Assets</b>				
PPE	26,995	37,327	25,432	37,732
	<b>26,995</b>	<b>37,327</b>	<b>25,432</b>	<b>37,732</b>
<b>Current Assets</b>				
Inventories	22,226	21,082	26,195	21,423
Trade receivables	8,865	8,506	9,376	5,615
Other receivables	4,872	2,815	1,947	2,743
Tax recoverable	174	383	-	-
Cash and bank balances	749	2,289	118	1,352
	36,886	35,075	37,636	31,133
<b>Total assets</b>	<b>63,881</b>	<b>72,402</b>	<b>63,068</b>	<b>68,865</b>
<b>Equity</b>				
Share capital	70,000	70,000	70,000	69,146
Share grant reserves	-	-	-	248
Merger reserves	(4,618)	(4,618)	(4,618)	(4,618)
Treasury shares	(4,221)	(4,221)	(4,221)	(3,041)
Accumulated losses	(21,491)	(18,680)	(22,850)	(24,081)
Equity attributable to the owners of the parent	39,670	42,481	38,311	37,654
Non-controlling interests	(31)	(33)	(31)	(35)
<b>Total equity</b>	<b>39,639</b>	<b>42,448</b>	<b>38,280</b>	<b>37,619</b>
<b>Non-Current Liabilities</b>				
Lease liabilities	1,180	701	1,172	1,853
Bank borrowings	1,579	11,408	5,891	11,117
Deferred tax liabilities	1,866	908	1,934	999
	4,625	13,017	8,997	13,969
<b>Current Liabilities</b>				
Trade payables	4,105	3,932	3,950	5,080
Other payables	2,757	4,118	784	3,033
Lease liabilities	627	483	136	210
Bank borrowings	12,128	8,366	10,659	8,954
Tax payable	*-	38	262	-
	19,617	16,937	15,791	17,277
<b>Total liabilities</b>	<b>24,242</b>	<b>29,954</b>	<b>24,788</b>	<b>31,246</b>
<b>Total equity and liabilities</b>	<b>63,881</b>	<b>72,402</b>	<b>63,068</b>	<b>68,865</b>

Source: Annual reports of Paragon Union for the FYE 31 December 2018 and FYE 31 December 2019, and the unaudited financial results for the FPE 30 September 2019 and FPE 30 September 2020.

Note:

\* Negligible.

**INFORMATION ON PARAGON UNION (Cont'd)**

As at the LPD, there was no material change in the financial position of the Paragon Union Group subsequent to the last published audited financial statements for the FYE 31 December 2019.

**8. ACCOUNTING POLICIES**

Based on the audited financial statements of Paragon Union for the FYE 31 December 2017 to FYE 31 December 2019, the financial statements have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Act in Malaysia and there was no audit qualification for Paragon Union's financial statements for the respective financial years under review.

Save for the adoption of MFRS 16 Leases for the FYE 31 December 2019, which is effective for the financial period beginning 1 January 2019 there is no change in the accounting standards adopted by Paragon Union which would result in a material variation to the comparable figures for the consolidated financial statements of Paragon Union for the FYE 31 December 2017 to 31 December 2019, aside from reclassification.

**9. BORROWINGS**

As at 31 December 2020 which is not more than three (3) months preceding the LPD, Paragon Union Group had total outstanding borrowings (exclude lease liabilities) of approximately RM22.50 million as set out below:

<b>Borrowings</b>	<b>(RM'000)</b>
<b>Short-term borrowings</b>	
Bills payable	3,540
Bank overdrafts	6,831
Term loans	662
	<b>11,033</b>
<b>Long-term borrowings:</b>	
Term loans	11,463
<b>Total borrowings</b>	<b>22,496</b>

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**INFORMATION ON PARAGON UNION (Cont'd)**


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**10. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES****(a) Material commitments**

As at the LPD, Paragon Union Group had not incurred or known to have incurred any material commitments, which will or may have a material effect on the results or financial position of Paragon Union Group.

**(b) Contingent liabilities**

Save as disclosed below, as at the LPD, there were no contingent liabilities, incurred or known to be incurred, which upon becoming enforceable, may have a substantial impact on the ability of Paragon Union Group to meet its obligations, as and when they fall due:

<b>Contingent liabilities</b>	<b>(RM'000)</b>
<b>Corporate guarantee extended to financial institutions for facilities granted to subsidiaries of Paragon Union</b>	
- Limit of guarantee	27,900
- Amount utilised	22,496

**11. MATERIAL LITIGATION, CLAIMS OR ARBITRATION**

As at the LPD, Paragon Union Group has not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, which may have a material effect on its financial position and the Directors do not have any knowledge of any proceedings, pending or threatened against Paragon Union Group or of any facts likely to give rise to any proceedings, which might materially and adversely affect the financial position or business of Paragon Union Group.

**12. MATERIAL CONTRACTS**

Save as disclosed below, as at the LPD, there were no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by Paragon Union Group during the past two (2) years before the commencement of the Offer Period and up to the LPD.

The settlement agreement dated 18 February 2019 between Paragon Union and Prestamewah Development Sdn. Bhd. ("**PDSB**") and Lim Jun Wai ("**LJW**") for total reduced sum of RM13,500,000 (PDSB's portion) and RM3,000,000 (LJW's portion) in which the total settlement sum of RM16,500,000 as the full and final settlement of the Judgement of the Court of Appeal dated 16 March 2018 in Civil Appeal No. W-02(NCC)(w)-1202-07/2014 which ordered that PDSB and LJW to refund the sum of RM18,000,000, being the judgement sum to Paragon Union. The refund of RM18,000,000 to Paragon Union is in relation to the termination of the sales and shares agreement on 10 March 2019 which was entered into with PDSB and LJW on 19 August 2018 to acquire 1,000,000 ordinary shares representing the entire issued share capital of Dominion Park Sdn Bhd for a cash consideration of RM18,000,000. The termination was due to PDSB and LJW failing to provide the completion documents as stipulated in the sales and shares agreement and that both PDSB and LJW had also failed to remedy the same within the stipulated 14 days from the date of receipt by them of Paragon Union's notice requiring such remedy.

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**INFORMATION ON PARAGON UNION (Cont'd)**


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**13. HISTORICAL MARKET PRICES OF PARAGON UNION SHARES**

The monthly highest and lowest prices of Paragon Union Shares as traded on Bursa Securities for the past twelve (12) months from February 2020 to January 2021 are set out below:

	<b>High (RM)</b>	<b>Low (RM)</b>
<b>2020</b>		
February	0.250	0.210
March	0.240	0.180
April	0.270	0.180
May	0.280	0.220
June	0.290	0.190
July	0.275	0.220
August	0.315	0.250
September	0.350	0.270
October	0.610	0.270
November	0.570	0.390
December	0.710	0.500
<b>2021</b>		
January	1.380	0.620
Last transacted market price on 21 January 2020 being the last full trading day prior to the date of the Notice		1.05
Last transacted market price on the LPD		1.95

(Source: Bloomberg)

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**FURTHER INFORMATION**

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**1. CONSENT**

Malacca Securities has given and has not subsequently withdrawn its written consent to the inclusion in this IAC of its name, letter and all references thereto in the form and context in which it appears.

HLIB has given and has not subsequently withdrawn its written consent to the inclusion in this IAC of its name and all references thereto in the form and context in which it appears.

The Valuer has given and has not subsequently withdrawn its written consent to the inclusion in this IAC of its name and all references thereto in the form and context in which it appears.

**2. DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES****2.1 By Paragon Union****(a) Disclosure of interests in the Offeror**

Paragon Union does not have any interest, whether direct or indirect, in any voting shares or convertible securities of AKK as at the LPD.

**(b) Dealing in the securities of the Offeror**

Paragon Union has not dealt, directly or indirectly, in any voting shares or convertible securities of AKK during the period commencing six (6) months before the date of the Notice and ending on the LPD.

**(c) Dealing in the securities of Paragon Union**

Paragon Union has not dealt, directly or indirectly, in securities of Paragon Union during the period commencing six (6) months before the Offer Period and ending on the LPD.

**2.2 By the Directors****(a) Disclosure of interests in the Offeror**

The Directors do not have any interest, whether direct or indirect, in any securities of AKK as at LPD.

**(b) Dealing in the securities of the Offeror**

The Directors have not dealt, directly or indirectly, in any securities of AKK during the period commencing six (6) months before the date of the Notice and ending on the LPD.

**(c) Disclosure of interests in Paragon Union**

The disclosure of interests of the Directors in accordance with the disclosure requirements of the Rules are set out in Section 4 of Appendix I of this IAC.

## FURTHER INFORMATION (Cont'd)

## (d) Dealing in Paragon Union Shares

Save as disclosed below, the Directors have not dealt, directly or indirectly, in securities of Paragon Union during the period commencing six (6) months before the date of the Notice and ending on the LPD:

Name	Date	Nature of transaction	No. of Paragon Union Shares transacted	Transacted price per Paragon Union Share (RM)	Total consideration <sup>(1)</sup> (RM)	Percentage of shareholding <sup>(2)</sup> (%)
Fung Beng Ee	30 July 2020	Paragon Union Shares are granted to him pursuant to the ESS	159,000	Nil	Nil	0.23
Lee Choon Hee	30 July 2020	Paragon Union Shares are granted to him pursuant to the ESS	397,500	Nil	Nil	0.57
Lau Yoke Keen	30 July 2020	Paragon Union Shares are granted to him pursuant to the ESS	159,000	Nil	Nil	0.23
Fung Beng Ee	15 February 2021	Paragon Union Shares are granted to him pursuant to the ESS	371,170	Nil	Nil	0.54
Lee Choon Hee	15 February 2021	Paragon Union Shares are granted to him pursuant to the ESS	927,925	Nil	Nil	1.34
Lau Yoke Keen	15 February 2021	Paragon Union Shares are granted to him pursuant to the ESS	371,170	Nil	Nil	0.54

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**FURTHER INFORMATION (Cont'd)**

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Notes:

- (1) *The total consideration excludes brokerage and other incidental costs.*
- (2) *Computed based 69,148,260 Paragon Union Shares in issue as at the LPD (excluding Treasury Shares).*

**2.3 By the persons with whom Paragon Union or any persons acting in concert with it has any arrangement**

As at the LPD, there is no person with whom Paragon Union or any persons acting in concert with it has entered into any arrangement including any arrangement involving rights over shares, any indemnity arrangement, and any agreement or understanding, formal or informal, of whatever nature, relating to Paragon Union Shares which may be an inducement to deal or to refrain from dealing.

**2.4 By the persons with whom Paragon Union or any persons acting in concert with it has borrowed or lent**

As at the LPD, there is no person with whom Paragon Union or any persons acting in concert with it has borrowed or lent any Paragon Union Shares.

**3. DISCLOSURE OF INTERESTS BY MALACCA SECURITIES AND FUNDS WHOSE INVESTMENTS ARE MANAGED BY MALACCA SECURITIES ON A DISCRETIONARY BASIS**

As at the LPD, Malacca Securities and funds whose investments are managed by Malacca Securities on a discretionary basis, do not have any interest, whether direct or indirect, in any voting shares, voting rights or convertible securities of Paragon Union.

**4. ARRANGEMENT AFFECTING DIRECTORS**

- (a) As at the LPD, no payment or other benefits will be made or given to any Director as compensation for loss of office or otherwise in connection with the Offer.
- (b) As at the LPD, there is no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the outcome of the Offer.
- (c) As at the LPD, there is no material contract entered into by the Offeror in which any Director of Paragon Union has a material personal interest.

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**FURTHER INFORMATION (Cont'd)**

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**5. DIRECTORS' SERVICE AGREEMENTS**

Save as disclosed below, as at the LPD, neither Paragon Union nor its subsidiaries have any service contracts with any of its Directors or proposed Directors, which excludes contracts expiring or determinable by Paragon Union or its subsidiaries, without payment or compensation (other than statutory compensation) within twelve (12) months from the date of this IAC, which have been entered into or amended within six months before the commencement of the Offer Period or which are fixed term contracts with more than 12 months to run.

The contract of service dated 1 April 2020 between Paragon Union and Mr. Lee Choon Hee for the appointment of Mr. Lee Choon Hee as the Executive Director of Paragon Union for a duration of 24 months effective from the date of signing of the contract of service, whereby Mr. Lee Choon Hee shall undertake the tasks of managing and directing the overall running of the operational, financial and administration of the Paragon Union Group and in accordance with all directions and limitations as approved by Paragon Union and/or the Board.

**6. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of Paragon Union at Level 2, Tower 1 Avenue 5, Bangsar South City, 59200 Kuala Lumpur during normal business hours from Monday to Friday (except public holidays) up to and including the Closing Date of the Offer:

- (a) the Constitution;
- (b) the audited consolidated financial statements of the Company for the past three (3) FYE 31 December 2017 to 31 December 2019 and the latest unaudited consolidated financial statements of the Company for the FPE 30 September 2020;
- (c) a copy of the Notice;
- (d) the letters of consent as referred to in Section 1 above;
- (e) the valuation letters/reports as referred to in Section 6.1 of Part B of this IAC;
- (f) the material contract of Paragon Union Group as referred to in Section 12 of Appendix I of this IAC;
- (g) the Director's service contract as referred to in Section 5 of Appendix II of this IAC; and
- (h) the letter from SC dated 24 February 2021 notifying it has no further comments on this IAC.

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